

How Values and Socioemotional Wealth influence Behavior and Performance in Family Firms

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Abstract

Socio-psychological research agrees that values are one of the most influential factors shaping our behavior and decision-making. Thus, values have been used in multiple different disciplines to explain the behavior of individual humans, communities, and societies. Furthermore, they have been used to determine the character of organizations, their culture, and outcomes. Values have also found their way into the family business research stream. Due to the unique, and well-known connection between family and business, especially values of the founder, and consecutively the owner-managers of family firms are deemed to be of severe importance. They were named to influence resources, choices, goals, build the foundation, and in general shape the behavior of the firm. Specifically, research has deemed them for the corporate culture, longevity, social responsibility, and socioemotional wealth behavior.

However, even though the importance of values has been named and assumed to be of relevance, a sound empirical underpinning about how they manifest themselves, how and to what extent they shape behavior and if they influence firm-level outcomes is severely lacking. This is especially surprising as values help to overcome crises and are crucial to the longevity of businesses, which is especially relevant in family firms. Thus, goal of this research is to highlight the importance of individual values of the owner-manager, their impact on family firm behavior and outcomes. As owner-managers normally lead a business over very long time periods exert they exert an enormous amount of influence on the firm imprinting their values on the firm itself. Based upon value theory and in accordance with the upper echelon theory, where it is argued that characteristics of the human being ultimately influence the performance of a firm through strategic decisions, we argue, that the basic human values of owner-managers, consciously and unconsciously influence the behavior of the firm, impacting the performance and motivation of non-family employees.

Therefore, four consecutive studies have been planned and executed. The first study qualitatively investigates the assumed connection between individual values and

socioemotional wealth behavior of owner-managers. Results show that the assumed connection between values and socioemotional wealth exists, that values and socioemotional wealth can change over time, and that social-oriented and person-oriented values influence different areas of socioemotional wealth behavior. The second study quantitatively tests this identified connection. Measuring values with the portrait-value questionnaire of Schwartz and connecting them to socioemotional wealth, measured by the FIBER scale. The results of the structural equation model show, that openness to change and self-enhancement values influence the F and I dimension of the FIBER scale while self-transcendence and conservation values mostly influence dimensions B, E, and R. Thus, our initial assumption that different values influence different areas of socioemotional wealth behavior was supported. Our third study investigates the connection of individual values, socioemotional wealth as an aggregated construct, and firm performance. Based on upper echelon theory, we suggested, that SEW mediates the effect between values and firm-level performance. Results of our sample support this notion, showing that performance is indeed influenced by individual values. While person-focused values have a positive direct impact on performance, social-focused values influence performance not directly, but mediated by socioemotional wealth in a positive way. The last study investigates how the family and their values, influence their non-family employees. While research has shown that the workforce of family firms tends to be more motivated when it comes to innovative ideas than their non-family firm counterparts, why this is the fact has not been investigated. Thus, we qualitatively investigated why non-family employees tend to be intrapreneurially active in family firms, and which role the family plays within this context. Results show that the influence of the family, their values, and care strengthens identification with the workforce, leading to a sense of belonging, intrinsically motivating them to contribute to innovative activities.

First and foremost, this research highlights the importance of individual actors, their values, and their influence on the behavior, decisions, and performance of a firm. It adds to the research stream, investigating the heterogeneity and ambivalent behavior of family firms, by adding a value perspective. It generates new insights about socioemotional wealth, its origin, and its influence on firm-level variables.

Values are internalized at an early age, however, influence our behavior consciously and unconsciously for the rest of our lives. Being aware of this fact, knowing which value hierarchy is inherent in oneself and how they impact behavior can thus help to understand and change decision-making, goal setting, and in general the direction of a firm. This work sheds light on details of the underlying mechanisms, identifying values of owner-managers and investigating their influence on behavior and performance as well as non-family employees while revealing the necessity to further deepen our knowledge about values, not only within the family business research domain, but business research in general.

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List of Abbreviations

CEO	Chief executive officer
CO	Conservation
e.g.	exemplum gratia: for example
et al.	et alii: and others
F-Pec	Family influence on power, experience, and culture
i.e.	id est
OC	Openness to change
p.	Page
SE	Self-enhancement
SEM	Structural equation modeling
SEW	Socioemotional wealth
SME	Small and medium-sized enterprises
ST	Self-transcendence
UET	Upper echelon theory
PhD	Doctor of Philosophy

1 Introduction

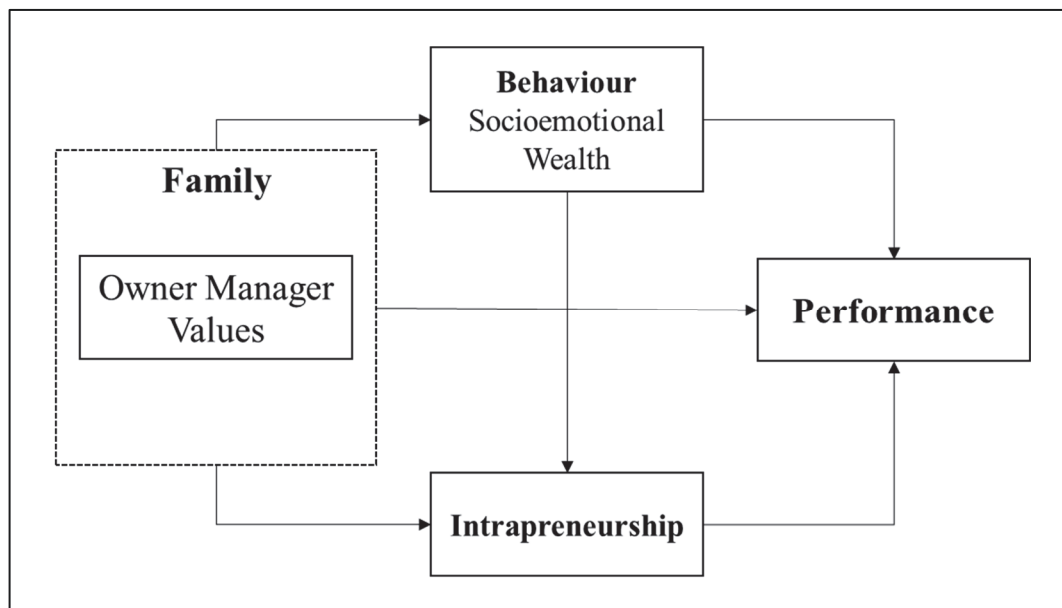
Family business research has gained significant attention over the last few years (Craig & Salvato, 2012; Payne, 2018). However, even though a lot of questions have been answered many aspects of the underlying system, the family, ownership and business remain unknown and much remains to be done to understand the core of family firm characteristics (Berrone et al., 2012). While a common consent exists, which is that the influence of the family on the firm and vice versa is the main distinguishing factor between family firms and non-family firms (Payne, 2018), how this influence exhibits itself, where it mainly comes from and how it influences the behavior of the firm, is still fragmented. Recent research has oftentimes been focused on firm-level analysis, missing out on looking at the individual actors like the owner-manager or the family, (Evert et al., 2016) mainly responsible for influencing the firm. However, especially the influence of these actors could contribute to understand firm-level outcomes and shed light on the oftentimes ambivalent and heterogenous behavior of family firms even though research is quite clear about the enormous influence of the founder, and the consecutive owner-managers of family firms (Anderson & Reeb, 2003; Dyer, 1988; García-Álvarez et al., 2002; Kelly et al., 2000; McConaughy, 2000; Schein, 1983).

Thus, it is the underlying motivation of this dissertation to further unravel the influence of these individuals. Specifically, the goal of this research is to investigate how values of the owner-manager and business family shape and influence the behavior of family firms, how they influence decisions, entrepreneurial activities and ultimately strengthen or weaken the performance of the firm consciously and unconsciously.

To do so, this dissertation is split into 3 different sections. The first section deals with the general, underlying assumption existing within the family business research stream, that the values of the owner-manager significantly influence the firm and its decision-making. The second section partially validates the findings of the first, statistically showing that individual human values do influence the behavior of family firms and adding the connection to family firm performance.

The third section deals with a phenomenon which we encountered throughout our previous projects. It answers the question, how the values of the owner-manager and the family shape the culture of a company, to increase intrapreneurial activities of employees within the firm. Figure 1 shows an overview, which topics the different sections deal with, and how they are linked to each other.

Figure 1: Theoretical Relationship between Owner-manager Values, Socioemotional wealth, Intrapreneurship and Performance



Source: Own representation

The following research is structured as follows. It uses a mixture of theory-building and theory-testing methods to find an answer to the overarching research questions. Each of the studies represents a project on its own, aiming at the general goal to understand how individual values and socioemotional wealth impact family firm behavior. Therefore, the general assumption that values impact the behavior of family firms is tested qualitatively, and propositions were formulated. The second study focuses on proving the observed relationship by utilizing a quantitative approach. Study three, quantitatively, and four, qualitatively, rather focus on the impact of values and socioemotional wealth on outcomes, such as performance and intrapreneurial activities within the family firm. Table 1 gives the reader an overview of the four different studies, including the research gap, the main

theoretical concepts, methodology and my own contribution. This dissertation is structured as follows. After this brief introduction in chapter 1, chapter 2 will present the goal and the motivation behind this dissertation and the main theoretical concepts, overarching the entirety my work. The following chapters 3 to 5 will consist of the individual, but connected studies as mentioned earlier. In chapter 3 my co-authors and myself connect the theory of basic human values (Schwartz, 1992) to the multidimensional construct of socioemotional wealth (Berrone et al., 2012), following the case study approach of Yin et al. (2014). In chapter 4, this connection is tested by employing structural equation modeling (SEM). Chapter 5 will connect values and socioemotional wealth to the performance of family firms, while Chapter 6 focuses on the influence of SEW on intrapreneurship and Innovation. Chapter 7 concludes the overall findings with a general discussion and future research implications.

Table 1: Integrated Studies

Authorship	Research Gap	Main Theoretical Concepts	Methodology and Sample	Publication Status	Contribution
Paper 1: Values as Antecedents of Socio-Emotional Wealth Behavior in Family Firms					
Philipp Julian Ruf, Petra M. Moog, Imanol Belausteguigoitia Rius	Lack of knowledge about the influence of values on family firms	Theory of basic human values, SEW	Qualitative case study with 7 cases	Published: <i>International Journal of Entrepreneurship and Small Business</i>	Theory & concept development, data collection, analysis & writing
Paper 2: Back to the Roots: Applying the Concept of Basic Human Values to Understand Family Firm Behavior					
Philipp Julian Ruf, Michael Graffius, Sven Wolff, Petra M. Moog, Birgit Felden	Connection between individual values and SEW	Theory of basic human values, SEW	Quantitative empirical: 1003 cases	Published: <i>Family Business Review</i> EURAM 2019: Best Paper of the Track Award	Theory & concept development, data collection, analysis & writing
Paper 3: How do family CEO's individual values and socio-emotional wealth influence the performance of family firms?					
Philipp Julian Ruf, Sven Wolff, Sabrina Schell, Michael Graffius, Petra M. Moog	Bridging the gap, how values of owner -managers subconsciously influences the performance of the firm	Theory of basic human values, SEW, UET	Quantitative empirical: 673 cases	Submitted: <i>Journal of family Business Strategy</i> Presented at: Academy of Management 2021 Awarded Best Paper Proceedings	Theory & concept development, data collection, analysis & writing
Paper 4: How Socioemotional Wealth Promotes Intrapreneurship in Family Firms					
Philipp Köhn, Philipp Julian Ruf, Petra M. Moog	Influence of Family and Values on Intrapreneurship	SEW, Corporate entrepreneurship	Qualitative case study with 17 cases	Conditionally accepted: Minor Revision <i>Journal of Family Business Strategy</i>	Theory & concept development, data collection, analysis & writing

2 Theoretical Background

In this chapter, I present a brief overview of the used theories, models, and concepts of this dissertation. Therefore, section 2.1 provides the reader with a general overview of the family business research stream and a working definition of family firms is presented. Afterwards, section 2.2 introduces the reader to the theory of basic human values by Schwartz (1992). Section 2.3 highlights the concept of socioemotional wealth (SEW) and its development. Section 2.4 briefly explains the foundation of the upper echelon theory being used in chapter 5. Section 2.5 further informs the reader about entrepreneurship, intrapreneurship, and innovation, especially relevant for chapter 6. For each topic, the development as well as a working definition is named.

2.1 Family Business Research

Family business research, even though it has overcome its liability of newness (Craig & Salvato, 2012; Payne, 2018), is still considered to be a rather “young” research field. This is rather surprising, as family firms already existed in ancient times, laying the foundation for trade and civilization (Bird et al., 2002, p. 338). Before the times of international conglomerates, family firms have been the driver of the industrial evolution (Hall, 1988) and to date, are still the backbone for many countries worldwide. Depending on the definition, up to 50 percent of operating firms in the United States (Vozikis et al., 2012) and more than 90 percent of the firms in Germany (Wolter & Sauer, 2017) can be classified as family firms. The rise of the family business research stream began around the 1990s, as a study showed, that family-owned firms might outperform their non-family-owned counterparts (Bird et al., 2002). Only few studies dealt explicitly with family firms beforehand, due to the strong similarities to small and medium-sized enterprises (Bird et al., 2002) and their complex interconnected structure between family, ownership and management (Tagiuri & Davis, 1996a). Further to that, it was hard to define a family firm, as no uniform classification existed. Handler (1989) said that: „Defining the family firm is the first and most obvious challenge facing family

business researchers” (Handler, 1989, p. 258). So far, no uniform definition could be established.

However, over time it became clear that family firms differ from their non-family counterparts following four criteria. The first and most obvious criteria is the control of the family of the firm. Barry (1975), stated that a family firm must be controlled by members of a single family. This definition includes publicly traded as well as privately held companies if the decision-making power resided within the hands of the owning family. The second criterion which has been installed, is the active involvement of the family in the management of the firm (Barnes & Hershon, 1976). Both criteria were extended and refined in future studies, such that Leach et al. (1990) formulated the following definition: “...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 Chua et al., 1999, p. 21). At later stages, Ward (1987) introduced the intention of family firm owners to hand over the business to the next generation. He named generational transfer as one of the major differences between family firms and non-family firms. The latest addition to the criteria is the involvement of the family firm and their influence on the culture and behavior of family firms. According to Litz (1995) a firm is a family firm only “to the extent that its members desire to increase intraorganizational family-based ownership and/or managerial control” (Litz, 1995, p. 77). This “familiness” has also been used in a first attempt to define family firms by using a scale by Astrachan et al (2002). The so-called F-PEC scale divided the definition of family firms into three different subscales, namely power, experience, and culture. This scale reflected the above-mentioned criteria by measuring the overall influence of the family by looking at the power of the family, mostly measuring voting rights and active involvement in the management. Experience measures the gained knowledge which a business family could gather throughout generations, and culture deals with the influence of family values and family-related goals (Rau et al., 2018).

Chua et al. (1999) use their study “Defining the family business by behavior”, one of the most cited publications within the family business research stream to date, to process all the different definitions and draw a conclusion. According to them, no single criteria is enough to determine, whether a firm is a family firm or not. They rather combine all the previously mentioned criteria to the following definition “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.” (Chua et al., 1999, p. 25). With their definition, they go beyond capturing different components which determine family firms. They want to capture the essence of a family firm, the involvement of the family, their intention to pursue a vision not only now, but potentially over generations to come. This is supported by their findings, as simple family involvement were weak predictors for e.g., succession intention, thus stating that it is “...dangerous to delineate the population of study by the components of family involvement alone...”(Chua et al., 1999, p. 35).

This cumulative dissertation follows in its entirety the definition of Chua et al. (1999). First and foremost, as the definition captures the essence of a family firm it is most suitable to pick while researching something like values and socioemotional wealth. Both concepts are deeply rooted within an individual and/or the family itself. As such it is crucial to choose a population where a very close connection between family and firm is present. Additionally, as the definition of Chua et al. (1999) is one of the most acknowledged and used definitions within the family business research stream, our results will be better comparable to other studies, thus increasing the relevance of our findings for the whole community and contribute to the ongoing research in family firms.

2.2 Human Values

Values have been a central focus of the psychological and sociological research field for decades. According to Wuthnow (2008) the study of values can be split into three different periods: While a rising interest could be observed between the

1950s and 1970s, a period where major conceptual theories paved the way for several important empirical studies, there was a period of retrenchment in between the 1970s and 1980s and the ongoing discussions were halted. However, especially throughout the 1990s, values in combination with other research fields made their comeback and new contributions to the interdisciplinary discussion were made (Wuthnow, 2008).

Especially throughout this first period of research, the foundation was built, which to date defines the definition and understanding of values. One of the earliest definitions is given by Kluckhohn (1951), who summarized and analyzed the word “value” over multiple disciplines such as e.g., economics, philosophy or sociology. According to him, value implies a certain standard or code, which persists over time. He defined value as: *“A value is a conception, explicit or implicit, distinctive of an individual or characteristic of a group, of the desirable which influences the selection from available modes, means, and ends of action.”* (Kluckhohn, 1951, p. 395). He furthermore states that values are ultimately a cultural construct and one can distinguish between personal, group and cultural values, even though personal values normally are a variation of group values. Nevertheless, in his work he already describes the very fact, that all cultures might have similar values as content giving space to the idea of universal values which span all people of the world (Kluckhohn, 1951). Based upon the work of Kluckhohn, Williams and many other sociologists, other definitions were established throughout the later times. England (1967) describes the value system of American managers, naming values a framework, in which people are bound to act and thus shape their behavior. Rokeach (1968b) used a more holistic approach and named values to *“transcendentally guide actions and judgements across specific objects and situations”* (Rokeach, 1968b, p. 160). Ryff (1989) Diener (1984) explained, that values help to understand the psychological well-being of individuals, as well as their behavior. Thus, in general research agreed upon, that values are inherent to individuals, groups, or complete social entities. Values affect the behavior and form a framework or guideline in which an individual, a group or a social entity is most likely to act. Values vary according to cultural differences but to a certain extend are built upon a universal common ground.

This idea is summarized and expanded by Schwartz (1994). According to him, values feature five distinguished features: “*A value is a (1) belief (2) pertaining to desirable end states or modes of conduct, that (3) transcends specific situations, (4) guides selection or evaluation of behavior, people, and events, and (5) is ordered by importance relative to other values to form a system of value priorities*” (Schwartz, 1994, p. 20). He furthermore states, that values are “*desirable transsituational goals, varying in importance, that serve as guiding principles in the life of a person or other social entity...*”, “*can motivate action – giving it direction and emotional intensity...*” and “*are acquired through socialization to dominant group values and through the unique learning experiences of individuals*” (Schwartz, 1994, p. 21). According to him, values are an absolute necessity to individuals and society alike, as they represent the needs of individual biological organisms, coordinate social interaction and are responsible for the smooth functioning and the survival of groups.

Furthermore, he was one of the first researchers who proposed, based upon the work of Rokeach (1968b) a conceptual framework and categorization of the values he identified as “universal values”. By employing a meta-analysis, he identified universal values and clustered them in ten distinctive values, present in all humanity. However, the validation, that these values are present in every culture around the world was not possible. His empirical evidence however shows, that especially in the western hemisphere, these values do in fact represent the value construct of people. The distinctive values, exemplary values and the most common source of these values are presented in Table 2. An 11th distinctive value, spirituality, is not classified in this representation as it could not be recognized in every culture across the globe. Therefore, spirituality as such is also excluded in the further work of this dissertation.

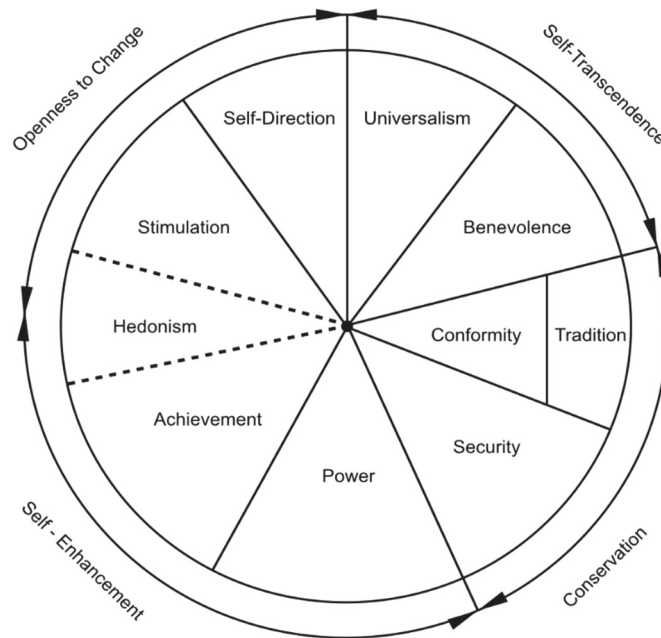
Table 2: Motivational Types of Values

Distinctive Value	Exemplary Values	Source
Power:	Social power, authority	2. Interaction 3. Group
Achievement:	Personal success	2. Interaction 3. Group
Hedonism:	Enjoying life	1. Organism
Self-direction:	Creativity, independence	1. Organism 2. interaction
Stimulation:	Excitement, varied life	1. Organism
Universalism:	Social justice, equality	1. Organism 3. Group
Benevolence:	Helpfulness, Honesty	1. Organism 2. Interaction
Tradition:	Humble, respect,	3. Group
Conformity:	Politeness, obedience	2. Interaction 3. Group
Security:	Social order, harmony	1. Organism 2. Interaction 3. Group

Source: Own representation based on (Schwartz, 1994)

Another pioneering work of Schwartz (1994) going beyond the categorization is the connection of values among themselves. Thus, he clustered the ten distinctive values even further and developed the “Theoretical Model of Relations among Motivational Types of Values higher Order Value Types, and Bipolar Value Dimensions” (Figure 2). The higher-order values are (1) openness to change, (2) self-enhancement, (3) self-transcendence and (4) conservation.

Figure 2: Theoretical Model of Relations among Motivational Types of Values higher Order Value Types, and Bipolar Value Dimensions



Source: Own representation based on Schwartz (1994).

An often-misunderstood fact is, that these values do exist next to each other. This means that every person does have certain values of e.g., power, stimulation, benevolence, security, and tradition. However, according to Schwartz (1994) these values differ in their importance and form a certain hierarchical order within the person. Thus, certain values are stronger and expressed more openly than others. In addition to that, certain values oppose others. E.g. People who value Power very highly will most likely have a lower emphasis on universalism values, as focusing on one's own personal success, while taking care of your immediate environment and the general society is difficult (not impossible). These opposing value categories are named bipolar value dimensions. Self-enhancement and self-transcendence values oppose each other, as well as conservation and openness to change values.

Due to the fact, that all the research projects have been performed in Germany, and the universal values of Schwartz (1994) have been shown to adequately represent

the value construct of western countries, it is reasonable to adapt and use his research as a basis to understand how values influence the behavior and decision-making in family firms.

2.3 Socioemotional Wealth

The concept of Socioemotional wealth (SEW) was introduced by Gómez-Mejía, Haynes Nuñez-Nickel, Jacobsen, and Moyano Fuentes in 2007 to understand the often-contradicting family firm behavior. According to them, family firms are not attempting to maximize financial profits, but also try to increase their non-economic utility which they derive from their business, namely called SEW or affective endowment. Since its introduction, SEW has gained an enormous momentum, and is nowadays the most frequently used framework with more than 700 peer-reviewed articles published (Jiang et al., 2018). Even though, there is a mass of published articles, the exact definition of SEW is still blurred (Brigham & Payne, 2019). Even though the general agreement, that SEW is the “affective endowments of family owners” (Gómez-Mejía et al., 2011, p. 654) there is no common construct in place on how to measure and use SEW, yet.

SEW is based upon the behavioral agency model (Wiseman & Gómez-Mejía, 1998), agency theory (Akerlof, 1970) and prospect theory (Kahneman & Tversky, 1979) and theorizes to influence goals and outcomes of a family firm, by influencing the behavior of the deciding family members. Thus, it captures the essence of the often talked about difference, between family firms and non-family firms (Berrone et al., 2012). The rapid adaption within the family business research community is according to Jiang et al. (2018) due to the ability of SEW to: “(1) *decouple nonfinancial goals from the affective benefits they provide and (2) argue for psychologically shifting reference points in ways consistent with prospect theoretical arguments (Kahneman & Tversky, 1979), which can therefore explain (3) different behaviors and outcomes in terms of nonfinancial (e.g., social and emotional) factors that are important to family owners (Berrone et al., 2012; Chua et al., 2015; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015)*” (Jiang et al., 2018, pp. 125–126). As such, the loss and/or gain of SEW serves

family members as a conscious or unconscious guideline for policies and decision-making (Berrone et al., 2012). In accordance with the behavioral agency model, family members will always make strategic decisions which avoid threat to their SEW, thus prioritizing SEW loss over financial loss (Berrone et al., 2012). Soon after its first introduction, SEW saw its first developments and was acknowledged by multiple authors, to be a multidimensional construct (Berrone et al., 2012; Debicki et al., 2016; Gómez-Mejía et al., 2007). The first authors who developed a scale to grasp and measure SEW were Berrone et al. (2012), introducing the FIBER scale. Up until now, two other measurement tools have been developed. In 2016, Debicki et al. (2016) developed and introduced the socioemotional wealth importance scale (SEWi) focusing on measuring the importance of SEW to family members and managers of a firm. In the same year, Hauck et al. (2016) introduced the REI scale, which is a methodological reduction of Berrone et al.'s FIBER scale. For this dissertation, the originally developed scale from Berrone et al. is used. This is done due to the fact, that the FIBER scale is named to be the most inclusive scale to date and was already tested once by Filser et al. (2018). The FIBER scale consists of 5 different dimensions.

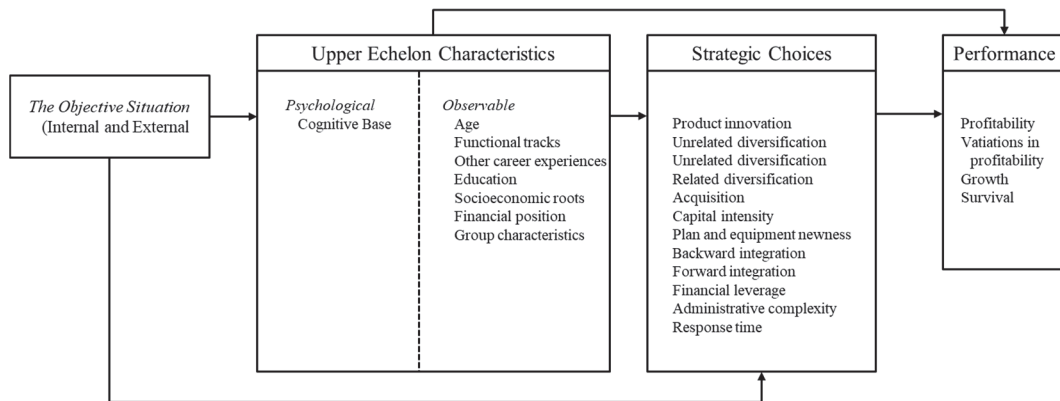
Family Control and Influence (F) represents the desire of relatives to protect their control over the family firm (Berrone, Cruz, and Gómez-Mejía, 2012a). One of the fundamental characteristics of family firms is the way that families control strategic decisions (Chua et al., 1999; Schulze et al., 2003). Staying in control is thus a focal point for the family even passing on financial gains to preserve their SEW (Gómez-Mejía et al., 2007). **Identification of family members with the firm (I)** describes the often mentioned, direct connection and identification between a family and their family firm, leading to the so-called family firm identity (Berrone et al., 2010; Dyer & Whetten, 2006; Zellweger et al., 2010). This is, next to other aspects, often exhibited by the name of the family being the name of the firm as well (Berrone et al., 2012). The **emotional attachment of family members (E)** refers to the unique relationship of a family and its family firm. The firm oftentimes becomes the focal point of attention for all family members over a very long period of time, becoming part of the family's history (Felden et al., 2016; Gersick et al., 1997). This shared knowledge about events creates a unique bond whereas an emotional bond to the

firm is created (Eddleston & Kellermanns, 2007; Tagiuri & Davis, 1996b). **Binding social ties (B)** stands for the communication and relationships of a family firm to its share- and stakeholders. While they have been observed to be the strongest in between the family, employees and suppliers oftentimes are deeply intertwined with a family firm, their family and the growth of the enterprise (Uhlaner, 2006). It has also been suggested, that this behavior strengthens the identification of employees with the family firm (Miller & Le Breton-Miller, 2005a). Last, the dimension **renewal of family bonds (R)** describes one of the main differentiation points between family firms and non-family firms. Succession, and the resulting long-term orientation is a fundamental issue in the life cycle of family firms and explains the need of owner-managers, to hand over a healthy business to the next generation (Zellweger, Kellermanns, Chrisman, et al., 2012; Zellweger & Astrachan, 2008).

2.4 Upper Echelon Theory

According to Hambrick and Mason (1984), a key question of organizational theorists is: “Why do organizations act as they do?” (Hambrick & Mason, 1984, p. 193). While previous research focused strongly on techno-economic factors, Hambrick and Mason try to shift the attention back a more macro-organizational perspective, focusing on the leaders, or top-managers, of an organization. Their underlying motivation is to prove, that the values and the cognitive base of these people do influence strategies and thus the effectiveness of an organization. Thus, focusing on the upper echelons of a firm might as well help to understand behavior and outcomes of the firm itself. They thus developed, based upon previous models of strategic choices under the condition of bounded rationality, the upper Echelons perspective of organizations (Figure 3).

Figure 3: An Upper Echelons Perspective of Organizations



Source: Own representation based on Hambrick (1984).

According to their model and of course, dependent on the situation, the upper echelon characteristics of a person, both, the observable as well as the psychological, directly influence their strategic choices and thus the performance of a firm. Further to that, they influence the culture, the employees, and ultimately the core of an organization.

2.5 Entrepreneurship and Intrapreneurship

Entrepreneurship is nowadays, one of the most heavily discussed topics within the economic- and business administration research fields. While it is commonly acknowledged, that Richard Cantillon (1755) is most likely the first to mention that an entrepreneur is a person who is taking risks to earn a profit, thus contributing to the economy, the concept itself has been discussed and refined over more than two centuries (Long, 1983). With Knight (1921), the importance of information and environment was taken into account. According to his definition, an entrepreneur is an individual with an information gap and limited resources, who is willing to take opportunities in this environment, as long as the necessary risks are favourable. Schumpeter (1934) did not only look at the entrepreneur him- or herself, but also at the outcome of the endeavour. While to that stage, entrepreneurship was always about certain risks and the uncertainty of the environment, he looked at the process of on how or what entrepreneurship is doing, or not doing. How could resources be combined to create new products, processes or even organizational forms. He was

the first to speak about the famous “creative destruction”, a term which is still used to date when talking about entrepreneurs and entrepreneurship. According to him, an entrepreneur and entrepreneurship, creates new products or technology, which discontinue the currently used, thus creating a disruption in the market. Entrepreneurship is the foundation of a business cycle and innovation the disruptive technology, service or production method. He was also the first who separated the entrepreneur from the risk, as according to him, the financier of the project is taking the risk, while the entrepreneur is the creative head. Thus, an entrepreneur to him was not someone driven by an economic benefit. Gartner (1990), in writing an article about the definitions of entrepreneurship, states that the main attributes of an entrepreneurial process include the creation of a new business venture, which adds value and includes the creation of products and services using resources and exploiting an opportunity. In conclusion, the concept of entrepreneurship is always connected to at least four different dimensions. The first dimension includes the creation of something, new, something which has not been in existence yet. Second, it happens in an uncertain environment and is third, done by either an individual or a group to, fourth, achieve some monetary, personal or universal incentive. This understanding of entrepreneurship, based upon Gartner (1990) will also be used in this dissertation as it offers a more holistic understanding of entrepreneurship in general.

Intrapreneurship is considered a branch of entrepreneurship research, and a combination of the words intracorporate and entrepreneurship (Pinchot, 1985). It is defined as “...*entrepreneurship within existing organizations...*” (Antoncic & Hisrich, 2001, p. 498) and refers to an employees’ intrinsic motivation to contribute to a firm’s success (Parker, 2011), by pursuing opportunities by himself (Stevenson & Jarillo, 1990). Intrapreneurship is often also labeled as corporate entrepreneurship or entrepreneurial orientation (Zahra, 1991). However, while the other two concepts include multiple variables measuring the innovation output of a company, intrapreneurship mainly focuses on the employee and his or her activities within the firm. As this dissertation looks at the effect of values of the owner-manager and/or the owning family and its effect on the innovative outcomes of employees, the focus will be placed on the concept of intrapreneurship.

3 Values as Antecedents of Socio-Emotional Wealth Behavior in Family Firms

Philipp Julian Ruf, Petra Moog and Imanol Belausteguigoitia Rius

Abstract

Research has shown that family firms differ from their nonfamily counterparts in terms of strategic behavior. Socio-emotional wealth (SEW) is a homegrown theory in this context explaining differences in decision-making by acknowledging the unique connection between a family and their business. This paper contributes to the ongoing research related to the theory of socio-emotional wealth by investigating individual, family and family business values as antecedents and underlying motivators for SEW behavior, influencing strategic decision-making in family firms, directly and as a mediator via SEW. A qualitative study was performed to analyze this connection and the effects on strategic decisions made in family firms. The outcomes show that individual and collective family values are the main drivers of SEW behavior, changing over time and leading to a different focus on the dimensions of SEW, which is then represented in the strategic decisions made in the family business.

Keywords: family business, socio-emotional wealth (SEW), values, decision-making, strategy

3.1 Introduction

Even though research within the family business field has significantly grown over the last few years, many aspects are still unknown or scarcely explained by existent paradigms. Berrone et al. (2012) stated that *“much remains to be done, and the core issues that are unique to family firms (most of which are nonfinancial in nature) are at best tangential in these formulations”* (Berrone et al., 2012, p. 258). They point out that many phenomena remain and cannot be explained by existing economic theories, even though a new “homegrown” theoretical approach that is deeply rooted in the behavioral economics, called the socio-emotional wealth (SEW) model, was introduced by Gómez-Mejía et al. in 2007. SEW builds on previous research that family-owned businesses (FOBs) differ from their nonfamily counterparts by their higher interest in sustainable and long-term development, continuity in the relation towards employees, long-lasting relationships with customers and suppliers and altruistic behavior in a local context (Chrisman, Chua, & Sharma, 2005; Cooper, Upton, & Seaman, 2005; Dawson & Mussolino, 2014; Jaskiewicz, Heinrichs, Rau, & Reay, 2016). Gómez-Mejía et al. (2010) stated that the underlying assumption of the SEW model *“is that the ability to maintain SEW is a major factor in the decision-making process of family firms”* (Gómez-Mejía et al., 2010, p. 245) and thus a strong driver of the FOBs’ future. Due to this, and the strong roots in behavioral agency theory, it has been mentioned that family firms try to avoid potential losses, thus making strategic decisions that are often not based solely on rational decision-making. In fact, the behavior shows a strong wish to retain an influence on the family business at all costs, valuing identification with the FOB higher than short-term profits or selling the business for a good price (Berrone et al., 2010; Gómez-Mejía et al., 2007; Zellweger et al., 2010) is typical of SEW behavior and can be seen as a driver for decision-making in FOBs.

