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**Innovation in Family Firm from Developing  
Countries: The role of 'Familiness'**



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**Submitted in satisfaction of requirements for the  
degree of PhD in The University of Edinburgh**

**2014**

**Declaration of originality**

I declare that this thesis has been composed entirely by myself, with the purpose of being solely submitted for the degree of PhD in The University of Edinburgh. It embodies the result of my own work, and to the best of my knowledge, the material it contains has not been previously published or written by other person(s) except where due reference has been made.

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**Sara Jimena Lopez Gomez**

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*“If I lived 20 more years, and was able to work, how I shd. [Should] have to modify the “Origin”, and how much the views on all points will have to be modified. –Well it is a beginning, and that is something”*

Charles Darwing in letter to J. D. Hooker [22 January 1869]

In Burkhardt et al. (Eds.) (2009:36)

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To God be the glory!

*Mil gracias, Sara.*

## **ABSTRACT**

Family in business and innovation are considered vital for firm performance and economic growth. Scholars claim that studying this relationship is important, as there are ‘strong theoretical reasons’ to believe that a firm’s innovation, hence firm performance, is positively and/or negatively influenced by the family. Research on the interception of the two fields is growing in developed countries, but is still nascent in developing country contexts. Hence, this study seeks to explore and further existing knowledge on this relationship in such a context.

This investigation’ explores how family influences the firm’s innovation activities. It explores particularly the concept of ‘familiness’, which depicts those resources unique to a firm due to the involvement of the family members. Two approaches to ‘familiness’ are adopted, dimensions and resources. Concerning dimensions, three characteristics: components of involvement, essence and organisational identity were explored. The resources approach in this study includes four elements: financial, physical, human and social. In addition to this, the positive or negative nature of the family influence on each resource is considered. These two approaches of ‘familiness’ serves as the theoretical lens for understanding innovation comprehensively by taking into account the types, magnitudes, strategies and sources.

This study adopted a qualitative approach to explore this phenomenon. Data were collected from six Colombian family firms through a self-administered questionnaire, followed by in-depth semi-structured interviews with family and non-family members in the form of a multi-case study design within purposefully selected firms. Triangulation was achieved by using different sources of information, such as documents, catalogues, newspapers, websites, and academic case studies. Due to the deductive and inductive nature of this study, data were explored and thematically analysed by coding into pre-existing categories suggested by the initial conceptual framework, while new themes emerged from the data.

Results showed that when all three ‘familiness’ dimensions are present, there is an impact on the innovation activities within family firms. With respect to resources, the study highlighted the importance of the family influence on the firm’s human resource, and its impact on organisational innovation. This is particular the case when non-family members are more involved in top management teams. An intriguing finding is the relationship between the family’s foreign background and its influence of the firm’s overall innovation activities. In addition to this, by viewing the findings in this study as a whole, it is demonstrated that family firms in developing countries are innovative, which is contrary to existing studies on this subject area. Furthermore, it is advocated that this phenomenon would be better understood and further captured through the entrepreneurship lens. Hence, this is in line with recent views calling for a closer interception of family business and entrepreneurship. This study addresses these issues by weaving in Schumpeter’s ‘creative destruction’ and Kirzner’s ‘entrepreneurial discovery’ approaches to innovation to reconcile inconsistent findings in the field of ‘innovation and family firms’. This is due to all firm’s engaging in innovative activities in an incremental (Kirznerian) nature, as opposed to a ‘radical’ (Schumpeterian) one, whereby the latter has been the main focus of previous studies.

This thesis advocates the need for public and private institutions to implement family business and innovation courses at various levels throughout the country, in order to enable young generations to be expose to the challenges and opportunities that globalisation brings to developing economies. The study highlights the importance of exploring this phenomenon using the family itself as the unit of analysis, as opposed to the firm, in order to move the field forwards. Future research should test the conceptual framework that emerged from this study, both qualitatively and quantitatively, in family firms from other industries, and context within Latin America or beyond.

## **ABBREVIATIONS**

BRIC	Brazil, Russia, India, China
CAQDAS	Computer-Assisted Qualitative Data Analysis Software
CASE	Culturally-Sensitive Assessment Systems and Education
CEO	Chief Executive Officer
CIVETS	Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa
DB1	Sub-data set 1
DB2	Sub-data set 2
EU	European Union
FB	Family business
FBN-I	Family Business Network International
FBR	Family Business Review
FFI	Family Firm Institute
FM	Family Member
LA	Latin America
Non-FM	Non-Family Member
NPD	New Product Development
OECD	Organisation for Economic Co-operation and Development
R&D	Research and Development
RBV	Resource Based View Theory



SCA	Sustained Competitive Advantage
SEW	Socio-Emotional Wealth
SME	Small and Medium Sized Enterprise
STEP	Successful Transgenerational Entrepreneurship Practices
US	United States
TMT	Top Management Team
VRIN	Valuable, Rare, Inimitable, Non-substitutable

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# Chapter 1: Introduction

## 1.1 Subject of thesis

This thesis is a contribution to the understanding of innovation in family firms from developing countries. The aim is to explore how and to what extent does family influence (‘familiness’), play a role in the innovation engagement of firms from developing countries.

There is a large strand of literature on family business, as well as on innovation. However, literature on the interception of the two fields is still nascent (e.g. Gudmundson et al., 2003), whilst other areas within the FB research domain have received far more attention (e.g. Litz and Kleysen, 2001). Hence much remains unanswered, unknown, and unexplored concerning to how family businesses (FB) engage in innovation activities. For instance, Gupta et al. (2008), have acknowledged that previous studies have been predominantly conducted in developed countries, whilst research on this relationship in developing countries remains minute. Moreover, scholars (e.g. Wright et al. 2005) have advocated caution when translating significant contributions obtained from research in developed countries to developing ones, as such implications may not be necessarily applicable from one context to the other. Thus, studying the interception of these two fields in developing countries has been considered particularly important due to the FB functions in terms of innovation and entrepreneurship (Heck et al., 2008). Hence, this thesis may further knowledge as it is conducted in a developing country within Latin America, also an under researched region (De Massis, et al., 2012).

This thesis sets out to investigate the existence of differences among different types of family business. This addresses calls (e.g. Westhead and Howorth, 2007) to move away from the dichotomy of family business (FB) vs non-family business (Non-FB) and to conduct research on the heterogeneity of these organisations. This is important because FB may include small corner shops to very large multinationals, thus they face different challenges (Holland and Boulton, 1984).

This investigation aims to uncover the extent and nature of the influence that the owning family has on the business’ innovation activities. In particular, it sets out to explore “the bundle of resources that are distinctive to a firm as a result of family involvement” (Habbershon and Williams, 1999:1), otherwise known as ‘familiness’. It does so by studying it from both of the two currently accepted perspectives: dimensions (Zellweger et al., 2010) and resources (STEP project), as well as by identifying the nature (positive or negative) of such an influence. Additionally, this study sets out to further knowledge by studying this construct from a developing country perspective rather than a developed one, as the former has been largely neglected, and therefore another contribution to knowledge is achieved.

In addition to this, the investigation offers a comprehensive understanding of innovation activities in FB by exploring in parallel different aspects such as types, magnitudes, strategies, and sources of innovations. This constitutes a contribution to knowledge as it address Craig and Dibrell’s (2006) suggestion that “a more encompassing approach to capturing innovation is preferred over a more narrowly defined scale” (p. 280). Hence, it follows a rather nascent strand of studies whereby innovation is studied from a more embodied approach (e.g. Laforet, 2013; Nieto et al., 2013; Posch and Wiedenegger, 2013; Classen et al., 2014), as opposed to other studies which focus on one element of innovation such as inputs or outputs of technological innovations.

In summary, this thesis aims to further our understanding on the role of ‘familiness’ in innovation activities within family firms from developing countries. It does so by identifying a gap in the literature, investigating it with a systematic qualitative research process, uncovering relationships among the main constructs of this study, and suggesting future avenues for research that can continue to enhance this phenomenon.

## **1.2 Background to the study**

Family businesses (FB), both start-ups and established firms, have been recognised as great contributors to the world’s economy. They are considered the oldest and



currently the most predominant form of business worldwide, generating employment and wealth creation (Colli, 2003; Morck and Yeung, 2004). However, these organisations are portrayed as ‘complex systems’ due to the interaction of three elements: the family, its individuals, and the business (Eddleston et al., 2008), which constitute a ‘unique, inseparable, and synergistic resource’ (Zellweger et al., 2010), namely “‘familiness’” of these firms (Habbershon and Williams, 1999). ‘Familiness’, a construct based on the Resource Based View (RBV) theory is considered to be a solid theoretical base to study the interactions between the three aforementioned elements (Nordqvist, 2005a). Moreover, it has been advocated that it can influence the firm’s strategic behaviour, either positively (distinctive  $f+$ ) or negatively (constrictive  $f-$ ) (Habbershon et al., 2003).

In addition to this, scholars have called for a move away from the dichotomy family vs nonfamily businesses, and to address the heterogeneity of family firms (Sharma and Nordqvist, 2007; Westhead and Howorth, 2007) which might be shaped by a strong contextual factor namely culture, both internal (organisational) and external (national) (Hall et al., 2001). Hence, it is important to examine this in different contexts, such as developing countries which merit attention (Heck, et al., 2008).

With respect to innovation, previous studies have provided evidence of its impact on organisational performance, productivity, competitive advantage, and economic growth (e.g. Brown and Eisenhardt, 1995; Dess and Picken, 2001). Moreover, some researchers argue that researching innovation ‘hardly needs justification’ (Damanpour et al., 2009). Nevertheless, a large amount of research on innovation has mainly focused on developed countries and large companies whilst the innovation process in developing countries, including different size of firms remains scarce (Chudnovsky et al., 2006).

Moreover, research on the role of the family in the innovation strategy of the business remains scarce (e.g. Litz, and Kleysen, 2001; Craig, and Moores, 2006; Kraus et al., 2012). Other aspects, such as succession, sibling rivalry have been further studied, whereas innovation has yet to be prioritised as a key contribution to FB (Llach and Nordqvist, 2010). Nevertheless, there are strong theoretical reasons to

believe that innovation in FB, for instance, is different to that of Non-FB, and hence further investigation is required (Chrisman et al., 2014).

Despite the field being less researched than other fields in FB, there has been some research. This has yielded conflicting and inconclusive findings (e.g. Cassia et al., 2011), hence many questions remain. For instance, it is not clear if FB are more innovative or not when compared with their counterparts (Non-FB), or what are the specific characteristics of innovative family businesses. On the one hand, a strand of literature posits that these organisations are less innovative than non-FB as they consider that change causes conflict amongst the family members (e.g. Vago, 2004) or it is too expensive, thus it jeopardizes the family’s wealth (e.g. Morck and Yeung, 2004). On the other hand, a different strand of literature advocates for these organisations’ innovativeness due to their internal cohesiveness provided by the family (e.g. Upton et al., 2001). Moreover, there are different perspectives (e.g. agency theory, generational involvement) from which this phenomenon has been studied, with findings advocating both ends of the spectrum. In addition to this, a large number amount of research has studied technological innovations (e.g. Chrisman and Patel, 2012), whereby other types of innovations (e.g. organisational, marketing, process) have been far less researched.

Interestingly, only a limited number of recent studies have explored the phenomenon of innovation within FB, through the lens of ‘familiness’. This result is somewhat surprising as “[the] identification and isolation of a construct [‘familiness’] unique to family firms is both ground-breaking and important for family business research” (Pearson et al., 2008:949). ‘Familiness’ has also been acknowledged as possible route to find explanations with respect to why a family’s intangible assets can impact a firm’s performance (Habbershon et al., 1991:18). More specifically, Alvarez and Busenitz (2001) and Arthurs and Busenitz (2006), suggest that RVB, hence ‘familiness’, provides an important ground to understand innovation as an outcome of entrepreneurial activities in the firm. Some examples of such studies include Llach and Nordqvist (2010), Cassia et al. (2011), Cassia et al. (2012), Bresciani et al. (2013), and Matz and Ireland (2013), all of which have been conducted in developed countries. Hence, conducting this study in a developing country, constitutes a

contribution to knowledge as it add to the nascent literature exploring the phenomenon through the lens of ‘familiness’, and within a developing country.

Therefore, the aim of this investigation is pertinent to further our understanding of this phenomenon. Hence, it aims to comprehensively investigate this topic by exploring the family influence (‘familiness’) from two currently acknowledged perspectives (dimensions and resources), on a set of different aspects related to innovation, such types, magnitudes, strategy and sources of these firms within a context of a developing country. The following section provides further detail on the context in which this investigation takes place.

### **1.3 Research context**

One of the contributions of this thesis is studying the phenomena of innovation in family business within a context where little is known, whereby it addresses several calls made by scholars in the field.

Firstly, FB researchers (e.g. Bird et al., 2002; Gupta et al., 2008), have acknowledged that research in the field have been predominantly conducted in North America (US) and Europe. Similarly, De Massis et al. (2012), show that Asia, Austria, Latin America and Africa, only account for 27% of research around the world, whereas 28% of studies cover Europe, and 45% covers US. Hence research in other geographical areas around the world is needed. Particularly, researching FB in developing countries merits attention because these organisations account for countries vital economic activities and functions related to entrepreneurship and innovation (Heck et al., 2008; Rosa and Caulkins, 2013). Furthermore, Wright et al. (2005) have advised researchers to be cautious when extending theories and methodologies used in developed economies to developing ones, as the social, political, and economic contexts are unique.

Latin America has been said to be a ‘paradoxical region’ (Vassolo et al., 2011) where specific elements within it makes it a challenging environment for firms to act. Some of these elements include the permanent shift of economic and political circumstances (Hatun and Pettigrew, 2006), according to the party in power. Yet,

the region is currently acknowledged as one with the most attractive context to do business (Ernest and Young, 2010), and is the second most important region in the world after Southeast Asia (Vassolo et al., 2011). More specifically, the region’s degree of uncertainty and volatile environment depicts major challenges to (Family) Business owners and managers, requiring greater adaptability, flexibility, and change (innovation) with respect to their business strategies (Nordqvist, et al., 2011). Hence, Latin America (LA), is an interesting and promising region to locate this study.

Moreover, by focusing on one country within the LA region (Colombia), this study also takes into consideration Wright et al. (2005) statement, that the heterogeneity of emerging economies posits a further challenge for research. A decade ago, the hostility, uncertainty, and security issues affecting the country posited unanticipated challenges for firms doing business in such conditions. However, nowadays the economic conditions have been shifting and currently, Colombia is considered one the fastest growing countries (Young, 2013), and the fourth-best country to do business in LA (W.B., 2012). In addition to this, it has been included in the list of ‘CIVETS’ (Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa), representing a new set of upcoming emerging markets following the well-known BRIC countries (Brazil, Russia, India and China) (Wharton, 2011). In addition, it has recently signed trade agreements with different countries in Europe and with North America (GEM Colombia, 2012).

Colombia’s rapid growth represents both; challenges and opportunities for companies in the country. At this specific moment in time, it is important to understand whether and how firms, especially family-owned SME’s, engage in innovation activities that will provide them with the advantages to seize the opportunities that new markets and a growing middle class can offer. Hence, outperforming and contributing to the country’s economic growth. Moreover, the combination of such a hostile history with the rise of new opportunities constitutes a typical scenario of emerging or developing economies, in which rapid economic growth changes the extent of underdevelopment. For instance, when studying the relationship of entrepreneurship and growth in Uganda, another developing country, Balunywa (2009) found that macroeconomic policies, including political stability

and free market economic prices, are essential for growth, yet they are not the only condition as the role of entrepreneurs (including FB owners) is pivotal. The author explains that developing countries are benefiting from policies such as privatisation, foreign direct investment, technology and other global trends. Growth is the result of combining such circumstances, with portfolio and habitual entrepreneurs, many of who have set up family business as single firms or as economic clusters (Rosa and Scott, 1999b). Hence, Colombia constitutes a fruitful and flourishing research context to understand the role of innovation and how firms, particularly family firms, have contributed to this improvement in the country’s economic conditions, which to date remains unclear.

The following section provides further details on different aspects related to the research process undertaken.

## **1.4 Research issues**

The following section outlines key important aspects associated with this thesis. It commences by stating the research purposes and questions, as having clarity on this aspect is vital in order to accordingly design and develop the overall investigation. Following this, the theoretical and practical significance of this research will be outlined and this section will conclude by outlining the research process undertaken.

### **1.4.1 Research purpose and questions**

The purpose of this thesis is to explore the influence of the family on innovation activities in firms from developing countries. Particularly, this thesis sets out to determine how and to what extent does ‘familiness’, explored from the two currently acknowledged perspectives: dimensions and resources, influence a FB engagement in a wide range of innovation activities, including types, magnitudes, strategy and sources. The overall purpose of this thesis is to expand the understanding on how a family influence or ‘familiness’, influences innovation within family-owned firms.

Therefore, the overarching research question is:

How and to what extent does ‘familiness’ influence innovation in family firms from developing countries?

Furthermore, the sub-questions devised for this investigation are as follows:

- Rq1(a): How does familiness dimensions (component of involvement, essence approach, and organisational identity) impact on the innovation activities of FBs from developing countries?
- Rq1(b): How does familiness resources (financial, human, physical and social) impact on the innovation activities of FBs from developing countries? Is the nature of such influence positive (distinctive) or negative (constrictive) for the FBs innovation?
- Rq2(a): How do FBs from developing countries understand innovation. How innovative (or not) do these firms perceive themselves to be?
- Rq2(b): Which are the types (product, process, marketing, organisational) and magnitudes (incremental, really new, radical) of innovation exhibited by FB from developing countries?
- Rq2(c): Which types of strategies (formal, informal) and sources (internal, external, cooperation) are exhibited by FB from developing countries?

## **1.4.2 Research significance**

The objective of any research project is to leave behind a significant basis for theory and practice. This study furthers the understanding of the innovation and FB relationship (theory), and offers practical implications for practice and policy, all of which are briefly discussed in the following subsections.

### **1.4.2.1 Theoretical significance**

On a theoretical level, this thesis furthers knowledge in a number of ways. Firstly, it sets out to offer a better understanding of the intersection of FB and innovation, by

exploring it through the lens of ‘familiness’, as only few previous studies have done this. Secondly, it provides a more comprehensive understanding of the ‘familiness’ construct, by investigating it from the two current perspectives: dimensions and resources, as opposed to adopting only one of these. In doing so, this study brings to light the specific elements, within each perspective of familiness, and their impact on a FBs innovation. Thirdly, it provides a more holistic approach of the innovation construct by covering different aspects of this: types and magnitudes of innovation, as well as the understanding and self-perception that FB have on this matter, and the innovation sources and strategies undertaken by these firms. Fourthly, it aims to identify and discuss whether there are other family-related themes that may affect the FB’s engagement with innovation. Finally, it contributes to the limited literature on innovation within family firms from a developing country perspective. To the author’s best knowledge this thesis is one of the first to address this matter within this context.

In addition to theoretical contributions, there are other important aspects of this study that aid and facilitate the contributions, such as empirical and methodological (research process) aspects of the investigation. Empirical contributions include addressing the heterogeneity of FBs (e.g. Westhead and Howorth, 2007; Chua et al., 2012) and the need to study under researched areas (Nordqvist and Melin, 2010). The former, refers to moving away of the dichotomy FB vs Non-FB and studying the heterogeneity of this organisations. This is accomplished in this study by studying all family-owned firms from a wide range of sectors, sizes and generational involvement. The latter, is achieved by conducting this investigation in a developing country within the Latin America region.

Similarly, methodological contributions include the qualitative nature of this study, which are important as this furthers the existing knowledge on the complex dynamics of such organisations (e.g. Hall, 2005). In the same line, by using a previously applied self-administered questionnaire, followed by an in-depth interview, this study seeks to provide well informed cases. Finally, by adopting a deductive-inductive strategy, this study seeks to explore what, if any, other family-related themes have an impact on the firm’s innovation activities.

### **1.4.2.2 Practical significance**

In accordance with Handler’s (1989) statement on knowledge not being limited to theoretical implications but practical ones, this study aims to identify implications for practitioners, policy makers, and other institutions.

Clarifying how and to what extent, if any, family members can inhibit or spur innovation activities within the firm is important because of the acknowledged role of innovation on a firm’s competitive advantage. Hence, findings from this study can provide important recommendations for several actors within an entrepreneurial ecosystem, which can improve the external environment and macro conditions to enable FBs to develop and increase performance.

Firstly, practitioners can better understand the complex dynamics of FB, hence drive to improve them. Secondly, policy makers as well as other public and private institutions may devise new supporting mechanisms, or areas to provide support for these organisations. Finally, higher education universities may also view the findings of this study with interest, in terms of it enhancing curriculum development.

### **1.4.3 Overview of research process**

Critical realism is the philosophical post-positivist paradigm adopted for this investigation. It is positioned between the objectivity of a positivist approach, and the subjectivity of a constructivist one, whereby it believes in the existence of reality but understands it as multiple, subjective, and constructed by individuals (Guba and Lincoln, 1994).

A qualitative approach is compatible with critical realism (Blundel, 2007), and has been preferred over a quantitative one. This is so, as it has been considered to be relevant when exploring the nature of a social phenomenon (Denzin and Lincoln, 2000), whilst obtaining and preserving rich descriptions of factors and meanings in an under developed area (Silverman, 2013a), and contributing to theory building. Moreover, particularly in the field of FB, qualitative studies are desired in order to address the complex dynamics of such organisations (Hall, 2005; Heck et al., 2008).



In addition to this, a deductive-inductive research strategy is followed. Hence, a priori concepts are deductively selected from the literature, which helps to focus on the research purposes and it allows for the construction of an initial conceptual framework to guide the study. However, data were analysed inductively to allow for the emergence of relevant themes impacting the phenomenon under research.

Following this, a multiple-case study has been selected as the research design for this investigation, and there are a number of reasons to support this selection. Firstly, it is concerned with the complexity and particular nature of the case in question (Stake, 1995). Secondly, it enables “understanding the dynamics present within single settings” (Eisenhardt, 1989:533). Finally, it investigates areas that are not well known (Yin, 2009). Hence, this selection is consistent with the nature of the phenomenon herein explored, which is supported by previous studies in the FB field (e.g. Hall et al., 2001; Salvato and Melin, 2008; Kotlar and De Massis, 2013). The selection of cases occurred based on purposeful sampling, whereby they provide a good learning opportunity about the phenomenon under study (Eisenhardt, 1989; Stake, 1995; Yin, 2009). Finally, the firm has been considered as the unit of analysis, or the bounded context for this investigation.

Data were collected by means of a questionnaire developed by the researcher and in-depths interviews along with secondary data, which allowed the findings to emerge. Chapter 4 analyses and describes the findings for each one of the six firms involved. It does so in relation to the constructs deductively obtained from literature, as well as in relation to one important theme that emerged inductively from the data. In addition to this, it sets the ground for a second level of data analysis to take place in chapter 5, whereby patterns are identified and discussed in relation to theory. This process can lead the researcher to weave in new theoretical perspectives if deemed appropriate. This research will conclude with a new conceptual framework that can be further explored and tested in future research.

## 1.5 Thesis structure

This thesis consists of six chapters as illustrated in figure 1.1 and these are summarised as follows:

Chapter 1: Introduction, is the opening chapter. Its purpose is to introduce the topic of this research to the reader. In addition to this, it sets the stage for the background of the study, including the research context. It also clearly states key research issues, such as the research questions, the research significance, and an overview of the research process, before finally concluding with a summary of every chapter.

Chapter 2: Literature review, is the chapter that provides the theoretical foundations for this investigation. It commences with an introduction to the chapter’s structure, followed by the review of the three strands of literature relevant for this study: family business, innovation and the interception of both fields. The review of family business literature includes its background, evolution and relevance, as well as the definitional issues surrounding it, and positions these organisations within the context in which this study is being conducted. Moreover, it also reviews literature on RBV, and on ‘familiness’ which is a central concept in this thesis. Similarly, the innovation literature discusses its background and relevance, as well as definition issues with respect to types, magnitudes, and other related elements. Following, this chapter demonstrates that the interception of the two fields: FB and innovation is still nascent. The literature reviewed in this chapter assisted in the construction of a conceptual framework that was devised to guide this investigation. The chapter concludes with a summary.

Chapter 3: Research methodology, presents the methodology adopted for this thesis. It begins by briefly introducing the chapter, aided by the illustration of a figure that encapsulates all the stages undertaken. It then continues by revisiting the purpose and research questions as outlined previously, and discussing the researcher’s philosophical assumptions, as a standpoint for the following methodological decisions made throughout the investigation. Following on from this, the research approach, strategy, and design adopted in this investigation are presented and

explained in detail, before continuing with the discussion of the data collection and data analysis procedures. Finally, the chapter presents the research credibility, ethical issues, and research limitations, before concluding with a chapter summary.

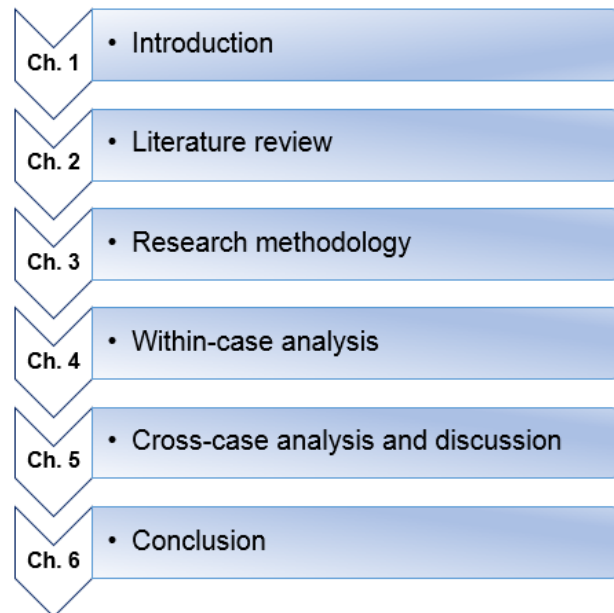
Chapter 4: Within-case analysis, corresponds to the findings chapter. After presenting a chapter introduction, it presents the case profiles for the firms involved in this investigation. The analysis of each case is followed by a systematic approach, based on a case study protocol which facilitates the search for patterns to be conducted in the following chapter. Hence, each one of the constructs deductively derived from the literature were studied extensively. Moreover, in accordance with the inductive nature of this investigation, a family-related emergent theme was also further explored and presented. The use of tables and figures to better display the data is found throughout the chapter, as well as quotes that support those findings. In addition to this, each case study concludes with a figure that summarises and presents the findings for each one of the constructs studied. The chapter concludes with tables summarising the main findings on ‘familiness’ and innovation for all the firms involved.

Chapter 5: Cross-case analysis, moves from the description of individual findings for each firm, to the search for patterns among them. It starts with a chapter introduction and this is followed by a two-stage analysis. Firstly, it explores patterns separately for ‘familiness’, including the family-related theme emerged from the literature, and innovation for each one of the six firms under study. Secondly, it compares and provides details on the patterns found between the cases and the constructs, which are then discussed in relation to previous literature and theory. Moreover, a new theoretical perspective is introduced as an alternate route to provide clarification of the phenomena studied and to reconcile the conflicting findings found in the literature. The chapter concludes by presenting and explaining the new conceptual framework, which emerged as result of this investigation, followed by a chapter summary.

Chapter 6: Conclusion, is the final chapter. Its purpose is to summarise the key findings, as well as to present this thesis’ main theoretical, empirical, and research

process contributions. It further discusses the implications for practice and policy, and suggests fruitful avenues for future research, with the aim of furthering current knowledge on innovation in family firms from developing countries. This chapter, and this thesis closes with the researcher’s final reflection on the journey as a whole in the section concluding remarks.

**Figure 1.1:** Thesis structure



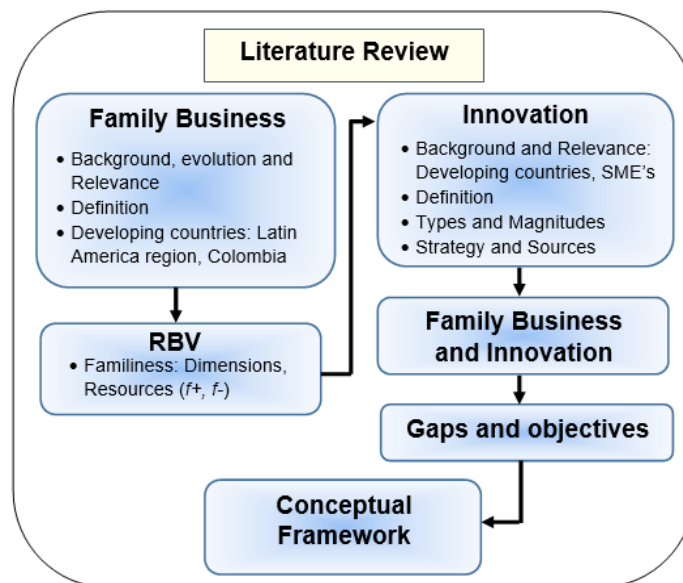
Source: Author

# Chapter 2: Literature review

## 2.1 Chapter outline

This chapter starts by reviewing the theoretical foundations of three fields: family business, innovation, and the interception of both fields. It concludes with a conceptual framework that will guide this research. It is structured as follows: Section 2.2 provides an overview of the family business field. It revisits its evolution and relevance, definitions, and provides a background to the context in which this study takes place: Colombia, a developing country within the Latin America region. Section 2.3 Analyses the Resource-Based-View Theory (RBV) literature, and within it the concept of ‘familiness’, that is central for this study. Section 2.4 examines the existing literature on innovation, including its background and relevance, definitions, types and magnitudes, as well as innovation strategies and sources. Section 2.5 reviews research undertaken in the interception of the two fields of interest in this thesis. Section 2.6 presents the research gaps and objectives, which this investigation has set out to address. Section 2.7 introduces the conceptual framework guiding this research. Finally, section 2.8 provides a chapter summary. The overview of this chapter’s structure is depicted in Figure 2.1.

**Figure 2.1:** Literature review chapter overview



Source: Author

## **2.2 Overview of family business**

### **2.2.1 Background, evolution and relevance**

Researchers (e.g. Astrachan and Shanker, 2003; Chua et al., 2003; Miller et al., 2003; Chrisman et al., 2004; Morck and Yeung, 2004) advocate that family businesses have played a significant economic role on society's development. It seems that it has had an impact on early civilisations; from Greeks and Romans, passing through the Middle Ages and the industrial revolution, reaching our present day (Bird et al., 2002). Thus, it is considered the oldest form of organised economic activity in the world (Colli, 2003).

However, an overview of the field demonstrates that research aimed at understanding it only began in the early 1950's with Calder's (1953) dissertation on the problems of small manufacturing family firms (Sharma et al., 2007). It was still very limited prior to 1975 (Handler, 1989) and only by the late 1980's and early 1990's did it start to grow and gain recognition as an academic discipline (Bird et al., 2002; Nordqvist and Melin, 2010). More interestingly, Colli and Fernandez (2014), provide a fascinating historical account of the events leading to the study of FB as an academic field. At the beginning of the 1960's, researchers were seeking to explain the rise of large corporations, whereas FB were implicitly considered as obstacles hindering the efficiency of organisations. Conversely, by the mid/end of the 1980's, as a result of rising criticism to large organisations, and the astounding success of small firms (mostly FB), a new attitude towards FB emerged. From this point onwards, the value of FB in terms of efficiency and comparative advantages gained the recognition as an academic discipline.

Therefore, in comparison with other areas of management, the family business literature is minute. However, in the last three decades, the field has experienced significant attention as an area of research (Heck et al., 2008), gaining the attention of academics, policy makers, and practitioners (Sharma et al., 2012). This is due in large part to the foundation of two institutions: the Family Firm Institute (FFI), in 1986 in The United States (Heck et al., 2008; Sharma et al., 2012); followed by the

launch of the first specific journal Family business Review (FBR) in 1988, the Family business Network International (FBN-I) in 1990, and the IFERA conference in 2001 (Heck et al., 2008). Evidence of such development can be seen by the increasing number of articles published in peer-reviewed journals, academic- and practitioners- focused conferences, the creation of family business centres and the inclusion of related courses on educational curricula's in universities all around the globe (Bird et al., 2002; Sharma et al., 2012). More recently, two other journals have been launched that specialise in publishing research on family enterprises: The Journal of Family business Strategy (2010) and the Journal of Family business Management (2011).

Furthermore, there are several review articles that provide detailed insights on the evolution of the field, and this sheds light on the understanding of the field's past, whilst allowing for the identification of promising directions for the future. Table 2.1 shows a number of such articles, some of which take the form of FB literature reviews, whilst other reviews are more specific and discuss topics, such as definitional issues, strategic management, socio-emotional wealth, methodological challenges, transitions, successions, and the use of case studies practices.

**Table 2.1:** Selection of family business literature review articles

No.	Year	Author(s)	Study subject
1	1989	Handler, W.	Methodological issues and considerations in studying FB
2	1994	Wortman, M.	Conceptual studies on Family-owned Business strategy research
3*	1995	Litz, R.	The role of family in business research
4*	1997	Sharma, P., Chrisman, J. and Chua, J.	Past research and future challenges for FB research
5*	1998	Aronoff, C.	Megatrends in FB
6*	1998	Winter, M., Fitzgerald, M., Heck, R., Haynes, G., and Danes, S.	Methodological issues for FB empirical research
7	1999	Chua, J., Chrisman, J. and Sharma, P.	Definitions of FB
8*	2002	Bird, B., Welsch, H., Astrachan, J. and Pistrui, D.	The evolution of the FB research field
9*	2003	Chua, J., Chrisman, J. and Steir, L.	The main directions for advancing FB research

10*	2003	Dyer, W.	The family variable in organisational research
11*	2004	Brockhaus, R.	FB research on management succession
12*	2004	Le Breton_Miller, I., Miller, D. and Steir, L.	The steps and determinants of the succession process
13*	2004	Sharma, P.	State of the art and future direction in FB research
14*	2004	Zahra, S. and Sharma, P.	Evaluation of FB research and possible future research directions for the field
15*	2005	Chrisman, J., Chua, J. and Sharma, P.	Trends and directions in FB research
16*	2005	Giambatista, R., Rowe, W. and Riaz, S.	succession
17*	2007	Casillas, J. and Acevedo, F.	The characteristics of FB as a differentiated field within management
18	2007	Sharma, P., Hoy, F., Astrachan, J. and Koiranen, M.	The practice-driven evolution of FB education
19*	2008	Young, M., Peng, M., Ahlstrom, D., Bruton, G. and Jiang, Y.	Corporate governance issues in emerging economies , especially concerning the conflicts between majority and minority shareholders
20*	2009	Debicki, B., Materne, C., Kellermanns, F. and Chrisman, J.	The who, where, what and why of FB research
21*	2010	Chrisman, J., Kellermanns, F., Chan, K. and Liano, Kartono	The state of the art of FB research
22	2010	Frank, H., Lueger, M., Nose, L., Suchy, D.	The concept of “familiness”: Literature review and systems theory-based reflections
23	2012	De Massis, A., Sharma, P., Chua, J. and Chrisman, J.	An annotated Bibliography of FB studies
24	2012	James, A. E., Jennings, J. E., and Breitkruz, R.	Use of business and family variables in FB research
25	2012	Sharma, P., Chrisman, J. and Gersick, K.	Reflections on the past and future perspectives for the future in 25 years of FBR
26	2012	Yu, A., Lumpkin, G., Sorenson, R. and Brigham, K.	A summary and Numerical Taxonomy of Depended Variables in FB Research
27	2012	Litz, R., Pearson, A. and Litchfield, S.	Perspectives from the field for the Future of FB research
28	2014	Goel, S; Jussila, L. and Ikaheimonen, T.	Governance in Family Firms
29	2014	Sharma, P.; Melin, L.; Nordqvist, M.	An Edited book that contains 35 sections in which most of them review different aspects of the field

Source: Author

\*Included in De Massis et al., 2012



Moreover, such growing literature reflects the importance of studying and understanding family enterprises (Venkataraman, 1997; Chua et al., 2003b; IFERA, 2003), as this form of organisation might be the most predominant form of business worldwide (Morck and Yeung, 2004). Family firms researchers have considered them to be great contributors to the world's economy by constituting around 75 - 80 per cent of functioning firms and around 77 percent of new ventures, whereby generating employment and wealth creation (Astrachan and Shanker, 2003; Miller et al., 2003; Chrisman et al., 2004).

It is important to note that numerous studies portray them as different to their counterparts, namely non-family business in the way they operate and are governed. Some of the managerial aspects that research has suggested differ amongst Family firms and non-family firms are: time orientation, meaning short-term vs long-term (Sharma et al., 1997; Dyer, 2003; Zellweger, 2007); degree to what they monitor efforts and agency costs (McConaughy, 2000; Gomez-Mejia et al., 2001; Dyer, 2003); risk aversion and conservativeness of strategic behaviour (Donckels and Frolich, 1991; Dun, 1996); non-economic or 'family' goals (Gomez-Mejia et al., 2007). Furthermore, they seem to be 'complex systems' due to the interaction of three elements: the family, its individuals, and the business, which constitute a "unique, inseparable, and synergistic resource" (Eddleston et al., 2008; Zellweger et al., 2010) influencing its strategic behaviour (Habbershon and Williams, 1999; Habbershon et al., 2003). Consequently, in current times when uncertainty characterises the business environment (Hall et al., 2001; Nordqvist et al., 2011) either via dynamism and hostility (Dess and Beard, 1984) or hyper competition (D'Aveni, 1995), the study of family businesses could not be more pertinent. That is so, as the aim is to shed light on better practices that will assist practitioners in managing its 'internal' and 'external' complexities, thus 'managing [the firm] for the long run' (Miller and Le Breton-Miller, 2005).

Moreover, some scholars have suggested that much of the existing literature on family businesses has focused on succession, leadership, sibling rivalry, ownership, governance and financial performance (Litz and Kleysen, 2001; Heck et al., 2008; Debicki et al., 2009; Yu et al., 2012), whereas other aspects of adaptation,

development and change, professionalisation, strategy formulation and innovation (Habbershon and Pistrui, 2002; Gudmundson et al., 2003; Hatum and Pettigrew, 2004; Zahra and Sharma, 2004; Craig and Dibrell, 2006; Hatum, 2007, Heck et al., 2008) are pending scrutiny as they have been understudied or even ignored. In the same line, other academics further the discussion by arguing that overall this organisational form has been largely neglected (Dyer, 2003) and remains underemphasised in research and teaching (Miller and Le Breton-Miller, 2007). In addition, other scholars (e.g. Rosa and Bowes, 1992; Rosa and Caulkins, 2013), suggest that large amount of research in FB has been conducted from an historical or strategic management perspective, whereas other areas a social anthropology may also offer interesting insights. Consequently, there is much to be done and there are many potential areas to be explored in order to contribute and advance our understanding of family businesses (Chrisman et al., 2005; Heck et al., 2008; Reay and Whetten, 2011).

### **2.2.2 Defining family business**

*“What is a family business? People seem to understand what is meant by the term family business, yet when they try to articulate a precise definition they quickly discover that it is a very complicated phenomenon” (Lansberg et al. 1988:1)*

The previous excerpt was the opening paragraph of the first issue of the Family business Review, the first specialised, nowadays leading journal in the field. It portrays what has constituted one of the most challenging tasks for scholars in the field. Indeed, in many fields and disciplines in management (e.g. entrepreneurship and leadership) (Sharma, 2004), research has developed despite the presence of definitional issues. This posits a challenging task for each one of these fields, and family business is no exception. To date, scholars have not completely reached a formal consensus upon what constitutes a family business. Such a topic is an object of an on-going scholar conversation, as the definition selected posits consequences for research (Westhead and Cowling, 1998).

At first, researchers adopted operational definitions. All of them largely shared similar characteristics, such as family ownership, family involvement and family

control. However, such concepts did not suffice (De Massis et al., 2012a). Hence, other academics (Litz, 1995) have suggested the inclusion of intention to succession and whether the firm's members consider themselves as a family business (Chua et al., 1999; Hall et al., 2001; Sonfield and Lussier, 2004), are characteristics that are taken into account, and so several theoretical definitions have emerged. Appendix 1 provides an overview of such definitions both, operational and theoretical, as suggested by different scholars. It does not intend to provide an inclusive but rather an informative view of the ongoing conversation and evolution of the definitional issues when defining a family firm.

Consequently, in an attempt to articulate a definition of Family business some scholars have reviewed the existing literature and several intellectual streams have emerged. Some of the definitions have gained certain recognition amongst scholars, albeit to an extent as valid approaches, or providing the basis for developing existing ones further. For instance Litz, (1995) suggested two main approaches to defining family business. On one hand, the *structure-based* approach considers a business to be a family one when “ownership and managerial control are concentrated within a family unit” (p 102). On the other hand, the *intention-based* approach refers to a family business when “its members desire to increase intra-organisational family-based ownership and/or managerial control” (p. 102). This classification is considered the basis for the *component of involvement* and *essence* approach, which was more recently introduced (Chrisman et al., 2005) as a definition to distinguish a family firm vs. a non-family firm. The latter classification is of relevance for this study as it will provide the foundations for the definition of the construct ‘familiness’ as developed by (Zellweger et al., 2010), which will be further developed in section 2.4.1.

A second approach is the ‘Bulls-eye’ typology (Shanker and Astrachan, 1996), which suggests defining a family firm on a three tier level of family involvement. The broader definition, describes a little to non-involvement of the family in the firm; the middle one portrays some family involvement, and there is the intention to pass the business to other generations. Consequently, the narrow definition stresses the involvement of multiple generations in day-to-day operations and several members

engaged in managerial responsibilities. This approach is of relevance for this thesis, as it laid the criteria to code the level of presence (e.g. none, low, medium, high) of 'familiness' dimension within the studied firms (see appendices 9 for coding elements for 'familiness').

Furthermore, a number of other studies (Chua et al., 1999; Astrachan et al., 2002) have also largely contributed to the conversation. Particularly, Corbetta and Salvato (2004) acknowledge that "family firms are not a homogeneous group of organisations" (p. 360). In the same line, other scholars have called upon the understanding of the heterogeneity of such organisations (Shanker and Astrachan, 1996; Sharma and Nordqvist, 2007; Westhead and Howorth, 2007; Sharma et al., 2014). That is, they suggest considering them as being part of a continuum, as opposed of falling into a dichotomous category; namely family and non-family firms (Klein et al., 2005). Moreover, Astrachan et al. (2002) and Naldi et al. (2007) have claimed the need to identify 'fine grained' differences amongst this group of firms and suggest it could be done in terms of family involvement, generation of entrepreneurial leadership, ownership configuration or succession dynamics. After analysing empirically 964 firms from which 473 were family-owned, Chrisman and Patel (2012) confirmed "a need to take the heterogeneity of family firms more fully into account" (p. 976). Others have called for this distinction, because it is possible for them to face very different challenges according to their unique characteristics. For instance, Holland and Boulton (1984) argue that family enterprises include small corner shops to very large multinationals, and therefore cannot experience equal or even similar challenges. More recently, Sirmon et al. (2008) have suggested that it is useful to differentiate between family-influenced and family-controlled firms.

Consequently, Sharma (2004) has suggested that the current conversation on definitional issues of Family business includes three directions: operational definitions, scales of family involvement, and family typologies. Furthermore, De Massis et al. (2012a) advocate for classifying such evolution on what they call: firm-centred and family-centred approach. The first one including for instance those definitions provided by (Chua et al., 1999; Habbershon and Williams, 1999; Chrisman et al., 2005); whereas the latter includes Winter et al., (1998), and Heck

and Stafford (2001) and suggest that researchers are moving towards the use of multi-faceted and flexible definitions of family firms.

From the researcher's point of view, the latter is the result of growth and maturity as the field has been experimenting over the last years. That is, when chronologically reviewing the definitions provided by the scholars (for an example refer to Appendix 1), it seems that since it was a 'new' field the scope of the investigations were more limited. However, as the area has become a subject of scrutiny –although there is still much to do-, it is necessary to use wider lenses to understand the complexity of the phenomena and the variety of firms involved within it.

The researcher's thoughts are in line with Gomez-Mejia et al. (2011), who argue that although it is desirable to find a common ground, an identical definition might not be entirely necessary, due to the high complexity of these types of organisations. A too broad definition might include companies that are not family firms, whilst a too narrow definition can imply leaving out valuable research subjects (Handler, 1989).

Therefore, the researcher is in accordance with Westhead and Cowling (1998), and Gomez-Mejia et al. (2011) who suggest that family statistics are sensitive to the definition employed and the context of the study. Therefore, the decision to choose an adequate definition for the research gains relevance. This is also in line with other academics who point out that “The key issue here is that the researcher is clear about how he or she chooses to define a family firm, not that theorists must agree on the same definition” (Handler, 1989:262) and to “defend their choice of measures depending on the sample” (Gomez-Mejia et al., 2011:660).

Having considered the definitional issues put forward, this research adopts a definition that has been widely embraced by a number of scholars (Hall et al., 2001; Westhead et al., 2001). Particularly, it builds on the one provided by Sonfield and Lussier (2004) definition. That is, “A family business is one in which family members dominate the ownership and management of a firm and perceive their business as a ‘family business’” (p: 190).

In addition, it is important to consider that the terms ‘family business’, ‘family firm’, ‘family enterprise’ and ‘family-owned business’ will be used interchangeably throughout this thesis, yet all will be referring to family businesses.

### **2.2.3 Family business in developing countries**

As mentioned in the previous section, family business research emerged as a field in the United States and Europe. The FFI was originally founded as a national association, although ten years later expanded its mission to become an international one (Sharma et al. 2012). Therefore it does not come as a surprise that a large amount of the research conducted in the field, especially at the early stages, has been undertaken in developed countries, whereas research in developing countries has yet to be explore in much depth.

Interestingly, this tendency has begun to change as the STEP project is gaining momentum in the different regions, such as Asia and Latin America. However, the focus on developed countries still remains. For instance, Gupta et al. (2008) comment that one objective of the CASE (Culturally-Sensitive Assessment Systems and Education) project, is to seek to complement a predominantly Anglo-centric worldview of family business by expanding it to other cultures, particularly in the emerging markets. In the same line, Bird et al. (2002) argues that although there is an increase in the number of studies conducted outside the United States, a large amount of research has been based on samples and theorising from this country. Furthermore, as cited by Gupta and Levenburg (2010), on 144 country-focus family business studies, Wortman (1995) found that 58 percent of those were focused in United States, Canada or the United Kingdom. In their book ‘An annotated bibliography in family business studies’, De Massis et al. (2012) studied 215 top-cited articles published across 33 journals in the period 1996-2010 and classified 124 of them as empirical – quantitative- research. The authors claim that although between 2006 and 2010 the trend changed, “the empirical [quantitative] studies were heavily unbalanced in favour of American and European firms” (p. 48). According to their analysis, the geographical distribution of such papers is shown in table 2.2.

**Table 2.2:** Geographical distribution of quantitative empirical studies on family business between 1996 and 2010

No.	Country/Region	Quantity	Percentage
1	United States	56	45%
2	Europe	34	28%
3	Asia, Australia, Latin America and Africa	34	27%
<b>Total</b>		<b>124</b>	<b>100%</b>

Source: De Massis et al. (2012b)

A growing number of academics have been calling upon the need to address such types of organisations in other contexts, “particularly in developing, emerging, and transition economies, [where] established family firms perform important functions relative to innovation and entrepreneurship” (Heck et al., 2008: 326). Furthermore, several scholars (e.g. Diaz and Vasolo, 2012; Rosa and Caulkins, 2013) explain that studying FB in developing (emerging) economies is vital as they represent around half of global business activities, and particularly large FB are prominent and visible.

As a fruitful avenue for research, Wright et al. (2005) acknowledge that developing economies are rapidly assuming a noticeable position in world’s economy, largely due to the rapid pace of development and government policies that favour economic liberalisation. These scholars argue that in order for research to develop “there is a need to consider the extent to which theories and methodologies used to study strategy in mature, developed economies are suited to the unique, social, political and economic context as well as firm characteristics of emerging economies” (p. 2). Additionally, they point out “however, the challenge to the wholesale adoption of developed economy-based theoretical and methodological approaches in emerging economies is magnified by the heterogeneity of emerging economies” (Ibidem). Therefore, there is the need to narrow the scope in which this study will be conducted, and so the Latin America Region has been selected.

### **2.2.3.1 Family business in Latin America**

Latin America (LA) has been portrayed as a hostile and uncertain environment (Hatun, 2007; Bruton et al., 2008), where economic and political circumstances are

permanently shifting (Hatun and Pettigrew, 2006), hence “Latin America is a paradoxical region” (Vassolo et al., 2011: 22). Research suggests that some of the specific elements that present the region as a challenging environment for firms are: institutional voids, alterations to the rules of the game, poor regulation for competition and corruption, and the existence of an informal economy (Vassolo et al., 2011; Diaz and Vassolo, 2012). Furthermore, when reviewing ‘business research’ in Latin America, Olavarrieta and Villena (2014) posit several interesting findings. For example, they found that the production of business research in Latin America is very scarce, especially when compared to research in other sciences. Likewise, when compared to the United States, the participation of business research to total research is very low: 0.3% vs. 1.3% and that although research is growing, the slope of increase is lower than other sciences. Similarly, Jones (2004) provides rich details of the challenges she has faced when doing research in LA, such: gaining access, working with power and hierarchy, as well as understanding how time works in LA. The aforementioned authors suggest that ‘managing’ and ‘doing research’ in Latin America is complex, yet it is a needed task to undertake as the outcome of it could have a positive impact on the region.

However, researchers simultaneously recognise that Latin America currently offers one of the most attractive contexts to do business. Ernst and Young (2010) explain that “in some respects, it’s the best time ever to launch or grow a business in LA. Trade relationships have multiplied, economic institutions have grown much more solid and the South American economy is still small relative to its potential” (cr. Nordqvist et al., 2011:3). In line with this, Vassolo et al. (2011) comments “economically, Latin America is the second most important emerging region in the world, after Southeast Asia [...] Even though per capita income in Latin America is much lower overall than the median per capita income in the EU and US, total purchasing power in LA has increased faster than in most developed and emerging economies since the 1950’s” (p. 22).

Moreover, all these challenges affect the way businesses behave, how they develop entrepreneurial activities, make unique managerial decisions, and adapt to a changing environment. Therefore, researching how firms operate in such contexts is important



(Diaz and Vassolo, 2012), and according to some scholars (e.g. Tiffin, 2004; Brenes et al., 2006) there are a large number of family-owned business in Latin America, which need to overcome external and internal challenges. External challenges include deregulation, the opening up of markets and globalisation, and the entrance of well-managed and well-financed companies from developed countries (Poza, 1995; Martinez et al., 2007). With respect to internal challenges, this refers to managing the involvement of the family in the firm, which in this region seems to be characterised by a close integration of the business and the (extended) family. The latter is a result of Latin American families wanting to keep the family together and secure harmony (Poza, 1995; Gupta and Levenburg, 2010), and because it has been suggested that in LA, close circles like one's own family, friends and associates, hardly know any limits to how much help the other both personally and professionally (Jones, 2004). Therefore, studying family-owned firms from Latin America appears to be a fruitful context to conduct this investigation. This will further our understanding of innovation in family firms from developing countries and addresses the analysis of cultural variations in family businesses as proposed by Gupta and Levenburg (2010).

Latin American countries and businesses are heterogeneous, as each country has its own characteristics (Nordqvist et al., 2011). However, other authors who have conducted empirical studies in the region suggest that compared with other regions around the world, the region is relative homogeneous (e.g. Gomez-Mejia and Palich, 1997). Vassolo et al. (2011) acknowledge that the region is not monolithic, yet list the following as common particularities in Latin America:

- The common language is Spanish; only Brazil speaks Portuguese. However, there are large similarities within both languages which ease communication.
- Majority of the population are mainly Christians, more specifically Roman Catholic.
- Most of the countries share a common legal structure.
- There is relative lack of cross-country wars and rivalries.
- In most countries there is a strong influence of the United States.

- Immigration from the south (LA) to the north (US) which has also shaped the demographics in the US
- The most common political system is democracy; only Cuba has a non-democratically elected government.

Therefore, by initially selecting one country within the developing-Latin America region to explore the features of family-owned business in terms of innovation and the family influence, it seems a promising avenue. It will allow for a better understanding of this under investigated phenomenon, with the potential to set a new basis for further research at a cross-national or multinational level as suggested by Gupta and Levenburg (2010). Hence, this study will be conducted in Colombia.

### **2.2.3.2 Family business in Colombia**

Colombia can be seen as a promising country to undertake this research for a number of reasons. “In just a decade, Colombia has transformed itself in one of the fastest-growing countries in Latin America, and many economist expect this growth to continue” (Young, 2013:3). This is supported by different organisations and studies, such as the World Bank, which by 2012 ranked the country as the fourth-best country in Latin America to conduct business after Chile, Puerto Rico and Peru (World Bank, 2012).

Likewise, the country has been included in the list of ‘CIVETS’, which represent a new set of upcoming emerging markets following the well-known BRIC countries (Brazil, Russia, India and China). The CIVETS, namely Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa, have been introduced by scholars at Wharton Business School as markets with large potential to develop rapidly. The publication was comprised of a survey that obtained 153 responses from corporate and business leaders, whereby a significant number of them predicted that by 2020, these countries will be catching up with the BRICS (Wharton, 2011). Moreover, a number of other academic, economic, politic and managerial literatures (e.g. GEM Colombia, 2012), highlights the good momentum the country is having and praise its improvements, including the signature of different trade agreements with EU and

US, yet call for continued advancement in areas such as education, security, and infrastructure (Otis, 2011).

However, Colombia's macroeconomic environment has not always been so rosy for family firms to develop their business in the country. The hostility, uncertainty, and security issues have had an impact on business development and personal and professional development of all the family members and generations involved in the business (Gonzalez-Leon et al., 2011). It is widely known that the country went through a phase where it was threatened by guerrillas and paramilitary groups, whose violence meant that kidnappings had a significant impact on the business culture in the country, especially in family firms.

Gonzalez-Leon et al. (2011), suggest that such an impact could not have been anticipated by researchers. The authors explain that the undesirable experience of extortion, kidnapping, threat of murder, paying ransoms and/or moving out to other countries for security reasons has strengthened the ties of families that had lived through it. The authors further elaborate on the scenario that seemed to be the most likely to happen, for example if a member of an older generation was kidnapped, the younger generations had to find ways to overcome feelings of grief, face the situation, and deal with the financial burden. Once the family member was recovered, the family dynamics and entrepreneurial spirit had probably been spurred. For instance, the firm kept functioning without the sudden absence of its leader; also as it is likely that the older member went back to the firm after recovering freedom, it provided younger generations with an important lesson. Consequently, everyone worked harder to recover the capital shattered by such an event. It could be argued that these extraordinary circumstances could diminish the entrepreneurial characteristics of the family and force them to retire from any form of family-owned business; further research on this specific topic would be fruitful. However, since it is not the focus of this research, no further discussion will be included. This section depicts the hostile environment in which Colombian family firms have developed, and provides sufficient reasons to study these firms which are capable of survival and growth.

In line with discussing the state of family business aspects in the selected country, it is important to consider what has been reported by other researchers (Chua et al., 1999; Sonfield and Lussier, 2004; Beck et al., 2011). In Colombia as in many other countries extended, reliable, public-access to databases on family business is limited or non-existent. However, due to its importance and impact on the economy, academic, private and public sectors are starting to join forces more frequently to conduct studies that will shed light on this type of organisations statistics.

For instance, in 2008 an Inter-institutional committee led by the Superintendence of Companies and other institutions conducted a 'National Survey on Corporate Governance and Social Responsibility', in which an entire module was dedicated to understand such phenomena in family-owned organisations. This study was conducted between July and August 2008 and made reference to the activities conducted in 2007. The 23.499 companies subscribed to the Superintendence were approached, and a response from 7.414 companies (31.55%) was obtained. The results show that 53.70 per cent are family business, however "taking into account the dimension of the companies that filled out the survey, not all the micro and small firms in the country were included, if they were this percentage could be more than 70 percent of the Colombian business sector" (Superintendencia de Sociedades et al., 2009). Some of the most relevant findings from this study are shown in table 2.3.

In sum, table 2.3 provides an approximation of why FB are considered to play an important role in the country's economy, and some of its characteristics. For instance, it seems that in Colombia 85% of FB could be classified as SMEs. Results from table 2.3 suggest that a large number of FB in the country seem to be 'young' businesses, with many of them controlled by their first generation. This data supports the need for research on FB in such a context, whereby contributions to practitioners, policy makers, as well as other institutions could provide a better understanding of these firms' challenges and therefore support them with successful transgenerational successions. There is still much to be explored, and therefore it seems to be a promising context to study the family influence on the firm's resources, namely 'familiness', and its impact on the firm's innovative activities. 'Familiness' is a

construct that originated from the Resource Based View of the firm, and this is the focus of the next section.

**Table 2.3:** Descriptive data on Colombian family business in 2007

No.	Description	Percentage	No.
1	Companies considered as Family business*	53.7% (Out of 7.414 valid responses)	3.981
	*Based on more than 50% of shares belonging to a same family		
2	Family business by size (out of 3.981 family business)	Micro: 4% Small: 44% Medium: 37% Large: 14% ND 1%	159 1.752 1.473 557 40
	<b>Total</b>	<b>100%</b>	<b>3.981</b>
3	Generation in control	1 <sup>st</sup> : 75.8% 2 <sup>nd</sup> : 21.3% 3 <sup>rd</sup> : 2.9%	3.018 848 115
	<b>Total</b>	<b>100%</b>	<b>3.981</b>

Source: Superintendencia de Sociedades et al., 2009

## 2.3 The Resource Based View (RBV) and family business

The Resource Based View Theory (RBV), which is largely studied within the strategic management field, was originated in the economics field in the late 1950's (Penrose, 1959). It sought to answer the question "Why do some organisations perform better than others" (Barnet et al., 1994:11), suggesting that this was largely attributable to each firm's own resources (Penrose, 1959). RBV is largely influenced by the seminal work of Barney (Barney, 1986, 1991; Wernerfelt, 1984) who extended it by suggesting that in order for a competitive advantage to be sustainable, the resources needed to be valuable, rare, inimitable and non-transferable (VRIN). Thus, RBV suggests that the competitive advantage of firms depend on the heterogeneity of its resources, hence resources are viewed as the fundamental units of value creation (Mathews, 2002).

However RBV does not escape criticism. For instance, Connor (2002) suggests that RBV literature has raised more questions about competitive advantage and strategic management instead of solving them. Similarly, Priem and Butler (2001) argue that the RBV lacks managerial implications as it does not indicate how the resources are developed. In addition, Helfat et al. (2007) suggest that the sustained competitive advantage (SCA) is not achievable indefinitely as it can be reached only temporarily through dynamic capabilities. Despite such limitations, RBV has become widely known to the extent that some authors (e.g. Priem and Butler, 2001; Shukla et al., 2014) consider it the most dominant paradigm in the field of strategic management. Furthermore, Barney et al. (2001) suggest it has also been a popular theory in areas, such as human resource, entrepreneurship and international business.

RBV has gained an emerging importance in the field of family business (Nordqvist, 2005; Debicki et al., 2009). It seems to provide a solid theoretical base to study the interactions between the family, its members and the business, and its impact on the family business. This is important as it has been suggested that this interaction provides family firms with much complexity and it is difficult to imitate resources of their counterparts, namely non-family businesses (Habbershon and Williams, 1999; Cabrera-Suarez et al., 2001; Sirmon and Hitt, 2003; Chrisman et al., 2005; Eddleston et al., 2008).

Consequently, RBV has been employed in the field of Family business in a wide range of studies. Indeed, Rau (2014) states “The resource-based view is sweeping through the field of family business” (p.321). For instance, Sirmon and Hitt (2003) explore how the resources of family-owned firms can be managed in order to achieve a competitive advantage; Aldrich and Cliff (2003) studied it within entrepreneurship; Chrisman et al. (2003), further Sirmon and Hitt (2003) work by adding two other set of paths: opportunity pursued and social responsibility; Arregle et al. (2007) used this perspective within organisational social capital; Zahra et al. (2004) examines four dimensions of organisational culture in family and non-family firms and explores how it can be used to gain competitive advantage; Sharma and Manikutty (2005) make use of RBV to understand divestment decisions as part of the creative destruction-regeneration process carried out in family firms; Ensely and Pearson

(2005), investigates the behavioural dynamics of top management teams; Carney (2005) looked at it from a corporate governance perspective; Moreover, according to Chrisman et al. (2009), the fourth most influential article in the field, has been the one written by Habbershon and Williams (1999), who coin the notion of 'familiness'. The scholars employ RBV to identify the sources that make family-owned firms unique due to the involvement of the family in a firm's strategic business activities, which could lead to the generation of their competitive advantage. Furthermore, because of the heterogeneity yet the particular behaviour of these firms when compare to non-family firms, they "offer a fertile ground for further testing and refining RBV" (Rau, 2014: 326). In summary, as the application of RBV or 'familiness' in the family business field is appropriate, the next section will provide an overview and discuss previous literature related to this.

### **2.3.1 Familiness**

The term 'familiness' was first introduced by Habbershon and Williams (1999) and was initially defined by its authors as: "The bundle of resources that are distinctive to a firm as a result of family involvement" (p. 1).

Its relevance within the field of family businesses has been widely recognised. For instance, Chrisman et al. (2005) suggest that 'familiness' constitutes "a useful all-encompassing term for the sources, processes, and consequences of family involvement in terms of ownership, management, and intergenerational intention". (p. 245). More recently, Pearson et al. (2008) stated that "[the] identification and isolation of a construct ['familiness'] unique to family firms is both ground-breaking and important for family business research" (p. 949). Overall, what the authors supporting this perspective suggest is that in family businesses there are, at least, some resources that make them distinct from their counterparts' non-family business. These resources are contained within the families themselves, who are the sources of valuable, rare, inimitable and non-substitutable (VRIN) resources that can affect the firm's performance (Habbershon et al., 2003; Rau, 2014). In fact, Habbershon et al. (1991) states that "[ 'familiness' explains] why intangible assets (like trust and unity) [...] can induce superior performance" (p.18).

However, it is important to note that although in a short period of time there has been a growing body of research, and the concept of ‘familiness’ has been widely accepted by family business scholars (e.g. Chrisman et al., 2005; Naldi et al., 2007; Rutherford et al., 2006; Zellweger et al., 2010), a strand of literature suggest it has remained somewhat fuzzy (e.g. Person et al., 2008; Rutherford et al., 2008; Moores, 2009). For instance, (Chrisman, et al., 2005; Irava and Moores 2010), call upon the need for clearer definitions and measurements to bring clarity and move away from familiness as an umbrella concept. To date, it seems there is no clear understanding if the elements that constitute ‘familiness’ are developed in the family and transferred to the business, or are developed within the firm in which the family has a fundamental role (Arregle et al., 2007; Rau, 2014). Hence, scholars have called for more research that identifies the core dimensions of ‘familiness’ (Zahra and Sharma, 2004; Sharma, 2008). Recently, Rau (2014) suggests the need to understand the role of family involvement and its effect on a firm’s competitive advantage.

Hence this study explores ‘familiness’ and aims to shed light on this matter by exploring the different ‘familiness’ elements contained within two perspectives: Dimensions (Chrisman et al., 2005; Zellweger et al., 2010), and Resources (Habbershon et al., 2003; Sirmon and Hitt, 2003; Habbershon et al., 2010).

### **2.3.1.1 Familiness – dimensions**

The work on dimensions of ‘familiness’ by Chrisman et al. (2005), has been widely acknowledged. These authors were seeking to identify how family involvement is the cause of their distinctiveness, and suggested two dimensions: component of involvement approach and the essence approach. As explained earlier in section 2.3.2, it can be argued that these approaches were based on Litz (1995) ones: the structure-based and the intention-based approach. The component of involvement refers to ownership and management/control. It suggests family involvement in ownership management or control is enough to classify a firm as a family business (e.g. Pearson et al., 2008). It is also the most easily operationalised of all the dimensions. The essence approach argues that ‘family involvement must be focused and direct toward behaviours that produce distinctiveness before the firm can be



classified as a family firm” (Pearson et al., 2008:966). That is, those family components (ownership, governance, and management or control) are necessary, but not sufficient conditions to consider a firm as a family business.

Similarly, a later contribution to this area occurred in 2010 by Zellweger et al., who based their argument on Chrisman et al., (2005), and suggested a third dimension to study ‘familiness’: the organisational identity dimension. According to its authors, this recently added element follows up on the advances in the entrepreneurship literature. For instance, Chrisman et al. (2009), suggest that any business might have the influence of family (often as unpaid labour), hence it is necessary to include an element to capture “when the family is a substantive part of the firm versus merely a symbolic or supportive element” (P. 56). Therefore, this dimension takes into account how the firm sees and defines itself, its values, beliefs and goals. Table 2.4 points out the main elements within each dimension that will be explored in this study.

**Table 2.4:** ‘Familiness’ dimensions – elements

Dimension	Author(s)	Elements
Component of Involvement	Zellweger et al., 2010; Chrisman et al., 2005; Pearson et al., 2008	<ul style="list-style-type: none"> <li>• % ownership and control</li> </ul>
Essence	Zellweger et al., 2010; Pearson et al., 2008; Arregle et al., 2007	<ul style="list-style-type: none"> <li>• Transgenerational vision</li> </ul>
Organizational Identity	Zellweger et al., 2010; Sundaramurthy and Kreiner, 2008; Ravasi and Schultz, 2006; Dyer, 2006	<ul style="list-style-type: none"> <li>• Sense of oneness; shared goals and values</li> <li>• Decision-making; governance structures</li> <li>• Family concept extended to non-family members</li> <li>• Enhancing external perception of the business</li> </ul>

Source: Author. Adopted from previous literature

### 2.3.1.2 Familiness - resources

Sirmon and Hitt (2003) presented what some scholars have called “the most encompassing theoretical model [of ‘familiness’]” (Rau, 2014: 329). This model presents five different resources, namely human capital, social capital, patient

financial capital, survivability capita and governance structure costs. This model has set the foundation for subsequent refined models, such as the ‘organisational capital model’ suggested by Arregle et al. (2007), as well as the ‘transgenerational entrepreneurship’ model as proposed by Habbershon et al. (2010), which constitutes the foundation of the STEP (Strategic Transgenerational Entrepreneurship Project). The latter constitutes the base from which this investigation takes on the resource perspective. That is, this study seeks to explore four out of seven resources as suggested by proponents of this model. Such resources are: Financial capital (Sirmon and Hitt, 2003); Human capital (Puhakka, 2002); social capital (Pearson et al., 2008; Sharma, 2008), and physical capital (Miller and Le Breton-miller, 2005; Steir, 2007). Table 2.5 points out the main elements within each resource as suggested by the proponents of the model, and this will be explored in this study.