In measuring SEW behavior (Berrone et al., 2012; Gómez-Mejía et al., 2007), it becomes obvious that there are underlying dimensions and drivers related to SEW behavior and strategic decision-making in FOBs. Zellweger et al. (2011) discussed the transgenerational thinking of families as one of the central aspects of SEW behavior. Berrone et al. (2012) mentioned that a strong and close relation with local

communities drives the behavior of social binding in SEW to gain and retain a reputation in this context. However, observing this kind of SEW behavior does not explain why family members and their FOBs act in this way.

In this vein of research, Berrone, Cruz, & Gómez-Mejía (2012), as well as Chua, Chrisman, & Sharma (1999) and Sorenson, Goodpaster, Hedberg, & Yu (2009), assumed that SEW behavior could be driven by the underlying values of the family, which might change over time. This, however, is yet to be proven empirically.

Therefore, the authors in this study want to know more about the underlying motivation of this SEW behavior. As far as we understand the current literature, several questions remain unanswered in this context. This includes the why, how long and who is the promoter of this SEW behavior and, in a later stage, the decision-making. Reflecting the current family business literature, another theoretical approach attracted our focus to shed more light into this black box: values in family firms (Koiranen, 2002). As will be explained in the literature and theory section, we see many connections between the values of individual family members imported into the FOBs and the SEW behavior, arguing that values are the trigger to act and decide in the vein of SEW. As the abovementioned statements of Zellweger et al. (2012) and Berrone et al. (2012) show, there seems to exist a close connection of measuring SEW behavior by the FIBER scale and the values as antecedents, such as longevity, responsibility, or tradition.

Beyond these first clues to the connection of values and SEW behavior, research on individual family members' values embedded as values of the FOB is scarce. To date, the research focus has not been placed upon the impact of values on the dimensions of SEW, the change over time and or the effect of these values on the decision-making process, even though the significance of the values in FOBs as a field of research has undergone remarkable growth in the international academia during recent decades (Tàpies & Fernández Moya, 2012). However, there remains also a lack of empirical and conceptual research in this field as stated by Koiranen (2002): *"Family business values are widely discussed in previous writings, but often without sufficient empirical evidence"* (Koiranen, 2002, p. 176). Therefore, many open questions remain, namely: are these values differentiated on an

individual or accumulated family and group level? How do these values evolve on an individual or family level? How will they develop over generations? (Braithwaite & Scott, 1991). With this paper, we make an effort to connect these dots, and we will present a holistic model that shows the relations between these values, SEW behavior and the decision-making.

Thus, the goal of this paper is a contribution to the ongoing discussion by investigating values as antecedents of strategic SEW behavior including the personal involvement of family members as owners and/or managers in FOBs through their individual and family values. Finally, we want to present first insights about how this impact is changing over time, mostly influenced by the individual values of the family members. We therefore ask the following research questions: *“How are values connected to SEW, what influences these values, how do they affect SEW and decision-making, and do they change over time?”* We think that this research is of major scientific and practical relevance. As already stated by De Massis & Kotlar (2014), little is known about how values will have a concrete impact on the strategic leadership and decision-making of the individual family members as business owners. With this research, we aim to fill this gap in the current literature. In addition, a still-unanswered question in family business research is, *“How these values on the different levels mentioned, might change over time and thus their effects on SEW behavior and decision-making?”* To gain insights into all these questions is of significant practical relevance as the negative case of a family business and its lack of individual and FOB values shows. A perfect negative example in the case of a family business and their lack of individual and FOB values is the Schlecker group, situated in Germany. It is a prime example of neglecting ethical values, finally resulting in the liquidation of the company (Felden & Hack, 2014). Other, positive examples, such as Beckhoff GmbH & Co. KG or Miele & Cie. KG, also German FOBs, are highly innovative, sustainable and rated every year as best employers (The Economist, 2012).

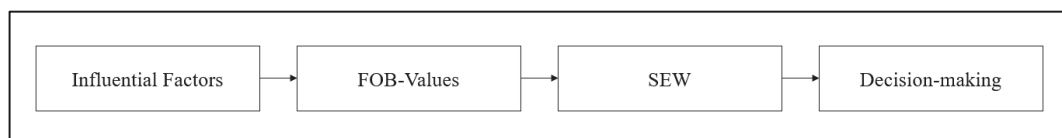
This research is based on a qualitative, explorative case study based on expert interviews as the main source of information. Seven FOBs within the German manufacturing industry were carefully chosen as samples and interviews performed

with their respective owner-managers. The paper will first introduce the reader to the theoretical concepts of values and SEW and their influence on the decision-making process. The following methodology section will provide a detailed explanation of the methods and tools used. The paper will then present the main findings and will conclude with further implications for research and practice. Our main findings show that certain values are the primary driver of the FIBER dimensions, such as benevolence for the FIBER dimension “binding social ties”. The values that we investigated seemed to change with the size of the company, whereas the focus was placed in the beginning on more individually focused values, caring mostly for yourself and your family, while later emphasis included caring for employees and even communities, showing an increased external focus.

3.2 Theoretical Background

To display the connection of values, SEW and the decision-making process in family businesses, we will follow a linear approach (Figure 4) by first describing who influences the values in a FOB. We then investigate the values within the business and their interconnectedness with the SEW dimensions and, finally, the decisions influenced by these values and SEW dimensions. The following graph shows what kind of assumed relation we will investigate.

Figure 4: Linear Model of assumed Relations in between Values, SEW and Decision-Making



Source: own representation

FOBs can have weaknesses or disadvantages compared to nonfamily firms, because of the obvious influence of the family on the business (P. Davis, 1983). These are, for example, rivalry between family members (Chua et al., 1999; De Clercq & Belausteguigoitia, 2015), sometimes less professionalization (Duh et al., 2010), restricted entrepreneurial behavior (Barroso et al., 2016), and a lack of growth, financing, and management capacities (Malone & Jenster, 1992). On the other hand,

family businesses can have certain strengths or possible advantages. Examples are, compared to others, a long-term orientation (Colli, 2012), close family relations, a focus on traditions, sustainability and loyalty (Aronoff & Ward, 2011; Boyd, 2010), high motivation (De Massis, Kotlar, & Cassia, 2013; Zellweger et al., 2010) and strong private networks (Bjuggren & Sund, 2002). Furthermore, they show high innovation potential (Moog & Witt, 2013), a stable financing structure (Tàpies & Ward, 2008), fast decision-making (Tagiuri & Davis, 1996a), a healthy business culture (Denison et al., 2004) and a high level of trust (Duh et al., 2010).

Many of these weaknesses, and especially the strengths, are directly connected to the values of family businesses (Blodgett et al., 2011; Distelberg & Blow, 2010; Klein, 2007; Tàpies & Fernández Moya, 2012). Strong values have the potential to secure the survival of the business and strengthen continuity (Tàpies & Fernández Moya, 2012). They can be seen as the glue keeping the family and business together, which is also true over generations (Aronoff, 2004; Aronoff & Ward, 2011). Additionally, values can inspire people (Aronoff & Ward, 2011), influence family cohesion (Cabrera-Suárez et al., 2014), shape a common vision (Hubler, 2009) and shape strategy and investments of family businesses (Carlock & Ward, 2010). They can prevent conflicts (Duh et al., 2010), increase performance (Blodgett et al., 2011; Denison et al., 2004; Koiranen, 2002) and reflect the culture of family firms (Niemelä, 2004).

Generally, values can be understood as systems of guiding principles (Schwartz, 1992; Simon et al., 2012), ethical codes and norms (Aronoff & Ward, 2011; Tàpies & Ward, 2008) that determine the goals of individuals and groups (Dyer, 1987; Koiranen, 2002; Peterson & Distelberg, 2011). In a firm, values often serve as norms or guidelines to establish stability, corporate identity or culture, and social structure within the company (Duh et al., 2010). While Rokeach (1968) identified values as global beliefs that “*transcendentally guide actions and judgements across specific objects and situations*” (Rokeach, 1968b, p. 160), Posner and Schmidt (1996) state that values are “*at the core of personality, influencing the choices individuals make, ...and the way individuals and organizations alike invest their energy*” (Posner & Schmidt, 1996, p. 277). This means that values can be applied

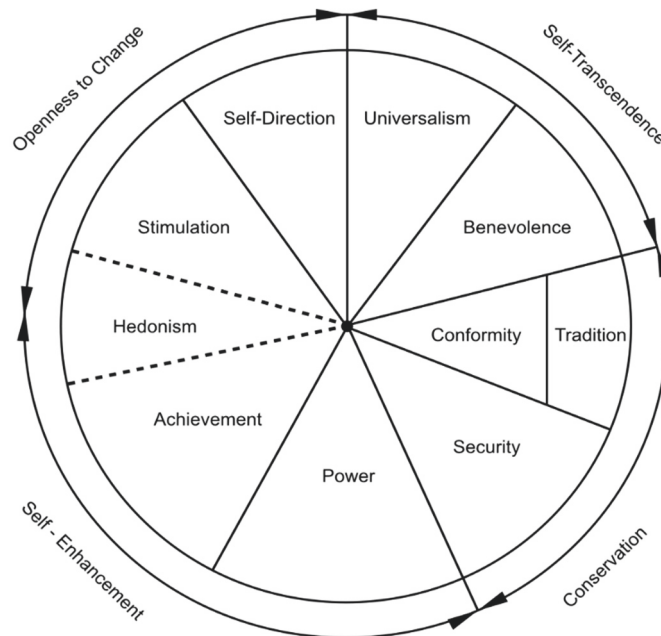
on an individual level or globally, to a group, organization or social entity. In the specific case of family businesses, the level of values can be investigated on an individual, family or business level (Koiranen, 2002). In this paper, we follow this idea.

The values of FOBs on a company level are strongly influenced by the founders and family leaders (Guth & Tagiuri, 1965; Klein, 2007) because of their strong position within the business and the family alike (Duh et al., 2010). In 2002, Koiranen investigated the values of Finnish FOBs and concluded, that the five highest ranking values are namely, honesty, credibility, obeying the law, quality (in products and activities) and hardworking. Mentionable is as well that respectability, service mindedness and responsibility were present in the top ten of values. The family business values are often rooted in history, tradition (Aronoff & Ward, 2011), personal development (Tàpies & Ward, 2008), and external influences (Sánchez-Medina & Díaz-Pichardo, 2017). While FOBs are likely to have a unique value-set compared to non-family firms (Blodgett et al., 2011), a separation of family and business values is not always possible (Tàpies Lloret & Ward, 2008; Ward, 1997) as these values are often overlapping with the values of the founder (Denison et al., 2004) and the owning family (Distelberg & Sorenson, 2009; Fitzgerald et al., 2010).

Therefore, it is necessary to investigate the value sets of individuals. These values can also be very heterogeneous (García-Álvarez & López-Sintas, 2001; Tàpies & Ward, 2008). Schwartz (1992) attempted to find personal/individual values that transcend time and culture, identifying 56 types of universal personal values. He further narrowed them down to form ten distinctive value categories, which aggregate the 56 personal values (

Table 3). These distinctive values will also be used in our study to categorise the elaborated values found in our interviews. Schwartz (1992) further arranged those values in a model (Figure 5), whereas values that might oppose each other are displayed on opposite sites and categorised under four ‘value dimensions’, which are: 1. openness to change, 2. self-transcendence, 3. conservation and 4. self-enhancement.

Figure 5: Theoretical Model of Relations among Motivational Types of Values, Higher-order Value Types, and Bipolar Value Dimensions



Source: Own representation based on (Schwartz, 1994)

Those individual values are often embedded by socialization in early childhood, especially by the parents (Whitbeck & Gecas, 1988) and usually the family (Klein, 2007), who are living and demonstrating values in showing certain behaviors (Tàpies & Ward, 2008). Other sources are the occupation, the education and cultural subgroups including religious or community beliefs (Hitlin & Piliavin, 2004; Hoge et al., 1982).

Keeping in mind the mentioned influence of values on a family business, and looking at SEW behavior, some kind of connection could be supposed, on which we will elaborate shortly. We follow the recent definition of Debicki et al. (2016) that SEW is “*the array of non-financial benefits specifically associated with the well-being and affective needs of family members that are derived from operating a business enterprise*” (Debicki et al., 2016, p. 48). SEW theory argues that the main driver of family owners is the ambition to preserve this SEW. A potential decline in SEW is seen by the managing family as a great loss and thus, is tried to be avoided by all means.

Table 3: Motivational Values

<i>Distinctive Value</i>	<i>Exemplary Values</i>	<i>Source</i>
Power:	Social power, authority	2. Interaction 3. Group
Achievement:	Personal success	2. Interaction 3. Group
Hedonism:	Enjoying life	1. Organism
Self-direction:	Creativity, independence	1. Organism 2. interaction
Stimulation:	Excitement, varied life	1. Organism
Universalism:	Social justice, equality	1. Organism 3. Group
Benevolence:	Helpfulness, Honesty	1. Organism 2. Interaction
Tradition:	Humble, respect,	3. Group
Conformity:	Politeness, obedience	2. Interaction 3. Group
Security:	Social order, harmony	1. Organism 2. Interaction 3. Group

Source: Own representation based on (Schwartz, 1994)

Including the prospect theory of Khanemann and Tversky (1979), it is argued, that while potential gains in SEW lead to risk-seeking behavior, potential losses of SEW lead to risk-averse behavior in decision-making by the owning family (Kahneman & Tversky, 1979). To measure SEW, Berrone et al. (2012) developed the FIBER model, wherein 5 different dimensions are used to describe SEW as a multidimensional construct. FIBER hereby stands for the following 5 points.

1. Family control and influence, 2. Identification of family members with the firm, 3. Binding social ties, 4. Emotional attachment of family members, and 5. Renewal of family bonds to the firm through dynastic succession (Berrone et al., 2012).

While SEW as a means to govern the family business is often associated with negative financial performance (Debicki et al., 2016), it was also shown that multiple advantages are derived from decision-making based upon SEW. These are, namely, the ability to make decisions fast and in an unorthodox way, support and acceptance by local communities, giving the family a sense of self-identity, enhancing the family image, and harmony and building of a family dynasty (Gómez-Mejía et al., 2007, 2010; Jones et al., 2008). Here, we already see our first

clear connection to values in the form of their preservation over time. However, we have already described values as being the “glue” keeping the family together and the advantage of giving family members a sense of self-identity, which shows a strong resemblance to the second dimension of the FIBER scale. Values were said to help with business continuity, which resembles the building of a family dynasty and the fifth dimension of the FIBER scale. Values were also said to reflect the culture of a family firm and shape a common vision, which resembles the first FIBER dimension. These examples show that our assumption about values driving SEW behavior is supported (Berrone et al., 2012; Chua et al., 1999; Sorenson et al., 2009). SEW theory argues that the main driver of family owners is the ambition to preserve this SEW, and in fact *“that the ability to maintain SEW is a major factor in the decision-making process of family firms”* (Gómez-Mejía et al., 2010, p. 20). SEW and values are directly linked to decision-making in family firms. In connection with the prospect theory of Kahneman and Tversky (1979), it becomes clear that family owners might be more concerned about the loss of SEW than the loss of financial profits, for example, and thus the loss of SEW is a primary driver of FOBs’ strategic behavior (Chrisman & Patel, 2012). They are committed to the mentioned nonfinancial aspects, which is reflected in strategic choices and company policies. Strategic management of FOBs and non-FOBs is much alike. The process of goal formulation, strategy formulation, implementation and evaluation and control stays much the same (Sharma et al., 1997). Within this process, however, FOBs often differ, as the most influential factor on the strategic decision-making is the owner-family (Harris et al., 1994), and the goals are not solely business goals but reflect the family goals as well (Sharma et al., 1997). Sharma et al. (1997) state that family interests and values are incorporated in goal-setting and validation of those goals. Strategic goals of family businesses were researched long ago by Tagiuri and Davis in 1992. Their outcomes showed that happy, productive and proud employees with high job security, high-quality products, personal growth, social advancement, financial security and good corporate citizenship are the main objectives of the FOB owner (Tagiuri & Davis, 1996a). Here again we can see a strong resemblance between goals, values and

SEW dimensions, as some of these goals are objectively, but not perfectly, compatible with rational financially focused decision-making.

A good example of this irrational behavior and strategic decision-making based upon SEW and values is the study executed by Gomez-Mejia et al., who investigated the behavior of Spanish oil mills in 2007. While having the opportunity to join a co-op and benefiting from a much bigger network, they decided to decline this financially beneficial offer and rather maintain the family influence and control. This example, however, can be linked not only to SEW but also to the values tradition, continuity and power often found in FOBs. While the connection of values to SEW and thus to the decision-making process is often mentioned in the literature, investigation of the phenomena is yet to be done. It is this gap in the literature that we will try to close and that motivates this paper.

3.3 Methodology

3.3.1 Research Design

For this research, a case study design was chosen and performed according to Yin (2014). Eisenhardt also states that case studies help in “*understanding the dynamics present within single settings*” (Eisenhardt, 1989b, p. 533), which is especially relevant as family businesses are distinguishably different to other companies due to their two-level system of family and business (Tagiuri & Davis, 1996a). De Massis and Kotlar (2014) state that case study design is suitable to use if an understanding of organizational dynamics or social process is the focus. As values are often deeply embedded within a person or company and only visible through social interaction, and we do not know yet of values that influence SEW, a qualitative case study design is the most suitable research design to answer our research question.

3.3.2 Sample

The field of FOB research is one of the most heterogeneous fields (Zellweger, Kellermanns, Chrisman, et al., 2012). This is expressed by, the size of the FOB, the age (from first and second generations up to multigenerational), differences in the

shareholder or governance structures (Melin & Nordqvist, 2007) or the degree of professionalization (Martos, 2007). It is of utmost importance to clearly define what we understand as an FOB in this context from the very beginning. We use the mainly named and discussed four principles in the literature to decide whether to define a business as an FOB: Ownership (Barry, 1975; Lansberg et al., 1988), management (Barnes & Hershon, 1976), generational thinking (Ward, 1987) and the influence of the family on the business (Litz, 1995). Thus, following the definition of (Chua et al., 1999), we will focus on companies where the family holds more than 50 percent of the voting shares, at least one family member is in top-tier management, the business is in at least the second generation and the family holds significant influence over the business. While we are not able to cover the whole heterogeneity of FOB research with this definition, we think it is the most suitable definition from which to investigate the influence of the values of the family members on the business itself, as a strong relation between the family and the company is still in place due to the majority ownership of shares and family members being in a leadership position. In addition, most of the family businesses in Germany and in other countries fall under this definition.

De Massis and Kotlar (2014) encouraged having this diversity reflected in the case studies used (De Massis & Kotlar, 2014). Therefore, the companies in this study have been chosen purposively. The overall population from which the sample was taken includes all FOBs within the German manufacturing industry because it is in this industry that most of the family businesses in Germany are rooted and located, and they reflect the typical German family businesses. The sampling was done according to nonprobability purposive sampling as it allows selecting samples with particular characteristics crucial to the case study performed (Saunders et al., 2009). Multiple cases were selected to establish a better base for theory building and explanation (De Massis & Kotlar, 2014). It is possible and desirable to compare each case against another, as it helps to distinguish whether a certain phenomenon is unique to one case or can be replicated across several cases (Eisenhardt & Graebner, 2007). According to the abovementioned theoretical framework, we included seven German FOBs. We focused on obtaining a heterogenous sample to get a broader understanding of the diversity of family businesses while being able

to compare the cases against each other in the same industry setting. The heterogeneity was achieved by choosing companies with different sizes and products within the manufacturing industry. We chose the manufacturing industry because most of the multigenerational family businesses in Germany stem from this context; thus, they represent quite well the landscape of typical German family businesses. Furthermore, we interviewed only family owner-managed companies, because we think that choosing those companies where family members own and manage a family firm is the best way to gain deeper insight into how values at an individual or family level affect the values in the family firm and the firm's strategic decision-making and SEW behavior. Moreover, we think that starting with this kind of pure family business structure can deliver first insights about the assumed interconnection of values, SEWs and decisions. In addition, these first insights into the mainstream family business's other relations can be elaborated on in a next step, i.e., focusing on mixed teams in leadership positions (family internal and external managers) or situations where the ownership is more divided or where the ownership is 100 percent in family hands but the management is external to the family.

The questioned interviewees had to fulfil three different requirements that were considered extremely important to this study. First, they needed to be actively involved in the decision-making process of the family firm, as otherwise the influence of values on the decision-making process cannot be researched. Second, the interviewee had to be a part of the family, and third, they needed to be either in possession of equity shares or in a direct line to inherit equity shares. All facts combined left us with either the current owner-manager of the FOB or a potential successor already involved in the decision-making and management of the FOB.

Table 4 gives an overview of the seven cases. In total, three successors and four owner/managers of the respective businesses were interviewed.

Table 4: Overview Cases

#	Product	Interviewee	Employees	Years in existence	Generation	Country code
msc_1	Engineering	Owner/Manager/Family member	10-12	34	2	BW
msc_2	Beverage manufacturer	Successor/Advisor/Family member	10-12	168	3	NI
msc_3	Tape manufacturer	Owner/Family Manager	6-8	39	2	NRW
msc_4	Steel processing	Owner/Manager/Family Manager	50-60	166	4	NRW
msc_5	Plastics manufacturer	Successor/Manager/Family member	240-260	40	2	BW
msc_6	Engineering	Successor/Manager/Family Manager	240-260	31	2	BW
msc_7	Plastic tubing manufacturer	Owner/manager/Family member	550-600	45	2	NRW

Source: Own representation

3.3.3 Data Collection

According to Yin (2014), interviews hold the advantage of gathering insightful and targeted information. They focus directly on the topic of the case study and *provide “explanations as well as personal views (e.g., perceptions, attitudes and meanings)”* (Yin, 2014, p. 106). The websites, as well as the archives, in several cases, included important information on the topic and were used in conjunction with the interviews. Flick (2009) also mentions that qualitative research, and especially interviews, are specifically related to social science and its study (Flick, 2009). As values are fostered and shaped by interpersonal relationships, interviews are particularly fitting to research these phenomena. Special attention was placed on creating the interview guidelines. Gioia et al. (2012) mentioned that it is extremely important to focus the question on the main research questions, and related topics need to be anticipated beforehand. We performed the interviews between August 2017 and September 2017. The interviewees were approached via their respective personal assistants. As all of the interviewees held executive

positions within their business, time was rather limited. Therefore, general information was gathered up front to extend the time of the respective interviews. Each interviewee was informed up front about the topic and respective themes. The direct interview questions, however, were held back to reduce the possibility of preparation. This was done to ensure answers were not memorized or planned but rather reflected the actual thoughts of the respondent. Ahead of each interview, the interviewee gathered and analyzed the available business documents, websites, and products relevant to the topic. This gave the researcher the opportunity to become familiar with the company, and above all, these sources were used as secondary data and integrated into the study. This procedure ensured a certain construct validity (De Massis et al., 2015). The interviews were constructed as semi-structured in-depth interviews. The average interview time was 36 minutes. The storage of all information was done for each case individually and can be accessed upon request to ensure reliability, to avoid the typical pitfalls of qualitative researchers and the failure to establish a “*chain of evidence*” (De Massis & Kotlar, 2014, p. 21).

3.3.4 Data Analysis

During the analysis of our qualitative data, it was indispensable to follow a systematical approach and explain the process in detail (De Massis and Kotlar, 2014), to ensure validity and reliability. In addition to data reduction and data display, De Massis and Kotlar (2014) name data categorization and data contextualization as crucial steps. Therefore, we decided to use the data analysis process of Creswell (2009). According to Creswell (2009), one of the most important parts of data analysis is the organization and preparation of the data for the analysis. Therefore, we carefully read the content once, to familiarize ourselves with the interviews, bearing the following questions in mind: “What is the main opinion of the interviewed person?” and “Is the information credible?” (Creswell, 2009). To reduce the gathered data within the first step, the main research questions were used to determine whether the examined data held any relevance to the topic. The coding itself involved multiple readings of the interviews and was closely interlinked with the categorization process. To categorize the data, a combination

of an inductive and deductive approach was chosen. Parts of the statements from the interviewees were categorized in a predefined framework (Kuckartz, 2016). According to Kuckartz (2016), categories can be based on the literature or other investigations. This deductive approach was used to code the information about the SEW and values. The frameworks used were based on the case of SEW on the FIBER scale developed by Berrone et al. (2012). In total, we allocated 84 quotes to the five different dimensions of SEW. For the categorization of values, we used the ten distinctive values developed by Schwartz (1994) as a framework. A total of 66 quotes were found to be connected to the 10 distinctive values, whereas a connection to SEW could already be seen, as multiple quotes appeared in both sections. We further created the category of who influences the values in the family and differentiated between individual, family and business values. To categorize decision-making and goal setting, the inductive approach using the aggregated dimensions of Gioia et al. (2013) was followed. In our first analysis, we found over 98 different concepts, displayed as quotes. Throughout the 2nd-order themes, a first attempt at connecting the different concepts to the themes was made. Similarities and differences were identified and sorted (Gioia et al., 2013). That step reduced the categories to 10, which we further narrowed down to two aggregated dimensions, namely, “Goals influencing decision-making” and “Decision-making” in general. An overview of the categorization hierarchy is displayed in Table 5. However, not only topics related to the direct questions but also other phenomena, which arose from the inductive analyzes, were aggregated. This included, for example, the time component and the change of values within companies. The categories and the different cases were then compared against each other to find common themes and disparities, to finally answer our research question.

Table 5: Hierarchy of Categorization

Aggregated Dimension	Category I	Category II
1 SEW	Family control and influence Identification of family members with the firm Binding social ties Emotional attachment of family members Renewal of family bonds to the firm through dynastic succession	
2 Values	Self-enhancement Openness to change Self-transcendence Conservation	1. Power: Social power, authority 2. Achievement: Personal success 3. Hedonism: Enjoying life 4. Self-direction: Creativity, independence 5. Stimulation: Excitement, varied life 6. Universalism: Social justice, equality 7. Benevolence: Helpfulness, Honest 8. Tradition: Humility, respect 9. Conformity: Politeness, obedience 10. Security: Social order, harmony
	Who influences values Individual/Family/Business Values	
3 Goals influencing decision-making	Business goals Motivational Goals	Longevity / Employee turnover / Continuity Risk-averse behavior Nonfinancial business goals Good Image Security & Comfort Social responsibility
4 Decision-making	Irrational decision-making Value-based decisions Success based upon values Strategic decisions	

Source: Own representation

3.4 Results regarding Values and SEW in FOBs

All the cases were analyzed according to the explained methodology. The final categorization hierarchy can be found in Table 5. This section will focus on displaying the results, and we will focus on transparency and reliability, displaying exemplary quotes from the interviewees and our connected interpretation. The sequence in which these are displayed is not intended to indicate a hierarchical order. To understand how values influence the decision-making directly or indirectly via SEW, one must know which values exist within the FOBs. The ten distinctive values of Schwartz were used as a framework to determine which values prevail in FOBs. While analysing the data, however, it was very interesting to see that we used certain quotes to identify values and also to interpret the dimensions of SEW by observing parallel behavior related to the observed and named values.

The strong resemblance of values and SEW became much clearer, and thus we would like to present our findings in this interconnected way.

One of the most often mentioned values throughout all cases was the distinctive value of **benevolence**, including, *e.g.*, responsibility for one's actions (I_msc_4:62-64) and honesty (I_msc_5: 285-287.) This shows the strong emphasis on preserving and enhancing the welfare of people one is close to and in frequent contact with. The interviewees cared about their employees and suppliers, and in a broader sense, their society as well. These quotes as mentioned before could also be used to describe the FIBER dimension **binding social ties**.

*“Well, my business is here to grant a certain wealth to my family”
(I_msc_1:138-140)*

“...that your employees are happy and that you give them some freedom for their family, so they are happier. Well, and then, if hard times come, they stick with you even if you can't pay the loan for a month or so” (I_msc_2:308-312)

“And I do believe that one has a greater responsibility to society. That you behave in a certain manner, and I mean a positive one, so that it is beneficial, and in certain ways serve as a role model, as others orient themselves accordingly, and you more often stand in a focal point” (I_msc_7: 837-841)

The concern for not only one's own well-being but also that of others was something we observed in nearly all the cases. However, an interesting fact that we noticed was that the owners of smaller businesses mentioned mostly their family and their employees, while the owner-managers of larger companies talked about including the community or society, taking a more holistic approach on the value of benevolence and even going in the direction of the distinctive value, **universalism**. This is also mentioned as the case in the FIBER dimension, as social ties are often extended to a wider set of constituencies (Miller et al., 2009). Suppliers and customers are mentioned in this context of the establishment of strong social bonds with local communities.

The value **tradition**, including Christian values, respect and modesty, play another important role in FOBs. Identification with the company plays a major role, which is closely connected to the second FIBER scale, **family members' identification with the firm**.

“And of course, it is a bit of a goal to continue the family tradition...” (155-156); “Christian valueswell, I would not emphasize it too strongly but” (I_msc_1: 260-262); (...) “I cannot deny that I am strongly influenced by them...” (I_msc_1: 272)

“Well, I think that people in family businesses try to identify themselves with the business and the family, just like trying to identify ourselves with the people, that they feel that we are as a family, my father is still participating, and my brother from time to time as well, standing behind the business.” (I_msc_6: 751-756)

These values were often mentioned in combination with the childhood of the interviewees (I_smc_2: 425-428; Imsc_7: 792-796) indicating an early contact and internalization of those values. Other values mentioned across the cases were integrity, security, and longevity; these were categorized under the distinctive values of **conformity** and **security**.

“Yes, the influence is very strong. To provide for my family is one of the major forces driving me.” (I_msc_1: 207-208)

“Because of that, we did not produce the best numbers, but it was never really the focus... the most important was the long-term view and the security of employment.” (I_msc_5: 241-244);

“Well, I cannot communicate something and then act as an entrepreneur in a very different way, only because it is perhaps better to sell in terms of marketing.” (I_msc_7: 648-650); “If we talk about something, we really do it.” (I_msc_7: 651-652); “...at the end of the day, it is my responsibility to lead this business into the next generation.” (I_msc_7: 293-296)

In that case, I_msc_5 is a prime example of rejecting financial gains over job security for their employees. The interviewee literally stated that their financial situation could have been better at the cost of job security. However, they decided to choose their business and their community, based not on the financial data but on their relationship with their employees. A strong connection to the construct of SEW can be seen in that case. Their identification with the firm and their employees made them decide in favour of all, not only in favour of the immediate family. This was also assumed by SEW theory and empirically tested only in some situations, such as the exhibition of corporate social responsibility and community citizenship (Berrone et al., 2010). Furthermore, the intention of handing over the business to the next generation, or at least the intention to keep the company sustainable for potential successions, was observed, which is closely related to the FIBER scale items **renewal of family bonds** and **emotional attachment**.

Other important values were independence and the need for power, summarized under the distinctive values of **power** and **achievement**. Most interviewees showed a strong need to stay independent and lead their business without uninvited participants. This was represented in strategic decisions such as high equity ratios (I_msc_7: 321-323) and investments (I_msc_2: 52-56). Smaller businesses and businesses in early stages especially showed that the owners enjoyed the power they held in such a business.

“There can only be one (himself)...” (I_msc_1: 91-92); “Classical craft-business, classical hierarchical structures, that is very important.” (I_msc_1: 225-226)

“... to fight our way forward, freedom in conducting your business was always a lot more important than revenue or money or anything...” (I_msc_4: 481-484)

This need for power, however, could not be observed with the same intensity in larger FOBs. There, the interviewees rather stated that certain symbols of power should be hidden and not shown too openly.

“You should not have too many symbols of power, or you should not show them too openly, even though they are there. You get nothing from doing so...” (I_msc_7: 812-814)

Here, we again observed a difference between the size of the companies and their focus or interpretation of values such as power and achievement. Nevertheless, the connection to the FIBER dimension **family control and influence** is remarkable. The need to remain in charge and make their own decisions prevailed in family businesses.

All interviewees showed a strong emphasis on following their own “path”, thinking independently and with integrity. These values could also be combined under the distinctive value of **self-direction**. While the distinctive values of **hedonism** and **stimulation** were not as present in every case, one could still see that the focus shifted over time.

“Well, I also see how much my father works. He actually never has a day off, and even then, when he goes for dinner he is visiting some client to show and present himself” (I_msc_2: 194-198)

While in that case, the hard work of the father was recognized and accepted, the son and potential successor stated that he did not know if he would act in the same way or rather use the day off to truly do something for himself.

As suggested by the literature, the strongest impact on the values of the FOBs comes from the owner-manager and the family.

“Well, I think my grandfather and father did shape the values. Before that, well, my grandfather was participating in the Second World War, and I can believe that there was another philosophy. That you look after yourself a lot more” (I_msc_2: 322-327)

“Let’s say the value judgment one has needs to be satisfied. That is an absolute priority for us. Therefore, we would never wrong someone...” (I_msc_3: 269-270)

“Well, it is exactly the same with values. Yes, I did learn to lead my business with the tools, the approach that life taught me” (I_msc_4: 600-602)

“However, it is undeniable that my mother has a certain influence on my father” (I_msc_5: 140-141); “And my wife is also a business economist and worked in consulting, having a certain background” (I_msc_7: 513-515);

However, a majority of the cases also mentioned external influence on the value creation from local communities and close employees:

“Yes, this guiding principle was still before my time. When it was built or created, the whole workforce participated. Therefore, we worked together..., it was not forced from above, and it was intended to be built upon the shoulders of our employees...” (I_msc_5: 381-385)

“These long-term employees, who are also a voice... were imprinting values over time” (I_msc_7: 753-757); “We did sit down with our upper-tier employees and threw out the term ‘value’ to them and said, ‘Hey look, we are one of the most innovative enterprises’, with the question then arising, ‘Hey, what other values do we have and stand for?’” (I_msc_7: 672-675)

We also asked ourselves if there were any differences between the individual, family and business values. The following quotes from our interviews will further elaborate on this issue.

“Of course, these are also reflected here (FOB); that one forgives another, and one can start anew” (I_msc_1: 278-281)

“Well, I think that one holds true to his values...” (I_msc_2: 392) “...and that the moral aspect is also reflected within the business and seen by others” (I_msc_2:367-370)

“I say it like that; my children were raised with the same values, perhaps slightly adjusted to modern times (...) However, they (the values) are represented here, and there is no difference privately or here (FOB) because in a small business you’re also represented privately” (I_msc_3: 340-346)

“Yes, I need to stand for what I did today (business)” (I_msc_6:639-641)

What we derived from the above is the fact that individual values, family values, and business values are strongly blurred, especially in the smaller family businesses, where it could be observed that the owner-manager displayed no difference at all between their individual values and business values. This of course also shows a strong identification with the family business. What was mentioned was the change over time and over generations. However, it seems that while the values mostly stayed the same, they were only adjusted as stated by I_msc_6.