**Table 2.5:** ‘Familiness’ resources - elements

Resource	Author(s)	Elements
Financial	Sirmon and Hitt, 2003	<ul style="list-style-type: none"> <li>• Profits distribution</li> <li>• Access to financial capital</li> <li>• Patient capital</li> <li>• Survival capital</li> </ul>
Human	Sirmon and Hitt, 2003; Puhakka, 2002	<ul style="list-style-type: none"> <li>• Hiring of suboptimal FM employees</li> <li>• Attraction or retaining of Highly qualified NFM managers; experience and knowledgeable employees</li> <li>• Value of well-trained managers</li> <li>• Warm, friendly, and intimate relationships</li> <li>• Early involvement of children in business (deep firm-specific tacit knowledge)</li> </ul>
Social	Sirmon and Hitt, 2003; Pearson et al., 2008; Sharma, 2008	<ul style="list-style-type: none"> <li>• Effective/strong relationships with suppliers, customers and other organisations</li> <li>• Easy communication of the value of the firm's goods and services to potential customers</li> </ul>
Physical	Puhakka, 2002	<ul style="list-style-type: none"> <li>• Equipment acquisition</li> <li>• location/building/machinery uniqueness</li> </ul>

Source: Author. Adopted from previous literature

The researcher builds the model, by understanding and applying in this study the concept of ‘familiness’ as a concept that “addresses both the ‘what’ and the ‘how’ of

family involvement in firms” (Nordqvist and Zellweger, 2010:18). The ‘what’ component is addressed by exploring each one of the aforementioned resources. The ‘how’ component is addressed by following Habbershon et al. (2003), who follow up on their previous work (Habbershon et al., 1999), and Sirmon et al. (2003), scholar who suggest that ‘familiness’ seems to be of two natures: positive or distinctive ( $f+$ ) and negative or constrictive ( $f-$ ). A positive effect means the family contributing to the competitive advantage and performance of the firm. However, negative effects such as nepotism, lack of professionalism, feuding families, as well as sibling rivalry (Rau, S., 2014), might inhibit the firm’s performance. Both of these outcomes of the family influence on the firm have been found in subsequent research. On the one hand, Tokarczyk et al. (2007) and Zellweger et al. (2008) have found positive effects of ‘familiness’ on firm performance, whereas Stewart (2003) and Leenders and Waarts (2003) have found negative ones.

Overall, this investigation sets out to provide empirical evidence to the ‘familiness’ construct by undertaking two approaches. Firstly, it will explore the concept through a dimensions lens, as it has been recently theoretically explained by Zellweger et al. (2010). Hence, it will specifically look at the component of involvement, essence, and organisational identity dimensions. To the author’s best knowledge, this study constitutes one of the first to take into account ‘familiness’ from the dimensions approach using all three dimensions: component of involvement, Essence, and organisational identity, as opposed of taking only one of them.

Secondly, this investigation will explore the concept through a resources lens as it has been suggested by Habbershon et al., (2010). That is, this study will address the ‘what’ component of ‘familiness’ (Nordqvist and Zellweger, 2010), by the scrutiny of the financial, human, physical and social resources of the companies involved. Furthermore, it will also address the ‘how’ component (Nordqvist and Zellweger, 2010; Habbershon et al., 2003), by looking at the nature of such influence of family in each resource. That is, whether it is a positive ( $f+$ ) or negative ( $f-$ ) one. Furthermore, it is one of the first of its kind to explore both aspects of ‘familiness’, namely dimensions and resources.

To the researcher's knowledge there are only a handful of investigations exploring the relationship between 'familiness' and innovation, or at least some of its elements. For instance, Llach and Nordqvist (2010) quantitatively explore 151 Spanish firms, within the manufacturing sector. The scholars investigated differences among family and non-family firms with regards to the role of human, social, and marketing capital on innovation. They found that FB are more innovative than non-family firms. Similarly, Bresciani et al. (2013), also explore the human, social and marketing capitals of 127 Italian firms. The scholars arrive to the same conclusion as Llach and Nordqvist (2010), and that is that FB outperform non-FB in all the variables considered. Finally, Matz Carnes and Ireland (2013) explore the mediating effects of resource bundling process (e.g. stabilizing, enriching, and pioneering) on the relationship between 'familiness' and innovation. The scholars develop a theoretical model for better understanding this relationship, and suggested future avenues for research.

Hence, as research in this area is still early in its development, this investigation aims to contribute to the extension of research on 'familiness'. By taking 'familiness' from both approaches, dimensions and resources, this study seek to provide data-driven evidence about the nature of the family influence on the firm and its impact on innovation activities. More specifically, this investigation aims to uncover which element within 'familiness' dimensions and resources are key for innovation activities in FB from developing countries.

## **2.4 Overview of innovation**

### **2.4.1 Background and relevance**

According to Damanpour et al. (2009), "the study of innovation hardly needs justification as scholars, policy makers, business executives, and public administrators maintain that innovation is a primary source of economic growth, industrial change, competitive advantage, and public service" (p. 650). Interest in innovation has been growing since mid of the 20<sup>th</sup> century, with the publication of

Schumpeter's (1934, 1942) seminal books: *The Theory of Economic Development*, and *Capitalism, Socialism, and Democracy*.

Likewise, others academics (e.g. Brown and Eisenhardt, 1995; Hitt et al., 1998; Dess and Picken, 2001; Dannels, 2002; Cho, 2005) consider innovation to be the driving force for competitive advantage and firm performance, as firms need to constantly rethink and re-examine their way of conducting business due to globalisation, advances in technology and communication, new emerging markets, and rapidly changing customer demands (Hall et al., 2001). Hence, Litz and Kleysen (2001) suggest that every company is constantly threatened with obsolescence and decline, and Floyd and Lane (2000) advocate that innovation is a 'must' for firms to overcome inertial forces and remain competitive. Overall, it is necessary for firms to understand that achieving successful innovation "ultimately depends upon the readiness of the firm to see innovation less as a lottery than as a process which can be continuously improved" (Tidd et al., 2001:52), and that without an understanding of entrepreneurship and innovation "the understanding of the business landscape remains incomplete" (Shane and Venkataraman, 2000:219).

#### **2.4.1.1 Innovation in developing countries**

Evidence on the impact of innovation on organisational survival, growth and competitive advantage has been widely researched in developed countries, and much less so in developing countries (Chudnovsky, et al., 2006). Studies on stakeholders of publicly traded firms suggest that the contribution of large shareholders to their firms often depends on their identity in particular institutional environments (Classens, et al., 2000). Tidd et al. (2001) posits that the innovativeness of a small firm "is strongly conditioned by the national and regional context in which it finds itself embedded" (p. 98). Indeed, developing countries and emerging markets have to a degree, different conditions to those in developed countries, which result in a hostile business environment that inevitably affects firm performance. Some of such conditions are: weak investor protection, poor judicial systems, inefficient intellectual property protection, corrupt legal systems, under-developed capital markets and other institutional weaknesses (Khanna and Palepu, 2000). The

international business field has a body of literature dedicated to understanding the differences between developed and emerging market firms as they originate from different contexts.

Nevertheless, economists and governments all around the world have invested an important amount of resources in seeking economic growth for underdeveloped countries (World Bank, 2007). As a result, although the global ratio is still very low, many economies have witnessed important improvements in several indicators of under-development. Some of these indicators are: ratio of industrial output to total output in an economy (increasing the level of industrial and service sectors output as opposed to the ratio of agricultural, specially raw –not added value items), ratio of capital to per head of population (measuring a country's capital stock based on investments made in large industrial establishments, shipping lines, heavy manufacturing equipment, and financial assets), and poverty (populations with no or low incomes per capita, which prevents them from enjoying a high standard of living) (Balunywa, 2009). Precisely, studying innovation in emerging and developing markets is important because such important changes, as well as globalisation bring both opportunities and pressure for domestic firms to innovate and compete for long-term survival (Aghion et al., 2005). Moreover, the improvements and impact of such macro-economic conditions in the production function have led to a renaissance of entrepreneurship and entrepreneurial opportunity theories and models as it could be interpreted as innovations (Balunywa, 2009).

Nevertheless, “there is still, however, a considerable gap in our knowledge of innovation, especially at the level of the firm, in developing countries” (Bell and Pavitt, 1992: 271). Evidence of this can be found in Rosenbush et al. (2011) work, whereby 42 papers were reviewed and a meta-analysis of the relationship innovation-performance in SMEs was examined. The scholars uncovered that 19 articles were focused on North America, 13 involved firms from Europe, 6 investigated firms from Asia, and one study included Australian firms. In a similar manner, when conducting a literature review on technological innovations in the manufacturing sector between 1993 and 2003, Becheikh et al. (2006) found that out of the 15 most studied countries from a total of 137, only two were developing countries, namely

China and Taiwan. When looking at the distribution of the same papers by region, only 1 out of 108 papers reviewed or focused on South America. Therefore, several academics have recommended that further research needs to be conducted in other geographical contexts, possibly also in less-developed countries (Kim et al., 1993).

#### **2.4.1.2 Innovation in SME's**

In the same manner as a large share of innovation studies has been conducted in developed countries, research also seems to be more focused on large publicly held firms, than on SME's (Benavides-Velasco et al. 2013; Classen et al. 2014). There are a number of studies investigating the former (e.g. Chen and Hsu, 2009; Munari et al., 2010; Muñoz-Bullón and Sanchez-Bueno, 2011; Block, 2012; Chrisman and Patel, 2012), whereas a smaller number focuses on small firms (e.g. Verhees and Meulenbergh, 2009; Hausman, 2005). However, it appears to be a common practice to extend or inference results obtained from large firms to SMEs. Hence, Acs and Audretsch (1988), Chrisman et al. (2012), and Price et al. (2013), posit that findings from studies on large and public family firms are hardly transferable to family SMEs, and call upon a deep review of such assumptions as inferences built upon the observations of innovation in large firms, may be misleading, and more SME's-focus studies are needed (e.g. Kelin and Sorra, 1996),

Nevertheless, from the current research on innovation and SME's, seems to emerge a strand of literature suggesting that the majority of innovation comes from the small business sector (Kuratko and Hodgetts, 2001), and that small firms are about change and competition because they change market structure. Other studies are more specific; for instance, Brown (1998), suggested three areas of research that evidenced the close relationship between innovation and SMEs. The economics-oriented approach showed that SMEs are as important innovation drivers as large firms. The organisation-oriented approach suggested a number of factors that may contribute to a more effectively management of innovation within SME's. The project-oriented approach advocates for the importance of customers as sources of innovation for SME's. Other studies have focused on new product development (e.g. Mosey, 2005);

R&D (Raymond and St-Pierre, 2004); process innovation (e.g. Birchall et al., 1996), and hi-tech small firms (e.g. Reid and Garnsey, 1996).

Research in this area is fragmented (Laforet and Tann, 2006) and findings are conflicting. For instance, a strand of scholars (e.g. Hausman and Fontenot, 1999; Srinivasan et al., 2002) indicates that SMEs are weak at innovating because they can have fewer external contacts that overtime affects their capability to be aware of environmental changes. On the other side, another strand of scholars (e.g. Olson et al., 1995; Sivades and Dwyer, 2002; Dhal and Moreau, 2002), advocates for the positive innovativeness of SME's. These scholars suggest that these firms have an increased ability to respond to a changing environment because of closeness with customers, less bureaucracy, a more clannish structure, and the also normal operational expertise that owners of SME's have.

Hence, studies particularly investigating innovation in SME's are needed in order to better identify the elements that makes them more or less innovative. This is important as in previous section was established that that innovation is relevant for firm performance and economic growth, and SMEs account for a large number of firms all around the world. Moreover, as small firms face a whole different set of challenges when compared with large firms, such lack of financial and human capital, and completely different governance and reward structure, the question "how do small firms remain innovative when they face scares resources and have little market influence?" (Hausman, 2005:773) remains.

### **2.4.2 Definition**

Scholars (e.g. Camison-Zornoza et al., 2004) have acknowledged that there are a plethora of definitions with regards to innovation, whereby its measuring is also affected. However, most researchers (e.g. Camison-Zornoza et al., 2004), agree that it the common denominator across definitions is 'novelty' or 'newness', yet reaching a consensus on what is new, how new, and new to who is also a challenging matter (Johannessen, et al., 2001).



More broadly it could be argued that there are two types of definitions on innovation. One is theory-driven or theoretical, whereas the second is a technical one. From the theoretical perspective, a strand of literature associates innovation to the unit to which is new for. For instance, West and Farr (1990) define innovation as the “intentional introduction and application within a role, group or organisation of ideals, processes, products, or procedures, new to the relevant unit of adoption designed to significantly benefit role performance, the group, the organisation or the wider society” (p. 16). Similarly, Damanpour (1991), Innovation is defined as “a new product or service, a new production process technology, a new structure or administrative system, or a new plan or programme pertaining to organisational members” (p. 556).

Another strand of literature associates innovation to the action or process of ‘discovering’, ‘exploiting’, ‘engaging’, or ‘adopting’. This perspective may be considered an entrepreneurial one. Examples of definitions within this category are Thompson (1965), for who innovation is generating, accepting, and implementing new ideas, processes, products or services. Similarly, Crossan and Apaydin (2010), define it as the “production or adoption, assimilation, and exploitation of a value-added novelty in economic and social spheres; renewal and enlargement of products, services, and markets; development of new methods of production; and establishment of new management systems. It is both, a process, and an outcome” (p. 1155).

Moreover, is common for the terms innovation and ‘innovativeness’ to be used interchangeably. The latter comes from the entrepreneurship literature, more specifically from the Entrepreneurial Orientation construct. Lumpkin and Dess (1996), define it as “a firm’s tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services or technological processes” (p. 142). It has also been conceived as “the degree to which an individual, compared to others in the social system, is relatively early in adopting something new” (Calantone et al, 2002: 516-517). Likewise, according to Burns and Stalker’s (1961) the capacity to be innovative is the ability of an organisation to adopt or implement new ideas, processes or products perfectly.

Furthermore, technical definitions emerge as a tool used by different institutions (private and public) to provide insights on how they interpret the concept of innovation to pursue policy-making and administrative purposes. Arguably the most recognised technical definition of innovation, is the one provided by the OECD (2005), “the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practise, workplace organisation or external relations” (p. 46). This definition allows one to identify the main types of innovation that will be explored in this study, and this is developed later in this thesis.

In summary, whether the definition of innovation is studied from a theoretical or a technical perspective, it could be argued that there is consensus that for something to be understood as an innovation, it requires novelty, tangible qualities, must be the result of a deliberate action and not a coincidence, should aim to produce benefit, and be recognisable as something other than just a change to the typical routines (King and Anderson, 2002). Hence, given the current state of research on the construct of innovation and the recent intersection of the two fields of interest in this study: family business and innovation, this study follows Craig and Dibrell (2006) suggestion that “a more encompassing approach to capturing innovation is preferred over a more narrowly defined scale” (p. 280). Thus, as a starting point, this research follows previous scholars (Johannessen et al., 2001), by embracing Zaltman et al.’s (1973) definition of innovation: “any idea, practice, or material artefact perceived to be new by the relevant unit of adoption” (p. 10). This definition is adopted because to the researcher’s opinion, it covers several elements within the ‘newness’ or ‘novelty’ construct as discussed by a number of scholars. For instance, it includes what is new, new to who and how new, which can be uncovered by investigating the types and magnitudes of innovation that these firms are engaged in, as explained in the following section.

### **2.4.3 Types and magnitudes**

As Garcia and Calantone’s (2002) literature review demonstrates, “inconsistencies in labelling innovation have significantly contributed to a lack of academic advances

[...] researchers have identified various innovation types on an ad hoc basis, and this has resulted in research myopia [...] researchers often believe that their work is 'new' and 'important' when instead it just re-labels/redefines/reiterates findings from previous studies with different labelling of innovation" (p. 111). Hence, further agreement on what are the types and magnitudes of innovation is also needed.

There are a number of strands in the literature from which innovation can be studied. One approach when categorising innovation has to do with inputs, outputs and process. Innovation inputs are measured mainly from proportion of hired R&D scientists and engineers, and R&D intensity, expenditures or investments, which have been by far the longest-standing area of academic research (Smith, 2006). It has been defined as comprising both the production of new knowledge and new practical applications of new knowledge (OECD, 2005). However, this measure indicates the budgeted resources allocated to innovative activity, but does not account for its results (Acs and Audretsch, 2006), and might not capture the broad types of innovation possible as they all are not necessarily 'simmered' in R&D laboratories (Becheikh et al., 2006; Smith, 2006). Therefore, this might not reflect the innovation carried by SME's (Adams et al., 2006), as they may not have formal R&D labs or may not record them (Kleinknecht, 1987). It may also fail in account for innovations carried out by firms within the service industries, as they tend to have a low R&D (Hipp and Grupp, 2005).

Likewise, researching it from an output approach would mean measuring innovation by the different and/or new ways of doing things or new products, services, or technique (Porter, 1990), although it seems they are more likely to be considered as types of innovation, whereas patents are most often considered as innovation outputs (e.g. Hagedoorn and Cloudt, 2003; Smith, 2006). Patents, are "public contracts between an inventor and a government that grants time-limited monopoly rights to the application for the use of a technical invention" (Smith, 2006:158), and have been used by counting their registrations or applications, grants or citations (Smith, 2006). However, "most of the eighty thousand patents issued each year are worthless and are never used. Many are of moderate value, and a few are bonanzas. Still others have negative social value. They are used as 'blocking' patents to stop innovation, or

they simply are developed to keep competition out” (Shepherd, 1979:400), hence it might also not encompass all innovations. Finally, from the literature (e.g. Lopez-Fernandez et al., 2011; De Massis et al. 2013), it is possible to identify and group some activities around the innovation process: strategy and sources (Lopez-Fernandez et al., 2011) or search breadth of information (Classen et al., 2012), which will be further developed in section 2.4.4.

A second categorisation of innovation proposed by other researchers (e.g. Damanpour, 1991) is one based on technological and non-technological or administrative innovations. Technological innovation (e.g. Crossan and Apaydin, 2010; Block et al., 2013; Classen et al., 2014), seems to enjoy a long tradition of research. It is defined by Freeman (1976) as the set of activities through which a firm conceives, designs, manufactures, and introduces a new product, technology, system, or technique. More specifically, technological innovation can take two forms (Tidd et al., 2001): Product and [productive] process, the former which has been far more researched in comparison to the latter (De Massis et al., 2013). On the contrary, only in the past 15 years has there been room for other types of non-technological or administrative innovations (e.g. Birkinshaw et al., 2008; Kraus et al., 2012). These could arguably be grouped together and include the following: process innovation (Pisano, 1996); service innovation (Gallouj and Weinstein, 1997); strategic innovation (Hamel, 1998); organisational innovation (Lam, 2005) and management innovation (Adams et al., 2006; Birkinshaw et al., 2008).

Another commonly known categorisation of innovation is according to magnitude or to its concept of newness, which are terms that overlap and are used interchangeably. To begin unveiling this issue, it is important to remember that it has been widely accepted by scholars, policy makers and practitioners that nearly every definition of innovation focuses on the concept of newness. Thus, although Johannessen et al. (2001) suggest that in order to overcome this matter it seems useful and pertinent to ask the questions: what is new?, how new?, and new to who?, “because all innovation presupposes change, but not all change presupposes innovation” (p. 22), the debate is ongoing. Nevertheless, the first question (what is new) could arguably be considered as the most difficult to answer and further research might be needed to

operationalise it. However, such question has been addressed by some scholars (e.g. Kotabe and Swan, 1995; Johannessen, et al., 2001) who suggest it can be investigated in terms of new to the firm or to the market or to the industry.

**Table 2.6:** Different categories for degree of newness

No. of categories	Categories labels	Author, year
8	reformulated/new, parts/new, remerchandising/new, improvements/new, products/new, user/new, market/new, customers/new	Johnson, and Jones, 1957
5	systematic, major, minor, incremental, unrecorded	Freeman, 1994
4	niche creation, architectural, regular, revolutionary	Abernathy and Clark, 1985
	Incremental, modular, architectural, radical	Henderson and Clark, 1990
	Incremental, evolutionary market, evolutionary technical, radical	Moriarty and Kosnik, 1990
	Incremental, architectural, fusion, breakthrough	Tidd, 1995
	Incremental, market breakthrough, technological breakthrough, radial	Chandy and Tellis, 2000
3	Low innovativeness, moderate innovativeness, high innovativeness	Kleinschmidt, and Cooper, 1991
	Incremental, new generation, radically new	Wheelwright and Clarck, 1992
2	Discontinuous, continuous	Robertson, 1967; Anderson, and Tushman, 1990;
	Instrumental, ultimate	Grossman, 1970
	Variations, reorientations	Norman, 1971
	True, adoption	Maidique, and Zirger, 1984
	Original, reformulated	Yoon, and Lilien, 1985
	Innovations, renovations	Rothweel, and Gardiner, 1988
	Radical, routine	Meyers, 1989
	Evolutionary, revolutionary	Utterback, 1996
	Sustaining, disruptive	Christensen, 1997
	Really new, incremental	Schmidt, and Calantone, 1998; Song, and Montoya-Weiss, 1998
	Breakthrough, incremental	Rice et al., 1998
	Radical, incremental	Schumpeter, 1934; Stobaugh, 1988; Freeman, 1994; Lee and Na, 1994; Atuahenne-Gima, 1995; Balachandra, and Friar, 1997; Kessler, and Chakrabarti, 1999

Source: Adapted from Garcia and Calantone (2002:117)

Interestingly, the second question: how new? seems to be the most researched by scholars, yet the answers are still incomplete, and instead an abundance of typologies have resulted in more confusing and double classifications of innovations

According to Garcia and Calantone (2002), when seeking to identify innovations degree of newness, the authors have suggested at least seventeen categorisations, which these scholars have grouped in five sets according to the number of categories proposed. Table 2.6 shows these categorisations, and it seems clear that the dichotomous categorisation: radical/incremental seems to have found more echo amongst innovation academics and have been considered by some scholars (e.g. Hage, 1980) as extremes of a continuous line.

Damanpour's (1991) definitions of radical innovation which "produce fundamental changes in the activities of an organisation and represent clear departures from existing practices", and incremental innovations which "result in little departure from existing practices" (p. 561) largely capture the fundamentals of these concepts as expressed by several authors. However, the discussion on these magnitudes of innovation has been an ongoing one for long and two scholars Schumpeter (1934) and Kirzner, (1973) have contributed largely to it. For instance, Schumpeter (1934) who has been said to have coined the first definition of innovation (Hansen and Wakonen, 1997; Crossan and Apaydin, 2010), posits that entrepreneurs have this almost unique drive and will to introduce revolutionary 'new combinations' of products, production techniques, markets, supply sources, or organisational forms, bringing temporary disequilibrium to the firms, hence to the market, that will soon invite imitators to establish the lost equilibrium (Chiles et al., 2007). Hence, it is considered that Schumpeterian innovation is associated with a 'radical' nature of innovation. On the other end, Kirzner's innovation is an entrepreneurial activity which exploits new ideas not appropriated by incumbent firms (Kirzner, 1973). His theory attains that the entrepreneur is an 'arbitrageur' who corrects disequilibrium by making use of its superior alertness and opportunity discovering skills. The individual's awareness and alertness allows them to discover price misalignments and opportunities. This view on innovation has been commonly associated with an 'incremental' magnitude of innovation.

Nevertheless, Garcia and Calantone (2002) suggest a framework which seeks to capture more comprehensively innovation magnitude combining macro/micro level factors and marketing/technological discontinuities. By applying this model they suggest to maintain the ‘incremental’ and ‘radical’ magnitudes, yet to add a new one: ‘Really new innovations’. They borrow the definition of this new category from Kleinschmidt and Cooper’s (1991) ‘moderate innovativeness’ category, which the authors define as “consisting of lines to the firm, but where the products were not as innovative and new items in existing products lines for the firm” (Kleinschmidt and Cooper, 1991:243. Cr. Garcia and Calantone, 2002:122). In sum, this thesis will define really new innovations as innovations that sits in the middle between disruptive or radical innovations that change the whole industry and small or progressive modifications or incremental innovations. Really new innovations impact in their markets, hence its effect on firm’s value, is accountable for.

It is evident that there are a number of categories or typologies from which innovation can be studied. Some of them overlap and/or have been used interchangeably to describe the same or at least very similar phenomena. Hence it is important to state the stance taken by the researcher in this thesis. This research will follow the categories or types of innovation provided by the OECD’s Innovation Manual, most commonly known as the Oslo Manual (OECD, 2005). Although such a typology corresponds to what is known as a technical definition and/or types of innovation, it is important to remember that it is the outcome of several researcher’s conceptual foundations (in the case of the Oslo Manual was Rosenberg, 1976, 1982), who come together with policy makers and practitioners to interpret the concept of innovation and propose measuring indicators. Furthermore, from the researcher’s point of view it provides one of the clearest cut typologies, hence definitions of innovation, which is of special importance when discussing this topic with practitioners. Hence, the four types of innovation explored in this thesis, and their definitions as described by the (OECD, 2005) are:

- Product Innovation: “Is the introduction of a good service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and

materials, incorporated software, user friendliness or other functional characteristics” (p. 48)

- Process Innovation: “Is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software” (p. 49)
- Marketing Innovation: “Is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing” (p. 49)
- Organisational Innovation: “Is the implementation of a new organisational method in the firm’s business practices, workplace organisation or external relations” (p. 51)

Furthermore, this thesis will explore four types of innovation as depicted by the OECD (2005), namely: Product, process, marketing and organisational innovations. In addition, it will investigate the magnitude or nature of such types of innovation, hence it will study whether firms are involved in incremental, really new and/or radical innovations.

#### **2.4.4 Strategy and sources**

Although De Massis et al. (2013), include the radical vs incremental innovations as strategy, this thesis follows other authors (e.g. Ramanujam and Mensh, 1985; Covin and Slevin, 1989; Dyer and Song, 1998), who consider a strategy as a formal or informal organisation’s innovation posture. This means that they aim to investigate whether innovation is something that the firm is constantly and purposefully driving for through a timed sequence of internally consistent and conditional resource allocation decisions or not. Moreover, Saleh and Wang (1993) describe three main components of an innovation strategy: risk-taking, proactiveness, and persistent commitment to innovation, and “these include top management responsibility for innovation within the organisation, including specifying and communicating a direction for innovation” (Adams et al., 2006:31). Similarly, Craig and Dibrell (2006), suggest that innovation is likely to influence, and be influenced by a firm’s strategic initiatives, processes, and organisational structure. This view is supported



by other academics who suggest that a 'strong vision' from the firm's leaders (Pinto et al., 1998), a long-term commitment to innovation and a clear allocation of resources (Cooper et al., 2004), flexibility in a firm's organisational structure (Utterback, 1971), open channels of communication, decentralisation, as well as flexibility in processes and procedures (Mintzberg, 1979) are fundamental elements of a formal innovation strategy. In the context of this study, the researcher will refer to formal, or formalisation as referred to by other scholars (Konig et al., 2013), and informal innovation strategies. Hence, a formal strategy will describe the extent to which an organisation has standardised and stabilised its processes of screening for, interpreting, and reacting to changes in the environment (Arrow, 1974; Hannan and Freeman, 1977).

Innovation sources (Lopez-Fernandez et al., 2011), alliances (Das and Teng, 2000), partners (Hagedoorn, 1993) or search breadth (Classen et al., 2012) have been defined as "the number of different external sources or partner types that firms rely upon to acquire resources for their innovative activities" (Classen et al., 2012:192). Previous research has shown that firms, especially SMEs can largely benefit from interactions with other institutions inside the innovation system (Brown and Eisenhardt, 1995). Furthermore, when studying R&D partners, Teece (1980) suggest it seems that the different relationships that can be explored, stimulates innovation in different manners. Those relationships and impacts on innovation are: internal, external and cooperation, which can also be horizontal, vertical, and institutional (Lopez-Fernandez et al., 2011). Internal sources, describes innovation as something carried out totally within the firm; which in the case of family firms, can be led by family and/or non-family members. External sources, describe innovation that has been bought or outsourced from other firms without a strong interaction of members from the involved organisations.

Finally, cooperation implies a close working relationship amongst the firm and its members with the invited partner for the development of a joint innovation. Classen et al. (2012) recall previous work seeking to understand the nature of such involvement, and agree that there are mainly three types of cooperation: horizontal, vertical and institutional. 1) Horizontal cooperation: reflects the innovation activities

carried out with competitors. According to scholars, such as Das and Teng (2000) and Miotti and Sachwald (2003), this interaction is motivated by potential synergy effects or sharing R&D costs. 2) Vertical cooperation: indicates interactions with suppliers and clients or customers. Here it seems that the motivation to choose clients over suppliers is related to the search of new ideas to reduce uncertainty associated with market introduction of innovations (Von Hippel, 1988). Whereas choosing suppliers over clients/customers seems to prevail when the objective is aimed at input quality improvements or cost introductions from process innovations (Hagedoorn, 1993). Lastly, Institutional cooperation: involves universities, government agencies, and other research institutes. Here, it seems that public agencies are involved when firms are aiming for innovation project funding (Classen et al., 2012), whereas firm interactions with research institutes and universities occur when the aim is radical breakthrough innovations (Tether, 2002; Monjon and Walebroeck, 2003).

## **2.5 Overview of family business and innovation**

As pointed out by Damanpour (1991), it is crucial to study innovation in different types of organisations as their degree of innovativeness can be differently influenced by the same variables. However, scholars have largely studied it within high-tech ventures (Koberg, et al, 1996) and large publicly-held firms (Zahra, 1993; Gudmundson, et al., 2003), but there is little research conducted on how family firms adapt and change (Hatun and Pettigrew, 2004) and more specifically “research examining the relationship between innovation and ownership structure appears to be non-existent” (Gudmundson, et al., 2003:3) as “those firms that have remained family owned have been largely ignored by innovation researchers” (Craig and Moores, 2006:1).

Similarly, family business researchers have largely studied aspects such as parental relinquishment, successor incompetence, sibling rivalry, industry evolution and so forth (Litz and Kleysen, 2001), as causes of this type of firm failures, but lack of innovation has been overlooked (Hadjimanolis, 2000; McCann et al., 2001). There is “a dearth of studies on organisational adaptation and change in family firms” (Hatun

and Pettigrew, 2004:237). Furthermore, Kraus et al. (2012) advocate that by January 2011 in the Family business Review (FBR), the major journal for Family firms research, there were only 3 papers out of a total of 23 volumes that contained the word 'innovation' in their title, which once more confirms that "although innovation has been considered in some lines of research into family businesses, it is not a key theme in the literature on the contribution and relevance of such businesses" (Llach and Nordqvist, 2010:382).

Investigating this phenomenon seems to be of relevance, as scholars believe there are 'strong theoretical reasons' to believe different antecedents and effects of innovation exist in family vs non-family firms (Hall et al., 2001; De Massis et al., 2012; Chrisman et al., 2014). For instance, some scholars suggest that the higher long-term orientation of family firms could affect the rate of disruptive innovations (Zellweger, 2007; Zellweger et al., 2012). The family's aspiration to protect their socio-emotional wealth may impact their intention of engaging in collaborative innovative projects (Gomez-Mejia et al, 2007). Furthermore, it is believed that the distinctive incentives, norms, and authority structures of such organisations might create conditions to enable or hinder innovation (Jensen and Mecling, 1976; Gedajlovic et al., 2004; Gedajlovic and Carney, 2010). The unique social capital of these, can impact the way they rely on external sources of knowledge during the firm's innovation process (Sirmon and Hitt, 2003). Hence, academics posit that "given this relevance of innovation in family firms. It appears to be necessary to learn more about the processes which favour or hinder innovations in family firms" (Roessi et al., 2010:376), and "research on innovation in family business is limited and inconclusive, though extremely important" (Beck et al., 2011: 253).

As a result of the previous, there is a steady growing interests amongst scholars and practitioners to investigate the interception of these two fields (e.g. Craig and Dibrell, 2006; Bergfel and Weber, 2011; Laforet, 2013). This means that a limited number of papers have emerged, and those that exist show inconclusive and inconsistent results (Cassia et al., 2011; De Massis et al., 2013; Matz and Ireland, 2013). To date, with respect to innovation within family firms scholars only seem to agree that there is still a clear lack of scholarly research both, conceptual and empirical, regarding the

innovative activity of family firms (Litz and Kleyen, 2001; Craig and Moores, 2006; Casia et al., 2011; Llach and Nordqvist, 2010; Robi et al., 2010; Kraus et al., 2012). Therefore, “there is potential for further study of innovation in family firms” (Craig and Moores, 2006:8).

Following Kraus et al. (2012) approach of searching for research papers containing the terms ‘family business’ and ‘innovation’ (as well as alike terms) in the titles of several academic journals, the researcher was able to identify 47 papers studying the interception of these two fields. The purpose of such list is to provide an overview of the field, and by no means the researcher intent to claim this process as a systematic literature review. However, the dynamic of the research conducted did allow for a broadly and interactively inclusion of the two most important characteristics of this method: the setting of inclusion criteria, and the strategy of locating and selecting the potential studies (Transfield et al., 2003; Becheikh et al. 2006). Purposively, papers which titles contained the words ‘technological, R&D, NPD, Patents’, were not included in the list, yet will be referred to throughout this dissertation as the richness of their findings are valuable to inform the overall literature and discussion of this thesis (see appendix 2 for complete procedure). Hence, the 47 papers selected (see appendix 3 for a detailed list) may arguably encompass what has been done so far in the field, and so this section aims to delve into this. By doing this, it lays the ground for the research objectives and gaps that this investigation aims to explore. This research ultimately seeks to contribute to the exploration and reconciliation of some of the open questions and conflicting findings in the interception of these two fields. Tables 2.7, 2.8, and 2.9, organise and groups these studies according to three categories set by the author: publication description (Table 2.7), sample description (Table 2.8), and theoretical lenses used (Table 2.9). Within each one of them a more fine grained description or characteristics of the paper is reviewed, allowing for a prompt reflection of the current state of the research.

From Table 2.7 seems appropriate to suggest that indeed this area of research is young, yet growing rapidly. In 2010, 2 articles containing the words: family firms innovation (or similar) in their titles were published, whereas in 2013 the number of articles published were 16 and there are already around 9 papers published from

early to mid-2014. This supports what authors (e.g. De Massis et al., 2013), posit that the FB field is growing. Table 2.7 also shows that the 47 papers identified in this review, originate from 30 journals. Furthermore, this review confirms what has been suggested by Krauss et al. (2012), that family business specialised journals seem to be behind the ongoing conversation. The same authors rightly point out that by January 2011 only 3 papers containing the word innovation in the title were published in FBR. This review reveals that from 2012 up to mid-2014, there have been 33 papers published in different journals that contain the words ‘innovation’ and ‘family firms’ in their titles, and only 3 of these papers have been published in FBR (the main FB journal). Furthermore, only 1 article per journal has been published in each one of the two recently launched family business specialised journals: The Journal of Family business Strategy (2010) and the Journal of Family business Management (2011) (see journals with bold font in table 2.7 for the three main journals in FB).

Similarly, there are another 20 journals in which only 1 paper with similar characteristics has been published. This provides a sense of fragmentation in the knowledge and this might be the reason for inconclusive and confusing results. A more constant and consistent publication of related work within one or few journals, would allow for the emergence and the engagement of academic conversations from which the field will benefit greatly. In addition to this, it is important to note that out of 47 journals that have been identified by De Massis et al. (2012) as “the most relevant journals where family business research was published” (p. 1), only 8 journals (see underlined journals in table 2.7) have published work on ‘innovation’ in the terms herein accounted for. Again, the researcher points out that this reading should be dealt with caution as this review does not include paper titles with the terms technological, R&D, NPD, and patents (see appendix 2). However, it does shed light on the broad, yet still under searched topic area.

**Table 2.7:** Papers on innovation and family business – publication description

Element	Details	No.
No. of papers per year of publication	2001	2
	2003	1
	2006	1
	2009	2
	2010	4
	2011	4
	2012	8
	2013	16
	2014 (as by mid-July)	9
No. of papers per journal	<b>Family business Review</b> (1 journal)	6
	<u>J. of Small Business Management</u> (1 journal)	4
	<u>Entrepreneurship, Theory and Practice</u> (1 journal)	3
	J. of Innovation and Entrepreneurship; J. of Product Innovation Management; <u>Small Business Economics; Asia Pacific J. of Management; International J. of Entrepreneurial Behaviour and Research; International J. of Entrepreneurship and Innovation Management; International J. of Entrepreneurship Venturing</u> (7 journals)	2
	<u>Academy of Management Review</u> ; Advances in Management and Applied Economies; African J. of Business Management; British J. of Management; <u>Corporate Governance: An International Review</u> ; Creativity and Innovation Management; European Management J.; European Online J. of Natural and Social Sciences; Industry and Innovation; J. of Enterprising culture; <b>J. of Family business Management; J. of Family business strategy</b> ; J. of Management and Organization; J. of Small Business and Enterprise Development; Management International Review; Management; Review Management Science; The electronic J. of Knowledge Management; World Review of Entrepreneurship, Management and Sustainable Development; ZFB. (20 journals)	1
Nature	Conceptual / Lit. Review	8
	Empirical: Quantitative	30
	Empirical: Qualitative	7
	Empirical: Mixed methods	2

Source: Author

Lastly, table 2.7 identifies 30 studies which have been conducted using a quantitative approach, as opposed to 7 studies using a qualitative one, and 2 studies using mixed methods. In addition, 8 papers were found to be of a conceptual or literature review nature. The results of this review support De Massis et al., (2012) who view “a relative lack of conceptual and qualitative studies on technological innovation in family firms” (p. 15). This was based on a review of 23 technological innovation papers, where only 4 of them were found to be based on qualitative approach.

A qualitative study provides a rich and fruitful avenue to explore a new phenomenon instead of testing theory as is the case with quantitative studies. As little is known about the topic, this research favours the adoption of a qualitative research strategy (see section 3.4 for more details).

**Table 2.8:** Papers on innovation and family business – sample description

Element	Details	No.
Context	Developed countries:	26
	Developing countries:	10
	Mix / Not specified:	3
Firm's size	SME's:	12
	Large / Public:	8
	Mix / Several:	8
	Not specified:	11
Sector	Manufacturing:	7
	Services:	0
	Mix / Several:	18
	Not specified:	14
Nature	Only FB:	14
	FB vs Non-FB:	20
	Not specified:	5

Source: Author

Table 2.8 shows the details of 39 empirical papers out of 47 studies analysed in this investigation, as 8 of those are conceptual papers. It provides evidence that the attention has been largely focused on developed countries (26) compared with (10) on developing countries. Moreover, out of the (10) papers on developing countries 6 of such papers have been published in the last two years: 2013 (4) and 2014 (2). This

demonstrates a growing attention to these markets. Furthermore, the review reveals that research has been conducted in: Taiwan (4), Turkey (2), Poland, Russia, China and India (1 paper/each), whereas no developing country from the Latin America Region has been researched. Hence, the researcher's review supports what has been advocated by FB scholar (e.g. Nordqvist and Melin, 2010; De Massis et al. 2012). For example De Massis et al (2012) posits that "there are a number of important regions where research in technological innovation in family business in underrepresented in the journal literature, including Eastern Europe, Africa, Latin America, and Asia despite these region's importance to understanding family business phenomena" (p. 15). Hence this study addresses the call to undertake research in an emerging or developing economy within Latin America.

Interestingly, this review suggests that the samples studied are constituted firstly by SME's (12) and then by large or publicly held companies (8) and a combination of them (8). Although this information should be interpreted cautiously as an important number of papers (11) do not seem to have specified the size of the firms studied. This review shows that the majority of studies have taken place in SMEs, which is in contrast to that of other scholar's account that research has taken place in large firms (e.g. Zahra, 1993). Similarly, from this table it could be suggested that a large number of studies focus on a combination of various sectors or industries (18) as opposed to looking into only manufacturing (7) or services (0). This might be the deliberate result of a large amount of quantitative studies using governmental data sets, whereby the authors wish to control for sector as each one's norms, practices, and environments might impact innovation (Damanpour, 1991; Ingram et al 2014). However, this claim must be read with caution as in some papers (14) it does not appear to be clear in which sectors were the studies conducted. Finally, the nature of the sample, that is whether all the firms studied were family vs non-family firms (20) or only family business (14), suggests that more recently scholars have taken up the call to study the heterogeneity of these organisations (Weasthead and Howorth, 2007). This study aims to compare these types of organisations amongst themselves (e.g. by size, generation, involvement), as capturing the heterogeneity of these firms



could reduce conceptual inadequacies and empirical indeterminacies, as can happen when comparing FB and non-FB (Chrisman and Patel, 2012; De Massis et al., 2012).

Finally, table 2.9 shows some of the most frequent theoretical approaches or lenses from which these studies were conducted. This table does not show the number of times that each theoretical lens has been applied, due to the interchangeable use of terms and approaches, as well as the multiple uses of several of those frameworks in a same study. However, from this table it is possible to conclude that the main theoretical lenses adopted within the family business field that have received attention are agency and Resource-Based view, which are the most cited frameworks.

**Table 2.9:** Papers on innovation and family business – theoretical lenses

Approach	Details
Family business	Agency Theory Resource-Based View (RBV): 'familiness', Social capital Stewardship F-PEC (Power, Experience, Culture) Socio Emotional Wealth (SEW)
Innovation	<b>Stage:</b> Activities: efforts, sources (search breadth), results (types) Input: R&D expenditure Output: patents (counts, citations), types (with more technological or Product and/or process innovations being researched), technological importance  <b>Magnitude:</b> Radical / discontinuous / exploitative Incremental / continuous / explorative
Other	Life cycle stages, Miles and Snow strategy typology, Stakeholders theory, critical incidents theory, learning, complex adaptive systems (CAS), Propensity Score Matching (PSM), Paradox theory, decision-makers four C's (continuity, Command, Community, Connection), Contingency theory, Ability vs Willingness, etc.

Source: Author

With respect to innovation, from the 47 papers reviewed it is clear that a large number of studies focus only on technological innovations, namely product or productive process innovations. While other innovations, such as organisational and marketing have received far less attention. These investigations seem to discuss

largely two perspectives: innovation inputs (R&D investment), outputs (e.g. number of patents and citations), and the magnitude of such innovations, with radical and incremental the most cited scales. The review also lends support to scholars (e.g. Posch and Wiedenegger, 2013) who explain that innovation activities, drivers and/or antecedents seem to have received less attention from family business and innovation scholars, and is a venue that can provide insights on this relationship. Finally, the review can account for several other lenses, approaches, frameworks or theories from which the interception of these fields has been explored. The latter, aids to complement the overview of the current state of this academic conversation and visualises further avenues for research.

In summary, as a result of such a limited number of studies and the different approaches researched, there is still no consent on what are the characteristics of innovative family-owned businesses. It is unclear whether these organisations are or are not more innovative, not only when compared against non-family businesses, but when compared among all types of diverse family firms. There are authors suggesting a negative relationship between family businesses and innovation. For instance, Gomez-Mejia et al. (2003), suggest that family-owned firms are seen as less innovative than the non-family ones perhaps as a consequence of a generalised idea that family firms are more reluctant to change (Beckhard and Dyer, 1983) and resist change as family members might believe this will cause conflict, be too expensive or just do not want to modernise (Beckhard and Dyer, 1983; Vago, 2004). Zahra et al. (2004) also considered them less innovative due to their conservative nature or risk aversion; in this line, Donckels and Frohlich (1991) found that “Most family businesses are rather risk-averse. They are more inclined to find that innovation involves too much risk [...] In addition, creativity and innovation are considered less important in family businesses than in non-family businesses” (p. 159).

Generation involvement also has been considered one of the factors contributing to a less innovative culture within family-owned firms. For instance, Kellermanns et al. (2010) and Litz and Kleysen (2001) propose that later generations seems to be more interested in preserving the family firm’s wealth, hence they assume less risks and act less proactively. In the same line, Beck et al. (2011), suggest that it is possible

that the greater formalisation in second and later-generation family firms makes the organisation less adaptive to external changes, hence showing a low level of innovation. However, other scholars (Dyer, 1988; Damanpour, 1991) suggest that when the first generation is managing the firm and due to concentrated power and decision-making authority, this may hinder innovation.

This is the same when studying R&D, for instance, Morris (1998); Morck et al. (2000); Cabrera-Suarez et al. (2001); Morck and Yeung (2004); Carney (2005), argue that family business do not invest in innovation, new ventures or R&D, they do not assume risks. They tend to be disadvantaged in technologically-advanced industries, as they might be over concerned with wealth preservation and this limits their long-term vision investment. This seems to be in line with other authors, such as Chen and Hsu (2009) and Muñoz-Bullon and Sanchez-Bueno (2011) who found a negative relationship of family involvement with R&D level of investment or intensity. More specifically, in their literature review on technological innovation, De Massis et al. (2012) found that innovation inputs, defined as R&D expenditure, seem to be largely consistent to point a negative relationship between family involvement and investments in R&D. Block (2012) suggest that this might be the case as inner family conflicts create new agency costs that lead to lower levels of R&D intensity. Munari et al. (2010) also consider this the case because of the limited risk propensity of the controlling shareholders, namely the family. Similarly, when referred to innovation outputs, as measured by the quantity or quality of patents filed, Chin et al. (2009) and Czarnitzki and Kraft (2009) found a negative relationship between family ownership and innovation, as opposed to firms with a more broadly distributed capital shares. This negative effect of family on innovation is also reported by Classen et al. (2012) due to their lower number of external sources or partners in which they rely on in order to engage in innovation activities.

When looking at the phenomena from a Socio Emotional Wealth Perspective (SEW), as coined by Gomez-Mejia et al. (2007), it appears that a family's desire to maintain the firm's control may limit its access to the investment capital resulting on the minimising of funding opportunities for very significant innovation projects (Gomez-Mejia et al., 2011; Block et al., 2013). Similarly, due to their interest in providing

careers for family members, including having a family member running the firm, they might limit the managerial competency at top management level which is required to undertake ambitious innovation projects. Hence, this results in incremental rather than radical innovations (Block et al., 2013). Also with a negative family influence, Morck and Yeung (2003) posit that this group of firms depict lower innovation when the firm has a dominant position in its market, due to agency problems, and Ellington et al. (1996) suggest that their low innovation is because they seek to maximize their profits by investing in political rent-seeking behaviour rather than innovation. Other scholars (e.g. McAdam et al., 2010) suggest that the way that family SMEs face those critical incidents (e.g. problems within the owner's family: poorly planned succession, breakdown in business partner relationships, unpaid account, and loss of major customers) can affect the companies approach to innovation.

At the same time a different group of studies suggest a positive influence of family on the firm's innovation activities. For instance, some researchers (Upton et al., 2001; Miller et al., 2003; Zahra et al., 2004) point out that because family business, are influenced by the family, may own an internal cohesiveness that reinforces innovation and change which provides them with a strategic advantage.

Similarly, when exploring this relationship through the Agency theory, Zahra (2005) suggests that the reduction of agency cost and the long-term attitude toward investment encourages the exploration of value-creating innovation. Additionally, the author suggests that family-owned firms have a more innovation-oriented culture when later generations are involved in the management of the firm. Anderson and Reeb (2003) suggest that altruism in these organisations, which reinforces an attitude toward long-term firm wealth, encourages family business to engage in innovative investments as a means to maintain their competitive advantage.

With reference to R&D investment as an input of innovation, Sirmon et al. (2008) suggest that family firms respond better to threats of imitation when compared to non-family businesses, as they reduce their R&D investment significantly. Similarly, Chrisman and Patel (2012), suggest that although family firms usually invest less in

R&D when compared with non-family companies, the variability of their investments is higher. This is especially when performance is below the expected level. However, when the performance level is above the expected one, the R&D investment increases although the variability decreases when compared to non-family firms. Furthermore, when studying the effects of family involvement on technological innovation outputs, it seems that there are a larger number of scholars that support the positive effect of the family, as opposed to a negative one. For instance, in two different studies Westhead (1997) and Gudmundson et al. (2003) found family ownership as positively associated with the offering or introduction of a broader range of product and service innovations when compared with their counterparts. Other scholars suggest that more flexible structures and decision-making process (Craig and Dibrell, 2006), and the characteristics of their human, social and marketing capital (Llach and Nordqvist, 2010) account for their more innovativeness than non-family businesses. Others authors, however, found no relationship between family involvement and innovation output (Block, 2012).

Other studies have also positively associated family involvement with technological innovation activities in the firm. For instance, Hsu and Chang (2011) posit that the strategic behavioural controls in family firms have a positive impact on innovation activities. Similarly, Cassia et al. (2012) found that in these organisations family encourages long-term thrust in NPD projects and the related activities. Craig and Moores (2006) found that the breadth and the speed at which family firms acquire information has a positive impact on their innovativeness. In addition, Cassia et al. (2011) finds that family values, the aspiration to increase the family name and reputation, as well as a high level of communication amongst family members has a positive impact on NPD. This is related to Eddleston et al. (2008) finding which shows that family firms build competitive advantages by fostering family relationships, and through it, invest in their innovative capacity. McCann et al. (2001) highlight the important role that innovation plays in the competitive market position of these firms. Furthermore, there are authors that suggest that innovation within family business is strongly related to inter-generations or succession. That is, after being very entrepreneurial the first generations want to maintain the status quo,

while the later generations are more likely to be the driving force behind innovation (Litz and Kelysen, 2001).

In an attempt to make sense of all the conflicting findings, Matz and Ireland (2013) suggest that results on family business and innovation inputs (e.g. R&D investment) ‘yields greater consistency’ in the sense that family influence has a negative effect in R&D investment. This is supported by evidence from previous studies (e.g. Chen and Hsu, 2009; Block, 2012; Chrisman and Patel, 2012; De Massis et al., 2013). However, when the relationship of family firm and innovation outputs (e.g. patents and new products or services) is studied, findings are conflicting (e.g. Gudmundson et al., 2003; Chin et al., 2009, Nordqvist and Melin, 2010). Finally, when studying innovation activities (e.g. search behaviours and decision processes), findings seems to consistently support a positive family influence in the business due to their strategic behaviour controls and more flexible decision making (Craig and Dibrell, 2006; Hsu and Chang, 2011).

From a review of literature it could be inferred that despite its importance, research on the interception of the areas of family business and innovation is still under searched. Hence, the aim of this thesis is to explore the role of the family on influencing innovation in family businesses from a developing country perspective. This entails exploring the family influence from a ‘dimensions’ and ‘resources’ lens, and the innovation characteristics of those family-influenced business (e.g. types, magnitude, sources and strategy), all of which will be further explained in the conceptual framework (section 2.7). However, prior to introducing the conceptual framework which was developed to guide this study, a summary of the research gaps and objectives are presented in the subsequent section.

## **2.6 Research gaps and objectives**

The previous section identified a number of existing research gaps in the family business and innovation literature. Firstly, family business scholar have been calling to move research from the dichotomy of comparing family firms vs non-family firms to explore the heterogeneity of this form of organisation. Similarly, the general call is

to move away from the identification of the firm resources influenced by the family (what), towards the nature of such influence (how), namely ‘familiness’. Secondly, innovation researchers have been also calling to follow a more encompassing approach to capture more comprehensively the innovation or innovativeness of firms, as opposed to a narrow scale or view. Thirdly, a large number of previous studies have been conducted in developed countries, and few of them explore this issue in developing economies, and hence largely ignored the Latin American Region. Fourthly, scholars are calling for research in SME’s. Finally, a considerable number of these studies have been conducted following a quantitative approach. Hence, and due to the early stage of this topic, more exploratory and in-depth qualitative research is needed.

Therefore, by addressing the strands of literature that have received little attention, this thesis contributes to existing literature by exploring the ‘familiness’ dimensions and resources of family firms (mostly SMEs) from a developing country within the Latin America Region, and their influence on its innovation understanding, types, magnitudes, sources and strategies. The research objectives in this study are:

- To review and analyse the current state of the literature in family business and innovation, in order to position this investigation in the ongoing academic literature.
- To identify how does the family influence FBs in developing countries, with regards to familiness dimensions and resources.
- To distinguish the innovation characteristics (understanding and self-perception; types and magnitudes; sources and strategies) within FBs in developing countries.
- To explore how and to what extent do family influence (‘familiness’) impact innovation in family business from developing countries.

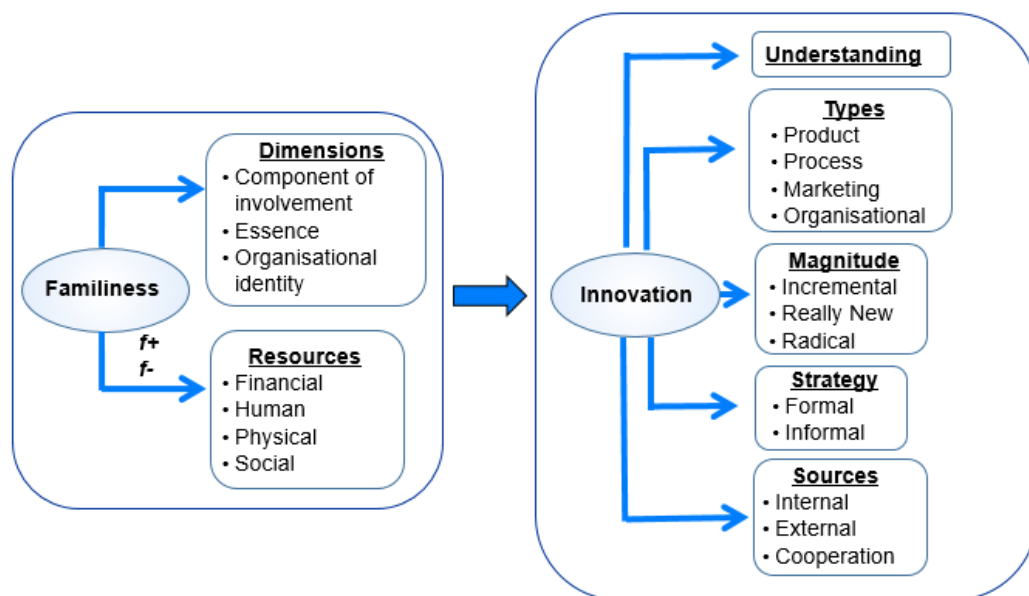
Hence, the overall purpose of this theses is to expand our understanding regarding family firms and innovation in developing countries, by exploring the what, and how

family firms engage (or not) in innovation activities in such context. The following section introduces the conceptual framework that guides this investigation.

## 2.7 Conceptual framework

The previous sections have presented a summary of the literature review on innovation and family business, both as independent fields and as a recently merged one. This enabled the researcher to present the definitions and theoretical frameworks that have contributed to academia, including the concept of ‘familiness’ within the RBV. Finally, those former sections also presented several gaps that exist in the literature. Hence, this section will build on those sections to present and explain the conceptual framework constructed with the objective of comprehensively exploring the research gap of family influence [‘familiness’] on innovation from firms in developing countries. Although the nature of this thesis is exploratory and qualitative in nature, the selection of priori constructs provides a stronger empirical grounding for the research (Eisenhardt, 1989), see section 3.5 for more details on this. Figure 2.2 depicts the conceptual framework constructed for this study, which aims to fill in several gaps that were identified in the literature, and presented in the previous sections.

**Figure 2.2:** Conceptual framework of innovation in family businesses



Source: Author



### **2.7.1 Family influence - 'familiness'**

To the researcher's knowledge, this is one of the first empirical studies to investigate the family influence, or 'familiness', simultaneously from two perspectives: dimensions and resources. Hence, it addresses the call made by Chrisman, et al., 2005, and Irava and Moores 2010, for clearer definitions and measurements to bring clarity and move away from familiness as an umbrella concept. It does so by particularly investigating each one of the elements within each perspective. More specifically, the aim is to provide empirical evidence with respect to how each one of the elements within 'familiness' dimensions and resources influence the firm's innovation activities.

Firstly, with regards to dimensions, (De Massis et al., 2012) shows that studies have largely focused on the component of involvement (% of ownership), followed by some studies combining this with the essence approach when adopting an operational definition of family firms. Yet this study constitutes one of the first to explore these dimensions not as definitions, but in relation to the firm's innovation engagement. Moreover, this investigation does provide empirical evidence of the recently added "organisational identity" (Zellweger et al. 2010) and ultimately addresses De Massis et al. (2012) recent call who suggest "another interesting alternative would be to investigate whether the propensity towards [technological] innovation is different when the definition of a family firm is based on all four criteria (ownership, management [component of involvement], intra-family succession and intention [essence], self-identification [organisational identity]" (p. 21). By investigating the different dimensions simultaneously, the researcher aims to provide empirical evidence on the heterogeneity of these organisations, as suggested by several scholars. This is complemented by other firm characteristics, such as size, sector, while adding the Latin American context where the firms are immersed. This addresses the call made by several scholars (e.g. Craig and Moores, 2006; Nordqvist and Melin, 2010, and De Massis et al., 2012) regarding the need to move away from studying family vs non-family firms and instead seeking to capture the heterogeneity of family firms, as well as the growing calls to study them in different regions, such as Latin American, as opposed to US and European firms.

In addition, arguably the perspective on resources is one of the most common approaches to study innovation in family firms. However, a large number of studies limit their scope to one or a couple of resources. This study reviews four resources: financial, human, physical, and social. It follows previous research (Puhakka, 2002; Sirmon and Hitt, 2003; Pearson et al., 2008; Sharma, 2008) and is mainly guided by the STEP Project framework (Nordqvist and Zellweger, 2010), a world-wide effort that has brought together dozens of scholars with the aim to better understand the nature of family firms all around the globe. Moreover, this study also takes into account more recent developments in this construct, by exploring the nature of the family influence, either positive or negative on each one of those resources (Habbershon et al. 2003), which in turn will have an impact on the innovation of a given firm. Finally, in line with the explorative nature of this study the researcher has left room for ‘data to speak’. By doing this, the researcher seeks to identify topics that might potentially influence in either way ( $f+$ ,  $f-$ ) a firm’s innovation.

### **2.7.2 Innovation**

This study seeks to provide a comprehensive view of innovation, thus it explores the firms’ understanding of innovation, the types and magnitude of innovations they seem to be immersed in, and the strategy and sources they seem to pull out in order to innovate. Similarly as with ‘familiness’ dimensions and resources, a large number of studies do not address innovation from such a holistic approach. These studies are mainly based on technological innovations, meaning products and services, leaving under researched other non-technological or administrative innovations, such as organisational and marketing. In addition to this, it appears that these studies are largely adopting a ‘radical’ magnitude of innovation, as opposed to other more ‘really new’ or ‘incremental’ forms of innovation.

### **2.7.3 Family business and innovation in developing countries**

As presented earlier in this chapter, innovation and family business scholars agree upon the need to explore the interception of these two fields. This is so given the relevance of both of them for firm performance and economic growth. Extant research hardly touches upon the effect of family involvement and its relationship

with innovation (De Massis et al., 2013). Moreover, emergent literature has been largely based on FB within developed economies. Meanwhile, our understanding of how FBs from developing countries engage in innovation activities remains minute. Particularly, regions such as Latin America remain under researched (De Massis et al., 2012; Nordqvist and Melin, 2010). Hence, as previously explained in section 1.4.1, the overall research question that this thesis aims to address is:

- RQ: How and to what extent does ‘familiness’ influence innovation in family firms from developing countries?

Moreover, in order to answer the overall question, a number of sub-sequent questions will be addressed:

- Rq1(a): How does familiness dimensions (component of involvement, essence approach, and organisational identity) impact on the innovation activities of FBs from developing countries?
- Rq1(b): How does familiness resources (financial, human, physical and social) impact on the innovation activities of FBs from developing countries? Is the nature of such influence positive (distinctive) or negative (constrictive) for the FBs innovation?
- Rq2(a): How do FBs from developing countries understand innovation. How innovative (or not) do these firms perceive themselves to be?
- Rq2(b): Which are the types (product, process, marketing, organisational) and magnitudes (incremental, really new, radical) of innovation exhibited by FB from developing countries?
- Rq2(c): Which types of strategies (formal, informal) and sources (internal, external, cooperation) are exhibited by FB from developing countries?

## 2.8 Chapter summary

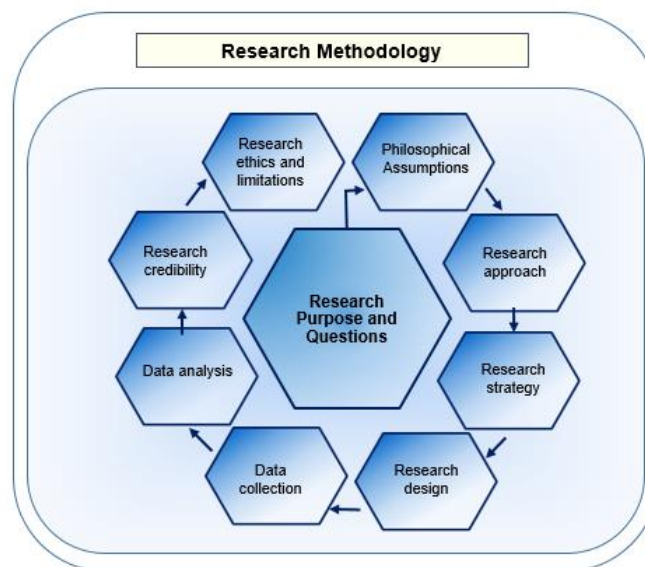
This chapter has presented relevant literature pertaining to this thesis. Hence, it has covered two strands of literature: family business and innovation. Each was separately introduced. Sections two and three provide rich details on the background, evolution, and importance of each one of them, including what has been done in developing countries and SMEs. Specifically, the section on innovation also covered relevant elements, such as types, magnitudes, strategy and sources of innovations. Whereas a fourth section was completely dedicated to cover the ‘familiness’ construct from RBV and within this its dimensions and resources, as well as the positive or negative nature of family influence in the firm. Furthermore, section five then shifted attention to the discussion of the recent interception of these two fields. The chapter proceeded with a brief review of the research gaps identified from previous literature, and this thesis’ main objective, which is to enhance the understanding of innovation in family firms from developing countries. Finally, the chapter concluded by introducing the conceptual framework and the distillation of the research questions. The following chapter will provide details on the methodology adopted to address the research questions raised in this chapter.

# Chapter 3: Research methodology

## 3.1 Chapter outline

This chapter aims to present and justify the methodological framework for this study. It seeks to apply a systematic approach to address the research questions (Adams and Schvaneveldt, 1985) stated in previous section. It will proceed from the most general aspects to the details of the applied procedure, all of which have been based on the researcher’s epistemological and ontological assumptions, as well as the nature and context of the research problem. The chapter is structured as follows: Section 3.2 revisits the research purpose and the research questions. Section 3.3 states the philosophical assumptions and paradigm adopted in this thesis and section 3.4 discusses the research approach, while Sections 3.4 and 3.5 indicate the research approach and research strategy selected. Section 3.6 presents and justifies the research design undertaken, while Sections 3.7 and 3.8 highlight the data collection and data analysis, respectively. Section 3.9 outlines the criteria for evaluating the credibility of qualitative research, before Section 3.10 presents the research ethics and limitations. Finally, the chapter concludes with section 3.11 which provides a summary of the chapter. Figure 3.1 assists the reader with a chapter Overview.

**Figure 3.1:** Research methodology chapter overview



Source: Author

## 3.2 Research purpose and questions

Research purposes “are concerned with the type of knowledge a researcher wants to produce” (Blaikie, 2010:69) and heavily influence decisions about design, measurement, analysis, reporting, and the essence of the phenomenon as a whole (Morgan and Smirch, 1980; Patton, 2002). Patton (2002) and Blaikie (2010) propose a two-typology of research purpose: basic research and action (Patton)/applied (Blaikie) Research. According to Patton (2002), basic research is concerned with theory building and testing, whereas action research seeks to solve specific problems within a programme, organisation or community. Similarly, Blaikie (2010) suggests that basic research is theory oriented, whereas applied research is policy oriented. Hence, as this thesis aims to contribute to theory, this research is positioned in the *basic* research category.

Furthermore, Robson (2002) suggests that basic research purposes include: exploring, describing and/or explaining. An exploratory purpose seeks to “find out what is happening, particularly in little-understood situations” (p. 59), whereas a descriptive purpose aims to “portray an accurate profile of persons, events or situations” (p. 59). Finally, explanatory purposes pursues “an explanation of a situation or problem, traditionally but not necessarily in the form of causal relationships” (p. 59).

The research purpose of this thesis is *exploratory* as it addresses the call from academics in the field for studies that look into the understudied relationship between innovation and family business. For example, Gudmundson, et al. (2003), argues that “research examining the relationship between innovation and ownership structure appears to be non-existent” (p. 3). Along the same line, Litz and Kleysen (2001) suggest that aspects such as succession and sibling rivalry have been largely studied as causes of family business failures, but “lack of innovation has been overlooked” (p. 335). Specifically, this study addresses Heck et al. (2008), who have suggested that exploratory studies are required in the field of family business.

According to several authors (e.g. Yin, 2009, Jupp, 2006), exploratory research should be considered when the objective is to further a phenomenon understanding. More specifically, Adams and Schvaneveldt (1985), suggest that the main purposes of exploratory research is “to satisfy curiosity, to build methodology that might be used in later, more tightly designed research, and to make recommendations regarding the likelihood of continuing with additional research on the topic” (p. 103). Similarly, Blaikie (2010) concludes “exploratory research is necessary when very little is known about the topic being investigated or about the context in which the research is to be conducted” (p. 70), which is the case of innovation within family firms in developing countries. In addition to this, an exploratory approach has a very *flexible design*, which allows the researcher greater capacity to ‘move’ back and forth as the data are being collected and the research itself is unfolding. This is important as it allows any other family dynamics impacting the firm’s innovation to be identified.