Decision-making in FOBs

Another important finding was the fact that external values, ethics and morals also influence the decision-making of an FOB next to the individual values. External values in this context refer to values not inherent in the owner-managers of the FOBs. The family and its members obviously influence the values, morals, and ethics in decisions as well, especially the partners of the owner-manager, the family, community and close employees.

“However, it is undeniable that my mother has a certain influence on my father” (I_msc_5: 140-141); “And my wife is also a business economist and worked in consulting, having a certain background” (I_msc_7: 513-515)

“And now we commit ourselves to the location X, as we feel connected to the German virtues and native values.” (I_msc_4: 149-155)

It was also observed that the partner had a strong indirect influence on the values of the next generation. As stated by some of the respondents, parenting and management of the family were often guided by the wife of the business owner. Therefore, it was assumed that the children strongly identified with the values of the mother, using them also in the later stage when taking over the business. This might be of special relevance to the development of values within FOBs over time, as values are often shaped within childhood.

“He (father) has almost no free time; it is a 24-hour job. My family recognizes themselves in that 100%. We did grow up that way and know that it is extremely important” (I_msc_2: 199-203)

“Yes, so actually the whole management of the family was in the hands of my mother” (I_msc_5: 160-161); “Well, I would rather say that I am a ‘Mother’s child’ if one can say that.” (I_msc_5: 168-169)

As family businesses also often stay in the same place for a very long time, children are raised in close connection to the local values, thus partly incorporating those when succeeding the father/mother and taking over the business.

Decision-making in family businesses is unique, which was also acknowledged by the interviewees and thus formed one of our aggregated dimensions. Decision-making, in our cases, was generally centralized, as the owner of the company was in all the cases also the central director. It is not surprising that the final decision, at least on a strategic level, was made solely by the owner, sometimes in cooperation with a small selected group of advisors. This led to very fast decision-making, as no other variables needed to be taken into consideration.

“Primarily, the decision is made by the sole executive director and main shareholder, my father, after the counselling of, let’s say, 2-3 people, his right- and left-hand, technical and administrative” (I_msc_5:218-221); “We can decide something from now to then, immediately. It is how it is, and we make it. Yes, we do have a certain freedom in the process.” (I_msc_6: 38-39).

One important point to acknowledge is the observed difference between the sizes of the family firms and thus specific decision procedures. While the smaller companies in our sample were working and happy with the centralized decision-making approach (making decisions about tactical and operational aspects as well), bigger companies tended to delegate tactical and operational decisions to lower-tier levels.

As soon as a company reached a certain size, effective control of the FOB was not possible anymore, as stated by I_msc_6 for example. I_msc_7, the company in the second generation and with >500 employees, explained that this change in decision-making was part of a learning process that happened in the second generation.

“On the other side, I have to say that being the sole managing director is ideal, at least for me, as I can make my decisions quickly and direct without listening to any committees...” (I_msc_1:86-89)

“Well, of course, all the important decisions cross the desk of my father, he also decides quickly and based on a gut feeling...” (I_msc_2:237-238)

“Well, nowadays (250 employees), you cannot control everything! I mean, it was still possible with 50 employees, you know the people, you know how they work” (I_msc_6: 109-110)

“We are growing, building through the heritage of our father out of a patriarchal organized structure.” (I_msc_7: 43-45);

“Especially for the operational decision-making, fewer decisions are escalated to the board, to me and my brothers” (I_msc_7: 416-418)

While this outcome was to be expected, it was still one of the most important items to acknowledge and a distinctive difference between FOBs compared with NFOBs. As only one, or sometimes a few individuals were involved in the final decision-making, it was assumed that the values of these individuals played an important role in the outcome of the decision.

As decisions in FOBs are not made on the executive level only, it is important to recognize that values are treated as something very important and valuable in FOBs. Employees are expected to act in conformance with the established values. However, this is not done by forcing them to act against their own values and beliefs. Rather, it was observed that they are integrated into the different processes,

creating strong intrinsic conformity with the established values, and in certain cases even influencing the established values, thus creating the unique culture of an FOB.

“These long-term employees, who are also a voice... were imprinting values over time” (I_msc_7: 753-757)

“We did sit down with our upper-tier employees and threw the term (value) between them and said, ‘Hey look, we are one of the most innovative enterprises’ with the question then arising, ‘Hey, what other values do we have and stand for?’” (I_msc_7: 672-675)

In addition, every interviewee believed that his own individual values strongly influenced the decisions within his business.

“Yes, I think I sometimes do that, not consciously. I think rather that many things happen subconsciously, some consciously. However, I do believe that I act accordingly and that it has its effects here (company). I am the helmsman, and I have to navigate the whole thing in a certain direction, and this decision is made according to my decisions, my beliefs, and my moral ideals.” (I_msc_1: 346-351)

“Let’s say, the value judgment one has needs to be satisfied. That is an absolute priority for us. Therefore, we would never wrong someone...” (I_msc_3: 269-270)

“Well, it is the same with values. Yes, I did learn to lead my business with the tools, the approaches that life taught me” (I_msc_4: 600-602);

These responses showed that the participants strongly acknowledged the influence, even though it was thought that some of the influence was subconscious and not actively willed. I_msc_7 stated that his values acted as a filter, deciding whether he was even considering certain decisions or not.

Yes, that is a filter. If things do not fit through this filter, of course, you sometimes have to straighten things out or bend them in the right direction, comparable to playing Tetris, but if they do not fit that filter, then I know. It

is extremely helpful that neither I, my brothers nor our upper-tier management within this setup will make a decision that is in total contrast to these moral ideals, these beliefs. I am completely convinced that it cannot work otherwise. (I_msc_7: 910-917)

The quotes and statements by the respondents emphasized the strong belief of FOB-owners that they act according to their values. Values might act, as mentioned by I_msc_7, as a filter to determine whether something is even worth considering.

Goals in FOBs

Another important factor that influenced decision-making, and reflected values, was the goals of the company and the owner. However, besides the usual business goals, we determined that FOBs also showed certain motivational goals that were closely interlinked with values and SEW. Nearly all of the cases studied showed a strong emphasis on achieving the longevity of the business. This was reflected in the financial goals, employee turnover and investments.

“Because of that, we did not have the best numbers, but it was never really the focus....and the most important rather, was the long-term view and the security of employment” (I_msc_5: 241-244); “I think (...) is risk minimization is.” (I_msc_2: 270)

However, business longevity did not seem to be the only focus of FOBs. Other goals, herein called motivational goals, influenced the decision-making as well. These included the image of the FOB within society, the need for security and comfort, and strong binding to social responsibilities. To achieve a certain level of wealth necessary to sustain the family was a major motivator for the owner and thus a primary goal of the company. One of the companies, especially I_msc_1, mentioned the need for comfort and security for his family.

“Yes, the influence is very strong. To provide for my family is one of the major forces driving me.” (I_msc_1: 207-208)

While the wish to provide for the family and the employees was mainly mentioned by the smaller companies, the larger ones showed an extended interest in also influencing society in a positive manner. The interviewee believed that his and the FOB's responsibilities lay within "giving something back to society."

"And I do believe that one has a higher responsibility to society. That you behave in a certain manner, and I mean a positive one, so that it is beneficial, and in certain ways serve as a role model, as others orient themselves accordingly, and you more often stand in a focal point" (I_msc_7: 837-841)

A difference was observed between the cases in motivational goals. While the smaller companies focused on their families and immediate surroundings, the larger companies included the region and society, especially I_msc_7, who showed a higher motivation in achieving success to "give something back".

To conclude, by comparing the different cases against each other, an interesting characteristic was found. As the sample taken was very heterogeneous in size and age, we investigated FOBs in different stages. Some were younger or smaller, while others were older or larger.

It was observed that values and goals of the FOB shifted from personal goals and motivations, such as security for one's family, to universal goals, such as giving something back to society. We therefore argue that values change according to the stage that an enterprise is experiencing, much like a person learns and experiences, the enterprise does also. This value shift also influences the SEW. I_msc_7, the largest and most professional company within our sample, identified this development and even stated that the values that they institutionalized were values already embedded over a long period of time and might change over time.

3.5 Discussion

3.5.1 Values and SEW in FOBs

This paper had the goal of investigating the relationship between values, SEW and strategic decision-making within FOBs. We also wanted to focus on the change of

relations over time. Therefore, an exploratory case study design was chosen. In total, seven cases were reviewed, and the conducted interviews were used as a main source of information. We drew a first linear model (Figure 4) to show the reader what we intended to prove in our research.

Values influence our behavior, and the choices we make in certain situations (Rokeach, 1968). They impact the way we spend our energy (Posner and Schmidt, 1996) and act as a personal code of conduct. Our research supports this, as all participants in the study agreed that they are strongly influenced by their values and moral beliefs. We identified several different values in our study that were closely related to the universal values of Schwartz (1994). While no respondent named one of these values directly, the mentioned values, as well as the identified values, could be clustered and synthesized to form these universal values at a higher level. The identified values also strongly correlated with the values found by Koironen (2002). What was very interesting to observe was the fact, that multiple citations that we used to identify our values were also used in specific dimensions of the FIBER dimensions of SEW. The distinctive value of benevolence, including honesty, helpfulness, and care for others, was strongly connected to the FIBER dimension binding social ties, thus supporting our assumption that values are the motivators of SEW behavior. While the SEW dimension binding social ties described the behavior of the company or the owning family, expressed by supporting activities for the communities (Berrone et al., 2012), care for the environment and more sustainable behavior, the actual motivation comes from the value benevolence. In the beginning, this value might only be relevant to the immediate family as it was in smaller companies. I_msc_1 clearly stated that he cared strongly for his family and was an entrepreneur because he wanted to serve his family. In contrast, I_msc_7 mainly talked about how he feels responsible not only to his family but to the community as a whole, already displaying certain traits of universalism values. We therefore claim that while the value benevolence strongly drives the behavior of the SEW dimension binding social ties, the change of focus on the value benevolence such that it shows a broader and more external scope also influences the behavior and focus within the SEW dimension. This was also confirmed by the study of Duh et al. (2010), who stated that benevolence is one of the prevailing values in family

businesses. However, the longer the firm had been in existence, and the bigger the firm was, the wider the circle of people affected by their values. We therefore propose the following:

***PIa:** Values are the underlying motivator of SEW behavior and thus strongly influence the decision-making in family firms.*

***PIb:** The focus and interpretation of values in FOBs change over time, influencing SEW behavior to become broader and more holistic.*

These propositions are further supported by the other values that we identified. Power and achievement values, also closely connected to the value security, were mainly observed in the cases of smaller or younger FOBs. While the value might still be present in larger or older companies, it was not specifically mentioned. Therefore, we argue that the value is placed on a lower hierarchical level in larger or older FOBs. A shift of focus took place, either through the growth of the FOB, its success, or its time in existence. I_msc_3, a business where nearly all employees were part of the family, showed that working harmoniously together as one family was one of the strongest motivators. They also neglected growth, as they did not want to endanger the current status quo. This was not the case for the bigger companies, where healthy growth while keeping traditions alive was a major focus. Further values that were identified as supporting motivators for SEW dimensions can be found in Table 6, which is based on our findings.

Table 6: Connection of Values and SEW Dimensions

FIBER Dimension	Distinctive Values of Schwartz
Family Control and Influence	Power Achievement
Identification of Family Members with the Firm	Tradition
Binding Social Ties	Universalism Benevolence
Emotional Attachment of Family Members	Conformity Self-direction
Renewal of Family Bonds to the Firm	Tradition Conformity Security

Source: representation based on Schwartz (1994) and Berrone et al. (2012)

Even though we tried to differentiate between individual values, family values, and business values, it was not truly possible. The individual, family, and business values were mostly blurred, especially in the smaller businesses, whereas the owner often stated that the business values were his own values. Values mostly stayed the same, and a significant difference between the 3 levels could hardly be observed. This is in accordance with the literature (Denison et al., 2004; Fitzgerald et al., 2010; Tàpies & Ward, 2008). However, it was interesting that the head of one of the larger FOBs stated that values needed to be “adjusted” to modern times, which is in accordance with our proposition P2b that the focus and interpretation of values change over time, though the values themselves change less.

3.5.2 Values and Decision-Making in FOBs

As Duh et al. (2010) already stated, decision-making in FOBs is strongly centralized, and the organizational leader normally has a significant influence on the culture, values, and performance of the firm (Guth & Tagiuri, 1965; Schein, 1985). In all cases we investigated, decision-making was centralized and the final decision made by the owner-manager. As values influenced behavior and decisions, we concluded that the owner’s values strongly influenced the decision-making process. The respondents stated that values influenced their behavior and decision-making in conscious, as well as unconscious, ways. According to Kahneman’s and Tversky’s (1979) prospect theory, decisions under risk, are as often present in businesses, are made in two steps. First, the problem is framed, which includes obtaining all information necessary and relevant to making a decision. The next step is the actual decision, where each prospect is assessed and chosen (Tversky and Kahneman, 1992). According to our findings, decisions by the organizational leader in the FOBs were strongly influenced by values and morals in both steps. During the process of framing, the information on which the final decision-making process was based, was filtered. As stated by the interviewee of case I_msc_7, his individual values acted as a filter in the decision-making process. Therefore, we argue that the individual values of the organization leader strongly influence the framing phase of a decision within FOBs. Information is received and matched with the values, leading to either an inclusion or exclusion of this information in the

decision-making process. All interviewees agreed on the importance of their individual values within the company, and the necessity for moral integrity. However, the family, especially the partner of the owner-manager, close employees, and the community the FOB operated in, were also observed to have a strong influence. The partner, in our cases the mother of the successors, had a strong influence on the values of the potential successors as was observed in our sample I_msc_5, who was a successor of an FOB, working in an executive position beside his father. He acknowledged a great influence from his mother and pointed out that the difference in the leadership style he uses within the FOB might derive from that. The regional influence on values was also strong. Some (I_msc_4) even went so far as to say that he feels as though he represents Germany when on business trips outside the country. Another group that also influences the value creation and often decision-making is the high tier employees who have worked in the company over a long period of time. Even though decision-making is strongly centralized in FOBs, a certain size makes it impossible to manage everything and know everything, as stated by one of our interviewees (I_msc_6). Often, decisions are then made in accordance with a small group of highly valued employees. Those employees were also mentioned as great influencers of the cultural climate and value creation among the employees (I_msc_7). Therefore, we state that

***P2a:** Decision-making in FOBs is strongly influenced by the individual values and moral beliefs of the owner-manager and close relatives.*

***P2b:** External values and ethics influencing the FOBs are mainly the values of close and long-term employees and the values of local communities and happens at a later stage of the FOB's lifetime.*

Even though it is widely accepted that this is the case, with our collected data, we can empirically prove that this assumption is, at least for our cases, correct. Furthermore, we identified the most important external influencer next to the owner-manager and found that this influence increases over time and/or size of the company.

The researched cases showed a strong connection to the SEW theory and the influence on non-objective decision-making. Nearly all participants mentioned that handing the business to the next generation was a major goal. They mentioned the importance of the FOB's image and felt emotionally attached to the company. Most important, SEW theory states that commitment to nonfinancial-goals and maintaining the SEW are major influencers on the decision-making (Gómez-Mejía et al., 2010). Based on the prospect theory of Kahneman and Tversky (1992), they say that losing SEW is rated higher than the financial gains. However, we note that it is not solely linked to the business itself but also motivated by the owner. Acting according to their values was something that was mentioned in every case. Some named values as a filter for information, and some mentioned their Christian values and loss of moral integrity if acting against them.

***P3a:** The potential integrity loss due to a decision made against the values within the FOBs is valued more strongly than financial gains.*

***P3b:** The potential integrity loss due to a decision made against the values is the driver of SEW behavior in FOB.*

One of the phenomena observed and identified throughout this study was the difference between values and their expression, and thus the difference in decision-making, over time. While we pointed out the similarities of the values benevolence, tradition security, and comfort and power, we believe we have identified a shift of importance in these values over time and thus a shift of decision-making drivers as well. At the beginning of a business, the most important factor for an entrepreneur is the creation of certain wealth, which guarantees security for himself and, if existent, his family. Thus, values such as power, influence, security and sole decision-making power are very important in this stage. Decisions are made according to these values, and other values are placed aside for the time being. After achieving this level of comfort, however, it seems that the FOB-owner feels that “giving something back” and values such as benevolence and universalism are emphasized. We further argue that this shift directly influences the SEW within the FOB. In particular, the dimension binding social ties, as observed in our cases, was extended by not only including family members and close employees but to society

in general. Furthermore, a shift in the dimension of family control and influence was observed. While control was mainly, and heavily, emphasized by smaller and younger companies within our sample, the focus was placed on influence rather than direct control within the older and larger companies. Why this shift happens, or at what point, could not be identified, as it was not part of the actual research. However, this observation can be the starting point for future research agendas.

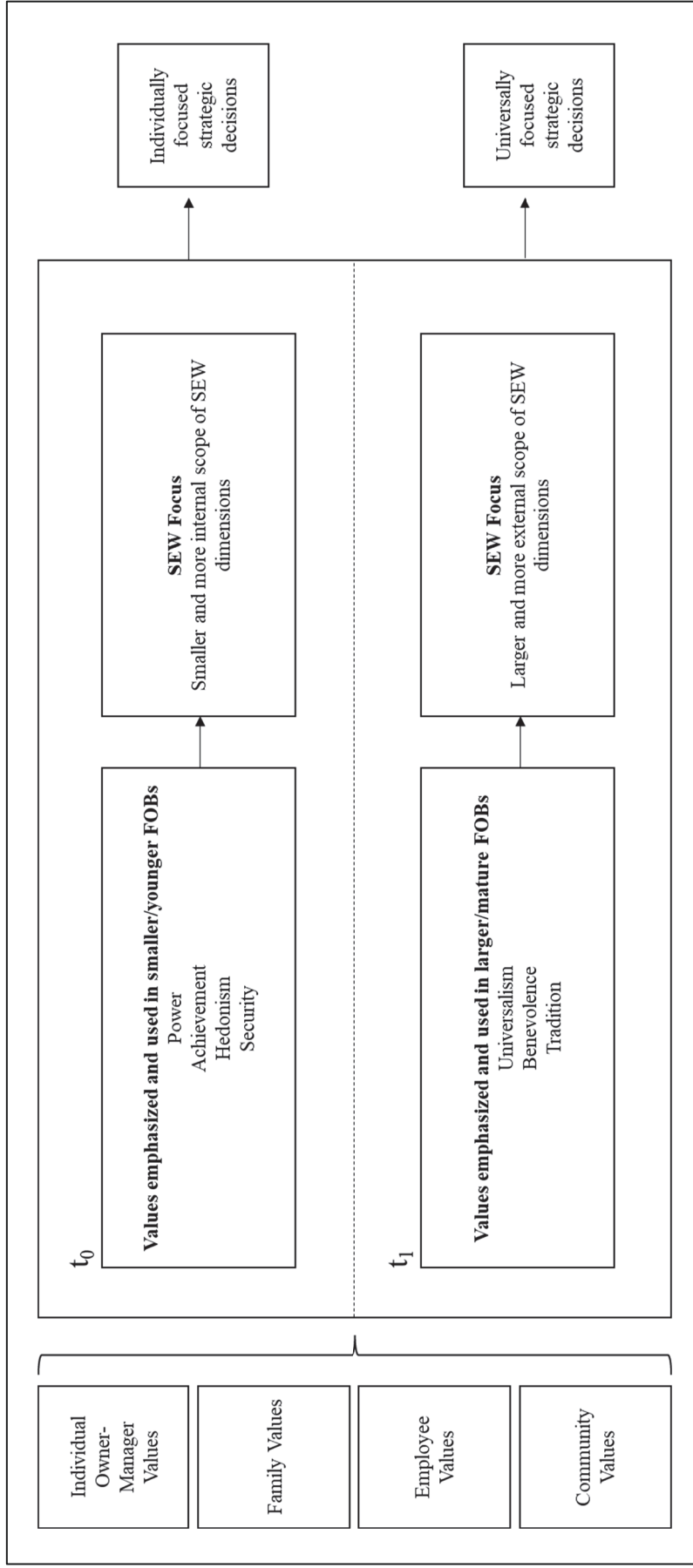
As stated, a shift from the self-enhancement values such as hedonism, achievement and power to more self-transcendent values such as universalism and benevolence was observed. This could be driven by time, growth, success or any combination of the three. Furthermore, we believe that this shift influences the SEW and their respective FIBER dimensions, thus driving strategic decision-making into other directions within time. To display the discussed influential factors on values in FOBs, the values emphasized, and their influence on SEW and decision-making, an attempt at creating a comprehensive model has been made. We used our first linear model (Figure 4), included the information that we gathered in our research, and displayed it in the discussion section. We then created the “Model of Values as Antecedents of Socio-Emotional Wealth Behavior in Family Businesses” (Figure 6), which displays our findings as a whole.

3.6 Conclusion, Implications and Limitations

Values are, without a doubt, one of the most important issues in the field of organization study. Especially currently, with the fast-changing and globally connected business environment, it is important to not base decisions solely on external factors and goals such as revenue and growth. This research aimed to contribute to the ongoing discussion within the field of SEW and extends the current knowledge about the influence of values on decision-making in FOB. The research was executed according to the case study design of Yin (2003), which was the most appropriate method for gathering the necessary data to answer our research questions. The analysis of existing literature, as well as the primary data gathered, led to the outcome presented in the discussion section. Our main goal was to answer the previously mentioned research questions, namely; “How are values connected

to SEW, what influences these values and how do they affect SEW and decision-making?” and “How these values, on the different levels mentioned, might change over time and thus their effects on SEW behavior and decision-making?” We showed how and which values are strongly connected to individual SEW dimensions based on the FIBER dimensions of Berrone et al. (2012). We further analyzed how SEW and decision-making are related and came to the conclusion that values are the underlying motivators of FOBs, explaining SEW behavior and resulting in irrational decision-making such as setting financial goals aside. The most important findings were then synthesized and displayed in our “Model of Values as Antecedents of Socio-Emotional Wealth Behavior in Family Businesses” (Figure 6). We showed that values in FOBs are strongly influenced by the owner-manager of the FOB, and further along, by the family, close employees and the community in which the company is embedded. Nearly all of the distinctive values of Schwartz (1994) could be categorized as antecedents of certain SEW dimensions. While achievement, power, and security values are mainly emphasized at the beginning of the FOBs we observed, over time, and with the success of the company, the focus shifts to values such as benevolence, universalism and tradition, and with them the decision-making. While our research helped to understand the phenomena of values and their influence on strategic decision-making through a shift in SEW, there still remains much to be done, and further implications for practice and research are mentioned below

Figure 6: Model of Values as Antecedents of Socio-Emotional Wealth Behavior in Family Businesses



Source: own representation

3.6.1 Research Implications

Further research should be done on the topic of values and their impact on SEW in FOBs. So far, research that uses empirical methods to investigate the relationship between the two is scarce. Next, research should focus on investigating if the developed propositions hold true in a larger sample and in an international context. As the sample was framed in Germany, specific implications might not be applicable to FOBs in other countries. Furthermore, it would be interesting to investigate the role of values in the succession process. If values are so important in an FOB, how is it possible for the older generation to hand over their values to the younger generation? How can different values exist beside each other, and how do they have to develop to guarantee success, not only in succession but in general? Another important research topic should be the influence of company age, size and success on the values and SEW within the FOB, as they seem to be a major moderator in value and SEW change over time.

3.6.2 Implications for Practice

As the special culture within FOBs is often mentioned as one of the distinctive advantages of an FOB, leading to better financial performance, values should receive a stronger focus. Especially throughout the succession, handing over the values or being aware of the existing values is of utmost importance, as otherwise, the knowledge and the foundation on which successful decisions were made are lost. Therefore, value transfer should be integrated into a professional succession process. Values need to be identified early and carried on throughout the lifecycle of a business. Furthermore, it is important to not see values as something static or unchanging. While holding true to oneself and the established values, it is not wrong to adapt or change to modern times. Values need to be reinterpreted and perhaps extended or narrowed. They need to be expressed and lived within an FOB to also help the employees with the identification process, one of the major competitive advantages of FOBs. Finally, being aware of the values of one's company and immediate environment might hold valuable insight into future decisions, and also those of your competitors, as values are the motivators of our behavior.

3.6.3 Limitations

As this research focused on family businesses defined in a very concrete sense, it needs to be stressed that implications drawn from our findings may not be transferred to family businesses defined differently. In particular, larger, publicly traded family businesses might be influenced in a different way by the individual values of the family as the distance to individual employees is greater. Furthermore, as the research was constrained to German FOBs, we do not know if the implications and propositions hold true in other geographical regions. In contrast, as our research showed, the influence of regional values plays an important role within FOBs; thus, the most likely differences can be observed between different regions and are even greater between countries or continents. As we tried to use a universal model of values, it cannot be neglected that we assume to find at least similarities within FOBs all around the world. Another important aspect to consider is the definition that is used to determine whether a business is an FOB or not. In our case, we decided to follow a very narrow definition, commonly accepted in Germany, the owner of the family business is in most cases also the manager. All implications are therefore to be seen in the given context, and we might not know how values are established, driven or changed in businesses not led by an owner-manager or defined by other family business definitions

4 Back to the Roots: Applying the Concept of Basic Human Values to Understand Family Firm Behavior

Philipp Julian Ruf, Michael Graffius, Sven Wolff, Petra Moog and Birgit Felden

Abstract

This study examines the influence of individual owner-manager values on the different dimensions of socioemotional wealth in family firms. We argue that values of owner-managers in family firms are one of the underlying motivators for socioemotional wealth behavior and used structural equation modeling to test the assumed connection. The results of our dataset with 1,003 cases show, in accordance with Schwartz's value dimensions, that social- and person-oriented values influence different dimensions of the FIBER scale. Our findings help to understand the importance of individual values, advance socioemotional wealth research and contribute to the understanding of family firm behavior.

Keywords: Family Firm, Socioemotional Wealth, Values, Behavior

4.1 Introduction

“Once a value is internalized it becomes, consciously or unconsciously, a standard or criterion for guiding action, for developing and maintaining attitudes toward relevant objects and situations, for justifying one’s own and others’ actions and attitudes, for morally judging self and others and for comparing oneself with others.” (Rokeach, 1968a, p. 16)

Sociologists and psychologists agree that values substantially influence the affective and behavioral responses of individuals, fostering behavior that follows their individual values (Kluckhohn, 1951; Rokeach, 1973; R. M. Williams, 1974). Therefore, it is hardly surprising that values have been deemed to be an essential factor in explaining the behavior of organizations (Schein, 1983) and, particularly, family firms (Beckhard & Dyer, 1983). Notably, individuals such as founders and executives are deemed to exert a strong influence on a company in cultivating core values (Porras & Collins, 1994; Schein, 1983). These individuals are unique in family firms, as they are usually in charge over a long period of time (McConaughy, 2000) and, as such, actively influence the values of a company (Anderson & Reeb, 2003; García-Álvarez et al., 2002). Values derived from family ownership have been named to influence the resources, choices, and goals of the firm and the family (Chua et al., 2015; Fletcher et al., 2012; Gómez-Mejía et al., 2007; Pieper, 2010; Rau et al., 2019), build the foundation upon which a family firm is based (J. H. Davis et al., 2010), and influence the general behavior of family firms (Yuan & Wu, 2018).

However, even though the importance of values in family firms has been acknowledged, empirical research about how values manifest themselves, what values are predominant within a family firm and how they influence behavior is scarce (Duh et al., 2010; Koironen, 2002). Oftentimes, values are used as a preferred means to explain a phenomenon, such as a distinctive corporate culture (Fletcher et al., 2012), longevity (Lumpkin & Brigham, 2011), corporate social responsibility (Marques et al., 2014), or goal-setting (Kotlar & De Massis, 2013), without thoroughly explaining or investigating the values themselves. The mechanisms

through which individual and family values influence organizational values and behavior (Bertrand & Schoar, 2006; Duh et al., 2010), remains a question yet to be answered. This is surprising since values are identified as the means or resource to overcome crises and secure continuity, which is crucial for family firms (Fletcher et al., 2012).

With this paper, we aim to go beyond existing literature by applying the theory of basic human values developed by social-psychologist Shalom H. Schwartz (1992) to measure the predominant values within owner-managers of family firms and establish a connection to family firm behavior. Schwartz's value conceptualization is one of the most acknowledged in the field, used across many different academic fields including marketing (Sousa et al., 2010) and political science (Aspelund et al., 2013), and has recently been introduced to the family business literature related to talent attraction in family firms (Hauswald et al., 2016), decision-making in top management teams (Vandekerkhof et al., 2018), different strategic behavior (Yuan & Wu, 2018) and family firm heterogeneity (Rau et al., 2019). We used the validated and established Portrait Value Questionnaire (PVQ), which was developed by Schwartz for the European Social Survey (ESS) (Schmidt et al., 2007; Schwartz & Rubel, 2005). In choosing this value survey, we applied one of the most inclusive scales for capturing meaningful values across different societies (Schmidt et al., 2007; Schwartz & Rubel, 2005).

To understand why we and many others believe that individual values influence the behavior of firms, and especially family firms, it is essential to acknowledge that family firm behavior is unique. The behavior and decision-making of family firms is strongly influenced by nonfinancial goals (De Massis et al., 2018; Gómez-Mejía et al., 2007). In the early stages of the family business research stream, agency theory (Cruz et al., 2010; Eisenhardt, 1989a), and stewardship theory (J. H. Davis et al., 2010; Miller & Breton-Miller, 2006) were primarily used to explain these differences. However, in 2007, the homegrown construct of socioemotional wealth (SEW) was developed by Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, and Moyano-Fuentes. This theoretical paradigm (Filser et al., 2018) has been widely accepted by family business researchers to soundly explain many of the observable

differences. At the same time, SEW has been one of the most discussed and criticized models in recent years (Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015). Often, research is based upon assumptions about SEW (Schulze & Kellermanns, 2015); findings contradict each other and the outcomes of SEW are diverse (Miller & Le Breton-Miller, 2014). Ultimately, the questions necessary to understand the complex construct of SEW remain unanswered. Primarily, how does it function, what is the cause and effect and within whom does SEW reside (Chua et al., 2015; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015)? Furthermore, Miller and Le Breton-Miller (2014) state that “...it will be useful for scholars of SEW to be sharper in their characterizations of its nature, sources, and outcomes and to probe more directly the motives of the family members who play active roles in family businesses.” (p. 718). Jiang et al. (2018) recently proposed that many of the challenges the concept of SEW faces can be addressed by looking through a social-psychology lens and, as mentioned, values have long been deemed to be a substantial part of SEW, motivating distinct family firm behavior (Berrone et al., 2012; Gómez-Mejía et al., 2007; Jiang et al., 2018; Ruf, Moog, et al., 2020). Thus far, and to the best knowledge of the authors, however, no attempt has been made to take a closer look at which values influence and motivate this SEW behavior. This is, however, profoundly compelling as it could aid understanding about the nature of SEW by creating links between subconscious individual cognition and family firm behavior (SEW) while also shedding light on which values are actively lived in family firms. We, therefore, applied the theory of basic human values (Schwartz, 1992) and connected this sociopsychological measurement with the SEW model, measuring the influence of owner-manager values on the FIBER dimensions of SEW (Berrone et al., 2012). Thus, the research question asked in this paper is:

How do the basic human values of owner-managers influence socioemotional wealth in family firms?

We aim to untangle the connection of values and SEW behavior, utilizing a quantitative study performed on our sample of 1,003 family firms in Germany. Primarily, we test our hypothesis that values are the antecedents of SEW behavior.

We therefore used partial least squares structural equation modeling (PLS-SEM), utilizing Schwartz's higher order values (1992) as independent variables and the FIBER dimensions of Berrone et al. (2012) as dependent variables. Our findings show strong support for the presumed connection between values and SEW. Interestingly, opposing value dimensions (Schwartz, 1994) influenced different dimensions of the FIBER scale and we observed a strong resemblance of conservation values within all FIBER dimensions.

Based on our findings, this paper contributes manifold to the family business research stream. First, the novelty of this research is that we are the first to illustrate the connection between individual values and SEW by using quantitative measures and therefore show how individual values of the owner-manager directly influence family firm behavior. Second, it is one of only a few empirical studies that explores values in a structured quantitative manner within the context of family firms. We display all results using the full PVQ questionnaire, a validated measurement grounded in sociopsychological studies. Thus, we are able to identify the predominant values existing in family firms based on the theory of basic human values (Schwartz, 1992). Finally, we contribute to the body of SEW knowledge by displaying empirical data using a robust dataset of German family firms. Following this, we offer an introduction to values, SEW in family firms and their interrelated connection. We derive and formulate our hypothesis out of the existing literature and present our methodology, followed by the results and a discussion section.

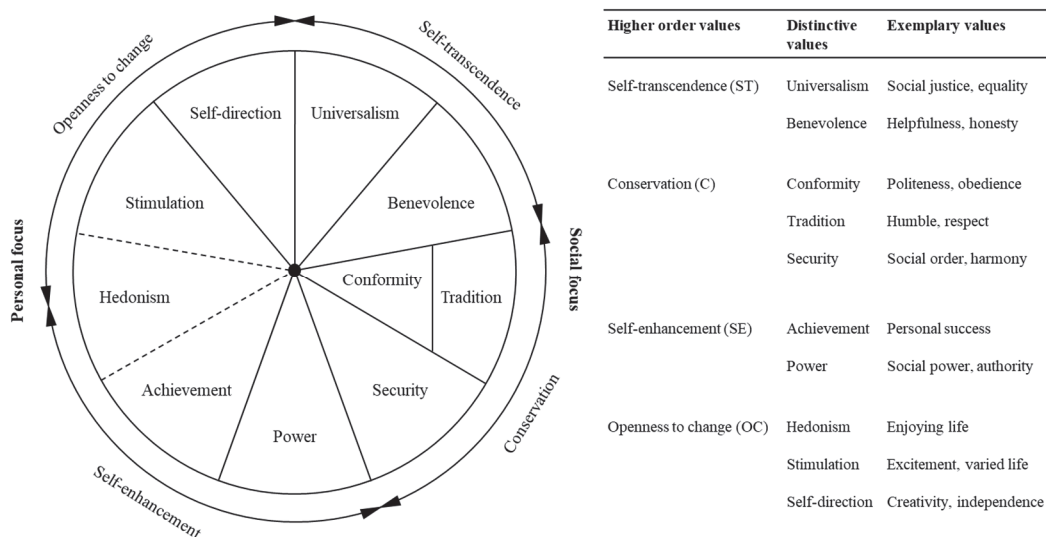
4.2 Theoretical Framework and Hypotheses

4.2.1 Values and Family Firms

Values aid in understanding individual behavior (Diener, 1984), and psychological (Ryff, 1989) and subjective well-being. Kluckhohn (1951) describes values as an implicit or explicit conception of the desirable, influencing the selection process of the individual from the available modes, means, and ends of action. This explains that non-conforming decisions and behavior will most likely result in guilt, shame, or self-deprecation. Thus, the values of a person act as "*personal standards of conduct*" (Narasimhan et al., 2010, p. 370). Schwartz (1994) stated that there is a

common understanding that values feature five distinguishable attributes, which set them apart from needs and attitudes. “A value is a (1) belief (2) pertaining to desirable end states or modes of conduct, that (3) transcends specific situations, (4) guides selection or evaluation of behavior, people, and events, and (5) is ordered by importance relative to other values to form a system of value priorities” (Schwartz, 1994, p. 20). While this common concept enables us to distinguish what values are or what they are not, they do not offer a proper categorization. Therefore, Schwartz (1992) developed a conceptual framework to measure and identify different values based on the work of Rokeach (1973). Schwartz classified these values and established relationships among the different existing value types. He identified ten distinctive values that are additionally clustered into four higher order value types as presented in (Figure 7). These four higher order value types oppose each other to a certain extent and form two bipolar value dimensions; self-transcendence versus self-enhancement, and conservation versus openness to change. This opposition does not imply an absence of values in certain people but primarily expresses that people emphasize values in different ways and prioritize specific values over others (Schwartz, 1992; R. M. Williams, 1974)

Figure 7: Theoretical Model of Relations among Motivational types of Values higher order Value types, and Bipolar Value Dimensions



Source: Own representation following Schwartz (1994, 2006).

Acknowledging the relevance regarding the bipolar relationship of these values, a recent contribution has been made by Yuan and Wu (2018), emphasizing values as the “*key determinant of family heterogeneity and family firm behavior*” (Yuan & Wu, 2018, p. 284). They propose that family firms may act according to their emphasized value dimension and therefore show differences in behavior. While not solely utilizing the values identified by Schwarz, this assumption is supported by a recent study performed by Rau et al. (2019), wherein they show that family firms differ by prioritizing specific values and distinguish themselves in general from nonfamily firms’ emphasized values.

Moreover, a study by Hauswald et al. (2016) used Schwartz’s value survey to identify why particular job seekers are attracted to family firms. They found that job seekers who show high self-transcendence and conservation values but low openness to change and self-enhancement values, prefer working in firms where family influence is stronger (Hauswald et al., 2016). Initial attempts have already been made to expand knowledge about values and their influence on the behavior of family firms and their stakeholders, but no study has yet revealed which values predominate. Similarly, there is little knowledge regarding which values and with what priority they are represented by family members who manage the company. In our opinion, owner-managers of family firms are to a certain extent alike, which is also caused and represented by a similar value prioritization without denying an inevitable value heterogeneity. This leads to the unique and distinguished behavior of family firms, so often observed by family business scholars.

As this study intends to show the influence of values on the behavior of family firms, an in-depth look at the distinguishable idiosyncrasies of family firms is necessary. While many theories were, and still are, used to explain family firm behavior, no established theory has yet offered a wholesome explanation of why family firms act so differently compared to their nonfamily counterparts. As classical concepts such as agency and stewardship theory could not solely explain the characteristic behavior of family firms (Schulze & Kellermanns, 2015), the theoretical paradigm of SEW was introduced in 2007. SEW is grounded in the behavioral agency model (Wiseman & Gómez-Mejía, 1998), agency theory

(Akerlof, 1970), and prospect theory (Kahneman & Tversky, 1979), to explain the unique orientation on nonfinancial goals next to financial gains. The loss or gain of SEW forms the general guideline that family firms use to make decisions and policies (Berrone et al., 2012). It has become a widely discussed topic within the family business research field and is currently the predominant concept used (Vazquez & Rocha, 2018) with over 700 peer-reviewed academic papers (Jiang et al., 2018). That SEW is not a one-dimensional concept is acknowledged by multiple authors (Berrone et al., 2012; Debicki et al., 2016; Gómez-Mejía et al., 2007). Berrone et al. (2012) were the first to develop a multidimensional approach to measure and grasp the different dimensions of SEW. So far, only two other scales, the socioemotional wealth importance scale (SEWi) (Debicki et al., 2016) and the so-called REI scale (Hauck et al., 2016), which is a methodological reduction of the FIBER model, have been introduced. We used Berrone et al.'s FIBER scale as it is the most inclusive scale to measure the different dimensions and has recently been used, for example, by Filser et al. (2018) to connect family functionality with SEW and innovativeness. The dimensions characterized in the FIBER scale are family control and influence (F), identification of family members with the firm (I), binding social ties (B), emotional attachment of family members (E), and renewal of family bonds (R) to the firm through dynastic succession (Berrone et al., 2012). **Family Control and Influence (F)** stands for the will of family members to preserve their control and influence over the family firm (Berrone et al., 2012). One of the main attributes of family firms is the fact that families control strategic decisions directly or indirectly (Chua et al., 1999; Schulze et al., 2003). Remaining in charge is essential for owners and family members, who sometimes even neglect financial considerations as a result (Gómez-Mejía et al., 2007). **Identification of family members with the firm (I)** is understood as a mix of family and business, creating a unique family firm identity (Berrone et al., 2010; Dyer & Whetten, 2006; Zellweger et al., 2010). Often, family firms are directly associated with the family as it carries the name on the door (Berrone et al., 2012), increasing the internal and external exposure of the family (Felden et al., 2016). Due to this fact, family firms have been observed to have a higher activity level in corporate social responsibility (CSR) (Berrone et al., 2010) and maintain a high image of the family's reputation

(Sharma & Manikutty, 2005; Westhead et al., 2001). **Emotional attachment of family members (E)** describes the emotional bond between the family and the family firm. Oftentimes, a long history with multiple family generations involved resides within the firm (Felden et al., 2016; Gersick et al., 1997). In addition, shared knowledge of events in the firm's genesis (Kammerlander et al., 2015), where family relationships are dominant, may exist (Berrone et al., 2012). This emotional involvement can be seen as one of the distinct characters of family firms (Eddleston & Kellermanns, 2007; Tagiuri & Davis, 1996b) inherently influencing decision-making (Baron, 2008). **Binding social ties (B)** explains the family firm's social relationships. Social bonds, even though they are the strongest in between family members, are not exclusively reserved for the family. Research has shown, that reciprocal bonds will often be extended to outsiders as well (Miller et al., 2009). The urge to secure the well-being of the family will most likely extend to employees of the family firm, hence strengthening the sense of identity of nonfamily employees (Miller & Le Breton-Miller, 2005a). This inclusion even goes so far as to include long-term suppliers, customers (Uhlener, 2006), and communities (Berrone et al., 2010). **Renewal of family bonds (R)** by succession is the concluding dimension, according to Berrone et al. (2012). It conveys the predominant need for owners to hand over their family firm to the next generation. This has been noted as one of the essential parts of SEW (Zellweger, Kellermanns, Chrisman, et al., 2012; Zellweger & Astrachan, 2008).

However, while SEW soundly explains the behavior of family firms, it has not reached the point of becoming a theory on its own. This may be because the source and outcomes have not yet been fully explored. Schulze and Kellermanns (2015), for example, argue that a positive theory explaining the core set of beliefs and contributions of the family to the health of the firm is missing. In addition, it is argued that much of the research in this field is based merely on assumptions (Schulze & Kellermanns, 2015), and the findings contradict each other (Miller & Le Breton-Miller, 2014). A substantial number of research projects focused on the influence of SEW on organizational governance, stakeholder relationships, performance, innovation, CSR, and other management practices (Deephouse & Jaskiewicz, 2013; Filser et al., 2018; Rousseau et al., 2018). However, we are not

aware of any research so far that focuses on evaluating the factors influencing SEW. Indeed, Jiang et al. (2018) summarized in their paper that SEW research neglects *“family member’s actual thoughts, feelings, motivations and behaviors, which are believed to be part of the unique SEW-related phenomena”* (Jiang et al., 2018, p. 128). Therefore, they introduce a sociopsychological lens that, in their opinion, can lead to a better understanding of the human nature behind the SEW phenomena. They suggest that thoughts, feelings, and behavior are connected to SEW and vary according to the unit of analysis and the situation (Jiang et al., 2018). Following this idea, we believe that one of the main drivers behind the ambivalent and nonfinancial oriented behavior within a family firm, as reflected in the SEW concept, is the need to satisfy the owner-manager's value construct (Kluckhohn, 1951). To elaborate on this assumption and advance the research about values, SEW, and behavior in family firms, we connected Schwartz’s (1992) two-dimensional, theory of basic human values with the multidimensional construct of SEW.

4.2.2 Derivation and Classification of the Hypotheses

Value dimension: openness to change vs. conservation

This value dimension identified by Schwartz (1992) includes the higher order values openness to change and conservation. The values included arrange themselves according to people either pursuing their own emotional and intellectual interests and choosing the unknown over the known, and thus uncertainty, or preserving the status quo. **Openness to change (OC)** includes the distinctive values of self-direction, stimulation, and hedonism. Individuals who are ranked high in OC try to live a varied and exciting life, are curious, creative and try to choose their own goals (Schwartz, 1992). They value independence and freedom of choice. In general, it is argued that these values have a strong personal focus, regulating the expression of the individual's own abilities and interests and a growth motivation (Rudnev et al., 2018; Schwartz, 2006). Based on that, we assume that OC values only partially influence SEW. As OC includes the distinctive value self-direction, consisting of, for example, independence, freedom of choice, and choosing one’s

own goals (Schwartz, 1992), maintaining control over the business does have a clear connection to this value dimension as it helps it to stay independent and make own decisions. This is one of the main non-economic goals described by the F dimension (Berrone et al., 2012). Staying in charge gives owner-managers the freedom to express their need for creativity and a varied and exciting life resulting in a strong identification with one's actions and consequently the family firm. This is further supported by research which shows that formal ownership leads to psychological ownership (Chi & Han, 2008) which, in return, can appeal and affirm an individual's values and self-identity (Avey et al., 2011). We therefore argue that OC influences dimension I of the FIBER scale. **Conservation (CO)**, in contrast to openness to change (OC), consists of three distinctive values: security, conformity, and tradition. People who place strong emphasis on conservation normally value safety, harmony and, for example, a stable relationship. Security does not necessarily address the need to protect oneself, by staying healthy for example, but it emphasizes the need for collective security, such as family security and social order. These individuals tend to try and avoid actions that upset or harm social expectations, norms, or other people, which is often expressed by strong self-discipline, and obedient and polite behavior. These individuals value shared experiences and practices, respect traditions, and accept their portion in life (Schwartz, 1992). According to Schwartz (2006), values connected to conservation are motivated by protection and anxiety avoidance and have a strong social focus. Therefore, we believe that CO values, contrary to the opposing OC values, influence all dimensions of FIBER. CO values, especially tradition and conformity, support the notion of staying in charge of the family firm, represented by dimension F. Dimension I is also influenced, since the family firms' heritage is oft-mentioned in the context of family business research (Micelotta & Raynard, 2011; Mitchell et al., 2011; Zellweger, Kellermanns, Eddleston, et al., 2012) as a way to brand the company and strengthen its identity. Zellweger et al. (2012) note that an organizational identity builds upon a firm's heritage simultaneously setting the course for the future which is strongly connected to tradition. Previous research has emphasized the distinctive characterization of family firms as caring stewards (J. H. Davis et al., 1997; Miller & Le Breton-Miller, 2005a). Arguments have been

made that the culture of family firms results in employees having a higher commitment, involvement, and loyalty to the family firm (Vallejo, 2008) and that family firms show higher employee participation (Bammens et al., 2015; Covin, 1994) and job security (Block, 2010). This may lead to higher trust and organizational harmony which is, next to benevolence, intricately connected to values such as security and conformity. Therefore, we argue that conservation also influences dimension B. The connection of CO values to dimension E is established through building a family legacy. According to Berrone et al. (2012), emotional attachment helps build a family legacy and thus maintain a positive self-concept. Furthermore, we argue that such values as tradition, security, and conformity influence dimension B. Finally, we would like to illustrate the connection between conservation values and the FIBER dimension R. A firm symbolizes the family's heritage, legacy and tradition (Tagiuri & Davis, 1992). Thus, managing and preparing the firm for continuity so that future generations can benefit is one of the main goals (Kets de Vries, 1993; Kotlar & De Massis, 2013; R. I. Williams et al., 2019; Zellweger, Kellermanns, Chrisman, et al., 2012). Building upon the existing value and SEW literature, we conclude the following hypotheses:

Hypothesis 1 (H1): The individual higher order value openness to change (OC) of family firm owner-managers affects dimensions F and I of the FIBER scale.

Hypothesis 2 (H2): The individual higher order value conservation (CO) of family firm owner-managers affects all dimensions of the FIBER scale.

Value dimension: self-transcendence vs. self-enhancement

The second value dimension consists of the higher order values self-transcendence and self-enhancement (Schwartz, 1992). This dimension addresses values indicating whether a person deals only with his own personal interests and their protection or promotes and grows the well-being of other people, their surroundings, and the environment. **Self-transcendence (ST)** includes the distinctive values of benevolence and universalism. These two values show strong similarities. In general, people ranking high on benevolence values are motivated

by preserving the well-being of close individuals (Kluckhohn, 1951; Schwartz, 1992). People ranking high on universalism values extend this goal to humankind and nature itself. To a great extent, people ranking high in ST values can, compared to others, best be described as helpful, loyal, honest, responsible, tolerant, understanding, and socially focused (Rudnev et al., 2018). Therefore, we regard the higher order value ST as a driver of the SEW dimensions B, E, and R. Fundamentally, benevolence focuses on the welfare of people with whom one is in frequent personal contact. Schwartz (2012) stated that relations within the family are most critical but can include other primary groups. As dimension B includes the need to establish and maintain reasonable, long-term relationships with family firm employees, communities, and long-term suppliers (Berrone et al., 2010), a clear connection to ST values can be observed. The connection to dimension B is supported by the notion of Berrone et al. (2012) that the dimension, through psychological appropriation, is connected to maintaining a positive self-concept, as emotional attachment fosters family legacy and helps to understand trust (Steier, 2001), altruism (Eddleston & Kellermanns, 2007), and benevolence (Cruz et al., 2010). Last, we assume a connection between ST values and the FIBER dimension R. As these dimensions include the need to hand over the business to the next generation, managing and preparing the firm for continuity so future generations can benefit from it is one of the main goals (Kets de Vries, 1993; Kotlar & De Massis, 2013; R. I. Williams et al., 2019; Zellweger, Kellermanns, Chrisman, et al., 2012). Therefore, we argue that the intention to hand over a healthy business to one's children and maintaining workplaces for long-time employees is based upon underlying ST values. The value category self-enhancement opposes the value category self-transcendence. **Self-enhancement (SE)** consists of two distinctive values; achievement and power. The value achievement is characterized by the need for personal success, which is gained by “*demonstrating competence according to social standards*” (Schwartz, 1992, p. 8). Power addresses the need for an individual status differentiation within society so that social institutions can function (Schwartz, 1992). Therefore, people ranking high in power are more likely to engage in activities that result in increased social status, prestige, or dominance over others. SE values have a constant personal focus. For people high in SE values,

expressing their abilities and interests is regarded as important (Rudnev et al., 2018). They typically can be described as ambitious, successful, capable, and influential; they try to establish and maintain authority and wealth (Schwartz, 1992). Therefore, we assume a coherent connection between the higher order value SE and the FIBER dimensions F and I. Predominantly, values such as power, authority, and success may lead to the need for maintaining the position as a leader represented by dimension F. This is often observed in family firms when they are suffering from paternalistic and authoritarian governance structures (Dyer, 1988) and the problem of owner-managers resisting encouragement to step down from their position (Handler & Kram, 1988). Identification can be associated with altruism (Marques et al., 2014) as managers identifying with the firm are more likely to engage in unrewarded citizenship behavior (J. H. Davis et al., 1997). Therefore, we hypothesize that the values underlying this dimension are predominantly part of self-enhancement. Representing the need to satisfy social standards, the value achievement can be directly linked to the need to maintain the family firm's reputation and gain social approval. Thus, we formulate the following hypotheses.

Hypothesis 3 (H3): The individual higher order value self-transcendence of family firm owner-managers affects the dimensions B, E, and R of the FIBER scale.

Hypothesis 4 (H4): The individual higher order value self-enhancement of family firm owner-managers affects the dimensions F and I of the FIBER scale.

4.3 Method

4.3.1 Data Set

We collected the data to test our hypotheses by means of an online survey spanning October to November 2018. Initially, we contacted 30,000 companies via e-mail. We chose Germany for our sample because it is seen as a valuable research ground for family business studies (Klein, 2000; Rau et al., 2019) with a high number and

long tradition of family firms (Beck & Prüggl, 2018). Moreover, international studies have shown that the values for Germany, measured using the PVQ, are rather balanced in the center between the four higher order value dimensions (Schwartz, 2007), which is helpful for the analysis as there is no strong focus on one value dimension influencing the results. The addresses that received this invitation were randomly chosen from the publicly available Amadeus database (Bureau van Dijk, 2018). We restricted the study participants to companies that had existed for at least ten years to be seen as a family firm with longevity (Zellweger, Nason, & Nordqvist, 2012) and a dynastic orientation (Bertrand & Schoar, 2006).

Additionally, all relevant missing data and outliers, which were identified as input errors, were excluded. At the conclusion of the participant selection, a filter specifying family firms according to the definition of Chua, Chrisman and Sharma (1999) was applied. Thus, we only included family firms where at least 50 percent of the family business is held by the family, at least one family member is actively involved in its management, and observable family characteristics were present, which was validated by self-assessment of the participants. Furthermore, we asked for the respondent's position and whether they were part of the family that owns the business. Only respondents who were active in management and part of the family that owned the business were included in our final sample. Meeting all these restrictions, the final sample consisted of 1,003 completed questionnaires. Regarding testing for a nonresponse bias, we analyzed whether the responses of the first set differ from those who answered the survey last. We therefore sorted the dataset by questionnaire return date and divided it into three groups. Concerning our explanatory variables, we found no statistically significant differences between these three groups (Armstrong & Overton, 1977; Dehlen et al., 2014). To further ensure the representativeness of our sample, we compared the descriptive data from our dataset with comparable studies about family businesses in Germany. The results show that variables such as firm age, age of the respondent, gender, industry distribution, and generation were comparable with other representative datasets, strengthening the representativeness of our sample. (Dehlen et al., 2014; Hauck et al., 2016; Zellweger, Kellermanns, Chrisman, et al., 2012). Several measures to diminish the probability of common methods biases were used (Fuller et al., 2016).

We designed the questionnaire and thereby the order of the questions in a way that the respondents' answers were not influenced by the researchers' underlying expectations (Podsakoff et al., 2003) and used randomization of the questions for each participant. Additionally, we assured the anonymity to all respondents to reduce a possible social desirability bias (Podsakoff et al., 2003). Furthermore, we performed a Harman one-factor test (Podsakoff & Organ, 1986) and executed an exploratory factor analysis for the models with all predictor variables from our regression models, leading to a 5-factor solution with eigenvalues greater than one. Taken together, these factors explained 65.19 percent of the total variance. The first factor explained 17.32 percent of the variance, which already indicates that common method bias was not a concern in our study since no single factor explains the majority of the variance.

4.3.2 Variables

Dependent Variables. In this study, we used the FIBER dimensions as proposed by Berrone et al. (2012), to measure SEW as *dependent variables*. To obtain the most comprehensive picture available of SEW, we decided to use the FIBER scale instead of the alternative scales, such as the REI scale by Hauck et al. (2016) or the SEWi scale by Debicki et al. (2016). Particularly against the background of the differentiation of the five dimensions, which we regard as essential components to test our hypotheses, we consider the FIBER scale with five dimensions to be suitable. As this survey was conducted in Germany, the exact questions of each dimension were translated and used in our survey. To ensure reliability, all authors and a native speaking associate cross-checked this translation. The participants had to indicate their approval of a statement on a 5-point Likert scale ranging from "Strongly disagree = 1" to "Strongly agree = 5." Finally, for each of the FIBER dimensions, mean values for each case were calculated, which represent the dependent variables for further analyzes.

Independent Variables. As previously mentioned, we measured values using Schwartz' Portraits Value Questionnaire because it was more focused than the original Schwartz value survey, having already been validated and deemed more accessible to participants (Schmidt et al., 2007). More specifically, we used the

existing, validated German version of the questionnaire (Schmidt et al., 2007). The Portraits Value Questionnaire consists of 40 questions covering the ten distinctive values found by Schwartz (1992), as displayed in Figure 7. Methodologically, characteristics of a person were described to the survey respondent, and the respondent was asked to answer on a 6-point Likert scale, ranging from “Very much like me = 1” to “Not like me at all = 6.” The mean values of the subscale responses, which represented the ten distinctive values according to Schwartz, were then calculated. Additionally, Schwartz summarized these values into four higher order values (Figure 7). To demonstrate the construct validity, we performed a confirmatory factor analysis. The analysis showed that the distinctive values can be well assigned to the respective dimensions and measure the same factor in each dimension, as already shown in many studies that validated this construct (Davidov, 2010; Schmidt et al., 2007; Schwartz et al., 2012; Schwartz & Rubel, 2005). Only the assignment of the value hedonism to the higher order value dimensions was challenging since hedonism loads on both openness to change and self-enhancement to some extent. The higher loading, however, can be found in openness to change. This, as well as Schwartz's recommendation (1992, 1994), led to the assignment of hedonism to the higher order value, openness to change. Furthermore, as this study is the first to use the PVQ with family firm owners, it provides evidence that Schwartz's construct (1994) functions well in this context.

Control Variables. To ensure that other environmental effects did not affect our results, we included several control variables. We used the number of *employees* as a measure of firm size, which has been noted to have a strong influence on culture (Vallejo, 2008). With the application of the *generation* variable, we tested for any influence of possible effects through previous generations (Lansberg, 1988). As requested by Berrone et al. (2012), we also controlled for *industry* using the aggregated version of the top-level assignment by the statistical classification of economic activities in the European Union (Eurostat, 2008). We then collapsed the ten industries into *manufacturing industry*, *service industry* and a miscellaneous ‘*other*’ sector and included them as dummy variables. Furthermore, we controlled for the *age* of the respondents, as values might vary with the age of the respondent (Schwartz, 1992) and thus could influence the results. Studies have shown that

experience gained during childhood, especially in the context of family life, is a crucial factor in shaping a person's beliefs, attitudes and personality (Bronfenbrenner, 1986). Likewise, a forthcoming succession can influence a person's behavior and career choice (Zellweger et al., 2011). This results in the behavior and individual characteristics that are developed within the framework of the family business. To control for this effect, we coded a variable that indicated if either the parents or the grandparents had an entrepreneurial background. Finally, we included gender as a dummy variable called *female*, as significant differences in value orientation between men and women have been observed in previous studies (Beutel & Marini, 1995; Schwartz, 1992).

4.3.3 Data Analysis

Structural equation modeling (SEM) has recently received much attention in family business research (C. B. Astrachan et al., 2014; Basco et al., 2018; Beck & Prügl, 2018). This might be due to the often complex relationships between latent constructs (C. B. Astrachan et al., 2014) in family firms as a result of active family involvement. Generally speaking, SEM is a further developed version of linear modeling, and it was used to check whether the research model and its collected data represent the theory (Lei & Wu, 2007). We concluded by choosing partial least squares SEM (PLS-SEM) over covariance-based SEM (CB-SEM) as the former can handle complex models with multiple exogenous and endogenous constructs, non-normal data distributions, ordinal and dichotomous variables and single items (C. B. Astrachan et al., 2014; Hair et al., 2017), which are partially used in our analysis. SEM does not merely calculate each path individually as does a regression analysis but has the advantage of “*facilitating simultaneous analysis of all structural relationships*” (C. B. Astrachan et al., 2014, p. 117) and ultimately producing more reliable results. The analysis was performed by applying the software SmartPLS, Version 3. We will display detailed information about the inner and outer models. We used the computational settings in SmartPLS recommended by Hair et al. (2017). For the standard PLS-SEM algorithm, we used the path weighting scheme with the standard start weights, a maximum number of 300 iterations and a stop criterion at 10^{-7} . For the bootstrapping, we used 5,000

subsamples with the complete bootstrapping option, the bias-corrected and accelerated (BCa) bootstrapping and a two-sided significance test with a 0.05 significance level.

4.4 Results

In Table 7, we show the means, standard deviation, and minimum and maximum values for the dependent, independent, and control variables. In addition, an overview of the individual distinctive values is given. We show that the dataset consists of a broad range of firms, starting with micro-sized firms with two employees up to family firms with 3,500 employees. The *generations* variable ranged from first to sixth generation and older, and the respondents' *age* was between 22 and 94 years. Regarding the FIBER dimensions, we observed that all values were above average. *Family control and influence* (4.55) and *the identification of family members with the firm* (4.31) were rated particularly high. The *renewal of family bonds through dynastic succession* showed the lowest average (3.58). Values for the four higher order values were also above average. *Self-transcendence* (4.71) showed the highest value and *self-enhancement* the lowest (3.66). By narrowing down the values to individual distinctive values, we observed that, in particular, *self-direction* (5.12), *benevolence* (4.78), *universalism* (4.64), and *security* (4.62) were high among our respondents. In contrast, *tradition* (3.31), *stimulation* (3.38), and *power* (3.60) showed the lowest mean values. In comparison to other studies on human values in Germany, we conclude that we achieved comparable results, although some deviation in certain characteristics was found. In a study conducted by Schmidt et al. (2007), significantly lower mean values for *conformity* (3.02), *tradition* (2.16), *security* (3.57), *power* (2.29), and *self-direction* (4.21) were obtained, while a higher value for *hedonism* (4.13) was obtained. We conclude that this can be explained by the general differences between the groups that were analyzed: students in one study and family firm owners in the other. Furthermore, as Schwartz elucidates, a value's average increases with the age of the respondent, explaining our overall higher results (Schwartz et al., 2001).

Table 7: Descriptive Statistics

	Variables	Min	Max	Mean	SD
1.	Family control and influence	1.00	5.00	4.55	0.57
2.	Identification of family members with the firm	1.00	5.00	4.31	0.70
3.	Binding social ties	1.20	5.00	3.92	0.64
4.	Emotional attachment of family members	1.00	5.00	3.94	0.70
5.	Renewal of family bonds through dynastic succession	1.00	5.00	3.58	1.09
6.	Openness to change	2.00	6.00	4.07	0.76
7.	Self-enhancement	1.00	6.00	4.71	0.69
8.	Self-transcendence	1.00	6.00	3.66	0.88
9.	Conservation	2.00	6.00	3.96	0.71
10.	Employees	2.00	3500.00	66.64	212.07
11.	Generation	1.00	6.00	2.20	1.18
12.	Industry – Manufacturing industry ^a	0.00	1.00	0.47	0.50
13.	Industry – Services ^a	0.00	1.00	0.49	0.50
14.	Industry - Other ^a	0.00	1.00	0.04	0.21
15.	Age	22.00	94.00	51.34	10.92
16.	Female ^a	0.00	1.00	0.27	0.44
17.	(Grand-)parents were entrepreneurs ^a	0.00	1.00	0.76	0.43
18.	Universalism (ST)	1.67	6.00	4.64	0.81
19.	Benevolence (ST)	1.00	6.00	4.78	0.72
20.	Conformity (C)	1.25	6.00	3.93	0.92
21.	Tradition (C)	1.00	6.00	3.31	0.92
22.	Security (C)	1.80	6.00	4.62	0.76
23.	Power (SE)	1.00	6.00	3.60	0.91
24.	Achievement (SE)	1.00	6.00	3.72	1.06
25.	Hedonism (O)	1.00	6.00	3.71	1.15
26.	Stimulation (O)	1.00	6.00	3.38	1.10
27.	Self-direction (O)	2.25	6.00	5.12	0.66

SD: standard deviation; N: 1003; ^a: Dummy

Table 8 displays the correlation matrix and shows multiple significant correlations of values and the FIBER dimension. That all FIBER dimension values are intercorrelated to a certain extent has been observed previously (Hauck et al., 2016), therefore, this observation was expected due to the close theoretical connection (Berrone et al., 2012).

Table 8: Correlation Matrix

Variables	1	2	3	4	5	6	7	8	9	10	11	12	12a	13	14	15
1. Family control and influence																
2. Identification of family members with the firm	.385***															
3. Binding social ties	.151***	.358***														
4. Emotional attachment of family members	.353***	.478***	.354***													
5. Renewal of family bonds through dynastic succession	.180***	.428***	.262***	.344***												
6. Openness to change	.042	.082**	.046	.129***	.029											
7. Self-enhancement	.079*	.167***	.030	.105***	.120***	.412***										
8. Self-transcendence	.088*	.143***	.375***	.318***	.132***	.279***	.019									
9. Conservation	.151***	.239***	.256***	.300***	.241***	.054	.252***	.431***								
10. Employees	-.157***	.008	-.035	-.077*	.075*	.053	-.006	-.016	-.008							
11. Generation	.051	.085***	.029	-.051	.176***	-.033	-.041	-.023	.073*	.070*						
12. Industry – Manufacturing industry	.055	.004	-.010	-.016	.054	-.048	-.047	-.016	.041	.021	.180***					
13. Industry – Services	-.011	.024	.002	.037	-.041	.042	.052	.017	-.010	-.009	-.130***	-.914***				
14. Industry - Other	-.106***	-.068*	.019	-.051	-.031	.016	-.012	-.003	-.076*	-.031	-.119***	-.203***	-.212***			
15. Age	-.033	-.020	.086**	-.038	-.025	-.074*	-.123***	.052	.019	-.008	-.177***	-.077*	.058	.044		
16. Female	.093**	.097**	.052	.139***	-.017	-.020	-.051	.108***	-.056	.001	-.027	.000	.018	-.044	-.169***	
17. (Grand-)parents were entrepreneurs	.011	.078*	.014	-.044	.044	.007	.058	-.049	.046	.071*	.370***	.109***	-.062	-.114***	-.241***	-.016

Significance levels: * p<.05, ** p<.01, *** p<.001 (two-tailed); N=1003

Our data confirms Schwartz's (1994) interpretation that the value dimensions are bipolar. Similar value types, such as *conservation* and *self-transcendence* (.431), as well as *openness to change* and *self-enhancement* (.412), are highly correlated, while *self-enhancement* and *self-transcendence* (.019), as well as *openness to change* and *conservation* (.054), are not correlated with each other at all.

Table 9: AVE, Composite Reliability, Cronbach's Alpha - Reflective Measurement Models

Construct	AVE	Composite reliability	Cronbach's alpha	R ²	Q ²
Openness to change	0.508	0.749	0.642		
Self-enhancement	0.790	0.883	0.737		
Self-transcendence	0.794	0.885	0.746		
Conservation	0.656	0.851	0.739		
F	0.440	0.795	0.692	0.079	0.026
I	0.539	0.874	0.828	0.098	0.048
B	0.427	0.788	0.667	0.171	0.068
E	0.516	0.863	0.806	0.165	0.082
R	0.798	0.922	0.874	0.092	0.068

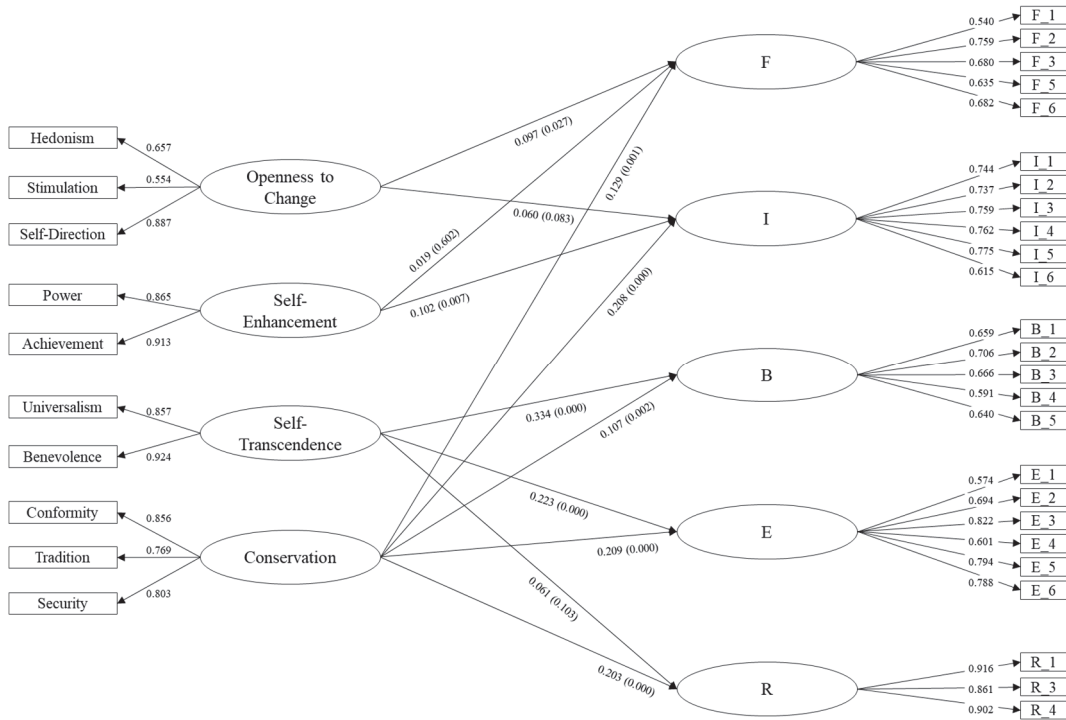
Table 9 presents the results of the analysis of the reflective measurement constructs in our model. We followed the structured approach proposed by Hair et al. (2019), checking for internal consistency reliability with Cronbach's alpha, convergent validity with average variances extracted (AVE), and composite reliability and discriminant validity with the heterotrait-monotrait ratio of correlation (HTMT). Regarding the values dimensions, all of the reported measurements were well within the recommended ranges except for the Cronbach alpha of the higher order value openness to change (0.642). This can be explained by the construct itself, as openness to change consists of three values: self-direction, stimulation, and hedonism. Schwartz (1992) already identified that hedonism is harder to categorize than other values. Theoretically, it could either be included in self-enhancement or openness to change. As mentioned in the factor analysis of the value dimensions, with the assignment to openness to change, we assigned hedonism to the factor with

the highest loading and thus followed Schwartz's (1992, 1994) recommendations for the assignment. However, since there was no improvement in internal consistency reliability by eliminating items with low loadings on the indicator, the literature recommends that the entire construct of indicators be retained (Hair et al., 2017). Furthermore, Hair et al. (2019) argue that for the statistical method, PLS-SEM AVE and composite reliability are more important.

In the case of the FIBER dimensions, some problems arose during the reliability testing. The convergence validity test showed that one indicator had to be excluded from the F subscale and one indicator had to be removed from the R subscale, as they both showed a loading below 0.4 on the construct (Bagozzi et al., 1991). Further variables with loadings between 0.4 and 0.7 were excluded for testing purposes to check whether the internal consistency reliability improved as a result, as recommended by Hair et al. (2017). Since this was not the case, the remaining indicators were retained as in the original construct. This is a known problem of the FIBER scale, which has already been mentioned by Hauck et al. (2016). As in their analysis, the F and B subscales, in particular, showed values that were slightly too low for AVE and Cronbach's alpha, while the composite reliability and discriminant validity were well within the recommended borders. We decided to keep all subscales of the FIBER scale for the analysis while taking into account the imperfect measurement, especially to be able to present a complete picture of the connection between values and SEW since it appears that a better measurement tool does not yet exist.