The exploratory approach is central to the research aims and objectives as outlined in Chapter 1, and emphasised below:

- To explore the ‘familiness’ dimensions and resources of family firms (mainly SME’s) from a developing country within the Latin America Region, and the family’s influence on the understanding of innovation, its types, magnitudes, sources and strategies.

More specifically, the overarching question that this thesis addresses is: How and to what extent do family influence (‘familiness’) impact innovation in family business from developing countries?. Such a central question will be answered by addressing the following sub-questions:

- How does familiness dimensions (component of involvement, essence approach, and organisational identity) impact on the innovation activities of FBs from developing countries?
- How does familiness resources (financial, human, physical and social) impact on the innovation activities of FBs from developing countries? Is the nature

of such influence positive (distinctive) or negative (constrictive) for the FBs innovation?

- How do FBs from developing countries understand innovation? How innovative (or not) do these firms perceive themselves to be?
- Which are the types (product, process, marketing, organisational) and magnitudes (incremental, really new, and radical) of innovation exhibited by FB from developing countries?
- Which types of strategies (formal, informal) and sources (internal, external, cooperation) are exhibited by FB from developing countries?

In summary, this study follows a basic-exploratory type of research purpose, as it aims to contribute to theory building in the fields of family business and innovation. Hence, the following section presents the selected paradigm that will encompass other important decisions throughout this investigation.

### **3.3 Philosophical assumptions**

Philosophical assumptions are the underlying drivers of research paradigms and therefore are fundamental starting points when undertaking any research (Blaikie, 2010). However, despite their well-documented relevance and its influence on every decision made throughout the study, including the method (e.g. Guba and Lincoln, 1994; Creswell, 2013), they remain largely hidden in research (Slife and Williams, 1995; De Massis and Kotlar, 2014).

In accordance with Miles and Huberman (1994), the researcher considers that “it is good medicine” (p. 4) to make the philosophical stance clear. For the researcher, self-awareness of the philosophical stance and conveying this clearly to readers is essential. This will help to set the grounds and understanding for several methodology-related decisions involved in this thesis, all of which will be further discussed within this chapter. This was not an easy decision to make, and throughout the time given for this study, the researcher had encountered many more papers with



a non-explicit philosophical standpoint than those that clearly state it, all of which added to the confusion.

However, whilst reflecting on this matter, the researcher came across the argument by Johnson and Clark (2006) (cited in Saunders et al., 2012): “the important issue is not much whether our research should be philosophically informed, but it is how well we are able to reflect upon our philosophical choices and defend them in relation to the alternatives we could have adopted” (p. 108), and therefore the researcher includes in this thesis a brief section that somehow evidences the philosophical reflection process behind this study.

Prior to any further planning or undertaking of this study, the researcher went through several moments of self-reflection in order to become aware of one’s own in-depth basic beliefs and views of the world. However, it is important to note that such a process is contextual and intrinsic to one’s own reality and learning process, which it is interactive and changeable. Hence, throughout the research there were uncountable moments of analysis, reflection and self-discussions as well as peer discussions that allowed for a better informed understanding of such philosophic standpoints. After such a back-and-forth enriching process, the researcher had come to be in agreement with some scholars (e.g. Saunders et al., 2009) that there are not ‘better’ philosophies than others, but that this qualification will depend on the research question that is being asked.

### **3.3.1 Philosophical underpinnings**

#### **3.3.1.1 Ontology**

Saunders et al., (2009) argue that ontology is “concerned with the nature of reality” (p.110) and suggests it could be either ‘objective’ or ‘subjective’. On the one hand, the first assumption holds that “social entities exist in reality external to social actors” (p. 110). On the other hand, the latter portrays that “social phenomena are created from the perceptions and consequent actions of social actors” (p. 111). In the same line, Guba and Lincoln (1994) argue that the first step to consider when

undertaking a research is to answer the ontological question “what is the form and nature of reality and, therefore, what is there that can be known about it?” (p. 108).

### **3.3.1.2 Epistemology**

Epistemology is concerned with the nature, origins, and limits of knowledge (Slife and Williams, 1995). “Is a way of understanding and explaining how we know what we know” (Crotty, 2009:3). In the same line, Guba and Lincoln (1994) also suggest that by answering the question “What is the nature of the relationship between the knower or would-be knower and what can be known?” (P. 108), it will be possible to uncover the researcher’s beliefs and underlying drivers of research.

### **3.3.1.3 Methodology**

This element is constrained by the two previous ones, and addresses the question “How can the inquirer (would-be knower) go about finding out whatever he or she believes can be known?” (Guba and Lincoln (1994:108). That is, what are the methods by which data is to be collected and analysed.

## **3.3.2 Selected paradigm**

Once those three elements have been addressed, then it is possible to take a philosophical stance, by selecting own’s paradigm. A paradigm “represents a *worldview* that defines, for its holder, the nature of the ‘world’” the individual’s place in it, and the range of possible relationships to that world and its parts” (Guba and Lincoln, 1994:107) “It is the matrix that shapes the reality to be studied and legitimates the methodology and methods whereby it can be studied” (Crotty, 2009:35). Thus, reflecting on its own philosophical underpinnings, the researcher came to the realisation of believing in the existence of a multiple reality that is subjective and mentally constructed by individuals but cannot be entirely known (Guba and Lincoln, 1994). Likewise, the researcher acknowledges the mediation relationship or role played between actor and researchers and its impact on the research. Furthermore, the means by which the data are collected are consistent with the researcher’s assumptions.

Therefore, a *post-positivist paradigm*, and *critical-realism* within it, will be brought into play as the foundation of this study, as it better encompasses the researcher's epistemological, ontological and methodological stance (Denzin and Lincoln, 2000).

### **3.3.2.1 Post-positivism**

A post-positivist stance occupies the space between a positivist and a constructivist stance (Guba, 1990). On the one hand positivists are confident on the accuracy and certainty of knowledge, and they claim to be objective rather than subjective (Bryman and Bell, 2007). On the other hand, constructivists report on the opinions beliefs, feeling and assumptions of actors. It entails the researcher going to the world of the subjects and understanding it from their point of view (Saunders et al., 2012). Contrastingly, post-positivist believes that reaching a perfect acknowledged reality is not possible, but it is possible to reach an approximated one. Post-positivism could be considered "a less arrogant form of positivism. It is one that talks of probability rather than certainty, claims a certain level of objectivity rather than absolute objectivity, and seeks to approximate the truth rather than absolute grasp it in its totally or essence" (Crotty, 2009:29).

It could be fairly argued that post-positivism foundations go back as early as the positivist ones, as the latter sets the ground for it. The word positivism seems to have been popularized by Auguste Comte around 1848 and it was widely followed by philosophers and scientist as a thinking framework (Crotty, 2009). It evolved with the work of physicists Bohr (1885-1962), and Heisenberg (1901-76), yet the works of Popper (1902-94), Kuhn (1922-96) and, ultimately, Feyerabend (1924-94) provided the early inroads into what is nowadays known as post-positivism, which informs much of the contemporary social science research (Patton, 2002).

The selection of this paradigm is suitable for the study at hand. In accordance with Guba and Lincoln (1994), and Robson (2002), the researcher believes in the existence of reality but understands it as multiple, subjective and constructed by individuals. Thus, it is necessary to investigate positions of several individuals on the same phenomenon in order to understand it more comprehensively. In addition to this, the researcher understands that such a reality is not perfect because one's own

knowledge and values can influence what is observed. Hence, this paradigm concurs with the researcher's epistemological and ontological stance.

#### **3.3.2.1.1 Critical realism**

Critical realism is a philosophical stance or perspective that gained recognition at a time when the foundations of positivism were challenged. It was initially presented by Roy Bashkar in 1975 in his influential work 'A Realist Theory of Science'. His work contributed significantly to the on-going scrutiny and criticism of the two fundamental assumptions of positivists: "science is monistic in its development and deductive in its structure" (Archer et al., 1998:3). It did so by demonstrating that it was necessary to construct a new ontology, at that point known as 'transcendental realism' that will reflect the acknowledgment of the subjectivity and contextual nature of 'reality', the role of both actors and researchers in the process, as well as the acknowledgment that the truth cannot be entirely known (Guba and Lincoln, 1994).

In essence, critical realism shares features as well as differences with the positivist and constructivist stances. It also shares the positivistic view that reality exists outside of one's description of it, yet it disagrees that the reality can be entirely known (Bryman and Bell, 2007). Similarly, it agrees with constructivist that the social world cannot be understood in the same way as its natural counterpart, yet it portrays their search not as the entire reality but as a 'starting-point' for the search of deeper explanations (Blundel, 2007). According to Bashkar (1989) critical realism allows researchers to understand the social world by understanding the social structures that have given rise to the phenomena we are trying to understand. Furthermore, critical realism is compatible with a range of qualitative research methods (Blundel, 2007), which can be conducted in dozens of ways (Miles and Huberman, 1994), and allows for triangulation. Finally, although Sobh and Perry (2006) termed it 'realism' as opposed to 'critical realism', they have summarized its ontology, epistemology and methodology, based on Guba and Lincoln (1994). Table 3.1 shows this summary.

In summary, the selection of a *post-positivist paradigm*, and within it a *critical realism stance*, is the result of the researcher’s iterative reflection process throughout the time given for this study. By addressing the three questions proposed by Guba and Lincoln (1994), it coincides with the author’s epistemological and ontological stances. Hence, it serves as the base for the methodology-related decisions encompassed in this investigation, all of which will be detailed and explained in this chapter.

**Table 3.1:** The (critical) realism philosophical stance

Stance	Ontology	Epistemology	Methodology
(Critical) realism	“Reality is real but only imperfectly and probabilistically apprehensible” and so triangulation from many sources is required to try to know it.	“Findings probably true” – researcher is value-aware and needs to triangulate any perceptions he or she is collecting.	Mainly “qualitative methods” such as case studies and convergent interviews.

Source: Adopted from Sobh and Perry (2006:1195), which is based in Guba and Lincoln (1994:109), from which the quotations come.

### 3.4 Research approach

One of the most common classifications of research methods are quantitative and qualitative studies, which are basically distinguished between numeric data (numbers) and non-numeric data (words, images, video clips). However, Sanders et al. (2012), posits that such distinction can be problematic, as in reality research designs are likely to combine them to some extent. For instance, “a qualitative study may use a questionnaire [...] but it may be necessary to conduct follow-up interviews to seek to explain findings from the questionnaire” (p. 161). This is the case in this investigation, which will be further explained in section (3.7). Similarly, Creswell (2013), suggests that these approaches “should not be viewed as rigid, distinct categories, polar opposites, or dichotomies. Instead, they represent different ends on a continuum, as “a study tends to be more qualitative than quantitative or vice versa” (p. 3). Moreover, according to Silverman (2013b), other ‘assumed’ characteristics about both approaches, which include the concern with meaning, induction of hypotheses from data and case studies, for quantitative research. Whereas qualitative

research is seen as concerned with behaviour, and begins with hypotheses and allows for generalisations.

Furthermore, a third approach has been suggested by scholars (e.g. Tashakkori and Creswell, 2007). The mix-method approach which is a manner in which “the investigator collects and analyses data, integrates the findings, and draws inferences using both qualitative and quantitative approaches or methods in a single study or program of inquiry” (Tashakkori and Creswell, 2007:4).

However, several scholars (e.g. Silverman, 2013a,b; Creswell, 2013) emphasise that the choice of one approach over another may not be based on such assumptions, but should be based on the specific task at hand and according to the philosophical assumptions researchers bring into the investigation. For instance, a qualitative approach has been considered to involve studies that seek to explore the nature of phenomena; as opposed to the quantification of given observations, or when data is collected in natural environments, as opposed to artificial ones associated with quantitative studies (Bryman and Bell, 2007).

More specifically, several scholars agree that the purpose of a qualitative research is to investigate a social enquiry (Denzin and Lincoln, 2000; Heaton, 2004), or to “explore and understand the meaning individuals or groups ascribe to a social or human problem” (Creswell, 2013:4). Creswell, also advocate a qualitative approach when research questions are about “people’s experiences, inquiring into the meanings people make of their experiences, studying a person in the context of her or his social/interpersonal environment, and where not enough is known about a phenomenon for standardized instruments to have been developed or even ready to be developed” (p. 33). In summary, a qualitative approach seems most suitable for an exploratory research (Robson, 2002), whereby the research purpose is to gain a comprehensive overview of the context being studied (Miles and Huberman, 1994), whilst obtaining and preserving rich descriptions of factors and meanings in an under developed area, (Silverman, 2013a), while contributing to theory building.

In the field of family business, scholars (e.g. Goffee, 1996; Hall, 2005), have been calling for qualitative methods, which both draw on and generate theory, in order to address the complex dynamics of such organisations, however, this research is still rare (Sharma, 2004). For instance, when conducting an annotated bibliography of family business studies, De Massis et al. (2012a) found that out of 124 empirical studies only 14 of them were classified as studies based on qualitative analysis. More specifically, as previously explained in section 2.5 (see table. 2.8), when conducting a literature review using the words in title ‘family business and innovation’ as search criteria, only 6 qualitative papers, compared with 30 quantitative ones were found. Hence, there is a need to further our understanding on how innovation is influenced by the family, which is the purpose of this research, a *qualitative approach* is best suited.

Before continuing on developing the research methodology undertaken for this study, it is important to inform the reader about the main decisions that took place throughout this research process. At the initial stage of this thesis, the researcher aimed to follow a sequential quantitative/qualitative mixed-methods approach, namely a quantitative method sequentially followed by a qualitative one. However, as it is common when conducting research for an extended period of time, emerging situations can affect subsequent methodological decisions. At this point, it is essential for the reader to understand that the change that occurred and the finally selected approach do not affect in a negative or contradictory manner this investigation. In fact it actually provided valuable insights for future research undertaken. Section 3.7.2 and 3.7.2.1 will provide further details about the reasoning behind the decision taken with respect to the change of approach.

### **3.5 Research strategy**

All research projects involve the use of theory (Bryman and Bell, 2007), hence Sanders et al. (2012), suggest that it is very important to be clear about its use at the beginning of the research. This is so, as it will raise important questions and decisions throughout the research process. These strategies are: deductive and inductive.

According to Bryman and Bell (2007), there are two positions when considering the role of theory in a research. A first stance is to consider theory as the guidance and influencer of data collection and analysis. These authors describe this process as a deductive strategy, which is typically associated with quantitative research. A second approach is to view theory as something that happens after the collection and analysis of the data. This is considered as an inductive strategy, which is usually associated with qualitative research. Furthermore, other researchers (e.g. Crotty, 2009), suggest that the use of theory in qualitative research is more varied, as it can be generated as the final outcome of the study (grounded theory), or can be placed at the beginning of the research with the aim to provide lenses that shapes what is looked at and the questions to be asked (ethnographies, transformative research).

A deductive strategy is considered as one that is concerned with testing a theory by deducing one or more hypothesis from it (hence it starts with theory), and then collecting the data. It is the dominant strategy in natural sciences, and amongst its several important characteristics, it accounts for a careful selection of a sample that would be of sufficient size to allow for generalisation (Saunders et al., 2012). Conversely, an inductive strategy starts by collecting data to explore a phenomenon and then proceeds to derive generalization using an inductive logic (Blaikie, 2010; Saunders et al, 2012). It has its origins in natural sciences, yet was further developed by social sciences, and it is particularly concerned with the context in which events take place, hence a study of a small sample might be most appropriate (Saunders et al. 2012). However, research typically involves moving back and forth between data and theory (Bryman and Bell, 2007), hence alternating between deduction and induction (Babbie, 2007). This is the stance adopted by this research: a continuous weaving between *deduction and induction*.

The selected strategy follows as Straussian perspective of grounded theory as it considers “familiarising oneself with prior research and using structured, and somewhat mechanistic, process to make sense of data” (Easterby-Smith et al., 2002:46-47). Such a view is also consistent with that of Miles and Huberman (1994), who advocate that the researcher should establish a preliminary conceptual framework about the underlying structures or mechanism to be studied. Moreover,



the selected strategy is also in line with the principles of critical realism (Sobh and Perry, 2006).

This study adopts this approach by firstly selecting ‘a priori’ concepts from the literature, which allowed for the development of a conceptual framework to guide the study (Chapter 2) (deductive strategy). Secondly, it inductively builds theory by analysing the data collected (inductive strategy). The selection of the a priori concepts (‘familiness’ and Innovation), help to focus on the research purposes, preventing the researcher to become lost in a large volume of data, whilst allowing a more accurate measurement and providing a firmer empirical grounding for the emergent theory (Eisenhardt, 1989). Furthermore, by inductively analysing data and allowing it to speak, a new element (foreign background) emerged as a valuable element contributing to the understanding of the phenomena under research, by exploring the research questions and building theory. The outcomes of such approaches when collecting and analysing data, will be revealed in chapters 4 (within-case analysis) and 5 (cross-case analysis and discussion). The remaining sections of this chapter will present and discuss other methodological decisions adopted in this thesis. Firstly, the following section discusses the research design adopted for this research.

### **3.6 Research design**

Research design and research method are terms that are sometimes used interchangeably. However, according to the researchers Bryman and Bell (2007), they are concerned with different elements when building a piece of research. For instance “a research design provides a framework for the collection and analysis of data”, whereas “a research method is simply a technique for collecting data (p. 40). Hence, by acknowledging such distinctions, these scholars suggest five different research designs: quasi experiments, cross-sectional or social survey design, longitudinal design, case study design, and comparative design. According to the aforementioned authors, a ‘case study’ should be considered a research design as it “entails the detail exploration of a specific case, which could be a community, organization, or person” (p. 39), whilst requiring the selection of one or several

research methods (e.g. interviews, document analysis, observations) in order to collect data.

### **3.6.1 Case study**

Case studies are the most adopted qualitative design in organisational studies (Eisenhardt, 1989). It is recognized as ideally suited to create managerially relevant knowledge, because it is carried out in close interaction with practitioners (Amabile, et al., 2001; Gibbert, et al., 2008). Hence, it is widely recognized for its groundbreaking insights provided to the mainstream management field (Penrose, 1960; Pettigrew, 1973), as it involves a detailed and intensive analysis (Bryman and Bell, 2007).

This design is deemed most appropriate for this thesis for several reasons. Firstly, a case study is concerned with the complexity and particular nature of the case in question (Stake, 1995), which is the circumstance in this study. Its purpose is to further knowledge by investigating family firms, where the complexity of their dynamics has been acknowledged (e.g. Chua et al., 1999; Eddleston, et al., 2008). Secondly, case studies enable “understanding the dynamics present within single settings” (Eisenhardt, 1989:533). This is of relevance because of the particular organizational idiosyncratic of FB, which is a result of the intersection between the family and business systems (Tagiuri, and Davis, 1992). Thirdly, case studies seek to investigate an area that is not well known (Yin, 2009), which is the case in this study; the interception of innovation and family firms. Finally, De Massis et al. (2014), advocate that “to fully understand the organisational phenomena associated with family involvement in and/or influence on business as well as their antecedents and consequences, researchers need to combine multiple perspectives and navigate multiple levels of analysis. In this respect, “the case study design appears to be a well suited methodology” (p. 16).

Furthermore, there is a long tradition of case studies as the most used qualitative design in family business research (e.g. Sharma and Irvin, 2005; De Massis, et al., 2012a) (see table 3.2 for a selection of studies). For instance, Kontinen et al. (2012) conducted a literature review to specifically identify the use of case studies in FB

**Table 3.2:** Selection of family business articles using case studies

Year	Author(s)	Case description	Study subject
1988*	Astrachan	1 US FB	FB and community culture
2000***	Johannisson and Huse	12 Swedish FB	Outside board members
2000**	Manikutty	9 Indian FB	FB groups – emerging trends
2001**	Hall, Melin and Nordqvist	2 Swedish FB	Organizational culture and entrepreneurial process
2001***	Ibrahim, Soufani, and Lam	1 global FB	Intra-family succession
2001***	Steier	3 Canada FB	Trust and organizational governance
2002	Tsang	10 Chinese firms (3 FB, 3 semi-FB, 4 non-FB)	Foreign Direct Investment (FDI) behaviour
2003***	Murray	5 Irish FB	Succession transition
2004***	Howorth, Westhead, and Wright	8 UK FB	Succession with Management buy-out (MBO)/ Management buy-in (MBI)
2005	Nordqvist, M.	3 Sweden FB	Ownership and strategy
2006**	Karra, Tracey, and Phillips	1 Turkish FB	Altruism and agency theory
2008*	Graves and Thomas	8 Australian FB	Internationalisation
2008**	Hall and Nordqvist	5 Swedish FB	Professional management
2008**	Salvato and Melin	4 (2 Italian; 2 Swedish) FB	Creating value across generations in FB
2010***	Salvato, Chirico and Sharma	1 Italian FB	Entrepreneurship and firm renewal across generations
2011**	Kontinen and Ojala	8 Finish FB	Networks role in internationalisation of FB
2013*	De Massis, Frattini, Pizzurno, and Cassia	10 Italian Firms (5 FB, 5 Non-FB)	Product innovation characteristics in FB vs Non-FB
2013*	Frattini, Bianchi, De Massis, and Sikimic	8 Italian Firms	Platform vs non-platform innovations and early adopters
2013*	Kotlar and De Massis	19 Italian FB	Individual and organizational goals

\*Included in De Massis and Kotlar (2014).

\*\* Included in Kontinen et al. (2012)

Source: Author.

research, and found that out of 402 FB studies identified according to the established criteria, 83 of them were using a qualitative approach (77 qualitative, 6 mixed methods), and out of those, 71 were case studies. The fact that FB researchers have heavily relied on case studies as a qualitative method, supports the view of De Massis, et al. (2014), in the sense that case studies constitute a powerful design that

can advance family business research. More specifically, this research sets out to address ‘what’ and ‘how’ questions related to innovation in family firms. Hence, a case study is suitable as it may be used to answer exploratory ‘what’ questions, and “how [...] questions are likely to favour the use of case studies [...]” (Yin, 2009: 10).

### **3.6.2 Selecting the cases**

The researcher’s decision of undertaking a qualitative approach, and within it, a case study, should be followed by other careful decisions that will impact the investigation. It is important that such decisions are not underestimated, are explicitly presented and thoroughly explained. This may facilitate the interpretation of findings, and it may cause an impact and create the opportunity for the study to be conducted in other settings. It also may increase the possibility of publication (Neergaard, 2007). Specifically in the area of family business, scholars, such as De Massis and Kotler (2014), are encouraging FB scholars “to provide a clear rationale for the case study selection and sample details [...] to allow the reader to appreciate the researcher’s sampling choices” (p. 18).

#### **3.6.2.1 Multiple-case study**

Yin (2009), explains that a variation of case studies is the inclusion of both single- and multiple-case studies. On one hand, the selection of a single case study can correspond to several rationales: a critical case in testing a well-formulated theory, an extreme case or a unique case, the representative or typical case, a revelatory case, or a longitudinal case (Yin, 2009). However, such selection suffers from several limitations, especially related to validity (De Massis et al., 2014). Multiple-case studies have become increasingly common in business and management research (Bryman and Bell, 2007). It occurs when the number of examined cases exceeds one, allowing for cross case comparisons, search for patterns and general explanations to be developed (Eisenhardt, 1989; Yin, 2009). The evidence obtained in a multiple case study, “is often considered more compelling and the overall study is therefore regarded as being more robust” (Yin, 2009:46), which constitutes a major advantage, namely improving theory building or explanation. This is so, as it positions the researcher in a superior level to assert the situations whereby a theory will hold or

not (Eisenhardt, 1989), and propose concepts that are significant to an emerging theory (Bryman and Bell, 2007). Furthermore, multiple case studies allow the clarification of emergent findings to uncover whether it is idiosyncratic or can be consistently replicated by several cases (Eisenhardt, 1991). Multiple-case studies will allow the FB researcher to analyse such results within and across different settings (De Massis and Kotlar, 2014).

The representativeness and generalizability that can (or cannot) be reached with multiple case studies, have been widely addressed by research design scholars (e.g. Miles and Huberman, 1994; Yin, 1999) as analytic or theoretical generalisation. For instance, Miles and Huberman (1994) explain that because of the small and limited size sample, this design does not allow for generalisation to populations or universes, but to theoretical propositions. Similarly, Flyvbjerg (2006) suggest that in social science knowledge is not only about generalisation, but to the extent in which it builds theory. Moreover, Yin (2009), explains that the underlying logic of multiple-case studies is to treat cases as a series of experiments that can confirm or disconfirm the hypothesis. This view builds upon that of Eisenhardt (1989) “cases which confirm the emergent relationships enhance confidence in the validity of the relationships. Cases which disconfirm the relationships, often can provide an opportunity to refine and extend the theory” (p. 542). Other issues related to multiple-case studies include the amount of cases and data to collect. According to Miles and Huberman (1994), there is a risk of losing depth as the number of cases increases. This is so because of constrains, as research requires one to account for time and other resources (Bryman and Bell, 2007).

This thesis adopts a *multi-case study*. This is regarded as the most suitable for the research purpose. In order to explore and understand what are the characteristics of family influence and of innovation in firms from developing countries, the researcher finds it more enriching and furthermore, necessary, to compare patterns among different firms. A single-case study may be a viable option in future research when the phenomenon is more understood and when the research seeks an extreme exemplar case.

### 3.6.2.2 Sampling

Selecting cases or sampling, is one of the most important issues related to this type of research (Ghauri and Gronhaug, 2005), as “it has a profound effect on the ultimate assessment of quality on the research findings” (Neergaard, 2007). Moreover, selecting the cases or the ‘sample’ in qualitative studies is very different when compared with quantitative studies. As Silverman (2013a) states, “in qualitative research, our choice of cases should always be theoretically guided. This means that our selection of cases is not based on statistical grounds [as in quantitative studies], but derived from a particular theory which we seek to test” (p. 146). Previous statements, also contribute to understanding case studies representativeness and generalizability matters described in section 3.6.1. Furthermore, although using a different terminology, Patton (2002) and Silverman (2013a,b) seem to share their view about differences in sampling in qualitative vs quantitative studies. Patton (2002) states “perhaps nowhere is the difference between quantitative and qualitative methods better captured than in the different strategies, logics, and purposes that distinguish statistical probability sampling from qualitative purpose sampling” (p. 46). Hence, it is evident that scholars agree that in qualitative studies sampling is purposeful, selective, or theoretical. All of those are different terms used interchangeably in the literature, yet meaning the same thing (Neergaard, 2007).

Hence, a *purposeful sampling* for the already selected multiple-case study is adopted in this dissertation. The cases were selected as they are likely to provide a good learning opportunity about the phenomenon in question (Eisenhardt, 1989; Stake, 1995; Yin, 2009). However, this sampling strategy does not imply that any case may be selected, instead it demands that the research “thinks critically about the parameters of the population” being studied (Silverman, 2013b:148). For instance, Eisenhardt (1989) suggests the selection of ‘polar’ types in order to provide contrasting cases. Yin (2009) validates this statement by suggesting the selection of contrasting cases (theoretical replication), yet furthers the criteria by proposing to select cases that predict similar results (literal replication).

An additional consideration regarding the sampling of cases is related to the number needed, and this matter remains unresolved. Miles and Huberman (1994) state that “this question is not answerable on statistical grounds [...] it also depends on how rich and complex the within-case sampling is” (p. 30). Similarly, Silverman (2013a) states that it “depends upon your research problem and purposive sampling may be appropriate” (p. 145). In an attempt to bring something more ‘tangible’ to this question, Eisenhardt (1989) advocates that it depends on the point where theoretical saturation is reached, and suggests a good range to be between 4 and 10 cases. The reasoning behind such a range is that the researcher considers less than 4 cases does not allow for much theory generation, whereas more than 10 cases becomes difficult to manage.

In line with this, Nordqvist (2005) states that “deciding on the number of cases is, of course, also an act of balance between breadth and depth” (p. 71). The price of having too many cases is usually thinner data, and it is worthwhile to ask yourself “why not to do a survey?” (Miles and Huberman, 1994:30). Moreover, researchers (e.g. Silverman, 2013a) advocate that there are two main constraints: limited time and resources, which will often determine such a selection. Similarly, when investigating entrepreneurship research methods, VanderWerf and Brush (1989) found that “convenience of data collection or focus on a particular aspect of entrepreneurship” (p. 50) is also decisive for sampling units of analysis. In this sense Miles and Huberman (1994), advocates to set boundaries (such as geographical) to define aspects of the cases. Therefore, driven by the mainstream theory related to the phenomena of innovation in family firms, as well on the constraints in which this research is conducted, a sample of cases were selected. Table 3.3 displays the criterion for selecting the firms in this study.

**Table 3.3:** Criterion for case selection (sampling)

No.	Criteria	Further explanation
1	Firms considered by its members as a family business.	See section 2.2.2
2	Firms located in Colombia, a developing country within the Latin America Region.	See section 2.2.3
3	Firms that have previously filled in the questionnaire provided, and voluntarily agreed to participate as a case study in the research.	See section 3.7.1

Source: Author.

### 3.6.3 The unit of analysis

The unit of analysis can be defined as “a phenomenon of some sort occurring in a bounded context” (Miles and Huberman, 1994:25). This is in line with Stake (1995) who argues that a case needs specificity and boundedness to be considered as a case. Moreover, the unit of analysis “may be at a different level from the unit of data collection of the case study” (Yin, 2009:88). As Yin (2009) explains, there is a common undesired confusion between these two units. It is important to understand that the unit of data collection is not necessarily the unit of analysis within the same case. This misunderstanding might be a contributing factor for Kontinen et al. (2012) findings: “generally, the author in the articles reviewed reported on a very general level how they arrived at their findings. One third of the authors told hardly anything about their process of analysis, and a second third of the authors only something very general” (p. 22). Furthermore, De Massis and Kolar (2014), advocate for FB researchers to ask themselves what the unit of their analysis is, and explicitly stated this in their research. For the aforementioned academics, this element is one of many that can contribute to enriching the quality of research in the field.

As stated in section (2.6), the research purpose of this study is *to explore how and to what extent do family influence (‘familiness’) impact innovation in family business from developing countries*. Hence, the case is the firm, and it follows “a frequent design when the case study is about an organisation, community, or social group” (Yin, 2009:88). That is, the data collection sources are individual people, namely the interviewees within the firm; whereas the *unit of data analysis* is a collective one, namely *innovation within the firms* to which those individuals belong. This unit of analysis is somewhat in line with that of De Massis et al. (2013), when exploring product innovation process in family vs non-family firms. Furthermore, the unit of analysis selection is in line with the view of Gobo (2007) who states that “The [qualitative] researcher should focus his/her investigation on interactive units (such a social relationships, encounters, organizations), not only because social processes are more easily detectable and observable, but also because these units allow more direct and deeper analysis of the characteristics observed” (p. 203-204). Here it is important to acknowledge that a strand of scholars (e.g. Scott and Rosa, 1996; Rosa



and Caulkins, 2013; Rosa et al., 2014), have been calling for research to include the family, rather than the firm, as the unit of analysis. Such an approach will undoubtedly further our understanding of family firms, especially when the research is aiming to understand family businesses groups or habitual entrepreneurship (e.g. Rosa, 1998; Scott and Rosa, 1996, Rosa and Scott, 1999). Nevertheless, the choice made by the researcher in this thesis (studying the firm as unit of analysis), remains relevant as the purpose in this investigation is to study the interaction of the family with innovation, (which is still nascent), within one firm. Furthermore, in order to account for the case of the families having several firms, the questionnaire asked them whether they owned: a) 1 firm, or b) 2 or more firms. It also instructed them that if the second was the case, to respond to the questionnaire based on the main (in terms of sales) firm within the business group. Data collection sources will be discussed in the following section of this chapter.

In conclusion, the research design adopted in this research is a *Case study*. It is built on a *multi-case* basis, by exploring *6 purposively selected firms* (see table 3.3 for criteria), whereby the unit of analysis is the *innovation within such firms*.

### **3.7 Data collection**

Previous sections in this chapter explained the philosophical paradigm that encompass this dissertation (section. 3.3.2), as well the research design adopted (section 3.6.1). This section deals with the data collection tools and process behind this investigation, including the triangulation process. It will do so in two sub-sections. First, it will explain the theoretical reasoning behind the selection and construction of each one of those tools (section 3.7.1). Second, it provides details on how such tools were implemented during the field work (section 3.7.2).

#### **3.7.1 Data collection - tools**

There is a very common misconception that case studies should only rely on qualitative data (De Massis and Kotlar, 2014). However, Yin (2009) provides detailed accounts for six ‘common’ sources used in doing case studies:

documentation, archival records, interviews, direct observations, participant-observations, and physical artefacts.

This dissertation is mainly developed based on in-depth interviews and a questionnaire that was constructed by the researcher. Secondary data (documents) were also collected, although to a small extent. Finally, triangulation of all these sources was also conducted.

### **3.7.1.1 Questionnaire**

As briefly explained at the end of section 3.4, the initial selected approach involved mixed methods, in which a quantitative phase (a questionnaire), was intended to be followed by a qualitative phase. Hence, a strict and systematic literature review on elaborating questionnaires was conducted with the aim of constructing a robust instrument that could reflect the reality of the firms investigated, and this sub-section reviews such literature. Further details regarding this will be provided in section 3.7.2.1 data collection field work – questionnaire.

The elaboration of a thoroughly developed questionnaire is essential because as pointed by De Vaus (1996), “good description is important. It is the basis for sound theory. Unless we have described something accurately and thoroughly, attempts to explain it will be misplaced”. (p. 24). Hence, the researcher followed some authors (e.g. Fink, A., 1995; Buckingham and Saunders, 2004; Fowler, F., 2009) by addressing the components of surveys, also known as survey design, in order to optimise resources and the quality of the instrument. These components are: sampling, data collection, and questionnaire design.

Firstly, the sampling procedure followed in this study was explained in-depth in (section 3.6.2.2). Here it is important to clarify the respondents, and in this study this the selection followed those of previous studies (e.g. Gudmundson, D., et al., 2003; Cooper, Upton, and Seaman, 2005; Zahra et al, 2008). That is, the questionnaire was addressed to CEOs and/or managing/senior directors, due to their knowledgeable management position (Craig and Dibrell, 2006), their familiarity with company-wide corporate entrepreneurship efforts (Zahra et al, 2000), are considered to be a reliable

source (Kellermans and Eddleston, 2006). In addition, their perceptions of the business as a family business is vital (Ram and Holliday, 1993). A single key respondent per firm was surveyed, as has been the procedure in previous studies (Beck et al, 2011).

Secondly, the data collection is mainly related to the collection approach, strategy and mode, as well as other considerations, such as the factors: time, financial, human, and physical resources. This study adopted an 'online' survey, rather than a 'mail' survey.

In the country where this study is being conducted, there is no reliable, easy-accessible, cost-efficient way to deploy mail surveys, hence the researcher opted for an 'Online' modality. The advantages of 'online' surveys are regarded as similar to those of 'computer-based' strategies, which are superior when compared to paper surveys. Some of those advantages include, the capacity to follow complex questions, skip patterns, the data being already recorded on a computer, and its low cost (Bryman and Bell, 2007; Fowler, 2009). More recently, they have also been associated with 'internet surveys', which some authors (e.g. Fowler, 2009) divides into two categories: "when the respondents are asked to answer questions by replying to an e-mail questionnaire, or when they are asked to go to a web site where a survey form is waiting to be completed" (p. 61). Moreover, Fowler (2009) also suggests that the current frontier for data collection is the internet. There are many people, such as CEOs, Managing directors and Owners, who are important for this study, that have permanent or regular access to the internet. Therefore, "using 'online' surveys, may be a good idea" (p. 71). The researcher, however, is aware that this is not a flawless strategy, and does not overlook the disadvantages that some authors (e.g. Fowler, 2009) have pointed out. Such disadvantages are present in both developed and developing countries, and this includes the need for accurate e-mail addresses and the sample being limited to internet users.

A 'self-administered questionnaire' mode was further adopted not only due to the strategy, but due to the respondents who are "busy people [and so] can respond at any time that is convenient for them" (Fowler, 2009:72). That is "when they want

and at the speed they want to go” (Bryman and Bell, 2007:242). The respondents were given the option to respond to the questionnaire by downloading a word document, filling it in and attaching it to a responding email, or to go directly to the link provided (surveymonkey.com).

Other important considerations include the factor time, which varies according to the collection mode selected. This study follows Fowler’s (2009) suggestion of giving two months for the respondents to get back to the researcher. This timeline has also been used in previous studies (e.g. Zahra et al, 2000; McCann, J. et al., 2001; Zahra et al, 2008) which had two mailings, one month apart. Other considerations regarding financial (costs), human (interviewers/staff) and physical (facilities) resources were taken into account when selecting an online/self-administered questionnaire for this study. Also, it is important to consider the survey layout, thus the researcher asked the authorisation of two academic institutions, professionally related to the researcher, for their logo to be exhibited in the questionnaire heading. This was done in order to add ‘trust worthiness’ to the questionnaire, as Jones (2004) advocates, in LA “before committing to anything, people here will often ask, ‘who referred you to me?’” (p. 448).

In addition to this, in order to limit the non-response, which occurs mainly due to: non-contacts, refusals and non-completed questionnaires, procedures were followed: constructing a covering letter, keeping the questionnaire short, following-up procedures (phone/email) and reassurance of complete confidentiality (Buckingham and Saunders, 2004).

Finally, the third element of the ‘survey design’, namely the questionnaire design includes concepts, indicators and variables, the type and amount of questions; reliability and validity measures; levels of measurement and pilot testing.

The questionnaire was devised based on the ‘interview protocol guide’ from the STEP project, which has been validated previously. Such a document is a guide to conduct a qualitative study; hence it was not entirely taken in its current form, but was adapted to suit the purposes of this investigation. Thus, some questions were

removed (e.g. to shorten the questionnaire), others were reworded (e.g. when translating to Spanish, to accommodate the context, and to make them 'close' questions), and others were added (e.g. innovation questions). The questionnaire was divided in three parts; 1) Background and context of the business; 2) (If a FB) family involvement; and 3) Innovation. Finally, following several scholars' suggestions (e.g. De Vaus, 1996; Fowler, 2009), the questionnaire was piloted in two stages. 1. It was given to 3 local Spanish-speaking academics, and they provided valuable feedback on the content and the form of some questions/answers. 2. Once the previous comments were included, both versions (word attachment, and online) were sent to 8 business owners. This allowed for more rewording, and provided the opportunity to test the technological element of it (online version). Appendix 4 show the questionnaire word version (translated from Spanish).

### **3.7.1.2 In-depth interviews**

This study also employed in-depth, semi-structured interviews, based on the conceptual framework and the questionnaire previously explained. This was the case as scholars agree that interviews are of the primary and most widely employed method in qualitative research (Bryman and Bell, 2007; Eisenhardt and Graebner, 2007). Interviews provide a highly efficient way to gather rich, empirical data (Eisenhardt and Graebner, 2007) "through guided conversations rather than structured queries" (Yin, 2009:106). Furthermore, in an in-depth, semi-structured interview, the researcher is allowed to ask about facts and opinions (Yin, 2009), to follow up interesting comments provided by the interviewee, and alter the order and wording of questions (Bryman and Bell, 2007), while still holding on to the issues studied (Yin, 2009).

However, as it has been pointed by scholars (e.g. De Massis and Kotlar, 2014), some of its main weaknesses include bias due to poorly articulated questions, response or personal interpretation bias, as well as hindsight bias, attributional bias or impression management. There are two key methods to minimise such bias: using numerous and highly knowledgeable informants who view the focal phenomenon from diverse perspectives, and using a case study protocol. Informants may include

“organizational actors from different hierarchical levels, functional areas, groups, and geographies” (Eisenhardt and Graebner, 2007:28). Specifically, in the case of FB, it can also include family and non-family members (De Massis and Kotlar, 2014). A case study protocol, is considered by scholars (e.g. Yin, 2009) as essential in multiple case study research, as it keeps the researcher focused on the topic, helps to anticipate several problems, and finally enhances the reliability of data across the cases. This protocol includes the instrument and the general rules and procedures to follow. Thus, according to Yin (2009:81) it should include: An overview of the case study project, field procedures, case study questions (interview guide), and a guide for the case study report. Appendices 6 and 7 show the case study protocol and the interview guide, respectively.

Semi-structured interviews were preferred over other forms, such as structure and unstructured as it best fits the overall research purpose of this investigation. On the one hand, structured interviews are based on a rigorous set of closed questions aiming to target specific topics, whereby it does not allow for rich data to emerge. On the other hand, unstructured interviews are time consuming and may end up in large amount of information that is not relevant for the study at hand. Conversely, semi-structure interviews allow the researcher to cover a set of topics of interest, guided by the literature review conducted and the conceptual framework. Yet, a semi-structure interview allows for different routes to take place within the interview. Interviewees have a certain level of ‘freedom’ to diverge from the topic and provide information that otherwise would not have been considered as relevant or missed out by the researcher, thus allowing for new themes to emerge.

Furthermore, when conducting qualitative interviewees, it is important to consider theoretical saturation, which is the point where the researcher cannot extract more themes and sub-themes from the data; instead the themes begin to repeat themselves (Strauss and Corbin, 1990). By reaching this point, the researcher would know when the data collected is sufficient.

### **3.7.1.3 Secondary data (documents)**

Documents “tend to be rich and have a lot to offer to the research both in pre interview and post interview situations” (Ghauri, 2004:116). Hence, its strengths include their availability to be reviewed at any time, and the accurate details of names, events, broad coverage, and extensive periods of times they cover (Yin, 2009). Documents, also allow the researcher to compare information with the interviews, and even if they do not provide the same results, they help to broaden the understanding of the phenomena, and enable new questions to emerge that can be answered by further research (Ghauri, 2004). Yet, their weaknesses include low retrievability, biased selectivity, and potential accessibility. The latter is especially difficult in FB, as scholars have reported this form of organisation tends to be protective and concerned with privacy (Gersick et al, 1997; De Massis and Kotlar, 2014).

Throughout this dissertation, several documents have been reviewed. Prior to the conduction of each interview, the researcher searched for documents available online for each one of the firms, and when possible, on the person to be interviewed. The first step was to explore the firm’s web site. In this process, the researcher found that one firm (Firm B) does not have a website, and others firms (A and C), have a basic website only focused on the product/services they provide, but do not provide information for a researcher to explore the firms history, or vision. Remaining firms (D, E, and F) web sites did provide further information on the firm. In addition, a google search was conducted by typing the firm’s name and/or owners names. This directed the researcher to local and national newspapers, and magazines, as well as academic articles that were further examined, which is in line with previous work in FB (Kotlar and De Massis, 2013).

### **3.7.1.4 Triangulation**

Triangulation can be defined as the use of multiple sources of data, which is one of the major strengths associated with case study data collection, as it allows for corroboration (Yin, 2009). In addition, it “can produce a more complete, holistic and contextual portrait of the object under study” (Ghauri, 2004:115). Hence, it has been

widely recognised by scholars that any case study finding or conclusion is likely to be more convincing and accurate if it is based on triangulated and corroborated sources (Yin, 2009). Particularly in FB studies, triangulation is important because decision-making is usually caught up in the middle of family relationships and business issues; thus, the use of a variety of different data, can further our understanding of organisational processes and outcomes in these firms (De Massis and Kotlar, 2014).

Furthermore, four types of triangulation have been distinguished (Denzin, 1978 and Patton, 2002):

1. Data triangulation, referring to the use of multiple sources.
2. Investigator triangulation, meaning the involvement of different evaluators.
3. Theory triangulation, whereby different perspectives are used to the same data set.
4. Methodological triangulation, which involves the use of multiple research methods.

Data triangulation presents some weaknesses, including the burden on the researcher in terms of time and other resources (e.g. financial). However Yin (2009), advocates that studies that have used it, have rated highly in terms of quality when comparing them with studies that have only relied on one single source of information. Hence, it has been adopted for this study by including sources such as: interviews (and researcher's notes or memos), questionnaires and secondary data (e.g. firm's websites, newspapers and magazine articles, as well as academic cases).

Moreover, Yin (2009) suggest two additional, less institutionalised principles, that along with triangulation can "help to deal with the problems of establishing the construct validity and reliability of the case study evidence" (p. 114). Such principles are also acknowledged by De Massis and Kotlar (2014) as a pitfall of FB researchers: the creation of a case study database, and the establishment of a chain of evidence. A case study database refers to the way in which data collected for case studies are



organised and documented. It allows for an agile track of information by the researcher or an external party, and includes data from all sources, such as notes, key documents, tabular materials, and narratives, as well as audio and visual files. A chain of evidence means to follow a detailed process that will allow an external observer to trace the steps in any direction from the research question to conclusions (Yin, 2009, De Massis and Kotlar, 2014). Sections 3.8.1 and 3.9.1 will provide details of how such principles were adopted in this study.

### **3.7.2 Data collection - fieldwork**

This section provides details on the steps the researcher followed in order to collect the data through the means of the previously discussed tools: questionnaire, in-depth interviews and documents review (see section. 3.7.1). As previously mentioned to the reader in section 3.4, this study was initially conceived to follow a quantitative-qualitative mixed-methods approach, yet due to situations that arose out of the researcher's control, this was not possible.

Particularly, the quantitative phase did not turn out to be statistically strong enough; hence this thesis cannot claim to have adopted a mixed-methods approach. In the end, the researcher compromised on the size of the quantitative sample, from which to select the cases. However, by adopting a qualitative approach, informed by quantitative data collection tools (De Massis and Kotlar, 2014), the researcher's main reasoning behind this consideration was still fulfilled by this thesis. That is, that quantitative data would have provided a general description of the research problem; whilst the qualitative data would allow its understanding by exploring participants' views in more depth. This decision did not conflict with the overall purpose of this research, as both approaches are suited within the post-positivism/critical realism paradigm, which encompass the researcher's view of the world, and guided this investigation.

Moreover, by looking back and reflecting on the process, there are many lessons learnt. Some of them are included as research process contributions (section 6.2.3), whilst others are considered as accumulated-valuable experience that can only improve future investigations. The researcher is in agreement with Jones (2004) who

argues that in LA's government agencies and business associations "most business executives are interested in immediate results and do not recognise the benefits of academic research for their particular business challenges" (p.449). Proceeding with a qualitative study from the start would have been considered more rewarding, yet the learning has been invaluable and there would not be any other time in the future to experience this. Nevertheless, as this section accounts for the role played by the researcher throughout the entire dissertation, the procedures undertaken for data collected through the questionnaire, initially conceived as a quantitative phase, are included.

### **3.7.2.1 Applying the questionnaire**

Simultaneously, with the elaboration of the questionnaire as explained in section 3.7.1.1, steps were taken to locate the set of firms to which the questionnaire was going to be deployed. This proved to be a very complicated and time consuming task. Several months were invested in exchanging phone calls and emails with a national commercial association, in order to access their database and distribute the instrument. However, the researcher was informed that this collaboration was no longer possible. This happened during the researcher's first data collection trip, and after already having face-to-face meetings with members of the association's top management team (TMT) and having discussed the terms of such access. The reason why this arrangement was no longer possible was governance changes in the TMT; hence it was a definitive decision.

This situation demonstrated the research constraints advocated by scholars (section 3.6.2.2), and required the researcher to quickly adopt and search for new options by making use of personal and professional networks. After several weeks of knocking on doors, access to a smaller dataset of a second organisation was reached. The characteristics and conditions of the database are listed as follows:

The data base was devised in July 2011 as part of a pilot project that aimed to strengthen the governance structures of family firms. Hence, it was necessary to identify FB from an available larger dataset. This was done by applying one

criterion: if half or more persons listed as owners of the firm shared the same last name, it was considered a FB.

Such a procedure pulled out 1.081 firms. However, such a list was quickly reduced to 200 firms due to practical reasons: some firms had already closed down, there were no contact details, or it was impossible to track them. Finally, out of the firms contacted, these firms manifested some sort of interest in the project, which finally did not take place. The researcher had access to both lists, yet it was advised to work with the smaller and more 'up-to-date' data set, which included the name of the legal representatives and, in many cases, their email.

A time-consuming update of the smaller sub-dataset (DB1), by means of local (printed and electronic) phone books and firm's websites took place. As explained in section 3.7.1.1, an electronic survey was favoured for this investigation, hence a total of 187 emails were sent, and follow-up phone calls were made. However, 38 emails were rebounded, meaning that those firms did not receive the emails, hence 149 firms were 'reached', yet only 9 surveys were received. After one month, reminder emails were sent out, which resulted in the inclusion of 5 new surveys. This led to a total of 14 firms. 2 firms, were removed as the questionnaires were incomplete. The remaining 12 firms were revised to confirm they fulfilled all the established criteria for their inclusion in this study (purposeful sampling). 1 firm explained that they were no longer a FB, and thus was removed for the list. Out of the remaining 11 firms, 5 firms were also removed as they opted out of the qualitative phase. As result of this process, 6 firms from DB1 were pre-selected in this investigation, and interviewing arrangements took place.

Furthermore, as there was such a low response received in the first round of emails from DB1, the researcher decided to explore the larger data set (DB2), which contained the remaining 881 firms. Hence, a similar procedure was followed as with DB1. However, due to constraints of time and budget, it was not possible to conduct an updating procedure. Only the registries with emails already included were taken into account. Hence, 455 emails were sent, 261 emails rebounded, and 194 of them seemed to have reached the firms. Time allowed only for a second reminding email

to be sent after two weeks, no follow up calls were made. This procedure resulted in a total of 6 questionnaires received from DB2, yet as the same filters used in DB1 were implemented, 3 firms were removed from the list, including a firm that is not considered as a FB by its owner (purposively sampling). This resulted in the pre-selection of 3 cases from DB2, with who the researcher proceeded to make interviewing arrangements.

In summary, 9 pre-selected case-studies (firms) were included. The questionnaire, although directed to owners or CEOs, was filled in by different members of the organisation, yet in every case the respondents were all family members. Such a low number of firms were willing to fill in a questionnaire and this was the same with the qualitative phase, and this posits many questions that are worthwhile investigating in further studies. It is important to account for the poor conditions of the database accessed. This provided empirical evidence of the difficulties faced by FB researchers regarding accessing extended, reliable, public-access databases (Chua et al., 1999; Sonfield and Lussier, 2004; Beck et al., 2011), and merits attention by larger, private and public, research institutions. Yet, surprisingly, as learned during the process, one characteristic shared by most of these firms may shed light on their motivations and drivers behind their participation in this study. During the interviews, at least one member of the firm manifested certain respect for academia, and acknowledged the importance of studies that may help them and other firms. This echoes Ghauri (2004) who points out those individuals in smaller firms are easier to access and are more likely to see the potential benefit of a research study, which means that they are more likely to participate. By directly relating this characteristic to this thesis' object of study, it is worth pointing out that the firms' natural interest to involved in different initiatives (in this case, academic one), already positions them ahead of their competitors and shows traces of their approach to 'new' things.

### **3.7.2.2 Conducting the interviews**

Interviews for the 9 pre-selected firms took place between February and June, 2013 in Barranquilla, a northern city in Colombia. It is important to note that after the first

round of interviews were conducted, 3 firms were removed from the final case-studies that were included in this investigation. This was a decision taken after some of these firms explicitly explained they did not want to proceed, or it was impossible to get in touch with them after the first interview. This group of firms, together with the previously eliminated six firms which did not desire to continue to the qualitative phase, clearly reflects what Jones (2004) advocates “be aware that some businesses may be generally wary and will not be willing to talk with you under any circumstances. This happens to the locals too” (p. 450). Thus, this dissertation is based upon 6 case studies. Appendix 7 lists all the steps taken for the selection of these firms.

Therefore, a total of 20 interviews were conducted within the 6 firms. The total length of interviews lasted around 20 hours; hence the average duration is about an hour per interview. Two interviewees did not allow the interview to be recorded, hence notes were taken on-site, while the remaining 18 interviews were recorded and transcribed. In each company 3 to 5 people were interviewed, including family and non-family members. This number was not pre-set and is a result of reaching theoretical saturation, and for pragmatic reasons. Arranging the interviews was a difficult task as many of them were re-scheduled several times. For example, on one occasion the researcher phoned in the afternoon to confirm an appointment for the following morning, only to arrive to the office and wait for about 20 minutes and be told that something had come up and the interview would be rescheduled. This rather frequent situation when doing qualitative research in LA, is described by Jones (2004) as “time is not a simple concept in LA” (p. 451), and provides examples of how a set of interviews that could be conducted in a couple of days in the US, could take a week in LA.

After overcoming such shortcomings, the researcher made use of a case study protocol (see appendix 5) and field notes, to cover and record as much information as possible. The protocol contained the procedures to follow (e.g. introduction to the study), as well as the questions to be addressed. The questions were elaborated based on previous literature, as well as on the questionnaire deployed (based on the STEP project interview protocol. See section 3.7.1.1). Hence, some of the questions

followed on from the answers provided in the questionnaire. Secondly, after each interview, the researcher took down notes in a 'field diary', in order to make note of themes that were worth exploring further and general elements from the interview that could mean something. These notes were complemented with additional insights after the transcription of each interview, as a reflective process and as strategy to keep in mind specific aspects that could be further explored in upcoming interviews, or by searching secondary data. Appendix 6 shows the interview guide.

### **3.8 Data analysis**

During data collection, qualitative studies rapidly generate a large amount of data, which can overwhelm and demotivate the researcher, affecting the quality of its analysis (Miles and Huberman, 1994). Yet, the heart of theory building from case studies relies on the data analysis, which is "both the most difficult and least codified part of the process, since published studies generally describe research sites and data collection methods, but gives little space to discussion of analysis" (Eisenhardt, 1989:539). As reported by De Massis and Kotler (2014), this seems also to be the case in FB studies. A reason for this is found in Bryman and Bell's (2007) acknowledgment that in qualitative studies "there are few well-established and widely accepted rules for the analysis of qualitative data" (p. 579).

However, this study will follow the work of Miles and Huberman (1994), and Yin (2009), in order to account for a "systematic data collection and theory development process that are transparent description, particularly regarding how the theory was induced from the data" (Eisenhardt and Graebner, 2007:30). The overall technique for data analysis is adopted from Yin (2009). The technique consists of a first stage where 'within-case' analysis is conducted (chapter 4), followed by a 'cross-case' analysis (chapter 5). More specifically, it follows Miles and Huberman (1994) four steps of the 'interactive model' of data analysis. These steps are not linear. Moreover, from the start data analysis should be an interweaved process with data collection, as it helps to correct blind spots and strengthens both stages of the research (Eisenhardt, 1989; Ghauri, 2004; Braun and Clarke, 2006; Yin, 2009).

Hence, the first step of the interactive model is data collection, followed by data reduction, data display, and the endpoint is conclusion drawing/verifying.

### **3.8.1 Data collection**

As previously discussed, the researcher used questionnaires, interviews, and secondary data to address the research questions set out in this thesis. Early in the process of data collection, the researcher realised that information for each case was large and rapidly piling up, hence it was necessary to establish a couple of strategies to maintain control of this. Firstly, the use of a computer-assisted qualitative data analysis software (CAQDAS) was used in order to store data in one place, also as it is capable of processing large amounts of information (Eisenhardt, 1989; Miles and Huberman, 1994). More specifically, Nvivo 9 was selected as it is the most well know software (Silverman, 2013b). Second, a case study database was built by creating a folder for each company in Nvivo. Each folder contained the data collected from different sources, including the firm's websites, which were converted to Pdf files using the tool 'Ncapture', and the full transcription of the interviews that were conducted in Spanish. Appendix 8 shows an example of a firm's folder within the case study database.

In addition to this, the researcher decided to get involved in 'early analysis' whilst the data collection was still taking place. This "interweaving of data collection and data analysis from the start [...] helped the field-worker cycle back and forth between thinking about existing data and generating strategies for collecting new, often better, data" (Miles and Huberman, 1994:50). Thus, once the interviews were conducted, and as soon as it was possible, field notes were written down after interviews. Although this method was not as specific as a contact summary sheet as suggested by Miles and Huberman (1994), it shares some of the useful characteristics such as: to guide planning for the next contact, to re-orient the researcher to the contact when returning to the write up, and to help with further data analysis. Such notes were also included in each firm's folder within the case study database.

### 3.8.2 Data reduction

“Data reduction is a form of analysis that sharpens, sorts, focuses, discards, and organizes data in such a way that ‘final’ conclusions can be drawn and verified” (Miles and Huberman, 1994:11). It is a process that occurs continuously during the life of any qualitative research, and particularly in this research many steps were followed. The first one was familiarisation of the researcher with the data, whereby the researcher got to know the data by reading in an analytical way the information collected through several sources. Active reading includes searching for meanings, patterns and other similitudes and differences (Braun and Clarke, 2006). Transcribing the interviews, although time-consuming, frustrating and at times boring (Braun and Clarke, 2006), proved to be a great way for the researcher to be familiar with the data.

The second step involved coding, and a large amount of time and effort was put into understanding what is coding and how to do it. Literature seems to be rather confusing on this topic, whereby different authors suggest as much as 32 different coding approaches (e.g., Saldaña, 2009), and terms are used interchangeably, for instance: thematic, discourse and content analysis (Braun and Clarke, 2006). Hence this dissertation follows the arguments put forward by Urquhart (2013), as from the researcher’s point of view it offers a clearer explanation on this procedure. Urquhart (2013) advocates that “Coding is the term used for attaching conceptual labels to data. When we attach a particular label to a particular chunk of data, we start to analyse that data. If we start to link together these codes in relationships, we can start to theorise about the data” (Urquhart, 2013: 35). There are two important issues to resolve prior to start coding: deciding if whether or not concepts from the literature will be used, and the data chunk size that will be coded. Furthermore, the scholar suggests thinking of four different approaches to coding:

1. Bottom-up coding, when the codes are suggested by the data, not the literature. This approach corresponds to the use of a Ground Theory Method.



2. Top-down coding, when codes from the literature are applied to the data. It also can occur in 'content analysis', when using top-down coding, researchers add some bottom-up categories, and incidences of codes are counted.
3. Middle-range coding, when distinctions are made around categories obtained from both the data and the literature. These categories can become themes, if they are quite large.
4. Thematic coding, when a theme (a large category) is applied to a larger chunk of data than in top-down or bottom-up coding. Such themes can be suggested by the data or built from relevant literature and applied to the data.

This dissertation follows a thematic coding procedure, which is defined by Braun and Clarke (2006) as "a method for identifying, analysing, and reporting patterns (themes) within data. It minimally organises and describes your data set in (rich) detail" (p. 79). This approach to coding was selected as it appears to offer a more comprehensive and systematic method of coding. Hence, chunks of data were coded, such as lines, paragraphs or points, related to the large themes: 'familiness' dimensions, 'familiness' resources, and innovation. Moreover, each theme had different categories were data was coded to (e.g. within 'familiness' dimensions: component of involvement, essence, organisational identity) (see Appendices 9 and 10 for the coding elements of 'familiness' and Innovation respectively). However, as Braun and Clarke (2006) suggest, "the specific research question can evolve through the coding process (which maps onto the inductive approach)" (p. 84), hence, the researcher included in the research a family-related topic that emerged from the data: foreign background. The process of coding was not conducted in one single stage. It was necessary to recode for each case, until a point where there was no additional codes extracted from the data. In addition to this, it was also frequent that when a new code was created, the re-examination of other cases was necessary. Appendix 11 shows an example of the nodes in one of the cases.

Following Miles and Huberman (1994), the researcher created 'memos' as the coding process was taking place. Glaser (1978) defines this as "the theorizing write-

up of ideas about codes and their relationships as they strike the analyst while coding [...] it can be a sentence, a paragraph or a few pages” (p. 83-84). Writing ‘memos’ provided the researcher with the space to reflect on and record the ideas that were emerging in relation to the piece of data being coded, as well as other pieces of data. It was also included in the case study database in Nvivo.

In order to ensure that the codes created correspond to and reflect the piece of data being analysed, a further step was taken when coding. In this study, the adoption of intra-coder reliability helped to reduce this pitfall. Hence, a researcher fluent in Spanish and English was contacted to review the themes identified. The researcher provided the reviewer with sample quotes (in Spanish) from different interviewees, already coded into the different themes identified by the researcher, as well as the coding elements for ‘familiness’ and innovation (appendices 9 and 10). The reviewer was asked to determine whether she was in agreement or not with the researcher in the way the quotes were thematically coded. The discussion and explanation of the reasoning behind each code was an enriching process for both participants, and it was important to reduce bias, and enhance this investigation’s reliability and validity. Intra-coder reliability was selected over inter-coder reliability, because the latter requires the reviewer to categorise the quotes into the most appropriate nodes, which is time consuming and not an easy favour to ask for. The researcher acknowledges that when papers are written involving more than one author, an inter-coder process would be more suitable as it can be carried out simultaneously by the authors involved.

### **3.8.3 Data display**

Presenting data is a vital aspect of case study research. Particularly in FB, researchers present manuscripts that are long and results in unreadable documents (De Massis and Kotlar, 2014). As explained earlier in this section, this study is based on Yin’s (2009) technique for data analysis, which consists of two stages: ‘within-case’ analysis followed by a ‘cross-case’ analysis. Within each stage (chapter 4 within-case, chapter 5 cross-case) tables and figures are used to better present data in a more

comprehensive and clear way, which “permits conclusion drawing and action” (Miles and Huberman, 1994:11).

The within-case data display corresponds to chapter 4 of this thesis. It allowed the researcher to start by presenting the case profiles, followed by a detailed and systematic view of each case, in order to be comparable at a later stage of this research. Table 4.1 (within next chapter) provides the sequence of themes presented for each one of the six firms. Moreover, within each case, evidence is presented in the manner of tables and figures.

Similarly, the cross-case analysis and discussion displayed in chapter 5, follows a systematic approach within a two-stage analysis. Firstly, each construct, namely ‘familiness’ and Innovation were analysed separately based on the findings of all six cases. Secondly, patterns between cases (firms A to F) and constructs (‘familiness’ and innovation) were identified, and discussed in relation to previous literature. The relationships found, led the researcher to suggest and present a perspective within the management and social science domain as a possible route for a better understanding of this phenomena. Data and its discussion are displayed in tables and figures, including a new conceptual framework that emerged from the data analysis.

#### **3.8.4 Conclusion: drawing/verification**

Miles and Huberman (1994) suggest that from the very beginning the researcher may start drawing conclusions from the data, however they should “hold those conclusions lightly, maintaining openness and scepticism” (p. 11). That is why the verification is important as the final stage of data analysis. Hence, by going back and forth between the raw data, and the relationships found, the researcher can provide credibility on his/her work. In this thesis, the verification process took place by presenting the research in front of peers, by discussing it with colleagues, supervisors and other academics. Moreover, the specific steps taken in order to ensure credibility of the research are explained in in the following section in more detail.

### 3.9 Research credibility

The debate on how qualitative research should be evaluated is ongoing. Moreover, some scholars (e.g. Yin, 2009) suggest that quantitative criteria can be applied to qualitative research, whereas others (e.g. Denzin and Lincoln, 2000; Miles and Huberman, 1994) advocate for different criteria to be used, and these criteria also vary amongst scholars using the same approach. More recently academics (e.g. Healy and Perry, 2000), advocate that the criteria for evaluating qualitative research, should be undertaken not only according to the approach, but according to the paradigm the researcher follows. Thus, they have suggested another set of criteria to be used within the [critical] realism paradigm. However, although some of the terms have changed over time, it does not necessary mean that they address completely different matters.

**Table 3.4:** Comparison of qualitative research credibility criteria

Type of research and authors *	Qualitative research	Case study research	Constructivist or naturalist research	Positivism research	[critical] realism research
Philosophical underpinning	Miles and Huberman (1994)	Yin (1994)	Lincoln and Guba (1985)	Chia (1997); Neuman (1997)	Healy and Perry (2000)
Ontology					Ontological appropriateness
Ontology	Internal validity/credibility/authenticity	Internal validity	“truth value” or credibility	Internal validity	Contingent validity
Epistemology	Objectivity / confirmability		Neutrality or confirmability	Multiple perceptions of participants and of peer researchers	
Methodology	Reliability / dependability / audibility	Reliability	Consistency or dependability	Reliability	Methodological trustworthiness
	External validity / transferability / fittingness	External validity (analytical generalisation)	Applicability or transferability	External validity (statistical generalisation)	Analytic generalisation
	Construct validity		Construct validity		Construct validity
	Utilization / application / action orientation				

Source: Adopted from Healy and Perry (2000:122)

Table 3.4 compares the various criteria suggested by different authors to evaluate the credibility of a qualitative research, as identified by Healy and Perry (2000). Although this research has adopted a critical realism approach, from the researcher's point of view the two additional criteria suggested by Healy and Perry (2000) are encompassed into the four criteria suggested by Yin (2009). Hence, the researcher has decided to follow the criteria suggested by the latter scholar, which has also been widely acknowledged by several researchers (e.g. Gibbert et al., 2008), including FB scholars (De Massis and Kotlar, 2014). The different criteria related to credibility are discussed in the following sections.

### **3.9.1 Construct validity**

This criteria needs to be considered during the data collection, as it refers to “the extent to which a study investigates what it claims to investigate” (Gibbert et al., 2008). There are three strategies adopted to ensure this (Gibbert et al., 2008; De Massis and Kotler, 2014):

1. By triangulating data from multiple sources. In this dissertation this was widely developed within the data collection section (see section 3.7.1.4)
2. By sharing transcripts and drafts with participants, as well as with other investigators and having them peer-reviewed. As explained in section 3.7.1.4, this dissertation codes were reviewed by a colleague with the aim of ensuring consistency and accuracy. In addition to this, the researcher participated in different academics events which allowed the research to be peer-reviewed.
3. By establishing a clear chain of evidence which has been accomplished by providing a detailed and systematic account of all the procedures undertaken. Moreover, the researcher has taken careful steps to explicitly present the assumptions and decisions behind each one of those procedures, including how the empirical evidence was obtained, how it links to the data sources from which it was derived, and clarifying the circumstances of data collection and data analysis (De Massis and Kotlar, 2014). More explicitly, the data collection section was divided in two: firstly, explaining the theoretical reasoning behind

the tool choices (section 3.7.1), and secondly, describing step by step how those tools were applied in the field work, including the problems encountered and how they were overcome by the researcher (section 3.7.2).