To test for discriminant validity, we also used the Fornell-Larcker criterion (Fornell & Larcker, 1981). All cross-loadings were lower than the indicator loadings, which proves the evidence of discriminant validity (Hair et al., 2017). For the structural model, the collinearity (VIF), R^2 , Q^2 and q^2 effect sizes were examined. The variance inflation factor (VIF) ranged from 1.008 to 1.285; thus, multicollinearity was not a problem in our model (Hair, 2019). Figure 8 shows the path coefficients and p -values of our PLS-SEM model.

Figure 8: PLS-SEM Model M1



Control variables are not shown for better clarity.

For all FIBER dimensions, a predictive influence of the two higher order value dimensions was found. This supports our initial concept that values are antecedents of SEW behavior. First, we observed that *openness to change* of family firm owner-managers shows a significant positive effect on the SEW dimension of *family control and influence* (.097, $p < .05$) and, at a lower significance level, an effect on *identification of family members with the firm* (.060, $p < .10$). Thus, our assumed connection between the higher order value *openness to change, family control and influence, and identification of family members with the firm* is supported and H1 accepted.

Second, we observed that *conservation* of family firm owner-managers has significant positive effects on all SEW dimensions, with *family control and influence* (.129, $p < .01$), *identification of family members with the firm* (.208, $p < .001$), *binding social ties* (.107, $p < .01$), *emotional attachment of family members* (.209, $p < .001$), and *renewal of family bonds* (.203, $p < .001$). Thus, we conclude that H2 is accepted.

Third, we observed that *self-transcendence* of family firm owner-managers has significant positive effects on the SEW dimensions *binding social ties* (.334, $p < .001$) and *emotional attachment of family members* (.223, $p < .001$), while there was no significant effect on *renewal of family bonds*. Thus, hypothesis H3 is partially supported.

Fourth, we observed that *self-enhancement* of family firm owner-managers has a significant positive effect on the SEW dimensions *identification of family members with the firm* (.102, $p < .01$) while there was no significant effect on *family control and influence*. Thus, hypothesis H4 is also partially supported.

Concerning the control variables, we observed a positive effect of the number of employees on *identification*, *binding social ties*, and *emotional attachment of family members*. We further found that *family control and influence* and *emotional attachment of family members* decreases with the *generation* while *renewal of family bonds* increases. Furthermore, we found it noteworthy that a significant positive effect on *renewal of family bonds* was observed only with regard to *manufacturing industries*, and the type of *industry* otherwise had no further effect in our model. In addition, we noted a weak negative effect on *family control and influence* which increased with *age* of the family firm owner-manager. Moreover, a positive effect on *binding social ties* was observed if the owners of the family businesses were *female*. Last, we did not find any effect of childhood experiences observed when the own (*grand-*)*parents were entrepreneurs* in our model.

4.5 Discussion

4.5.1 Theoretical Implications

The central goal of this study was to investigate how individual values of owner-managers are connected to the concept of SEW and thus influence the behavior of family firms. Therefore, a PLS-SEM model with our final sample of 1,003 family firms (Chua et al., 1999) was performed. To implement our study, we used the FIBER dimensions proposed by Berrone et al. (2012) as dependent variables and the higher order values proposed by Schwartz (1992) as independent variables. Our

model shows a significant positive relationship between several higher order values and the FIBER dimensions, thus strongly supporting the oft-mentioned connection between values and SEW (Berrone et al., 2012; Fletcher et al., 2012; Gómez-Mejía et al., 2007; Marques et al., 2014). Furthermore, we used an established value construct to test which values are predominant among owner-managers of family firms. By investigating the ten distinctive values proposed by Schwartz (1992), we observed that self-direction, benevolence, universalism, and security are the highest rated values, while tradition, stimulation, and power represent the lowest rated values. This surprised us as the literature shows that family businesses place a strong emphasis on tradition (Tagiuri & Davis, 1992), keeping the heritage alive, and building a family legacy (Micelotta & Raynard, 2011; Mitchell et al., 2011; Zellweger, Kellermanns, Eddleston, et al., 2012). The limited relevance of power values can also be seen as unexpected, as the need to stay in charge of the business may be the most important decision factor for family businesses mentioned so far (Berrone et al., 2012; Gómez-Mejía et al., 2007). This is particularly noticeable in the FIBER dimension F, which is rated highest. Looking at the bipolar value dimensions, we note a strong focus on person-oriented values, which are significantly higher-rated in comparison to the social-oriented values.

We observed that the person-oriented values self-enhancements and openness to change (Rudnev et al., 2018) solely impact the F and I dimensions. As hypothesized, both person-oriented values show a significant connection to the FIBER dimension I, even though the connection of openness to change is only significant at a ten percent level. Surprisingly, no clear connection between self-enhancement and F could be observed. Based on our theoretical argumentation, the need to stay in charge instilled through values such as power, achievement, and authority should be clearly reflected in the FIBER dimension F. After all, family firms often suffer from paternalistic and authoritarian governance structures (Dyer, 1988). The fact, that no connection could be established implies that the need to maintain control over the family firm, represented by F, does not stem from the personal need of an owner-manager to exert power, authority, or display his personal success. This however, can explicitly be seen in accordance with literature about stewardship theory in family firms, which is oftentimes used to explain

behavioral aspects of family firms (J. H. Davis et al., 2010), as it “*explains situations which the leadership within organizations serves the organizational good and its mission rather than pursuing self-serving, opportunistic ends*” (J. H. Davis et al., 2010, p. 1093). The clear connection between the value dimension openness to change and F implies rather, that control over the firm is maintained to stay independent in their behavior and to subsequently make their own decisions. This was also stated in the early stages of SEW research (Gómez-Mejía et al., 2007) as one of the main non-economic goals. Taking a closer look at the social-oriented values conservation and self-transcendence (Rudnev et al., 2018) we can confirm our theoretical derivation that conservation, consisting of the three distinctive values, security, conformity, and tradition (Schwartz, 1992), is reflected in all FIBER dimensions. The value self-transcendence has a clear connection to the FIBER dimensions B and E but shows no significant connection to dimension R, even though our theoretical derivation indicated a strong relationship. As self-transcendence focuses on the welfare of others, especially the family (Schwartz, 2012), we assumed that handing over the business and, as such, securing employment for one’s own children and the workforce indicates a clear connection between self-transcendence and R. Strikingly, this would imply that only conservation values influence dimension R and therefore the intention to hand over the family firm to the next generation.

The missing connection between self-enhancement and F as well as the missing link between self-transcendence and R was surprising for us, as our review of the theory substantially indicates a strong relationship between these values and the respective FIBER dimensions. We therefore decided to take one step back and reevaluate the existing literature to find possible further explanations for how owner-manager could satisfy their need to express authority, display their success and exert power, represented by a strong emphasis on self-enhancement values. Similarly, we wondered how only one higher order value influences one of the most important FIBER dimensions, namely, renewal of family bonds through dynastic succession. We found a possible explanation in the pyramid of ownership motivation by Ward (Ward, 1997). Accordingly, some of the most critical factors which help to sustain long-term family ownership are connected to actualization

and realization expressed by responsible collective stewardship. Owners might believe that they have a personal responsibility to pass on the business to the next generation and feel pride (Kets de Vries, 1993) in doing so. Therefore, one could argue that the feeling of personal success from handing over the family firm successfully is stronger than the loss of authority that comes with it. This would imply a connection between self-enhancement values and the FIBER dimension R. Based on these additional hypothesized connections and in accordance with Hollenbeck and Wright (2017), we decided to include a post hoc analysis section after the discussion section.

In addition to our main findings, we observed some mentionable secondary findings. In our dataset, we observed a strong negative effect of generation on F and E which leads to the conclusion that F as well as E decreases with future generations in charge. However, respondents from family firms in higher generations showed a significant positive relationship with dimension R, thus emphasizing the continuity of the business while simultaneously losing direct control. The positive effect of employees on I, B, and E is also noteworthy as we somehow expected the opposite. At the last, we found that our female variable showed a significant positive relationship with B, indicating that women emphasize this dimension more strongly than their male counterparts.

4.5.2 Post-hoc Analysis

Based on the discussion in our theoretical implications section, we post hoc hypothesized a connection between the value self-enhancement and the FIBER dimension R. To test this theoretical derivation, we included the mentioned connection in a post hoc PLS-SEM model (Table 10). Please note, that all tests concerning the reflective measurement constructs, internal consistency reliability, convergent validity, average variance extracted, and composite- and discriminant validity were performed accordingly and showed no significant differences to our previous model.

Table 10: Results of hypotheses tests Post Model

Hypotheses paths	Hypotheses	Path coefficients	T-values (p-values)	q ² effect size	Effect significant
Openness to change -> F	H1	0.098	2.283 (0.022)	0.003	Yes
Openness to change -> I	H1	0.060	1.735 (0.083)	0.001	No
Conservation -> F	H2	0.129	3.496 (0.000)	0.006	Yes
Conservation -> I	H2	0.208	6.693 (0.000)	0.020	Yes
Conservation -> B	H2	0.107	3.026 (0.002)	0.004	Yes
Conservation -> E	H2	0.209	6.087 (0.000)	0.019	Yes
Conservation -> R	H2	0.174	4.700 (0.000)	0.017	Yes
Self-transcendence -> B	H3	0.334	9.506 (0.000)	0.039	Yes
Self-transcendence -> E	H3	0.223	6.413 (0.000)	0.022	Yes
Self-transcendence -> R	H3	0.070	1.905 (0.057)	0.002	No
Self-enhancement -> F	H4	0.018	0.495 (0.620)	0.000	No
Self-enhancement -> I	H4	0.102	2.670 (0.008)	0.004	Yes
Self-enhancement -> R	Additional	0.090	2.598 (0.009)	0.005	Yes

Source: Own representation

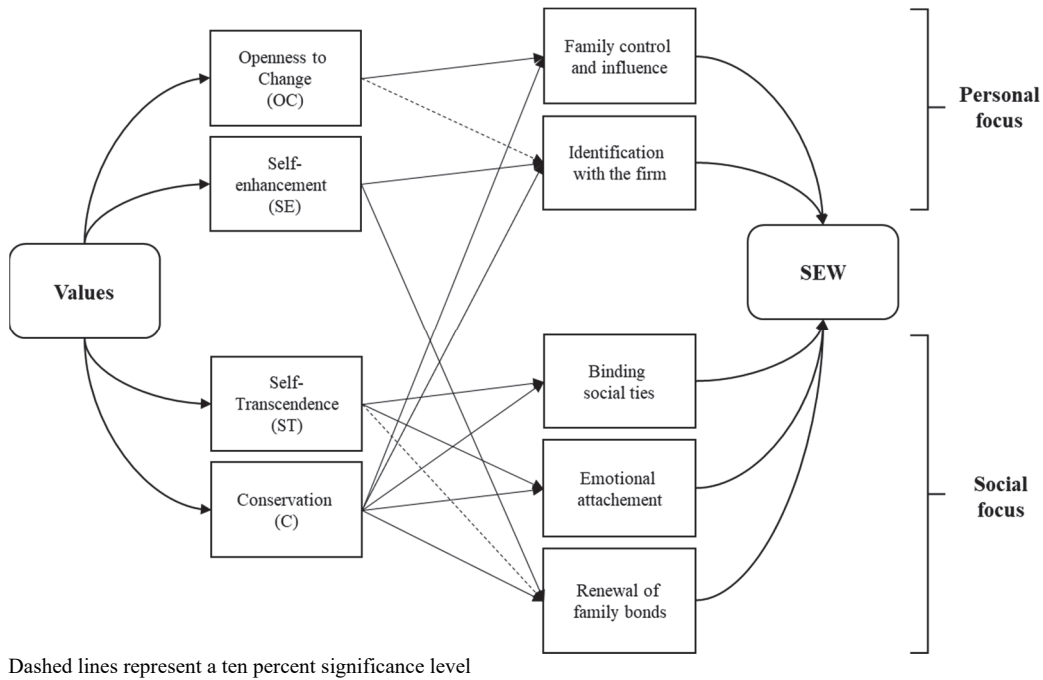
Our post hoc analysis confirms that self-enhancement has a positive and highly significant ($.070, p < .01$) relationship with the FIBER dimension R. Furthermore, we observed that the previously assumed relationship between self-transcendence and R becomes significant at a ten percent level ($.090, p < .10$) with the inclusion of self-enhancement. Next to that, we noticed a slight model fit improvement indicated by increased values for R^2 (.099) and Q^2 (.073). The main implication of this post hoc analysis is that self-enhancement indeed influences dimension R and establishes a connection between self-transcendence and R at a ten percent level. Therefore, we indicate that handing over the family firm to the next generation by the owner-manager is not primarily driven by social motivation and the need to do something “good” for one’s family or employees, but rather by the need to satisfy one’s own person-oriented value construct. Handing over the business and creating a legacy would therefore be a representation of the owner-manager’s requisite to express his need to display personal success, prestige, and influence. This also finds support in theory, as prior research highlights that predecessors often lack the willingness to hand over the business (Handler & Kram, 1988), as it is directly connected with a loss of authority and, often in his or her eyes, with a loss of status within the family itself (Lansberg, 1988; Zellweger & Astrachan, 2008).

4.5.3 Conclusion

In conclusion, we note an observed distinction within the higher order values and their impact on the FIBER dimensions. As displayed in Figure 9, we saw a stronger focus of person-focused values on dimensions F and I while the general influence of social-focused values was stronger on the dimensions B, E, & R.

Our findings also indicate that, depending on the situation, different value constructs of the owner-manager are used to justify their behavior. Actions and behavior in family firms, which are connected to family control and influence and identification with the firm, are subconsciously driven by personally oriented values and, as such, benefit the own need of owner-managers. The behavior, which is connected to emotional attachment and binding social ties is strongly driven by social-focused values and the need of the owner-manager to do something good for society. Renewal of family bonds shows a somewhat ambiguous behavior and is influenced by personal as well as socially oriented values. Our study proves that the assumed connection between values and SEW exists and indeed influences behavior in different ways. Therefore, we suggest that values are antecedents of SEW behavior. In our sample of 1,003 German family firms, we found support for this assumption, since higher order values were thoroughly connected to every FIBER dimension.

Figure 9: Relations amongst Values and SEW Dimensions



4.5.4 Research Limitations and Directions for Future Research

Due to the somewhat exploratory nature of this study, our contribution faces some limitations that must be considered when interpreting the results and applying them to a wider context. First, only a single representative per family firm was contacted by our survey. We only focused on the values of the individual owner-manager of the family firm. Obviously, as SEW is a family-related construct, other family members might also influence SEW and should be considered. We therefore recommend that future studies attempt to validate the value assessment by questioning several individuals of the family. Second, as our sample was limited to German companies only, the results may not necessarily be transferable to other countries and cultures. Nevertheless, due to the cultural proximity and already proven similarities of the value constructs in Western countries (Schwartz, 1994), there is sufficient evidence for the transferability of the results. Future research, however, could attempt to validate our results and apply them in other countries and cultures to see if and how the cultural context influences values and decision-making in family firms. Third, it was not possible to capture all the conditions that

might have an impact on SEW. Thus, the situation of the company, lifecycle stage, succession, and external management could be included in future research projects.

Finally, other directions originating from our findings could emphasize the differentiation of family firms according to the mentioned split of values. Possible questions that have only been partly addressed in other studies could be: Can family firms be divided into different groups displaying different predominant values? How does the ownership structure influence the values of a family firm? Do certain values influence the performance of the family firm more strongly than others?

4.5.5 Practical Implications

If family firms have a clear understanding of the values they actively pursue, and these values are exemplified by the owners or the owning family, employees' values can be better aligned with the firm's values. By publicly displaying the values that the family business lives by to stakeholders and shareholders affords them a better understanding of the firm and, thus, this may be beneficial for creating stronger bonds and building trust. By being aware of the intercorrelation of values and family firm behavior, owners and the steering family members in the firm can actively counteract their behavior and thus make more objectively driven decisions.

5 The Pillars of Family Firm Performance? How Owner-Manager's Values impact the Performance through Socioemotional Wealth

Philipp Julian Ruf, Sven Wolff, Michael Graffius, Sabrina Schell and Petra Moog

Abstract

While research has often claimed that individual actors' values and consequently behavior impact the performance of a firm significantly, empirical underpinning about the mechanisms is missing. Especially in family firms, this is crucial to understand, as owner-managers exert an extraordinary influence on values, goals, and their respective firm's behavior. Therefore, this study aims to connect individual values of the owner-manager to the performance of a family firm, mediated by socioemotional wealth. To help understand this phenomenon, we use structural equation modelling on a dataset of 673 family firms. Based upon upper-echelon theory, our results indicate that person-focused values impact performance directly while social-focused values impact performance mediated by SEW.

Keywords: Family Firm, Performance, Socioemotional wealth, Upper Echelon Theory, Values

5.1 Introduction

The core of family business research is quite clear: the family's involvement, its effect on the family firm, and vice versa (Payne, 2018). However, certain relationships resulting from this multi-level construct have been often overlooked (Evert et al., 2016; Payne, 2018). In recent years, family business research has shown a strong focus on firm-level analysis, significantly neglecting the influence and behavior of individual actors of family and firm (Evert et al., 2016). Investigating these underlying levels, which can be essential antecedents for firm-level outcomes, could provide substantial insights in the family firm phenomena, as macro phenomena are often caused by lower-level elements (Chrisman et al., 2007). This is especially true for family firms, since the beginning of family business research stems from the phenomenon that the founder and consecutively the owner-manager exert an immense amount of influence on the firms' values, culture and ultimately its performance (Anderson & Reeb, 2003; Dyer, 1988; García-Álvarez et al., 2002; Kelly et al., 2000; McConaughy, 2000; Schein, 1983). According to the upper echelon theory (UET), the characteristics of the top management team (TMT) influence the strategic decisions of the company and, thus, also the performance of a company directly and indirectly (Hambrick & Mason, 1984). Following, each decision considers the CEOs' cognitive mental models based upon their values, experiences, functional and educational background (Kraiczy et al., 2014), especially in family firms (D'Allura, 2019; Ling & Kellermanns, 2010).

The idea that values, and especially the values of the owner-managers influence family firms has long been acknowledged (Beckhard & Dyer, 1983; García-Álvarez & López-Sintas, 2001) and they have been named to be a significant influencing factor on behavior, decision-making, resources and goals (Chua et al., 2015; Fletcher et al., 2012; Gómez-Mejía et al., 2007; Pieper, 2010; Raitis et al., 2021; Ruf, Moog, et al., 2020; Schulze & Kellermanns, 2015; Zellweger & Dehlen, 2012). The importance of values and their impact on family firms dates back *"at least to Max Weber's 1904 essay, which argues that strong culturally predetermined family values may place restraints on the development of capitalist economic activities"*

(Bertrand & Schoar, 2006, p. 74). That is because, e.g., the founder instead tries to maximize his overall utility, such as honouring the family values, instead of pursuing financial goals (Bertrand & Schoar, 2006). In their study, Bertrand and Schoar (2006) conclude that values might be one of the major influencing factors, but the exact mechanisms through which values affect a family firm and which value dimensions influence the firm most are yet to be researched.

Some of these mechanisms can be found in the concept of socioemotional wealth (SEW), which includes values in explaining family firm behavior. The concept of SEW by Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson and Moyano-Fuentes (2007) captures the *"non-financial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty"* (Gómez-Mejía et al., 2007, p. 106) and as such, represents a concept, that refers to individual actors, the family and firm behavior (Jiang et al., 2018). The impact of SEW on firm-level, e.g., governance, relationships, corporate social responsibility or decision-making quality (Cruz et al., 2014; Deephouse & Jaskiewicz, 2013; Jiang et al., 2018; Rousseau et al., 2018; Vandekerckhof et al., 2018; Vardaman & Gondo, 2014), has already been documented in multiple articles. Surprisingly, according to a literature review performed by Williams (2018), only three per cent of all family business studies between 2013 and 2015 considered to include a particular aspect of SEW and performance simultaneously. He suggests that future research streams, investigating the performance of family firms next to others include SEW. This is especially important as measuring performance is vital to understand how behavior affects business outcomes and ultimately helps to develop and test theories (Venkatraman & Ramanujam, 1986).

We argue that based on UET, which explains how mental models and the associated values of TMT members significantly influence the strategic development of the family business, it is worthwhile to take a more in-depth look at the owner-manager values. We assume that especially the values of family members are reflected in SEW and are thus lived out in the company, which is the essential difference between family and non-family businesses. Following, as family firms act differently and express different objectives, we propose that using SEW as a

mediator between individual owner-manager values and firm performance is a good research design, to understand how owner-managers' values influence family firm performance. Therefore, the underlying research questions of this study are:

Do individual owner-manager values impact firm performance? To what extent is this relation mediated by SEW? With this research, we aim to extend the current body of knowledge from family firm behavior, using individual owner-managers' values as antecedents of SEW behavior, ultimately impacting firm-level performance. Following, we selected a quantitative research design, based upon a sample of 673 German family firms, gathered by a questionnaire in 2018. To test our hypotheses, the individual values of the owner-managers are used as independent variables. Using Schwartz's portrait value questionnaire (PVQ), these have been measured based upon his theory of basic human values (1992). Our dependent variable, performance, is based upon a multidimensional construct, commonly used in family business research (Eddleston et al., 2007; Naldi et al., 2007; Wiklund & Shepherd, 2003, 2005). To measure SEW as a mediator, we used the FIBER scale of Berrone et al. (2012). We decided that partial-least structural equation modelling (PLS-SEM) is the most appropriate way to analyze the data. Our findings show that individual values of owner-managers indeed influence the performance of a family firm directly and through SEW as a mediator.

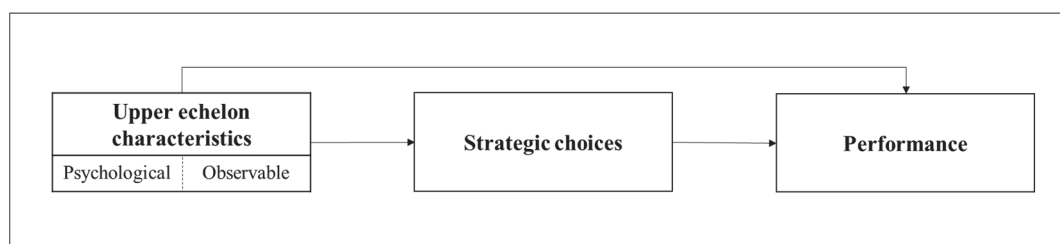
Our research, which uses the theory of basic human values, the concept of SEW and is embedded in UET, contributes in multiple ways to the contemporary literature stream. First, we show that individual values of the owner-manager, according to Schwartz's value dimension, split into personal and social, influencing performance directly (personal) and indirectly through SEW (social). Second, we extend the knowledge of economic vs non-economic goals in family firms, using values to explain why specific goals are pursued and why others not. Third, we contribute to the UET by being one of the few studies, measuring values with a validated psychological construct and substituting strategic choices with SEW. Last, we are one of the first studies establishing a connection between SEW and performance in family firms, using the FIBER scale of Berrone et al. (2012).

5.2 Theoretical Framework and Hypotheses

5.2.1 Owner-Manager Values, SEW and the Performance of Family Firms

The notion that owner-managers exert a direct and extreme influence on their company is well known (Anderson & Reeb, 2003; De Massis et al., 2020; Dyer, 1988; García-Álvarez et al., 2002; Kelly et al., 2000; McConaughy, 2000; Schein, 1983). It is theorized that the characteristics, especially values and goals of the owner-managers and their firm, are identical and indistinguishable (Bamberger, 1983; O'Farrell & Hitchens, 1988). It is of no surprise that since then, multiple articles dealing with this question have been published within different research fields (see e.g.: Berson et al., 2008; Bernice Kotey & Meredith, 1997; Tomczyk et al., 2013; Yan Ling et al., 2007), spanning from general management practices over small business management to entrepreneurship. Theoretically, it is argued, as displayed in Figure 10, that CEO characteristics and especially values (Carpenter et al., 2004) are linked through decision and strategy making and organizational culture, which is shaped primarily by the owner-manager, to performance (Hambrick & Mason, 1984). Based on UET, values as a psychological, cognitive base, influence performance directly and indirectly through strategic choices of the TMT (Hambrick & Mason, 1984).

Figure 10: Upper Echelon Theory



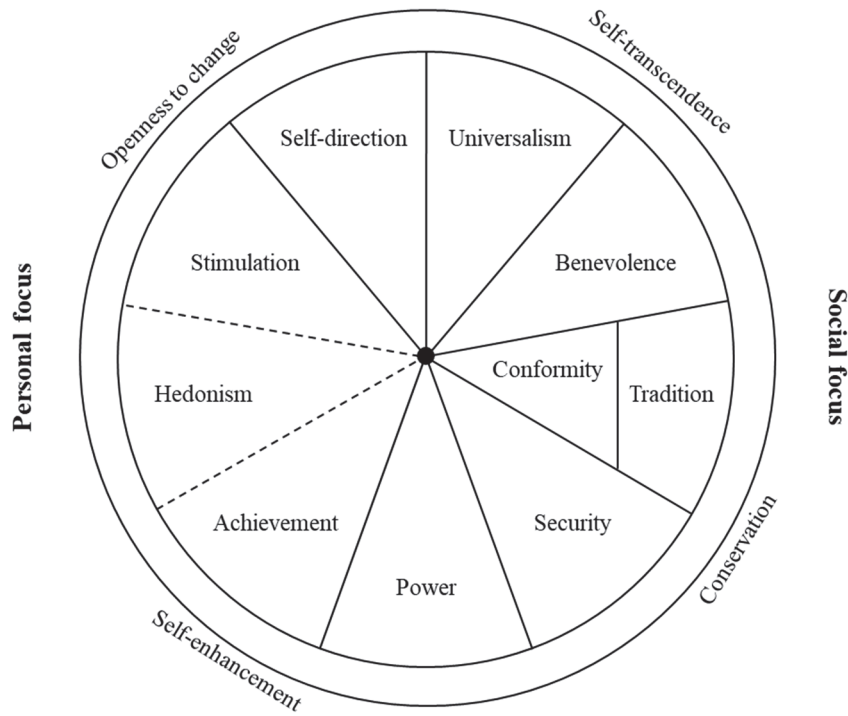
Source: Own illustration following Hambrick & Mason (1984)

Especially in small and medium-sized family firms, the control of the family firm lies in the hand of the family members in the family firm, following their influence is overrepresented, if not decisively (Arregle et al., 2007) or at least CEO centric (De Massis et al., 2020, p. 20). However, as Berson et al. (2008) mentioned, UET studies have often used demographic proxies to determine CEOs' values instead of

psychographics due to difficulty in measuring values directly. Therefore, they used Schwartz' (1992) basic human values to test their hypotheses that personal values influence the commonly identified three different organizational cultures (innovative, bureaucratic and supportive) and ultimately organizational outcomes. Following this approach, we use Schwartz's basic human values to measure how individual owner-manager values influence SEW and family firms' performance.

Schwartz's conceptual framework of basic human values is the most inclusive scale to date, based upon participants from more than 60 countries (Schwartz, 1992, 1994). According to Schwartz "*A value is a (1) belief (2) pertaining to desirable end states or modes of conduct, that (3) transcends specific situations, (4) guides selection or evaluation of behavior, people, and events, and (5) is ordered by importance relative to other values to form a system of value priorities*" (Schwartz, 1994, p. 20). This is in accordance with other definitions of values that describe values as modes, means and ends of actions (Kluckhohn, 1951) and personal standards of conduct (Narasimhan et al., 2010). A person, not satisfying her or his value construct, makes non-conform decisions or actions and will most likely feel shame, guilt or self-deprecation. Building on Rokeach's (1973) work, Schwartz (1992) identified ten distinct values, which he later classified into four higher-order values based on their relationships between each other. The outcome, a model showing the relationship among higher-order value categories was subsequently improved and nowadays indicates, that the higher-order values with a social-focus, conservation (CO) and self-transcendence (ST), oppose the personally focused values openness to change (OC) and self-enhancement (SE) (Figure 11).

Figure 11: Value dimensions, higher order Values and their Bipolar Opposition in the Value System



Source: Own illustration following Schwartz (1994, 2006).

While choosing Schwartz's values for our study was, after extensive research, the apparent choice, measuring family firm strategy-making and performance, seems to be more complicated than in non-family firms (J. H. Astrachan, 2010), due to the underlying family system. Family firms emphasize different goals, not only based on purely financial measurements but including family-related goals such as firm survival, family financial or social benefits (see e.g.: J. H. Astrachan, 2010; Tagiuri & Davis, 1992; Williams et al., 2019).

These non-financial goals and resulting from it family firm behavior, have been summarized plentiful, but SEW has been the predominant concept used to explain these differences in recent years (Jiang et al., 2018; Vazquez & Rocha, 2018). The concept of SEW is rooted in agency theory (Akerlof, 1970), prospect theory (Kahneman & Tversky, 1979), the behavioral agency model (Wiseman & Gómez-Mejía, 1998) and is agreed upon to be a multidimensional concept, acting outline for guiding family firms in their decision-making. The need to prevent SEW loss ultimately leads to a unique and distinguished behavior differing from non-family

firms, displaying the core of family firms (Berrone et al., 2012; Gómez-Mejía et al., 2007). By now, multiple authors have tried to develop and improve measurement scales for SEW (Berrone et al., 2012; Debicki et al., 2016; Hauck et al., 2016). We decided to follow the conceptualization of Berrone et al. (2012). The scales abbreviation is called FIBER and reflects the following dimensions. *Family Control and Influence (F)* stands for the need of the owning family to maintain control and influence over the family firm and related strategic decisions (Schulze et al., 2001). *Identification of family members with the firm (I)* displays the close connection between firm and family. Ownership of a family firm defines the family and vice versa, such as the firm can not only be seen as something external but as part of the family itself (Berrone et al., 2010; Carrigan & Buckley, 2008; Micelotta & Raynard, 2011). *Binding social ties (B)*, entails social relationships with external and internal stakeholders (Cruz et al., 2012; Miller et al., 2009). These relationships are defined by strong commitment and often show stronger bonds than "normal" business relationships (Miller & Le Breton-Miller, 2005b). The dimension *Emotional attachment of the family members (E)* reflects the emotions within a family firm. According to Berrone et al. (2012), a family's need for security and cohesion can be satisfied through engagements within the family firm, created through shared experiences (Baron, 2008; Shepherd & Kuratko, 2009). The last dimension, *Renewal of family bonds through dynastic succession (R)*, entails the often-mentioned long-term family firms' vision. It includes transgenerational thinking and the focus on longevity instead of creating short-term financial wins (Berrone et al., 2010; Zellweger, Kellermanns, Chrisman, et al., 2012; Zellweger & Astrachan, 2008). The questions suggested by Berrone et al. (2012) for each dimension do ask the individual about their intentions regarding the mentioned topics. In the following, we like to theoretically underpin how owner-managers' social and personal values, measured by Schwartz's (1992) basic human values, are connected to family firm performance and SEW.

5.2.2 Derivation and Classification of the Hypotheses

Social-Focused Values and their impact on SEW and Performance

Social-focused values include the higher-order value categories conservation and self-transcendence. Commonly, people with high characteristics of these values are more interested in other people's well-being, their immediate and extended environment, and are likelier not to stray too far into the unknown, thus preserving the status quo (Schwartz, 2006). People with pronounced conservation values typically cherish safety, security, harmony and, e.g., stable relationships. They feel a need to protect and care for themselves, e.g., to stay healthy while also highlighting collective security, such as family security and social order. A strong focus on conservation values goes along with polite and obedient behavior and strong self-discipline. People emphasizing conservation naturally conform to norms and social expectations and avoid rash actions threatening the status-quo. They value time spent with close people, share experiences and respect tradition (Schwartz, 1992). Alongside conservation, self-transcendence is part of the social-focused values and consists of two distinctive values, benevolence, and universalism. Individuals with a pronounced emphasis on benevolence commonly engage in protecting people's prosperity close to them (Kluckhohn, 1951; Schwartz, 1992). Individuals with distinctive universalism values carry these to broader humankind and nature itself. Individuals positioning high in self-transcendence can, contrasted with others, best be portrayed as supportive, steadfast, legit, dependable, tolerant, understanding and socially engaged (Rudnev et al., 2018).

Based on the underlying nature of SEW, we propose that social-focused values have a strong influence on several dimensions of SEW and, thus, on the consolidated construct as well. Ruf, Graffius, Wolff, Moog and Felden (2020) support this notion, showing that individual higher order values influence different dimensions of SEW. Accordingly, conservation values such as tradition and conformity support the need for the owning family to stay in charge of the company represented in family control and influence. Conservation values strengthen the identification with the firm, which is an essential dimension in the FIBER scale and plentifully

mentioned in the context of family firms (Micelotta & Raynard, 2011; Mitchell et al., 2011; Zellweger, Kellermanns, Eddleston, et al., 2012). As part of conservation and self-transcendence values, security is reflected in binding social ties and observable in strong employee bonds (Bammens et al., 2015; Block, 2010; Covin, 1994). Self-transcendence shows a multifaced connection to the dimensions binding social ties, emotional attachment, and renewal of family bonds. It centres around the well-being of close individuals such as family and friends. Schwartz (2012) expressed that considering others' well-being is most substantial among family members and extends to other, more distant acquaintances. Accordingly, the connection to the dimension binding social ties of SEW describes the often uncharacteristically close business relationships between family business owners and their customers, suppliers, and general stakeholders (Berrone et al., 2010) can be explained. Last, values such as tradition, conformity and security have been named to be drivers of emotional attachment and renewal of family bonds of the FIBER scale. These values aid in creating a family legacy (Tagiuri & Davis, 1992) and keeping the family firm alive. The linkage between self-transcendence and renewal of family bonds is explained by the need of the owner to hand over the business so future generations can benefit from it (Kets de Vries, 1993; Kotlar & De Massis, 2013; R. I. Williams et al., 2019; Zellweger, Kellermanns, Chrisman, et al., 2012)

We hypothesize that a strong influence of social-focused values on SEW can be observed.

H1: There is a positive relationship between social-focused values and socioemotional wealth, such that owner-manager with a higher emphasis on social-focused values express a higher level of socioemotional wealth.

Person-Focused Values and their impact on SEW and Performance

Person-focused values include the higher-order values openness to change and self-enhancement. Schwartz's theory of basic human values (1992, 1994) places the person-focused values against social-focused values. Instead of preserving the

status quo, people emphasizing person-focused values instead choose to chase the unknown and pursue their own goals. They focus on protecting their own emotional and intellectual interests, even though it might hurt others' well-being (Schwartz, 2006). The higher-order value openness to change includes the distinctive values hedonism, stimulation, and self-direction. Self-direction represents the need of these people to choose their own goals in life, closely related to family control and influence of the FIBER scale (Ruf et al., 2020). By staying in control of the firm, owner-managers can choose their strategies and company goals, wherein they at times neglect financial gains in return (Berrone et al., 2012; Gómez-Mejía et al., 2007).