### **3.9.2 Internal validity**

It refers to the research's analysis phase, "the issue is whether the research provides a plausible causal argument, logical reasoning that is powerful and compelling enough to defend the research conclusions" (Gibbert et al., 2008: 1466). According to the aforementioned authors, using the following three strategies can enhance internal validity:

1. By formulating a clear research framework (Gibbert et al., 2008), or using explanation building (De Massis and Kotlar, 2014), which stipulate a presumed set of casual links. In this thesis, the initial conceptual framework was explicitly derived from literature, and the final one showed a new relationship, while, others were not present.
2. Through pattern matching, meaning comparing patterns found with the predicted ones or ones established in previous literature (see chapter 5).

### **3.9.3 External validity**

It is also known as 'generalisability'. However, it is important to note that case study research does not allow for statistical generalisation due to its small sampling. By selecting such a research design, the researcher is seeking 'analytical generalisation', which refers to "the generalisation from empirical observations to theory, rather than a population" (Gibbert et al., 2008: 1468). Eisenhardt (1989) suggest that case studies can contribute to theory development because they allow new theoretical understanding or clarifications of a phenomenon. Several strategies can help to enhance a case-study's external validity, all of them related to sampling. For instance, Gibbert et al. (2008), suggest enabling readers to appreciate the sampling choices, by providing a clear rationale for the case study selection and case context. Similarly, De Massis and Kotlar (2014) suggest using replication logic "as a strategy

for building the sample in an iterative process one case at a time” (p. 27). All related to sampling was widely explained in section 3.6.2 (selecting the cases), whilst section 2.2.3 provided rich details on the case context (FB in developing countries).

### **3.9.4 Reliability**

This refers to “the absence of random error, enabling subsequent researchers to arrive at the same insights if they conduct the study along the same steps again” (Gibbert et al., 2008:1468). The main elements to enhance here are transparency and replication. This can be achieved by adopting two strategies, such as the elaboration of a case study protocol, and the development of a case study database. Both strategies were followed throughout this study, as explained in sections 3.7.1.2 and 3.8.1 respectively.

## **3.10 Research ethics and limitations**

Every research has to take into consideration its implications; hence precautions need to be made when conducting the research with human subjects, as well as when showing findings and conclusions. This section addresses these matters.

### **3.10.1 Ethical issues**

The procedures undertaken throughout this investigation followed the code of ethical guidelines of the University of Edinburgh. Hence all the participants were informed and assured about: 1. the objectives and purposes of this research, 2. the no obligation to remain part of the investigation if they do not wish to continue, and 3. about the confidentiality and anonymity of the data collected. All the participants in this investigation decided voluntarily to be involved, and they expressed this verbally. In this study no signed consent was applied as it is considered to be impolite and can create anxiety.

### **3.10.2 Research limitations**

All research suffers from some weaknesses and limitations. The aim is not to hide them, but to acknowledge and understand them in order to provide further knowledge

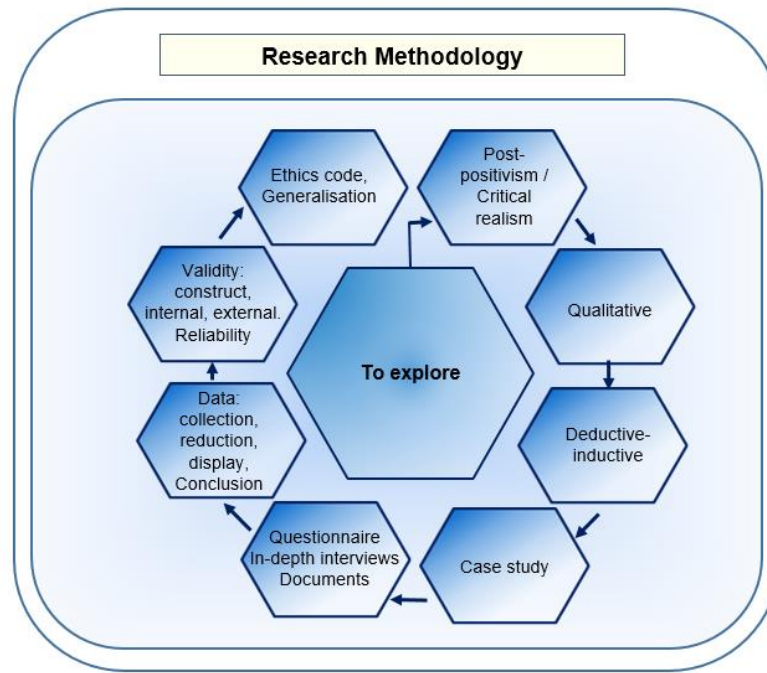
of the topic under investigation. In this thesis, the first limitation derives from its exploratory nature, as its purpose is to understand how and to what extent family influences innovation within FB, hence a small sample of firms were investigated. This implies that findings cannot be generalised to populations of firms, rather it makes an analytical or theoretical generalisation to the literature on innovation in FB. The second limitation is related to the respondents' possible bias. This means that during the interviews, respondents may have provided a response that they assume the researcher wants to hear, and therefore hindering the reality of a situation. However, throughout this investigation, the researcher has outlined and clarified the possible bias to allow the reader to understand the researcher's position and when such bias or assumptions may have had an impact on the research (Creswell, 2013), and the steps taken to minimise this.

### **3.11 Chapter summary**

This chapter presented in detail the research methodology adopted for this investigation, and began by revisiting the research purpose and the research questions. This was followed by sections that described and justified the selection of the philosophical assumptions including the post-positivism paradigm, whereby the critical-realism perspective, as well as the qualitative research approach were selected. Similarly, it explained the deductive-inductive research strategy, and the case study as the research design. The chapter then highlighted the data collection tools and fieldwork in which the researcher was involved. Following this, details of the data analysis stage were provided, which is one of the areas where researchers have been less explicit. Finally, this study introduced the criteria for evaluating the credibility of this research before introducing the research ethics and limitations. Figure 3.2 provides a summary of the main methodological decisions undertaken throughout this study, from broader to narrower aspects.



**Figure 3.2:** Research methodology summary



Source: Author

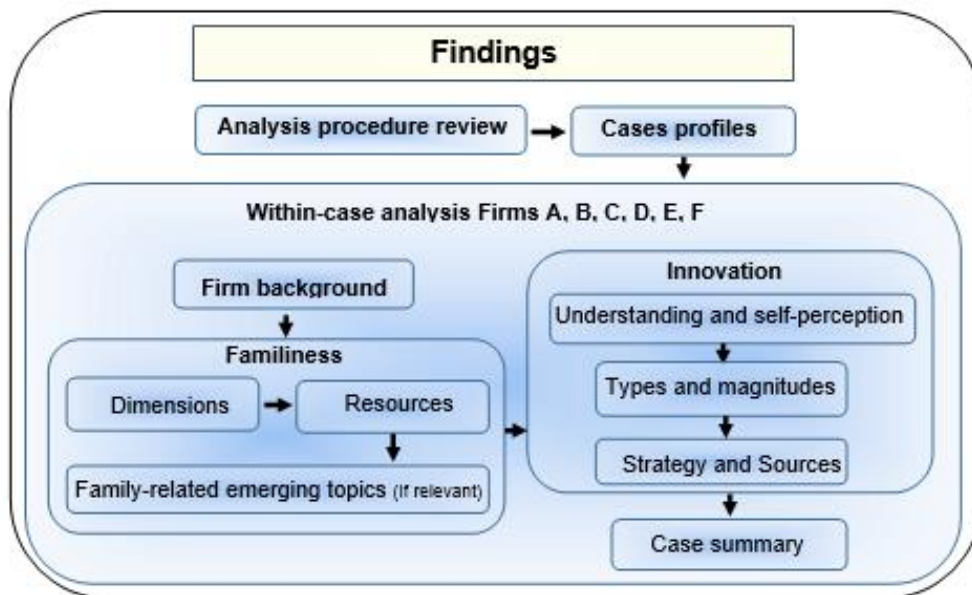
## Chapter 4: Within-case analysis

### 4.1 Chapter outline

The previous chapter (Ch. 3) discussed the research methodology guiding this investigation. It provided the explanations and justifications for selecting multiple case studies. This chapter deals with the within-case analysis. It provides a detailed account for each one (Miles and Huberman, 1994) of the six cases in order to provide familiarity and to identify and analyse unique patterns within each case (Eisenhardt, 1989). It follows Yin (1994), who suggests a case study protocol to facilitate later comparisons across cases. The latter is dealt with in the subsequent chapter (Ch. 5) of this thesis.

The structure of this chapter is as follows: section 4.2 will revisit the analysis procedure or steps followed in the within-case analysis; section 4.3 summarizes the six case profiles; sections 4.4 to 4.9 will discuss each case separately addressing research questions one (familiness) and two (innovation). Finally, section 4.10 summarizes the chapter.

**Figure 4.1:** Within-case analysis chapter overview



Source: Author

## 4.2 Within-case analysis procedure

A detailed description of the analysis procedure followed in this investigation was provided in the previous chapter (Section 3.8).

The within-case analysis is guided by the case study protocol (see appendix 5 for complete case study report guide). Overall, it has been structured and presented following two steps:

1. Building cases profiles: Presenting specific aspects of each company’s characteristics such as: age, size, industry, ownership and generational involvement, as well as a brief background.
2. Coding for ‘familiness’ and innovation: Codes were based on previous literature and studies, and the empirical data of each case. Appendices 9 and 10 provide the coding elements guiding this study for ‘familiness’ and innovation respectively. At this point is important to note that when coding the level of presence of ‘familiness’ dimensions, the author has followed Shanker and Astrachan’s (1996) ‘Bull-eye’ typology, in the sense that it has adopted a tier-like scheme, namely: none, low, medium, and high. Whereas when coding the level of presence of ‘familiness’ resources, the author has followed the 5 point-liker scale used by the STEP project, namely: very low, low, neutral, high, very high. This is important in order to maintain a systematic data review and analysis. This analysis was conducted with the assistance of Nvivo 10 (see appendix 11 for an example).

In line with Eisenhardt (1989), the purpose of the within-case analysis is to allow the patterns of each specific case to emerge before comparing them with the other cases. Hence, table 4.1 indicates the protocol followed in next sections when presenting the data and engaging with the within-case discussion for each firm.

As explained earlier in Chapter 3, data for this study was collected through two primary sources: one questionnaire per firm and three to five interviews within each firm. Secondary available data such as: websites, brochures, newspapers, magazines and academic case studies were also reviewed. Relevant data and/or excerpts of all

those sources of information will be included in each of the following sections where appropriate, in order to facilitate the within-case analysis.

**Table 4.1:** Within-case data presentation and analysis

No	Aspect	Element
1	<b>Background ‘familiness’</b>	
	• Dimensions	<ul style="list-style-type: none"> <li>• Component of involvement</li> <li>• Essence</li> <li>• Organisational identity</li> </ul>
2	• Resources	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Human</li> <li>• Physical</li> <li>• Social</li> </ul>
	<b>Family-related emerging theme (if relevant) Innovation</b>	
3	• Understanding and self-perception	
	• Types	<ul style="list-style-type: none"> <li>• Product</li> <li>• Process</li> <li>• Organisational</li> <li>• Marketing</li> </ul>
	• Magnitude	<ul style="list-style-type: none"> <li>• Incremental</li> <li>• Really new</li> <li>• Radical</li> </ul>
	• Strategy	<ul style="list-style-type: none"> <li>• Formal</li> <li>• Informal</li> </ul>
	• Sources	<ul style="list-style-type: none"> <li>• Internal</li> <li>• External</li> <li>• Cooperation:                             <ul style="list-style-type: none"> <li>○ Horizontal</li> <li>○ Vertical</li> <li>○ Institutional</li> </ul> </li> </ul>

Source: Author

### 4.3 Case profiles

Table 4.2 summarises some key aspects of the six cases included in this study. It includes characteristics such as: sector, industry, age, size and generational involvement. In addition, it indicates the interviewees’ roles within the firm and within the family where applicable, as well as the respondent of the questionnaire.

**Table 4.2:** Cases profiles summary

No.	Fim	Sector	Industry	Year founded	Size *	Generational involvement	Total interviews	Interviewee				Questionnaire respondant	Interview duration
								ID	Company Role	Rel. to founder	Geration		
1	A	Manufacturing	Food	1987	Small	1st	3	1	Administrative advisor	Co-founder (Husband)	Other family	X	0:44:08
								2	C.E.O	Co-founder	1st		0:46:20
								3	Administrative coordinator	Non-family	Non-family		0:40:17
2	B	Services (Trading)	Medical supplies	1988	Small	2nd	3	4	Assitant manager	Son	2nd	X	1:30:00
								5	C.E.O	Founder	1st		1:08:25
								6	General Manager	Wife	Other family		0:45:00
3	C	Services (Trading)	Music	2001	Medium	2nd	5	7	Productions/commercial department manager	Niece	2nd		1:18:00
								8	Treasurer	Nephew	Other family	X	0:42:20
								9	Administrative director	Non-family	Non-family		0:23:51
								10	C.E.O	Founder	1st		0:53:47
4	D	Manufacturing	Medical supplies	1978	Medium	2nd	3	11	Comercial manager (in training)	Brother	Other family		0:36:39
								12	C.E.O	Co-Founder	1st	X	1:15:00
								13	Branch president - regional business development manager	Son	2nd		0:34:57
5	E	Manufacturing	Agroindustrial	1936	Medium	3rd	3	14	Brand manager	Son's wife	Other family		0:48:35
								15	C.E.O	Son	2nd		1:01:22
								16	Innovation manager	Grandson	3rd	X	1:34:12
6	F	Manufacturing	Entertainment	1964	Large	2nd	3	17	Innovation vicepresident	Non-family	Non-family		0:54:24
								18	C.E.O	Son	2nd	X	2:13:14
								19	Financial vicepresident	Daughter	2nd		1:23:11
<b>Total</b>								20					<b>19:47:54</b>

\* According to the firm's own classification

## **4.4 Firm A**

### **4.4.1 Background**

Before Interviewee 2 co-founded the company with her husband and her cousin, she had a well-paid and stable job at a large company in town. During her spare time she helped out her brother's one-product company, also in the food sector. After a year she quit her job and went to work full time with her brother.

Not long after, an aunt and a cousin from her father's side moved over from Lebanon and Interviewee 2 identified their cooking skills as a business opportunity. During the first couple of years, whilst it was possible to 'formally' create the business, she continuously tested the market with friends. Finally, in 1987, when by chance they found a house they liked, they rented it and decided it was time to set up the company.

Currently, Firm A is privately owned by one nuclear family (spouses and three children) who retain 100% ownership rights. It is managed by the 1st generation, and the co-founder/CEO has been occupying this position since the firm's foundation.

### **4.4.2 Familiness**

As explained in section 2.31, this study seeks to study 'familiness' from two approaches: dimensions and resources (see appendix 9 for 'familiness' coding elements). This section explores them within Firm A. Moreover, it distinguishes when and how the family influence on the firm's resources might be reflected in the company as an advantage, also known as distinctive 'familiness' ( $f^+$ ), or as a disadvantage, namely constrictive 'familiness' ( $f^-$ ) (Habbershon et al., 2003).

#### **4.4.2.1 Dimensions**

Following Zellweger et al. (2010), this investigation considers 'familiness' to be built from the sum of three dimensions and its corresponding elements. Thus, such elements provide the bases for deductive coding, as explained in previous chapter (Section 3.5). The Dimensions are:

- Components of involvement approach: % of family ownership and control
- Essence: Transgenerational vision
- Organisational identity: 1). Sense of oneness and shared goals and values; 2). Decision-making and governance structures; 3). Family concept extended to non-family members, and 4). enhancement of external perception of the business.

Findings of this study regarding the level of ‘familiness’ dimensions presented in Firm A are shown in table 4.3. Evidence by the use of quotes is exhibited in the following sub-sections.

**Table 4.3:** ‘Familiness’ dimensions in Firm A

Dimension	Level
Component of involvement	High (100%)
Essence	None
Organizational Identity	Low

Source: Author

#### 4.4.2.1.1 Components of involvement

In Firm A, the five members of the same nuclear family: spouses and three daughters have 100% of ownership. The control of the firm is assumed by the 1st generation (co-founders: wife and husband), who occupy the two more influencing/decision making roles in the company, and who have previous working experience. Therefore in Firm A, the existence of a *component of involvement* approach is *High (100%)*.

#### 4.4.2.1.2 Essence

Currently, Firm A does not have in place nor has it defined a family constituency or any succession criteria. The second generation, one undergraduate student and two young professionals, are not involved in the management of the company. Furthermore, they do not seem to be interested in succeeding their parents in the company. Both parents are aware of this, and they have already considered the possibility of growing the firm to sell it in the future.

*“I don’t see them intending to come and work here. It seems that the business arena has never been of their [daughters] interest [...] they kind of have another philosophy of life. They are not interested in making money”. (Interviewee 2)*

*“It is incredible because my wife is a business woman and I am a business man. [...] but our daughters.... None of them is interested. They are not interested in any type of business for profit. I really don’t understand that philosophy, but I cannot force them...” (Interviewee 1)*

Consequently, a discontinuity of transgenerational vision is clear in Firm A, it could be suggested that the existence of an *essence* approach is *none* existent in Firm A.

#### **4.4.2.1.3 Organisational identity**

Specific elements of this dimension present in Firm A are:

**Sense of oneness; shared goals and values:** As pointed out above, there is no a transgenerational vision in Firm A. However, it is important to note that the two members from the first generation actually involved in the management and control of the firm do have a sense of unity and they do share their goals and values. This includes making the best out of the company right now even though it could be sold on in the future:

*“Right now we don’t know when it is that the company could be sold. We are not in a hurry because we are having fun. The truth is that we are having fun in this company. My wife is a fighter; she fights every day, but she does not get stressed about it. I feel I am having fun because I feel I am finally putting into practice all what I have learnt before... So, we are having fun” (Interviewee 1)*

*“Right now we are working to grow the company, to grow and reach a national market in the central part of the country, to introduce our products. So, selling the company is not in our short term plans”. (Interviewee 2)*

**Decision-making; governance structures:** It could be argued that the decision-making process in Firm A is largely, if not completely, centralised by the owner. This involves day-to day and strategic decisions. Although with some sense of



humour in her response, the CEO is very precise when answering the question about decision making:

*“Here there is only one person that makes and assumes all the decisions. This is the person that you are looking at, and that is talking to you right now” (Interviewee 2)*

In addition to this, in Firm A there are no formal governance structures in place, which reinforces the informal and centralised decision-making process:

*“Well, basically my husband and I are the board of directors... Actually, at some point we had a proper board, but unfortunately it got dissolved for different circumstances [...] they all were people external to the firm. They were friends from different disciplines [...] There was like eight of us [...] We used to meet like once a month, but again, it did not last too long. It lasted for about six months. That was like six years ago [2007]” (Interviewee 2)*

Despite this, Firm A seems to be moving in the right direction towards creating a board that will help the firm reach its potential:

*“The Corporate Governance Program we are participating in with the Chamber of Commerce is going to include a board of directors and a lot of other things that we do not have now; those things will make us to be different and grow” (Interviewee 1)*

**The concept of family extended to non-family:** In Firm A this aspect does not seem to be clearly appreciated. On the one hand, there is evidence of employees that have been working there for as long as 14 and 20 years, as well as others who have left the company and came back.

*“The relationship is still a very familiar one; it is a relationship of totally open doors. We treat each other as a big family... There are people that have been with us for 18, 17 and 14 years. The oldest employee has been here for about 20 years with us. ... you know?, I have asked myself why they stay so long or even come back and I don't know the answer, I imagine it might be the way we treat them. It is not because we do not tell them off, because we do, we are very demanding, but it must be how we treat them in general” (Interviewee 2)*

Conversely, from the non-family member employee perspective, this seems not to be such a straight forward message:

*“I have been here for so long, I guess because of love... or... no; because I am too responsible ... Sometimes I have issues at home because I spend too much time here. Hum ... It is hard work and a lot of stress ... I really don't want to talk about it” (Interviewee 3)*

Based on the previous excerpts from the interviews, there is no robust evidence to claim the existence or inexistence of an extended concept of family to all non-family employees in Firm A. Therefore, this aspect of organisational identity in this firm remains somewhat unclear.

**Enhancement of the external perception of the business:** It includes being known and promotes itself as a family business, which does not seem to be the case in Firm A. Based on the information collected through the survey and the three interviews conducted in this company, as well as the analysis of secondary documents, the researcher could not find any reference to the ‘family business’ concept as a way to enhance the external perception of the business.

In summary, the details of the four different sub-elements previously discussed suggest that Firm A appears to possess *low* traces of *Organisational Identity* dimension.

#### **4.4.2.2 Resources**

Firm A’s questionnaire was responded by Interviewee 1. Therefore, when undertaking the interview with this participant, the researcher asked the interviewee to provide examples to the answers given in the questionnaire. However, when interviewing other firm members the responses in the questionnaire were not mentioned in order to allow them to provide their own perspectives.

As explained clearly in section 2.3.1.2 this study follows the resources as suggested by several authors (e.g. Sirmon and Hitt, 2003) and adopted by the STEP Project. Thus, the resources and the within-elements investigated are as follows:

## Innovation in family firms from developing countries: The role of ‘familiness’

- Financial: Profits distribution, access to financial capital; patient capital; survival capital.
- Human: Hiring of suboptimal FM employees; attraction or retaining of highly qualified NFM managers and experience/knowledgeable employees; value of well-trained managers; warm, friendly, and intimate relationships; and early involvement of children in business.
- Physical: equipment acquisition; location/building/machinery uniqueness
- Social: effective/strong relationships with suppliers, customers and other organisations; easy communication of the value of the firm’s goods and services to potential customers.

Table 4.4 shows the ‘familiness’ resources and their impact on Firm A. It presents the findings in two columns. The first corresponds to the intensity or level of influence of family on each resource as provided by the questionnaire. The later provides the researcher’s findings after analysing the data available. It goes further by including whether such influence on the business could constitute a distinctive (*f+*) or constrictive (*f-*) ‘familiness’. Quotes are used in the following sub-sections to highlight the level of family influence on each one of the resources.

**Table 4.4:** ‘Familiness’ resources in Firm A

Resource	Questionnaire Response	Researcher	
Financial	Very High	Very High	<i>f+</i>
Human	Very High	Very High	<i>f-</i>
Physical	Very High	Very High	<i>f-</i>
Social	High	Very High	<i>f+</i>

Source: Author

Furthermore, recall that appendix 9 provided a comprehensive view of the rationale behind the levels of influence: high and very high, identified by the researcher. This allows a systematic approach to be adopted that aids the comparison between the cases in this study (see chapter 5).

#### 4.4.2.2.1 Financial

The answer provided in the questionnaire was *Very High*, and when broadening his answer, Interviewee 1 commented as follows:

*“Yes. The influence of the family, meaning her and me, in the business is very high. That is because of what I was telling you about the decision-making. The two of us make the decisions in here. Definitely, the influence is very high ... She [interviewee 2] has always been very conservative with the way she handles money, she has a high sense of austerity and saving. I think it comes from her Arabic side. That has allowed us to keep a good relationship with banks, because we basically don’t owe anything to them. On the contrary, from very early we decided to save money and place it in investment funds and trusts and reinvest a certain percentage of the profits [...] we have been very disciplinants’ in keeping a profit margin that has allow as to keep a good sales volume and for the company to grow” (Interviewee 1)*

In line with the close decision making process discussed previously (section 4.4.2.1.3), in Firm A the family, or more specifically the two members involved in the business have a very high influence on the financial resources of the firm. That is, they make all the decisions due to the very limited participation of other members, either by choice (e.g. daughters) or lack of empowerment (non-family employees). Such a perspective is aligned with other comments from interview 2, which shows the family input towards survival capital, especially in the early stages of the company.

*“Company T was the first one to place an order. At that time ... well, at that time things were different. We did not even have our first freezer; I mean, my cousin and I took the car and drove downtown to buy a small freezer, a square, small one. Then we thought: now who is going to make the products? So we brought my aunt’s house keeper, and our own and the two of us and we began making what the company had ordered from us. The small freezer, obviously, was not enough, so we had to take the products wherever we could find space in a freezer: at my house, my mum’s, my aunt’s [...] then when the V supermarket codified our products, we then bought a bigger freezer and so on [...]” (Interviewee 2)*

Thus, in agreement with the questionnaire response, it is reasonable to state that the influence of the family in the *financial* resources of the company is *very high*, and it has a *positive* impact that enables the firm to be sustainable to build patient capital and have a low debt level.

#### 4.4.2.2.2 Human

When elaborating on the *Very High* response provided in the questionnaire, Interviewee 1 commented:

*“It is very high, again, because for instance if we are going to hire someone, no one has the power to do it, not even me. For example, I had to sell her [Interviewee 2] the idea that we needed to separate the production area from the quality area and we needed to have one coordinator here and one there. It cost me a lot of effort. Those decisions are made by her. If she would have told me no then I wouldn’t do it. So, one could say that the influence of the family is very high”.*  
(Interviewee 1)

As it was further developed in the financial element, in Firm A decisions are made by the family. Therefore, it might come with no surprise that their influence in the human resource element is also *very high*. At a first glance, it could be possible to identify a positive influence of the family as the two FMs involved are optimal resources for the firm, and this is due to their previous working experience and education. Furthermore, human resource seems to be a very important element in firm A:

*“For me the resource that gives us a competitive advantage is the people. It is the most important and the most necessary”* (Interviewee 2)

However, when comparing FM vs a NFM perspective, the family’s influence does not seem to be so straight forward. On the contrary, it seems to be a *negative* one. Despite the fact that the two family members involved seem qualified in terms of education, previous working experience and even previous ventures, it seems that there is a lack of human resource policies, and again a lack of corporate governance structures, which are affecting some administrative employees who feel overloaded with work.

*“I have been in the company for 24 years. I started off by organising H.R; then as the company was growing and more things were getting added to my job [description]... Also went to help with sales outside the city [...] After 14 years I went to logistics [...] I haven’t been able to detach from some administrative things and still help out with H.R. [...] Well, right now the only one that is in the administrative area is me because two people left. The ones who left were the production and dispatch managers. When the production one left, her work was divided between the dispatch manager and me, and when the dispatch manager left, I got that too. I am involved in all the production area. I have it but not with all the reports that have to be written because there is not enough time; I simply took the programming area. That is, I enter product specifications and quantities into the system, I programme it and I control it. That’s all [...] the people that came are always undergraduate internships, so they only stay here for six months, so it takes me longer to teach them and when they are learning they already are about to leave. So, I decided to keep that area [...] After the production manager left they have hired an industrial engineer, a quality engineer, a business administrator, but they get a better offer and leave; or they just become lazy so they are asked to leave. Therefore, I took on these roles” (Interviewee 3)*

The previous excerpt demonstrates the inadequate procedures when hiring or retaining highly qualified NFM managers. Furthermore, the daughters’ lack of involvement in the business is also manifested. However, it is important to note that they have already been taking action towards improving this aspect within the firm:

*“Well, usually we hire based on his/her capacities but we like him/her to be recommend, you know?. Lately, we are working with an outsourcing firm. They are very serious, also small like us, also wanting to growth. So, they pre-select three or four candidates and then we select from them” (Interviewee 1)*

By reading the previous excerpts and in line with the questionnaire’s response, it is clear that the influence of the family in the *human* resource of the company is *very high*. Moreover, it is suggested that it has a *negative* impact as the H.R. practices of hiring and promotion seem to be very informal, resulting in time wasting by not hiring suitable employees in terms of experience and knowledge. Those new employees end up leaving the company, whilst other employees could be overloaded

with work. In turn, the latter may affect their perception and motivation towards the company, which has an impact on the overall firm performance.

#### 4.4.2.2.3 Physical

Interviewee 1’s answer was *Very High*. He elaborates on his answer by commenting:

*“Well, I think it is also very high because we have decided to stay in this house/fabric and upgraded it little by little... For example, when we started, she [interviewee 2] sat in a pile of boxes with some piece of wood in the middle, and that was her desk, and she was happy with it. I am the one that has always insisted on getting some proper work stations [...] this house hosts only offices and some storage, we built our manufacture plant behind it and it covers the good manufacturing practices”. (Interviewee 1)*

Although over the years they have made improvements to the offices and manufacturing plant premises, maybe as strict response to the market or as a proactive way of targeting it, it appears that neither the location or building nor machinery are unique. Therefore, in line with the close-decision making process, and in agreement with the questionnaire response, the researcher suggests that the family influence over the *physical* resources seems *very high*. Thus it seems to have a somewhat *negative* impact as there is no evidence of any distinctive characteristics of it.

#### 4.4.2.2.4 Social

Interviewee 1 elaborates on his *high* response in relation to this matter. He did so by referring to the capacity that allows a competitive advantage for the firm:

*“The firm’s brand recognition is our most important capacity. Also the strong relationship we have with our clients. All of it has been built throughout the years... One could say that if there is no technological difference and customers still buy from us at a slightly higher price than our competitors, what keeps us going is the perception the market has of us as a serious company... Our main and direct clients are supermarkets and I believe that for them, working with my wife provides them with a certain sense of seriousness. She is very committed, formal, she keeps her word and she spoils them. She has developed a close relationship with our*

*clients and their employees. During all these years we have created strong ties, not only business relationships, but also friendships, all of which has contributed towards the firm and our brand being recognised as a good one” (Interviewee 1)*

Along the same line the non-family employee perceives the importance and impact of interviewees 2’s social skills and their importance on the firm:

*“I am always telling the CEO to go out, to the street, to visit clients, because every time she goes out, she brings back new deals. She really knows how to sell. She pampers the clients, so they always say yes to her” (Interviewee 3).*

As far as it can be appreciated from previous excerpts, it seems the CEO has very strong social skills and has built up a reputation as a committed and responsible business woman. This has allowed for strong relationships with suppliers, as well as with existent and new customers by communicating the value of the firm’s products.

Therefore, based on the previous excerpts, it suggests that the family, still led by the CEO has a *very high* and *positive* influence on the *social* resources of the firm.

#### **4.4.2.3 Emerging Family-related issues**

Firm’s A CEO has a foreign background. She is born in Colombia, but her father is from Lebanon. The business/entrepreneurial skills that are associated with his culture seemed to have an impact on her approach to business. Evidence of this is provided in subsection 4.4.3.2.1, and complemented with the following excerpt:

*“She is also an Industrial Engineer by background, but business is in her blood, like in her father’s. She is an entrepreneur; she is stunning, but a little bit disorganized” (Interviewee 1)*

Indeed the foreign background, specifically the Lebanese or, broader, the Arabic influence in the firm is notorious. Recall that the idea emerged as the Lebanese family members arrived in town. Thus, the type of products initially manufactured, and still the largest category in the firm’s larger portfolio, are Arabic. In addition to this, the firm’s name is related to its foreign roots.



### 4.4.3 Innovation

The aim of this section, as shown in section 4.2 (see table 4.1), is to unveil Firm A’s approach towards innovation (see appendix 10 for ‘innovation’ coding elements). It will further explore the firm’s understanding of innovation, and their self-perception as innovators, as well as the types, and magnitude of the innovation present, and further explores the strategies and sources pulled to engage in these activities.

#### 4.4.3.1 Understanding of innovation and self-perception

The three interviewed members of Firm A understand innovation in a similar way. They consider that innovation is basically to do new or different things, even small ones. Not surprisingly, in line with their understanding of innovation, they consider themselves as innovators, although they are somewhat hesitant.

*“I think it is doing new things ... even if they are little ones [...] Well, I don’t really know if that is innovation, but we keep changing things around here... little things”*  
(Interviewee 2)

*“I understand that something qualifies as innovative when it is something that actually adds significant value to the organisation, its products or its processes [...] If we apply its definition in the most strict sense, I would say we have not done much, but if we are a little more flexible, I would say that yes we have had some innovations, because we cannot not acknowledge what we have done during the 25 years”*  
(Interviewee 1)

*“It is to do new things, no? Well, different things to the ones one always does and, in the case of the products that one sells, things that are new for the market, right? ... well, yes, I think that is innovation”* (Interviewee 3)

#### 4.4.3.2 Types and magnitude of innovation

As explained broadly in section 2.4.3, this study explores the innovation typology suggested by Schumpeter (1934) and adopted by the OECD (2005):

- product,
- process,

- organisational,
- marketing

In addition to this, it will explore the magnitude of those innovations by considering them: incremental, really new or radical (Garcia and Calantone, 2002) with the aim of capturing the degree of newness of such activities.

Table 4.5 presents the types and magnitude of innovation in Firm A. It presents the answer given by the firm member in the questionnaire, and the researcher’s findings after analysing the data available. The findings are illustrated using important quotes in the following sub-sections.

**Table 4.5:** Types and magnitude of innovations in Firm A

Type	Questionnaire response		Magnitude identified by researcher
	Totally new to	Significantly improved to	
Product			I
Process			
Marketing			I
Organisational		F	

F: Firm      M: Market      I: Incremental      RN: Really New

Source: Author

#### 4.4.3.2.1 Product

Initially, in the questionnaire Firm A’s member did not consider that they carry out product innovations. However, during the interview he provided a different answer. This is in agreement with the other firm members.

*"Development of new products?, well... they are new if that can be called new, because one could say they are new to our market, their packaging is also new, but basically they are improvements of products we have" (Interviewee 1)*

*"Developing a product basically is done by me. For example, I came up with the idea of a product that you buy, put in the*

*freezer and then you can heat up in a conventional oven or in a microwave, and you have your food ready. Nowadays, all 'cheese fingers' in the market are sold frozen. It can be either deep fried or baked. This one comes ready, just to heat up. It comes in a really pretty package". (Interviewee 2)*

*"I think that we always launch our products before our competitors, then they copy them [...] the company has always been known for launching new products". (Interviewee 3)*

It can be argued that in Firm A there is evidence which suggest the presence of *product* innovation of an *incremental* nature. Perhaps the latter is due to the nature of the firm's activity. Indeed the firm's members mentioned the word 'new' during the interview; however, the researcher has proposed the aforementioned magnitude, given the approach on radical, really new vs. incremental innovation adopted in this study.

#### **4.4.3.2.2 Process**

Process innovation in firm A was not considered to be carried out by the firm's member when answering the questionnaire. Neither was it mentioned by the two family members when interviewed. However, the non-family member acknowledged it.

*"Well, the CEO is always working in order to reduce time in food manipulation process. She is always looking and supervising it. You won't believe it, but assembling a cheese finger in a wrong way (backwards), makes the process longer and that means wasted time. Now there are the cameras and she is always looking that everyone does it right and produces more" (Interviewee 3)*

Therefore, the researcher decided not to include process innovation in Firm A as the evidence did not seem to support it. The excerpt above seems to be describing the supervision and control of an already established process, instead of adding a significant or totally new element to it.

#### 4.4.3.2.3 Marketing

It seems this was the easiest type of innovation to point out by all three members interviewed in Firm A. Furthermore, it seems to have existed in Firm A since its foundation:

*"When we entered the market, we changed the dynamics. We were very loud and noisy. We did things that were very attractive and colourful [...] we had made real-size carton mosques in every supermarket in the city; the sales/promotion staff was all dressed in Arabic clothing and giving out tastings; there were several customs. These were other times; if I today sent a girl wearing kind of a belly dancing custom, the supermarket won't let her in [...] that is something that we are changing permanently. We are already thinking what things to do, to bring to the clients... something that is different. We barely copy. We try to make different things". (Interviewee 2)*

*"We look out for doing new things for the market that we target, the channels, or the packaging. For example, we thought really hard about having stalls in supermarkets, with food ready and warm to eat right there or to take away. So, we invented the concept of those outlets in supermarkets, but the competitors already copied them. We created that concept, because our products are sold in the frozen area. That was a way to sell them ready-made in the supermarkets own cafeterias and in these new stalls" (Interviewee 1)*

However, it is important to note that it also generated some confusion to the non-family member:

*"Sorry, what is the difference with the organisational innovation? Is that not included within it? [...] I mean, marketing is an area within the organisation area, right? As is human resources? So why is marketing innovation a category by itself? [...] Anyway we have it because we invent new ways to sell our products and package them". (Interviewee 3)*

Based on the evidence found, the researcher acknowledges *marketing* innovation occurs in Firm A. Moreover, taking into account the previous excerpts and other examples of their marketing activity within their local market and competitors, it could be arguably suggested that the nature of such innovation is *Incremental*.

#### 4.4.3.2.4 Organisational

Interviewee 1 in Firm A considers that the programme on business' strengthening leaded by the Chamber of Commerce is the most notable change they are undertaking at an organisational level. This was mirrored to certain stance by interviewee 3, yet not so much by interviewee 2 (CEO). Thus at first glance, it could be considered as an organisational innovation; however, a more in-depth analysis of the situation, allows for the researcher's different argument on this sense. It is a fact that the programme seeks the implementation of organisational changes, whereby it is expected to add value to the firm. Nonetheless, when the research was being undertaken, the programme was on its initial phase. That is, the company was proceeding with some assessments and evaluations that eventually will lead to the design and implementation of substantially new practices for the firm, but at the moment those practices have not been implemented.

*"The cultural change that we are having now is really something. It is really strong. We are going from a situation where before my wife used to shout from one office to the other asking for the sales in supermarket x, and nowadays we have an electronic email. We went from having a piece of paper with the order she took on the phone, to a format [...] we are changing our organizational culture. By being part of the programme we are getting into corporate governance. It implies we need to have a board of directors, a succession plan, a family constituency...anyhow, a lot of things that will allow the company to become different [...] we are doing something innovative in the organisational area of the company, because this can be common for a large company, but not for us" (Interviewee 1)*

*"The truth is that we go day by day with its necessities, but we don't really seat down and plan it. Right now we are in this programme that includes the review and future implementation of organisational and financial elements, so we hope we can improve them" (Interviewee 2)*

Consequently, the researcher concludes that at the moment, evidence do not support the presence of *organisational* innovation in Firm A.

#### 4.4.3.3 Strategy and sources

Table 4.6 portrays the involvement of people or entities (sources) involved in the innovation process for Firm A. The first column shows the list as reported in the questionnaire and the second column shows the individuals as identified by the researcher after further analysis of available data.

**Table 4.6:** Innovation sources in Firm A

Questionnaire response	Researcher
<ul style="list-style-type: none"> <li>• 1 Generation</li> <li>• NFM employees</li> <li>• External consultants</li> <li>• Other Institutions</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Generation</li> <li>• NFM employees</li> <li>• Other institutions</li> </ul> <div style="display: flex; align-items: center; margin-left: 20px;"> <div style="font-size: 2em; margin-right: 5px;">}</div> <div>                     Internal and Institutional Cooperation                 </div> </div>

Source: Author

As explained earlier, in Firm A there is a close-centralised decision-making process. However, they seem very open to listen to suggestions and implement ideas from different actors in order to innovate. Therefore, it could be argued that this involvement is mostly *internal*, with participation of other institutions, such as the Chamber of Commerce, thus *institutional cooperation*.

*“Well, usually we get to say what do we think about a new product, or changes to it. Also, the sale personal gets asked to listen to what customers say about our products” (Interviewee 3).*

Firm A does not have a formal innovation strategy, and so there are no indicators to evaluate the impact of innovative activities within the firm.

*“We really do not have anything formal. For instance, we do not have anything formal to measure the impact of our ‘innovations’ in the company. In this regard, the closest that we could have is sales volume... but no. I don’t think that is formal enough to evaluate the impact” (Interviewee 1)*

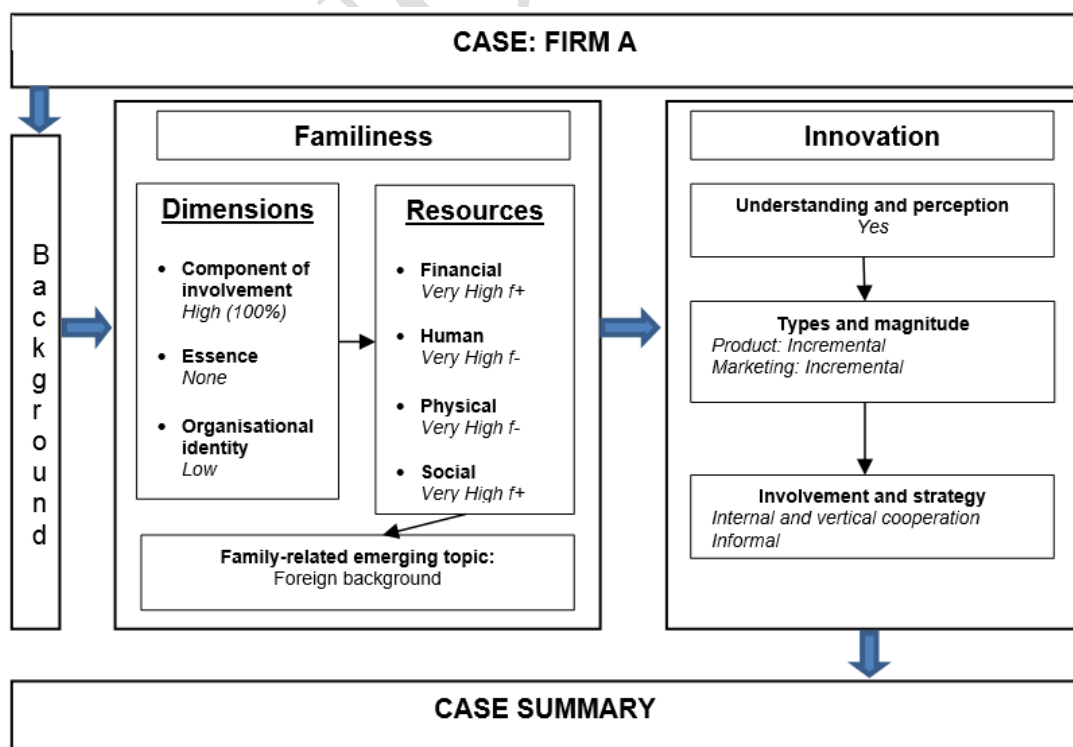
#### 4.4.4 Firm A summary

Regarding the dimensions of ‘familiness’, the within-case analysis of Firm A identified a high component of involvement, but low organisational identity and no

essence. The influence of the family in the four resources studied is very high. However, findings suggest a constrictive impact (f-) of the family for human and physical resources. A family-related theme emerged; that is the CEO’s foreign background and its impact on her business management and/or entrepreneurial activities.

With respect to innovation, Firm A considers itself innovative. They understand innovation as implementing even small changes that add value to the firm. Evidence for two types of innovation was found: product and marketing. It is to note the importance that one member manifested a confusion between marketing and organisational innovation. That is, she thought that marketing as an element of organisation was included within organisational innovation. In addition, it seems that the sources for generation and implementation of ideas is largely an internal nature, with inputs of institutional cooperation, whereby first generation and non-family members within the company are engaged in a rather informal innovation process. Figure 4.2 provides a summary of the findings for Firm A.

**Figure 4.2:** Findings summary for Firm A



Source: Author

## 4.5 Firm B

The Within-case analysis for Firm B follows the same approach adopted for Firm A (see appendix 9 for ‘familiness’ coding elements). It is important to note that the findings will differ between the two firms due to the interpretation of each case’s data.

Recall that two members of Firm B did not allow the interviews to be digitally recorded. Hence, this case is built upon brief quotes and the researcher’s notes obtained as the interviews were conducted, and using quotes from the third interviewee. Notes were taken during the interviews and immediately after the interviews took place. More details can be found in section 3.8.1.

### 4.5.1 Background

Firm B was initially founded by an existing manufacturing family-owned company to increase their retail sales and presence in the market. Family members and non-family-high-level directors of the parent company were invited to be part of it.

During its first years, the company fulfilled the purpose it was created for. However, a lack of control and management took its toll and the company faced a crisis. In 1996 Interviewee 5, one of the few “*mourners*” (as he calls himself) of the child company, was about to leave the parent company. He did not want to continue as an employee and asked to buy out more shares and formally manage Firm B. In return he received the offer of buying out the whole company, so he did this.

*“I agreed to pay the whole amount and I included my wife and my kids in the business. That is how Firm B became my family business born out of a previous family firm”.*  
(Interviewee 5)

Currently, Firm B is privately owned by one nuclear family (Spouses and three children) with them retaining the 100% ownership rights. It is jointly managed by the 1<sup>st</sup> and 2<sup>nd</sup> generations. The CEO has been occupying such a position since the firm’s foundation.



## 4.5.2 Familiness

Exploring ‘familiness’ in Firm B, will follow the same procedure as in Firm A. Recall that this study seeks to study ‘familiness’ from two approaches: dimensions and resources. It will further explore the influence of the family ( $f^+$ ,  $f^-$ ) on the firm (Habbershon et al., 2003).

### 4.5.2.1 Dimensions

The findings of this study on the level of ‘familiness’ dimensions present in Firm B, are as shown in table 4.7. Evidence for such classification made by the researcher is exhibited in the following sub-sections. Recall that appendix 9, provided a comprehensive view of the rationale behind the level: none, low, medium and high.

**Table 4.7:** ‘Familiness’ dimensions in Firm B

Dimension	Level
Component of involvement	High (100%)
Essence	Low
Organizational Identity	Low

Source: Author

#### 4.5.2.1.1 Components of involvement

As in Firm A, the nuclear family members of Firm B are five: spouses and three children. The 100% of the company’s ownership rights are divided amongst them. The control of the firm is assumed by the 1st and 2<sup>nd</sup> generations. That is, the Co-founder and CEO, who has a full-time job in other company; his wife and general manager and their son, who occupies the deputy manager position. All of them have previous working experience. Therefore, in Firm B the existence of a component of involvement approach is *high (100%)*.

#### 4.5.2.1.2 Essence

Currently, Firm B does not have in place nor has it defined a family constituency or any succession criteria. With respect to the second generation: the eldest son and two women are all young professionals. Nowadays, interviewee 4, the son, is the only one involved in the day-to-day activities. His sisters live in a different city and do not

seem to be very interested in the firm. However, when strategic decisions are made, the sisters are included in the discussion.

*Interviewee 6* commented: Their two daughters are not really interested in the company. They are both thinking of establishing their own companies in their fields. Their son needs experience but he has what it takes, partly because of his trips and time living abroad; however she is not sure what he wants. He feels like living in Canada. She would like him to go and come back once he has realised what a huge advantage it is to have one’s own company.

*Interviewee 4* commented: He would never break ties with the company. Indeed he manifested that he wants to go back to living abroad, and uses a metaphor “*It is like a dog that went from concentrate to real meat, now he knows how good it tastes, he doesn’t want to go back to eating concentrate*”. On the other hand, he added “*The only ties I have in this country are my parents and the company, but, you know? A person only lives once*”.

Therefore, the transgenerational vision, namely the *essence* of the company is considered to be of a *Low* nature.

#### **4.5.2.1.3 Organisational identity**

The specific elements of this dimension identified in Firm B are:

**Sense of oneness; shared goals and values:** As pointed out above, there is a low transgenerational vision in Firm B. However, there is still some sense of shared goals towards the continuity of the firm.

*Interviewee 4* commented that either by succession or by heritage: “*I am the one called to be here*” and he would like to see a third generation involved in the firm. He also added that he is sure his mother will stay and work in the company: “*as long as she has energy*”.

*Interviewee 6* reflected: “*I will stay here until I cannot go anymore*” as neither she nor interviewee 5 are thinking of retirement anytime soon. Furthermore, they seem to see the firm as a “*safe retirement*” because they are not the staying-home type. She concludes by saying “*We’ll see how we end up*”.

**Decision-making process; governance structures:** In Firm B, the decision-making process is largely centralised in the family members; it has the characteristics of an informal nature, and governance structures are not properly in place.

*Interviewee 4* remarked the board of directors, meaning “my dad, my mom and me”, meet once a month in order to make important decisions, especially regarding finances. No one in the firm, other than the family members has “voice or vote” to make decisions and they hired external advisors only when legal issues were involved. Also every month there is a sales meeting to follow up clients and products.

*“It’s complicated. Working with the family is tough; it is the hardest thing to do. My wife has a very particular working style. Sometimes she makes decisions as if this was not a company but a household. She has a way of drawing an employee’s attention that is not very business oriented and I need to mediate [...] I think we are too informal and need to communicate better [...] I think it is the biggest problem in family business” (Interviewee 5)*

*Interviewee 6* acknowledged that the board of directors does not work. She concludes by saying that interviewee 5 makes the big decisions, but she and her son are in charge of the day-to-day issues.

**The concept of family extended to non-family:** In Firm B it is unclear whether this element is present. On the one hand, there is evidence of employees that have been working there as long as 20, 15 and 7 years, which according to interviewee 6 it could would seem that they feel that they are treated fairly. However, there is no strong indication of them being part of the family. Furthermore, in firm B it was not possible to interview a non-family member to record his/her perspective on this matter.

**Enhancement of the external perception of the business:** There is no evidence to suggest that Firm B promotes itself as a family business with respect to the interviews undertaken and the documents reviewed. Furthermore, evidence from the firm’s website was not possible as Firm B does not have one.

In summary, by looking into detail the four different sub-aspects that compose the organisational identity dimension guiding this study, it could be suggested that Firm A demonstrates *low* traces of an *organisational identity* dimension of ‘familiness’.

#### 4.5.2.2 Resources

Interviewee 4 responded to the questionnaire sent out to Firm B. Therefore, when interviewing him, the researcher asked for evidence or examples to back up his answers. Other firm members were not notified about interviewee 4’s responses in order to avoid bias.

Table 4.8 shows the ‘familiness’ resources and their impact on Firm B. Recall that the first column corresponds to the response provided in the questionnaire. The second column provides the researcher’s findings after analysing the data available. It includes the scope of such influence (*f+*, *f-*). Comprehensive details of this procedure, including the rationale used by the author to reach the findings are explained in appendix 9.

**Table 4.8:** ‘Familiness’ resources in Firm B

Resource	Questionnaire Response	Researcher	
Financial	Very High	Very High	<i>f+</i>
Human	Very High	Very High	<i>f-</i>
Physical	Very High	Very High	<i>f-</i>
Social	Very High	Very High	<i>f+</i>

Source: Author

##### 4.5.2.2.1 Financial

The answer provided in the questionnaire was *Very High*, and evidence supporting this statement was found.

Regarding access to financial capital, firm B has managed good relationships and credits with the banks. In addition to this, two interviewees commented on interviewees 4’s skills to manage financial issues and praise the results he has

obtained in the past years. This is with respect to being able to recover money from clients’ in debt and to invest some money resulting in better profits.

*“His experience and knowledge, especially in finances, is very valuable for the firm. He has done a good job in building a small reserve of money, so when an opportunity jumps out, we are ready to take it without compromising the liquidity of the company, or the family resources” (Interviewee 5)*

*Interviewee 4 commented they do prefer small and safer bets instead of riskier, big ones as it is probably that one or two will not work, so “we do not place all our eggs in the same basket [...], it is better to be safe than sorry” he added.*

At this point it seems relevant to mention that the three members of the family did recognise that the approach of interviewee 4 to invest might be somehow conservative. However, this style seems to be akin to his parents and meets family expectations in terms of being less risky and somewhat stable or secure. Therefore the influence of the family in the *financial* resource is considered a *Very High positive* one.

#### **4.5.2.2.2 Human**

Interviewee 4 response to the questionnaire was *Very High*. Indeed evidence shows that the family has a very strong influence, as decisions regarding this matter are made by the family members involved, especially by interviewee 6. The three FMs involved are qualified for the roles they have in the firm in terms of education and previous working experience. However, such impact appears to have a negative effect on the firm. This is clearly illustrated when the three family members described a recent situation which involved firing four employees, as well as the situation (mentioned earlier) that involved the founder’s wife and her management style with the employees.

*Interviewee 4 commented that 2 out of the 4 employees were “collateral damage, because they did not understand that they should have been loyal to the owner, rather than the head employee”.*

*“By firing those 4 employees, they basically disassembled the storehouse team. Now they are moving people from other areas whilst hiring people back [...] recently we decided to hire a psychologist to help us shorten the candidates for a position through some test; but I make the final decision. Now they are saying the psychologist is not a good one and should be changed [...] they arrive at conclusions with little to no information. For example, they have hired three people, and they have fired them as fast as they were hired. I told them not to hire anyone else until there is a clear profile and we are ready to provide them with good training [...] the current practices do not create a good ambience in the firm”. (Interviewee 5)*

The previous suggests that there is room for improvement in areas such as valuing, attracting and retaining qualified and trained NFMs, as well as nurturing warmer relationships. Therefore, it is suggested that the family impact on the firm’s *human* resource might be of a *negative* nature.

#### **4.5.2.2.3 Physical**

When responding to the questionnaire, Interviewee 4 indicated a *Very High* influence of the family on this resource. Indeed evidence shows the family has a very strong influence. However, data collected from the interview and by observation during the four visits to the firm suggest it might be a *constrictive* (*f-*). That seems to be the case, because despite the improvements that have been made on the offices and warehouse, maybe as strict response to the market or as a proactive way of targeting it, it appears that neither the location or building nor machinery seems to be unique. In addition to this:

*Interviewee 6* offered details on how they regret not being able to overcome their insecurities and purchase the house next to the firm, for later expansion. *“Back then it was affordable. Nowadays the price is way too high. We missed a big opportunity. I regretted it so much”.*

#### 4.5.2.2.4 Social

The questionnaire response was *Very High*, and evidence collected supports such a statement and suggests its impact is a *Positive* one.

*Interviewee 4* acknowledges that he is still in a learning process and that the major social convenor for the company is his father. Also, he comments that it is much easier to close business deals among people you know or friends “*and so we close the deal in a lunch and some drinks at the restaurant in the social club*”

It seems that Firm B’s relationship with suppliers, customers and other organisations are strong and have been built based on trust and the fulfilment of previous commitments. Interviewees 4 and 6 agree on the importance of the company’s image.

Interview 4 commented that the good will they have “*has allowed us to be recognised as a serious company and that is always good for the business, as much for current customers, as for new ones*”.

#### 4.5.2.3 Emerging family-related themes

In Firm B, there are two themes that clearly emerged from data. One on hand there is a theme related to the high value that family members seems to have for previous experience, education, and exposure to other cultures through traveling and/or living abroad. It seems that those means allow them to be aware of opportunities and ratify their family values. On the other hand, during the interviews it also covered importance the topic related to the conflict and tensions that can be present in family firms due to the lack of formality. However, as neither of them seem relevant for this research, will not be further developed.

### 4.5.3 Innovation

The within-case analysis on innovation for Firm B follows the same approach adopted for Firm A (see appendix 10 for ‘innovation’ coding elements).

#### 4.5.3.1 Understanding of innovation and self-perception

The three interviewed members of Firm B understand innovation in similar way and consequently, at a first glance they all do not consider the company to be innovative. They attribute this lack of innovation to the activity they undertake (i.e. trading). Indeed, when responding to the questionnaire, not a single type of innovation was selected. However, as the interviews were conducted, they did provide some examples of some of innovations implemented in the firm. Those innovations will be discussed in the following sections.

*Interviewee 6* commented that for her innovation is synonymous of doing “*completely new and different things*”. She argues that the only “*kind of innovation*” they have made has been to change the firm’s logo so it has a better impact. She concludes her answer by stating the company is not innovative.

*Interviewee 4* expressed that the innovations that can be accomplished in their field, depends a lot on the manufacturers and “*because it is in the health industry and so the products do not change regularly*” and adds that when their suppliers make significant changes to their production systems it is very good for trading companies as them, because it gives them better prices to compete.

*“I have to be honest; to me innovation in our field would be to bring new products to the market. I did that when I took over the company. I used to go to international fairs, find new products, and make contacts. That is the most important way to innovate in this company [...] I got ill and now I am mobility-limited, so it is not much like that anymore, but we will be traveling soon to Florida for a fair” (Interviewee 5)*

#### 4.5.3.2 Types and magnitude of innovation

By following the same approach that was adopted for Firm A, Table 4.9 presents the types and magnitude of innovation in Firm B. It presents the responses given by the firm member in the questionnaire (in this case none), and the researcher’s findings after analysing the data available. Evidence by the means of quotes is exhibited in the following sub-sections.



**Table 4.9:** Types and magnitude of innovations in Firm B

Type	Questionnaire response		Magnitude identified by researcher
	Totally new to	Significantly improved to	
Product			
Process			I
Marketing			I
Organisational			

F: Firm      M: Market      I: Incremental      RN: Really New

Source: Author

#### 4.5.3.2.1 Product

The three family members *strongly* consider they do not innovate in *products*. As mentioned earlier (section 4.5.3.1), their argument is that it is because of the activity and the environment in which they are located. Furthermore, the researcher did not find any evidence, and therefore product innovation is not included in this research.

*“Because we are a trading company, our innovation is very limited [...] Here there is a big limitation. In order to sell [to hospitals] you need to give them credits that can take very long periods of time to be covered; also the hospitals are really picky when you take new products to them. They say they do not have a budget; they don’t take them because the insurance companies won’t cover them. You see? That is a huge limitation for our innovation” (Interviewee 5)*

#### 4.5.3.2.2 Process

When the firm member filled in the questionnaire, it did not include process innovation; neither was it mentioned by any of them when interviewed. However, the three members did mention their service, as their competitive advantage. When further exploring this aspect and guided by the definition followed in this study, it is possible to identify evidence of an *incremental* magnitude-*process* innovation in firm B.

*Interviewee 6* commented that the service is the most important aspect to keep in the company. By service she means the readiness and agility of their deliveries. “*We are known as pricy, but our service is unbeatable. We deliver on time. Even if I have to drive myself to make it on time*”. She adds that the reason for it is that “*we have a good system in our warehouse. We always have enough. Not too much, so it is not money just sitting there, but enough to cover the orders*”. She provides the example of a hospital, which buys from a cheaper trading firm. However, every once in a while they call the firm as their competitors have not met the delivery day.

*Interviewee 4* commented that in monthly sales meetings they follow up on their clients, and they have developed a “*great balance of stock*”. That is, to know exactly what and in which quantity their clients order. Then they add it to their stock “*without them even knowing*”, so when they call, the delivery is ready almost immediately.

“*We are thinking and doing little things, like how to prepare orders and deliver quickly [...] they are not “breakthroughs but day by day they add value”*” (*Interviewee 5*)

#### **4.5.3.2.3 Marketing**

Despite this not being included as a response in the questionnaire, *marketing* is the type of innovation that was identified the most in Firm B. Evidence collected suggests that an *incremental*-scope marketing innovation is obvious with respect to firm B’s activities.

*Interviewee 4* provided a couple of examples. The most recent is the hire of a surgical instrumentalist. “*With her now we enter to the surgery room itself promoting our future products to doctors and nurses in action*”. He adds that the strategy hasn’t worked as they had planned and needs some improvements, but recognises that it has been a good experience and they are still trying it.

*Interviewee 6* comments that because the firm is a trading company, “*that would be the closest to innovation that we can have*” and she provides the example of the surgical instrumentalist.

#### 4.5.3.2.4 Organisational

The researcher has decided not to consider any *organisational* innovation in Firm B as the evidence does not seem to support it. The excerpt below seems to be describing more the implementation of control mechanisms instead of adding a significant or totally new element or value to the firm.

*Interviewee 4* provides some examples: certification ISO (more than 3 years ago) which has improved the formal process within the firm; also last year they created a ‘daily report’ which “*gave us more control and allowed us to see what we were spending time on to improve*” and sometimes, without any formal structure, they rotate some functions amongst their employees.

It is important to note that confusion arose when asking the question: If they were to consider the four types of innovation: product, process, marketing and organisation, which ones do you consider being applicable to Firm B? That is, interviewee 6 asked if marketing innovation was included within organisational innovation. The researcher asked why she would think so.

*Interviewee 6* responded “*I don’t know, it seems like marketing is an organisational element, so this should be one, no? [...] But actually it makes sense they are both separate*”.

#### 4.5.3.3 Strategy and sources

Table 4.10 portrays people and/or entities involved (sources) in the innovation process for Firm B, as reported in the questionnaire (first column) and as identified by the researcher after further analysis (second column). Evidence using quotes are used in the following sections to illustrate this.

**Table 4.10:** Innovation sources in Firm B

Questionnaire response	Researcher
<ul style="list-style-type: none"> <li>• 1 Generation</li> <li>• 2 Generation</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Generation</li> <li>• 2 Generation</li> <li>• Suppliers</li> </ul>
	<p style="text-align: center;">} Internal and Vertical Cooperation</p>

Source: Author

Despite the lack of any innovation type mentioned when responding to the questionnaire, interviewee 4 does state that member’s from the 1<sup>st</sup> and 2<sup>nd</sup> generation are involved in the firm’s innovation process. Furthermore, it seems there might be some participation of suppliers with respect to marketing innovations, such as the hiring of the surgical instrumentalist which was mentioned by all the interviewees. Therefore, it seems that those involved in innovation of Firm B mostly come from within the firm (*Internal*) with some participation from suppliers (*Vertical Cooperation*).

*“This is back and forth. I have an idea and I let the supplier know and vice versa. Because we are like a satellite for our suppliers; we go to the field and see opportunities for them and for us, we are their arm in the field. So, if we see or hear something, we tell them; if they tell us that it is worth trying something like the surgical instrumentalist, we try it. In this case the supplier suggested it could improve the sales of some products, so we tried it”. (Interviewee 5)*

Based on previous excerpts on decision-making and governance structures, it could be suggested that Firm B’s approach to innovation is rather informal.

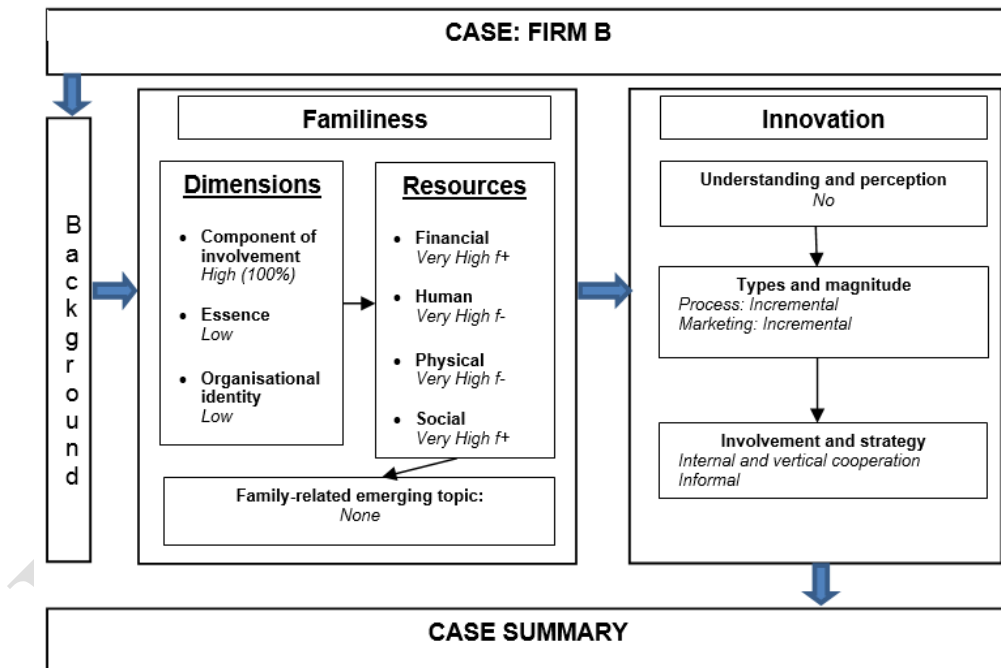
#### **4.5.4 Firm B summary**

On the one hand, the within-case analysis of Firm B identified for ‘familiness’ only has one high dimension, namely component of involvement. Traces of low presence of essence and organisational identity were found. On the other hand, there seems to be enough evidence to suggest a very high influence of the family on the access and use of the four resources. However, findings suggest a constrictive impact (f-) of the family for human and physical resources.

Two emerging topics were identified. First, the importance family members seem to place on education, previous work experience, and experience attained by living or traveling abroad. Second, it identified some tensions and conflict management that could be related to the interaction of the family under weak formal structures and the lack of defined roles for the family members in the firm.

Regarding innovation, it is important to note that Firm B does not consider itself to be innovative. It could be argued that at a first glance they understand innovation in relation to new products; which they argue it is not possible to achieve due to the nature of their activity (i.e. trading). However, evidence found seems to suggest the presence of process and marketing innovations. Moreover, when mentioning the four types of innovation considered in this study, one interviewee reflected on the idea of marketing and organisational innovation could be considered as one yet almost immediately she corrected herself and provided an answer for marketing innovation. It seems there is a dominant involvement of 1<sup>st</sup> and 2<sup>nd</sup> generation members in the process, with a small participation of suppliers with respect to marketing. Figure 4.3 provides a summary of Firm B’s findings.

**Figure 4.3:** Findings summary for Firm B



Source: Author

## 4.6 Firm C

The within-case analysis for Firm C follows the same approach adopted for previous firms. This commences by introducing the background to Firm C.

### 4.6.1 Background

Firm C has its roots dating back to the 1980's when its founder was working at his aunt's trading company. He was one of the first in the industry to include musical instruments as objects for trade. Later he partnered with his aunt-former employer and other relatives in a new business. This company was named after him and was dedicated to selling musical instruments. Whilst working with them, he developed several 'informal' economic activities, including lending music instruments and equipment. In 2001, he decided it was time to capitalise on the reputation as well as the financial records built over several years in the music industry, and so he formally created the company.

In 2003, the company included in its portfolio the production of events, also adopting a new name and image. Finally in 2006, the partnership with his relatives was dissolved and he bought the remaining inventory, the right to keep and use the business premises, as well as the name of the stores. It was the consolidation of what the company is today.

Currently, Firm C has three business units: events production (own and for clients), musical instruments stores, and lending their facilities for cultural and social events. The latter is currently going under some modifications and therefore, is not an active business at the moment. It is privately owned by an extended family, and they retain the 100% ownership rights. At the present moment it is jointly managed by the 1<sup>st</sup> and 2<sup>nd</sup> generations as well as by four other family members. The founder has also been the CEO since the firm's foundation.