Openness-to-change furthermore shows a connection to the dimension Identification of the FIBER scale. Ruf et al. (2020) explain this through the owner-managers identification with his actions and decisions, which translates into strong psychological ownership resulting in a strong identification with the firm. Self-enhancement (SE), as part of the person-focused value dimension, consists of two distinctive values named achievement and power. Both of these values are self-centred, emphasize social superiority, and oppose the self-transcendence values, which focus on others' well-being and social harmony (Schwartz, 1994). Thus, owner-managers with a strong focus on achievement values need to demonstrate competence following social standards. The value power is connected to prestige, social status and dominance over other people or resources. While both values, achievement and power, deal with social esteem, they differ in their expression. Achievement values focus on the actual demonstration of success and the need to receive social acceptance for that, whereas power values emphasize the need to attain and preserve a powerful, dominant and social prestigious position in a more general way (Schwartz, 2012). As family firm owner's often neglect the need to let go of their powerful position (Ahrens et al., 2018) and show a patriarchal behavior (Dyer, 1988), we see a strong resemblance of person-focused values on the dimensions family control and identification of the FIBER dimension. According to Ruf et al. (2020) however, there is no significant connection between self-enhancement values and the identification, but a significant connection to the dimension renewal of family bonds. Their assumption to the somewhat unexpected

connection is that handing over the business to the next generation is not solely driven by the need to something good to the family, but a more self-centred motivation of an owner-manager, to express and preserve a socially dominant and prestigious position (family firm owner) (Ruf et al., 2020). However, we expect it to be weaker than the connection between social-focused values and SEW. This notion, in general, is also supported by Hauswald et al. (2016). They found that among jobseekers, those with a strong expression of openness-to-change values are less likely to enter long-term employment in a family firm, as family firms tend to have a rigid and less flexible organizational context and protect antiquated processes, thus focusing on the conservation of values rather than values emphasizing change.

H2: There is a positive relationship between person-focused values and socioemotional wealth, such that owner-manager with a higher focus on social-focused values express a higher level of socioemotional wealth.

Values, SEW and their impact on Performance

As a relatively new concept introduced in 2007 by Gómez-Mejía et al., SEW has received considerable attention (Jiang et al., 2018; Vazquez & Rocha, 2018). However, only a few studies have connected SEW's concept to performance (Debicki et al., 2017; Ng et al., 2019; R. I. Williams, 2018). In general, research has yet to agree upon if and how family firm-specific attributes influence performance (Debicki et al., 2017; Habbershon et al., 2003). This inconclusiveness can also be explained by the different proxies used for SEW research, often only using family influence or a percentage of the family actively involved in the family business and neglecting other dimensions (Ng et al., 2019). A meta-analysis of 78 articles performed by Boyle et al. (2012) finds no significant influence of family involvement on firm performance. However, most of the studies included and examined use ownership as a proxy for SEW, since established measurements for SEW, have not been implemented and applied in research until recently. Debicki et al. (2017) found support for SEW's positive correlations and performance using the socioemotional wealth importance scale (SEWi). Results indicated that family

prominence and continuity positively influence family enrichment, while family enrichment shows a negative one.

Furthermore, a study published by Ng et al. in 2019 also supports a positive relationship between SEW and performance. They identified that family control, binding social ties, and Renewal of family bonds have a significant and positive influence on performance (return on assets). Other deviations can be taken from studies, looking at the connection of a family-firms' long term orientation and performance, as especially dimension R and B reflect longevity. For example, a study by Zellweger et al. (2012) highlights for example, that long-term orientation shows a positive relationship with performance, partially mediated by family-firm image. In summary, while acknowledging some inconclusiveness in the academic discussion, we note that due to the recent contributions based on more precise measurements of SEW, a positive connection between parts of SEW, especially the long-term orientation and family prominence, can be derived. Therefore, we argue that SEW has a positive effect on performance. Consequently, we hypothesize:

H3: There is a positive relationship between socioemotional wealth and performance, such that firms, owned and lead by family members with higher socioemotional wealth, show a better performance.

Like SEW, some studies attempt to connect individual values to firm-level performance. One of the few studies trying to establish a connection was performed by Tomczyk et al. (2013), who noted that other-caring terminal values, including peace, equality, freedom, national and family security, are significant and negatively correlated to firm performance. The other-caring instrumental values, such as forgiving, helpful, loving and politeness, showed mixed results. The mentioned values of Tomczyk et al. (2013), show a strong resemblance to the social-focused values of Schwartz. Especially security, peace, forgiving, and helpfulness are part of conservation and self-transcendence. The results were quite surprising for the authors, as the initially formulated hypotheses were positive, if the welfare for other people, including employees, might drive entrepreneurial firm performance. An earlier study by Kotey and Meredith (1997) found similar results. In their research, they clustered owner-managers according to their personal values,

strategies, and performance. People rated high in conservative values showed reactive strategic behavior and below-average performance. Furthermore, as resources - financially, physically and emotionally are bound to help the people who are close, those resources could lack in achieving a better financial performance. A recent study by De Massis et al. (2020) also showed that family firms, compared to their non-family counterparts, do less opportunity exploitation, which could lead to a decrease in performance. Therefore, we expect a negative connection between social-focused values and performance of a family firm. However, we propose that social-focused values do have a positive influence on performance through SEW. FIBER dimensions, such as binding social ties and the renewal of family bonds, have positively influenced performance (Ng et al., 2019). Additionally, values such as conservation and self-transcendence impact binding social ties and the renewal of family bonds. Following we assume a negative relationship between social-focused values and firm performance, however expect, that SEW mediates this relationship. We therefore hypothesize:

H4a: There is a negative relationship between social-focused values and performance, such that the higher the emphasizes on social-focused values, the lower the firm's performance.

H4b: SEW mediates the relationship of social-focused values and performance in such a way, that the higher the emphasizes on social-focused values, the higher the performance of the family firm.

Regarding the person-oriented values, we argue that they show a positive relationship with family firms' performance due to their opposing orientation on social-focused values. In their study of 2008, Berson and colleagues looked at the influence of Schwartz's value self-direction, displaying free thought, one's own will, freedom and independence (Berson et al., 2008). Accordingly, owner-managers emphasizing this value are more likely to maintain a creative and innovative culture, which consequently impacts a firm's financial performance (sales growths). Soyer (1999) showed through a quantitative study with 190 participants that achievement is positively correlated to employees' sales performance. Tayler and Brown (1988) theoretically argued that self-enhancement motives are strongly associated with

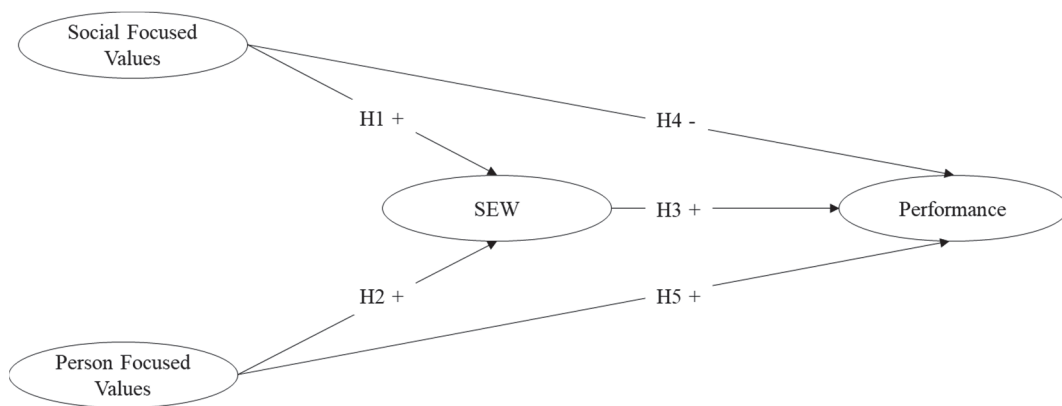
higher motivation and persistence, leading to increased performance and greater success. This was in a later study confirmed by O'Mara and Gaertner (2017), who experimentally tested the relationship between self-enhancement motives and task performance. However, to the best of the authors' knowledge, no prior research has yet looked at this connection in its entirety.

In conclusion, based on previous research and presuming that people who need the feeling for success and social recognition and work hard to achieve that goal, we propose a positive relationship between person-focused values and performance. However, compared to the social-focused values, we do not expect to see an effect of person-focused values on performance mediated by SEW. We expect an already weaker connection between person-focused values and SEW. Thus, we hypothesize:

H5: There is a positive relationship between person-focused values and performance, such that the higher the emphasizes on person-focused values, the higher the firm's performance.

Figure 12 shows an overview of all hypotheses and their presumed relationships.

Figure 12: Hypotheses



Source: Own illustration

5.3 Method

5.3.1 Data Set

To test our hypotheses, we conducted an online survey between October and November 2018. We chose Germany to carry out our study due to a high number of traditional family businesses (Beck & Prügl, 2018) and an established tradition of prior family business research (Ahrens et al., 2019; Hoffmann et al., 2019). Overall, we sent out e-mail invitations to participate in our study to 30,000 companies, which we extracted from the Amadeus database (Bureau van Dijk, 2018). In the interest of collecting predominately data from family firms, we set a timeframe for the existence of the business to at least ten years to ensure a long-term (Zellweger, Nason, & Nordqvist, 2012) and possible dynastic orientation (Bertrand & Schoar, 2006). We further refined the collected data from the survey, as the interviewees themselves had to identify their family business as such more precisely through additional filter-questions. As a theoretical backing, we chose a family business definition following Chua, Chrisman and Sharma (1999). This definitional approach states that at least 50 per cent of the family business must be held by the family. At least one family member holds an active role in the firm's management, and it is self-assessed as a family business. Furthermore, we inquired upon the respondents whether they are part of the owning family and actively involved in the firm's management. Solely if both were the case, we adopted the respondents' data in the final sample. Additionally, we filtered our dataset for cases with missings, outliers and clear input errors. Ultimately, resulting in a final sample of 673 cases. Testing for a non-response bias, we analyzed whether the answers of the chronologically first respondents differed from those of the last respondents. Hence, we divided the data set into three parts according to the time of response and compared the three groups. We observed no statistically significant differences regarding our explanatory variables (Armstrong & Overton, 1977; Chrisman et al., 2004; Dehlen et al., 2014). Confirming the representativeness of our sample, we compared our data set with other representative German data sets. Concerning the distribution of industries, company age, age of respondents, gender and generation, a comparable structure was found, which underlines the representativeness of our

sample (Dehlen et al., 2014; Hauck et al., 2016; Sieger et al., 2013; Zellweger, Kellermanns, Chrisman, et al., 2012). Counteracting any potential common method bias, we took several preventive measures (Fuller et al., 2016). First, we assured all participants absolute anonymity and scientific integrity for the potential results to obtain honest answers and to counteract a possible influence through effects such as social desirability (Podsakoff et al., 2003). Furthermore, we designed choices in our questionnaire to randomize the questions which do not allow for any conclusions drawn by the respondents regarding the expectations of the researchers, ensuring that the respondents are not influenced by the researchers (Podsakoff et al., 2003).

5.3.2 Variables

Dependent Variables The company performance represents the dependent variable in our study. Performance is a multidimensional construct, and even a subdivision in financial and non-financial success (Olson et al., 2003) shows that measuring performance is not trivial and observed to be one of the *"thorniest issues confronting the academic researcher"* (Venkatraman & Ramanujam, 1986, p. 801). Firm performance is often measured by using key figures (Moog, 2002). This data's nature, being sensitive to reveal for business owners, makes it challenging for researchers to collect exact key figures via a survey (Love et al., 2002). To overcome this potential issue, we use a respondent's self-assessment of the firm's performance, which is remarkably close to performance measurement via key figures. Prior research shows that this approximation can be used as an equivalent substitute for measuring performance (Dess & Robinson, 1984; Eddleston et al., 2007; Love et al., 2002). Purposefully, we asked respondents in our survey to assess the performance of their company compared to its competitors in 14 different areas, spanning over a timeframe of the last three years. We employed a 5-point Likert scale in the range from "much worse" to "much better" for the measurement. Concerning the 14 areas, we asked for information product/service variety; product/service quality; adoption of new technology; process innovation; product/service innovation; customer satisfaction; sales; revenue; number of employees; net profit margin; market shares; return on equity; cash flow and

investment (Eddleston et al., 2007; Naldi et al., 2007; Wiklund & Shepherd, 2003, 2005). Previous research used these items for measuring performance in several studies and provided us with a reliable foundation for analysis (Eddleston et al., 2007; Naldi et al., 2007; Wiklund & Shepherd, 2003, 2005).

Independent Variables We measured values with the validated "Portraits Value Questionnaire" by Schwartz, as this questionnaire is more condensed, focused and more comfortable to understand for respondents than the quite extensive original Schwartz questionnaire (Schmidt et al., 2007). Since we collected our data from Germany, we built upon the German version of the questionnaire consisting of 40 questions representing the ten values described by Schwartz (1992). Therefore, we asked the respondents to assess how similar they are to a fictitious person based on short descriptions of that person. For this purpose, we used a 6-point Likert scale, ranging from "Very similar to me = 1" to "Not at all like me = 6". Subsequently, we calculated the specific answers to the questions to a mean value for the respective Schwartz distinctive value. Which we then combined to the two higher-order constructs: person-focused values and social-focused values. Cronbach's alpha for these higher-order values varies between 0.703 and 0.728, which is in line with earlier studies' results (Schmidt et al., 2007).

Mediating Variable As a mediator, we used the SEW construct in our analysis measured by the FIBER dimensions, as proposed by Berrone et al. (2012). We decided to reproduce the FIBER Scale in its entirety and not restrict the analysis to a partial or limited scale, being well aware that there are other suggestions for measuring SEW such as those of Debicki et al. (2017) or Hauck et al. (2016). However, we find that the inclusiveness of the origin FIBER scale of Berrone et al. (2012) does fit the mediating role in our model best. We translated the original questions to German and validated the translation's correctness by a bilingual native speaker. Methodologically we asked the respondents to indicate their agreement with the translated statements on a 5-point Likert scale ranging from "Strongly disagree = 1" to "Strongly agree = 5". Lastly, we aggregated the answers to mean values for the five FIBER dimensions, for each case.

Control Variables In our analysis, we included several control variables to consider the possible influence of environmental factors. We used the number of *employees* for firm size, which, as prior research have shown, has a strong influence on firm performance. With the *generation* of the firm, we tested for an impact of possible dynastic effects by earlier generations (Lansberg, 1988). Indirectly, we also controlled for the firms' age, which also influences performance. To control industry influences (Berrone et al., 2012; Chrisman et al., 2004), we surveyed the aggregated version of the top-level industry allocation according to the statistical classification of economic activities in the European Union (Eurostat, 2008). We have further aggregated these ten categories for our analysis and added dummy variables for the major economic sectors, consisting of the *manufacturing industry*, the *service sector*, and a miscellaneous sector "*other*".

Additionally, Schwarz (1992) noted that the values might vary with the respondents' age; therefore, we controlled the respondents' age. To conclude, we also took gender as a dummy control variable labelled "female" since previous studies have observed that men and woman differ in their value orientation (Beutel & Marini, 1995; Schwartz, 1992) and goal orientation (De Massis et al., 2018). Table 11 shows an overview of all variables. Table 12 shows the descriptive variables and correlations.

5.3.3 Data Analysis

We used partial least squares structural equation modelling (PLS-SEM) because of its fit with our model's complexity encompassing multiple exogenous and endogenous constructs and non-normal data distributions (C. B. Astrachan et al., 2014). We utilized the software SmartPLS 3.3.2 for our analyzes with the calculation settings recommended by Hair et al. (2017). Here we used the standard PLS-SEM algorithm with the default start weights, a maximum of 300 iterations and the stop criterion set at 10^{-7} . For bootstrapping, we calculated 5,000 subsamples with the full bootstrapping option, bias-corrected and accelerated (BCa) bootstrapping, and a two-sided significance test with a significance level of 0.05.

Table 11: Variable Description Table

Variable	Description
1. Social-focused values	Self-transcendence consisting of the values of Universalism and Benevolence. Conservation consisting of the values Conformity, Tradition and Security.
2. Person-focused values	Self-enhancement consisting of the values Achievement and Power. Openness to change consisting of the values Hedonism, Stimulation and Self-Direction.
3. SEW	Socioemotional wealth scale consisting of the FIBER dimensions according to Berrone et al. (2012): Family control and influence, identification of family members with the firm, Binding social ties, Emotional attachment of family members and Renewal of family bonds through dynastic succession.
4. Performance	Scale consisting of self-assessment in contrast to the competitors in the last three years in the following areas: (1) product/service variety; (2) product/service quality; (3) adoption of new technology; (4) process innovation; (5) product/service innovation; (6) customer satisfaction; (7) sales; (8) revenue; (9) number of employees; (10) net profit margin; (11) market shares; (12) return on equity; (13) cash flow and (14) investment volume.
5. Employees	Number of employees.
6. Generation	Actual generation of the firm.
7. Industry Manufacturing industry	– Dummy for the manufacturing industry.
8. Industry - Service	Dummy for the service industry.
9. Industry – Other	Dummy for the for miscellaneous industries (reference category).
10 Age	Age of the respondent.
.	
11 Female	Dummy equals 1 for females.
.	

Table 12: Descriptive Statistics and Correlation Matrix

Variables	Min	Max	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. Social-focused values	1.99	5.90	4.27	0.61										
2. Person-focused values	1.90	5.60	3.93	0.66	.223***									
3. SEW	1.69	5.00	4.07	0.49	.399***	.121**								
4. Performance	2.00	5.00	3.67	0.52	.135***	.176***	.260***							
5. Employees	2.00	3500.00	78.82	254.38	-.015	.031	-.033	.087*						
6. Generation	1.00	6.00	2.22	1.22	.051	.010	.106**	-.079*	.078*					
7. Industry – Manufacturing industry	0.00	1.00	0.48	0.50	-.031	-.028	.024	-.041	.026	.175***				
8. Industry - Service	0.00	1.00	0.47	0.50	.056	.029	.005	.032	-.010	-.102**	-.898***			
9. Industry – Other	0.00	1.00	0.05	0.23	-.056	.000	-.064	.020	-.035	-.162***	-.227***	-.224***		
10. Age	22.00	94.00	51.66	10.88	.036	-.121**	.004	.135***	-.012	-.186***	-.059	.018	.091*	
11. Female	0.00	1.00	0.23	0.42	-.019	-.033	.094*	-.007	.016	.017	.018	.012	-.065	-.193***

Significance levels: * p<.05, ** p<.01, *** p<.001 (two-tailed); N=673

5.4 Results

5.4.1 Outer Model Reflective Measurements

Table 13 represent the analysis of the reflective measurement constructs in our model. Therefore, we followed the structured approach proposed by Hair et al. (2019), checking first for Cronbach's Alpha than for composite reliability finally for the average variances extracted. All the reported measurements are well within the recommended borders except for the average variances extracted of the person-focused values, SEW and Performance. However, the average variance extracted (AVE) is acceptable in this case, since the composite reliability, as well as the Cronbach's alpha for all constructs, are significantly high and we thus find the convergent validity acceptable (Fornell & Larcker, 1981; Hair et al., 2009).

Table 13: Cronbach's Alpha, Composite Reliability, Average Variances Extracted for Reflective Measurement Models

Construct	Composite reliability	Cronbach's alpha	AVE
Person-focused values	0.790	0.703	0.432
Social-focused values	0.849	0.781	0.531
SEW	0.815	0.815	0.473
Performance	0.906	0.906	0.410

Source: Own Illustration

To test for discriminant validity, we first checked that all cross-loadings were lower than the indicator loadings, proving the evidence of discriminant validity of the constructs. Additionally, we used the Fornell-Larcker criterion, which is fulfilled, as shown in Table 14 (Fornell & Larcker, 1981).

Table 14: Larcker Test for Discriminant Validity

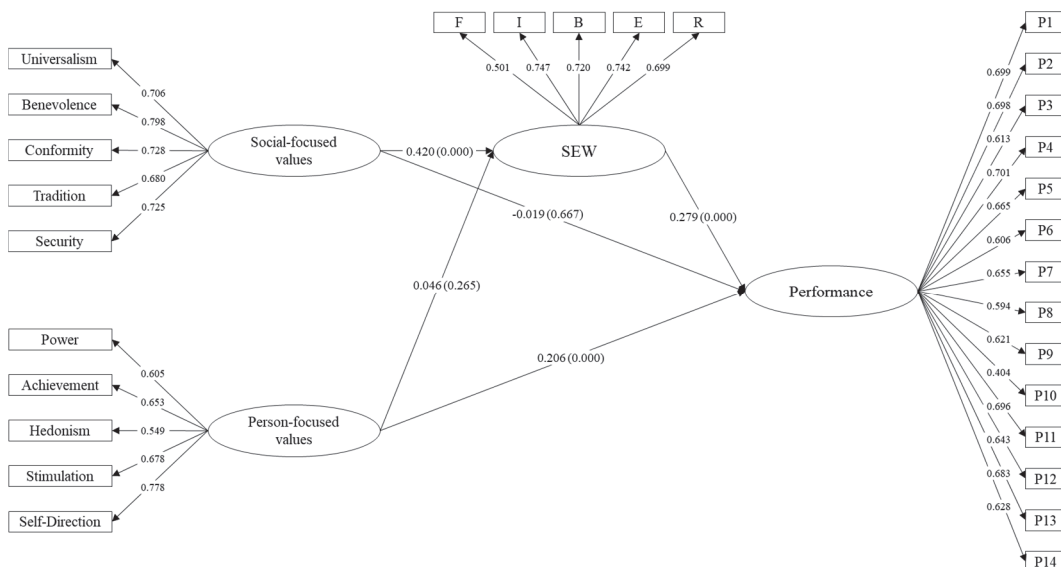
Construct	Person-focused values	Social-focused values	SEW	Performance
Person-focused values	0.657			
Social-focused values	0.285	0.729		
SEW	0.158	0.439	0.688	
Performance	0.244	0.163	0.293	0.640

Diagonal values in bold are the square root of the average variance extracted and off-diagonal values are squared inter-construct correlations.

5.4.2 Hypotheses Testing

Figure 13 shows our model, the results, path coefficients, and p-values. Table 15 gives a more in depths overview, also displaying the t-values and q^2 effect size. The q^2 effect size tests, which contribution an exogenous construct has to the Q^2 value of the latent endogenous variable. First, in our hypotheses testing, we observed a significant positive effect of the social-focused values on SEW (.420, $p < .000$). Thus, H1 is supported, and a positive relationship between these values and the SEW concept is confirmed. Second, the assumed positive connection between the person-focused values and SEW cannot be observed, and H2 is therefore rejected.

Figure 13: PLS-SEM Model



For clarity, control variables are not shown.

Table 15: Results of Hypotheses Tests

Hypotheses paths	Hypotheses	Path coefficients	T-values (p-values)	q ² effect size	Effect significant
Social-focused Values → SEW	H1	0.420	12.624 (0.000)	0.076	Yes
Person-focused Values → SEW	H2	0.046	1.099 (0.272)	0.000	No
SEW → Performance	H3	0.279	6.922 (0.000)	0.024	Yes
Social-focused Values → Performance	H4a	-0.019	0.424 (0.672)	-0.001	No
Social-focused Values → SEW → Performance	H4b	0.117	5.965 (0.000)	0.024	Yes
Person-focused Values → Performance	H5	0.206	5.724 (0.000)	0.015	Yes
SEW (R ²)		(0.210)			
Performance (R ²)		(0.165)			

Source: Own Illustration

Third, SEW's assumed positive effect on performance (.279, $p < .000$) can be confirmed. As the effect is significant, H3 is accepted. Fourth, our hypothesis H4a is rejected because a direct impact of social-focused values on performance could not be verified. However, a significant indirect effect of social-focused values on performance could be demonstrated via the mediator SEW (.117 $p < .000$), thus H4b is supported. Last, our assumed connection between person-focused values and performance (.206 $p < .000$) is confirmed, and therefore H5 accepted. Regarding the control variables, it was observed that a higher number of employees was associated with a higher estimation of performance (.098, $p < .000$). Similarly, as the owner-manager's age increased, the company's performance was estimated to be higher (.128, $p < .000$). Gender does also play a role, and we see that female owner-managers exhibit a higher SEW than their male counterparts (.099, $p < .002$). The generation of the company shows an ambivalent relationship to SEW and performance. On the one hand, a higher generation has a positive influence on SEW (.078, $p < .040$), but on the other hand, it has a negative impact on the company's performance (-.093, $p < .006$). The industry had no significant influence on our models.

5.5 Discussion

5.5.1 Theoretical Implications and Directions for Future Research

Goal of this study was to connect the individual values of owner-managers to firm-level performance while not missing out on the unique characteristics of family firms. To do so, we adapted an upper-echelon perspective, using SEW, measured through FIBER (Berrone et al., 2012) as a mediator between the individual basic human values (Schwartz, 1992, 2006) and the performance of a family firm. As one of the few studies that measure individual values directly instead of using demographic proxies (Berson et al., 2008), our results confirm assertions made in earlier studies (Beckhard & Dyer, 1983; Berson et al., 2008; García-Álvarez & López-Sintas, 2001). Owner-manager values, directly and indirectly, influence a company's performance.

While person-focused values influence firm performance directly, social-focused values have a positive connection through our mediator SEW. However, our initial assumption, that social-focused values influence performance directly and negatively is not supported, as no significant connection could be established. Due to the somewhat conservative nature of these values, we previously argued, that a negative connection to performance should be observable (Kotey & Meredith, 1997; Tomczyk et al., 2013). According to theory, people rated high in social-focused values, are less likely to pursue ambitious goals as they value the status-quo (Schwartz, 1992, 1994, 2006), and bind resources to help others instead of growing or drive financial performance. As our counterintuitive finding shows, these assumptions were faulty, and our findings do not support previous studies. One explanation for this difference could be the used sample, context and the resulting difference in performance perception as well as the measurement of values and performance. Tomczyk et al. (2013) investigated founding entrepreneurs of the 500 fastest-growing firms in the united states, using growths of sales and employees as a performance measure. Naturally, this environment and the performance measurement already contradict social-focused values such as security, conformity and tradition. As our focus was placed on investigating the values of active owner-

managers and includes companies which have been in the hand of a family up to the 5th generation. This context already implies that besides growth and financial performance, heritage and longevity is emphasized. Therefore, according to the general value literature, we conclude that depending on the context, values could influence firms' performance differently. Thus, it cannot generally be assumed that an emphasizes of social values is harmful for a firm's performance in itself, but perhaps can even be beneficial when looking at a context where e.g., the care for other people is highly valued.

Even though no significant connection between social-focused values and performance could be observed, a significant positive connection was observed through SEW as mediator. This implies that social-focused values, despite their negative connotation with performance, if expressed through a mediator, in this case, SEW, can impact the performance of a firm positively. This finding is of tremendous importance, as it has multiple implications. As previously mentioned, humans in general have the need to satisfy their own value construct (Kluckhohn, 1951). In a working environment, acting against your values or ignoring them would most likely end in self-depreciation and dissatisfaction with the job itself, unable to perform accordingly. Perhaps, owner-manager satisfy their social-focused values by expressing SEW behavior while using the company's performance to meet their person-focused values, thus achieving higher job satisfaction. However, this was not the goal of the current study but leaves room for future research directions.

In contrast to social-focused values, person-focused values show a direct and significant positive connection with performance. This was expected by us and shows, that individual values such as achievement, power, self-direction, stimulation and hedonism can drive a firm's performance. This is in line with previous research, showing that self-enhancement values were positively correlated to sales performance and a higher individual motivation leading to increased success (O'Mara & Gaertner, 2017; Taylor & Brown, 1988). Most interesting was, that person-focused values do not affect SEW, thus splitting individual values on firm performance in two distinguished pathways.

Our findings contribute to the current literature stream of family businesses, values and UET research in multiple ways. First, we show that individual owner-manager values influence firm-level performance in family firms and thus contribute to the ongoing discussion about the importance of values in family firms (Raitis et al., 2021). While values have often been named to be an influencing factor on family firm behavior and outcomes (see e.g., Anderson & Reeb, 2003; Dyer, 1988; García-Álvarez, López-Sintas, & Saldaña Gonzalvo, 2002; Kelly, Athanassiou, & Crittenden, 2000; McConaughy, 2000; Schein, 1983), we have not seen an empirical study investigating which values and through what kind of mechanisms performance is influenced, yet. Our findings furthermore support the call of Evert et al. (2016), that more research is needed on individual level, cross level and multi-level analysis, as these different levels, especially in family firms, are often inseparably intertwined. By empirically proving, that individual values influence firm-level performance, we show that macro phenomena within family firms are caused by lower-level elements (Chrisman et al., 2007) and research focusing on the individual actors instead of firm-level outcomes might prove fruitful in future research designs. Moreover, this supports the growing interest in capturing psychological aspects of family firms and especially the concept of SEW. We established a connection between the social-psychological concept of values and SEW, supporting the notion that future projects should incorporate psychological aspects when researching the concept of SEW (Jiang et al., 2018).

Second, we contribute with our findings to the discussion about non-economic versus economic goals in family firms (Aparicio et al., 2017; Zellweger et al., 2013), represented by SEW and financial performance by adding a value perspective. Our results indicate that social-oriented values solely influence SEW and non-economic goals, while at least one-person-focused value, openness to change, influences performance directly. Literature suggests that the value construct of a person needs to be satisfied, and modes, means and ends of actions need to be in accordance with it (Kluckhohn, 1951) so that behavior does not end in shame, guilt or self-deprecation. An interpretation of our outcome might be, that owner-managers, by following non-economic goals, represented by preserving their SEW do satisfy their social-oriented value construct. Simultaneously, economic

goals, or financial performance, are used to fulfil the more person-oriented values. As our findings show a positive connection between SEW and performance, one might instead raise the question if it is not possible for family firms, to benefit from combining economic and non-economic goals instead of placing them against each other. Perhaps it is not “the one” or “the other” but a good balance between economic and non-economic goals, to maximize the performance of family firms (Chrisman et al., 2014; Vazquez & Rocha, 2018).

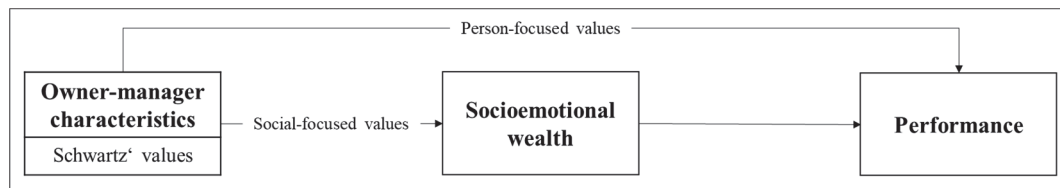
Third, we contribute to the upper echelon theory and its application to the family business research stream. Within our study, we substitute the general measurement of strategic choices, used in UET, with the concept of socioemotional wealth (Figure 10 & Figure 14). This was done on purpose, to include the unique traits and goals of family firms compared to non-family goals. Our findings support the notion, that values as a cognitive base influence performance directly and indirectly (Hambrick & Mason, 1984). Besides Berson et al. (2008), our study is one of the few studies using a fully validated construct to measure values, instead of using proxies.

Last, to the best knowledge of the authors, we are one of the first to investigate the connection of SEW and performance using the full FIBER scale and validated multidimensional performance measurement. While other studies using proxies for SEW did find mixed results, we could establish a clear connection between the combined FIBER scale and perceived financial firm performance.

5.5.2 Conclusion and Directions for Future Research

In conclusion, we can state that, in broad agreement with the general organizational value literature, values can influence a companies’ performance in different ways depending on the direction of values and the context, e.g. ownership structure or the type of company. We specifically looked at family firms and observed, that person-focused values impact performance direct and positively, while social-focused values influence performance positively through SEW (Figure 14).

Figure 14: The influence of Owner-Manager Values on SEW and Performance in Family Firms



Source: Own illustration following Hambrick & Mason (1984)

However, as this was a first attempt in establishing connections between values, SEW and Performance, multiple questions remain unanswered. Future studies could include numerous family members, as not only the owner-manager's values influence the family-related concept of SEW. Furthermore, only German family firms were questioned. As values change according to regions and countries, different results could be observed. However, we believe that they would be similar due to the used value theory of Schwartz (1992), which has been proven to be universally applicable to western countries. Additionally, more conservative strategic decisions measures could be used besides SEW as a mediator between values and performance, perhaps further unrevealing paths, how the individual basic human values influence companies' performance. Finally, we would like to answer our question imposed in our title. Do the values of the owner-manager represent the pillars of performance in family firms? In line with our findings, this question is hard to answer. Even though we find direct and indirect effects, the explanation of performance they offer is not high enough to call them "pillars". However, we do have to take into consideration that values are the starting point, the baseline to decisions of the owner-managers and could thus be reflected in many other aspects, such as corporate entrepreneurship (Minola et al., 2018), culture (Berson et al., 2008), diversification and growths (Raitis et al., 2021), influencing performance in the end. Thus, we conclude, that research should further concentrate on values, individually and on family and firm-level, their impact on organizational behavior and outcomes.

6 Family or Business? What Really Motivates Non-Family Employees to become Intrapreneurially Active in Family Firms

Philipp Köhn, Philipp Julian Ruf and Petra Moog

Abstract

This study sheds light on the intrapreneurial motivation of non-family employees in family firms. Even though it is known that family involvement might enhance the workforce's motivation to contribute to a firm's improvement through innovative ideas, what exactly motivates employees in family firms and which role the business family plays in this context is yet to be explored. Therefore, we undertook a multiple case study and compiled a dyadic sample composed of interviews with owner-managers and respective non-family employees in 11 German family firms. Cross-case analysis shows that in firms with a strong business family influence, the identification of non-family employees is heightened, which intrinsically motivates them to become intrapreneurially active. With a reduced business family influence, a decrease in intrinsic motivation could be observed, which is often compensated by establishing business mechanisms, fostering the extrinsic motivation of non-family employees.

Keywords: Intrapreneurial Motivation, Non-Family Employees, Family Influence, Family Firm, Identification, Intrapreneurship

6.1 Introduction

In multiple studies, the innovative potential of employees is emphasized as an important source of innovation for firms (Ahluwalia et al., 2017; Eddleston et al., 2012). This innovative potential was recognized and acknowledged in the mid-1980s by introducing the concept of intrapreneurship (Pinchot, 1985) to entrepreneurship research. Since then, research interest in this topic has been steadily growing (Neessen et al., 2019). Previous research on intrapreneurship emphasizes that in addition to certain extra-organizational factors (Antoncic & Hisrich, 2001; Pinchot, 1985), intra-organizational factors such as strong and personal relationships within the business, values, and general work satisfaction (Antoncic & Hisrich, 2001; Auer Antoncic & Antoncic, 2011; Kuratko et al., 1990) foster the extrinsic and intrinsic motivation of employees to contribute to a firm's entrepreneurial activities. In particular, considering intra-organizational factors, we assume that in family firms, the intrapreneurial motivation of non-family employees is likely to be high (Antoncic, 2007; Kuratko et al., 1990; Moriano et al., 2014), as values, culture, goals, and the core of the family's and firm's dimensions are intertwined (Anderson & Reeb, 2003; Dyer, 1988). This leads to unique and strong relationships between the family business and its non-family employees (Berrone et al., 2012).

However, while the initial attempts to investigate this phenomenon show that the involvement of the business family motivates the workforce to contribute to the improvement of the firm's current situation with innovative ideas (Bammens et al., 2015; Dibrell & Moeller, 2011; Eddleston et al., 2010), little is known about how exactly the business family influences the intrapreneurial motivation of non-family employees. Memili and Welsh (2012) propose, in their conceptual paper, that family influence impacts the identification of non-family employees with the firm which in return can positively influence non-family employees' turnover intentions (Memili & Welsh, 2012) and thus, profitability (Vallejo, 2009). However, other studies argue that the identification of non-family employees with family firms is lower than that of family employees (Deephouse & Jaskiewicz, 2013), explaining their point of view with the social identity theory (Tajfel et al., 1971; Turner et al.,

1979). Another reason for this assumption might stem from the fact that non-family employees are often confronted with injustice (Sieger et al., 2011) through phenomena such as nepotism (Padgett & Morris, 2005) or ingroup-outgroup perceptions (Barnett & Kellermanns, 2006). Nevertheless, family business research stresses that within family firms, relationships are unique and characterized by care, trust, support, and concern for employees' well-being (Bammens et al., 2010; Miller et al., 2009) which generally creates a satisfying work atmosphere (Block, 2010; Gómez-Mejía et al., 2011).

The role of the business family and the fuel that feeds the motivation of non-family employees is yet to be explored; to the best of our knowledge, research or empirical studies investigating this phenomenon are scarce to find. With our study, we aim to close this gap by answering the following research questions:

Why do non-family employees decide to become intrapreneurially active in family firms, and what role does the business family play within this context?

To answer our questions, we base our research on a multiple case study design (Eisenhardt, 1989a, 2021) using 22 in-depth interviews with owner-managers and non-family employees of 11 German family firms as the main source of data. Additionally, we use archival data such as web pages, media coverage, and written material as secondary data sources to strengthen our database.

Our results show why non-family employees become intrapreneurially active and what important part the business family plays in this context. We find strong support that the family dimension within a family firm exerts a severe influence on the non-family employees' identification and sense of belonging to family and firm alike. This intrinsically motivates them to act intrapreneurial. At the same time, we discovered that a decreasing family influence leads to the establishment of professional mechanisms in order to extrinsically motivate non-family employees' intrapreneurial activities. The main results of our study are displayed in our "Integrative Model of Intrapreneurial Motivation of Non-Family Employees in Family Firms" and are formulated as promising research propositions. The findings of our study contribute to the enigma of innovations in family firms as it expands

the knowledge of intrapreneurship as a decisive source of family firms' innovativeness. Our study also helps to identify actions, measures, and mechanisms that might strengthen the intrapreneurial posture of non-family employees and, thus, the innovative potential of family firms. Furthermore, non-family firms could adopt certain behaviors of family firms to improve their relationships with their employees and thus use the intrapreneurial potential of their employees.

6.2 Theoretical Background

The innovation behavior of family firms is controversially discussed in the literature (De Massis et al., 2013). Some studies claim that family firms are less innovative by arguing that they are risk-averse (Classen et al., 2012; Nieto et al., 2015; Patel & Chrisman, 2014), reject disruptive innovations (Zellweger, Nason, & Nordqvist, 2012) and invest less in innovations in general (Chrisman & Patel, 2012; Classen et al., 2014; De Massis, Frattini, et al., 2013). In contrast, other studies emphasize that family firms introduce more new products and services than non-family firms (Ayyagari et al., 2011; Gudmundson et al., 2003) and outperform them in terms of process innovations (Classen et al., 2014), even though they invest less (Duran et al., 2016). Habbershon and Williams (1999) argue that this innovativeness is caused by family involvement in the firm's management, leading to unique resources that are only present in family firms. Other researchers postulate that their special relationship with non-family employees might be one of these resources (Bammens et al., 2013, 2015) as committed non-family employees can be a crucial driver of innovation that generates competitive advantages and business success through entrepreneurial activities (Ahluwalia et al., 2017; Eddleston et al., 2012; Mahto et al., 2010). The innovative and entrepreneurial potential of employees is a crucial element of intrapreneurship (Pinchot, 1985), defined as "*entrepreneurship within existing organizations*" (Antoncic & Hisrich, 2001, p. 498). This implies that employees are motivated to pursue opportunities (Baruah & Ward, 2015; Stevenson & Jarillo, 1990), resulting in innovations (Vesper, 1984), which create value for a firm (Parker, 2011). This created value can be multi-faceted: it can reduce organizational and environmental complexities (Baruah & Ward, 2015), lead to firm growth (Rivera, 2017), and improve firm performance (Augusto Felício et al.,

2012). In the literature, intrapreneurship is often labeled as corporate entrepreneurship or entrepreneurial orientation (Zahra, 1991). Although these concepts are quite similar, differences among them are observable (Amo, 2010), whereas corporate entrepreneurship and entrepreneurial orientation refer to an entrepreneurial mindset at the organizational level (Covin & Wales, 2012). Intrapreneurship mainly refers to employees' individual entrepreneurial activities within a firm (Amo & Kolvereid, 2005; Rigtering & Weitzel, 2013; Sinha & Srivastava, 2013). As our study aims to find what motivates non-family employees to actively contribute to the innovation output of the firm by becoming entrepreneurial active, we focus on intrapreneurship instead of mentioning similar theoretical concepts.

The literature on intrapreneurship also indicates several determinants fostering intrapreneurship (Antoncic & Hisrich, 2001). In addition to extra-organizational factors such as dynamism, technological opportunities, industry growth, demand for new products, and competitive rivalry, these studies stress intra-organizational influences. These intra-organizational factors include short communication paths, managerial support, allocation of free time, rewards, resource provision, tolerance towards risk and failures, and corporate values (Alpkan et al., 2010; Antoncic & Hisrich, 2001; Kuratko et al., 1990). Further, the intra-organizational factors that promote intrapreneurship are employees' general work satisfaction and their relationships within the business (Auer & Antoncic, 2011), as satisfied employees are more likely to use their entrepreneurial potential, ultimately leading to increased innovation outcomes within organizations (Auer Antoncic & Antoncic, 2011; Baer, 2012; Bammens et al., 2013, 2015; Zhang & Bartol, 2010). Such conditions are found out to be pillars of intrapreneurship (Antoncic, 2007; Kuratko et al., 1990; Moriano et al., 2014) as they underpin the value of employees (Arregle et al., 2007) and motivate them to engage entrepreneurially to improve the firm's current situation (Bammens et al., 2015).

Regarding the aforementioned intra-organizational factors, family firms seem to be a fertilizing environment for non-family employees' intrapreneurship. Although previous studies suggest that non-family employees might face peculiarities of

injustice (Sieger et al., 2011) through aspects such as nepotism (Padgett & Morris, 2005), ingroup-outgroup perceptions (Barnett & Kellermanns, 2006; Marler & Stanley, 2018), and organizational identification and commitment issues (Carmon et al., 2010), family firms maintain unique and strong social bonds and relationships with non-family employees (Berrone et al., 2012). These relationships are typically characterized by the promotion of the employees' well-being and intensive caretaking (Bammens et al., 2010; Cennamo et al., 2012; König et al., 2013) which is reflected in aspects such as job security, trust, flexible working conditions, and the pursuit of providing a generally satisfying work atmosphere (Block, 2010; Gómez-Mejía et al., 2011; Miller et al., 2009).

Bammens et al. (2013, 2015) suggest that this might be caused by the family's involvement, as it encourages strong and personal relationships between the business family and their non-family employees, which might impact the identification of non-family employees with the firm. This is considered as organizational identification (Mael & Ashforth, 1992), and is defined as the extent to which an organizational member (employee) aligns their beliefs and behaviors with respect to the organization they are working for (Dutton et al., 1994; Terry et al., 2000). Memili and Welsh (2012) theoretically argue that the organizational identification of non-family employees is positively influenced by the establishment of a participative or laissez-faire culture. They suspect that an increased identification of non-family employees fuels their turnover intentions (Memili & Welsh, 2012; Vardaman et al., 2018), commitment (Carmon et al., 2010; Matherne et al., 2017) and organizational citizenship behavior (Matherne et al., 2017; Medina-Craven et al., 2021), ultimately motivating non-family employees to work on innovation that leads to competitive advantages and business success (Ahluwalia et al., 2017; Eddleston et al., 2012; Mahto et al., 2010). Because of their social embeddedness in the business context and their pronounced work-related knowledge, they often incrementally improve internal working processes and methods in their work routines (Damanpour & Gopalakrishnan, 2001; Hitt et al., 2000; Zhang & Bartol, 2010). As such, non-family employees can thrive (Milton, 2008; Stewart & Hitt, 2012) and their ideas are taken seriously and appreciated, which enables a working culture that encourages the development and sharing of

innovative proposals (Somech & Drach-Zahavy, 2013). Bammens et al. (2015) quantitatively investigate the relationship between family business employment, perceived organizational support, obligation, and motivation on employees' innovative work involvement. Their results support the notion that family involvement is positively correlated with innovative work involvement and is partially mediated by perceived organizational support and work motivation. According to Bammens et al. (2013), the preservation of socio-emotional wealth (SEW), which forms the general guidelines that family firms use for decision-making and policies (Berrone et al., 2012), might explain this unique atmosphere within family firms. They propose that certain dimensions of SEW influence the innovation behavior of non-family employees. The identification of the family with the business (Berrone et al., 2012; Micelotta & Raynard, 2011) nurtures the values of care, support, and solidarity within the firm (Stavrou et al., 2007). Furthermore, the transgenerational mindset (Berrone et al., 2010; Zellweger, Nason, & Nordqvist, 2012; Zellweger & Astrachan, 2008) requires the formation of a loyal and engaged workforce within the organization (Bammens et al., 2010, 2013; Miller et al., 2007) and the binding of social ties (Berrone et al., 2012; Cennamo et al., 2012; Cruz et al., 2012; Miller et al., 2009) build a breeding ground for non-family employees' innovative posture.

While previous studies empirically showed that family influence drives innovative behavior of non-family employees, the underlying connection between family influence and non-family employee's intrapreneurial motivation has yet to be proven. First assumptions suggest that the identification of employees might play an important role within this context. With our study, we intend to close this gap and look at the influence of the enterprising family on non-family employees and why this influence might lead to a higher intrapreneurial motivation of non-family employees.

6.3 Methodology

6.3.1 Research Design and Setting

The focal aim of our study is to investigate the motivation of non-family employees to become intrapreneurially active and the role that the business family plays in this context. Although multiple factors have been identified and empirically tested, the whole process of the active engagement of non-family employees in intrapreneurial activities within family firms has not yet been fully explored. To connect the dots and obtain a more holistic overview of the topic, we choose a multiple case study approach (Eisenhardt, 1989b) which allows in-depth investigations (Kirtley & O'Mahony, 2020) and helps to gain a general understanding of a certain phenomenon (Yin, 2018). Furthermore, multiple case research enables the understanding of dynamics in certain settings (Eisenhardt, 1989b), to identify specific organizational dynamics (De Massis & Kotlar, 2014), and to examine complex social processes (Graebner, 2009). As the intrapreneurial process within family firms is intricately connected to the relationship between the business family and non-family employees, multiple organizational and social dimensions overlap each other. An in-depth analysis of each case paves the way for cross-case comparison and identification of whether a certain phenomenon is unique to one case or can be replicated across several cases (Eisenhardt & Graebner, 2007). Finally, the identification of similarities or distinctions between each case enhances theory building (De Massis, Frattini, et al., 2013; Eisenhardt, 1989b, 2021) that is more generalizable and more grounded than the theory of single case studies (J. P. Davis & Eisenhardt, 2011).

The setting of our study is German family firms, which are suitable for several reasons. First, in Germany, family firms are often labeled as the backbone of the national economy. They account for 90% of the corporate landscape and employ 58% of the entire workforce (Langenscheidt & May, 2020), thus building the heart of the so-called German "Mittelstand." Second, even though it is often said that German family firms lack innovation potential, we do see an extremely high amount of niche market leaders, so-called "hidden champions" concentrated within

Germany (Audretsch et al., 2018). These market leaders are also often deemed to be very secretive and very skeptical about open innovation; therefore, they can generate their ideas and product innovation internally rather than acquire external knowledge. Therefore, this setting seems to be a promising field to investigate what drives and motivates employees to become intrapreneurially active.

6.3.2 Sample

In our sample, we included 11 German family firms (FF_1–FF_11) from the region of North-Rhine Westphalia. The sample was theoretically and not randomly selected. This allows us to research cases with particular characteristics that are crucial to the case study. As our aim is to determine why non-family employees become intrapreneurial in family firms and what role the business family has within this context, we set multiple criteria for our sample compilation. First, we specifically chose and contacted firms which, in respect of their industry, do seem to excel and thus show high innovative potential. Second, we selected firms located in the southern region of North-Rhine Westphalia, because this region is well known for its high density of family firms and hidden champions. Third, we considered the heterogeneity (Memili & Dibrell, 2019; Zellweger, Kellermanns, Chrisman, et al., 2012) in our sample, as suggested by De Massis and Kotlar (2014), resulting in the inclusion of firms of different sizes, represented by full-time employees (12 – 20.944), age (48–129), and industry (Table 16).

Table 16: Sample

Case	Case information				Interviewee information		
	Industry	Founding year	Generation	Number of Employees	Innovation Type	Interviewee	Company affiliation since
FF_1	Recycling of steel waste	1897	5	12	Incremental process innovation	Owner and CEO (FF_1.1) Authorized signatory (FF_1.2)	1995 (FF_1.1) 1999 (FF_1.2)
FF_2	Carpenter craft	1912	4	28	Incremental process innovation	Owner and CEO (FF_2.1) Carpenter and operations manager (FF_2.2)	2011 (FF_2.1) 1987 (FF_2.2)
FF_3	Metal processing	1935	3	80	Incremental product innovation	Owner and CEO (FF_3.1) Sales manager (FF_3.2)	2000 (FF_3.1) 2003 (FF_3.2)
FF_4	Engineering	1892	3	170	Incremental process innovation	Owner and CEO (FF_4.1) Process manager (FF_4.2)	1997 (FF_4.1) 1985 (FF_4.2)
FF_5	Producer of electric heating elements	1973	2	350	Incremental process innovation	Owner and CEO (FF_5.1) Product developer (FF_5.2)	1989 (FF_5.1) 1999 (FF_5.2)
FF_6	Automotive technologies	1938	2	410	Incremental process innovation 2-3 product innovation	Owner and CEO (FF_6.1) Sales manager (FF_6.2)	1994 (FF_6.1) 2007 (FF_6.2)
FF_7	Sanitary and air conditioning	1973	2	559	Incremental process and product innovation	Owner and CEO (FF_7.1) Product Manager	2008 (FF_7.1) 2019 (FF_7.2)
FF_8	Electrical installation	1931	3	800	Incremental process and product innovation	Owner and CEO (FF_8.1) Product manager (FF_8.2)	2012 (FF_8.1) 2005 (FF_8.2)
FF_9	Electrical installation	1935	3	1000	Incremental product innovation and complementary services	Owner and CEO (FF_9.1) Product developer (FF_9.2)	1984 (FF_9.1) 2010 (FF_9.2)
FF_10	Electrical installation systems	1912	3	1200	Incremental process and product innovation	Owner and CEO (FF_10.1) Product manager (FF_10.2)	1990 (FF_10.1) 2016 (FF_10.2)
FF_11	Electrical appliances manufacturer	1899	4	20.944	Product innovation	Owner and CEO (FF_11.1) Product developer (FF_11.2)	1992 (FF_11.1) 1998 (FF_11.2)

Furthermore, we searched for firms that follow the definition of Chua, Chrisman, and Sharma (1999). Thus, we only included firms in which a family holds more than 50 percent of the voting shares, in which at least one family member is actively involved in the management, in which the business is managed by at least the second generation, and in which the family exerts a significant influence on the business (De Massis et al., 2013). This was of utmost importance, as we wanted to focus on the unique family firm attributes and the role of the family influencing the motivation of the non-family employees. In each case, we held interviews with a member of the business family active in the management and one non-family employee as our primary source of data.

Using both perspectives is necessary to identify whether the perceptions of intrapreneurship within the business are shared among the management and the non-family employees or they differ from each other. This dyadic view helps us to understand why non-family employees decide to become intrapreneurially active in family firms and what role the business family plays. The main criteria for choosing our interviewees among non-family employees was their connection to the innovation processes within the firm. In highly professionalized and larger firms, this was often a product manager or employee within the product development. In smaller companies, we interviewed, for instance, a sales manager or an authorized signatory who is involved in all ongoing processes. An overview of all family firms, key data, and the respective interviewees is found in Table 16.

6.3.3 Data Collection

To deliver accurate information, multiple data sources were used for this study (Yin, 2018): (1) interviews with owner-managers of each case, (2) interviews with non-family employees in each case, (3) archival data including webpages and media coverage, and (4) informal emails and phone calls to clarify details or to obtain additional information. The primary and main data source of our research were 22 semi-structured interviews held with one owner-manager and one non-family employee in each case. In general, interviews gather data that are directly related to the topic of our case study (De Massis & Kotlar, 2014). The interviews were conducted between September 2018 and April 2021, either in the family firms'

headquarters or via Zoom. The interviews were recorded and transcribed. All gathered information are stored and can be accessed upon request to ensure a “*chain of evidence*” (De Massis & Kotlar, 2014, p. 14). To avoid the pitfall of biased answers due to poorly designed questions, we collected information through web pages and online articles about the interviewees beforehand and anticipated related topics to be prepared (Gioia et al., 2013). We also ensured the anonymity of the interviewees' and firms' to encourage honest and authentic answers. Each interview was structured as follows: (1) general questions about the person and the company, (2) family values and corporate culture, (3) business mechanism fostering innovation, (4) intrapreneurship, and (5) possible room for further questions and clarifications. As we interviewed owner-managers and non-family employees, we adjusted the questions accordingly. However, all questions that we asked were open-ended and aimed to gradually answer our research questions (for example, what influence do family values, if present in your firm, have on non-family employees? What do you think, why do non-family employees become intrapreneurially active in your firm?). However, no interview questions were sent beforehand to avoid the memorization of answers for the interviews. Besides the interviews, secondary data such as web pages, media coverage, and informal phone calls or emails provided additional information about the cases. In particular, we looked for information that described the corporate principles and values of each case and how each of them is perceived as an employer (Table 17). We focused on these aspects because they are intra-organizational factors that are found to have a positive influence on intrapreneurship (Alpkan et al., 2010; Block, 2010; Kuratko et al., 1990; Miller et al., 2009).

Table 17: Secondary Data of each Case

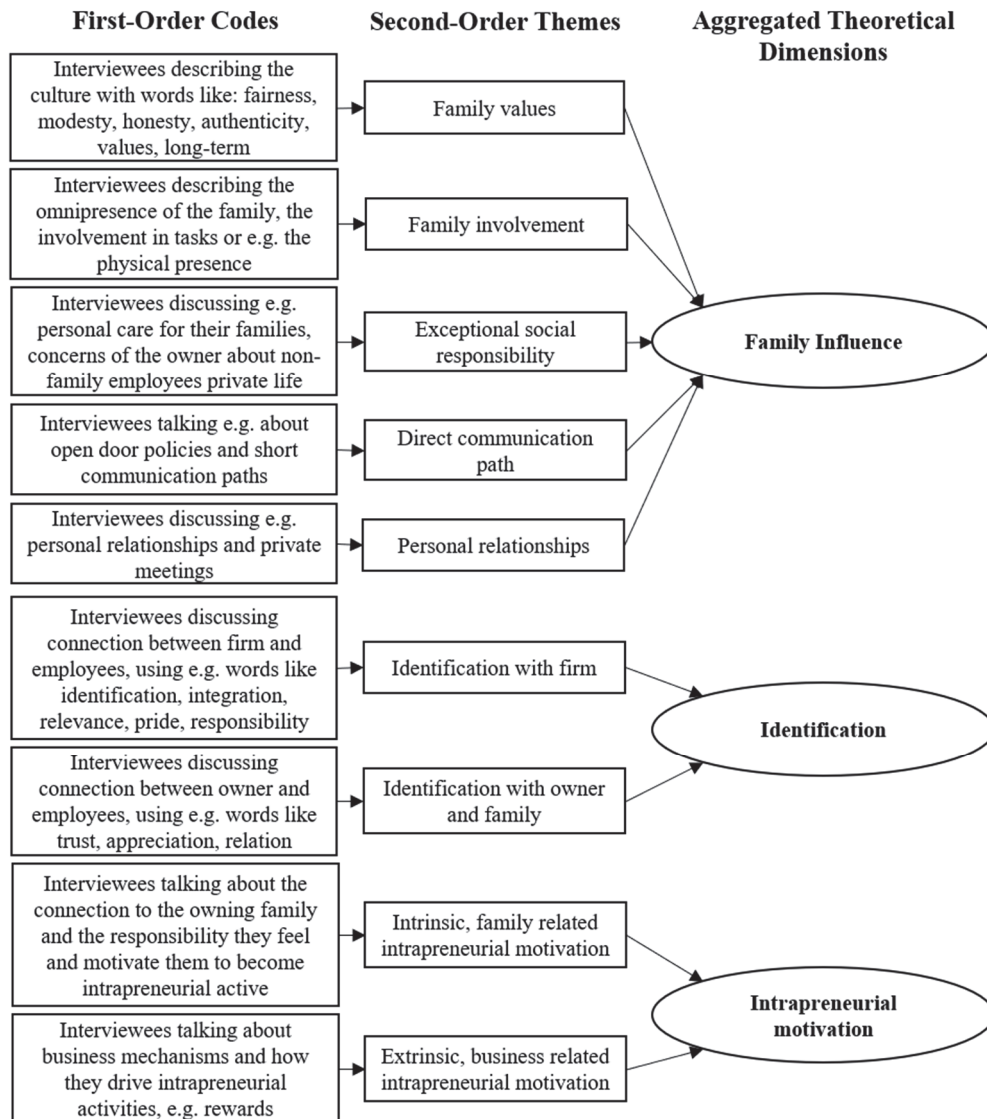
Case	Corporate principles and values	Firm as employer	Source of information
FF_1	N/A	N/A	N/A
FF_2	<p><i>"Values to feel good about"</i></p> <ul style="list-style-type: none"> • Reliability • Helpfulness • Honesty 	<p>We organize numerous leisure activities that promote team spirit, a sense of togetherness, and enjoyment of work and the company. Christmas parties with the partners and children of our employees, theme weeks. [...] were great successes and have strengthened the team spirit in our company.</p> <ul style="list-style-type: none"> • International Employer Award for Demography-Oriented Personnel Policy 2016 • Alfred Jacobi Prize for future education 	<ul style="list-style-type: none"> • Corporate web page • Informal phone calls • Newspaper articles
FF_3	<ul style="list-style-type: none"> • Mutual respect • Trust 	<p>The success of our company is the result of the joint efforts of all employees for the benefit of the customer.</p>	<ul style="list-style-type: none"> • Corporate web page
FF_4	<ul style="list-style-type: none"> • Modesty, • Responsibility 	<p>Our employees are our most important capital. They are enthusiastic about our processes, plants, and products, contribute their expertise to the company and develop their ideas, which is why we like to call them "thinking workers."</p> <ul style="list-style-type: none"> • Awarded as "Excellent training company" 2013-2020 	<ul style="list-style-type: none"> • Corporate web page • Newspaper articles
FF_5	<ul style="list-style-type: none"> • Environmentally friendly • Social responsibility 	<p>FF_3 offers its employees a secure job and the best possible framework to design their work. With their great sense of duty and high motivation, they contribute decisively to customer satisfaction and the associated success of the company.</p>	<ul style="list-style-type: none"> • Corporate web page
FF_6	<p><i>Life values: Bear responsibility.</i></p> <ul style="list-style-type: none"> • Modesty • Responsibility 	<p>The greatest potential for our company is the passion and performance of our employees.</p> <p>Motivation and initiative are deeply rooted in our DNA. Through technological competence, many years of experience, and motivated employees we create trust and inspire our customers.</p>	<ul style="list-style-type: none"> • Corporate web page • Newspaper articles
FF_7	<ul style="list-style-type: none"> • Long-term orientation • Family closeness 	<p>We want to offer our employees more than just a monthly salary. As a family business, it is our concern to support them in as many areas as possible. In this way, we can ensure that all employees feel welcome and valued.</p> <p>Only those who are satisfied are fully committed to the success and future of our brand. As an employer, we do everything to provide satisfying conditions for our employees.</p> <ul style="list-style-type: none"> • Awarded as "Excellent employer": consistently certified by TÜV Rheinland since 2014 • Awarded as "Family-friendly company" 2017 • Excellent training company 	<ul style="list-style-type: none"> • Corporate web page • Informal phone calls • Informal email contact • Newspaper articles
FF_8	<p><i>We win as a team because each individual wins through his or her commitment, appearance, and actions to make an important contribution to success. [...] We do this, as a family business.</i></p>	<p>Federal prize "Most Active Companies in Germany 2019"</p> <p>With this prize, the initiative "Healthy Companies" in Germany honors the performance of companies in the implementation of exemplary measures to promote employee health, as well as their integration into the corporate philosophy and everyday working life.</p>	<ul style="list-style-type: none"> • Corporate web page • Informal email contact • Newspaper articles
FF_9	<ul style="list-style-type: none"> • Social responsibility • Transparency 	<p>We have been driving innovation for decades. We achieve this with employees who want to make a big difference in the family environment of a medium-sized brand company. They are the true success drivers.</p> <ul style="list-style-type: none"> • Awarded as "Family-friendly company" 2020 • Awarded as "Excellent training company" 2020 	<ul style="list-style-type: none"> • Corporate web page • Newspaper articles
FF_10	<p><i>Progress as tradition.</i></p>	<p><i>"Man before the machine."</i></p> <p>People are the focus of attention. The respectful cooperation between shareholders, management, and employees characterizes our everyday work. Together we are successful as a team - worldwide.</p>	<ul style="list-style-type: none"> • Corporate web page • Informal phone calls
FF_11	<ul style="list-style-type: none"> • Long-term thinking and action • Continuity in values and goals 	<ul style="list-style-type: none"> • Awarded as "Great place to work" 2018 	<ul style="list-style-type: none"> • Corporate web page • Newspaper articles

Furthermore, we considered how the family firms in our sample are perceived as employers, as the literature suggests that, for example, managerial support (Antoncic & Hisrich, 2001), a positive and satisfying work atmosphere (Auer Antoncic & Antoncic, 2011), and strong and personal social bonds within the organization (Bammens et al., 2010; Cennamo et al., 2012; König et al., 2013) are pillars of intrapreneurship. Using multiple data sources helped us to ensure the triangulation of our data. Except for the case of FF_1, secondary data were available and accessible.

6.3.4 Data Analysis

Analysis and categorization of our data followed the multiple case study approach (Eisenhardt, 1989b; Eisenhardt & Graebner, 2007) implying single-case and cross-case analyzes. Therefore, we followed inductive logic (Gioia et al., 2013). First, we independently read and analyzed each case isolated from the others. During this single-case analysis, factors that motivate non-family employees to become intrapreneurial are the unit of analysis. Through multiple readings, we filtered such data which might be useful for answering our research questions and marked interesting findings. Based on this, we developed preliminary first-order codes in the form of illustrative quotes for each case (Gioia et al., 2013). After completing the single-case analysis, we juxtaposed the preliminary first-order codes of each case and elaborated the theoretical connections between them (Martin & Eisenhardt, 2010). This was a preparatory step for cross-case analysis. Here, we integrated our first-order codes of the individual cases and created provisional second-order themes for all cases. By doing so, we identified similar patterns between each case as well as variances, which can be traced back to aspects such as firm size or degree of professionalization. This categorization was an ongoing process for each author individually and as a group, as certain first-order codes and second-order themes were grouped and named differently by each author.

Figure 15: Exemplary Display of Data Analysis



Source: Own illustration

These agreed-upon categories were then our overall second-order themes. Finally, we used them to create aggregated theoretical dimensions. As we were all familiar with the data due to the previous two steps, we immediately discussed the overarching categorization constantly with the following goal in mind: to answer the questions about why intrapreneurial activities of non-family employees happen in family firms.

Once we agreed upon an aggregated theoretical dimension, we went back to the first-order codes to check whether the dimension was also reflected within the quotes of the interviewees, or if we made a mistake along the way (Locke, 2001).

In total, five aggregated theoretical dimensions can be built. An example summary of the first three aggregated dimensions is shown in Figure 15. It presents our data analysis and implementation of secondary data.

6.4 Results

6.4.1 Family Influence, Identification, and Family-Related Intrapreneurial Motivation

One of the focal points noticed throughout the analysis of our interviews and the additional material is the strong mention of a certain and unique family influence within the firm. More specifically, we identify five dimensions that are influenced by the business family in the eyes of non-family employees and owner-manager alike: (1) family values, (2) family involvement, (3) exceptional social responsibility, (4) direct communication, and (5) strong personal relationships. Table 18 illustrates the cases, the manifestation of the different dimensions identified, and illustrative quotes of the owner-manager and the non-family employee. It also shows the accumulated strength of the family influence at the end, which is the sum of all dimensions that could be identified within the business (0 points, no business family influence; 5 points, strong business family influence). It is prominently noticeable that in most firms, family influence is recognized by actively lived values. It is not characterized by direct and notable management interventions, but rather by a subliminal value codex that is exemplified and spread by the business family. Such family values provide guidance and enable the workforce to understand how the firm works and how social interactions within the organization should be. The values that were directly addressed include fairness, modesty, honesty, and authenticity.

Table 18: Family Influence

Case	Dimension of family influence					Family influence - Illustrative quotes -		Strength of family influence
	FV	FI	ESR	DC	PR	Owner-manager	Non-family employee	
FF_1	●	●	●	●	●	"You can only motivate people through values, communication, open doors, talking to each other..."	"...the social attitude here towards the employees is extraordinary [...] a very close family alliance."	●●●●●
FF_2	●	●	●	●	●	"As a family entrepreneur, you not only have the responsibility of 28 employees but also their families whom we also know."	"...the family also takes care of things when an employee has health or family problems. The family always has an open ear and simply cares for us."	●●●●●
FF_3	●	●	○	●	●	"Values are important, they are part of our culture of our life and a basis and framework for successful cooperation...."	"...the proximity to the management and its family [...] they know us and can address us by our names."	●●●●○
FF_4	●	●	●	●	●	"Social responsibility is huge. We also take this responsibility seriously and consider it in our decisions. I see this as a priority of the family entrepreneur."	"I would say that there is a lot of emphasis on maintaining personal contact [...] the door is open. [...] the boss is also physically present in the firm."	●●●●●
FF_5	●	●	○	●	●	"So, we have an open-door policy here, anyone can come in and there's plenty of room for ideas..."	"For example, we are really a family business - we help each other."	●●●●○
FF_6	●	●	●	●	●	"...you see the social responsibility towards the employees every day. That's 480 families [...] about 1,500 people who are dependent on this firm."	"Short distances. A bit more of a personal relationship. [...] are no airs and graces. He's just as much a human being as anyone else. [...] I appreciate that..."	●●●●●
FF_7	●	●	●	●	●	"Our employees have known us, as we were growing up, and we also know their personal histories." "We use the term [firm name]-family. For us, employees are not just workers, but go far beyond that. [...] These values can be felt and experienced..."	"Our core values state that we are proud of our tradition and that we attach great importance to a family-like atmosphere." "The management knows the personal background of the staff, and we are not considered a personnel number or someone who is easily replaceable."	●●●●●
FF_8	○	●	●	●	○	"It often works better in a family business because the closeness is much greater."	"...there is a great corporate identity with the family and the business, whether it is the junior or the senior, because they are omnipresent in the company. [...] Of course, that creates a team spirit...."	●●●●○
FF_9	○	●	●	○	○	"The character of a family business is insanely important and very different from a corporation because it's not only a family business, it's also familial. The employees feel personally better off here and they also know what they are working for."	"My former employer, who is not family-owned [...] I did not know the management personally. [...] you had no relation to the management [...] and that is different here because here people know each other. [...] You can see that the climate here is different."	●●○○○
FF_10	●	●	●	●	○	"I was taught by my father and by my grandfather that people come before the machine and before someone is dismissed, an entrepreneur with social responsibility should be aware that behind every person is a destiny."	"There are company values that are really actively lived, and you also notice that it is a family business, not that it is family-run, but [...] there is a connection between the family and the company."	●●●●○
FF_11	●	○	○	○	○	"The requirements are different when a firm has beyond 10,000 employees and you do not know every employee or every employee knows you." "Quite simply, the overriding interest is to keep this company independent, successfully family-owned, and the employees their jobs. That is the ultimate goal."	"The most appealing thing about family businesses is the culture and the long-term orientation. Culture means, for example, to name a few terms, appreciation of employees..."	●○○○○

FV, family values; FI, family involvement; ESR, exceptional social responsibility; DC, direct communication; PR, personal relationships

Besides these family values, especially in smaller family firms, close and direct connections to management are mentioned. The non-family employee of FF_2, for example, mentions the close connection to the business family which, according to him, strengthens his identification with the firm itself. This is reflected in the dimension of exceptional social responsibility. Certain family firms go far beyond the responsibility that a firm usually provides. This includes, for example, caring if the family of the non-family employee has problems, helping with loans, or personally getting involved in solving arising problems. Another remarkable finding is that personal relationships to the owner-manager or the business family are limited to smaller companies with less than 600 employees (FF_1 – FF_7). While this was somewhat expected, this close relationship and the connected direct communication path are one of the most frequently mentioned factors when applicable. It seems that the employees are proud to be close to the firm's management and the business family, which leads us to the next identified dimensions of our data analysis, the identification of the employees with the firm and business family.

Family influence and inherent dimensions strengthen the identification of non-family employees with their firms (Table 19). For them, it is not just "any" firm to work for, but it feels as if it were their "*own business*" (FF_2.2). Another non-family employee even goes as far as calling his firm "*a bit of a family*" (FF_4.2) and mentions that it goes far beyond just earning money. Interestingly, this identification and mention of it was present in all the firms except for the largest one (FF_11) with over 20.000 employees and over 60 shareholders. This is surprising as we expected to see a similar effect as in the previous study, that is, that the identification decreases with the growing size of the firm and the number of shareholders, as the direct connection of non-family employees to the owner-manager and the business family decreases. However, this has not been actively mentioned. Except for the largest firm (FF_11), which also exceeds all others by a large margin, all respondents mentioned that a significantly high identification is either present in the family, the business, the values, or a combination of all three. All non-family employees stated that identification is a central part of their work and that this identification is a major advantage compared to non-family firms. This

identification was reflected by a "low fluctuation. Many colleagues have been with the company for more than 40 years" (FF_7).