## 4.6.2 Familiness

‘Familiness’ in Firm C will be explored as in previous firms. Thus, it will be considered from two approaches: dimensions and resources, whilst also examining the nature of such ‘familiness’: distinctive (*f+*) or constrictive (*f-*).

### 4.6.2.1 Dimensions

The findings in this study regarding the level of ‘familiness’ dimensions present in Firm C are shown in table 4.13. Quotes are provided in the following sub-sections.

**Table 4.11:** ‘Familiness’ dimensions in Firm C

Dimension	Level
Component of involvement	High (100%)
Essence	Low
Organizational Identity	Medium

Source: Author

#### 4.6.2.1.1 Components of involvement

In Firm C the 100% of the company’s ownership rights are divided amongst members of a nuclear and extended family. That is: the owner, two of his siblings, one of his children, one of his nieces, and his ex-wife.

The control of the firm is assumed by the 1st and 2<sup>nd</sup> generations. That is, the Top Management Team is mostly formed of the founder and CEO; his brother, who recently joined to manage the commercial department, and their niece, who manages the production department, and is currently training her uncle to take over the commercial one. She has been accompanying the CEO for more than 18 years in previous ventures. There are two NFMs also involved as heads in a similar number of departments, and there is also a nephew leading the treasury department. Finally, the CEO’s eldest child just finished high school, and whilst deciding what to study as an undergraduate level, he already has the responsibility of managing the company’s website and online sales. Therefore in Firm C, the existence of a component of involvement approach is *high (100%)*.

#### 4.6.2.1.2 Essence

In Firm C, the ‘direct’ second generation is still very young. That is, the three children of the founder are still kids and teenagers. Only until recently (about 3 months before the interviews were conducted), the eldest son started to become actively involved in the company.

Furthermore, there are two extended family members, 2<sup>nd</sup> generation, involved in the company. One of them belongs to the TMT. Evidence suggest that the relationship between her (interviewee 7, niece) and the founder (interviewee 10, uncle) is a very close one. Moreover, she considers her uncle as her dad, and the other members in the family consider her to be the one that will carry on the firm’s lead.

*“When my dad died, I was very little [...] and well interviewee 10, he has been like my dad; he is my father figure. He is my dad [...] some time ago he was much stressed and ill, we were worried. My other uncle (interviewee 11) told me that he had asked his siblings and kids that if something were to happen to interviewee 10, who they considered was the right person to succeed him [...] and he said that all of them said it was me [...] the thing is that he and I have an excellent communication. Look when someone in the family or in the company want something from him, they come to me and ask me; right now we are in a little bit of a discussion, and sometimes we have our differences, but generally the two of us work very well” (Interviewee 7)*

Indeed, at the moment of the interview, interviewee 7 was feeling somehow overwhelmed by the lack of freedom and autonomy she was experiencing at the moment. She was considering other options, such as creating her own company. She had already spoken with her uncle, and even had invited him to be part of her new venture.

However, on a phone conversation held weeks later, she commented that things were better after several discussions and conversations, and so she is staying in the firm for the moment. Nonetheless, it still seems there is work needed to be done regarding this matter. Additionally, Firm C does not have in place a family constituency or any



succession criteria. Therefore, the *Essence* dimension of the company is suggested to be of a *low* nature.

#### 4.6.2.1.3 Organisational identity

With respect to organisational identity, the specific elements of this dimension identified in Firm C are:

**Sense of oneness; shared goals and values:** Despite the low transgenerational vision in Firm C, it is possible to identify the goals and values shared in Firm C.

*“I think we have done well, because we all like what we do. You can ask any of us. I think that it is fundamental to do fine. It brings commitment. So, I see a bright future for the company and its members”. (Interviewee 10)*

*“We offer our clients a very good service. They can notice we all are having commitment and responsibility toward our job, because we all want the firm to do well and we like what we do”. (Interviewee 8)*

*“Well, despite all the trouble going on now, I have to say I really love what I do. I love my job. That is great, because working in something you don’t like is boring. We always want the client to be satisfied, and so we need to be creative, so we go the distance to make them happy. If they are happy, the company does well and we are also happier”. (Interviewee 7)*

**Decision-making process; governance structures:** In Firm C the decision-making process is largely centralised and lies with the CEO, also there are no clear governance structures in place and there seem to be quite a lot of control mechanisms, which might arise tensions amongst some of its members. However, it also seems that the CEO’s leadership style is open and participative, giving everyone, including NFMs, the chance to propose and implement ideas.

*“I consider that his approval is important, but there are some occasions that I think he needs to delegate, so he can simplify everyone’s work, including his. This will also bring agility to our activities. There are some processes that get stopped because we are missing his approval, but he is not at the office, or he is traveling, or he is at meetings and we cannot*

*reach him [...] for instance, in my department. We already have established that we will pay our suppliers on Fridays, but there are days that he cannot go through the payment authorisations, so people are just waiting, and calling and I have to tell them that there is no payment today and that is a problem. So, I understand that he needs to approve things, but perhaps he could let go of some of them”. (Interviewee 8)*

*“Well, in this company I make the final decisions, but I think that I am a very open person to other’s opinions [...] Right now I am trying to off load some of my tasks to other people that are allocated roles where it is necessary to make decisions [...] I am letting go little by little ”. (Interviewee 10)*

*“Interviewee 10 is always open to listen. He has periodical meetings. For instance, to determine stock and sales goals, inventory, follow up to outlets, etc., he meets with the people in those departments. When it is regarding the production, he meets with Interviewee 7. He always listens very carefully to what she has to say; what we all say, although he might do something different”. (Interviewee 9)*

*“In general the decisions are made by interviewee 10, but he seeks information, knowledge and advice from each area manager” (Interviewee 11)*

The researcher also found evidence of the lack of governance structures and its impact on the company.

*“Well, we do not have a board of directors. There are a lot of policies that are not defined within the company [...] we have something that I call ‘continuous disorganisation, but organised growth’. That means that I lead this project according to my criteria, but to be honest with you, this has been very empirical. During these years there have been very few occasions where I have looked for some kind of professional or specialised consultants” (Interviewee 10)*

*“Here there is no board of directors as such, usually the decisions are taken by my uncle (interviewee 10), but my cousin (interviewee 7) and the administrative director (Interviewee 9) are involved most of the time [...] I guess they could be our board of directors “(Interviewee 8)*

**The concept of family extended to non-family:** In Firm C, this element is clearly identified. Both, family and non-family members were ready to provide different examples to support their positive perspective on this matter.

*“Relationship with interviewee 10 is direct. He is very impartial with all, family and non-family. He treats everyone in a very special way. I am sure you noticed it, he is very familiar and respectful with everyone [...] actually there is a huge sense of familiarity amongst the whole group [...] I would say that I am already part of the fixed assets of the company” (Interviewee 9)*

*“Here there are several employees that are old. I found some employees that were working with my uncle before the firm was founded. Hum, there is interviewee 9 that has been working with him since his previous company; ‘x’ has been here since the company was founded. There are also some security guys that have been with him in the previous firm. They are already considered as part of the family. They are people that one can trust” (Interviewee 8)*

**Enhancement of the external perception of the business:** Firm C does not promote itself as a family business.

In summary, by looking at the details of the four different sub-aspects that compose the organisational identity dimension guiding this study: sense of oneness and shared goals, values; decision-making process and governance structures; family concept extended to non-family and enhancing external perception of the business, it appears that there are *medium* traces of the *Organizational Identity* of ‘familiness’ in Firm C.

#### **4.6.2.2 Resources**

Interviewee 8 responded to Firm C’s questionnaire. Hence when interviewing him, the researcher asked him to provide evidence or examples to support his answer. Again, other firm members were not told about the response in order to avoid bias.

Table 4.12 shows the ‘familiness’ resources and their impact on Firm C. The procedure was undertaken systematically according to previous cases. Comprehensive details of this procedure were explained in section 3. Particularly,

rationales for the levels of influence as identified by the researcher are found in appendix 9.

**Table 4.12:** ‘Familiness’ resources in Firm C

Resource	Questionnaire Response	Researcher	
Financial	Neutral	Very High	f+
Human	High	Very High	f-
Physical	Neutral	Very High	f+
Social	Neutral	Very High	f+

Source: Author

#### 4.6.2.2.1 Financial

Interviewee 8 provided a *Neutral* answer in the questionnaire. However, when broadening his answer, traces of *very high* family influence were shown. This was in line with other members’ responses. Furthermore, based on the elements contemplated in this study it is considered that the family influence has a *positive* impact on the firm.

*“I think that one of the most important capacities that we have, is the continuous capitalisation that we have had over the last decade; that has allowed us to become a company that does not exactly live out this activity; well, I speak for me as the leader of this company. We are not taking money out of the company to live. The company has lived a process in which basically everything has been reinvested and capitalised; that has given us good possibilities of doing some important business. The savings ingredient is very important in our firm. Savings and investment are a principle in our company. We think that by taking care of the little we have accumulated, we generate something that I call ‘managerial tranquillity’; that is a backup that you create, so when opportunities arise, you have the financial backup right there so you can chase those opportunities. That has worked well for us. He has had access to some important businesses; if we did not have that financial muscle right there reachable just by extending our arm, I am sure we would have missed those opportunities” (Interviewee 10)*

The previous excerpt from the firm’s CEO encloses most of the elements of the financial resource as studied in this thesis: profit distribution, access to financial capital and patient capital, and it clearly evidenced the high positive influence of the family and his influence as head of it in the firm.

#### 4.6.2.2.2 Human

Interviewee 8’s response to the questionnaire was *high*. Indeed evidence shows the family has a *very high* influence regarding this aspect. However, it seems they might be missing out on the opportunity of a more organised growth, based on the hiring of highly qualified NFM managers and knowledgeable/experienced employees.

*“Here we do not have an H.R. department as such. Here for instance, if my cousin needs someone in the commercial/production department, she will make the decision. When it is related to the outlets or the administrative staff, the heads of those departments select some CV’s but my uncle decides. Sometimes interviewee 9 gives her opinion [...] but there is not a department as such and I think it is necessary because here those things are managed like very informal; so it is high because the decisions are made basically by my uncle and my cousin in her department”. (Interviewee 8)*

*“I know there are some administrative issues that we need to improve, but I am not sitting down to elaborate job descriptions. That is not what I am here for, instead of wasting my time doing that I close business for several millions (\$COL) [...] I have suggested him to hire a student for an internship, the administrative department say they will elaborate them, but nothing happens, because it is true that the leader is a great person but something need to happen there as well [...] I also recommended an external advisor so s/he could advise us on the administrative areas that need improvement, but he did not wanted either. I told him that we need to find a way of having the perspective of someone with experience, knowledgeable, that there is no need to have him/her all the time, so an advisor will do, but he does not want to”. (Interviewee 7)*

Regarding the profile of the FMs involved, it seems their capacities and skills are mostly appropriate for the roles they are carrying out, however, it is important to note that some of them have backgrounds, education, and working experience that does

not entirely correspond to their actual roles in the firm. For instance, the CEO did not graduate from college, the treasurer is lawyer by background, the son who is a teenager has been put in-charge of the website and online sales. Furthermore, the uncle who recently joined the company (2 months prior to the interviews being conducted) is a specialist in marketing as well as being a philosopher, but somehow his job description seems to be more administrative than commercial.

*“Since I came we have initiated several processes, for instance invoices, inventories, we are keeping a close eye on the debts; so we are trying things to work in an optimal manner, which will bring more harmony to the firm”. (Interviewee 11)*

*“He is great, but in the administrative part; what he is doing in that area is going great; but I’m not sure if he is the suitable person to be in charge of the commercial department”. (Interviewee 7)*

However, there seems to be evidence of different activities to promote better relationships among the company members

*“Once in a while we do these workshops with dynamics to improve the relationships among employees, for us to be more creative and do more team work; because if one employee is not satisfied with his/her salary, or is under a lot of stress, or is all the time angry, that has an impact on his/her contribution to the firm. Also, when there are new employees it helps them to integrate into the team and get to know our culture, how we do things here [...] Something good, that I haven’t heard it happens in other companies, but my uncle does something that is as good for the employee as for the company. When an employee comes up with an idea of an event that is really good, he makes them partners. So the employee also gets profits from it. That is what happened, for instance, with this event [the one for the alcoholic drink]. It is good for the employee because it motivates him/her to be committed to the company, and it keeps bringing new ideas or concepts to exploit and make money from”. (Interviewee 8)*

Form the previous excerpts it seems convenient to suggest a *negative* impact of the family on the access and use of the *human* resources in Firm C. This is because it seems to be necessary to implement clearer HR policies.

#### 4.6.2.2.3 Physical

When responding to the questionnaire, Interviewee 8 indicated a *Neutral* influence of the family on the use and access of physical resources. However, evidence shows the family has a *Very high* influence on this resource; suggesting a *positive* one. There is evidence of such an impact when the several members refer to the constant improvement to the stock of music instruments and the layout of the stores. In addition to this, members mentioned the permanent updating of equipment in order to offer a better production of events, and the continuous renovation of their facilities to cater for social and cultural events. This occurs whilst maintaining its functionality as their office.

*“We are importers, so that is an advantage we have over other event producers in the region. It is easier for us to acquire and update our equipment”. (Interviewee 9)*

*“We have been in this house for 8 years [...] we bought it for its location; you know this neighbourhood and the spectacular houses [turned into offices] around ... all the historical value [...] We had to rebuild it basically from scratch, but keeping its essential. Rebuilding it lasted for 2 years, but we knew of its potential as an art gallery and functions rooms/venue for hiring”. (Interviewee 7)*

#### 4.6.2.2.4 Social

The response to questionnaire was *Neutral*. However, a *Very High-positive* impact of the family is evidenced here.

*“Especially interviewee 7 provides us with a great strength to network with a large amount of people within the cultural and musical environment. She is very easy to fit that profile and of course that opens many doors for us, for many things”. (Interviewee 10)*

*“Right now I am very well connected with people all around the country, with the right people in this industry, getting proposals, doing important business”. (Interviewee 7)*

Also, they have built an image that allows them to communicate their services to the community, and thus potential customers.

*“We have created an image of a trustworthy firm. People look at us with respect, as if we were a large company. Sometimes it amuses me the way we are perceived; of course, that is good for the business [...] We have a very good level of relationships that we have been working on day to day for years. We really work hard on maintaining and growing our networks and as result we get to work with higher up people. I mean getting directly to owners or CEOs of other companies we are establishing a level of relationships that will strengthen us in the long run”. (Interviewee 10)*

#### **4.6.2.3 Family-related emerging themes**

In firm C there are two themes that clearly emerged from the interviewees. On the one side there is the importance of trust. That is, it was brought up by four out of five members interviewed; in fact all the four FMs interviewed mentioned it. Somehow it seems to be a criterion of selection and hiring within the firm, or it is thought of as a high value and belief within the company. On the other side, there is the theme of tension amongst Firm’s C members, due to some administrative/management misfits that need to be solved. However, as these are not a theme relevant for further analysis in this study, they are not further developed.

#### **4.6.3 Innovation**

The aim of this section is to unveil Firm C’s approach towards innovation. Thus, data analysis and presentation will follow the procedure as for previous firms (see appendix 10 for ‘innovation’ coding elements).

##### **4.6.3.1 Understanding of innovation and self-perception**

Members of Firm C understand innovation in a similar way. That is, they consider that innovation is to implement changes, offer and do things different. Not surprisingly, in line with their understanding of innovation they consider themselves to be innovators.

*“Innovation is to propose products that perhaps the competitors don’t have or take the risk to implement novel processes or procedures or they are unusual. It is to change [...] I think we can do better; we have been a little bit shy. But it also depends against who we are comparing ourselves*



*to. If you look at the industry worldwide, we are behind by far, because out there is a whole ocean of digital products and we are just changing little by little; but if you look at the market we attend, that is basically the north region of the country, we are doing fine because we are direct importers, so when we go to international fairs and see things that can work in our market, we bring them and are amongst the first to offer those equipment when producing an event in the region” (Interviewee 10)*

*“It is to implement changes which make you do things differently and differentiate you from your competitors. We do innovate continuously, because of what we do, we really have to, imperatively, go at the forefront of the market; otherwise we will not be hired [...] and I don’t mean innovation only in the physical aspect of the business, but also in the psychological one, because there must be a synchronisation. The market is changing and so we need to be prepared to move a little ahead of it”. (Interviewee 11)*

*“Is to offer new things to our clients, either in the music instruments stores or producing events that are different, so yes, we totally innovate continuously”. (Interviewee 8)*

#### 4.6.3.2 Types and magnitude of innovation

By following the same approach as adopted previously, Table 4.13 below presents the types and magnitude of innovation identified in Firm C. The answer provided by the firm member in the questionnaire is presented followed by the researcher’s findings. Evidence using quotes are exhibited in the following sub-sections.

**Table 4.13:** Types and magnitude of innovations in Firm C

Type	Questionnaire response		Magnitude identified by researcher
	Totally new to	Significantly improved to	
Product		F + M	I
Process		F	I
Marketing		F + M	I
Organisational		F	

F: Firm      M: Market      I: Incremental      RN: Really New

Source: Author

#### 4.6.3.2.1 Product

Interviewee 8 responded to the questionnaire identifying product innovation in Firm C. When broadening his answer, he started by describing the musical instrument stores as an innovative business unit.

*“Regarding the music instruments store, we innovate because we are constantly travelling to China and US, so we import new items; I mean the instruments that we sell here but with a more advanced technology. Even more, we recently introduced our own brand, which is a more economic line than the big brands”. (Interviewee 8)*

At first glance, it could be straightforward to support such an argument as product innovation. However, it is important to recall that firm C’s activity is located within the service sector. Thus, it sells some products, but because it buys them and not because it manufactures them, and therefore the firm cannot innovate them. Hence, in Firm C there is no product innovation as suggested in the past excerpt. In this case, this activity serves as a complement to the service of events production.

However, the researcher did find evidence to support the argument of *incremental product* innovation in Firm C through the services they offer, particularly the events production.

*“Regarding events production, we are always very creative; we are always looking to bring new shows and putting down different scenery to go with it [...] one example is an event created by one of the guys in the production department. A client came and wanted to introduce a new alcoholic drink in the market, so he created a very cool concept. It is only for that brand. Nowadays they hold the event four times a year” (Interviewee 8)*

*“We are always, always, always making up new concepts for our events. I am being honest, I am not exaggerating [...] for example, for an event, I took the idea of those parties that used to be held in the street; people would just close them, put out a huge audio system and that’s it, so I transformed that into a whole new concept involving the new rhythm, local bands but recognised at an international level [...] it was crazy. We had 4.000 people and the profits were amazing” (Interviewee 7)*

*“We work with cultural institutions, so we are all the time thinking of new ways, new concepts of putting up a show that will have the impact the entity, our client, is looking for, so we are all the time bringing in new elements”. (Interviewee 10)*

#### **4.6.3.2.2 Process**

The questionnaire indicates the presence of *process* innovation. Evidence collected by the researcher supports its *incremental* nature.

*“We are always thinking how to provide different shows; for instance we had one during Christmas time, so the girls were dressed as Santa’s wife, but sexy ones. That one was here in the gallery, imagine the contrast of the music and the place [...] I have the idea to manage our own currency during our events, I saw it in a festival in Amsterdam, but I have already thought about how to adapt it to our events [...] I introduced him [her uncle] the concept of a community manager. It’s great because with her we have been changing slowly the tendency when promoting an event, so the process of planning and promoting it has change; she keeps moving the social networks, creating some puzzles, giving free entrances to events, etc.so when the event is about to happen there is no need to invest large amounts of money in ATL (Above the Line) publicity, because we already have a faithful customer [...]”. (Interviewee 7)*

#### **4.6.3.2.3 Marketing**

As indicated in the questionnaire, there is evidence suggesting the presence of *marketing* innovations of an *incremental* nature in Firm C.

*“With the event I told you about, whilst it was being positioned it was free. Well, actually it was ‘free’ in quotes because I used a ‘refill’ model. That is, for you to get your entrance you had to buy a bottle of x and a bottle of y, which was my sponsor [...] the business model of our events, is that before the event starts it has to be completely covered by sponsors. If it is not covered, we don’t launch it [...] what I have tried to do are not concerts, but parties; but not regular parties. I want people attending to live a whole experience [...] it has changed over time as we have learned with every event and we introduce more things. We have created events that have become platforms for our stores, for example event x has a positive impact on the music stores; it is a*

*competition which involves a band pre-selection phase that lasts four months prior to the big day when the winning bands are announced. These bands get a place in other important events at national level. The beauty of such an event is that all the small participating groups that are motivated and excited, so all of them go to the stores to buy things they need for their instruments, like new instruments, or spare parts, etc.” (Interviewee 7)*

*“We are constantly searching for ways of making business happen [...] for example there was a company or alcoholic drinks that wanted an event, but had no budget; so we receive the payment in alcohol to be sold in other event. I think that we are very open to ‘innovation in payment’. That could be interpreted as innovation [...] the local newspaper pay us through some publicity bonus, hum, I had not thought of it in this way [...] in one of the outlets someone offered us a car as payment for an instrument; we accepted and one of our employees took it and is paying by monthly instalments [...] we are thinking of selling instruments to low-income students at the art school through monthly instalments [...] all those are different ways of finding new ways to promote, place and sell our products and services (Interviewee 10)*

#### **4.6.3.2.4 Organisational**

Interviewee 8 indicated the presence of organisational innovation; however evidence seems to contradict such statement. At the moment, Firm C seems to be working to improve some internal aspects in order to become more efficient as part of their current activities, thus not implementing new practices within the firm.

*“Internally I do recognise that we have innovated, well made changes, because the development and growth of the company requires it. For instance, by buying new software, hiring new staff... I admit we need to improve in this area”. (Interviewee 10)*

*“I would say that right now what we are doing is trying to identify and improve some things we need. For instance all the things related to recovering the debts and managing our stocks. Also, we are going through some changes related to our organisational culture also to improve for instance, some communication issues; we are revising many procedures within the firm in order to make some changes and make things happen”. (Interviewee 11)*

Therefore, evidence seems to suggest that there is no *organisational* innovation taking place in Firm A. Furthermore, it is important to note that when broadening the answer he provided on the questionnaire regarding organisational innovation, interviewee 8 commented.

*“I think there is organisational innovation because we try to grow organisationally with the business, so we don’t run behind; we also want our employees to feel at ease with the company grow; that is why the administrative department was created and we have new computers for everyone... that is organisational innovation right? [Interviewer: what do you think?] Well, I was thinking that things related with the human resource are organisational, but then there is not everything else? Like finances and marketing? For instance I would of thought that marketing was included in organisational innovation, but when I saw there were two different, I though organisational meant the human resource” (Interviewee 8)*

#### 4.6.3.3 Strategy and sources

Table 4.14 indicates the sources, meaning who and/or which institutions are involved in the innovation process in Firm C. It contrasts the answer provided in the questionnaire (first column) and the one identified by the researcher after further analysis (second column). Evidence using quotes are provided.

**Table 4.14:** Innovation sources in Firm C

Questionnaire response	Researcher
<ul style="list-style-type: none"> <li>• 1 Generation</li> <li>• 2 Generation</li> <li>• Other FM not working in the firm</li> <li>• NFM employees</li> <li>• Clients/Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Generation</li> <li>• 2 Generation</li> <li>• Other FM not working in the firm</li> <li>• NFM employees</li> <li>• Clients</li> </ul>
	<p style="text-align: right;">} Internal and Vertical Cooperation</p>

Source: Author

As aforementioned, although in Firm C the final decision is made by the CEO, there is evidence of different family and firm members’ as well as clients’ involvement and the informality of the process is visible. This may be coherent with some of the issues that are evident and need improvement in different administrative procedures.

*“Well, I am telling you, I am an idea generator, and I love it [...] in some things he listens to me, but in others I really need to make an effort to get him to see my point; usually I get it [...] my family is very close so at the end of the day everyone suggests things; my cousin living in London, sometimes she calls me or sends me links, videos, pics, of things she sees there. It’s amazing”. (Interviewee 7)*

*“Here, we all basically suggest things. I mean, like all the team in the commercial and production area, and when those ideas are put in place, they get some commissions for it; so they all want to keep innovating and bringing new things”. (Interviewee 8)*

*“Here everyone can propose ideas within each one’s area. For instance, T is a guy within the sales area. He is good; his eyes are always open for new things, like suppliers, lines, etc. So he just tells me; some of his ideas have been really good [...] We also work with some government and educational institutions, they are clients of ours, we do many events together, and because the nature of our business we listen to them, we always work together to put in place an event [...] Here we really don’t have a strategy. It is really very empirical in the way we do things. We go in the direction the road ahead is shaped for us”. (Interviewee 10)*

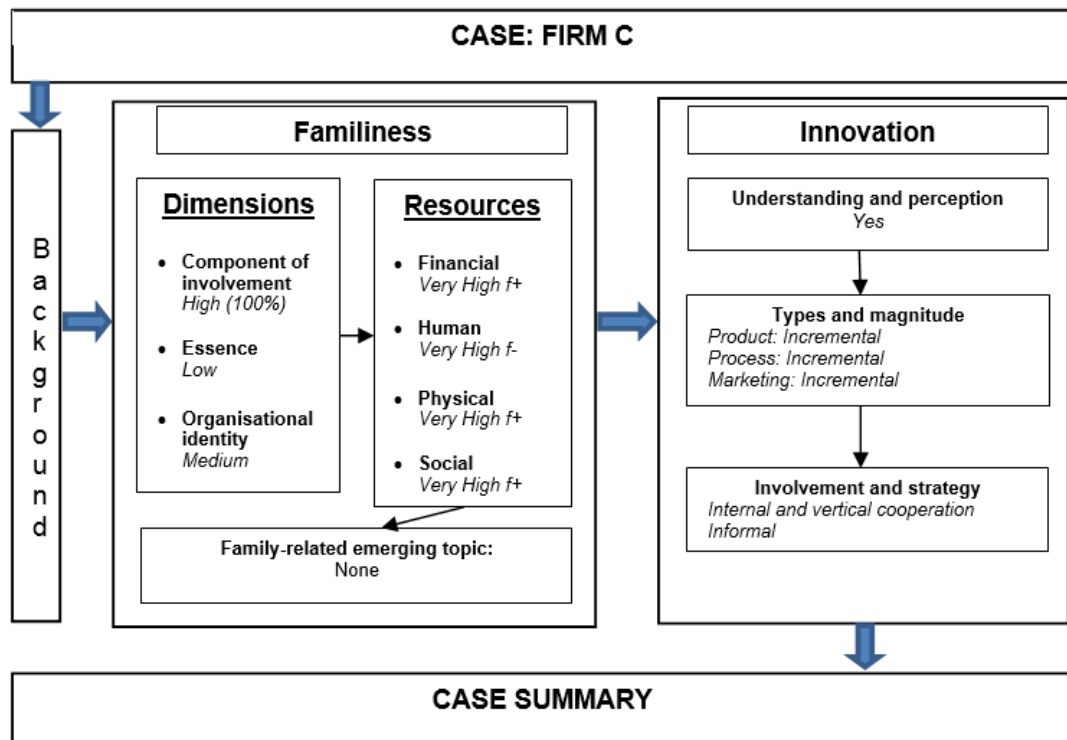
#### **4.6.4 Firm C summary**

The within-case analysis of Firm C identified traces of high ‘familiness’ on the component of involvement dimension, low for essence and medium for organisational identity. When approaching ‘familiness’ from a resources perspective, the analysis suggests a very high influence of the family for each one of the four resources: financial, human, physical and social; however, it seems the nature of that influence is negative ( $f^-$ ) on the human resource, whilst being positive ( $f^+$ ) for the remaining three ones.

One topic clearly emerged from the data, and that is the importance that family members seem to place on trust. Excerpts suggest as that it was an important characteristic to have in order to belong to that particular firm. A second topic was more timidly identified; there appears to be a slight tension between the firm’s members, particularly FMs, regarding some difficulties and improvements that are necessary within the admin team and processes.

In general, Firm C does consider itself as innovative, as they understand innovation as launching products or services that their competitors do not have and cannot offer. In that sense product, process and marketing innovation all of an incremental nature have been identified by the researcher. In Firm C a member enquired to validate his understanding of organisational innovation, thus revealed a small confusion related to marketing innovation. It seems there is a dominant involvement of 1<sup>st</sup> and 2<sup>nd</sup> generation members, as well as NFM and clients in the innovation process. This responds to an informal strategy within the firm, yet there seems to be in place a kind of motivational programme linked to commissions and partnerships in those events. Figure 4.4 provides a summary of the findings for Firm C.

**Figure 4.4:** Findings summary for Firm C



Source: Author

## 4.7 Firm D

The within-case analysis for Firm D follows the procedure that was undertaken for the previous firms.

### 4.7.1 Background

Firm D’s foundations date back to the early 1950’s when an Italian-Greek immigrant had arrived to the country in 1938, and married a Colombian born, yet daughter of Hungarian immigrants, started his own company together with his brother-in-law. It used to import plastic products but due to government policies importations were stopped, so they decided to start manufacturing it. However, after several years the company closed down.

In 1978, their eldest son out of the three children founded his own firm around the plastic-related industry, but focused on medical suppliers. He started his venture jointly with his two young sisters, who still are shareholders but who have never been involved in the business.

*“They [his father and uncle] were already innovators, because they started manufacturing plastics, which was a nascent industry in the whole world [...] I was the founder. I had the idea and started the company. However, I do not think I could start it without my father’s moral and financial support, so I have always considered him as a co-founder”.*  
(Interviewee 12)

The company manufactures several other medical supplies yet it also imports other products required by the market. In addition to this, since 1984 its exports have been growing, reaching at the moment around 15 countries and for about 10 years it has been operating a subsidiary in a Central American country with the aim of expanding its participation in international markets.

Currently, Firm D is privately owned by three siblings, one of which is the co-founder along with their father. The three siblings retain 100% ownership rights. It is jointly managed by the 1<sup>st</sup> and 2<sup>nd</sup> generations, including the co-founder’s son and



one niece. The actual CEO/co-founder has been in that role since the firm’s foundation.

## 4.7.2 Familiness

Investigating ‘familiness’ in Firm D will follow the procedure indicated in previous firms. Recall that this study will investigate two approaches of ‘familiness’: dimensions and resources and the family’s impact on the firm (see appendix 9 for ‘familiness’ coding elements).

### 4.7.2.1 Dimensions

Findings of this research regarding the level of ‘familiness’ dimensions present in Firm D are shown in table 4.15. The following sub-sections will present evidence through the use of quotes.

**Table 4.15:** ‘Familiness’ dimensions in Firm D

Dimension	Level
Component of involvement	High (100%)
Essence	Low
Organizational Identity	Medium

Source: Author

#### 4.7.2.1.1 Components of involvement

In Firm D, the ownership rights are actually held by two members from the 1<sup>st</sup> generation and one member from the 2<sup>nd</sup> generation who inherited her mother’s shares after she passed away. The control of the firm is assumed by 1st and 2nd generations, as well as the extended family. There are three direct family members working within the firm in the TMT. There is the co-founder and CEO; his son, who is the branch (Central America subsidiary) president and regional business development manager. Finally, there is also the founder’s niece, who is responsible for the national marketing department. There is also a NFM, who holds the position of General Manager; second in charge of the firm as recognised by all the FMs interviewed.

Additionally, working in the firm there is also the founder’s daughter in law (extended family). She began working in the company around 13 years ago, whilst doing her internship in the firm as a requisite to completing her undergraduate studies. Little did she know she would eventually marry her boss’ son. Currently, she works by her husband’s side as a manager of the firm’s Central America branch. Therefore, in Firm D the existence of a component of involvement approach is *high* (100%).

#### 4.7.2.1.2 Essence

Currently, Firm D does not have in place nor defined a family constituency. At the moment there are two second-generation members involved, and there are at least two members who could be involved due to their experience and education, however, they are not interested. Furthermore, one of them was actively participating in the firm several years ago, but decided to dedicate more time to his family and withdrew from the company. Even though it seems that the firm’s members are working toward the establishment of some preliminary bases with respect to the definition of the succession criteria, it could be argued that the Transgenerational vision, thus the *essence* in Firm E is *Low*.

*“I have been directing one area of the company which I really enjoy, yet it is completely different from managing all of it [the firm]. So, if we were to decide right now who will be in charge, I will have to step down, as I would not perform as required”. (Interviewee 13)*

*“I don’t really know what will happen. My husband’s brother is living abroad; my husband enjoys working in the medical-supplies industry, but he doesn’t know about production, finances and will have to learn it, and his cousin is in the marketing area. So I really don’t know”. (Interviewee 14)*

#### 4.7.2.1.3 Organisational identity

Some of the more specific elements of this dimension identified in Firm D are:

**Sense of oneness; shared goals and values:** all three members interviewed commented on the same topic, whereby it is possible to suggest the straightforward

presence of a set of values, disseminated by the family members and furthermore, rooted in the organisation culture.

*“Something important is the culture that we have tried to pass on to everyone in the firm: honesty. We like people that is honest, not only in the sense of not taking home what is not theirs, but honesty when giving their opinions, even though it is in disagreement with other person’s comment, but to be honest and respectful when giving their point of view”.* (Interviewee 13)

*“Here there is something that I have always been hearing from interviewee 12, since the first moment and I think it is completely embedded in our culture, not only in the family but in the firm, and it is honesty and transparency in all our process. In this industry, and in many of the markets we have penetrated, let me say that it is ‘common’ to face some indecent proposals, in order to win large bids with a governmental institution. I have to tell you that we have never engaged in any of those proposals. We have lost some very good deals, but we know why. However, we are very clear what our position is, which is always being inculcated by interviewee 12”.* (Interviewee 14)

**Decision making; governance structures:** the interviewees suggest that the founder makes most of the decisions regarding daily and strategic aspects of Firm D. However, these decisions have a large component of discussion with the TMT non-family member, who has been working in the firm around 25 years. In relation to governance structures, it seems they are not properly in place.

*“One of the important persons in our company is an engineer that has been working with us for more than 20 years. He is my right hand [...] His knows the business very well and also is part of our board of directors. His judgement is well valued and so is much taken into account when making decisions [...] Most of things we do are not actually managed by the board of directors, because ISO [certification] does not structured it. We have a more operational structure, where you will find all the discipline, control mechanisms, indicators, etc. We are very serious with this structure because that is what keeps the standards to maintain the certification [...] here everyone’s opinions are listened to; for instance, if a mechanic things of something he can come to me, or to the engineer or to the quality manager. Our idea*

*is that the communication channels are to be agile and democratic, so everyone can feel free to complain or to contribute with something positive”. (Interviewee 12)*

*“My father makes most of the decisions, also helped by the engineer. Obviously I make decisions regarding the branch [...] Board of directors is something that is a little bit disorganised. It is formed of my father, my cousin, the engineer (NFM) and me. Back in 2010 or 2011 we had more meetings that, for instance last year. The thing is that my cousin lives in other city and I really don’t manage a lot of things of this company but the brand, so my father and the engineer meet frequently to discuss how things are going on; so it is like a mini-board of directors, and that does work”. (Interviewee 13)*

*“I think interviewee 12 and the engineer make most of the decisions, but they do meet with the persons involved. He is not one of those that impose decisions. He listens to what is happening, the alternatives and the stances of the people involved in order to make a decision”. (Interviewee 14)*

**Family concept extended to non-family members:** As it will be explained later in this chapter, it is clear that the human resource is very important for the firm. Furthermore, it is important to note that there are a couple of employees that have been with the firm for around 20 years, including the NFM who is part of the TMT. However, there is not much evidence indicating specifically that the family concept is extended to non-family, as it was not possible to interview the NFM.

**Enhancement of the external perception of the business:** Based on the analysis of data, main and secondary, it is clear that Firm E does not promote itself as a family business.

In summary, by analysing the previous the sub-elements of organisational identity as proposed by this study, it could be suggested that Firm D evidences *medium* traces of the *organizational identity* of ‘familiness’.

#### **4.7.2.2 Resources**

Table 4.16 shows the ‘familiness’ resources, as pointed by interviewee 12 when answering the questionnaire and as perceived by the researcher. It also portrays the

nature of such an impact on Firm D. The procedures were undertaken systematically, and in a similar manner to the previous cases. Comprehensive details of this procedure are explained in section 3.

**Table 4.16:** ‘Familiness’ resources in Firm D

Resource	Questionnaire Response	Researcher	
Financial	High	Very High	f+
Human	Neutral	High	f+
Physical	Neutral	High	f+
Social	Neutral	High	f+

Source: Author

#### 4.7.2.2.1 Financial

The answer provided in the questionnaire was *high*. However, based on the interviewees’ responses, the researcher suggests that this influence is *Very High* and has a *positive* impact on the firm.

*“Well, it is high because the family decides whether or not to support the company or a project. From the very start we made this very clear. If we go back to the start of the firm I can tell you that because of the name my father built, it made things easy for this firm to be founded; because when I approached banks, they did not know me but because of my father they lent me the money I needed [...] we have kind of a holding company which regulates the way the family can manage the firm’s financial resources”. (Interviewee 12)*

#### 4.7.2.2.2 Human

The questionnaire response indicated a *Neutral* influence on human resources; however evidence collected suggests a *high* influence of a *positive* nature. This is due to the FM’s consideration of retaining a NFM in TMT as well as providing training courses to employees and establishing warm and friendly relationships among all. Furthermore, in Firm E each one of the interviewed members, consider the human as one of its more important resources.

*“It is neutral because we do not recommend anyone to get a job here; we have some established procedures and we stick*

*to them to avoid other employees saying one candidate was the favoured over the other, although that is not possible to avoid 100% as everyone has his/her own vision of things, right?; However we do hire a psychologist to run some test, and we hire the employees based on their results [...] I think Human is the most important resource in any company, because they are the ones who run the company; you might have the best equipment and technology but that never runs completely by itself. The human resource is fundamental [...] amongst our possibilities, because there are always budget restrictions, we provide them with short training courses; we review them annually and hire instructors and get support from SENA [Governmental institution offering training services] to run courses related to technical or admin methods. Other courses are supported by our own personnel; for instance our quality director has been leading a small group to learn about quality and control etc.” (Interviewee 12)*

*“We truly have good relationships with our employees. We have been raised not to be snobbish or something else. Personally, for me someone with money is not more important than someone without, and I think people value that. I sense affection from the employees”. (Interviewee 13)*

Indeed it can be suggested that there is an early involvement of children in the business; however, attention should be paid to the impact generated.

*“My kids are still very little [3, 6 years old] but they do come here because we have a fish tank. That is what I used to do when I was a kid; and when the other company was next, I used to get inside the tube pipes, hide and get out all dusty. As a child I played a lot at the plant. They [his kids] do that to a smaller scale. It is like a way for them to integrate with the firm [...] when I was an adolescent, I spent a lot of afternoons here in the plant; I was coming here to receive private tutoring in math or something else and I could see my father, you know? Coming to the office every day and working as a slave. I did not want to be slave of this; I did not want to come to an office every day. I wanted another life style. Now I know it was immaturity and a lack of knowledge”. (Interviewee 13)*

Furthermore, as stated on the firm’s website, one of the three groups to which the firm is ‘committed to’ is ‘their employees’

*“Our employees are well trained professionals, with a deep knowledge of the systems and processes that support their responsibilities, and with a high commitment level, our employee team is one of our greatest strengths”. (Firm’s website)*

#### **4.7.2.2.3 Physical**

Although the questionnaire response indicated a neutral influence, evidence provides a different perspective whereby this influence is considered to be of a *positive-high* nature. This assertion is related to the innovation culture in Firm D, thus it will be further explored.

*“I think that the capacity we have developed to manufacture ourselves some of the required equipment for our regular manufacturing process is awesome [...] there were a couple of machineries we needed but they were too expensive, so with local knowledge we have been able to elaborate on them. The equipment might not be unique, but I think it provides us with an important physical resource”. (Interviewee 14)*

#### **4.7.2.2.4 Social**

Data analysis for Firm’s D social resource suggests that the influence of the family to be *positive-Very high* related. Thus, it does not support a neutral level as was suggested in the response obtained from the questionnaire.

*“Our family has some recognition in the region, and that eases our access to many possibilities, including financial ones [...] our last name has an impact on our social environment and the firm; a long-term recognition but that is something that you need to keep renewing permanently, to keep it growing [...] reliability and commitment to our word. Those are the two ways in which I think we maintain those relationships. Right now they are still under my care, but I would like to think that we have been doing our part to be sure that the next generations carry them on”. (Interviewee 12)*

#### **4.7.2.3 Family-related emerging themes**

Firm D’s foreign background exposure seems to have laid down the entrepreneurial and business-making foundations for the family, which is then transferred to the

company itself. Each one of the interviewed members remembered the memory of the father and grandfather that was the first entrepreneur in the family, and how it has been carried on to the next generations.

*“When Mr x came from Europe, he had absolutely nothing but his knowledge. He started with one company, then another and so on until he along with interviewee 15 created this firm. Interviewee 15 learned from him, he also created several companies. What I am saying is that the entrepreneurial characteristic of the family were inherited by Mr X. They are always looking for ways to make things happen, looking for an ongoing improvement, and I think that is in their blood”. (Interviewee 14)*

### **4.7.3 Innovation**

Firm D’s data analysis and presentation on innovation will follow the same approach that was undertaken for the previous firms (see appendix 10 for ‘innovation’ coding elements).

#### **4.7.3.1 Understanding of innovation and self-perception**

Despite the different views of Firm D’s interviewees when asked about their understanding of innovation, all of them agree that the firm is innovative, yet recognise that there is still much to do.

*“I believe we have an innovative culture because every member of our organisation knows the importance of listening, observing and to talking about our products, market, and industry. We have an open channel to communicate our suggestions and opinions. For me that is fundamental in our culture. We all are alert to what is happening, we talk about it and from it we can come up with innovative ideas [...] again people are important, because they are the bridge between the outside and the inside of the company [...] I know there is much more we could be doing [...] I am not an expert on innovation but I suppose there are several categories to innovate and from the very first moment we started our operations, we have always adapted things that were available in other markets and brought it here”. (Interviewee 12)*



*“When I think in the very strict sense, innovation is to create something that did not exist ever before, or a much better advanced version of something that is already known; but if we look at the reality worldwide, there is not much innovation but a repetition of things, products, services, a recycling of ideas, you see it, for example in music, the musical chords are basically the same with a twist that makes them different [...] So, from a ‘real’ point of view, we do innovate, even though it is not on a great scale [...] we do innovate because it is simple, if one does not innovate you are out of the game, because you have thousands of Chinese innovating every day, and additionally they are financed by the government; so they have a lot of advantages in every sense, so you have to keep up with the game or you are dead, and you do that by changing, by adapting, by innovating”.* (Interviewee 13)

*“To innovate is to be recursive, creative, ingenious. I think those characteristics help you to create something, a product or a service, that will serve the firm’s goals [...] we have done some things that are considered to be innovative”.* (Interviewee 14)

Furthermore, on its website Firm D openly announces innovation as one of its three pillars, along with quality and commitment. It states:

*“We know that by being critical about ourselves, our work and persevering by focusing on the smallest detail, allow us to create an innovative business culture. We also know that innovating is not simply a desirable option. It is a must when protecting the health of the patients. So we spend a lot of our resources to bring new products to the market, improve the design of the products in our portfolio and to optimize our production process”.* (Firm’s D website)

#### **4.7.3.2 Types and magnitude of innovation**

This section follows the same procedure undertaken for the previous firms. Table 4.17 displays the types and magnitude of innovation identified in Firm D. Recall it will present the answers provided in the questionnaire (first and second column) and the researcher’s findings (third column).

**Table 4.17:** Types and magnitude of innovations in Firm D

Type	Questionnaire response		Magnitude identified by researcher
	Totally new to	Significantly improved to	
Product		M	I
Process		F	I
Marketing		M	I
Organisational		F	I

F: Firm      M: Market      I: Incremental      RN: Really New

Source: Author

**4.7.3.2.1 Product**

Interviewee 12 stated that product innovation is significantly improved to the market. When broadening his response he provided some history on product innovation within the firm, which constitutes the basis for the firm’s actual mind-state regarding innovation and leads to the firm’s *incremental-like product* innovation.

*“When we started manufacturing syringes in the 70’s, it was per se an innovation, and that is how my family started venturing into the plastic industry. It was an innovation, not in the sense of the product and its design because the product existed already and it was imported mainly from United States. It was an innovation because we were the first ones to manufacture it in Colombia. Also we brought from Europe two additional innovations to the market: We started to produce a syringe completely made from plastic, as opposed to plastic and rubber ones produced in US; and the way we used to pack them. Back then we brought from Germany a technology that was just gaining momentum worldwide, it is the packaging used nowadays: a blister; meaning a paper which sterilises the product and a plastic part that allows seeing the product [...] nowadays we basically use the same approach, we investigate what is going on around the world in our industry and try to incorporate it, adapting it to our market”. (Interviewee 12)*

*“I don’t think we have much room to be innovative in products, because of the type of products we sell; basically we sell the generics of some products that have been already*

*innovated by European or companies from United States and we do modify them slightly, when possible, according to the market”. (Interviewee 13)*

#### **4.7.3.2.2 Process**

The response provided in the questionnaire claimed the presence of *process* innovations of an *incremental* nature in Firm D. Such assertion was supported by the three members interviewed and they referred to the same case.

*“Within the firm we have developed many of our own machinery and equipment. We have done it in order to systematise the firm, to be more cost-efficient and we have done it with our own local resources, with local engineers, with local electricians; actually my father has a lot to do with it, even though he is not an engineer, just by applying his industry knowledge, research and even common sense. He is very persistent. As you might know, it is not only thinking about the machine or the equipment itself, but the whole process, the sequence e.g. Where should the raw material go through and where will it come out to be closer to storage near the trucks for transportation; you need to think about all that because all those affect your resources. So, in terms of process we do innovate”. (Interviewee 13)*

Furthermore, evidence gathered from a local newspapers account for a project developed 9 years ago, in which the firm –along with other local firm- received a grant from the World Bank towards a technological reconversion process to mitigate the firm’s environmental impact.

*“It was not our own initiative, because there are some norms established by the government and we all have to meet them, but the award was given to us because we came up with a solution to that situation; we did not invent anything, we did research and found something that was being implemented somewhere else, so we adapted and solved a problem here” (Interviewee 12)*

#### **4.7.3.2.3 Marketing**

The questionnaire response suggests the presence of *incremental-marketing* innovation in Firm D. He furthers this with the following comment

*“Often as a reaction to what we see in the market and also trying to find advantageous positions, we have used different marketing strategies, such as promotions, changing the packaging, and other small things that one perceives and changes. We are not inventing the wheel, but we are alert to looking for things that are working somewhere else and adapting it to make them work for us”. (Interviewee 12)*

#### 4.7.3.2.4 Organisational

Interviewee 12 stated that the presence of *organisational* innovation significantly improved the firm, and the evidence found here suggests an *incremental* nature.

*“When we incorporate procedures that are unknown for our employees, is organisational innovation; sometimes it requires more training and more [financial] resources but the idea is to build knowledge”. (Interviewee 12)*

*“I think the protocols we have created, and continuously review, update, and adapt are organisational innovations because they provide us with the guidelines for the whole company and to think and move towards an innovative culture. We, as a firm, need to be prepared to assume and undertake changes in other areas of the company, such as the production area”. (Interviewee 13)*

#### 4.7.3.3 Involvement and formalisation

Table 4.18 below indicates the sources (persons and/or which institutions) of are innovation process of Firm D. Evidence suggests the engagement of the company in *internal* as well as in *vertical cooperation*. Formalisation of this process seems to be a mixture strategy, although leading more towards informal rather than formal. Evidencing quotes of such findings are provided.

**Table 4.18:** Innovation sources in Firm D

Questionnaire response	Researcher
<ul style="list-style-type: none"> <li>• 1 Generation</li> <li>• 2 Generation</li> <li>• NFM employees</li> <li>• External advisors</li> <li>• Clients/Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Generation</li> <li>• 2 Generation</li> <li>• NFM employees</li> <li>• Clients/Suppliers</li> </ul>
	<p>Internal and Vertical Cooperation</p>

Source: Author

*“My father and the engineer are the main sources of ideas and changes in the firm. They know all the machinery, the supplies, the engineering, the productive process behind each one of our products”. (Interviewee 13)*

*“I think we have built a bridge between us [TMT], our employees, and our clients. We have taught our team to listen, because innovative ideas can come from it [...] having a quality system, managed by software, will never capture all the situations and issues. Also, we need to be open to see those complaints from clients in a different manner, and you do that by observing them, by talking with them. For instance, some years ago we found out that some clients were having problems with a product, but it was because they were using it differently, so by talking to them, listening to them, we were able to adapt our product to those applications and were able to communicate better its usage [...] we are ISO certified so we use that model to do annual reviews, and give solutions to problems, but we still have a large degree of informality. We measure some aspects like quality, so we have detailed statistics and a list of complains and suggestions, that we can based our decisions off of, but for instance in marketing or organisational issues, those measurements are more airy so they are more difficult to measure [...] we tried to create an incentive to spur innovative ideas amongst all of our employees, but it is very complex, and we decided it might even have a negative effect on the organisations, especially if it is money, so what we do is send out an email from the presidency to everyone letting them know about the innovation made by a colleague of theirs”. (Interviewee 12)*

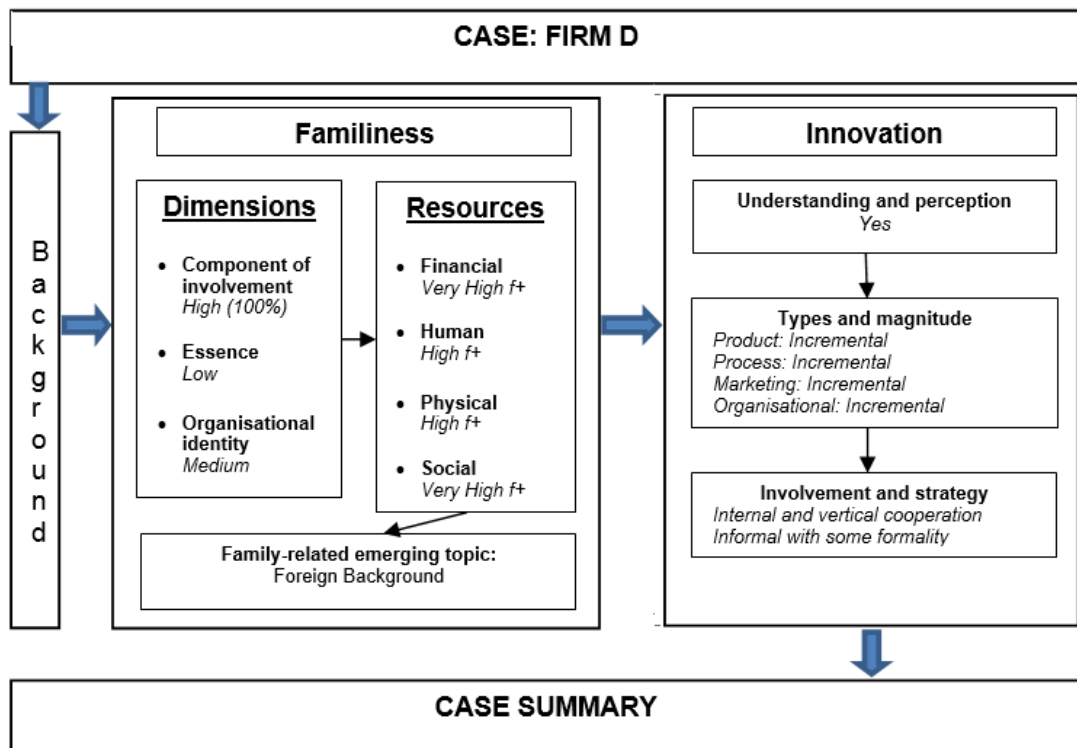
#### **4.7.4 Firm D summary**

The within-case analysis for Firm E suggests a high component of involvement yet low essence and medium organisational identity dimension of ‘familiness’. However, the family’s influence on the firm’s resources seems to be a positive one for all four of them; specifically the influence on the financial resources appears to be very high, whereas such an effect on the human, physical, and social resources is high. A family-related theme emerged, and this involves the foreign background of the co-founder and his father. As the evidence suggests, such an upbringing has impacted the CEOs business vision. This has enabled the firm to be aware of what is

available worldwide, especially Europe and to adapt new concepts to the firm’s market.

Despite the different views on innovation, Firm D’s members agree that innovation is sort of an attitude that is embedded in the organisation. This is demonstrated by the firm’s awareness and readiness to perceive and undertake small changes that could position them better in their market. Evidence suggests there is a presence of the four types of innovation examined in this study: product, process marketing and organisational. It seems that the involvement of generation and implementation of ideas is largely of an internal nature, yet including vertical cooperation. That is, first generation and non-family members within the company, as well as some clients/suppliers are engaged in a rather informal innovation process yet entailing some formality (i.e. some indicators for product follow-up, incentive). Figure 4.5 provides a summary of findings for Firm D.

**Figure 4.5:** Findings summary for Firm D



Source: Author

## 4.8 Firm E

The within-case analysis for Firm E follows the procedure undertaken for the previous firms. Thus its findings commences by disclosing the firm’s background.

### 4.8.1 Background

Firm E was initially founded with a different name and in a different city. It was founded by a Lebanese immigrant that arrived to the country in 1914 and who developed great experience assembling German rice mills. Therefore, when importations of such machinery were suspended due to the II World War, he decided to establish his company to manufacture such equipment.

The small firm did well for almost fifteen years, obtaining its first patent in 1940. However, by late 1950 the company closed down for around nine/ten years due to the founder’s delicate health condition. In 1960 it was reopened, under the current name and location by the three oldest sons from his last marriage. The fourth and youngest son joined the firm since graduating from university.

*“When the company reopened, there was no machinery or blueprints to be transferred. The only thing that was transferred was the knowledge because my older brothers used to work with my father”. (Interviewee 15)*

From 1965 onwards, the firm’s internationalisation phase began by entering neighbour countries. In 1973 it entered the United States and later in the 90’s, it ventured into some European and North-African countries. By 2010, there were more than 350 agro-industrial installations from Firm E worldwide, as well as have sold their equipment in more than 40 countries.

Currently, Firm E is privately owned by the founder’s successors from the 2<sup>nd</sup> and 3<sup>rd</sup> generation, it does not include their spouses. They retain the 100% ownership rights. Currently it is jointly managed by the 2<sup>nd</sup> and 3<sup>rd</sup> generations. The actual CEO, member of 2<sup>nd</sup> generation has been occupying such a position for more than 20 years.

## 4.8.2 Familiness

Exploring ‘familiness’ in Firm E will follow the same procedure undertaken for the previous firms. Recall that this study will investigate two approaches of ‘familiness’: dimensions and resources; additionally it will also explore whether the impact of the family on such resources is distinctive (*f+*) or constrictive (*f-*) (see appendix 9 for ‘familiness’ coding elements).

### 4.8.2.1 Dimensions

Table 4.19, shows the findings of this investigation with respect to the level of ‘familiness’ dimensions present in Firm E. The following sub-sections will present evidence through the use of quotes.

**Table 4.19** ‘Familiness’ dimensions in Firm E

Dimension	Level
Component of involvement	High (100%)
Essence	High
Organizational Identity	High

Source: Author

#### 4.8.2.1.1 Components of involvement

In Firm E the ownership rights are held by 17 members. Only one of those shareholders is an extended family member (a cousin of the 2<sup>nd</sup> generation members), but the majority of them belong to the 3<sup>rd</sup> generation. The actual CEO is the only member alive from the 2<sup>nd</sup> generation. The spouses cannot inherit the company’s shares due to the subscription of the family constituency.

The control of the firm is assumed by the 2<sup>nd</sup> and 3<sup>rd</sup> generations. There are five members working within the firm. In the TMT there is the CEO and two nephews on the roles of: Administrative and Financial Vice-president, and Commercial Vice-president. The Firm’s fourth TMT member, is a NFM holding the role of Technical and Innovation Vice-president. Middle management includes around 12 department managers from which only two are run by the family: the innovation department is run by a 3<sup>rd</sup> generation member; whilst the other department is run by the extended



family shareholder. Therefore, in Firm E the existence of a component of involvement approach is *high* (100%).

#### 4.8.2.1.2 Essence

In Firm E there is one member from the 2<sup>nd</sup> generation, and two members from the 3<sup>rd</sup> generation that are involved in the TMT. Also, a member from the 3<sup>rd</sup> generation is a middle manager. In addition to this, it has in place a family constituency since 2002. This document is known by all the shareholders, and it is reviewed and upgraded permanently. Succession criteria to succeed the existing CEO are currently being discussed.

*“We have not decided to detail the requirements or conditions; it is written who will make the decision and under which circumstances. It is a process we are working on and it is scheduled to be ready within a year’s time”. (Interviewee 15)*

Furthermore, Firm E receives the permanent advice of a consulting firm in family business and is affiliated to the Family business Network (FBN).

*“Since the reopening of the company we have celebrated 53 years. This is a company that has been planned to last. That is to have a company where the family and the company are two different organisations, but that support each other. One serves the other, but without interfering and without the family being an obstacle to the firm. On the contrary, the family is a huge support for the firm. We are in a permanent process to plan and define what is going to be the focus and leadership of the firm and the family in the coming years [...] we are already preparing the fourth and fifth generation so they keep taking care, loving, and taking it forward”. (Interview 15)*

Consequently, transgenerational vision is clearly demonstrated in Firm E; therefore the existence of an *essence* approach is *high* in Firm E.

#### 4.8.2.1.3 Organisational identity

Some of the more specific elements of this dimension identified in Firm E are:

**Sense of oneness; shared goals and values:** Sense of unity and shared goals and values are readily identified from the interviewed members of Firm E. Their thoughts on the direction of the business and the role played by the family in it are very much aligned. The NFM involved in the TMT share also those goals and values.

*“I think that the capacity that has provided us with our competitive advantage is our vision. I mean, the human factor is the most important element, and we still have a lot of flaws and things to improve, especially in admin stuff, but a human resource with a clear vision of where we are going, provided by our CEO has been vital for our success. All of us, from vice-presidents to workers, including our middle managers, admin, technical, sales staff, well, all of us, have a clear direction, we know where, how and with who is it that we are going ”. (Interviewee 17)*

*“There was a time when a lot of young people were being hired and so our characteristic culture was being affected as they did not know it; so we created a programme with contests and prizes. It was fun. The values we defined are: respect, honesty, trust, ethics, and knowledge”. (Interviewee 16)*

**Decision making; governance structures:** In Firm E decision making is made by TMT’s members, which includes a NFM; in addition to this the company has been working to delegate more decisions to middle managers, who are mostly NFMs. Additionally, it seems that governance structures are in place although the firm is also in search of optimising its functionality.

*“Well, right now we make most of decisions at presidency and vice-presidency level; however I think that in any companies it is kind of like that; I mean that the important or strategic decisions, including financial ones, are made by the Top Management Team. But we are also working on delegating and so we are preparing our managers. In fact, we also started an evaluation process and just last week we received our reviews and the conclusion is that we need to start a training programme on management skills; what has happened is that some of the people that have been promoted to those positions have a technical background, so they are lacking some admin skills, so that could be why we still make a lot of decisions, but we are opening up more [...] We have in place a shareholders assembly and a board of directors,*

*and I think we have been very consistent by providing and following their guidelines, but we are also thinking of creating an external board of directors, so we can make it better”. (Interviewee 17)*

*“We are a company with a traditional structure. We have an assembly with 17 shareholders in which decisions about investments, dividend shares and similar ones are made; we have a board of directors in which FMs not involved in the management of the company are involved; we have a family protocol”. (Interviewee 15)*

**Family concept extended to non-family members:** There is evidence pointing to the type of relation sustained with non-family members in Firm E. The only non-family member in The Top Team Management, manifest:

*“On some occasions interviewee 15 manifested that I am not only an asset for the firm, but for the family as well. I have been trying to fulfil this responsibility and what comes with it. I do so with affection because they have opened the firm and the family’s door to me. In all the history of the company I have been the only non-family member that is part of the Top Management Team [...] I have been here 25 years rotating from and to different positions. This has been a life experience with many more pros than cons [...] In general I would say that most of the non-family employees feel respect and feel at ease working here, as the personal contact is very warm”. (Interviewee 17)*

*“I think that the relationships between the family and non-family members are surrounded with respect, but not only because of our last name, off course it is hard for them not to have respect for the CEO and the family, but I am sure it is also because we have earned it by our actions, knowledge and by knowing what we do [...] Some of them have spent many years with us” (Interviewee 16)*

**Enhancing external perception of the business:** Family E does promote itself as a family business at every opportunity. This includes not only their promotional brochures or website, but its presence in different newspapers articles and TV. The latter is due to the important reputation it has reached within the nation-wide manufacturing industry. The firm is frequently invited to be part of corporate and academic events with broad media coverage. Furthermore, the CEO has occupied

renowned positions as an advisor in different mixed-economies and governmental institutes. Also, their active participation in the Family business Network (FBN), which allows them to attend regularly to training conferences and meetings, both at a national and international level. It seems that these proactive steps taken by the company enhance their public perception as a family firm.

In summary, by exploring the sense of oneness and shared goals and values; decision-making process and governance structures; family concept extended to non-family and enhancing external perception of the business, sub-elements composing the organisational identity guiding this investigation, it could be suggested that Firm E demonstrates *high* traces of the *Organisational Identity* of ‘familiness’.

#### 4.8.2.2 Resources

Interviewee 16 filled in the questionnaire in Firm E, thus when interviewing him the researcher asked him to provide examples to his answer. As was the case with the other firms in this study, the other firm members were not given this response to avoid bias.

**Table 4.20:** ‘Familiness’ resources in Firm E

Resource	Questionnaire Response	Researcher	
Financial	Very High	Very High	f+
Human	Very Low	High	f+
Physical	Very Low	High	f+
Social	Very Low	High	f+

Source: Author

Table 4.20 shows the ‘familiness’ resources and the impact of the family on them for Firm E. The procedure was undertaken in the same manner as the previous cases.

##### 4.8.2.2.1 Financial

Interviewee 16 provided a *Very High* answer in the questionnaire. Such a statement was found to be in line with the evidence collected from the other members’ responses. Furthermore, based on the elements envisaged in this research it is

considered that the family influence has a *positive* impact on the firm’s *financial* resource.

*“Financial decisions are basically in the head of my cousin, the administrative and financial vice-president. Large decisions, such as investing and/or distributing are taken to the annual assembly in which a tax prosecutor is also present. Everyone has to agree; goes to the meeting minutes and then it is done”. (Interviewee 16)*

*“We always, always leave a percentage to be reinvested and it is agreed by the full assembly. We always leave reserves for the time when the cows are skinny [local expression meaning: hard times]. Honestly, the firm is very solid financially speaking. Finances here are very well taken care of, exactly because we allow those projections. Our debt indicator is really good; meaning that we almost have no debts. We have always been very clear about our reserves, we are not only speaking of the ones by law or the ones established by statutes of the assembly, we also have decided on occasional reserves; we do this exercise every year”. (Interviewee 17)*

#### **4.8.2.2.2 Human**

Interviewee 16 responded *Very Low* in the questionnaire. However, due to the data collected the researcher views the family’s influence on the firm’s human resource as *high* and of a *positive* nature.

*“In our constituency there are three basic principles that our family members need to fulfil in order to work here: 1. s/he must have, at least, a master’s degree, that is why some of my sons could not enter the company until they got their degrees. 2. They have to speak at least two languages. 3. A position at the company needs to become available and the person must be capable of assuming it”. (Interviewee 15)*

*“Well, more or less I was born with a contract saying ‘this boy is going to work in Firm D, although it is not forced. I have been coming here since I was three years old. The firm has been part of my house, my education. I was born to do what I do and I am so happy I get to do it here”. (Interviewee 16)*

*“Interviewee 15’s daughter is a psychologist. She does not work directly in the firm but gives us support in H.R. [...] we*

*kind of have a career programme for our employees. It is not clearly defined but we are getting there, we are reviewing it along with other admin themes”. (Interviewee 17)*

#### **4.8.2.2.3 Physical**

The response provided in the questionnaire indicated a *very low* family influence on the firm’s physical resource. However, evidence suggests a *High-positive* influence.

*“Looking backwards, in time of the economic crisis in the country, I have to say that we forced ourselves to look and go after opportunities. I remember us going against the flow. When the country was foreseeing the recession, we were planning an extension of our fabric; furthermore, when the recession hit us, we continued with our extension plans; people would call us crazy. But not really, because after a recession there is always a recovery period and we wanted and needed to be prepared for it. We needed to have a manufacturing plant ready to produce to the best standards. Nowadays that is still our thinking” (Interviewee 15)*

#### **4.8.2.2.4 Social**

Interviewee 16 considered a *Very Low* family influence on the firm’s social resource, yet the collected and analysed data suggest a *positive, high* influence. That is so because the family last name recognition, as well as the participation of the FM is important to communicate the firm’s values to potential customers and to maintain a strong relationship with suppliers, clients and other organisations. However, in Firm D this task is also formally carried out by the NFM in TMT, who has spoken in academic and trade association’s public events, on behalf of the organisation.

*“[...] Recently I had the chance to comment about this project and our approach to innovation for the event X at University X and share our experiences with academics and business people present [...] Well, in our industry the family’s last name is associated with professional ethics and honesty. By choice, we do not do some projects; this could be seen as something negative, but for us it is not; because every day, with every project we get involved in, we are building on a reputation that has allow us to have strong relationships with clients, suppliers and other institutions. That is very important for us because somehow it provides us with some kind of reassurance that we can keep going on for many more years”. (Interviewee 17)*

### 4.8.2.3 Family-related emerging themes

In Firm E there is a foreign background that has had an impact on it from its starting point. Nowadays, it is still a bastion that constantly reminds its members of some basic principles to follow in order to keep the company safe in hard times.

*“One of the most important life savers we had back in those days of crisis, but which we don’t forget and we always keep in mind, is our background, which provided us with a saving habit. Maybe that is because of our culture; because we came from countries, such as Lebanon and regions such as Europe. Those areas went through deep crisis and famines, so when good times, prosperity times arrive we know it is time to put away some savings. We learned that in the time of the fatty cows, one must save for the time of the skinny ones”.*  
(Interviewee 15)

### 4.8.3 Innovation

Analysis and presentation of Firm’s E data regarding innovation will follow the same approach as the previous firms. For more details on such a procedure, refer to appendix 10.

#### 4.8.3.1 Understanding of innovation and self-perception

Firm’s E interviewees consider innovation basically as an attitude that can be practiced every day. It can be spurred by creativity and that can affect the organisation as a whole. They also strongly argue that innovation has been present in the firm from its start, it has kept developing throughout the years, and that there is still a lot to do about it. Indeed, Firm E also openly puts forth innovation as one of its pillars. Furthermore, this firm has been broadly recognised by governmental entities, trade associations, and even international organisations for its innovativeness.

*“My dad and my siblings, were really very ... in that time people did not call them ‘innovators’ because that word did not really exist, but they were truly creative; they copied ideas from things they saw on their travels abroad, but would adjust it to our context and the availability of materials and suppliers, whereby they developed the latest trends for the our market. They all loved to travel; they loved to see what was out there, and they always found new things. That is*

*what gave them some advantage over other competitors. We can say that it is what gave this company the initial advantage [...] the lifesaver that was of most relevance for us back in the last 30 years, has been the innovation one. Why?, because we knew how to access the market with differentiated products, because we knew how to face competitors, because we knew how to take risks, because we liked creative people, and even though we had creative people in the family, we hired more creative people, we always have had creative people in the firm, people with ideas. Also innovation was a lifesaver because we searched for support from entities that encouraged advancements in science and technology in the country, such universities and governmental institutions. We were the very first firm in Colombia that applied and developed the first technological-product innovation project jointly with a university and with the support of Colciencias [the national governmental institution for Science and Technology]. You can have a look at the records; it says we were the first firm in Colombia, in actually figuring out how to make work the law of science and technology, because after two years it was passed, no one knew how to do it”. (Interviewee 15)*

*“I read something like ‘innovating is to successfully exploit or to obtain an economic benefit from an idea’. If we go to the very small details, we could argue that the one some academics call incremental innovation is kind of a process of continuous improvement, it is to do with total quality. Radical innovation has a ‘wao’ factor; it is to create or to offer something where the difference is so large between it and what I already know, that I get to be surprised [...] Everyone says we are very innovative, and so we are, but what is really cool is to know in what way, how is it that we are innovative [...] This is a company that is all the time inventing many things. We develop a lot of new products. They are born out of the market needs” (Interviewee 16)*

*“Here in the company we have reached a point in which for us innovation is our attitude. Obviously there are all the different definitions in books and also all the types like radical an incremental, but here we applied innovation already as part of our culture. We do it every day and that is something that we thrive on. We are permanently reviewing processes, equipment, the way of doing things, so we can make them better, and so we know that there are still a million things we can do better, a million things in which we can innovate [...] Interviewee 12 has always talked about*



*innovation, even from 15 years back when it was not called this, but continuous improvement”. (Interviewee 17)*

#### 4.8.3.2 Types and magnitude of innovation

This section will follow the same procedure as the previous firms. Table 4.21 presents the types and magnitude of innovation identified in Firm E. The answers provided in the questionnaire (first column) and the researcher’s findings (second column) are presented.

**Table 4.21:** Types and magnitude of innovations in Firm E

Type	Questionnaire response		Magnitude identified by researcher
	Totally new to	Significantly improved to	
Product	F + M		I + RN
Process	F + M		I
Marketing	F + M		I
Organisational	F		I

F: Firm      M: Market      I: Incremental      RN: Really New

Source: Author

##### 4.8.3.2.1 Product

Interviewee 16 identified innovation in products as totally new to the firm and the market. Furthermore, he explained why he also included ‘other’ type of innovation with a comment in the questionnaire.

*“Well, we can say that we have two types of product innovation. One is when we develop a product with some characteristics and so we are going to sell it to our different markets and the other is a ‘customised’ innovation. The former is usually when we make improvements to our machinery [products].The second is different because we are adopting one of our products to the client’s needs which are different to the next client. We do a lot of this type of innovation”. (Interviewee 16)*

*“Product innovation is in our blood. You can check the records and you will find that my father is registered at the Ministry of Economics, Industry and Commerce as one of the first foreign registering a patent in the country between 1940 and 1950. From that point you can tell that our strength is based on technology and knowledge. Then in the 60’s-70’s we obtained four or five other patents. From the 80’s onwards, it is not that we have not created new things, it is that we reconsidered the importance of patents [...] two years ago we decided again to apply for a patent, because after developing a product, we realised it is very innovative, so we brought in a firm from United States and that is where we hold our last patent from [...] You can have a look to all the awards that we have received which certified our product innovation”. (Interviewee15)*

Moreover, a case study written on the firm recently (Mejía, C. and Juliao, D., 2013) provided rich and detailed insights on the evolution of a specific product (‘technological’) innovation developed in Firm E. For example, it recounts how the company understood the difference between the European and United States markets regarding their productivity standards, which lead to the modification of this machine’s engineering system in order to be able to satisfy both markets. It also describes how, because of limited space in some Italian mills, the equipment was innovated to change from a horizontal to a vertical design; again implying engineering innovations to its mechanism. According to the document, to date of publication this equipment has not yet been copied.

In addition to this, information on the firm’s website provides further evidence of the different national and international awards Firm E has received, including a ‘WIPO award for inventors – Medium-size Company’. Therefore, evidence from previous interviewees and a case study constitute evidence to support that Firm E undertakes *product* innovation. Furthermore, it is possible to identify two levels of such innovation: *incremental and really new innovations*. The latter is possible to be suggested due the definitions guiding this study (see section 2.4.3.), whereby there is evidence of innovations that sits in the middle between disruptive (radical) innovations that change the whole industry, and small or progressive modifications (incremental) innovations, strongly impacting their markets, hence having a strong its effect on firm’s value.

#### 4.8.3.2.2 Process

The questionnaire response indicates process innovation as new to the firm and the market. Analysis of data suggests the presence of *process* innovation of an *incremental* nature.

*“We innovate in process. Since my father’s very first patent, which was a process patent. It was about how to automate a process, and since then we have been able to work on improving technology”.* (Interviewee 15)

*“We handle so many because of the ‘customised’ ones that it requires us to innovate in the way we manufacture them, in order to accomplish what the client requires and on time [...] that is what I am doing now, organising processes is to think how to improve our processes in order to avoid problems in the future”.* (Interviewee 16)

#### 4.8.3.2.3 Marketing

The response provided in the questionnaire points out marketing innovation that is new for the firm and the market. Evidence confirms the existence of *incremental-marketing* innovation in Firm E.

*“We are very creative in the way we serve our markets; we are very creative because competitors are tough. Everything is changing. It is important to be aware of the environmental changes, everything: the competitor, the country, the commercial agreements, etc. If you look at our organisation chart, you will find we don’t have a marketing manager, because here each middle manager is the marketing manager for his/her area; s/he is the one expected to know everything there is to know out there regarding their activities”* (Interviewee 16)

*“Imagine a company of our size, medium size in Colombia, small compared to some world-wide standards, but during the last 20 years we have had the opportunity to export almost 300 machines to 10 or 12 countries in Europe, including Germany, the U.S., and Canada. Nowadays our equipment is located in the largest ethanol-manufacturer. We are building a plant in Nigeria; the Philippine is becoming important, and we are on the other side of the planet. Thus, I think there are plenty of examples of our marketing innovative strategies”.* (Interviewee 15)

Furthermore, secondary data (Mejía, C. and Juliao, D.) also sheds light on the process Firm E has gone through in order to innovate in this regards. “It was necessary for managers to adopt an open, exportation-oriented mind-set, oriented towards their client’s cultures and to use the same technological tools used by their world-wide main competitors” (2013:85).

#### **4.8.3.2.4 Organisational**

Interviewee 16 indicated the presence of *organisational* innovation as something new to the firm. The findings are consistent with such a statement, suggesting the *incremental* nature of it.

*“I think it goes hand in hand with marketing innovation. They are necessary to keep you in the market. We keep optimising our admin procedures, so we are able to create and maintain new spaces for the company. I think that product innovation brings behind itself an organisational innovation, because permanently we need to adjust our structures and the way of doing things in such a way that we facilitate the space required by the product innovation”.*  
(Interviewee 17)

#### **4.8.3.3 Involvement and formalisation**

Table 4.22 indicates the sources (persons and/or institutions) that are involved in the innovation process in Firm E. Indeed there is evidence supporting the engagement of the company in *internal* as well as in *vertical* and *institutional cooperation*. Moreover, based on the ‘customised’ product innovation, one of the leading activities within the firm, it could be suggested that it could position itself as a source of external and vertical-alike cooperation innovation. Evidence illustrating this with quotes is provided.

**Table 4.22:** Innovation sources in Firm E

Questionnaire response	Researcher
<ul style="list-style-type: none"> <li>• 1 Generation</li> <li>• 2 Generation</li> <li>• 3+ Generation</li> <li>• Other FM not working in the firm</li> <li>• NFM employees</li> <li>• External advisors</li> <li>• Clients/Suppliers</li> <li>• Other Institutions (e.g. Universities, government)</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Generation</li> <li>• 2 Generation</li> <li>• 3+ Generation</li> <li>• NFM employees</li> <li>• External advisors</li> <li>• Clients/Suppliers</li> <li>• Other Institutions (e.g. Universities, government)</li> </ul> <div style="text-align: right; margin-top: 10px;"> <p>} Internal; Vertical and Institutional Cooperation</p> </div>

Source: Author

*“Here the team is involved, anyone –family or non-family- can suggest something; clients, suppliers; when we are thinking of something different, we go back to them to find out their suggestions [...] we also have a person that is here specifically to scan and participate in all research calls from universities, Colciencias, Sena, Bid, Chamber of Commerce, Bancoldex, Impulsa. I think that in the city, we are the firm that mostly takes part in these type of programmes”. (Interviewee 16)*

*“For the very first time we have hired a PhD in engineering who works with us for specific projects. It has been a great experience”. (Interviewee 15)*

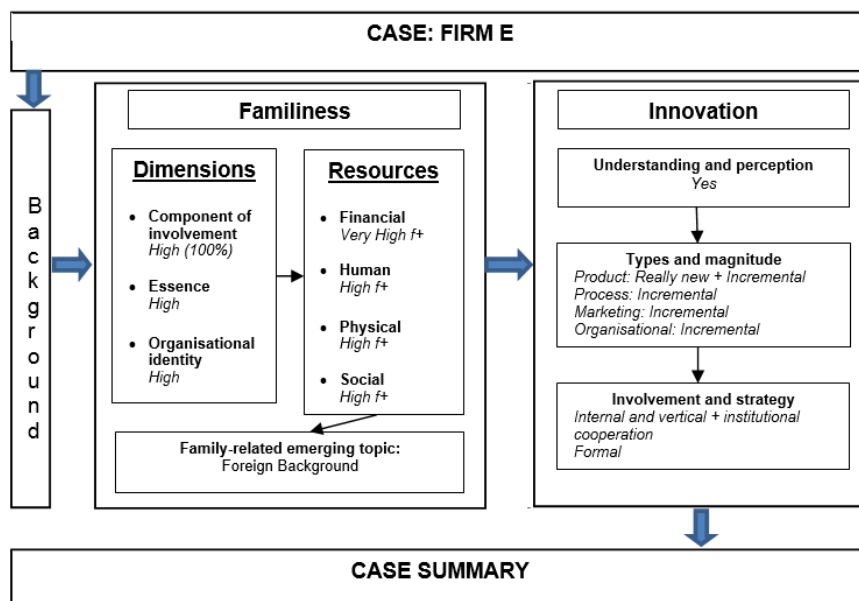
Moreover from early starts, Firm E has a *formal* innovation as strategy for growth and developing a competitive advantage. Sufficient evidence has been provided throughout this case study. It includes the existence of different formal innovation-related roles within the company, the organisational culture it is built on, the different awards received and patents achieved, the active participation with academic and governmental institutions amongst others.

#### 4.8.4 Firm E summary

This investigation identified high levels of the three ‘familiness’ dimensions guiding this study: component of involvement, essence and organisational identity. Likewise, it suggests a high and positive family influence on the human, physical and social resources of the firm, whereas its impact on financial resources remains positive but very high. A family-related theme emerged: the firm’s foreign background has had a valuable impact on their culture, whereby the firm’s finances, administration, and business perspectives are considered the ‘life guard’ for critical periods and the base to reach their goals.

Furthermore, data analysis reflected a high sense of an innovation culture in Firm E. This is in line with their understanding of innovation as an attitude that infuses the organisation as a whole, whereby all the four types of innovation considered in this study (product, process, marketing and organisational) are evident on an incremental basis. Moreover, this study unveils a ‘customised’ innovation found in Firm E and further suggests a really new product-type of innovation, and this is supported by different awards received and patents registered. Thus, given the previous evidence, it is clear that a formal innovation strategy exists in Firm E. Figure 4.5 provides a summary of the findings for Firm E.

**Figure 4.6:** Findings summary for Firm E



## 4.9 Firm F

Within-case analysis for Firm F follows the same procedure undertaken for the previous firms. In addition to this, case F is also built on the voice recordings made by the researcher when attending a conference given by the CEO to business people in the context of a competitiveness forum. The researcher was invited to the aforementioned event by the CEO when arranging the interview.

### 4.9.1 Background

Firm F is rooted in 1938, when an Austrian hydraulic and chemistry engineer set foot in the city. Almost immediately he ventured in the start-up and closing down of several companies with foreign and local business partners.

In 1964 he solely funded Firm F, with the aim of enhancing different products that are derived from rubber and latex. However, in 1970 he suffered a stroke that permanently left him out of the business. His wife and her relatives stepped in to keep the company going.

By 1978, at age of 20, the eldest son changes from attending university full-time to part-time in order to support his mother at the firm. Only two years later, when his father passes away, does he take the leading role in the company and make a risky decision which sets the ground for what the company is today. He decided to stop manufacturing other products and focus all the efforts towards manufacturing (latex) balloons.

Currently Firm F divides its economic activity in two: an industrial one, which includes manufacturing only one product, but in many different specifications. The commercial activity includes trading party accessories. By 2013 it had reached 75 countries within the five continents. It is privately owned by the 7 members from the 2<sup>nd</sup> generation and their children; it does not include their spouses. They retain the 100% ownership rights. It is managed by two 2<sup>nd</sup> generation members whilst members from the 3<sup>rd</sup> generation are slowly getting involved in the company. The actual CEO has been occupying such a position since 1980.

## 4.9.2 Familiness

Exploring the ‘familiness’ dimension and resources in Firm F will be conducted in the same manner as the previous firms. For in-depth details on the rationale behind the ‘familiness’ coding elements, see appendix 9.

### 4.9.2.1 Dimensions

Table 4.23 unveils this investigation’s findings regarding the level of ‘familiness’ dimensions present in Firm F. The following sub-sections will present evidence through the use of quotes.

**Table 4.23:** ‘Familiness’ dimensions in Firm F

Dimension	Level
Component of involvement	High (100%)
Essence	High
Organizational Identity	High

Source: Author

#### 4.9.2.1.1 Components of involvement

Firm E’s ownership rights are equitably held by the 7 members from the 2<sup>nd</sup> generation and their children, namely 17, 3<sup>rd</sup> generation members. Spouses do not hold ownership rights in the company. At different stages there were up to six members from the 2<sup>nd</sup> generation working within the company. Some of them did work on and off at the firm several times. Indeed, during 12 to 15 years there were 4 of them jointly managing the firm in TMT positions; however due to personal circumstances and other career ambitions they left the company. Currently the control is assumed by two of them, the CEO and the Vice-president, who are the two oldest siblings and who have been involved in the firm the longest. Therefore, *Component of involvement approach* in Firm F is *High* (100%).

#### 4.9.2.1.2 Essence

Since 2002 Firm F has in place a family constituency. The document, known by each member, establishes different policies which mediate the role of the family members in the business; it also includes the succession criteria.



*“I heard of a family constituency for the very first time in 1987. As a gift from a friend I received three books that made me realise the importance of clearing things out [...] somewhere I still have some letters I made my mum write to my siblings about governance [...] it finally was put in place because my sisters went to some talks offered by University X and decided it was time to work on it”. (Interviewee 18)*

Regarding the involvement of the 3<sup>rd</sup> generation members, this it is just starting to happen. At the time of the interview there was one member involved in a project and a second one was about to arrive to start a 2 month internship as part of his undergraduate requirements. The two 2<sup>nd</sup> generation members involved in the firm are very positive about the personal and professional qualities of such cohort. The NFM also seems to agree with it; furthermore she also offers her point of view regarding the involvement of next generation. In addition, Firm F is affiliated to the FBN. Therefore, it could be suggested that *Essence* in Firm F is *high*.

*“I would feel fulfilled seeing the next generation working here; I would love to be a consultant, helping them in what they need [...] I am already starting to set up the upcoming management team. About two years ago I got all the 2<sup>nd</sup> generations together, including spouses, and the 18+years old from the 3<sup>rd</sup> generation, and gave a presentation on the company and told them that they are invited to be part of a ‘life project’ [...] They look at the firm with pride and are integrated through the ‘team leader’ [...] I kind of know what are the personal characteristics needed for each roll inside the firm; for instance for the CEO the person needs to have a very wide capacity of comprehension, analysis, and prudence, plus an infinite implosion capacity [...] what we want is for the next generation to see the company through the same eyes as the ones working here today do. That is, we don’t think or act as the owners; we are the very first arriving and the very last leaving the office”. (Interviewee 18)*

*“I have a clear retirement perspective, it has been gradually programmed and I have communicated this to everyone: I want to work until the end of 2016 [...] I don’t plan to perpetuate myself in the company, I also want to enjoy what I have worked for because it has been many years of working intensively. Obviously I left open the possibility that, if I can be useful as consultant, I will be happy to do so [...] We are starting to have the first experiences with the next generation*

*[...] after undertaking all the procedures indicated by the family protocol, one of the nephews has been hired for six months; he is going to support me with the implementation of SAP programme. I have to be honest with you, I feel such relief knowing that a 26 years old has such capacity and can take on any role in this company; he is obviously missing experience, but he understands processes, costs, production, quality, marketing, and has a very nice personality [...] there is another one coming for a two month internship [...] They are all fine young men and women with a lot of discipline [...] All the cousins have a very good relationship with them. We just have to wait for them to gain more experience and see if that they really do want to come here, because for instance, the nephew working with me, wants to do a postgraduate, wants to live abroad, do other things; but the idea is that he falls in love with the company while in this process, and honestly he is already showing interest. So I am confident that within three years there will be a clear panorama involving some of the 3<sup>rd</sup> generation members working here”. (Interviewee 19)*

*“I think right now is the moment for them [FMs] to really think about it, because I think that person should be involved in the company right now; not sure in which position, but inside to get his/her hands dirty with everyday issues [...] I know they have identified potential members, and I don’t doubt their capacities as professionals or personality wise, but it is also important to take into account whether the person also wants to come. They all have had a lot of possibilities to study abroad, seeing other panoramas and it is not easy to come back to your family business, after seeing so many things. So, personally, I think it is time to start thinking of who would be leading either FM or NFM. Whatever is the way forward, I would say that it is really important that such a person grows with the firm and gains experience”. (Interviewee 20)*

#### **4.9.2.1.3 Organisational identity**

The following sub-sections evidence the presence and level of organisational identity in Firm F.

**Sense of oneness; shared goals and values:** FMs seem to agree that there is a set of values, led by trust, that characterise the family and this is infused throughout the organisation and therefore shapes the behaviour of the ones involved in the firm.

*“Even though we [siblings] have had our discussions or small conflicts within the firm, it has never been due to the lack of principles and values. I mean, we have never argued over money being stolen or things like it [...] I am pretty sure that my siblings trust us and are assured that we would never manage the company in any way that was not transparent and honest [...] and honesty is what we ask from our employees”. (Interviewee 18)*

*“My mum raised us to be very united. I think that has been the base for the trust that we have for ourselves. I think that trust has allowed us to support our project and grow; but of course it comes with commitment and responsibility and I think everyone in the family and the firm understands that this is how we do things around here”. (Interviewee 19)*

More from a business point of view, yet related to their values as a family, members in Firm F clearly share a strategic understanding of worldwide competitiveness as a fundamental element to their success, and are aware of its impact on the local and national economy.

*“We start from the assumptions that no one can be competitive if they don’t know how to compete, and that there is a huge difference between doing it and knowing how to do it. It is very common for everyone to think that competitiveness is related to price and I think that if we keep moving towards this philosophy, then we are moving in the wrong direction. It is possible to be competitive if one knows his/her business in-depth. Also you can be competitive when one is creating value. For instance, we could say that we sell the most expensive product in the market, but we also are the one adding the most value, and that is what changes the equation, and we never believe we are competitive enough; because we are convinced that at the very moment you start thinking you are competitive, that is the beginning of your end. There is no way you can reach the ideal spot that is impossible”. (Interviewee 18)*

*“Since I have been here, 25 years ago, we have never look at local competitors, we have been always looking to the competitors from abroad, those that at that time were not even close to coming here; we kept looking at how to get close to them whilst protecting our grounds. I think that it is critical, yet many firms that are good at what they offer, fail to prepare themselves to meet standards, and that is when they start failing. They want to compete by not paying their*

*employees a fair wage, or by excluding the 'parafiscal' payment [set of activities that provide personal well-being for employees and their families], or by hiring them through third-party contracts, even for TMT members and sometimes companies don't really bother with quality control like the supplies of raw material might not meet safety standards, and so on. We, as a firm are incapable of doing such a thing. Anyhow, many firms want to base their competitive strategy on lowering their costs based on being cheap, so there is no way they can project themselves in the long run and much less so in a world-wide market". (Interviewee 19)*

**Decision making; governance structures:** Decision making in Firm F is led by the two-family members, yet with a high participation of NFM, who are not only involved in TMT. Furthermore, by having governance structures in place, the process is facilitated.

*"I have previous experience working with large non-family companies as well as some family firms in the United States. They both have pros and cons. I have been here for over three years and I have truly enjoyed it because this is a company that is in between. I mean, it is very well structured, so is not like other family firms where basically you do as you are told by the family members and that's it. But you are also not constrained by very rigid and 'squared' procedures that don't allow you to be creative. Here, it is great because you have a mix: it is a family business but it does not really work as one; there are established procedures for everything but there is flexibility for them to be adapted to the circumstances. The organisational chart is very linear, that means there are not a lot of levels, so this is a more flat structure, which gives a huge advantage. For instance, if I come up with an idea I go to interviewee 19 and that's it". (Interviewee 20)*

*"We have a shareholders assembly, board of directors, and a family constituency. They all have allowed for the alignment of the company's statutes and the family. It works in both directions [...] Decision making depends on the circumstance if it is a critical situation sometimes it is better to adopt a dictatorship approach; some other times, most of the times, there is room to be democratic and participative. It also depends on the available time frame to develop certain activities. For instance, last year when we were working on the production plant enlargement, all the people from both*

*teams production and projects participated, all of them”.*  
(Interviewee 19)

**Family concept extended to non-family members:** The non-family member provides insights on such a matter.

*“Here really there are two family members, so the non-family members are more, so I don’t think there is a sharp difference in the way we all treat each other. Again, here for instance in one example of how the firm behaves as a corporation. I don’t think the issue here is whether or not we are family or not, but it is about trust and no trust. As in any company you have people you trust more than other. That’s what it is all is about”.* (Interviewee 20)

**Enhancing external perception of the business:** Firm F promoting itself as a family business does go far beyond their website or brochures. Due to its reputation, the CEO is permanently invited to give talks at corporate and academic events and it’s mentioned in different newspapers, magazines and on TV. Therefore, all this provides evidence of the firm enhancing its perception as a family-owned business.

In summary, it is possible to suggest there are *high* traces of the *Organisational identity* dimension of ‘familiness’ in Firm F.

#### 4.9.2.2 Resources

Interviewee 18 completed the questionnaire that was sent out. Thus, questions were directed towards providing the rationale behind his answers. Other firm members were not provided with this response to avoid bias. Table 4.24 shows the ‘familiness’ resources and the impact of the family on them for Firm F.

**Table 4.24:** ‘Familiness’ resources in Firm F

Resource	Questionnaire Response	Researcher	
Financial	Very High	Very High	f+
Human	Very Low	High	f+
Physical	Very Low	High	f+
Social	Very Low	High	f+

Source: Author

#### 4.9.2.2.1 Financial

Evidence through the use of quotes, show that the family influence on the firm’s financial resources supports the *Very High* response that was provided in the questionnaire. This statement was further sustained by a second firm member. Furthermore, based on the elements envisaged in this research it is considered that the family influence has a *positive* impact on the firm’s *financial* resources.

*“We were lucky in the sense that when my father died, all my siblings were still small kids, so we kept re-investing all profits for quite a long time. I had no salary. I was the CEO of the firm and I had to ask my mum for money to go to the movies [...] I don’t want to sound pretentious, but currently we have turned around the relationship with banks. We look at them as a hardware store, meaning they are just a supplier. Basically they are the ones queuing to lend us money; they come telling me that they want to lend money to us but we do not need them; for example our assembly approved an investment plan for £1million (approx. Converted from COL\$) in 10 seconds [...] we value our company, with an external appraising company, every two years; it helps to keep things in perspective; it is also included in the protocol in case someone wants to sell, there is a market value and other things that make it clear for all”. (Interviewee 18)*

*“In 1986 I stepped in for a couple of months so my brother could rest [...] back then I had not done the master in finances, but I was already generating several models and indicators and diagnosis, that turned out to be very helpful [...] The ones that work in the company obviously have more direct attributes, but everything else is taken to the board. Thus, financial decisions are made by us [...] basically all the expansion plans have been supported and financed by our resources and by retained profits”. (Interviewee 19)*

#### 4.9.2.2.2 Human

The answer provided in the questionnaire was *high*, and so the researcher agrees with it within a *positive* nature. It is the element that it is the quickest identified, due to the presence of five highly qualified NFMs which make up the majority of the TMT positions. It is also supported by hiring those family members who are most qualified

for a position within the firm. In addition, the firm has in place several training programmes for their employees’ personal development.

*“We have 900 employees and we discovered that a large number of them were being conned by loan sharks. We are concerned about their well-being, because the loan sharks even take the debit card from our employees. So we hired a company to train them financially in order for this not to happen again. Those loans to the working class are the worst detriments to the country [...] a lot of our employees find personal development opportunities in our firm. We have in place a number of policies that allow them to study and develop some activities that are not only from an educational point of view, but ones that allow them to better support their families”. (Interviewee 18)*

*“Our constituency establishes that any FM can apply to any position, but will compete in equal conditions with NFMs. If conditions, capacity, and qualification are all equal, the FM will be selected [...] We pre-select some candidates but we get a head hunter to run all the tests and I suppose when the time comes for a FM to compete for a TMT s/he will have to go through the same process”. (Interviewee 19)*

*“Here there are people that have been working for 30 years in the firm. My sale force has an average of 12-15 years. I’m telling you these people really adore the firm. Here there is a love related topic and that makes the difference. I mean I haven’t seen this before; I come from working in multinationals in US, where after 2-3 years you easily leave to a better position in other company. I understand that this is also has to do with more open markets and this is not a huge city, but anyhow it amazes me how long people do stay in this company. It is something good, but also tricky sometimes, because people can get too ‘comfy’ and then there is the dilemma of how to fire someone that has been in the company for so long, because there is somehow a close relationship”. (Interviewee20)*

#### **4.9.2.2.3 Physical**

Similar to the previous resources, answers provided in the questionnaire indicate a *high* family influence on the firm’s physical resources. Indeed, the researcher agrees with such statement, suggesting a *positive* nature of it. This is evident throughout the

firm’s history and it is much related to process innovation. Therefore, further excerpts will be provided later in this chapter.

*“When this company started, the technology was very primitive, everything was done by hand. It was a very basic production plant; more or less it could process 70 tons of latex a year. That is what we process nowadays in 15 days [...] by 1982 things were changing but we had the same technology: everything was hand-made [...] nowadays we have one of the world’s most sophisticated and more productive plants in the world [...] Our company today with 46.000 sq. meter has the capacity to process 3.000 tons/year. We are already working on a new enlargement that will provide us with an additional 1.000 tons”. (Interviewee 18)*

#### **4.9.2.2.4 Social**

Interviewee 18 considered a *Neutral* family influence on the firm’s social resources, yet the collected and analysed data suggest a *positive, high* influence.

As mentioned earlier, Firm F’s CEO is highly recognised at a national and international level. There are a number of accounts which show the ability and ease of sustaining strong relationships with several organisations, even with foreign clients, such as conducting business with Asian, Arabic and Europeans businessmen. In addition to this, the CEO has been on the board of trade associations as well as governmental support agencies. Moreover, the CEO has contributed on a regular basis to a local newspaper on issues related to family business and how to overcome them. Furthermore, in Firm E the NFM leading the international sales has been formally assigned an important role when communicate the firm’s values to potential customers, as well as when maintain a strong relationship with suppliers, clients and other organisations.

*“[Name] has been 4 years with us leading the international sales team. I have already trained him on ‘politics’ because that is very important, especially when you are dealing with people from so many different cultures. I have told him that he needs to trust his intuition when making calls with our current clients and the potential ones. He is still learning, but he has done an impeccable job so far” (Interviewee 18)*



#### 4.9.2.3 Family-related emerging themes

There are two themes that clearly emerged from Firm’s F data. On the one hand there is the fundamental role played by the mother, especially when the father became ill and later on passed away. Both of her two eldest children, now in front of the firm, acknowledge her character and persistency when keeping the firm open despite her lack of ‘technical or business’ education, whilst keeping the family united and providing it with values. However, as it is not a theme relevant for further analysis in this study, it is not further developed.

On the other hand, there is the theme of the strong family foreign background that has had a strong influence on the firm’s culture. It appears that the founder’s upbringing penetrates through to the 3rd generation, which did not meet him.

*“I have to tell you the boys and girls that are following us, are really good [...] I think it is so due to the mixed races. I mean, my father was Austrian from Salzburg which is right there next to Germany, yet they are still more rigid, very, very disciplined. Those characteristics have gone from generation to generation [...] my nephew has a discipline that is beyond incredible, its commitment. I really think there are some particular characteristics in the family that run in the genes”. (Interviewee 19)*

*“My dad came from Austria, he was a chemical and hydraulic engineer, and also he speaks six languages [...] He was some character, not always easy going. He had a very strict German mannerism: very disciplined, rigid and punctual. I saw it as his son. Just to give you one example, at home if you were not seated on the table at 7:00 o’clock to eat, you did not eat. You would have to go to bed without eating. It was a serious issue”. (Interviewee 18)*

#### 4.9.3 Innovation

Following the procedure undertaken for the previous cases, Innovation in Firm F will be presented and analysed in the same manner (see appendix 10 for ‘innovation’ coding elements).

#### 4.9.3.1 Understanding of innovation and self-perception

Firm F’s members have a similar understanding of innovation and clearly identified themselves as an innovative company.

*“We clearly understand the difference between invention and innovation. The difference is enormous. If our mental model is not clear, we will end up as inventors and we are not inventors. The only thing that we do is follow Peter Drucker: ‘to hear the market’ and make things happen [...] in innovation we are monsters. If walls could talk they could give away all our innovativeness. This company is worth more money because of its capacity to innovate than for everything else it does. Everything here is innovation, and it is crazy”. (Interviewee 18)*

*“When you are talking about innovation, you are really talking about creating value and we are innovators. In general we all think that innovation is to invent something, but not really. Innovation is also to change the way of doing things, to change the perspective on how you see or how you use a product, how do you commercialise it, how do you deliver it to the client, how do you build your relationship with the client; we have plenty examples”. (Interviewee 19)*

*“It is to lead the trends, in our business we are talking about parties; is to lead not only in design but in technology. Here technology has been fundamental because it has allowed us to launch products different to the ones in the markets. Here innovation is really important. We are totally innovators. Basically the policy here is to keep in mind that out of 10 products you launch, there maybe will be 2 that did not work. Here we are very open in that sense; I think it is a good approach to innovation”. (Interviewee 20)*

#### 4.9.3.2 Types and magnitude of innovation

Table 4.25 displays the types and magnitude of innovation identified in Firm F. Answers provided in the questionnaire are presented in the first column, whilst the researcher’s findings are presented in the second column.

**Table 4.25:** Types and magnitude of innovations in Firm F

Type	Questionnaire response		Magnitude identified by researcher
	Totally new to	Significantly improved to	
Product	M	F + M	I + RN
Process	F	F + M	I
Marketing	M	F + M	I
Organisational	F	F	I

F: Firm      M: Market      I: Incremental      RN: Really New

Source: Author

#### 4.9.3.2.1 Product

Several examples provided by the three interviewees support the two magnitudes of product innovation as was the case in the questionnaire. Therefore, it is possible to propose the existence of *incremental* as well as *really new product* innovation in Firm F. the latter has been included, considering the link-o-loon product, which is a registered trade mark, which could be consider as an innovations that sits in the middle between disruptive (radical) innovations that change the whole industry, and small or progressive modifications (incremental) innovations, strongly impacting their markets, hence having a strong its effect on firm’s value (see section 2.4.3. for definition).

*“Link-o-loon is an invention by a physics professor. He wanted to show their students how to link up balloons. We took it and now it is a global concept. It was offered to other firms and none saw it as a business opportunity; we understood it and nowadays it is one of our most important categories. To make an analogy it is equivalent to a Lego. With this we can built whatever you want, three-dimensional elements, plans and the only thing you need to do is be able to knot one balloon to another; that plus some creativity. We even created a web with all the instructions for its use, examples, etc. It is registered in all the markets (countries) that we are interested to penetrate. So is the name of our firm, our brand [...] we have a broad spectrum of colours, 85 in total, and they could have been regular colours, but they*

*are not as we added value to them. Each colour is close-fitting to a world-wide colour guide. So, every designer all around the world can be confident that our ‘fashion red’ colour is equivalent to the 0.15 colour. That is something that anyone could have done, but they didn’t, we came up with it”. (Interviewee 18)*

*“Back in the early the 1990’s, we identified an opportunity to commercialise products that are in line with the one we manufacture; we had everything in place so we decided to explore it [...] now we have merged lines and we also design our styles for both products, balloons, and party accessories to create a whole experience [...] there was a concept used in Venezuela and Argentina, so we created it in Colombia. It is called crazy hour. Basically the idea is that in the middle of a party, the people ease themselves with some accessories and enjoy the rest of the night having forgotten the protocol. We put soul, life, and heart into it, but in this year’s catalogue we are saying good bye to it because now everyone is importing very cheap, and obviously low quality things, so we are ready to say good bye to it and open space for new categories where new opportunities are lying”. (Interviewee 19)*

*“We launched a balloon that is long and thick, so basically it works as a banner. That has been possible due to the investment in technology [...]the thing is that party decoration is a fashion related topic, so we need to keep up with such trends and even a step ahead, to minimise the impact of other substitute products”. (Interviewee 20)*

#### **4.9.3.2.2 Process**

Interviewee 18 provided several examples when broadening his response. It includes a rich journey back to the firm’s past and present, which explains the attitude towards process innovation. Therefore, the researcher identifies the presence of *process* innovation with an *incremental* nature.

*“At the beginning everything was done manually and it was like that until the 1980’s. Then by 1986 I was looking at some latex-supplier catalogues and saw an ad for balloon-making equipment. I wrote to everyone to send me catalogues. When the first one arrived and I saw for the very first time in my life an automatic line, my brain exploded. I was phoning everyone asking to buy a second had equipment, because obviously we could not afford a brand new one, but everyone kept turning me down. So, as I could not buy it, I got in touch*

*with a local mechanic-hydraulic engineer, that actually was Lithuanian, to help build a machine invented by us. I just wanted to simulate the movements, and one idea led to another. We were thinking of how to put it together. At that point it did not occur to us that the wooden cast could also be made out of aluminium. We were not even close to thinking that. We needed to make an immersion machine, we just needed to come up and down, so people did not have to do that and then we needed to connect everything, so I started drawing things based on what I was seeing on the catalogues. Finally, we started in 1988 with that machine, which was combined with the one we invented, and it set the ground for a huge jump. With the new 2<sup>nd</sup>-hand machine we replaced 23 people per shift that is a total of 69 people. At that moment the technology flame was lit in our company. We realised that we were 20 years behind the industry [...] we have a cutting-edge technology, all developed in-house. If we went out asking someone to build it for us, I don't think someone really could; and if they did, it could probably cost us around 10 times what we invested [...] we could create a new company that manufactures and sells machinery and equipment to make balloons; it could be another business". (Interviewee 18)*

#### **4.9.3.2.3 Marketing**

Interviewee 18 indicated the presence of *marketing* innovation as something new to the firm. The findings are consistent with such a statement, suggesting the *incremental* nature of it.

*"We innovated in the way we deal with our clients. We have an innovative CRM way of doing things. We have innovated in the sale model; although we have learned from others, we have been innovators because we have been daring enough to use the models we have seen in developed countries and used it in a developing one [...] We build relationships with our clients in a totally different way from other competitors, in both, national and international markets, and clearly they see us differently. So, it is possible sometimes that our clients do not necessarily see the innovation in the way we treat them, but they would say 'this is different', and for me that is synonymous". (Interviewee 19)*

*"when we found out that a competitor from Mexico started to give its merchandise 'under consignment' [pay to the supplier when sold] to its clients, we developed a marketing*

*strategy that was removing oxygen from the marketplace by showing our clients that we were a better alternative, not only because of the product, but by the business model. Back then the parcel system was just starting in the country, so we designed boxes that were small and not heavy, so they could have been easily handled by our clients’ employees and offered them a 2-3 days delivery when it usually would have taken 2-3 weeks. Then we realised it was still too long for them to receive their product, and so currently we can do it in 24 hours for clients in the country, placing the order before 10 am”. (Interviewee 18)*

#### **4.9.3.2.4 Organisational**

The response provided in the questionnaire points out *organisational* innovation that is completely new and significantly improved for the firm. Evidence confirms the existence of an *incremental* nature in Firm F.

*“Our big challenge has been to de-familiarise the firm. To do so I worked in a structure that I called a ‘diamond structure’. It allowed us to visualise the firm and the people within it, FMs and NFMs [...] we have tried a lot of organisational structures in search for the optimal one. Nowadays we have managers and directors along with the Presidency and vice-residency making the decisions [...] Nowadays we are working to give the company a 100% corporate ambiance, so it works as a truly large company, it will not depend on the last name, but it will rely on well trained and qualified employees [...] Because we are committed with quality and it starts with our suppliers, we make an effort to be our suppliers best clients. As a policy we even remind them that the invoice is about to expire in three days’ time, so remember to check the money has been transferred without problems on day x; we do not try to squeeze the life out of them. We don’t waste time on that”. (Interviewee 18)*

*“In this company we have also been very innovative in the way we have got to know and handle our costs. I really don’t think there are many companies in the country handling them as we do”. (Interviewee 19)*

#### 4.9.3.3 Strategy and sources

Table 4.26 shows the sources (individuals and/or institutions) of the innovation process in Firm F. Evidence suggests that Firm F’s innovation process is supported *internally* as well as by *vertical cooperation*. Evidence illustrating this with quotes is provided.

**Table 4.26:** Innovation involvement in Firm F

Questionnaire response	Researcher	
<ul style="list-style-type: none"> <li>• 1 Generation</li> <li>• 2 Generation</li> <li>• NFM employees</li> <li>• External advisors</li> <li>• Clients/Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Generation</li> <li>• 2 Generation</li> <li>• NFM employees</li> <li>• Clients/ Suppliers</li> </ul>	Internal and vertical Cooperation

Source: Author

*“In our firm we don’t make the large decisions on product innovation, our clients do. We just observe and listen [...] everyone here participates. Here everyone is empowered. I think the team is very highly inspired; you might feel there is nothing happening here, but this is a boiling pot. Let me give you an example, we hired a well-known architect, we paid him to design the extension of the Human Resource area, and to cut the story short, in a meeting, a couple of engineers told me about this space which, after being verified by an civil engineer, they thought could be used for it. Indeed that is where the offices are now built and working properly [...] another example, in a meeting in august 18 last year we agreed that for technical reasons, we needed to take out from the current plant, the production of a balloon reference. Only 5 months later the plant started production. It is one of the most sophisticated and productive plants in the world. It was made here, and we designed it, built it, and put it to work in only 5 months. If I asked for it to be built, I would have to buy a new plant from an English or Dutch manufacturer, and we would have waited 8 months for it to be delivered [...] to be honest with you, we are worried to search for innovation from the outside; it is not the lack of creativity, but due to the lack of professionalism and confidentiality. We already had a very large incident that has occurred [...] regarding government institutions it is not that we don’t like it, it is that we really don’t have time deal with all the bureaucracy”.*  
(Interviewee 18)

*“We do have some indicators; I mean to evaluate product innovation. We have different products that play different roles within our portfolio, thus according to it they are evaluated”. (Interviewee 19)*

*“For instance my sales team have the confidence to suggest new ideas; some of them we don’t implement, but they keep suggesting as they have seen that we do take them seriously and research them before making a decision”. (Interviewee 20)*

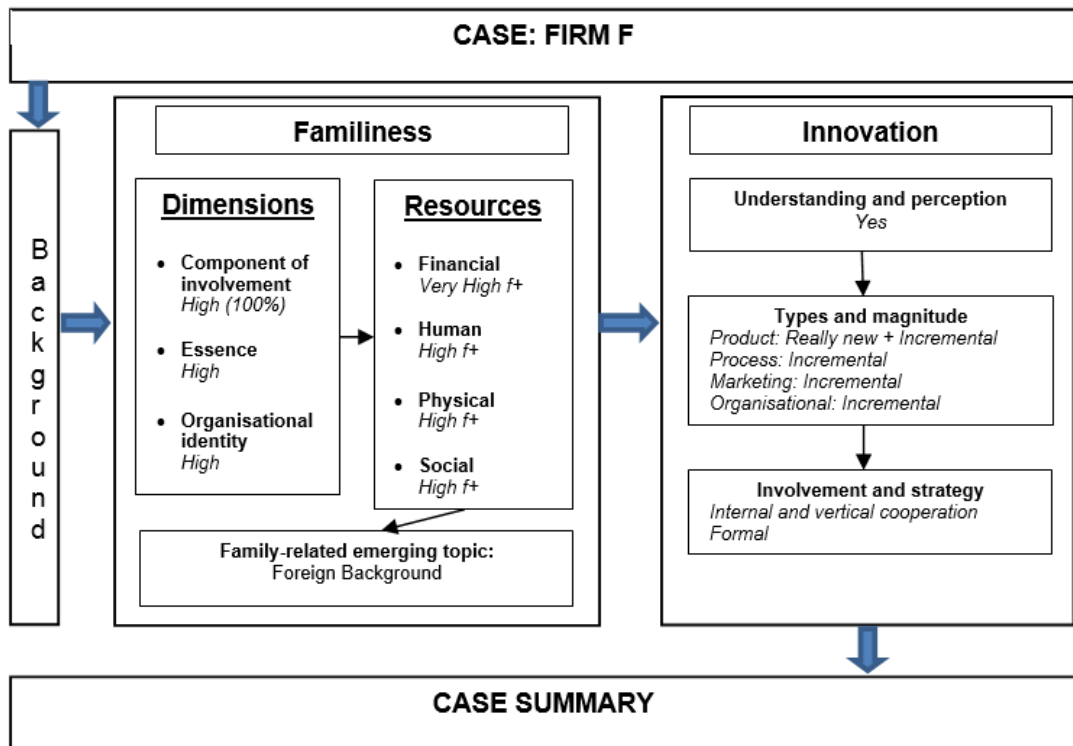
#### **4.9.4 Firm F summary**

This research identified high levels of component of involvement and organisational identity in Firm F, whilst it suggests a medium level of the essence dimension. In addition, it suggests a high and positive family influence on the human, physical and social resources of the firm, whereas its impact on financial resources remains also positive, but it is considered to be of a very high nature. The firm’s foreign background emerged as a relevant family-related topic with an impact on the firm.

Moreover, data analysis shows different types and magnitudes of innovation in Firm F, all of which have been driven by the high sense of an innovative organisational culture in the firm. The researcher demonstrated the presence of all the four types of innovation considered in this study (product, process, marketing and organisational), which are evident on an incremental basis. Furthermore, the product innovation ‘link-o-loon’ has impacted the industry and new market places; therefore it is considered a really new innovation. Moreover, given the previous evidence, it is clear that a formal innovation strategy exists in Firm F. Figure 4.7 provides a summary of the findings for Firm F.



**Figure 4.7:** Findings summary for Firm F



Source: Author

## 4.10 Chapter summary

Chapter 4 proceeded with the within-case analysis for each one of the six firms involved in this study. It addressed separately two research questions (RQ1, RQ2), whilst laying down the basis to address RQ3 in the following chapter, when a cross-case analysis and discussion of these findings will be carried on. Additionally, the analysis allowed for a relevant family-related topic to emerge, namely family foreign background. Methodologically, the chapter followed a systematic procedure as it was covered in depth in previous chapter (Ch. 3).

Concerning RQ1, thus the specifics for ‘familiness’ dimensions and resources identified on the studied firms, the findings shows clearly the heterogeneity of which authors have been calling upon Family business. Table 4.27 presents the research outcomes on this aspect.

**Table 4.27:** ‘Familiness’ findings summary

Firm	Involv.	Essence	Org. Ident.	Financial	Human	Physical	Social
A	High	None	Low	Very High <i>f+</i>	Very high <i>f-</i>	Very High <i>f-</i>	Very High <i>f+</i>
B	High	Low	Low	Very High <i>f+</i>	Very High <i>f-</i>	Very High <i>f-</i>	Very High <i>f+</i>
C	High	Low	Medium	Very High <i>f+</i>	Very High <i>f-</i>	Very High <i>f+</i>	Very High <i>f+</i>
D	High	Low	Medium	Very High <i>f+</i>	High <i>f+</i>	High <i>f+</i>	Very High <i>f+</i>
E	High	High	High	Very High <i>f+</i>	High <i>f+</i>	High <i>f+</i>	High <i>f+</i>
F	High	High	High	Very High <i>f+</i>	High <i>f+</i>	High <i>f+</i>	High <i>f+</i>

Concerning RQ2, thus the innovation characteristics of these firms studied, the findings allows for a better understanding of such process which have proven to be far more complex than categorizing a firm as innovative or not. Table 4.28 shows the summary of innovation-related findings for each one of the firms.

**Table 4.28:** Innovation findings summary

Firm	Perc.	Product	Process	Market.	Organi.	Involvement	strategy
A	Yes	I	No	I	No	Internal + Institutional Cooperation	Informal
B	No	No	I	I	No	Internal + Vertical Cooperation	Informal
C	Yes	I	I	I	No	Internal + Vertical Cooperation	Informal
D	Yes	I	I	I	I	Internal + Vertical Cooperation	(In)formal
E	Yes	I + RN	I	I	I	Internal + Institutional and Vertical Cooperation	Formal
F	Yes	I + RN	I	I	I	Internal + Vertical Cooperation	Formal

I: Incremental    RN: Really New

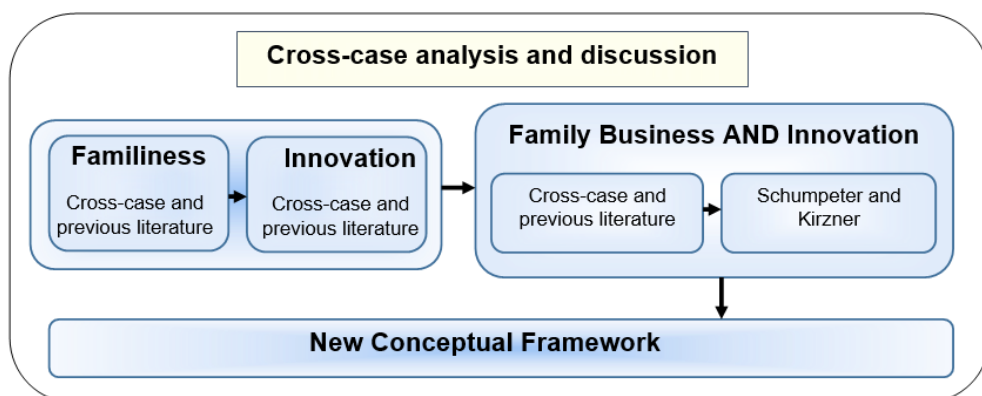
## Chapter 5: Cross-case analysis and discussion

### 5.1 Chapter outline

By means of a within-case analysis, chapter 4 uncovered the ‘familiness’ and innovation characteristics of the firms researched. The purpose of this chapter is to discuss the findings uncovered in the previous chapter with existing literature. This means that the overarching question poised in this thesis is addressed. It does so by the means of a cross-case analysis at two levels: firstly, it undertakes a separate cross-case analysis of each construct. Secondly, it compares and exposes patterns between the cases and constructs (Yin, 2009), which could derive in contributions to theory (Eisenhardt, 1989).

This chapter is divided as follows: Sections 5.2 and 5.3 provide the cross-case comparison for ‘familiness’, including the merged family-related topic, and innovation respectively, and searches for patterns within each construct. Section 5.4 discusses and analyses patterns found when comparing each familiness construct against the innovation construct. By doing so, it positions this investigation in relation to previous literature, setting the ground for the contributions of this study. Section 5.5 discusses Schumpeter and Kirzner as a theoretical perspective suggested for the further understanding of the phenomena under examination. Section 5.6 presents a refined conceptual framework, and finally section 5.7 concludes with a summary of this chapter. Figure 5.1 presents an overview of this chapter.

**Figure 5.1:** Cross-case analysis and discussion chapter overview



Source: Author

## 5.2 Familiness

This study explores family influence in the firm by looking at its 'familiness' from the dimensions and resources perspectives. As mentioned in the literature review (section 2.3.1), this study offers one of the first attempts to address scholars' call, to untangle the unclear explanation of the 'familiness' construct (Rau, 2014; Rutherford et al., 2008; Moores, 2009). Particularly, it provides an in-depth insight to each one of the elements within each construct. This is of relevance for the field as it furthers our understanding of the elements as disaggregated ones, and their impact on the firm's innovation. Hence, it contributes to clarifying the 'umbrella' label that 'familiness' has been criticised for (Chrisman et al., 2005; Irava and Mores, 2010). For instance, regarding dimensions it addresses the call made by De Massis et al. (2013) by exploring it not only from the 'involvement' but the 'essence' approach. It also includes the more recently element of 'organisational identity' as suggested by Zellweger et al. (2010). Similarly, regarding to resources, it explores the influence of financial, physical, human, and social. Furthermore, it explores the nature (positive or negative) of the family on each one of those resources.

This section follows a systematic first-tier cross-case analysis of both 'familiness' constructs: dimensions and resources, as well as the emergent topic: foreign background. Thus, each construct was analysed separately amongst the six firms, and patterns solely on each construct were identified. Therefore, it presents the cross-case comparison of the constructs within the six firms included in this study. As indicated in section 4.2, it is important to note that when coding the level of presence of 'familiness' dimensions, the author has followed Shanker and Astrachan's (1996) 'Bull-eye' typology, in the sense that it has adopted a tier-like scheme, namely: none, low, medium, and high. Whereas when coding the level of presence of 'familiness' resources, the author has followed the 5 point-liker scale used by the STEP project, namely: very low, low, neutral, high, very high (see appendix 9 for 'familiness' coding elements).

### 5.2.1 Dimensions

Following the elements specified in appendix 9, concerning ‘familiness’ dimensions, evidence shown in table 5.1 suggests that each one of the six firms have the highest degree of *component of involvement* possible. That is 100% of the ownership and control of the companies, by means of the tenure of firm’s shares, which are held exclusively within the nuclear family members, namely spouses and their children. In firms C and E this includes one extended family member for each case.

**Table 5.1:** ‘Familiness’ dimensions cross-case comparison

Firm	Involvement	Essence	Org. Identity
A	High	None	Low
B	High	Low	Low
C	High	Low	Medium
D	High	Low	Medium
E	High	High	High
F	High	High	High

Source: Author

The second element of the ‘familiness’ dimensions, namely *essence* shows different scenarios for the firms investigated. That is: one company (A) shows none, three companies (B, C, D) show low, and two companies (E, F) show high degrees of essence. As explained in section 2.3.1.1, when exploring the essence of the firms involved, this study explores the transgenerational vision displayed by the family. For instance, as suggested by Zahra et al. (2008), it considered the family members’ feelings that cause them to place the firm’s objectives ahead of their own.

In Firm A, a transgenerational vision is not evident as none of the three members of the second generation are interested in the firm, and so the first generation acknowledges that in the future, the firm shall be sold. Therefore, this study reveals that Firm A shows no essence approach. In Firms B, C and D a low degree of essence is appreciated as there are few member of the second generation involved. Furthermore, some of them are unclear whether their future involves staying in the

company or not, as they are thinking of other personal and professional options available. In Firms E and F, this element is considered to have a high degree as there is evidence of the involvement of several family members from second and third generations occupying middle and top management positions in the firm. Furthermore, both of these firms follow a family constituency that they have set in place. In addition to this, they are affiliated to the Family Business Network (FBN), and this enhances their behaviour and feelings toward the firm. As result of the previous findings, the researcher agrees with some authors, such as Westhead and Howorth (2007), that this dimension as opposed to the component of involvement provides a better understanding of the different family behaviour and their reflection on the business, hence further our understanding of different types of family firms.

Finally, the *Organisational Identity* dimension, which gives sense to the firm as it guides the behaviour of its members and how others should relate to them (Ravasi and Schultz, 2006), also displays different degrees. In addition, all firms show existence of shared goals and values, although these differ between cases. Firms A and B scored low because their governance structures are not properly in place. Additionally, their decision making process seems to be largely centralised in family members, and there is no clear evidence whether the non-family members feel part of a family or not. For instance, in firm A data collected reflected two opposite views on these aspects, whereas there was no possibility to interview a non-family member in firm B. Additionally, these companies do not promote themselves as Family businesses. In firms C and D family members' are more open to suggestions from non-family members and it seems the latter feel as 'part of the family'. Additionally, some governance structures are in place, easing communication and other administrative processes within the firms, although the firms themselves recognise there is room for improvement. Finally, it seems that within their markets, they are informally known as family business. Lastly, firms E and F where goals and values are widely shared, are also promoted are extensively recognised as family businesses. Likewise, these firms show a high degree of organisational identity as a consequence of structures clearly put in place. Moreover, the later allows for shared decision

making amongst non-family members and also making them feel valued by the firm and the family.

### 5.2.2 Resources

As it has been explained previously in this thesis (see section 2.3.1.2.), this research explores the influence of the family on the firm’s resources, from two perspectives: by degree (which refers to a very high or high influence), and by nature (which indicates whether such an influence is positive or negative). Table 5.2 displays both perspectives for each one of the four resources within the companies studied.

**Table 5.2:** ‘Familiness’ resources cross-case comparison

Firm	Financial	Human	Physical	Social
A	Very High	Very High	Very High	Very High
	<i>f+</i>	<i>f-</i>	<i>f-</i>	<i>f+</i>
B	Very High	Very High	Very High	Very High
	<i>f+</i>	<i>f-</i>	<i>f-</i>	<i>f+</i>
C	Very High	Very High	Very High	Very High
	<i>f+</i>	<i>f-</i>	<i>f+</i>	<i>f+</i>
D	Very High	High	High	Very High
	<i>f+</i>	<i>f+</i>	<i>f+</i>	<i>f+</i>
E	Very High	High	High	High
	<i>f+</i>	<i>f+</i>	<i>f+</i>	<i>f+</i>
F	Very High	High	High	High
	<i>f+</i>	<i>f+</i>	<i>f+</i>	<i>f+</i>

Source: Author

By analysing the influence of the family within the firm’s resources, the evidence shows that the *financial* resource is the one still very much guarded by the family. In all six companies the position that takes care of this resource is occupied by a family member, who along with the other family members makes the decisions related to this matter. Therefore, there is a *very high influence* of the family. It is important to note that in contrast to non-family businesses, the six firms involved in this stud

manifested different financial goals, including non-financial ones (Gomez-Mejia et al., 2007), and although the investment and/or risk profile of some companies is low, evidence suggests that it fulfils the family's expectations, and thus the *positive* nature of it.

*Human* resource demonstrated a *very high influence* by the family on both small family firms and a medium one (A, B and C). In these three firms, such influence seems to be of a *negative* nature. This is so as H.R. practices in these firms are not completely established, which allows for tensions and conflicts to arise among family members and among them and non-family members. For instance, it seems that there is still hiring of suboptimal family members employees, and there are difficulties attracting and/or retaining highly qualified non-family managers or knowledgeable employees. Likewise, it seems that there is little to no early involvement of children in the business. However, although in firms A and B it could not be confirmed whether the non-family member feels part of a family or not, it could be argued that the relationships evolve within a friendly ambience. This seems to be particularly true for firm C, where this was mentioned by those interviewed. The remaining three firms (D, E, F) seem to allow non-family members to make decisions, and therefore to have an impact on this resource; hence the family influence is considered *high*. The *positive* nature of such influence is also linked to the previous as these firms have managed to attract, hire, and retain highly qualified and knowledgeable no-family managers and employees as well as family members. Additionally, the early involvement of children in the business is demonstrated.

Likewise, family influence on the firm's *physical* resource seems to be *very high* in firms A, B and C. This is the result of a much centralised decision-making process. However, in the first two first firms, such influence is considered to be *negative*. It is important to take into consideration that, for the purpose of this particular resource, a negative influence does not mean the family influence is a detriment to the firm's goals. It might have slowed down the possibilities of acquisition or improvement of location/building and machinery that could not be unique in the industry, but that could have added more value to the company. For instance, in firm B there is clear evidence that the family's low risk profile prevented the firm from acquiring a house



next to the firm, when the opportunity was presented to them. As result of this, they regretted this missed opportunity which could have allowed them to have a building with more facilities that could have provided the company with more added value. Meanwhile, Firm C's family has a *very high influence*, and is a *positive* one. This company has been consistent in constructing a building that reflects the nature and dynamic of their business. Hence, it is a unique building allowing the business to grow. The firm owners have designed it with a twofold purpose: offices and function venue. Furthermore, related to the equipment they use in order to provide their services, it seems there is a continuous effort to keep up to date with world-wide trends taking into account the market they attend to. In the case of the remaining three firms (D, E and F) the influence appears to be *high* and *positive*, again with a more decentralised decision making process. This is due to each one of these companies creating and developing much of their own equipment, and even designing their own building facilities that enables them to utilise their physical assets more effectively.

Finally, this investigation's findings suggest that the family has a *positive* influence on the *social* resource they bring into the firm. In four of the six companies (A, B, C and D) this impact is *very high* as it is held by family members, whereas in the remaining firms (E and F) it is *high*. This is the case because non-family members, especially those who make up part of the Top Management Team, are also heavily involved in communicating and promoting the firms value to existing and potential customers, and nurturing the relationships with third parties.

In summary, this study has shed light on two directions regarding the family influence on firm resources. Firstly, from the influence's nature, this study's finding provides empirical evidence on the negative impact that the family might have on a firm's human and physical resources, whereas this impact on the other resources is positive. The negative impact on human resource is further developed in section 5.4.2., due to its direct impact on the firm's innovation. Secondly, with respect to the degree of such an influence, this study found it to be only very high and high. This is in contrast to some of the answers that were provided in the questionnaire (see question number 13 in appendix 4). When considering the four resources and the six

firms, there were twenty four responses altogether for this question. In 9 cases, the family influence was considered very high; in 5 it was considered high; 7 was considered neutral; 0 responses were low, and 3 responses considered the family influence very low. However, after conducting the ‘qualitative’ analysis, it became clear that in the selected firms, it is not possible to claim the existence of a neutral, low or very low degree of influence. Evidence shows the description of these firms as highly controlled family firms. This was supported by the fact that in some cases when the questionnaire respondent was asked to elaborate on the answer provided, his/her response changed.

### 5.2.3 Foreign background

As explained in the methodology chapter (section 3.5), this thesis follows a deductive-inductive logic of research. Thus, although the research was mainly guided by the constructs existing in the literature, it also allowed for ‘data to speak’.

**Table 5.3:** Foreign background cross-case comparison

Firm	Foreign Background			
	Origin	Family role	Firm role	Characteristics - Impact on firm
A	Lebanese	Father of one founder	None	His entrepreneurial behaviour has been adopted by his daughter (founder).
B	N.A.			
C	N.A.			
D	Italian and Greek-Hungarian	Father of founder	Emotional and financial support	Considered the first entrepreneur in the family and the firm’s ‘co-founder’. His characteristics were inherited by his son (founder).
E	Lebanese	Father	Founder (1 <sup>st</sup> generation)	His culture provided one of the most important life savers for the firm: saving habit, which is still part of the firm’s culture.
F	Austrian	Father	Founder (1 <sup>st</sup> generation)	His mannerism: discipline, rigor and punctuality are now part of 2 <sup>nd</sup> and 3 <sup>rd</sup> generations and part of the firm.

Source: Author

Foreign Background emerged from the data as a family-related theme that might impact the firm’s innovation activities. Hence, a brief analysis is provided. Table 5.3 compares the nature of the foreign background between the six firms in this study. Evidence shows that four of the six firms have been somewhat influenced by the foreign background of its founders, whether they were the immigrants themselves or they were the parents of these firms’ founders. Moreover, within the four firms with this characteristic, three types of foreign background involvement can be identified: 1) None, 2) Support, 3) Foundation. Likewise, it is possible to identify the impact such involvements have had on the firm management.

For instance, the father of firm A’s founder was from Lebanon. He had no influence in the configuration of the company. However, some of the firm’s members believe that his entrepreneurial and business skills are an important legacy he left to his daughter, which ultimately have had a large impact on the company’s structure. In Firm D, the founder is a descendent from Italian and Greek-Hungarian immigrants. The firm’s role of his father is considered a supportive one, as the founder claimed that he would not have founded the company without the emotional and financial support of his father. Furthermore, other members identify the immigrant as the first entrepreneur in the family, and suggest that his drive and values were inherited by the firm’s founder, and still nowadays are perceivable in the organisation’s culture. Finally, in firms E and F the immigrant was the firm’s founder. In both cases, evidence shows that the principles and values, on which they founded the firm, are still driving the firm. The memories of those early days of hard work and vision are highly cherished by firm’s members, including a non-family member who did not meet the founder, yet expressed how that sense of humble beginnings and drive are strongly felt in the firm.

Overall, this theme that emerged within this study constitutes an interesting finding and contribution to the literature. This study sheds light on a fascinating research phenomenon within the family business literature: the impact of family with foreign background in the family dynamics, hence its impact on the firm’s culture. This thesis brings the attention of this topic to family business research, and will it will be further developed it in relation to innovation (sections 5.4.3 and 5.5).

## 5.3 Innovation

Similarly as with ‘familiness’, this section follows a systematic first-tier cross-case analysis of the innovation construct. Thus, each element within the construct was analysed separately amongst the six firms, and patterns solely on each construct were identified. Table 5.4 presents the characteristics of innovation that were explored in this study, and that were found for each one of the six companies involved. Thus, the understanding of innovation, self-perception, types and magnitudes of innovations, strategy and sources are compared in a cross-case manner.

### 5.3.1 Understanding and self-perception

Evidence suggests that all firms but one (Firm B) consider themselves to engage in innovation activities. Firm B’s perception is based on the type of activity it pursues (trading), and the weight it gives to product innovation as opposed to other innovation types. This qualitative investigation shows that the innovative self-perception firms have, are directly related to the understanding they have about innovation. On a general basis, these six firms consider that innovation involves the following elements:

- Adding value/obtain economic benefit
- Doing/offering new/novel/little/different/unusual ways/things/products, processes/relationships
- Adapting/adjusting/changing/implementing changes
- Hearing the market/listening/observing/talking
- Being recursive/creative/ingenious/alert of what is happening

Furthermore, the in-depth qualitative nature of this study revealed interesting insights with respect to the understanding that some interviewees might have on innovation. Specifically, it draws attention to the misunderstanding and confusion that a lack of consensus on typologies/definitions of some innovations can have on firm managers.

**Table 5.4:** Innovation cross-case comparison

Firm	Self-Perception	Type and Magnitude				Strategy	Sources
		Product	Process	Marketing	Organisational		
A	Yes	Incremental	No	Incremental	No	Informal	Internal + Institutional Cooperation
B	No	No	Incremental	Incremental	No	Informal	Internal + Vertical Cooperation
C	Yes	Incremental	Incremental	Incremental	No	Informal	Internal + Vertical Cooperation
D	Yes	Incremental	Incremental	Incremental	Incremental	(In) formal	Internal + Vertical Cooperation
E	Yes	Really new + Incremental	Incremental	Incremental	Incremental	Formal	Internal + Institutional and Vertical Cooperation
F	Yes	Really new + Incremental	Incremental	Incremental	Incremental	Formal	Internal + Vertical Cooperation

Source: Author

As explained in section 2.4.4., this study selected the four types of innovations (product, process, marketing and organisational) as suggested and defined by the OECD (2005). The reasoning behind this decision is that the Oslo Manual is a world-wide recognised guide to ‘measure’ innovation in firms around the world. Hence, it could be argued that the definitions have been thought to facilitate firms’ managers to easily understand the question and quickly respond to it. However, when asking the selected firms about marketing and organisational innovations, 2 interviewees (Firm A, interview 3; Firm B, interview 6) showed confusion about the differences between these two types. Likewise, it is important to note that there seem to be two additional challenges when asking the firms about their self-perception on innovation. The first one is related to the existing ‘fine line’ between change and innovation, in which arguably most of the obtained definitions fall. This could drive a ‘yes’ innovation response. The second one is located at the other extreme: a vision of ‘only totally new’. This could propel for a ‘no’ innovation response, denying and minimising the efforts undertaken in other areas within the firm.

### 5.3.2 Typology and magnitude

This study did not find evidence of any type of *radical innovation* carried out by these companies. However, evidence shows that incremental innovations are carried out in all four types of the innovations defined in this study. More specifically, *Incremental marketing* innovation seems to be the one magnitude/type readily recognised by each all the firms as part of their activities. Indeed, the researcher found evidence of it, whereas *incremental organisational innovation* seems to be carried out only in three out of six companies (D, E and F). Furthermore, evidence shows that all the firms, with the exception of Firm A are engaged in *incremental process innovations*. Finally, evidence also indicates that all but one firm, namely Firm B are involved in *incremental product innovations*. Moreover, two firms (E and F) seem also to invest in ‘really new’ *product innovations*.

As explained in sections 4.8.3.2.1. and 4.9.3.2.1, the categorisation of ‘really new innovations in Firms E and F, respectively, is supported by different patents and registered trademarks in those companies. However, as pointed out in section 2.4.3.,

it is important to understand that patents provide a firm with the right to economically exploit it (or not), whilst protecting the 'know how' of such technical advancement. Patents do not necessarily reflect an innovation (Flor and Oltra, 2004) that disrupts the way in which the industry is working. Therefore, it does not necessarily demonstrate a radical innovation. In Firms E and F, the patents and registered trademarks reflect the companies drive to constantly excel and stay ahead of their more immediate competitors by taking risks and making propositions. Thus, it gives them a clear advantage by making them leaders of their closest markets, and allowing them to compete with quality and prices internationally in developed markets. In summary, the constant efforts, desire, and commitment of these firms to improve and innovate their products, might not be quite reaching the spheres of radical innovation, as by following a very narrow definition of such, they are not 'disrupting' the industry. However, such endeavours are far from being classified as minor, constant, and conventional updates of their products. Hence, they have already reached and passed the spheres of incremental innovations, and thus are categorised as 'really new' innovations.

The main conclusion that can be drawn from the previous discussion is that firms from developing countries do innovate (Balunywa, 2009). Furthermore, although one investigated firm (firm E) is classified as large (according to Colombian's government definition), the remaining are classified within the SME category. This is in line with a growing body of literature on the innovativeness of these firms (Verhees and Meulenbergh, 2009; Hausman, 2005). It is clear that the debate is not as straightforward as it seems, yet this thesis provides empirical findings that shed light on this phenomenon. Such arguments will further be developed in section 5.5 as they are central to this thesis.

### **5.3.3 Strategy and sources**

The cross-case analysis of the companies show that two small firms (A, B) as well as one medium one (C) have informal strategies towards innovation. The second medium company (D) reveals a mix of both strategies applying formal strategies only when related to product innovations and informal ones when related to the other

types of innovations. Firm D behaviour is based on the tangibility of product innovation, hence the need to have in place activities and indicators to follow it up compared with the other types of innovation. Finally, firms E (medium) and F (large) approach these activities from a formal perspective. In both firms it seems it has been the result of an organisational culture oriented towards innovation. This has provided the space for them to put in place mechanisms and create positions or roles within the organisational structures to keep the innovation streaming permanently.

Finally, this thesis explores the *sources of innovation*, namely institutions or persons involved in innovation-related activities, as suggested by Lopez Fernandez et al., (2012). Hence, it explores internal and external sources as well as horizontal, vertical and institutional cooperation. All companies manifested that their main source is the *internal* one; hence, most of these firms support that their innovation activities are due to the firm's family and non-family members involved in the firm. However, in firm B it seems that the internal involvement comes solely from family members. *External* involvement, namely acquisition or outsourcing of innovation activities to other firms or institutions is not implemented at all by any these firms. Moreover, Firm E is on the other side of this equation, outsourcing innovation for other companies. This means that developing innovation by contract is one of the services offered within its portfolio. In relation to the different types of cooperation, five out of these six companies involve suppliers or clients in their innovation activities; therefore they engage in *vertical cooperation*, whilst only two of them engage with other private or public institutions, such as consultancy firms, universities or public research entities, namely *institutional cooperation*. Evidence of *Horizontal* cooperation, that is, cooperation with other companies within the same group, competitor's, and other firms within the sector, was not found.

Hence, this study's findings show that the in/formality of *innovation strategies* in firms seems to be related to their size. Likewise, evidence points out that the main source of innovation is an internal one. Furthermore, it seems that there are two situations that prevent firms from allowing a more frequent involvement of third parties in innovation activities. There is a lack of trust, professionalism, and confidentiality appear to be present when considering external sources, and the long



and complicated bureaucracy and time taken time to process seem to hinder firms from engaging in institutional cooperation.

## **5.4 Familiness and innovation**

This section presents the cross-case analysis and discussion of family-related constructs: ‘familiness’ (dimensions and resources) and the emerged theme (foreign background), and the impact on innovation. Previous sections in this chapter (sections 5.2. and 5.3) proceeded with a cross case first-tier analysis. Thus, each construct was analysed separately amongst the six firms, and patterns solely on each construct were identified. By means of a second-tier analysis (see section 3.8.3 for more details), this section brings together all the analyses by bringing together the patterns found in both ‘familiness’ and innovation separately. Whereby the answer to the overarching research question: “How and to what extent does ‘familiness’ influence innovation in family firms from developing countries?”, is addressed. This discussion will be positioned within the existing literature, and important contributions will be emphasised.

### **5.4.1 Dimensions and innovation**

Table 5.5 presents the identified ‘familiness’ dimensions and innovation characteristics for the six firms involved in this investigation. This allows for a better comparison between cases, and provides the foundations for the discussion that follows throughout this section.

A first interesting pattern that emerged when cross-case comparing the ‘familiness’ dimensions and innovation, is that out of the three elements (component of involvement, essence approach and organisational identity), the latter is the one that seems to have more impact on innovation.

As extensively explained in section 5.2.1, patterns found on the component of involvement reflect a 100% of ownership for all the firms involved in this study. Hence, when compared against the different innovation patterns found in section 5.3, herein analysed and discussed, it is not possible to draw any conclusions. Similarly,

when analysing the essence approach and innovation, there are no patterns that emerged.

However, when analysing a FBs' organisational identity and its innovation behaviour, interesting patterns emerged. In the six firms studied, three clear patterns were identified in relation to organisational identity (low, medium, high) and the impact on the innovation activities (low, medium, high). Hence, this element with 'familiness' dimensions, strongly influences innovation activities in the studied developing country's FB. The following sub-sections (5.4.1.1 – 5.4.1.3) will discuss how each one of the levels of organisational identity impact the level of innovation exhibited by all the firms in the study.

The interesting finding of this study contributes to the ongoing discussion on the relevance of the dimensions of 'familiness'. For instance, Chrisman et al. (2005) suggests that previous work (Astrachan et al. 2002) assist in the reconciliation of the two approaches known at the time: component of involvement and essence. Such a study refers to the definition of family business when compared to non-FB. By adding the organisational identity dimension, this study can extend knowledge on our understanding of the heterogeneity of FB (Sharma and Nordqvist, 2007; Westhead and Howorth, 2007). This study investigated this dimension in-depth, and provided empirical evidence to suggest some of the reason of FB heterogeneity as suggested by Chua et al. (2012). According to the aforementioned authors, FB can be grouped according to three categories, two of which can be captured by organisational identity. These are goals (Chrisman et al. 2012), and governance structures (Carney, 2005). The following sub-sections (5.4.1.1 – 5.4.1.3) elaborate on organisational identity and innovation patterns identified in this study, which provide rich insights on the phenomena of interest. Finally, sub-section 5.4.1.4 will discuss these findings and relate this to literature.

**Table 5.5:** ‘Familianness’ dimensions and innovation cross-case comparison

Firm	'familianness' Dimensions			Self-Perception	Innovation				Involvement	Strategy	Cross-case group
	Component of Involvement	Essence	Organisational Identity		Product	Types and magnitudes		Organisational			
					Process	Marketing					
A	High	None	Low	Yes	Incremental	No	Incremental	No	Internal + Institutional Cooperation	Informal	<b>Low</b> Dimension - Innovation
B	High	Low	Low	No	No	Incremental	Incremental	No	Internal + Vertical Cooperation	Informal	
C	High	Low	Medium	Yes	Incremental	Incremental	Incremental	No	Internal + Vertical Cooperation	Informal	<b>Medium</b> Dimension - Innovation
D	High	Low	Medium	Yes	Incremental	Incremental	Incremental	Incremental	Internal + Vertical Cooperation	In (formal)	
E	High	High	High	Yes	Really New + Incremental	Incremental	Incremental	Incremental	Internal + Institutional and Vertical Cooperation	Formal	<b>High</b> Dimension - Innovation
F	High	High	High	Yes	Really New + Incremental	Incremental	Incremental	Incremental	Internal + Vertical Cooperation	Formal	

Source: Author

#### **5.4.1.1 Low 'familiness' - organisational identity and low innovation**

*Firms A and B* which have the lowest levels of dimensions altogether, seem also to have the least degree of innovation both, in terms of types and magnitude. As explained earlier, both companies have a high component of involvement, as both of them are 100% owned by a family. With respect to the essence dimension, firm A was classified as none due to the lack of intergenerational vision, whilst firm B was classified as low. This is so because the one member of the 2<sup>nd</sup> generation, who is already involved in the management of the firm, has no clarity about his future in the firm. Finally, the organisational identity displayed by both firms is low. This is due to an extreme centralised decision-making of family members, lack of governance structures, none or unclear evidence regarding the extension to non-family members of the family concept. In addition to this, neither of the firms enhances the external perception of the business by promoting themselves as a family business.

On the other hand, they both seem to display two out of four types of innovation, both of them of an incremental nature. Marketing innovation is the common one, whilst product and process are exhibited according to their economic activity. Hence, firm A, which is located within the manufacturing sector shows product innovation, whereas firm B situated in the service (trading) sector demonstrates process innovation. Additionally, the pair of companies seems to coincide by lacking organisational innovation. Furthermore, it is clear that both companies do not have in place any type of innovation strategy; hence it is considered to be informal. Finally, both firms seek for innovation support or advice from internal sources. However, in firm B it seems it is more focused on the family member's opinion than in firm A. Yet they differ with respect to other types of support, as firm A searches in governmental institutions, whereas firm B involves listening to clients and suppliers. Table 5.6 summarises the main patterns concerning the 'familiness' Dimensions and Innovation in these firms.

**Table 5.6:** Low ‘familiness’ dimension/Innovation Firm

Pattern elements	Firm A	Firm B
<b>‘familiness’ Dimension</b>		
Component of Involvement	High (100%)	High (100%)
Essence*	None	Low
Organisational Identity	Low	Low
<b>Innovation</b>		
Product*	Incremental	No
Process*	No	Incremental
Marketing	Incremental	Incremental
Organisational	No	No
Strategy	Informal	Informal
Sources*	Internal + Institutional Cooperation	Internal + Vertical Cooperation

\*Findings differ, yet allow for classification under same group of firms

Source: Author

#### 5.4.1.2 Medium ‘familiness’ - organisational identity and medium innovation

*Firms C and D* both show a high involvement, as both firms are 100% family-owned, including extended family members for firm C. Similarly, both firms manifest a low degree of essence, as members of the next generations (2<sup>nd</sup>) are currently involved in the business, yet they are not clear or sure whether they would like to continue in the business. These members might be thinking to start-up their own business (Firm C), or do not feel they have the capabilities to become the firm’s successor and move up in managerial positions (Firm D). These circumstances leave open the question about the transgenerational vision on the firm. However, they also

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exhibit a medium degree of organisational identity. Their decision-making process is still concentrated within the family members, yet compared with low ‘familiness’ dimensions firms, non-family members’ suggestions and considerations seems to account for more. These firms also display a better use of governmental structures although there is room for improvement. Lastly, they enhance the external perception of their business by timidly promoting the family-owned firm, formally or informally within their market.

**Table 5.7:** Medium ‘familiness’ dimension/Innovation Firms

Pattern elements	Firm C	Firm D
<b>‘familiness’ Dimension</b>		
Component of Involvement	High (100%)	High (100%)
Essence	Low	Low
Organisational Identity	Medium	Medium
<b>Innovation</b>		
Product	Incremental	Incremental
Process	Incremental	Incremental
Marketing	Incremental	Incremental
Organisational*	No	Incremental
Strategy*	Informal	(In)formal
Sources	Internal + Vertical Cooperation	Internal + Vertical Cooperation

\*Findings differ, yet allow for classification under same group of firms

Source: Author

With respect to innovation, these firms display an incremental nature on three (Firm C) and four (Firm D) types of innovations. Firm C appears to lack organisational innovation. Both companies seem to carry on innovation activities supported by

internal sources and by vertical cooperation. They allow for family and non-family members working in the firm to make suggestions. Furthermore, Firm C even takes on board suggestions made by family members not involved in the business. Additionally, both firms permanently ask and listen to their suppliers and clients, as they search for improvement and newness, and both seem to follow informal innovation strategies. However, Firm D has a mixture of informal and formal innovation strategies related to product innovation. Table 5.7 recaps on the patterns found in these firms.

#### **5.4.1.3 High 'familiness' - organisational identity and high innovation**

*Firms E and F*, display a high degree in all three dimensions of 'familiness'. Firstly, similar to the other companies involved in this study, it demonstrates a high component of involvement. That is, all 100% of the firm's shares are family-owned, including one extended family member for firm E. Secondly, regarding the essence element, meaning their transgenerational vision, both firms also scored high because they have 2<sup>nd</sup> and 3<sup>rd</sup> generation family members working in various roles for different amounts of time, and the commitment and dedication of those members towards the firms goals was found to be straightforward and clear. Finally, members in both firms also manifested shared goals and values; the decision-making process is less concentrated on family members as the participation of Non-family members in top management positions allows them to put forward suggestions and make decisions. Similarly, non-family members in such positions share with family members the enhancement of the external perception of the business by promoting the firm as a family one in business, academic and governmental occasions. The distinctive role of non-family members in these firms seems to find support in two different instances: the formal one, namely the existence of clear governance structures; and the informal one, namely the close relationships between these members and the family ones. On one side, both firms feature flexible, rather flat and continuously changing structures that are widely communicated to the entire organisation, not only to the admin staff, but also to the operators. On the other hand, it seems that in most cases there is a sense of trust amongst family and non-family members. Furthermore, these relationships are built on a deeper sense of familiarity

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that it makes them feel ‘as another member of the family’, and this is particularly clear in the case of the non-family member in firm E.

**Table 5.8:** High ‘familiness’ dimension/Innovation Firms

Pattern elements	Firm E	Firm F
<b>‘familiness’ Dimension</b>		
Component of Involvement	High (100%)	High (100%)
Essence	High	High
Organisational Identity	High	High
<b>Innovation</b>		
Product	Really new	Really new
	+	+
	Incremental	Incremental
Process	Incremental	Incremental
Marketing	Incremental	Incremental
Organisational	Incremental	Incremental
Involvement*	Internal + Institutional and Vertical Cooperation	Internal + Vertical Cooperation
Strategy*	Formal	Formal

\*Findings differ, yet allow for classification under same group of firms

Source: Author

On innovation, the most distinctive feature that both of these companies display, is the ‘really new’ magnitude on product innovation. The patents and registered trademarks they own, as well as different awards they have won, including a WIPO award for inventors in the Medium-size Company category for firm E. This shows evidence of their innovation degree that is ahead of incremental innovations. This



magnitude is additional to the incremental nature of innovation that they also display in each one of the four types innovations explored in this study. These are companies that have ‘an innovative culture’ that is spurred permanently. Moreover, in the organisation chart of Firm E, it is possible to find three vice-presidencies, one of which is called ‘Technical and Innovation Vice-presidency’, to which four managers’ report, including the ‘Innovation Manager’ who leads a 6 people department, including a person who’s main activity is to search for and present innovation-practical calls; either from governmental institutions or universities. The researcher argues that this constitutes strong evidence that Firm E’s culture truly embraces innovation. Hence, it is shown in the presence of a formal strategy towards innovation, although both companies make it clear that there is still much to be done. Finally, regarding the innovation sources, both firms engage in internal (family and non-family employees) and vertical cooperation (clients and suppliers). Furthermore, as result of one purposely-hired employee, Firm E also involves other institutions, such governmental institutions and universities as sources of innovation. Table 5.8 recaps on the patterns found in these firms.

#### **5.4.1.4 The data and the literature**

The patterns identified throughout this investigation show a particular relationship between one dimension of ‘familiness’, namely organisational identity, and the firm’s level of innovation. The remaining elements (component of involvement and essence) do not seem to contribute to the firm’s innovation engagement. Hence, when a firm obtains a high level in its organisational identity, it also seems to demonstrate high innovation activities in terms of types and magnitudes, and when it shows low ‘familiness’ - organisational identity, it seems to show low innovation activity within the same domains (see table 5.5). More interestingly, decision-making and corporate governance, two of the four elements within organisational identity (Zellweger et al., 2010) seem to directly influence the strategy of innovation in the studied firms.

This study constitutes one of the first to incorporate within a same study, the three known dimensions of ‘familiness’. Furthermore, it addresses De Massis et al. (2013)

call by exploring the phenomena not only from the 'involvement' but the 'essence' approach. Moreover, this investigation also explores the more recent approach of 'organisational identity', as suggested by Zellweger et al. (2010). However, a previous study exploring several dimensions of family influence is found in Kellermanns, et al. (2012). Yet, they adopted the multidimensional view of family influence offered by Astrachan et al. (2002). Hence, in their study they do not consider the 'familiness' dimensions adopted in this investigation, as they explore power, experience, and culture. Particularly they examine: family management involvement, generational ownership dispersion, and family member reciprocity. The results of this investigation advocate that the higher the set of the three 'familiness' dimensions altogether, the higher the engagement in innovation activities. Comparing this finding with other studies is not possible as this study is comprehensive, whereby the three dimensions of 'familiness' are considered. However, it is possible to position these findings within the literature that explores each dimension separately.

For instance, Classen et al. (2012) and Laforet (2013) have considered the component of involvement approach, meaning the percentage of ownership and management, as a variable to separate family vs non-family firms. Likewise, the involvement of members from several generations in the firm has been considered to be vital, in order to define it as a family business. The latter corresponds to the transgenerational vision portrayed by the essence dimension.

In summary, it is evident that such dimensions have been included within family business and innovation studies. However, it is necessary to recognise that they have been included as a way to operationalise the FB definition, especially when comparing them to non-FB. Indeed, De Massis, et al. (2013), posit that definitions have largely relied only on the involvement approach. Hence, from the researcher's perspective the angle in which this study explores such dimensions is a more comprehensive one that unveils rich qualitative data.

A very significant contribution of this study is providing empirical evidence of organisational identity and FBs from developing countries' innovation activities.

Some of the emerged patterns provide support for previous studies, whereas other patterns seem to draw new lines for further enquiry. For instance, according to Pavitt (1991), companies that hold corporate structures and ease decision making by short communication lines, less bureaucracy, and motivation of management and labour force (family and non-family) display innovative characteristics. In the same line of investigating organisational culture and its impact on innovation, Carrasco-Hernandez and Jimenez-Jimenez (2013) posit that an organisation that promotes sharing knowledge and team work, by not castigating employees' mistakes, will generate innovation. Findings of this investigation are in line with those of the authors.

Likewise, after conducting a meta-analysis of the existing research on innovation at the time, Damanpour (1991) found significant positive relationships between innovation and several other elements in an organisation, including external and internal communication. The same author also found a significant negative relationship between innovation and centralisation of decision-making. The findings in this study support Damanpour's in the sense that firms that have more open communication, seem to be the more innovative. This is the same case for firms with a more de-centralised decision-making process. Moreover, in line with the scholar, this thesis also concludes that "Participatory work environment facilitate innovation by increasing organisational members awareness, commitment and involvement" (Damanpour, 1991:558). This thesis findings are in line with overall findings of several scholars (e.g. Hall and Nordqvist, 2001; Hayton and Kellye, 2006), in the sense that organisational structures that obstruct decentralisation, and entrepreneurial alertness, seem to engage in less innovation. Hence, the findings in this study do not support Ettlie et al. (1984), who argued that centralisation spurred radical innovation.

In relation to innovation strategy, this study found that firms with high level of 'familiness' - organisational identity, appears to display larger formality in their innovation strategy, whereas firms with low level of 'familiness' - organisational identity, exhibit an informal innovation strategy. Lastly, firms with medium level of 'familiness' - organisational identity, show a mix of informal and formal strategies. Previous work has also investigated family firms' strategies towards innovation. For

instance, Zahra et al. (2004) claimed that particularly family firms which are committed to the long-term actively pursue innovation and other entrepreneurial strategies. This holds true for the firms involved in this study as firms with a higher score in dimensions (E and F), including a clear transgenerational vision, are more innovative. On the contrary, in low innovativeness is displayed in firms where the transgenerational vision is not clear and the dimensions score is low, as is the case in (Firms A and B). The latter supports Laforet's (2012) findings that innovative family SMEs do tend to seek knowledge and identify new opportunities, yet this process tends to be informal. However, it is contrary to her argument that less innovative firms take more formal steps in new product development, as no evidence for this was found in this study.

Concerning to sources of innovation, all companies in this investigation manifested that their main source of innovation is the internal one, namely employees. Cakar and Erturk (2010) argue that in small firms, as oppose to medium ones, employees tended to be part of the innovation process. This thesis finds that regardless of size, all the firms rely on internal sources. However, particularly in one of the two small firms, this involvement of non-family members seems to be completely absent. Additionally, evidence of using external sources was not found, and this is contrary to previous studies, for instance, Lopez Fernandez et al. (2011), found that around half of FB and Non-FB from a region in Spain make use of external sources to develop their activities. On the contrary, this thesis found that Firm E is a provider of innovation; hence it serves an external source of innovation for other companies.

Finally, regarding to cooperation as a source of innovation, this investigation found that five out of the six companies involve suppliers or clients in their innovation activities, and therefore, they engage in vertical cooperation. Only two of them engage with other private or public institutions, such as consultancy firms, universities or public research entities, namely institutional cooperation. Evidence of Horizontal cooperation, that is, cooperation with other companies within the same group, such as competitor's engaging with each other was not found. The findings of this thesis are not consistent with those of Classen et al. (2012). These authors use behavioural theory and found that firms in developed countries that do perform their

own R&D activities have a higher number of different external sources. Likewise, although not specifying whether innovation strategies are formal or informal, Pittino et al. (2013) found that FB do follow innovation strategies in order to achieve incremental innovations. A possible explanation for the lack of horizontal, and even institutional cooperation, is due to trust and the lack of protection of intellectual property rights within developing countries.

To conclude this section, it is important to stress that this study appears to be one of the first comprehensive studies exploring the three dimensions of ‘familiness’ altogether and its association with innovation. However, previous work that investigates each dimension separately has shed light on the different aspects of innovation within in family firms.

## **5.4.2 Resources and innovation**

As detailed in section 5.2.2, this thesis explores the family influence or ‘familiness’ on the firm’s resources, from two perspectives: degree and nature, and the impact on each one of the resources investigated. Therefore, it will address them separately, whilst unveils the rich qualitative data collected and seek to obtain further insights on their relationship with firm's innovation. The discussion begins with the family influence by degree and innovation.

### **5.4.2.1 Family influence by degree and innovation**

As table 5.9 shows, when examining the relationship between the degree of family influence (high or very high) and innovation, three patterns became clear. The first group is formed by Firms A, B and C. They have a very high degree of family influence in all four resources; hence it is the group with the highest family influence in the firm. These firms also have the *lowest level of innovation*; both in terms of types (2/3 out of 4) and magnitudes (only incremental). Firm A shows Product/incremental, and Marketing/incremental. Firm B depicts Process/Incremental, and Marketing incremental. Firm C reports three types of incremental innovation (Product, process, and marketing). Overall, the type of innovation missing in this group is organisational innovation.

**Table 5.9:** Degree of family influence and innovation cross-case comparison

Firms	'familiness' Resources				Innovation Types and magnitudes				Cross-case group
	Financial	Human	Physical	Social	Product	Process	Marketing	Organisational	
A	Very High	Very High	Very High	Very High	I		I		Highest influence
B	Very High	Very High	Very High	Very High		I	I		
C	Very High	Very High	Very High	Very High	I	I	I		
D	Very High	High	High	Very High	I	I	I	I	Medium influence
E	Very High	High	High	High	I RN	I	I	I	Moderate influence
F	Very High	High	High	High	I RN	I	I	I	

I: Incremental innovation    RN: Really New Innovation

Source: Author

The second group is solely formed by Firm D. It appears to depict a *medium family influence* by strongly influencing two (financial and social) resources out of four, whilst the remaining resources are also influenced by non-family members. This is accompanied by a *medium level of innovation engagement* compared with the remaining firms in this study. Firm D seems to have achieved at least one incremental innovation for each one of the four types explored.

The third and last group consists of firms E and F; both have a *moderate degree of family influence* on the firm's resources. They strongly influence the financial resource, whilst influence on the remaining three resources is shared with non-family members. Firms E and F also depict the *highest innovation* of all the six firms examined. The analysis shows that they have been involved in incremental innovations for the four types of innovation. Moreover, they have been engaged in really new product innovations, which is supported by the different patents and registered marks they have on their account, as well as by different awards received, including the WIPO award for inventors – Medium-size Company' given to firm E.

Finally, by associating the very high influence of the family (centralisation) in TMT, another characteristic was found in these firms. Firms A, B and C, seem to display total or large absence of Non-family members on Top Team Management. This is not the case for the remaining firms (D, E and F) where TMT includes non-family members. The relationship with innovation comes from the types and magnitudes carried by those firms.

On one side, the first group of firms, where there are few or none non-family members in TMT display overall the lowest levels of innovation. On the contrary in the third group, where there is a clear appointment of Non-FB in TMT, there is also evidence of more engagement in innovations. This is important because might support previous studies (e.g. Perez-Gonzalez, 2006; Bennesen et al., 2007; Bloom and Van Reenen, 2007, Gomez-Mejia et al., 2007), which have pointed that in FBs innovation might be hindered by the family desire to provide careers for its members, hence by limiting the managerial competency required to embark on innovation

projects. Furthermore, as this aspect is directly related to the human resource in the firm, it will be further discussed in section 5.4.2.3.2.

To conclude, the data collected and analysed in this investigation, shows that the degree of family influence is directly opposite to the innovation activities. Therefore, the higher influence of the family on a firm’s resources, the less innovation activities it seems the firm is engaged in. Whereas a moderate degree of family influence by means of sharing it with non-family members, it appears the firm is more engaged in innovation activities.

#### **5.4.2.2 Family influence by nature and innovation**

In a similar manner, table 5.10 shows the three patterns (findings) that became clear when investigating the relationship between the nature (positive or negative) of family influence and innovation.

The first identified pattern is featured by Firms A and B, as they seem to portray a negative family influence in two of the firm’s resources, namely human and physical. Similarly, these companies also seem to have the lowest level of innovation both in terms of two types and incremental magnitude: Product/incremental; Marketing/incremental for firm A, and Process/Incremental; Marketing incremental for firm B. Hence, this group is considered for the family to have somehow a *very negative influence* whilst having *low innovation activity*.

The second group is made up solely by Firm C; it shows a negative influence on one resource: human. With Respect to innovation, it shows a medium level as it seems to be engaged in three innovations of incremental magnitude (all but organisational innovation). Therefore, this group considers the family to have a *negative influence* whilst having *medium innovation activity*.



**Table 5.10:** Nature of family influence and innovation cross-case comparison

Firms	'familiness' Resources				Innovation Types and magnitudes				Cross-case group
	Financial	Human	Physical	Social	Product	Process	Marketing	Organisational	
A	<i>f+</i>	<i>f-</i>	<i>f-</i>	<i>f+</i>	I		I		very negative – low innovation
B	<i>f+</i>	<i>f-</i>	<i>f-</i>	<i>f+</i>		I	I		
C	<i>f+</i>	<i>f-</i>	<i>f+</i>	<i>f+</i>	I	I	I		negative – medium innovation
D	<i>f+</i>	<i>f+</i>	<i>f+</i>	<i>f+</i>	I	I	I	I	Positive – high innovation
E	<i>f+</i>	<i>f+</i>	<i>f+</i>	<i>f+</i>	I RN	I	I	I	
F	<i>f+</i>	<i>f+</i>	<i>f+</i>	<i>f+</i>	I RN	I	I	I	

I: Incremental innovation    RN: Really New Innovation

Source: Author

These firms do not deploy a negative family influence on none of the firm's resources and all of them show the four types of incremental innovations. Moreover, Firms E and F manifest characteristics of really new product innovation.

Furthermore, this investigation provides an interesting pattern or relationship between the nature of family influence in one resource and one type of innovation: A negative influence in the human resource seems to reflect an absence of Organisational innovation. This is the case for firms A, B and C. In all these companies the family influence was found to be negative. This is so because in these firms there is the urge to create and promote formal H.R. practices. For instance, it seems adequate for this firm to develop and apply mechanisms to hire and retain highly qualified NFM managers and knowledgeable/experienced employees. They also might need to promote corporate governance structures that will alleviate uneven workloads, nurture warmer relationships, and prevent employees' negative perception and motivation towards the company. Although during the interviews, a couple of members within these firms indicated that they considered the firm to engage in organisational innovation, this was not supported during the within-case analysis. The researcher found that the changes and innovations they were referring to seemed to correspond more to legal and taxing issues than mechanisms that add value to the firm.

By analysing the data collected, it seems that the nature of family influence is directly related to the firm's innovation activities. Hence, the more resources the family has a positive impact on, the more the firm is engaged in innovation activities. As this positive influence diminishes, so does the innovation activities within the firm. Additionally, evidence shows that the nature of the family influence on the human resource largely contributes to the engagement or absence of organisational innovation, a circumstance that can hamper a firm's performance.

#### **5.4.2.3 The data and the literature**

The patterns identified throughout this investigation show a relationship between the degree and nature of 'familiness' influence on a firm's resources and its impact on the level of innovation. In summary, the findings indicate that:

- The degree of family influence is related to the innovation activities. Thus, the higher the influence of the family on a firm's resources; the less innovation activities it seems a firm will engage in (see table 5.9)
- The nature of family influence is directly related to the firm's innovation activities. Hence, a positive influence the family exercises on the larger number of firm resources, the more the innovation activities it is engaged in (see table 5.10).
- A negative family influence on the human resource of a firm reflects an absence of organisational innovation.

This study is one of the first of its kind to explore in such a comprehensive manner the relationship between 'familiness' resources on innovation. Yet, there are a several studies to which the findings from this study can be related to and be informed from. This section discusses the findings that emerged here with previous literature.

#### **5.4.2.3.1 Financial resource**

This investigation found that family has a very high – positive influence on the financial resource of all firms studied. Indeed, it seems that this is the most guarded resource, and it is managed by a family member in all the firms. However, this investigation did not find a clear patter between such influences in relation to the innovation in those firms. However, previous studies that have explored the relationship of patient capital and innovation shed light on possible associations. Some of these studies include the work of Sirmon and Hitt (2003), who suggest that it creates the necessary conditions to pursue innovative strategies. Likewise, Pittino and Visitin (2009) found that the presence of patient capital, along with knowledge and networks have a positive impact on incremental innovation strategies. On the contrary, other scholars Bloom and Van Reene (2007) and Llach and Nordqvist (2010), suggest that the family's patient capital promotes tolerance to below average firm returns, and thus it creates indifference towards implementation of innovation

policies or strategies. Likewise, such Carney (2005), posits that family ownership imposes capital constraints that can inhibit a family firm from investing in innovation.

#### **5.4.2.3.2 Human resource**

As presented in section 5.4.2.1, the exploratory nature of this study allowed the following interesting finding to emerge: the human resource of the firm seems to be quite sensitive to the influence of the family and thereafter on the firm's innovation activities. In Firms A, B and C where the family has a very high negative influence, there is no evidence of organisational innovation. Whereas in firms D, E, F, where the family has a high and positive influence, it is possible to find evidence of organisational innovation. This confirms an existent general agreement about the importance of individual and group autonomy in the innovation process (Amabile, 1998). This includes the negative influence of the family on the human resource of the firm, which is reflected in the absence of organisational innovation (Firms A, B and C), and the role of the top management team (section 5.4.1.4) in relation to the corporate governance of the firm.

In accordance with Laforet and Tann (2006), the findings show that more innovative firms are found to empower their (non-family) employees and provide training for their (non-family) managers. Moreover, this research addresses the call by Chua et al. (2003) who suggest that little work has been done on exploring top management team interactions in family firms, and those who have focus on succession issues (e.g. Le Breton-Miller et al., 2004). Furthermore, this study provides early empirical evidence of the functions and interactions of the top management team, especially non-family members in family business with regards to innovation-related decisions. This interesting finding suggests that family firms allowing knowledgeable and experienced non-family members in decision-making positions, such as TMT, have a more open approach towards innovation. More specifically, the studied firms showed different levels of non-family members' involvement in the decision making process, either day-to-day and/or strategic, which could be an element that contributes to the innovation activities of a firm. In this case, this findings support Dyer's (2006) claim

that family business are constrained by their limited pool of human capital, which often lack qualified employees, which has a direct impact on the firm's innovation.

Moreover, the finding from this research contradicts to some extent studies by March and Shapira (1987) and Zahra (2005). These authors suggest that high levels of family involvement in the decision-making process, such TMT is beneficial for the firm's innovative behaviour. This is because the family members will better identify and understand the challenges that the firm faces. On the contrary, according to this study's findings firms that included non-family members in TMT (D, E, F), seem to be more readily to engage in innovation. Similarly, Block et al. (2013) found that in family-managed firms, innovation might be constrained because of the human resource. This is due to family firms having a much smaller and less promising pool to choose from (Perez-Gonzalez, 2006; Mehrotra et al., 2011) and so may lack the executive talent to be effective innovators. Other authors, such as Shulze et al. (2003), Thornhill (2006), Bloom and Van Reenen (2007), also agree that family firms' low innovativeness might be aggravated by issues related to the human resource, as research on innovative industries have evidenced the need for highly skilled employees. The lack of a non-family member, or an outsider, in family firms' boards and TMT, may have a negative impact on the R&D efforts in the firm and a drop in the level of expected performance of innovations (Le et al., 2006; Chang et al., 2010). Finally, Mork and Yeung (2003), posit that although the financial returns seem positive, family firms do not adopt innovations out of fear of cannibalising the products of other divisions managed by other family members.

Overall, this discussion provides evidence that when the family's influence on the human resource is negative (nature) and/or when this influence is very high (degree), meaning that when few or no non-family members are involved in innovation-related activities, firms shows no organisational innovation.

#### **5.4.2.3.3 Physical resource**

It seems that there is not much research on this specific resource, and its impact on innovation. In this regard, the work of Adams, et al. (2006), posits that this is a wide category that includes different elements from buildings to computer equipment,

which can be measured in dollar terms, yet a category that has received less attention.

Findings from this investigation do not seem to provide clear patterns on the relationship of family influence on the firm's physical resources and innovation. Firms A and B have a very high, negative influence of the family in this firm's resource; firm C has a very high, positive influence, and finally firms D, E, F have a high, positive influence. The negative influence of families A and B is based on the need to improve the uniqueness of their location, building or machinery. In addition to this, there was no strong evidence found to support that the use of systems and tools within these firms, would be contributing to the innovation process as suggested by Bessant and Francis (1997), and Cooper et al. (2004). Moreover, the use of specific resources, such as implementation of software, seems to correspond more to a managerial need, as opposed to an innovation-purposeful activity. Furthermore, it is important to note that a negative influence does not necessarily mean that the family's influence is detrimental for the firm's innovation activity, but only that it allows room for improvement.

#### **5.4.2.3.4 Social resource**

Findings from this thesis revealed that four firms (A, B, C, and D) portray a very high influence of the family on this resource, whereas firms (E, and F) display a high one. In this study all the families have a positive influence on this resource; however, there is no particular pattern or relationship found with the innovation activities of the firms studied. Hence, this study cannot support or refute previous studies.

### **5.4.3 Foreign background and innovation**

Table 5.11 presents the emerging family-related topic, namely foreign background and innovation characteristics for the six firms studied on this dissertation with the aim to exploring how and to what extend the foreign background as a family-related emerged from the data, seems to influences innovation in the family-owned businesses that are part of this investigation.

Firstly, it is important to recall that this topic emerged as important for the firms studied in this dissertation. In four out of six cases it emerged spontaneously, yet it was mentioned several times by several members, hence it seems to be a distinctive feature of these organisations. Furthermore, it could be suggested that the degree of involvement of the immigrant on the firms’ start-up and early years of establishment is directly related to the level of impact of those characteristics in the current firm’s culture, hence in the firm’s position towards innovation.

**Table 5.11:** Foreign background and innovation

Firm	Foreign background			Innovation Types and magnitudes			
	Origin	Family role	Firm role	Product	Process	Mark.	Organis.
A	Lebanese	Father of one founder	None	I	No	I	No
B	-----						
C	-----						
D	Italian-Greek and Hungarian	Father of founder	Moral and financial support	I	I	I	I
E	Lebanese	Father	Founder (1 <sup>st</sup> generation)	I RN	I	I	I
F	Austrian	Father	Founder (1 <sup>st</sup> generation)	I RN	I	I	I

I: Incremental innovation RN: Really New Innovation

Source: Author

For instance, in firm A the immigrant was the father of the founder yet had no involvement in the firm. However, the characteristics associated to his foreign background (e.g. business/entrepreneurial skills) seems to be related to the founder yet not much further into the firm’s culture. However, in firm D where the immigrant played a critical role as moral and financial support during the firm’s start up, it seems his characteristics are more deeply rooted in the current firm’s culture as it provided it with an innovative vision from start. This firm can be categorised with a medium degree of innovation as the presence of four types of incremental

innovations is found. Finally, firms E and F, where the immigrant himself was the founder (1<sup>st</sup> generation), seem to have developed a very deep innovation culture to the point that include really new product innovation in their portfolios.

As a concluding remark, it is notable that firms D, E and F where there was an active involvement of the immigrants in the firms during their start-up phases, show a high level of innovation from start. It includes the elaboration of own production equipment/machinery that to certain degree has become a tradition even in current days. The elaboration of the machinery and equipment was driven by both, opportunity and necessity to be able to explore the market they were venturing into. Finally, it is noteworthy to recall that its relevance for this thesis would be further discussed in the following section (5.5.).

## **5.5 Schumpeter and Kirzner: An entrepreneurial view of innovation within family business**

The findings that emerged from this investigation on the phenomena of innovation within family business appear to be better understood and further captured when exploring and analysing it through the entrepreneurship lens. More specifically, it seems that the emerging field of ‘innovation and family firms’ would largely benefit by weaving in Schumpeter’s ‘creative destruction’ and Kirzner’s ‘entrepreneurial discovery’ approaches to innovation, which have been considered the ‘two fundamental premises’ in entrepreneurship research (Ventkataraman, 1997). Moreover, the absence of an entrepreneurship theoretical lens in the literature is surprising.

A further exploration of such perspectives might help to reconcile the inconsistent findings in the field. Hence, it is important to understand that they both are based on microeconomics, and they both seek to understand the market phenomena and, within it, profit. It is insightful to recall that previous to these perspectives, early equilibrium theorists considered that the market equilibrium was the result of unchanging patterns of underlying variables such as consumer tastes, resource availability and technological knowledge (Kirzner, 2009). Similarly, it is noteworthy



to recall other economists that have largely contributed to the management and entrepreneurship literature (e.g. Oliver Williamson, Ronald Coase, William Baumol, Armen Alchian, F. A. Hayek, etc), yet Schumpeter and Kirzner are the two most dominant figures in the field of entrepreneurship (Klein and Bylund, 2014).

According to Schumpeter's arguments, the market disequilibrium responded to powerful links between innovation and the pursuit of profits (Bessant and Tidd, 2011). This means that all companies would have an 'adaptive response' to change, yet the entrepreneurs or the 'new men' would bring disequilibrium to the market, by introducing revolutionary 'new combinations' of products, production techniques, markets, supply sources, or organisational forms. This 'creative response' is "something else, something that is outside of the range of existing practice" (Schumpeter, 1947:150). However, all the previous will bring imitators to establish the lost equilibrium, as prices will fall (Chiles et al., 2007) and the cycle will start over again. More specifically, in Schumpeter's model of 'creative destruction', he sets out to describe how 'entrepreneurs' within 'new firms' push innovation and in turn, drive the economy. This would be achieved as the entrepreneurs seek to obtain an 'entrepreneurial profit', which they will try to maintain as long as possible by the means of patents, secret processes, further innovation, advertising, and "aggression directed against actual and would-be competitor" (McCraw, 2006:240). A crucial characteristic of the Schumpeterian entrepreneur is the boldness and determination that allows him/her to interrupt the market equilibrium by the introduction of innovations, despite social resistance (Schumpeter, 1947, Douhan et al., 2007).

Furthermore, Schumpeter's premise is that innovation needs encouragement, and he found that monopolies provide the necessary environment to encourage more innovations, by offering a stable platform to engage in R&D and also because a dominant firm can more fully exploit economies of scale in R&D (Gilbert, 2006). Hence, from Schumpeter's point of view "an innovator is, by definition, a monopolist" (Loasby, 1982:241). In Schumpeter's theory on capitalism, the availability of largely investing financial resources during the 'creative destruction' process is clearly evidenced. In his own words, "getting 'new things done' is not only a distinct process but it is a process which produces consequences that are an

essential part of capitalist reality [...] this accounts for the large gains that success often entails, as well as for the losses and vicissitudes of failure” (Schumpeter, 1947: 152). Interestingly, whilst developing his argument, Schumpeter also draws attention to the role of marketing, as well as providing a sharp distinction between inventions and innovations. Thus, as mentioned in section (2.4.3), it could be considered that Schumpeter’s view on innovation is a radical one.

In contrast, Kirzner (1973) perceives the entrepreneur as the ‘arbitrageur’ who recognises a profit opportunity within disequilibrium market, by making use of its superior alertness and opportunity discovering skills. To Kirzner himself, the entrepreneur is the agent that purposively changes prices, quantities and other data (Kirzner, 1997). “He or she is alert to the opportunity of making profits by re-equilibrating the margins of revenue and cost” (Manne, 2014:250). According to Klein and Bylund (2014), Kirzner’s most important contribution is “his distinct understanding for the market as a competitive process of discovery and mutual learning, at the forefront of which stands the alert entrepreneur” (p.260). The essential characteristic of the Kirznerian entrepreneur is his/her vision or ‘alertness’ to recognise a profit opportunity in the price differentials in different markets (Douhan et al., 2007). According to Kirzner himself, alertness is having a superior foresight that allows entrepreneurs to “exploit these opportunities when others pass them by” (Kirzner, 1979:8); it is not investments in R&D, but the wish to see consequential innovation projects through to fruition that distinguishes entrepreneurs (Kirzner, 1979). Kirzner has provided the basis for the ‘opportunity-discovery’ or ‘opportunity-recognition’ approach to entrepreneurship (Shane and Venkataraman, 2000; Gaglio and Katz, 2001; Shane, 2003), which is one of the prevailing strands in contemporary entrepreneurship research (Klein and Bylund, 2014). Opportunities, to which the Kirznerian entrepreneur is alert to, are defined as a “situation in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production” (Shane and Venkataraman, 2000:220) and these opportunities have previously not been known or noticed (Kirzner, 1997). Shane (2000) also suggests that previous knowledge plays a role when identifying an opportunity, although his/her alertness does not necessarily come from superior

knowledge, but from his/her ability to distinguish the profitable opportunity. Thus, as mentioned in section (2.4.3), it could be said that the constant alertness of the Kirznerian entrepreneur, allows him or her to identify mismatches in the market from where to make 'more common' (as opposite to radical) innovations.

Interestingly, the debate on Schumpeterian and Kirznerian entrepreneurs is a longstanding one, and can be extended to the topic of innovation. Critiques and supporters of both scholars are in abundance, and some scholars (e.g. Holcombe, 1998 and Fu-Lai Yu, 2001), have attempted to fuse both perspectives. More specifically, Manne (2014) suggests that although somehow these academics addressed the question on the theoretical role and nature of the entrepreneur differently, they do share two common assumptions: "one, that the entrepreneurial function exist as an independent and objective input into the productive order and, two, that the entrepreneur's reward was always in the form of the residual left after all the productive inputs had been paid for" (p. 250). Other theorist (e.g. Witt, 1992; Boehm et. al. 2000), also advocate that although these two scholars' view on innovation seems diametrically opposed, both are complementary.

However, a different strand of academics (e.g. Glancey and McQuaid, 2000), do not consider possible the reconciliation of these approaches towards entrepreneurs, and within it, towards innovation. Thus, in concordance with some scholars (e.g. Manne, 2014), it is possible to conclude that their arguments sharply differ from the other in terms of the entrepreneurs role in the market dis-equilibrium. To Schumpeter, the entrepreneur is the equilibrium disruptor, the one who upset the market status quo through innovation and new forms of competition. On the contrary, to Kirzner, the latter posits the entrepreneur as someone who finds opportunities to make profit in an already disequilibrium market, through his or her alertness, hence bringing back equilibrium. Shane (2003) also identifies another difference between these scholar's perspectives; Schumpeter describes innovative, disequilibrating and rare opportunities, which are created by introducing new information to the market, while Kirzner refers to less innovative, equilibrating and more common opportunities that are limited to the discovery of gaps in the market. Such fissures have been created by the mistakes or omissions made by others, yet creating surpluses and shortages.

The previous brief review on the Schumpeterian and Kirznerian entrepreneurs and their role in innovation provides theoretical support to the view of grouping them based on their magnitude. Hence, the Schumpeterian view could be considered as 'radical' innovation, whereas Kirznerian view weaves more towards 'incremental' innovation. By proceeding in this manner, the researcher believes that the exploration of such perspectives might help to better understand and further our knowledge of innovation in family firms, by reconciling the inconsistent findings in the field and explaining this study's findings.

Firstly, as thoroughly explained in section 2.5, previous studies examining the relationship between innovation and family firms have shown conflicting results. Hence, there is still no consensus on whether family firms are more innovative or not than their counterparts (non-family firms), and what are the characteristics of innovative family firms. Secondly, findings in this thesis show empirical evidence of the innovativeness of family businesses from developing countries. Moreover, it delivers insightful data by comprehensively exploring this relationship and accounting for several family-related characteristics or 'familiness', by studying its dimensions, resources, and the family-emerged theme: foreign background. Likewise, it uncovers several aspects associated with innovation, such as firm self-perceptions, innovation types and magnitudes, and the strategies and sources these firms follow.

More specifically, qualitative data collected directly from the firm's owners and entrepreneurs show that firms, especially SMEs from developing countries are not yet able to originate 'creative responses' that will provide the market with something 'outside of the range of existing practice'. These companies do not drive economic development by changing the status quo of the market. This is not possible, as in order to do so, they are required to introduce new information to the market, to gain superior knowledge or calculation. Hence, it is necessary to allocate important financial resources to R&D, and to be prepared to assume a large loss, as much as it is possible to earn large profits. Moreover, the 'family-owned' condition adds a new element to these firms, as securing the family patrimony is a priority for them.

Hence, data shows that the firms in this study cannot be classified according to Schumpeter's 'radical' innovations.

Throughout this chapter there is strong evidence that the set of companies under research, largely show traces of incremental, and to a lesser scale really new innovations, for all the four types of innovations herein studied (product, process, marketing, and organisational). This supports findings from previous studies (e.g. Pittino et al., 2013). To a certain extent, these firms have shown their ability to earn profits by being 'alert' to changes in a market out of equilibrium, detecting and pursuing opportunities for profit. More interestingly is to note how the family-related theme: foreign background also fits into the model. For instance, by emigrating from other countries, such as Europe and the Middle East, the immigrant entrepreneurs, founders, or relatives of founders accumulated previous experience, knowledge and built a character that has been passed on to other generations in the family and through it to the firm's culture.

The latter, is important, because this study provides empirical evidence for previous studies (e.g. Rosa and Caulkins, 2013; Rosa et al., 2014) calling to focus on the process of entrepreneurship within FB, by particularly looking on "the transmission of entrepreneurial values, knowledge, and resources from one generation to another" (Rosa and Caulkins, 2013:105). According to Rosa et al. (2014), there is surprisingly a few number of articles found by including the words 'family business' and 'entrepreneurship' in the title, which may be result of associating FB to large organisations, whereas entrepreneurship is associated with small emerging ventures (Astrachan, 2010). However, by the reading the findings of this study, hence linking innovation, from an entrepreneurial perspective, to FB, it becomes clear that entrepreneurship is latent in all these firms, independently of industry or size. Thus, approaching innovation in FB from this perspective, seems as a promising avenue to untangle the conflict current findings. Moreover, it also presents evidence that it is important that future research focuses on how some of these families have been able to maintain and extend the immigrant values and beliefs to the firms' non-family members. More interestingly, is important to uncover how the 'alertness' has lasted and been passed on for generations.

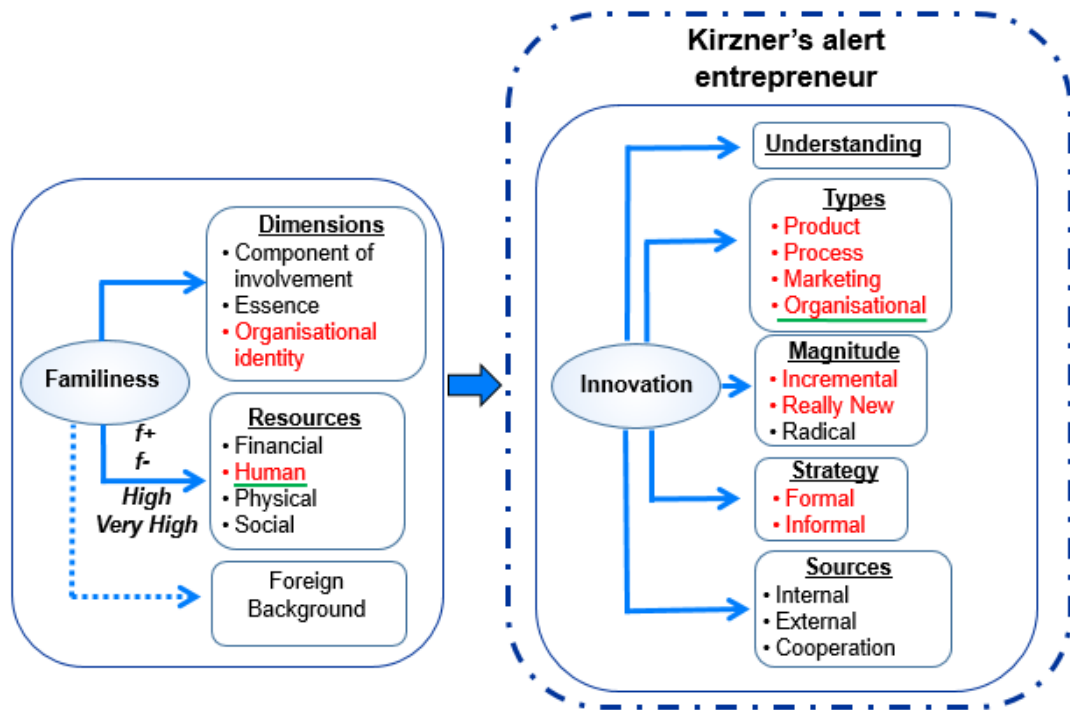
Contrary to what some scholars suggest (e.g. Beckhard and Dyer; 1983; Damanpour, 1991; Donckels and Frohlich 1991; Morck et al., 2000; Cabrera-Suarez et al., 2001; Litz and Kleysen, 2001; Gomez-Mejia et al., 2003; Vago, 2004; Morck and Yeung, 2004; Zahra et al., 2004; Carney, 2005; Kellermanns et al., 2010; Beck et al., 2011), the overall finding of this thesis is that Family firms from developing countries irrespective of size are engaged in innovation activities. Thus, this thesis is in line with a different strand of authors (e.g. Upton et al., 2001; Anderson and Reeb, 2003; Miller et al., 2003; Zahra et al., 2004; Zahra, 2005; Craig and Moores, 2006; Sirmon et al. 2008; Cassia et al., 2012; Chrisman and Patel, 2012) who have recognised the impact this type of firm has in the market. Furthermore, the results in this investigation respond to Klein and Bylund (2014), who claim that “the academic entrepreneurship literature has established adequate explanations as well as empirical evidence for the highly disruptive ‘Schumpeterian’ opportunities, but more common ‘Kirznerian’ opportunities are understudied” (p. 265).

## **5.6 The new conceptual framework**

The new conceptual framework presented and discussed in this section is constructed based on the findings that emerged from this investigation, and guided by the initial conceptual framework presented at the end of the literature review chapter. Figure 5.2 illustrates the new framework.

The purpose of this investigation is to identify how and to what extent does family influence the innovation activity of family firms from developing countries. It does so by comprehensively exploring the literature on ‘familiness’ and innovation. It studied the concept of ‘familiness’ (Habbershon and Williams, 1999), and within it, two perspectives: dimensions and resources. In terms of ‘familiness’ dimensions (Chrisman et al., 2005; Zellweger, 2010): component of involvement, essence approach, and organisational identity were explored. Similarly, in terms of ‘familiness’ resources (Sirmon and Hitt, 2003): financial, human, physical and social were included (as shown in figure 5.2).

**Figure 5.2:** New conceptual framework



Source: Author

With respect to ‘familiness’ dimensions (component of involvement, essence and organisational identity), this study shows that it is organisational identity which shows an impact on the types and magnitudes (incremental and really new) of innovation, as well as the strategy (formal or informal) of firms in developing countries (font in red). Evidence of the elements: component of involvement and essence linking to innovation activities within the firms was not strong enough not merit any explanations (remain in black as in the initial conceptual framework).

In addition, by investigating whether the family influence on the four resources (financial, human, physical and social) is positive (distinctive) or negative (constrictive) (Sirmon and Hitt, 2003), this investigation finds that, the human resource has the greatest impact on firm’s innovation, more specifically on the organisational innovation (underlined in green). Evidence for such association regarding the remaining resources (financial, physical and social) was not found (remain in black as in the initial conceptual framework).

As the nature of this research is exploratory, the researcher allowed the ‘data to speak’, thus a family-related theme emerged inductively from the data collected, and was included in this investigation. Family foreign background seems to play a role in the family influence on the firm’s innovation activities. This is depicted and included in the new conceptual framework (see figure 5.2).

This research examines different elements related to innovation within firms (seen in figure 5.2). The understanding of innovation, and the firm’s self-perception on their innovation activities, types (product, process, marketing, and organisational) and magnitudes (incremental, really new and radical) are also explored. However, findings demonstrated that firms are not engaged in radical innovations; hence it remains in black as in the initial conceptual framework. However, the presence of incremental and really new innovations were found in these firms, and therefore are highlighted in red as they are influenced by the organisational identity dimension.

This framework also included the strategy (formal and informal) and sources (internal, external or cooperation) of innovation as carried out by the firms involved in this investigation. As organisational identity was found to have an impact on the innovation strategy of the firms, it is highlighted in red. Moreover, as no evidence for the use of external sources in these firms was found, it remains as it was in the initial conceptual framework.

Finally, Figure 5.2 depicts this by a dotted line with the heading: ‘Kirzner alert entrepreneur’. This elucidates that all firms in this study adopt an ‘entrepreneurial discovery’ strategy towards innovation, by engaging in incremental innovations. Evidence found that all the firms in this study are alert to disequilibrium in the markets, where they detect opportunities, whilst pursuing and obtaining profit. In this trajectory, the three dimensions, especially the organisational identity, the human resource and the foreign background of the family seem to play the main roles.

## 5.7 Chapter Summary

This chapter build on the findings shown in the previous chapter, analysed them by means of a cross-case analyses, and discussed them with previous literature in order



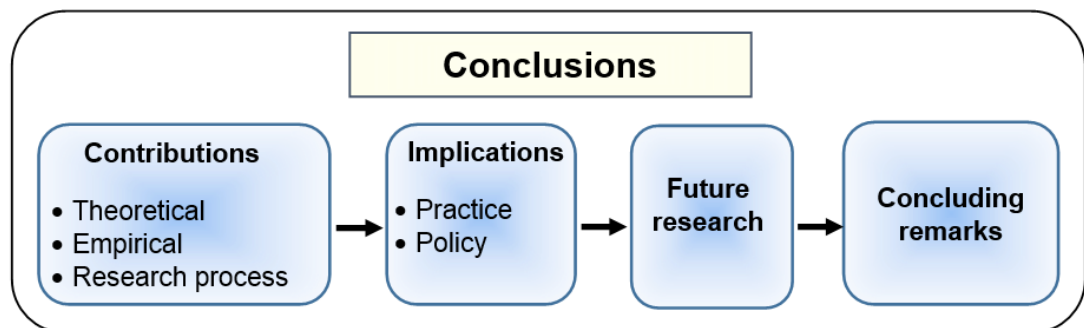
provide a refined conceptual framework. Guided by the initial conceptual framework, this chapter analyses independently each construct (‘familiness’, including foreign background, and innovation) for all the firms involved in this study. In order to maintain a systematic approach, it does so by initially discussing the findings across the cases according to each construct. In a second level of analysis, this chapter simultaneously analyses both constructs for all the firms studied. This allows for the emergence of patterns in the data that are then discussed with previous literature. As result of such analysis, a new theoretical perspective is suggested as a possible route to further understand and reconcile conflicting findings in the field. This chapter concludes by presenting and discussing the new conceptual framework, whereas the following chapter will present the main theoretical, empirical, and research process contributions, emerged from the comprehensive investigation undertaken.

# Chapter 6: Conclusion

## 6.1 Chapter outline

The previous chapter (Ch. 5) presented the cross-case analysis and discussion undertaken in this study. This procedure allowed patterns to emerge that enlighten our understanding of innovation within FB from developing countries. This chapter recaps on such findings and presents the conclusions of this investigation. The structure of the chapter is as follows: Section 6.2 discuss the theoretical, empirical and research process contributions. Section 6.3 presents the practice and policy implications, while section 6.4 introduces some avenues for further research. Finally, section 6.5 offers concluding remarks. Figure 6.1 presents an overview of this chapter.

**Figure 6.1:** Conclusions chapter overview



Source: Author

## 6.2 Contributions

The purpose of this investigation was to contribute to the understanding of innovation within FB in developing countries. Throughout this document (Ch. 2, 3, 4, and 5), a number of theoretical, empirical and research process contributions have been identified by the researcher. The following sub-sections will recap and summarise these. Moreover, the researcher acknowledges that theoretical contributions are central to research; however, by reflecting on the overall research

process, it seems imperative to draw attention to both, empirical and research process contributions, as through these it was possible to arrive at the theoretical ones.

### **6.2.1 Theoretical contributions**

In order to address the research questions guiding this research, it was necessary to conduct a review of several literature strands, namely: family business, innovation and the interception of these two fields. Within the broad theme of FB, a comprehensive review of the concept of ‘familiness’ was conducted. Particularly, attention was given to the role of each element within the ‘familiness’ dimensions (component of involvement, essence approach and organisational identity), and ‘familiness’ resources (financial, physical, human, and social), and their impact on the firm’s innovation activities. The review of innovation literature was conducted comprehensively, meaning that it studied simultaneously several elements of innovation, as opposed to focusing narrowly on one type/magnitude. This was undertaken with the purpose of shedding light on the family influence on a variety of inputs, outputs, and innovation activities.

In a broad sense, this investigation contributes to theory in these strands of literature by extending the knowledge of innovation in family firms within developing countries from different perspectives:

1. Explores the relationship of FB and innovation through the lens of ‘familiness’. This approach is in contrast, for instance, to a number of studies in which innovation in FB is explored within the frame of strategy and its different components (e.g. McCann, et al., 2001; Craig and Moores, 2006; Pittino and Visintin, 2009), market orientation (e.g. Beck et al., 2011), owner’s role (e.g. Bergfeld and Weber, 2011); search breath (e.g. Classen et al., 2012). Yet, this approach is in line with a smaller number of studies (e.g. Llach and Nordqvist, 2010; Cassia et al., 2011; Cassia et al., 2012; Bresciani et al. (2013), and Matz and Ireland, 2013), who explore ‘familiness’ and Innovation.
2. Investigates the family influence on the business or ‘familiness’ from the two current perspectives: dimensions (Chrisman et al., 2005; Zellweger et al., 2010)

and resources (Sirmon and Hitt, 2003). In doing so, this provides a more comprehensive understanding of different elements affecting the FB and the impact on their innovation activities. To the knowledge of the researcher, this is one of the first studies to do so. Moreover, it contributes conceptually to the work of Zellweger et al (2010).

3. Furthers and deepens our knowledge of innovation in FB by adopting a more holistic approach of such a construct. Hence, it explores different types and magnitudes of innovation, as well as the understanding and self-perception that FB have on this matter, and the innovation sources and strategies undertaken by these firms. This is as in contrast to other studies that focus for instance on innovation inputs (e.g. R&D investment) such as: Chen and Hsu (2009), Chrisman and Patel (2012), Block (2012); or innovation outputs (e.g. patents) such as: Craig and Moores (2006), and Block et al. (2014); or on specific types and magnitudes of innovation such De Massis et al. (2013) on product innovation, Konig et al. (2013) on discontinuous technologies, and Sanchez-Famoso et al. (2014) on organisational innovation. Yet this approach follows a rather nascent literature (e.g. Laforet, 2013; Nieto et al., 2013; Posch and Wiedenegger, 2013; Classen et al., 2014), by exploring a wide breadth of elements associated with innovation, such as types, magnitudes, strategy and sources.
4. Introduces the importance of the family foreign background in FB from developing countries, and its effects on the firm's innovation activities. Such an emergent theme was not considered prior to the data collection and data analysis of this investigation.
5. Offers a new lens to understand innovation activities that take place within FB in developing countries. This research discussed the importance of adopting Schumpeterian and Kirznerian insights on innovation to better understand the magnitudes of the different types of innovation that take place in FB from developing countries. Therefore, the study bridges the gap between FB and

entrepreneurship literature which should no longer be regarded as distinctively separate strands.

### **6.2.1.1 Innovation in family firms from developing countries: An entrepreneurial perspective**

The main finding as a result of this investigation confirms that family firms from developing countries do innovate. This supports the view of several studies largely based in developed countries (e.g. Westhead, 1997; Gudmundson et al., 2003; Zahra et al., 2004; Craig and Dibrell, 2006; Eddleston et al., 2008; Cassia et al., 2011; Classen et al., 2014; Craig et al., 2014; Matzler et al., 2014). It also extends such findings to firms from developing countries, and supports previous work in other contexts, such as Chin et al. (2009) in Taiwan, and Lodh et al. (2014) in India. It particularly supports the views expressed by Llach and Nordqvist (2010), “these findings are of interest because some of them run contrary to conventional thinking that family firms are less innovative than non-family firms” (p. 381).

Moreover, this research significantly contributes to FB and innovation literature by providing evidence that the relationship between entrepreneurship-FB is necessary as suggested by some researchers (e.g. Rosa and Caulkins, 2013; Rosa et al., 2014). Introducing an entrepreneurship lens to the current debate seems a promising avenue to better understand the phenomenon under study, and to reconcile the inconsistent findings in the field. Specifically, it weaves in Schumpeter’s ‘creative destruction’ and Kirzner’s ‘entrepreneurial discovery’ entrepreneurial approaches to innovation.

On the one hand, Schumpeter’s arguments portrays the entrepreneur as the ‘new men’ bringing disequilibrium to the market, by introducing revolutionary ‘new combinations’ of products, production techniques, markets, supply sources, or organisational forms. This ‘creative response’ is “something else, something that is outside of the range of existing practice” (Schumpeter, 1947:150), and for which a monopoly environment, which allows engagement in R&D, is required (Gilbert, 2006). To Schumpeter innovative, disequilibrium and rare opportunities, are created by introducing new information to the market (Shane, 2003), hence, this perspective of innovation can be paralleled with radical innovation. On the other hand, Kirzner

(1973) perceives the entrepreneur as the ‘arbitrageur’ who recognises a profit opportunity within a disequilibrium market, by making use of its superior alertness to “exploit these opportunities when others pass them by” (Kirzner, 1979:8); it is not investments in R&D, but the wish to see consequential innovation projects through to fruition that distinguishes entrepreneurs (Kirzner, 1979). Kirzner refers to less innovative, equilibrating and more common opportunities that are limited to the discovery of gaps in the market (Shane, 2003). Moreover, previous knowledge plays a role when identifying a profitable opportunity (Shane, 2000). This thesis contributes to theory by positing that such knowledge can be obtained by emigrating from one country to another. Hence, the foreign background also contributes to the entrepreneur’s alertness to identify mismatches in the market and engage in Kirznerian or incremental innovations.

The results of this study show that the firms studied do not provide the market with something ‘outside of the range of existing practice’ (e.g. Schumpeterian or radical innovation). However, these set of firms are engaged in Kirznerian or incremental innovations, and to a lesser scale in really new innovations. They achieve this by being ‘alert’ to changes in a market out of equilibrium, detecting and pursuing opportunities for profit. This supports a rather nascent strand of literature that suggests that FB are more likely to achieve incremental rather than radical innovations (Nieto et al., 2013; Pittino et al., 2013). Furthermore, the results in this investigation respond to Klein and Bylund (2014), who claim that “the academic entrepreneurship literature has established adequate explanations as well as empirical evidence for the highly disruptive ‘Schumpeterian’ opportunities. But more common ‘Kirznerian’ opportunities are understudied” (p. 265). By studying a developing country, it is clear that Kirznerian insights prevail and so further investigations within other developing countries are needed to provide a deeper understanding of the types of innovation taking place, which can then be related to either Kirznerian or Schumpeterian perspectives.

### **6.2.1.2 Familiness and innovation**

This investigation offers specific theoretical contributions to the interception of ‘familiness’, namely dimensions and resources, and innovation. The following sections concisely explain this.

#### **6.2.1.2.1 Familiness dimensions and innovation**

Exploring innovation in FB through the lens of ‘familiness’ dimensions, seems to be a recent area. To the researcher’s knowledge this investigation constitutes one of the first in doing so. This study identifies three important contributions to the existing body of knowledge on ‘familiness’ dimensions and innovation literature.

Firstly, this investigation advocates out of the three elements within the ‘familiness’ dimension, organisational identity shows and impact on innovation activities, in terms of types and magnitudes, within family businesses in developing countries. Secondly, this study identifies the existence of a relationship between the FB’s organisational identity dimension and the innovation strategies carried out by firms. Thus, firms scoring high in this dimension appear to display larger formality in their innovation strategy, whereas firms with medium level of organisational identity show a mix of informal and formal strategies. Finally, firms with low organisational identity dimension exhibit an informal innovation strategy. Particularly, within the organisational identity element, two aspects namely decision-making and corporate governance appear to be important for firms’ strategy of innovation. In addition to this, this investigation demonstrates that there are no patterns found between any of the dimensions and these firm’s sources of innovation activities, which are mostly internal, including family and non-family members. These findings contribute the ongoing discussion related to ‘familiness’ as an umbrella concept. This study clearly shows that the organisational identity element, merits further attention when explaining innovation activities by itself. In addition to this, one can argue that two aspects within organisational identity namely decision-making and corporate governance (Zellweger et al. 2010), merit specific attention and further investigation as it appears that these two aspects are the most important ones forming a strong organisational identity, which in turn, impacts a firm’s innovation.

#### 6.2.1.2.2 Familiness resources and innovation

With respect to ‘familiness’ resources, the literature advocates that this is one of the most common approaches to study innovation in FB. However, a large number of studies limit their scope to one or a couple of resources. This study identifies three important contributions to theory on ‘familiness’ resources and innovation.

Firstly, by following the STEP Project framework (Nordqvist and Zellweger, 2010), and previous research (e.g. Puhakka, 2002; Sirmon and Hitt, 2003; Pearson et al., 2008; Sharma, 2008), this investigation encompasses four resources: Financial, Human, Physical, and Social. However, it contributes to knowledge as it advocates that out of those, the human resource is the most sensitive to have an impact on the firm’s innovation activities through the family influence. For instance, in firms which display a total or large absence of Non-family members in Top Management Teams show overall the lowest level of innovation. Whereas firms where TMTs include non-family members present the highest engagement with innovation in terms of types and magnitudes carried out. More interestingly, a negative influence of the family in the firm’s human resource contributes to the lack of organisational innovation. This result extends Llach and Nordqvist (2010) finding that FB are capable of attracting and retaining qualified employees, and those who do so include them in TMTs and are more likely to engage in different types of innovation, especially organisational.

Secondly, it adds to existing knowledge by exploring the nature of the family influence ( $f+$ ,  $f-$ ) on those resources (Habbershon et al. 2003). It identified that the nature of family influence is directly related to the firm’s innovation activities. Hence, the most positive influence the family exercises on the most resources of the firm, the higher the innovation it is engaged in. As this positive influence diminishes, so does the innovation activities within the firm.

Lastly, this study extends theory by incorporating in the discussion the degree of such family influence (none, low, medium, and high). It argues that the degree of family influence is directly related to the innovation activities. Therefore, the higher the influence of the family on a firm’s resources (centralisation), the less innovation



activities the firm appears to be engaged in. Whereas a moderate degree of family influence by the means of sharing decision-making with non-family members, the more the firm appears to be engaged in innovation activities. It is important to note that the case study firms showed a high and very high influence, and none of them showed medium or lower degrees of influence.

## **6.2.2 Empirical contributions**

### **6.2.2.1 FB heterogeneity**

This study contributes to knowledge by revealing three empirical contributions. Firstly, it considers the heterogeneity of Family firms, as suggested by scholars (e.g. Sharma and Nordqvist, 2007). This is achieved by studying the organisational identity dimension. By doing so, it provides empirical evidence to categorise FB heterogeneity by goals (Chrisman et al. 2012), and governance structures (Carney, 2005), as suggested by Chua et al. (2012). In addition, this investigation takes a sampling of different family firms by size, sector and generational involvement. In this sense, this study is similar to what previous work have done (e.g. Craig and Moores, 2006; Pittino and Visintin, 2008; Bergfeld and Weber, 2011; Kellermans et al., 2012), and different to other research, which studies family vs non-family firms (e.g. Gudmundson et al., 2003; Sirmon et al., 2008; Beck et al., 2011; Kraus et al., 2012).

### **6.2.2.2 Innovation and FB from developing countries**

This investigation addresses the call of Nordqvist and Melin (2010) and De Massis et al. (2012) that the FB field may benefit from studies conducted in other regions and countries. This is achieved by conducting the investigation in Colombia, a developing country within Latin America. This is relevant as Diaz and Vasolo (2012), and Rosa and Caulkins (2013), acknowledge that conducting this studies in developing countries is vital, and furthermore, LA is amongst one of the lesser researched regions worldwide (De Massis et al., 2012b). Moreover, it agrees with scholars such as Jones (2004) who advocates that doing research in LA may imply facing challenges such as: gaining access, working with power and hierarchy, as well as dealing with the concept of time in LA. Similarly, Olavarrieta and Villena (2014)

states that doing research in Latin America is a complex, yet necessary task to undertake. This study also confirms that a challenge more difficult to overcome when doing research in developing countries is the lack of public access to reliable databases, especially related to FB (Chua et al., 1999).

Furthermore, this investigation is related to innovation in developing countries when compared to developed ones. The findings call for scholars to critically evaluate whether it is possible to state that FB from developed countries are more engaged in 'radical' innovation (involving R&D) activities than their counterparts in developing countries. At first glance there would appear to be a clear distinction between developed and developing countries with respect to the amount of innovation invested by FB from each set of countries. It has been generally accepted that firms in developing countries are less engaged in R&D activities than their counterparts from developed ones. Yet, findings invite researchers to consider in greater depth the heterogeneity of FB also in developed countries and explore if such an assumption holds true. It may be that the proportion of FB involved in innovation is greater in developed countries, yet some of them do not engage in innovation, or engage in incremental one.

### **6.2.3 Methodological contributions**

The research methodology selected to undertake this investigation allows for a number of contributions to the field of Family business and Innovation. Such contributions can be grouped according to the different elements of the research methodology, such as the qualitative approach, deductive-inductive strategy, and data collection tools.

For instance, by undertaking a qualitative approach this study addresses the call for more qualitative studies (e.g. Goffee, 1996; Sharma, 2004; Hall, 2005; De Massis et al., 2012a). This is relevant as this approach unveils the complex dynamics of such organisations. Furthermore, the in-depth qualitative approach of this study revealed interesting insights, such as the understanding that some interviewees may have on innovation. Specifically, it encountered the misunderstanding and confusion that the lack of consensus on typologies/definitions of some innovations can generate on firm

managers. As explained in section 2.4.3, this study selected the four types of innovations (product, process, marketing and organisational) as suggested and defined by the OECD (2005). The reasoning behind this decision, is that the Oslo Manual is a world-wide recognised guide to ‘measure’ innovation in firms around the world. Hence, it could be argued that the definitions have been devised to enable firm managers to easily understand the question and quickly respond it. However, when asking the selected firms about marketing and organisational innovations, 2 interviewees (Firm A, interview 3; Firm B, interviewee 6) were confused with the differences between these two types. Likewise, there seems to be two additional challenges when asking the firms about their self-perception on innovation. The first concern is the existing ‘fine line’ between change and innovation, in which arguably most of the obtained definitions fall. This could drive to a ‘yes’ innovation response. The second one is located at the other extreme: a vision of ‘only totally new’ (e.g. radical innovation, usually linked to product). This could propel for a ‘no’ innovation response, denying and minimizing incremental processes, organisational and/or marketing innovations. A qualitative study allowed these matters to be identified, which could have been overlooked if solely a quantitative study was conducted.

Secondly, the deductive-inductive strategy adopted throughout this investigation, allowed for the emergence of a family-related theme and its relationship to innovation. Foreign background was identified in four out of the six firms studied, whereby three of those firms evidenced the highest level of innovation. Furthermore, as explained in section 5.2.3, the degree to which the immigrant was involved in the firm’s foundation has an impact on the firm’s current position on innovation engagement. Thus, the two firms in which the immigrant himself was the entrepreneur or firm’s founder are the most innovative ones. This finding strengthened the main theoretical contribution of this investigation, namely bridging the gap between entrepreneurship and family business fields. If this study had followed solely a deductive approach, such a relevant discovery might not have emerged.

Finally, taking into consideration that this investigation was built mainly on two data collection tools, two further contributions also emerged. Firstly, by providing a self-

administered questionnaire followed by an interview, the identification and elimination of respondent bias was possible. For instance, a person filled in the questionnaire, providing his/her answers to the questions asked. Later, during the interview, the same person was prompted to elaborate on such answers by providing examples. The person provided a different answer whilst discussing the reasons for such change in perception. The answers provided in the interview could be considered to be more honest. For example, an interviewee responded yes in the questionnaire to the question 'do you have a family constituency', when in reality they don't and have just 'casually' talked about the topic. This is a research process contribution to the field, as it may raise awareness and strengthen the virtues of qualitative studies.

Secondly, this process also allowed the researcher to uncover the lack of family members' awareness with respect to their influence on the firm's resources. In this case, question thirteen in the questionnaire asked respondents to "indicate to what extent you think the family has influence over the firms' resources (financial, human, physical, and social)". The response options included: very low, low, neutral, high and very high (For the complete questionnaire refer to appendix 4). There were twenty four responses collected within this question (4 items in the question, times six firms responding to them). Although the highest number of responses (9) were marked as 'very high', followed by (5) responses marked as 'high', interestingly, (3) of them were marked 'very low', and (7) were marked as 'neutral'. However, during the interview phase, it became clear to the researcher that in the selected firms, it was not possible to claim the existence of neutral, low or very low degrees of influence. Evidence shows the description of these firms as highly controlled family firms. This was supported by the fact that in some cases when the questionnaire respondent was asked to further or elaborate on the answer provided, his/her response changed.

In summary, the research method contributions may offer food for thought in terms of future research, and for setting grounds for solid theoretical contributions to emerge.

## **6.3 Implications for practitioners, policy-makers and other institutions**

The researcher concurs with Handler's (1989), statement that knowledge should not be limited to the theoretical implications but to the practical value of that theory. Hence, the focus of this study has been on theorising, by building and extending theory. However, a number of implications for practitioners, policy makers and higher education institutions in developing countries were identified, and are explained in the following sub-sections.

### **6.3.1 Implications for practitioners**

There are two main implications that this study offers for practitioners. The first is related to the understanding of the family influence ('familiness') in the firm from developing countries, and the second one is concerned with the conception that these firms have of innovation. Firstly, it is important to emphasise the need for the family to fully understand and commit to work on the dynamics of the three subsystems cohabiting within a family firm: the family, its members, and the business. More specifically, it is important for the family members to acknowledge their influence ('familiness') on the firm, and commitment to assessing its nature ( $f+$  or  $f-$ ) and degree (very low ... very high). Members in these firms may also need to recognise that although this assessment can be undertaken internally, sometimes a third party, with no emotional involvement in the business, may be a more adequate solution. According to the particularities of each family and each firm, there may be different mechanisms (e.g. board of directors, family's constituencies, family councils) to put in place. This is of specific importance when related to a firm's innovation engagement, as through such activities the firm can gain competitiveness.

Secondly, a better understanding and explicit commitment to innovation is required. It is necessary for these firms to reconsider their view of innovation as a foreign concept belonging solely to large corporations with specific R&D departments, most likely to be located in developed countries. It is important that these firms understand that innovation is a habit that can be built within the organisational culture. There are

a number of specific and even low cost strategies that FB firms can adopt in order to spur an innovative behaviour within the firm. Those activities range from very small and low budget ones (for SMEs) to more elaborated ones. For example, a first step may be to start talking about creativity and innovation, and this can be done through a number of in/outdoor activities that promotes team work and out-of-the-box thinking. It is important to get everyone involved, subscribe to magazines, and promote informal chats about innovation. These chats do not necessarily need to be related to the firm's core business, but should provide the employees with examples (watching several videos of successful stories on YouTube and TED talks). Other activities include motivating employees by sending them to events, even short training courses, which allow them to interact with people for other backgrounds.

### **6.3.2 Implications for policy makers and other institutions in developing countries**

Two main implications for governments and other entities, such higher education institutions and other public and private entities in developing countries were identified. Firstly, if innovation surveys are going to be deployed for the purpose of policy, a greater clarification of innovation definitions, including types and magnitudes, are required. This is relevant as firms can easily get confused when asked about different types of innovation, even when they have been provided with the definition. This may lead to misleading analysis, especially in quantitative studies where the respondent does not have the opportunity to clear his/her doubts before responding. This issue might also have a greater impact on studies conducted in micro and small firms, and/or in developing countries. In such contexts, firm owners might face several constraints, such as a lower education level, lack of time due to multiplicity of roles within the firm, and a lack of awareness of the impact of their responses. This could lead them to provide incorrect answers or might refrain them from responding to a survey altogether, resulting in lower response rates.

Secondly, governmental institutions as well as public and private entities in developing countries can aim to develop public policies, and other support mechanisms that will allow family members to become aware of their influence on

the firm. Moreover, as family business-related centres and courses are becoming significantly popular all around the world (Sharma, 2004), lessons from empirical research constitute an opportunity to improvement and growth. For instance, it can assist academics in the development and enhancement of the curriculum it offers. By doing this, family firms, especially SMEs will be able to understand the importance and the need to establish mechanisms, such as a board of directors, family constituencies, and family councils. This will assist them in minimising the family impact on the firm, whilst preparing it to be more competitive and to excel. In fact, the researcher believes that a proper and widespread education programme related to this could alleviate some of the doubts and misgivings around management issues that could jeopardize the firm's market value. For instance, it could facilitate, earlier rather than later, conversations amongst different generations about career planning, professionalism, non-family member's management, succession or the firm's sale as an exit strategy when there is still a prominent family name, wealth, and relationships (within and outside the family) to capitalise on.

The researcher believes that through higher education, it is possible to target a large percentage of the population of second, third and other generation FB's members, that, currently involved or not in the business, can facilitate a communication process with older (in charge) generations, particularly in the transmission of innovative ideas. Moreover, as depicted in section 2.7.2.1, based on comments from several interviews, and from personal experience, it is possible to suggest that in the context in which this study took place, SME's founders highly value the role of higher education institutions. Hence, for those institutions to offer the next generations, the tools and the space to reflect on the future of the firm, it can contribute to legitimate conversations and discussions about the firm's future. In Colombia, there may be a handful of higher education institutions that offer family business-related courses within their undergrad and postgrad studies, and this is something that needs to be implemented across the country. Although existing institutions offer seminars and other short courses that target existing firm CEO's, this does not suffice. It is as important that these institutions target the next generation of CEOs by preparing

them better for the challenges ahead, particularly in the transmission of innovative ideas.

## **6.4 Future research**

There are a number of suggestions for taking this research forward. Future research needs to undertake further qualitative investigations that can provide further depth on the issues raised in this thesis, and allow comparisons between similar studies to occur. It should test the findings in a quantitative manner to move the new conceptual framework offered at the end of the chapter 5, from analytical generalisation to a statistical one. It is recommended that future research focuses on exploring and testing the findings on firms in Latin America, and other developing countries.

Moreover, scholars studying innovation in FB, should consider adopting a sequential mixed method approach, starting by a quantitative study followed by a qualitative one. Hence, quantitative answers provided by respondents can be clarified, validated, and elaborated with a qualitative approach. This can reduce bias and enable scholars to understand how respondents understand certain definitions, such as what is meant by innovation.

With respect to the unit of analysis, it would be interesting for FB researchers and follow those (e.g. Scott and Rosa, 1996; Rosa and Caulkins, 2013; Rosa et al., 2014) who suggest shifting attention away from the firm, and focusing on the family as the unit to be studied. This will allow for a further understanding of FB and innovation from the perspective of entrepreneurial family business groups, and contribute to this research area more holistically.

With regards to the ‘familiness’ dimensions, it is important that future studies includes and further explore the three presence of the dimensions altogether, with particular attention given to organisational identity. This study showed that a firm is more likely to be engaged in innovation when all of them are highly observable, or when the level of organisational identity is high. Understanding the importance of each one, especially organisational identity, and the extent to which it contributes to



innovation activities would be a fruitful avenue to pursue. In addition to this, specific focus should be given to the two aspects contained within organisational identity: decision-making and corporate governance, as discussed in the previous chapter. Furthermore, the component of involvement dimension requires particular attention as this was the only dimension whereby all the firms in this study had a 100% ownership, and therefore it would be interesting to explore family firms that do not possess a complete ownership over the firm and uncover how this impacts on innovation activities.

In terms of 'familiness' resources, this study demonstrated that when the family has negative influence (*f*-) on the human resource, there tends to be a lack of organisational innovation. Therefore, it would be interesting to further investigate this resource and its impact on organisational innovation. Moreover, future research should pay significant attention to the impact on innovation of non-FMs in TMT. It would be particularly interesting to further investigate how and if the presence of non-family in TMTs contributes to the decision making process with respect to innovation. Perhaps by exploring perspectives from other fields as group thinking (Janis, 1971, 1982) from psychology, can contribute to clarify such impact. In this study, a centralised decision making (very high family influence) is related to the firm's low innovation engagement, therefore it would be interesting to study how non-FMs in TMTs contribute to firm's innovation process, including strategies from when the idea is generated all the way through its implementation, including the sources of such innovations.

One of the most interesting findings in this study was uncovering the importance of the family foreign background on the firm's innovation engagement. Other studies should not only further investigate this, but also explore if there is a similar impact on innovation according to the directions in which those immigrations occur. For instance, in this study immigrants arrived to Colombia (a developing country) from developed countries and developing countries, hence could be interesting to explore this matter when immigrants originating from a developing country set up a business or enterprise in a developed country. The similarities and differences would shed

further light on the importance of the foreign background theme and the impact it has on innovation activities.

This study examines the influence of family in the firm's innovation activities. Further studies should investigate the effect of innovation in the long term with respect to family relationships and family dynamics. Future studies adopting a longitudinal perspective could highlight whether innovation over time is beneficial or detrimental for the family business, in terms of the dynamics amongst its members. The claim that FB from developed countries engage in more R&D activities than their counterparts in developing countries merits attention. It could be that developed country firms mainly engage in 'incremental' or 'really new' innovations, as opposed to 'radical ones' and this could be explained by the heterogeneity of such firms.

Finally, it is essential that future studies in these field takes into consideration entrepreneurship theories, particularly Schumpeterian and Kirznerian perspectives on innovation. It is imperative that when scholars undertake research on FB in developing countries with the aim of better understanding innovation, they are aware that the no presence of Schumpeterian (radical) innovation, does not scores out the possible existence of Kirznerian (incremental and really new magnitudes) innovation. Moreover, the latter may be more prevalent, and future studies should be careful when suggesting that FB (or as matter of fact, firms) form developing countries are not engaged in innovation activities.

## **6.5 Concluding remarks**

This thesis set out to explore the intersection of two fields, namely family business and innovation. The objective was to enhance the understanding of this research area in the context of developing countries. A number of significant findings emerged, and this was concisely discussed in this concluding chapter. Having undertaken this research has been enlightened with theoretical, empirical, and research process contributions, as well as offering practice and policy implications.

Overall, this thesis has been a journey, and will stay with the researcher forever. Many obstacles were faced and by overcoming them, the researcher made of them

stepping stones that lead the way towards the never ending learning process on how to do research. After all, this thesis “*is a beginning, and that is something*” (Charles Darwin, 1869 in Burkhardt et al. 2009:36).

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## APPENDICES

### Appendix 1: Selection of definitions of family business from literature

No.	Year	Author(s)	Definition
1	1964	Donelly	"When it has been closely identified with at least two generation of a family and when this link has had a mutual influence on company policy and on the interest and objectives of the family" (p. 94 cited by Chua et al, 1999 p. 21)
2	1969	Church	"The whole capital is privately held, practically all the important and administrative post are filled by members of the family" (p. 211 cited by Westhead and Cowling, 1998)
3	1971	Channon	"A family member was a chief executive officer, if there had been at least two generations of family control and a minimum of 5% of the voting stock was still held by the family or trust interest associated with it" (p. 161 cited by Westhead and Cowling, 1998)
4	1975	Barry	"An enterprise, which in practice, is controlled by members of a single family" (p. 42 cited by Handler, 1989 p. 260)
5	1976	Barnes and Hershon	"Controlling ownership (is) rested in the hands of an individual or of the members of a single family" (p. 106 cited by Handler, 1989 p. 260)
6	1982	Alarcon	"A profit-making concern that is either a proprietorship, a partnership, or a corporation... If part of the stock is publicly owned, the family must also part the business" (p. 23 cited by Handler, 1989 p. 260)
7	1983	Beckhard and Dyer	"The subsystems in the family firm system... include[e] (1) the business as an entity, (2) the family as an entity, (3) the founder as an entity, and (4) such linking organizations as the board of directors" (p. 6 cited by Handler, 1989 p. 260)
8	1983	Davis	"It is the interaction between two sets of organization, family and business, that establishes the basic character of the family business and defines its uniqueness" (p. 47 cited by Handler, 1989 p. 260)
9	1985	Davis and Tagiuri	"A business in which two or more extended family members influence the direction of the business (quoted in Rothstein, 1992. Cited by Chua et al, 1999 p. 21)
10	1985	Rosenblatt, de Mik, Anderson and Johnson	"Any business in which the majority ownership or control lies within a single family and in which two or more family members are or at some time were directly involved in the business" (p. 4-5 cited by Handler, 189 p. 260)
11	1986	Dyer	"A family firm is an organization in which decisions regarding its ownership or management are influenced by a relationship to a family (or families)" (p. xiv cited by Handler, 1989 p. 260)
12	1986	Pratt and Davis	"One in which two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights" (Ch. 3, p. 2 cited by Chua et al, 1999. p. 21)

13	1986	Stern		"Owned and run by the members of one or two families" (p. xxi cited by Chua et al, 1999. p 21)
14	1987	Babicky		" Is the kind of small business started by one or a few individuals who had an idea, worked hard to develop it, and achieved, usually with limited capital, growth while maintaining majority ownership of the enterprise" (P. 25 cited by Chua et al, 1999p. 21)
15	1987	Churchill and Hatten	and	"What is usually meant by 'family business' ... is either the occurrence or the anticipation that a younger family member has or will assume control of the business from an elder" (p. 52 cited by Handler, 1989 p. 260)
16	1987	Ward		"[A business] that will be passed on for the family's next generation to manage and control" (p.252 cited by Handler, 1989 p. 260)
17	1988	Gasson et al.		"A family business satisfied one or more of the following conditions: a) the principals are related by kinship or marriage, b) business ownership is usually combined with managerial control and c) control is passed from one generation to another within the same family" (p. 2 cited by Westhead and Cowling, 1998)
18	1988	Lansberg, Perrow and Rogolsky	and	"A business in which the members of a family have legal control over ownership" (p. 2 cited by Handler, 1989 p. 260)
19	1989	Handler		"An Organization whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board" (p. 262)
20	1990	Dreux		" Are economic enterprises that happen to be controlled by one or more families (that have) a degree of influence in organizational governance sufficient to substantially influence or compel action" (p. 226 cited by Chua et al, 1999 p. 21)
21	1990	Leach et al		" A company in which more than 50 percent of the voting shares are controlled by one family, and/or a single family group effectively controls the firm, and/or a significant proportion of the firm's senior management is members from the same family" (quoted by Astrachan, 1993, p. 341-342. Cited by Chua et al, 1999. p. 21)
22	1991	Donckles and Frohlich	and	"If family members own at least 60 percent of the equity" (p. 152 cited by Chua et al, 1999 p. 21)
23	1991	Gallo and Sveen	and	"A business where a single family owns the majority of stock and has total control" (p. 181 cited by Chua et al, 1999 p. 21)
24	1991	Lyman		"The ownership had to reside completely with family members, at least one owner had to be employed in the business, and one other family member had either to be employed in the business or to help out on a regular basis even if not officially employed " (p. 304 cited by Chua et al, 1999. p 21)

26	1992	Daily and Dollinger	"Two or more individuals with the same last name were listed as officers in the business and/or the top/key managers were related to the owner working in the business" (p.126 cited by Westhead and Cowling, 1998)
27	1992	Holland and Oliver	"Any business in which decision regarding its ownership or management are influenced by a relationship to a family or families" (p. 27 cited by Chua et al., 1999 p. 21)
28	1992	Stoy Hayward	"The family body has a considerable impact on the ongoing and future operations of the business and can also be considered where any one of the three following criteria are true: a) more than 50% of the voting shares are owned by a single family; b) a single family group is effectively controlling the firm; and c) a significant proportion of the firm's senior management is drawn from the same family" (P. 3 cited by Westhead and Cowling, 1998)
29	1993	Welcsh	"one in which ownership is concentrated, and owner or relatives of owners are involved in the management process" (p. 40 cited by Chua et al., 1999 p. 21)
30	1994	Binder Hamlyn	"The directors in the company had a family relationship" (p. 10 cited by Westhead and Cowling, 1998)
31	1994	Carsrud	"Closely-held firm's ownership and policy making are dominated by members of an 'emotional' kinship group' (p.40 cited by Chua et al, 1999 p. 21)
32	1994	Smyrnions and Romano	"A family business satisfied one or more of the following conditions: a) more than 50% of the ownership is held by a single family; b) more than 50% of the ownership is held by more than one family; c) a single family group is effectively controlling the business; and d) a significant proportion of the senior management is drawn from the same family" (p. 5 cited by Westhead and Cowling, 1998)
33	1995	Cromie et al	"A family business satisfied one or more of the following conditions: a) more than 50% of the shares are owned by one family; b) one family can exert considerable control over the business; c) a significant number of top managers are drawn from on family" (p. 15 cited by Westhead and Cowling, 1998)
34	1995	Reynolds	"Three types of family businesses are identified: (a) sole proprietorship; (b) family businesses where more than 50% of ownership is owned by family or kin ad 50% or more of family or kin are on the management team; and © family businesses where more than 50% of the ownership is owned by family or kin but less than 50% of family or kin on the management team" (P. 8 cited by Westhead and Cowling, 1998)
35	1996	Shanker and Astrachan	"Bulls-eye" typology suggests sort family firms definitions into three tiers based on family involvement. It ranges from broad (the family owns the firm, might provide some strategic directions but is not involved), to middle (some family involvement, whereby the family member plays a key role and/or there is the intention to pass the business to other generation), to narrow (where family is involved in day-to-day operations. Thus, there are multiple generations involved and/or more than one family member engages in managerial responsibilities"

36	1997	Sharma, Chrisman and Chua	"A business govermented and/or managed on a sustainable, potentially cross-generational, basis to shape and perhaps pursue the formal or implicit vision of the business held by member of the same family or a small number of families" (p.2)
37	1998	Lea	A business is a family business when it is an enterprise growing out of the family's needs, built on the family's abilities, worked by its hands and minds, and guided by its moral and spiritual values: when it is sustained by the family's commitment, and passed down to its sons and daughters as a legacy as precious as the family name" (p.1 cited by Astrachan et al. 2002)
38	1999	Chua et al	The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families (p. 25)
39	2002	Astrachan, Klein, Smyrnios	"The F-PEC" : Power Experience and Culture (scale to measure family involvement)
40	2011	Gomez-Mejia, L., Cruz, C., Berrone, P. and De Castro, J.	"We use the term 'family firm' as a generic umbrella that encompasses the various terms used in the literature (family-owned firms, family business, family-controlled firm, and the like) to label organizations in which families exercise substantial influence on the firm's affairs. We will, however, make finer-grained distinctions when family firm heterogeneity (for example, privately owned versus publicly trades) is important to an understanding of the phenomenon being discussed" (p. 660)

Source: Author

## Appendix 2: FB and innovation literature review - procedure

In order to conduct a comprehensive and thorough overview of the research conducted within the interception of the two fields of interest in this thesis: Family business and innovation. The following steps were taken:

1) Defining the inclusion criteria. This stage was conducted through 3 more specifics steps:

- Including papers with the words “Innovation” and “Family business” in their title. This was not a straight forward process as it seems and many stages were required. For instance, as papers were being identified, it quickly became clear that similar terminology should be included. Hence, the search was broadened to closely-related words to those initially included. At this point it is important to note that other papers including innovation-specific terminology, such ‘technological innovation, R&D investment, NPD and patents”, were purposefully not included in this list of papers. This is due to the purpose of this thesis, which is to explore innovation in family firms from a broader perspective. Thus, the aim is to shed light on the family influence on a variety of inputs, outputs, and innovation activities, as opposed to focusing only on one (Technological, New product), and because all innovations are not necessarily ‘simmered’ in R&D laboratories (Becheiksh et al., 2006; Smith, 2006), and hence might not reflect innovation in smaller companies (Adams, et al., 2006) where such labs are non-existent. Similar is the case with patents as some scholars suggest that it measures more inventions than innovation (Flor and Oltra, 2004; OECD, 2005; Smith, 2006). The following table lists the terminology included. Several searches combining those terms within the title were conducted.

Initially included	Family business	Innovation
Later included	Family Firms Family Enterprises Family SME's Family-owned Family-Managed Family-governance	Innovativeness Innovative

Source: Author

- Being a paper published in peer reviewed journals. Thus, other publications such as conference proceedings, books, magazines or newspaper articles, as well as unpublished work were not included in the list of these 46 papers. However, some of the other publications are included as part of the informative literature of this thesis.
  - Including conceptual and empirical studies, both quantitative and qualitative; different industries, companies sizes and geographical areas, as well samples sizes and nature, meaning samples whereby all the firms were FB, and samples where there was a comparison between family and non-family firms.
2. Locating and selecting the papers. It required undertaking several considerations:
- This search was undertaken by using the search engine of the university in which the researcher was studying. This selection was based on databases including ABI/INFORMS (Proquest), Business Source Premier (EBSCO) and Science Direct (Elsevier). According to Becheikh et al. (2006), who based their work on these three databases, the first two together alone account for about 6.300 scientific journals in administrative and management sciences, whilst the 'Business, management and accounting' section of the latter covers over a hundred of specialised journals in the field.
  - This search also included the use of Google Scholar. It allowed for the identification of few other articles and helped identify the most cited papers. This method was used following previous studies, such De Massis et al., 2012, which was used when conducting a thorough review of family business research.
  - An additional set of journals were identified after noticing that the journals from which the papers were being retrieved did not encompass a large amount of those suggested by several family business scholars (e.g. Anderson and Reeb, 2003; Debicki et al., 2009 Chrisman et al., 2010, and De Massis et al., 2012) as relevant for the field. This was done based on the work by De Massis et al. (2012) and by selecting the journals that have published 10 or more family business articles in the period observed by the academics (1996-2010). This procedure led to the

identification of 12 journals (out of 47 included in the author's database), 6 of which have not been previously included, as they were not identified from the university's search engine. Journals that contained at least 10 family business articles were selected for viewing. The researcher notes that FBR which has 332 articles on family firm articles (De Massis et al., 2012), only has 6 papers dealing specifically with this thesis' area of interest. Arguably, it could be presumed that in journals where less than 10 papers have been published on family firms as a whole, none of them will touch base on innovation and FB within the title. The newly added journals are: Entrepreneurship and Regional Development; International Small Business Journal; Journal of Business Research; Journal of Business Venturing, and Journal of Management Studies. These journals were searched for published articles with these characteristics; however, no additional papers were found. The proceedings of a management conference were retrieved yet not included in this review as it does not fulfil the criteria earlier established.

3. All the selected articles (46) articles were organised in a Microsoft Excel database with structured information: Year of publication, authors, title, Description of the methodology/sample used (i.e. country, empirical/conceptual study, number of firms, firms size, sector and nature –all FB or FB vs Non-FB-), keywords, aim, theoretical approaches or theories employed (i.e. in Family business: 'familiness', Agency Theory, etc.; in Innovation: types, magnitude) and main findings.

It is important to note that this review of the literature process has been iterative and recurrent throughout the duration of this thesis. Hence, this list of papers has been updated continuously. A last review and update of this literature was conducted during the first two weeks of July, 2014.

### Appendix 3: FB and innovation literature review – papers

No.	Year	Author(s)	Title	Publication information
1	2001	Litz and Kleysen	Your Old Men Shall Dream Dreams, Your Young Men Shall See Visions: toward a Theory of Family Firm Innovation with help from the Brubeck Family	Family business Review, 14(4), 335-352
2*	2001	McCann, Leon-Guerrero, and Haley	Strategic goals and practices of innovative family businesses	Journal of Small Business Management, 39(1), 50-59
3	2003	Carney and Gedajlovic	Strategic innovation and the Administrative Heritage of East Asian Family business Groups	Asia Pacific Journal of management, 20(1), 5-22
4*	2006	Craig and Moores [Craig, Cassar, and Moores]	A 10 Year longitudinal investigation of strategy, systems, and environment on innovation in family firms	Family business Review, 19(1), 275-288
5	2009	Huang, Din, Kao	Salient stakeholder voices: family business and green innovation adoption	Journal of management and Organization, 15(3), 309-318
6*	2009	Pittino and Visintin	Innovation and strategic types of family SMEs. A test and extension of Miles and Snow's configurational model	Journal of Enterprising Culture, 17(3), 257-295
7	2010	Chang, Wu, and Wong	Family control and stock market reactions to innovation announcements	British Journal of Management, 21(1), 152-170
8*	2010	Llach and Nordqvist	Innovation in family and non-family businesses: A resource perspective	International Journal of Entrepreneurial Venturing, 2(3/4), 381-399
9	2010	McAdam, Reid and Mitchell	Longitudinal development of innovation implementation in family-based SMES	International Journal of Entrepreneurial Behaviour and Research, 16(5), 437-456
10	2010	Roessi, Fink, and Kraus	Are family firms fit for innovation? Towards an agenda for empirical research	International Journal of Entrepreneurial Venturing, 2(3-4), 366-380
11	2011	Andrade, De Lima, Antonelli, De Moyder	The family social capital impact in practices of learning, change and innovation in entrepreneurial family business	African journal of business management, 5(33), 12819 - 12828



12	2011	Beck, Janssens, Debruyne, and Lommelen	A Study of the Relationships Between Generation, Market Orientation, and Innovation in Family Firms	Family business Review, 24(3), 252-272
13*	2011	Bergfeld and Weber	Dynasties of innovation: Highly performing German family firms and the owner's role for innovation	International Journal of Entrepreneurship and Innovation management, 13(1), 80-94
14*	2011	Hsu and Chang	The role of behavioural strategic controls in family firm innovation	Industry and Innovation, 18 (7), 709-727
15*	2012	Cassia, De Massis, Pizzurno	Strategic innovation and new product development in family firms	International Journal of Entrepreneurial Behaviour and Research, 18(2), 198-232
16*	2012	Classen, Van Gils, Bammens, and Carree	Accessing resources from innovation partners: The search breadth of family SMES	Journal of Small Business Management, 50(2), 191-215
17	2012	De Massis, Frattine, and Lichtenthaler	Research on Technological Innovation in Family Firms: Present Debates and Future Directions	Family business Review, 26(1), 10-31
18	2012	Dzikowski	Developing the innovation potential of a medium sized family business functioning in a global supply chain	Management, 16(1), 101-113
19	2012	Kellermanns, Eddleston, Sarathy, and Murphy	Innovativeness in family firms: a family influence perspective	Small Business Economics, 38(1), 85-101
20	2012	Kraus, Pohjola, and Koponen	Innovation in family firms: An empirical analysis linking organizational and managerial innovation to corporate success	Review of Managerial Science, 6(3), 265-286
21	2012	Lichenthaler and Muethel	The impact of family involvement on dynamic innovation capabilities: Evidence from German manufacturing firms	Entrepreneurship: Theory and Practice, 36(6) 1235-1253
22	2012	Spriggs, Yu, Deeds, and Sorenson	Too Many Cooks in the Kitchen: Innovative capacity, collaborative network orientation, and performance in Small Family businesses	Family business Review, 26(1), 32-50
23	2013	Block, Miller, Jaskiewicz, and Spiegel	Economics and Technological importance of innovations in Large Family and Founder Firms: An analysis of Patent	Family business Review, 26(2), 180-199

24	2013	Block, spiegel	Family firm density and regional innovation output: an exploratory analysis	Journal of family business strategy, 4(4), 270-288
25	2013	Bresciani, Thrassou, and Vrontis	Change through innovation in family businesses: Evidence from an Italian sample	World Review of Entrepreneurship, Management and Sustainable Development, 9(2), 195-215
26	2013	Brines, Shepherd, Woods	SME family business innovation: exploring new combinations	Journal of family business management, 3(2), 117-135
27	2013	Carrasco-Hernandez, and Jimenez-Jimenez	Can family firms innovate? Sharing internal knowledge from a social capital perspective	The Electronic Journal of Knowledge Management, 11(1), 30-37
28*	2013	De Massis, Frattini, Pizzurno, and Cassia	Product innovation in family vs. non-family firms: An exploratory analysis	Journal of Small Business Management, 51(4), 1-36
29	2013	Gerni	Evaluating the effects of market and innovation orientations on family owned firms performance: an empirical study in Istanbul	Advances in Management and applied Economies, 3(5), 139-150
30	2013	Karakayaci	social capital and innovation in industrial clusters: an evidence from case of family and non-family firms in turkey	European Online Journal of Natural and Social Sciences, 2(3), 313-329
31	2013	Laforet	Innovation characteristics of young and old family-owned businesses	Journal of Small Business and Enterprise Development, 20(1), 204-224
32	2013	Liang, Li, Yang, Lin, Zheng	How does family involvement affect innovation in China	Asia Pacific Journal of management, 38(3), 677-696
33	2013	Matz and Ireland	'familiness' and Innovation: Resource Bundling as the missing link	Entrepreneurship: Theory and Practice, 37(6), 1399-1419
34	2013	Nieto, Santamaria and Fernandez	Understanding the innovation behaviour of family firms	Journal of Small Business Management, doi: 10.1111/jsbm.12075
35	2013	Pittino, Visintin, Bau and Mazzurana	Collaborative technology strategies and innovation in family firms	International Journal of Entrepreneurship and Innovation management, 17(1/2/3), 8- 27

36	2013	Posch, Wiedenegger	Innovativeness in family firms: drivers of innovation and their mediating role	Zeitschrift Fur Betriebswirtschaft (ZFB), special issue, 4, 91 – 129. Doi: 10.1007/978-3-658-04091-8
37	2013	Price, Sotica, Boncella	The relationship between innovation, knowledge and performance in family and non-family firms: an analysis of SMEs	Journal of innovation and entrepreneurship, 2, 1-20
38	2013	Tsao, Lien	Family Management and Internationalization: The impact on Firm performance and Innovation	Management International review, 53(2), 189-213
39	2014	Chrisman, Chua, De Massi, Frattini and Wright	The Ability and willingness Paradox in Family Firm innovation	Journal of Product Innovation Management. Doi: 10.1111/jpim.12207
40	2014	Classe, Carre, Van Gils, Peters	innovation in family and non-family SMEs: an exploratory analysis	Small Business Economics, 42(3), 595-609
41	2014	Craig, Pohjola, Kraus and Jensen	Exploring relationships among Proactiveness, risk-taking and innovation output in Family and non-family firms	Creativity and innovation management, 23(2), 199-210
42	2014	Gundry, Kickul, Lakovleva, Carsrud	Women-owned family businesses in transitional economies: key influences on firm innovativeness and sustainability	Journal of Innovation and entrepreneurship, 3(8),1-17
43	2014	Ingram, Lewis, Barton, Gartner	Paradoxes and innovation in family firms: the role of paradoxical thinking	Entrepreneurship: Theory and Practice, (may), 1-16. Doi: 10.1111/etap.12113
44	2014	Konig, Kammerlander, and Enders	The Family Innovator's Dilemma: How family influence affects the adoption of discontinuous technologies by incumbent firms	Academy of Management Review, 38(3), 418-441
45	2014	Lodh, Nandy, and Chen	Innovation and Family Ownership: Empirical Evidence from India	Corporate Governance: An International Review, 22(1), 4-23
46	2014	Matzler, Veider, Hautz and Stadler	The impact of Family ownership, management and Governance on innovation	Journal of Product Innovation Management. Doi: 10.1111/jpim.12202
47	2014	Sanchez-Famoso, Maseda	The role of internal social capital in organisational innovation. An empirical study of family firms	European Management Journal. Doi: 10.1016/j.emj.2014.04.006

Source: Author

\*Included in De Massis et al (2013)

## Appendix 4: Questionnaire—word version (translated from Spanish)

‘Family Business and Innovation in Colombia’

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*Your participation in this study is very important. Thanks for your time.*

**Instructions to fill in the questionnaire:**

1. Try to answer all the questions, if you do not know the exact answer, give your best estimate.
2. At any time, you can return to the previous question to modify it ('online' version).

\*\*\*\*

**1. How many firms\* are part of your business group?**

*\*Firm: Refers to each organisation registered as a legal entity [Registro Único Tributario (RUT)]*

- Only one firm
- Two or more firms

**NOTE:** If the previous answer was ‘two or more firms’, please respond to this questionnaire based on the *main firm\** of your business group.

*\*Main firm: Firm with the highest sales.*

**2. The firm was:**

- Founded
- Acquired

Additional information you may wish to include (e.g. brief history):

**3. What year was the firm founded or acquired?**

**4. In which geographical area is the firm currently located?**

- Barranquilla
- Soledad
- Malambo
- Other (Specify)

**5. Indicate the firm’s industry:**

- Manufacturing
- Services
- Trading
- Other (Specify)

**6. How many full-time employees work within the firm?**

- 0 – 10
- 11 – 25
- 26 – 50
- 51 – 100
- 101 – 200
- 201 or more

**7. In which markets does the firm sell its products and/or services? Select all that apply.**

- Local
- National
- International

**8. How many years has the CEO been occupying this role in the firm?**

- Less than 1 year
- Between 2 and 5 years
- Between 6 and 10 years
- Between 11 and 20 years
- More than 20 years

**9. Is the CEO filling in this questionnaire?**

- Yes
- No (Specify role)



# Innovation in family firms from developing countries: The role of ‘familiness’

## ‘Family Business and Innovation in Colombia’

13. Indicate to what degree you consider that the family has an influence on the firm’s following resources:

Resources	Very low	Low	Neutral	High	Very high
<b>Financial</b> (e.g. dividends use/distribution)					
<b>Humans</b> (e.g. HR hiring/promotion)					
<b>Physical</b> (e.g. acquiring machinery)					
<b>Socials</b> (e.g. relationships with clients/suppliers)					

14. Indicate whether you consider that:

	Totally disagree	Disagree	Nor agree nor disagree	Agree	Totally agree
The family and the business share the same values					
Family members prioritise the firm’s goals before the individual ones					
Leadership in the firm is participative					
Family history and reputation are important for the firm’s strategy					
The owning family is entrepreneurial					

15. Indicate whether you consider that:

	Totally disagree	Disagree	Nor agree nor disagree	Agree	Totally agree
In the firm we prefer high-risk projects with the chance of very high returns					
In the firm we prefer to be ahead of other competitors when introducing novel ideas or products					
In the firm we are permanently motivated to look for new and better ways of doing things, and develop our products/services					

16. Which capability, skill or resource provides the firm with the biggest advantage over its competitors?

--

17. Considering the advantage you have just identified...

	Yes	No	No apply
Is it directly related to the family involvement in the business (if family business)			
It would be rather easy to transfer it to other generations (if family business) or to other owners (if the firm was sold)			
It would be rather easy for other businesses to copy this advantage			
It would be very costly for other businesses to copy this advantage			
It would take other businesses a long time to copy this advantage			
Other businesses could easily match this advantage, although perhaps in a different way			

**NOTE 2:** Consider the following definitions when responding to questions 18 – 21.

**\*Product innovation (good or service):** Is the introduction of a good or service that is *new or significantly improved* with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics

**\*Process innovation:** Is the implementation of a *new or significantly improved* production or delivery method. This includes significant changes in techniques, equipment and/or software.

**\*Marketing innovation:** Is the implementation of a *new or significantly improved* marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing.

**\*Organisational Innovation:** Is the implementation of a *new or significantly improved* organisational method in the firm’s business practices, workplace organisation or external relations.

18. Indicate which types of innovation the firm has been engaged in over the last three years (2010-2012). (Select all that apply)

- Product (good or service)
- Process
- Marketing
- Organisational
- None
- Other (specify)

Additional information you may wish to add (e.g. examples of such innovations):



# Innovation in family firms from developing countries: The role of ‘familiness’

## ‘Family Business and Innovation in Colombia’

**NOTE 3:** In case the answer for the previous question was ‘None’, please skip to question 22.

**19. Types of Innovation engagement during the last three years (2010-2012) has been (select all that apply):**

Innovation	Totally new for		Significantly improved for		No apply
	The firm	The market	The firm	The market	
Product (good or service)					
Process					
Marketing					
Organisational					
Other					

**20. Indicate whom have been formally involved in innovation activities within the firm in the last three years (2010-2012). (Select all that apply):**

Founders	
Second generation family members currently employed in the firm	
Third and other generation family members currently employed in the firm	
Other family members, not employees	
Employees not family members	
Consulters/advisers	
Clients and suppliers	
Other firms/institutions (e.g. Universities, governmental agencies, etc.)	
Other (specify):	

**21. Innovation engagement during the last three years (2010-2012) generally has been:**

Innovation	Not implemented	Implemented		Does not apply
		Out of necessity	Voluntarily	
Product (good or service)				
Process				
Marketing				
Organisational				
Other				

**22.** This questionnaire helps to understand *what* is (or not) happening in terms of innovation engagement in firms, especially if family firms.

A second phase of this study aims to understand how and why it happens (or not). In order to do so it is necessary to interview a few members of the firms already participating in this first stage.

Interviews will be coordinated with the firms in a manner that causes the least disruption.

# Innovation in family firms from developing countries: The role of ‘familiness’

‘Family Business and Innovation in Colombia’

---

**Would you be interested in being part of this study’s second stage?**

Yes

No

**Contact details** (Firm’s name, names and roles of persons that can be interviewed, phone number(s), email(s))

*Thank you.*

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## **Appendix 5: Case study protocol**

### **1. Overview of case study project:**

- Purpose: To provide empirical evidence of the state of innovation in FB from developing countries, and the family’s influence on such outcomes.
- Research questions: See section 2.6

### **2. Field procedures**

- Gaining access to interviewees (previous to 1<sup>st</sup> interview): 1) after participants respond to the questionnaire and demonstrate willingness to participate in the qualitative phase, contact will be established, preferably by phone. 2) show credentials, thank them for responding to 1<sup>st</sup> phase and agreeing to continue with 2<sup>nd</sup> phase. 3) briefly revisit purpose of research. 4) make appointment for first interview. 5) keep special attention to day/time, if being requested to call to confirm/re-schedule appointment.
- Preparation prior to interview: 1) research available sources. 2) manage responses provided in the questionnaire (for verification or clarification). 3) be aware of time/distance/transportation management to arrive on time.
- Access to data (on arrival to interview): 1) Thank interviewee for time provided. 2) Revisit purpose. 3) Ensure confidentiality and anonymity. Ask authorisation for voice recording. 4) Ask about time availability (in order to manage questions). 5) Proceed with interview. 6) Upon closure ask about details of next interviewee to arrange appointment, and if it is possible for future contact if required during transcription/analysis of interview.
- After completion of interviews: 1) If required, call/email for clarification. 2) When all interviews are completed, send emails to all members per firm to thank them for their time and openness.

### **3. Case study question (Interview guide)**

The interview guide included 3 main sections: 1) firm’s background/history, 2) influence of family in firm’s matters (‘familiness’), and 3) innovation-related activities. See appendix 7 for the complete interview guide.

### **4. Case study report outline (within-case analysis presentation)**

See table 3.4

## **Appendix 6: Interview guide (translated from Spanish)**

### **Note to the reader:**

The question asked is in bold font. The following statements are for the researcher to ensure the answer includes (if pertinent) such elements.

### **Context**

#### **1. Describe how the firm was founded and how it has developed**

- Role and involvement of family members (even if they are not any longer in the business and/or family)
- Founding/entrepreneurial process: who, why, how, where was the opportunity
- Successions
- How has the business evolved (e.g. is it the same now as when it was founded or have other developments taken place); were there previous companies (or attempts).
- Context: politics, industry, competitors
- What happens with the family members that are not involved? What is their relationship with actively involved family members?
- Aspects of the survey (if further detail is needed). e.g. No. of employees, sector, subsector, markets (local, international), etc.
- Stories to illustrate the points

#### **2. How do you see the future of the firm**

- Future plans of FMs currently involved and not involved.
- Involvement of Non-FMs in TMTs.

### **'Familiness'**

#### **3. Describe the firm's governance and ownership structures**

- E.g. board of directors, family council, committees, shareholder meetings, etc.
- Frequency of meetings and the level of 'formality'
- Is there a family protocol? Or family council? How is it formed? How and where does it take place? What issues are discussed?

#### **4. How does decision-making take place?**

- Who makes decisions (Non-FM's?)

#### **5. Which capability, skill or resources provides the firm with the biggest advantage over competitors?**

- What is the family's influence on such a capability
- How was it created, how has it developed and enhanced

**6. Besides the family ownership (shares) are there any other elements that make this a family firm?**

- Values, beliefs, goals

**7. What is the influence of the family on the firm's resources:**

- **Financial:** Who makes the decisions? How are disagreements solved? How is the budgeting/dividends distribution process? Is it formally established?
- **Human:** How does the selection/hiring process take place? What are the dynamics among FMs and Non-FMs? Do Non-FMs consider themselves as 'part of the family'?
- **Physical:** Who is involved in the decision making process, especially when 'technical' knowledge is required? How does the process of acquiring, replacing physical resources occur?
- **Social:** What role, if any, does the family name and reputation have on the firm's business? How are the networks maintained and enhanced? Can this be transferred to a new generation? Do Non-FBs contribute to the maintenance and enhancement of such networks?

**Innovation**

**8. What do you understand by 'innovation'?**

**9. Do you consider the firm to be engaged in innovation activities?**

- Is it formal?
- Who is involved (FMs, Non-FMs, other firms, entities)?

**10. Provide examples of innovation types (product, process, marketing, organisational) developed in the past three years**

- Are they new or significantly improved?
- To the firm or the market?
- Describe the process from the moment an innovation is discussed, until it is implemented, and furthermore evaluated
- Where does it come from (sources)?
- Is there a formal process (strategy)?
- Is it discussed or implemented out of necessity or opportunity?
- How do you measure its impact on the firm (is it working or not?)
- Are there any incentives to undertake innovations within the firm?

## Appendix 7: Selecting the cases – procedure

Registries (Firms)	Sub-data set 1 DB1	Sub-data set 2 DB2	Total
Initial	200	881	1081
Eliminated (no contact details provided or to be found)	13	426	439
Number of firms contacted (1 email per firm sent)	<b>187</b>	<b>455</b>	<b>642</b>
Emails rebounded	38	261	299
Number of firms 'reached' (seemed to received email)	<b>149</b>	<b>194</b>	<b>343</b>
Emails received (filled questionnaire) - 1st round	9	5	14
Emails received (filled questionnaire) - 2nd round	5	1	6
Total questionnaires received	<b>14</b>	<b>6</b>	<b>20</b>
Eliminated (questionnaires Not fully completed)	2	1	3
Total 'usable' questionnaires	<b>12</b>	<b>5</b>	<b>17</b>
Eliminated through purposively (theoretical) sampling (Not FB)	1	1	2
Total firms purposively selected	<b>11</b>	<b>4</b>	<b>15</b>
Firms NOT willing to continue to qualitative phase	5	1	6
Total pre-selected cases studies (firms entering qualitative phase)	<b>6</b>	<b>3</b>	<b>9</b>
Eliminated (not reachable after 1st interview)	2	1	3
<u>Total case studies selected</u>	<b>4</b>	<b>2</b>	<b>6</b>

## Appendix 8: Case study data base – example

Family Business and Innovation.nvp - NVivo

File Home Create External Data Analyze Query Explore Layout View

Code Selection At Code Sources At Code In Vivo Uncode Selection At Uncode Sources At Memo Link New Annotation New Summary Link  
 New Node New Node Spread Coding This Node Intersecting Content See Also Link Delete Annotation Delete Summary Link  
 Existing Nodes Existing Nodes Range Code Auto Code Existing Nodes Existing Nodes Hyperlink Delete Annotation Auto Summarize  
 Coding Uncoding Links Annotations Framework Matrix

**Folders**

- Internals
  - Interviews
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  - Firm D
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  - Firm F
- Search Folders

**Sources**

SL 19 Items

**Firm F**

Name	In Folder	Created On	Created By	Modified On	Modified By
FF - survey	Internals\Questionnaire	8/27/2013 3:20 PM	SL	8/27/2013 3:20 PM	SL
FF 'Colombian visitor - home'	Internals\Websites	10/3/2013 3:33 PM	SL	10/3/2013 6:19 PM	SL
FF - website	Internals\Websites	10/3/2013 3:33 PM	SL	10/3/2013 6:19 PM	SL
FF - 'home'	Internals\Websites	10/3/2013 3:33 PM	SL	10/3/2013 6:19 PM	SL
FF - 'Colombian visitors - about us'	Internals\Websites	10/3/2013 3:33 PM	SL	10/3/2013 6:19 PM	SL
FF - 'Colombian visitor - party'	Internals\Websites	10/3/2013 3:33 PM	SL	10/3/2013 6:19 PM	SL
FF - Family Constituency	Internals\Other Documents	10/3/2013 5:44 PM	SL	10/3/2013 5:44 PM	SL
FF - Conference	Internals\Other Documents	10/3/2013 5:46 PM	SL	10/3/2013 5:47 PM	SL
FF - products catalogue	Internals\Other Documents	10/3/2013 5:47 PM	SL	10/3/2013 5:47 PM	SL
FF - Case study lecturers	Internals\Other Documents	10/3/2013 5:48 PM	SL	10/3/2013 5:49 PM	SL
FF - MBA class video	Internals\Other Documents	10/3/2013 5:51 PM	SL	10/3/2013 5:52 PM	SL
FF - News article - october 2012	Internals\Other Documents	10/3/2013 5:56 PM	SL	10/3/2013 5:57 PM	SL
FF - News article - May 2011	Internals\Other Documents	10/3/2013 5:56 PM	SL	10/3/2013 5:58 PM	SL
FF - News article - July 2013	Internals\Other Documents	10/3/2013 5:56 PM	SL	10/3/2013 5:58 PM	SL
FF - News article - December 2010	Internals\Other Documents	10/3/2013 5:56 PM	SL	10/3/2013 5:58 PM	SL
FF - News article - April 2012	Internals\Other Documents	10/3/2013 5:56 PM	SL	10/3/2013 5:59 PM	SL
FF - 2G1	Internals\Interviews	10/13/2013 11:38 PM	SL	11/10/2013 8:59 PM	SL
FF - NF	Internals\Interviews	10/3/2013 2:16 PM	SL	10/3/2013 2:17 PM	SL
FF - 2G2	Internals\Interviews	10/3/2013 2:14 PM	SL	10/13/2013 11:40 PM	SL

## Appendix 9: Coding elements – ‘familiness’

‘Familiness’: “The bundle of resources a particular firm has because of the systems interactions between the family, its individual members, and the business” (Habbershon and Williams, 1999:11)			
Aspect	Factor	Element	Level of presence
Dimensions (Zellweger et al., 2010)	<b>Component of involvement</b>	% ownership and control	<b>None, Low, Medium:</b> Does not apply to data collected  <b>High:</b> 100%
	<b>Essence</b>	Transgenerational vision	<b>None:</b> • No family protocols • 2nd Gen not involved, not interested  <b>Low:</b> • No family protocols • Few members next Gen involved; others not interested • Members involved not clear about their future role in firm, as they are thinking about other personal/professional options/choices  <b>High:</b> • Family protocol in place • Active participation in family business networks • 2 <sup>nd</sup> and 3 <sup>rd</sup> generation involved in the firm
	<b>Organizational identity</b>	<ul style="list-style-type: none"> <li>• Sense of oneness; shared goals and values</li> <li>• Decision-making; governance structures</li> <li>• Family concept extended to non-family members</li> <li>• Enhancing external perception of the business</li> </ul>	<b>Low:</b> <ul style="list-style-type: none"> <li>• Existence of shared goals and values</li> <li>• Decision-making heavily concentrated on FM</li> <li>• Lack of governance structures</li> <li>• None or unclear evidence of NFM feeling part of family</li> <li>• No promotion of the firm as a family business</li> </ul> <b>Medium:</b> <ul style="list-style-type: none"> <li>• Existence of shared goals and values</li> <li>• Decision-making concentrated on FM, but open to NFM suggestions</li> <li>• Governance structures partially in place</li> <li>• NFM considered as part of family/very important for the firm</li> <li>• None or low ‘formal’ promotion of the firm as a family business</li> </ul> <b>High:</b> <ul style="list-style-type: none"> <li>• Existence of shared goals and values</li> <li>• Decision-making concentrated on FM, but relied heavily on opinions of NFM, especially in TMT</li> <li>• Governance structures completely in place</li> <li>• NFM considered as part of family/very important for the firm/ feeling treated in similar manner as if were a FM</li> <li>• Promotion of the firm as a family business in business, academic and governmental instances</li> </ul>



Resources  (Sirmon and Hitt, 2003; STEP project)	<b>Financial</b> <ul style="list-style-type: none"> <li>• Profits distribution</li> <li>• Access to financial capital</li> <li>• Patient capital</li> <li>• Survival capital</li> </ul>	<p><b><u>Level of influence:</u></b></p> <p><b>Very Low/Low OR Medium/Neutral:</b> Does not apply to data collected</p> <p><b>High:</b> Family members making decisions, but permanent and high participation of NFM</p> <p><b>Very High:</b> Opinions of NFM are considered in some occasions, but usually it is very centralized within FM</p> <p><b><u>Nature of influence:</u></b></p> <p><b>Negative:</b> When lacking or improvement areas are identified for majority of related elements.</p> <p><b>Positive:</b> When positive evidence for all or majority of related elements.</p> <p><b><u>NOTE:</u></b> It has been researched that some family business prefers non-financial goals over financial ones. Therefore, although some of the strategies followed by some of the firms may be ‘conservatives or low risk’, they are considered within a positive category of influence.</p>
	<b>Human</b> <ul style="list-style-type: none"> <li>• Hiring of suboptimal FM employees</li> <li>• Attraction or retaining of Highly qualified NFM managers; experience and knowledgeable employees</li> <li>• Value of well-trained managers</li> <li>• Warm, friendly, and intimate relationships</li> <li>• Early involvement of children in business (deep firm-specific tacit knowledge)</li> </ul>	
	<b>Physical</b> <ul style="list-style-type: none"> <li>• Equipment acquisition</li> <li>• location/building /machinery uniqueness</li> </ul>	
	<b>Social</b> <ul style="list-style-type: none"> <li>• Effective/strong relationships with suppliers, customers and other organizations</li> <li>• Easy communication of the value of the firm’s goods and services to potential customers</li> </ul>	

Source: Author

## Appendix 10: Coding elements – innovation

Innovation: “any idea, practice, or material artefact perceived to be new by the relevant unit of adoption” (Zaltaman et al. 1973:10)		
Aspect	Factor	Element
Types (Schumpeter, 1934; OECD, 2005)	Product	A product (good or service)
	Process	A production or delivery method
	Marketing	Product design or packaging, product placement, product promotion or pricing
	Organisational	An organisational method in the firm’s business practices, workplace organisation or external relations
Magnitude (Garcia and Calantone, 2002)	<b>Macro level:</b>	New to the world, the industry or the market
	<b>Micro level:</b>	New to the firm or new to the firm’s customer
	<b>Market:</b>	New marketplaces to evolve, and/or new marketing skills
	<b>Technological:</b>	Paradigm shift, new R&D resources, and/or new production processes
	Radical	Discontinuities on both a <u>macro</u> <b>AND</b> a <u>micro</u> level
Involvement (Lopez Fernandez, et al., 2011)	Really new	Any of the following discontinuities combinations: <ul style="list-style-type: none"> <li>• <u>Macro</u> level <b>AND</b> <u>market</u> <b>OR</b> <u>technological</u> discontinuity</li> <li>• <u>Micro</u> level <b>AND</b> <u>marketing</u> <b>AND/OR</b> <u>technological</u> discontinuity</li> </ul>
	Incremental	Occurs only on a <u>Micro</u> perspective affecting either the <u>marketing</u> <b>AND/OR</b> <u>technological</u> discontinuity
	Internal	Involves the firm or its business group
	External	Activities totally acquired or outsourced to other firms or institutions
	Cooperation	<ul style="list-style-type: none"> <li>• Horizontal: with other companies within the same group, competitors’ u other firms within the sector.</li> <li>• Vertical: with suppliers, or clients</li> <li>• Institutional: with consultants, commercial labs, R&amp;D private institutes, universities u other centres for higher education, public research entities or technological centres.</li> </ul>

Source: Author

## Appendix 11: Coding with Nvivo – example

Family Business and Innovation.nvp - NVivo

File Home Create External Data Analyze Query Explore Layout View

Code Selection At Code Sources At Code In Vivo Uncode Selection At Uncode Sources At Memo Link New Annotation New Summary Link  
 New Node New Node Spread Coding This Node Intersecting Content See Also Link Delete Annotation Delete Summary Link  
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 Coding Uncoding Links Annotations Framework Matrix

**Folders**

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  - Questionnaire
  - Websites
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  - Framework Matrices
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  - Relationship Types
- Sets
  - Firm A
  - Firm B
  - Firm C
  - Firm D
  - Firm E
  - Firm F
- Search Folders

**Sources**

**Themes**

Name	Sources	References	Created On	Created By	Modified On	Modified By
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Familiness	20	288	10/14/2013 5:05 PM	SL	10/17/2013 7:55 PM	SL
Approach	17	107	10/14/2013 6:59 PM	SL	10/14/2013 7:14 PM	SL
Component involvement	13	43	10/14/2013 7:00 PM	SL	11/11/2013 1:26 PM	SL
Essence	15	36	10/14/2013 7:00 PM	SL	11/11/2013 1:58 PM	SL
Organizational identity	11	28	10/14/2013 7:00 PM	SL	11/10/2013 8:54 PM	SL
Resources	20	181	10/14/2013 6:58 PM	SL	10/14/2013 7:14 PM	SL
Finantial	14	41	10/14/2013 6:58 PM	SL	11/11/2013 1:41 PM	SL
Human	20	102	10/14/2013 6:59 PM	SL	11/11/2013 2:06 PM	SL
Physical	6	9	10/14/2013 6:59 PM	SL	11/10/2013 5:21 PM	SL
Social	12	29	10/14/2013 6:59 PM	SL	11/10/2013 7:25 PM	SL
Innovation	20	342	10/14/2013 5:06 PM	SL	10/28/2013 5:36 PM	SL
Concept - other issues	15	35	10/14/2013 9:08 PM	SL	11/11/2013 2:10 PM	SL
Costs	10	12	10/14/2013 6:58 PM	SL	11/11/2013 2:13 PM	SL
Implementation	17	27	10/14/2013 6:58 PM	SL	11/11/2013 2:02 PM	SL
Involvement - sources - process	16	63	10/14/2013 6:58 PM	SL	11/11/2013 2:10 PM	SL
Magnitude	12	29	10/14/2013 6:57 PM	SL	11/11/2013 1:09 PM	SL
Motivations	8	28	10/17/2013 8:28 PM	SL	11/11/2013 1:41 PM	SL
Types	20	147	10/14/2013 6:57 PM	SL	10/29/2013 7:49 PM	SL
Other Topics	20	740	10/14/2013 5:06 PM	SL	10/17/2013 7:55 PM	SL
Autonomy - Decision making	18	74	10/14/2013 7:03 PM	SL	11/11/2013 2:02 PM	SL
Background - formation, experien	17	49	10/20/2013 7:33 PM	SL	11/11/2013 1:56 PM	SL
commitment - sacrifices	14	48	10/17/2013 8:04 PM	SL	11/11/2013 1:34 PM	SL
Communication - leadership	13	41	10/17/2013 9:01 PM	SL	11/11/2013 2:05 PM	SL

SL 45 Items

Family Business and Innovation.nvp - NVivo

File Home Create External Data Analyze Query Explore Layout View

Code Selection At Code Sources At Code In Vivo Memo Link New Annotation New Summary Link  
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 Coding Uncoding Links Annotations Framework Matrix

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  - Firm B
  - Firm C
  - Firm D
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  - Firm F
- Search Folders

**Sources**

SL 45 Items

**Themes**

Name	Sources	References	Created On	Created By	Modified On	Modified By
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Implementation	17	27	10/14/2013 6:58 PM	SL	11/11/2013 2:02 PM	SL
Involvement - sources - process	16	63	10/14/2013 6:58 PM	SL	11/11/2013 2:10 PM	SL
Magnitude	12	29	10/14/2013 6:57 PM	SL	11/11/2013 1:09 PM	SL
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Types	20	147	10/14/2013 6:57 PM	SL	10/29/2013 7:49 PM	SL
Other Topics	20	740	10/14/2013 5:06 PM	SL	10/17/2013 7:55 PM	SL
Autonomy - Decision making	18	74	10/14/2013 7:03 PM	SL	11/11/2013 2:02 PM	SL
Background - formation, experien	17	49	10/20/2013 7:33 PM	SL	11/11/2013 1:56 PM	SL
commitment - sacrifices	14	48	10/17/2013 8:04 PM	SL	11/11/2013 1:34 PM	SL
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Competition - business strategy	13	38	10/17/2013 12:27 PM	SL	11/11/2013 1:59 PM	SL
Conflict- tensions - crisis - proble	15	127	10/17/2013 7:36 PM	SL	11/11/2013 1:11 PM	SL
Entrepreneurial Background	8	35	10/14/2013 7:07 PM	SL	11/11/2013 1:33 PM	SL
Environment	15	40	10/17/2013 8:30 PM	SL	11/11/2013 1:55 PM	SL
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Governance - formalization	19	98	10/17/2013 5:40 PM	SL	11/11/2013 2:03 PM	SL
Other companies	11	21	10/14/2013 8:28 PM	SL	11/11/2013 1:23 PM	SL
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Social work - philanthropy	5	12	10/20/2013 8:24 PM	SL	11/11/2013 1:45 PM	SL
Sucession	18	83	10/14/2013 7:10 PM	SL	11/11/2013 2:01 PM	SL
Trust - confidence	12	32	10/18/2013 4:20 PM	SL	11/11/2013 2:08 PM	SL

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