Table 19: Identification of Non-Family Employees

Case	Strength of family influence	Non-family employee identification - Illustrative quotes -
FF_1	●●●●●	"...my company is not just an employer for me, but I feel personally connected to it..."
FF_2	●●●●●	"And I think that's the big difference between family-run businesses and non-family-run businesses, that everyone really identifies with the company and works with it as if it were their own business."
FF_3	●●●●○	"There is a big identification with the values and with employees."
FF_4	●●●●●	"The personal identification is just there and it's big." "In terms of how long I've been employed, it's become a bit of a family. You've known your colleagues for a long time, you are familiar with the owner-manager. You spend a lot of your time here, so it's more than just about earning money."
FF_5	●●●●○	"There is simply a high level of identification with the corporate values and also with the employees."
FF_6	●●●●●	"We've known each other for years and ultimately I got the chance as a very young person to join [FF_6] and when you see that you're meant to be in a management position, you're happy about that. What motivates me? Yes, I think a certain identification motivates me..."
FF_7	●●●●●	"The identification of the employees can be seen in the low fluctuation. Many colleagues have been with the company for more than 40 years..."
FF_8	●●●○○	"Here, the employees tend to stay for a long time, they have a high level of identification with the company and come up with really great things..." "... it must be said that there is a great corporate identity with the firm and the family, whether it is the junior or the senior, because they are omnipresent in the company. They know people by name. Of course, that creates a team spirit."
FF_9	●●○○○	"If you want to convince people, then you have already done a lot to make people feel included and also feel like a part of the whole." (FF_9.1) "...it's different here because here you know the people. The people come from the surrounding area, they wouldn't close the company here next week because the figures were not as expected. It's completely different for a large company, when the company is not profitable, then the company is closed or sold."
FF_10	●●●●○	"And for me, personally, the values are also very important because in the end I can identify very well with these values and I also always say that such an owner-managed, medium-sized company also personally suits me very well."
FF_11	●○○○○	"I am now in my 16th year as managing director here. I am probably an industrial fossil in that sense. You probably do not find that often."

The identification drives non-family employees to intrinsically work and care for the firm, even though it is not their own business. This also has an impact on intrapreneurial motivation. Table 20 presents an overview of several illustrative quotes, where the results of this unique family influence and the resulting identification affect innovation activities, growth, or, in general, the health of the business. Especially within the first seven family firms, we identify a strong "family-related motivation." A clear connection can be drawn between the identification of non-family employees and their intrinsic motivation. The non-family employee of FF_1, for example, mentions that he not only sees his work as an employer but thinks that every employee "from our simplest employee to the

management” (FF_1.2) is responsible for becoming intrapreneurially active to ensure the firm's survival and security of the workforce.

Table 20: Family-Related Motivation of Non-Family Employees

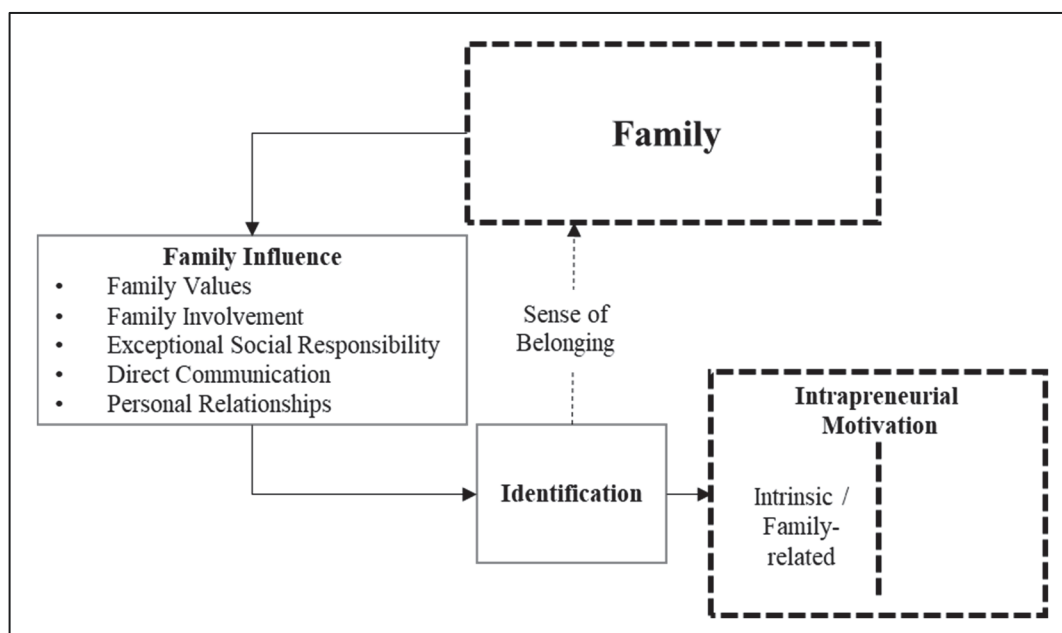
Case	Family-related motivation - Illustrative quotes -
FF_1	“...everyone, from our simplest employee to the management, is responsible for ensuring the firm’s survival so that people can work here for a long time and feel comfortable.” (FF_1.2) “I don’t just see the company here as my employer, but I also see that as an employee you should think intrapreneurially...” (FF_1.2)
FF_2	“And that’s the difference here; here, everyone identifies themselves and everyone wants to make progress.” (FF_2.2)
FF_3	“Values are very important, not only for the internal processes but also for our motivation to work for the firm and its image.” (FF_3.2)
FF_4	“There are people who make many suggestions, and you know that in a certain way they put their heart and soul into it.” (FF_4.1)
FF_5	“...there is also appropriate remuneration and, what is even more important for most of our employees, a certain appreciation.” (FF_5.1) “If employees are very innovative, and you notice that they fully identify with the firm you can also reward such things. But that doesn’t necessarily have to be money, it can also be other benefits...” (FF_5.2)
FF_6	“I think a certain identification already motivates you, so I would say that I give a lot for the company because I have a good relationship with management and the company and the other way round.” (FF_6.2)
FF_7	“...family businesses are more people-oriented than a corporation and when the individual is not anonymous, they’re not just a personnel number, but they are valued as a person. They will certainly be more inclined to get involved and to shape things in the firm.” (FF_7.1) “Our culture and the feeling of being part of the family is hugely motivating. There are no financial incentives. But the recognition replaces that. The short distance to management is also an important factor.” (FF_7.2)
FF_8	“It often works better in a family business because the closeness is much greater. So if I can reach someone emotionally, if I can reach someone directly in a speech, then it’s easier...” (FF_8.1)
FF_9	N/A
FF_10	“Someone who feels good is more likely to have ideas than someone who doesn’t feel good here in our firm. Many employees have been with us for 25 or 40 years.” (FF_10.1) “...there are really direct communication channels, you are not worker XYZ here, but you really have the opportunity to contribute.” (FF_10.2)
FF_11	N/A

FF_2.2 speaks of the more general progress of the firm, in which everyone is motivated to invest. For FF_5.2, the appreciation of this innovativeness and the motivation of non-family employees is a major concern. However, they even mentioned that this appreciation does not necessarily need to be monetary but can also relate to other benefits. The non-family employee of FF_6 mentioned his good and personal connection to the management and vice versa as the reason to “give a lot for the company” (FF_6.2), and a motivation to contribute. The non-family employee of FF_7 agreed with this and claimed that the unique family influence and the feeling of belonging to the business family are crucial motivating factors. However, when looking at FF_8 to FF_11, we see less, or even sometimes, no direct

connection between the identification and intrinsic intrapreneurial motivation. FF_9.2 and FF_11.2 do not show any motivation to become intrapreneurially active, which is directly related to the identification of employees with the firm. However, in general, with differences in their strengths, we do see the influence of the unique family influence on the identification and, finally, on the intrinsic intrapreneurial motivation of non-family employees.

In Figure 16, we summarize the influence of family dimension on the intrinsic intrapreneurial motivation of non-family employees. We specifically point out that, next to the direct connection to intrapreneurial motivation, is the creation of a certain “sense of belonging,” which we identify between non-family employees and the business family. When people talked about their identification with the family and their motivation to help the company, it often felt like they talked about an obligation they had to the business family because they felt, to a certain extent, like they belonged to the wider family themselves. Especially within the more familial firms, this is understandable, as you often spend more time at work, with your colleagues and the owner-manager, than at home.

Figure 16: Family-Related Intrapreneurial Motivation of Non-Family Employees



Source: Own illustration

6.4.2 Business Mechanisms and Business-Related Intrapreneurial Motivation

Of course, the intrapreneurial motivation of non-family employees does not stem solely from the family dimension. Throughout the interviews and within the written material, we surveyed business mechanisms that are directly related to the motivation of non-family employees. These are mechanisms that are also mentioned in the contemporary literature and range from simple mechanisms such as an idea management system (letterbox or any system to hand in written ideas) and reward systems, to complex and structured innovation management systems that hold separate departments solely dedicated to driving innovation. Interestingly, we do see a tendency to move opposite to the family firm culture and the identification of non-family employees with the firm. This trend indicates that the weaker the family influence, the more business mechanisms are in place. This is also represented by the motivations mentioned throughout the interviews (Table 22). We even see that FF_1 to FF_3 did not mention any intrapreneurial motivation of non-family employees motivated by mechanisms within the firm. Obviously, not all employees necessarily show the intrinsic motivation to innovate, even though there is a strong family influence, as observed in FF_4. Other interviewees highlighted the disadvantages of such systems. FF_6.1 mentioned that some employees use this kind of system to receive a reward. In the interviews, firms also mentioned that these systems tend to favor ideas which often belong to the normal improvement tasks of one's workplace, and as such are not real innovations. This is also affirmed by FF_10.2, who mentioned that in 2 months, 71 proposals have been submitted. Even though many of those will be rewarded, certain ideas had to be neglected as they were just small continuous improvements.

Table 21: Business Mechanisms supporting Intrapreneurial Motivation

Case	Aspect of business mechanisms					Business mechanisms - Illustrative quotes -		Strength
	MS	EE	IM	RS	SIM	Owner-manager	Non-family employee	
FF_1	○	○	○	○	○	"...a written submission of innovative ideas with 12 people, that's absurd anyway." "...there is no reward system for the submission and implementation of innovative ideas."	"If you notice something, if there is something, bring it up, don't keep it to yourself, but really approach the management..."	○ ○ ○ ○ ○
FF_2	●	○	●	○	○	"Then it is a matter of willingly accepting suggestions for improvements and ideas from the workforce."	"...suggestions can be discussed openly and honestly [...] with our superiors. [...] And also new ideas, so if I or someone else has an idea, we are also supported in implementing it, if it has potential."	● ● ○ ○ ○
FF_3	○	○	●	○	○	"Communicating verbally, someone asks for an appointment and then the person presents that." "No, we do not tempt our employees with rewards in order to make them jump."	"...the innovation process is not organized and there is no set way here."	● ○ ○ ○ ○
FF_4	●	○	●	●	○	"The employees write it down and throw it in the letterbox or put it up on the notice board." "There are also monetary rewards for this."	"The suggestion scheme is a common practice..." "But I think the main reason is the monetary incentive."	● ● ● ○ ○
FF_5	●	●	●	●	●	"I do think that we have to create spaces again where we can simply let our minds wander..." "...for suggestions for improvement, we have a box of notes everywhere [...] also monetarily rewarded..."	"...a room equipped with couches, and appropriate equipment in order to give creative space." "...we have a continuous improvement system, where employees can submit ideas [...] which are monetarily rewarded."	● ● ● ● ●
FF_6	●	●	●	●	○	"...an employee suggestion system [...] the employees can fill out a form and submit their ideas." "...there are various rewards [...] depending on what the suggestions are."	"The management gives us the freedom [...] development budget for this..." "The tolerance for mistakes is relatively high but it is expected to learn from them."	● ● ● ● ○
FF_7	●	●	●	○	○	"...we don't pay any bonuses in our idea management. [...] because for us it is part of [...] the job to contribute." "...is there such a thing as a concrete innovation process? No, there is no such thing, [...] we notice that the speed is not as we would like it to be [...] that will be different for us in the future."	"There are no financial rewards and product management that have been in place for 2 years. We are currently structuring and professionalizing the processes." "Capacities and resources must be made available to be able to innovate. You also have to be allowed to try things out."	● ● ● ● ○
FF_8	●	●	●	○	○	"We don't have an innovation process in that sense. [...] it's much more important to create the culture in the first place so that people have time and a budget for it and can simply try something..." "...rewarding with money makes the employee happy just for a while but not for the long-run."	"Quick. Faster! Due to flat hierarchies decisions can be made very fast. [...] At some point, money has to be spent [...] And I would say that this is easier in a family firm compared to a non-family firm."	● ● ● ○ ○
FF_9	●	●	●	●	●	"...we have built product management departments that investigate the market..." "If you don't allow creativity, you can't be innovative." "...the employees get a bonus that is a motivating factor."	"We have idea management; you can bring in general improvements [...] You can fill out a form and the idea is evaluated. This is done by a so-called idea manager..."	● ● ● ● ●
FF_10	●	●	●	●	●	"...you have to make mistakes. You can only learn from mistakes." "So at the moment, actually, only by monetary rewards."	"There is a reward system, it's an employee suggestion scheme and there are also bonuses paid out..."	● ● ● ● ●
FF_11	●	●	●	●	●	"We have competence centers in the factories. [...] having their own development teams and they develop their own products and topics." "This runs through a very clear innovation process. [...] It's completely organized."	"And there is an idea management system where every one of our employees has access and ideas can be entered."	● ● ● ● ●

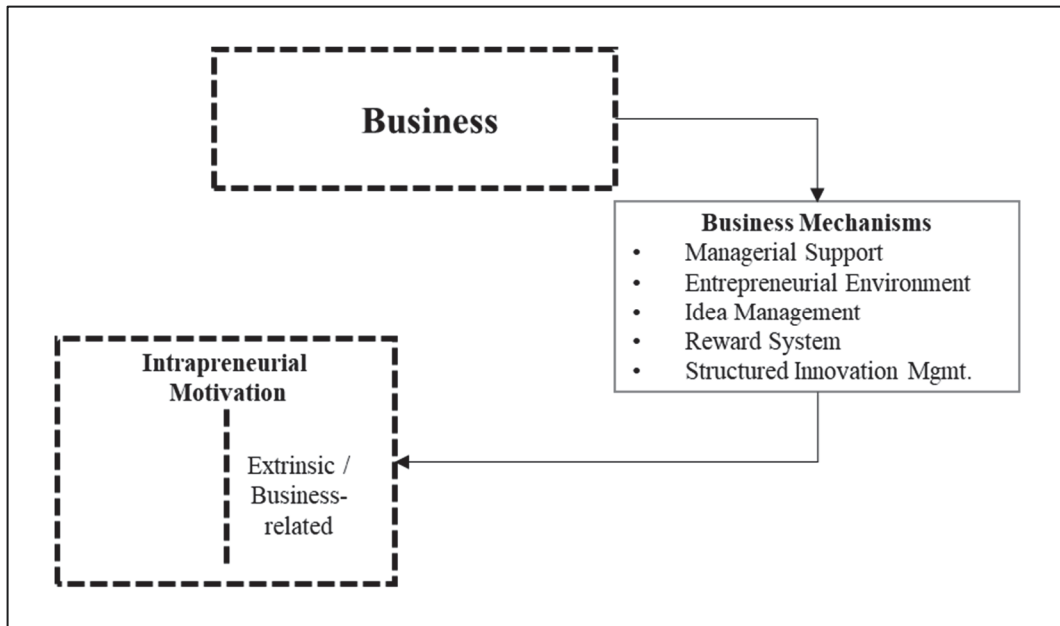
MS: managerial support, EE: entrepreneurial environment, IM: ideal management, RS: reward system, SIM: structured innovation management

Table 22: Business Related Motivation of Non-Family Employees

Case	Business-related motivation - Illustrative quotes -
FF_1	<i>N/A</i>
FF_2	<i>N/A</i>
FF_3	<i>N/A</i>
FF_4	<i>“There are also some who don’t come up with anything, except when you remind them of monetary rewards.” (FF 4.1)</i>
FF_5	<i>“Maybe the idea saves a few thousand euros, in return, the employee gets a thousand euros, which motivates others to join in too.” (FF 5.1) “For example, this continuous improvement process, there is really someone assigned to take care of it...” (FF 5.2)</i>
FF_6	<i>“...the disadvantages are that many employees prefer to submit [...] suggestions for improvement in order to receive a certain reward.” (FF 6.2)</i>
FF_7	<i>“There is nothing more frustrating for employees than when their submitted ideas are not considered and they get no feedback. Then they submit an idea once or twice, but never again. This means that motivation and potential are lost.” (FF 7.2)</i>
FF_8	<i>“Cooperative leadership style, that’s more like working with each other, that’s more like removing obstacles out of the way than a top-down approach - you don’t get innovations if you are very hierarchical by command.” (FF 8.1)</i>
FF_9	<i>“...the employees personally participate in our success by getting a bonus, that is a motivating factor.” (FF 9.1) “You can say that it will be sold and that it gives a certain profit for the firm, and that motivates you somewhere.” (FF 9.2)</i>
FF_10	<i>“...but also many who have noticed and realized that if I make a suggestion for improvement, it will be rewarded.” (FF 10.1) “Within 2 months, 71 new proposals were submitted, and many of those who submitted proposals looked forward to rewards...” (FF 10.2)</i>
FF_11	<i>“We have competence centers in the factories. [...] having their own development teams and they develop their own products and topics. It is their job to be motivated and to be innovative.”</i>

Even though certain business mechanisms were criticized, it is undeniable that these mechanisms help motivate the workforce. However, this motivation is much more extrinsic than the motivation originating from the family dimension. Figure 17 displays this business-related extrinsic motivation.

Figure 17: Business Related Intrapreneurial Motivation of Non-Family Employees



Source: Own illustration

6.4.3 Intrapreneurial Activities and Outcomes

In nearly all cases, the intrapreneurial activities of non-family employees affect internal processes, product improvements, or product development and are closely related to their immediate working environment. Furthermore, the process of innovating for non-family employees seems not to be an event, but rather an ongoing process within their day-to-day tasks and beyond, as they see it as an obligation to contribute to the success of the company.

Table 23: Intrapreneurial Activities and Sense Work

Case	Intrapreneurial activities - Illustrative quotes -	Sense of work - Illustrative quotes -
FF_1	"...the values and the whole environment of the firm are so positive that everyone wants to get involved and also think after work where there is room for improvement." (FF 1.2)	"If I were here now just to work off my hours, I think the innovativeness would not be given. It is certainly easier to handle in a small company or a medium-sized company than in large corporations."
FF_2	"Here, everyone is looking to be efficient, to be effective, and to make suggestions for improvement so that we can move forward and develop the firm." (FF 2.2)	"And in the end, it turns around again. If people enjoy doing it, then the profitability is higher and thus there is economic success because it is simply an interplay."
FF_3	"The employees from sales also come up with ideas and they are then implemented, but they are not usually large projects, they are simply small things that can be improved." (FF_3.2)	"...if you have a good idea and convince the management to pursue it, then the project is started and in most cases, the person who had the idea also is responsible for this project."

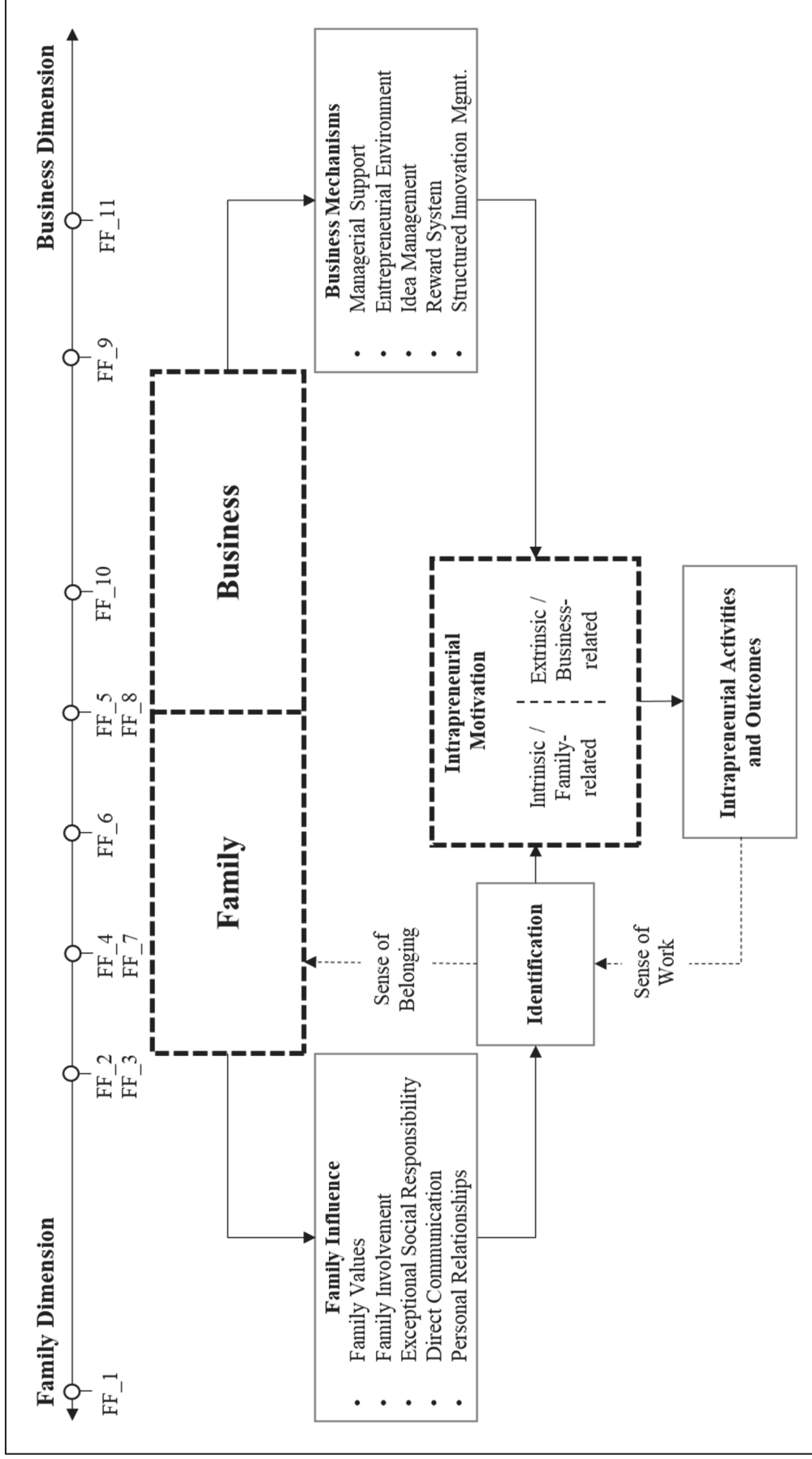
Case	Intrapreneurial activities - Illustrative quotes -	Sense of work - Illustrative quotes -
FF_4	<i>"This team spirit, this identification, if you always have to run around the chair at home, then you actually put the chair away. That would, of course, also be expected here. We also like to talk about co-thinkers here." (FF_4.1)</i>	<i>"To strengthen the feeling of responsibility, of self-responsibility. [...]Yes, but it's also important for the employee to be perceived, to be involved in the process." "It's all about the appreciation, the recognition, 'You've made a great suggestion! Great!' even if it is not worthy of great praise or awardable but brings pride with it, which in turn can motivate employees to do it again." (FF_4.1)</i>
FF_5	<i>"One employee had this idea which he shared. He's not actually an engineer, but he had this idea and set up a small laboratory in his basement at home and built a prototype and convinced me. And that's where I saw the great advantage of family businesses because ultimately, it's my money, so I invested." (FF_5.1)</i>	<i>"Logically, an employee who does a good job and has ideas naturally enjoys more freedom than one who doesn't." "...if employees are very innovative fully identify with the firm, then, of course, this is acknowledged."</i>
FF_6	<i>"For example, the employee returns from the customer and sees an ongoing process which he thinks we could do differently. Then we try it, that is an innovation process, which runs through the management." (FF_6.1) "At home, you tend to think about it involuntarily. You catch yourself on the weekend when you have an idea like that when your mind is a bit free, then I just make a note or something or think about it for a quarter of an hour [...] Such thoughts often come when your mind is free." (FF_6.2)</i>	<i>"We can be really proud of that, we have implemented it and perhaps only a few others would have managed that." "And of course the success, when you see that the way you approach the people and the way you approach the projects [...] leads to reasonable new orders and a good economic situation in the company, a turnover record every year. Yes, that makes you proud somewhere, that you contribute a small part to it."</i>
FF_7	<i>"...we are also very proud of the fact that our employees always get involved, especially in internal processes. Innovations can take place in all areas..." (FF_7.1) "And even after retirement, former employees actively contribute to the company because they feel part of the family. A lot of heart and soul goes into it."</i>	<i>"The employees are proud of their product. It is also communicated internally when our products are installed in special buildings such as hotels or stadiums of world-famous football clubs. These are projects where you can proudly say, 'Look, these are our products.' People think that's cool, both internally and externally."</i>
FF_8	<i>"But it can also be during lunch in the canteen. Once, a colleague had an idea and painted it on a napkin while having coffee, and we all were convinced of the idea as it saves time, money and nerves. A small detail, but wonderful market displacement for the others." (FF_8.2)</i>	<i>"It may not have been the case a few decades ago but now it's acting on one's own responsibility and also knowing why he or she is actually doing it for. So giving sense is becoming more and more important for the employees." (FF_8.1) "Imagine you come to your grandmother and say: 'Look here at the new main catalog and here, this was my idea. You are proud of that.' And if the product sells millions of times, then that is a beautiful thing."</i>
FF_9	<i>"The whole thing starts with employees who simply think a bit smartly and develop an idea, or it comes from the customer..." (FF_9.1)</i>	<i>"When you're on holiday somewhere and see the red plugs on every corner. It's a company from the small Sauerland region and they sell these plugs worldwide there must be something behind it." "Innovations are often a lot of work. [...] That's nice when you see that it's appreciated."</i>
FF_10	<i>"...ideally, starting with the lady in the production hall, provides suggestions for improvement. For us, it's not called innovation but suggestions for improvement..." (FF_10.1)</i>	<i>"I'm sticking to it: the staff potential, it's the most valuable resource we have!" (FF_10.1) "We had so many situations in which employees have said, 'I never thought that this idea would have been implemented.' but it's the little things that make it happen." (FF_10.1)</i>
FF_11	<i>"Employees are sources of innovation. They are actually the biggest source." (FF_11.2)</i>	<i>"You have pride in the brand and you have pride in the products." (FF_11.1)</i>

The non-family employees of FF_1 and FF_6, for example, like to think about "room for improvement" at home, in FF_7 retired employees still come to work and contribute because they "are part of the family." One of the employees in FF_5 even built his own prototype in the basement at home and was financially supported,

because the owner-manager believed in his idea. Interestingly, this involvement of employees seems to further strengthen the bond they have with the family and firm. If employees actively helped to develop a product, they felt connected to the product and the firm. One employee mentioned, for example, that he is proud when the product he worked on was displayed in the product catalog of the firm. This participation and also being personally acknowledged by the owner-manager or the business family (business dimension) for their contribution seem to instill a certain pride, what we call “sense of work” for those employees. This sense of work also seems to heighten the identification of the employees and thus creates a feedback loop that strengthens the sense of belonging to the family dimension of a family business and further intrinsically motivating them to contribute.

In Figure 18, we summarize our results by illustrating how we observed the creation and stimulation of non-family employees' intrapreneurial motivation in family firms. Additionally, we included each case and placed them in a family-to-business dimension. The results and Figure 18 are discussed in the following section.

Figure 18: Integrative Model of Intrapreneurial Motivation of Non-Family Employees in Family Firms



Source: Own illustration

6.5 Discussion

6.5.1 Theoretical Implications

The purpose of this study is to investigate the intrapreneurial motivation of non-family employees in family firms and the role of the business family within this context. Therefore, we adopt a multiple case study (Eisenhardt, 1989b, 2021). Our main and primary data source was 22 in-depth interviews compiled in a dyadic sample, including one owner-manager and one non-family employee of 11 German family firms. Additionally, archival data such as web pages and media coverage served as secondary data sources. Analysis of the interviews follows an inductive approach (Gioia et al., 2013), which resulted in five aggregated theoretical dimensions. Using single-case and cross-case analyzes helped us to identify common themes and disparities (Eisenhardt, 1989b; Eisenhardt & Graebner, 2007) enhancing generalizable and grounded theory building (J. P. Davis & Eisenhardt, 2011). Our results show that the intrapreneurial motivation of non-family employees is either driven by the family dimension of the firm and thus intrinsically motivated, extrinsically motivated by the business dimension, or motivated by a combination of both dimensions. A full overview of our findings is shown in Figure 18.

Due to family influence, the culture within family firms is considered to be special, as it is strongly shaped by family firm characteristics, which are attributable to the family's involvement (Habbershon & Williams, 1999). Family influence fosters strong social bonds and relationships between the business family and their non-family employees (Berrone et al., 2012), enhancing informal ties and communication (Gómez-Mejía et al., 2011) and leading to a generally satisfying working environment (Miller et al., 2009). Considering our results, multiple unique characteristics of family influence could be identified, supporting previous findings regarding family firm culture. One finding of our investigation is the fact that family influence is strongly driven by the personal values of the often omnipresent business family, which is reflected in strong personal relationships and intensive care for non-family employees' well-being (Bammens et al., 2010; Cennamo et al.,

2012; König et al., 2013). The identified caretaking in our cases exceeds the normal amount of social responsibility an employer shows toward its employees. Furthermore, we observe that direct communication paths and personal relationships exist between owner-managers and non-family employees. While these findings mostly match already known aspects of family firms, the implication that an enhanced identification of non-family employees with the family and firm is still something that deserves closer attention. In cases where we identify a strong family influence, we could also see a strong identification of the employees with the family and firm. This identification in return creates what we called a "sense of belonging" to family and firm. The non-family employees show an enhanced feeling of responsibility to their company, which feels *"a bit of a family"* (FF_4.2). This feeling of belonging to the family, feeling connected and also directly responsible, was named by many non-family interviewees as one of the main reasons why they become intrapreneurially active: *"And that's the difference here, here everyone identifies themselves and everyone wants to make progress."* (FF_2.2). Deephouse and Jaskiewicz (2013) explain why family members have a higher identification with their firm than non-family members do, invoking the social identity theory (Tajfel et al., 1971; Turner et al., 1979). Family members can value membership better, also due to regular financial, socio-emotional wealth "compensation" (Gómez-Mejía et al., 2007), and employment security due to the generational transfer (Berrone et al., 2012; Micelotta & Raynard, 2011; Stavrou et al., 2007). However, what happens when these benefits are transferred to employees through the unique family influence described? Our non-family members in firms with a strong family influence clearly stated that they feel connected to the business family, that they enjoy the benefits of long-term employment, and that they see the money reinvested into the company increasing its health, instead of paying dividends. According to our results, this fosters the identification of non-family employees, at least in a similar way, as it fosters the identification of family members with the firm. Memili and Welsh (2012) propose a similar effect: a participating or laissez faire culture of family firms strengthens the identification of non-family employees and, in return, organizational attachment and turnover intention. Our multiple case study supports this assumption by showing that a high

family influence within the firm can lead to a stronger identification of non-family employees. Most interesting is our finding that this identification leads to employees' higher intrinsic and family-related motivation, to contribute to the firm's success and thus engage in intrapreneurial activities: *"And I think that is the big difference between family-run businesses and non-family-run businesses, that everyone really identifies with the company and works with it as if it were their own business."* (FF_2.2.) This quote stands exemplary of many similar statements of non-family employees. Due to their connectedness to the firm's family, they contribute and engage in intrapreneurial activities even though they do not receive any direct financial compensation for it. Another family firm even stated: *"No, we do not tempt our employees with rewards in order to make them jump."* (FF_3.1). They purposely do not have any monetary and extrinsic reward systems in place but like to emphasize that it should be the own will of their employees to contribute to the firm. Based on our findings and the existing literature, we propose that family influence, based on the family dimension and inherent family involvement of the firm, fosters a strong identification of the employees with the family and firm, thus enhancing their intrinsic motivation to contribute to the success.

P1: Through the family dimension and the resulting family influence, non-family employees' identification with firm and family is heightened, ultimately creating a "sense of belonging and intrinsically raising their intrapreneurial motivation.

In addition to the family dimension, we identified the known "business mechanisms" that strengthen the intrapreneurial motivation of non-family employees. These include managerial support, financial reward systems, idea management systems, the creation of an entrepreneurial atmosphere, or completely professionalized and structured innovation departments (Alpkan et al., 2010; Antoncic & Hisrich, 2001; Kuratko et al., 1990). While these mechanisms are already known and have been researched extensively, it is the finding of our cross-case analysis, which is valuable for us and the family business research stream: At Table 24 and Figure 18, our cases are sorted by the ratio of family influence to business mechanisms installed. Here, a clear and remarkable tendency for firms

with a stronger family influence to have fewer business mechanisms and vice versa is observable. Although this representation shows no statistically significant result or validation, the implication behind it is interesting.

Table 24: Family Influence to Business Mechanisms Ratio

Case	Family Influence	Business Mechanisms	Ratio
FF_1	●●●●●	○○○○○	5
FF_2	●●●●●	●●○○○	3
FF_3	●●●●○	●○○○○	3
FF_4	●●●●●	●●●○○	2
FF_7	●●●●●	●●●○○	2
FF_6	●●●●●	●●●●○	1
FF_5	●●●●○	●●●●○	0
FF_8	●●●○○	●●●○○	0
FF_10	●●●●○	●●●●●	-1
FF_9	●●○○○	●●●●●	-3
FF_11	●○○○○	●●●●●	-4

With a decrease in family influence, we also see a decrease in the identification and intrinsic motivation of non-family employees. With an increase in business mechanisms, we see an increase in the extrinsic motivation of non-family employees. The variation of the family influence and the adoption mentioned business mechanisms might have several reasons: A decreasing family influence, can be explained by firm growth and its development. Due to this, the active members of the business family are forced to be more involved in strategy making processes instead of engaging in operational tasks. This also often implies the employment of external managers functioning as intermediaries between the business family at the strategic level and the workforce at the operational level. Thus, the connection of non-family employees to the business family might gradually diminish with a firm's strategic development and growth as the business family is not perceived that omnipresent in the daily work routine anymore. Another reason might either be a conscious decision by the business family, for example, due to an improved order situation, increased responsibilities, or due to events under duress, such as illness or a succession process where no successor is willing to step up. To avoid losing the intrapreneurial motivation of their employees and thus an

inherent competitive advantage, family firms need to react and counteract this trend by giving employees a new drive to engage in intrapreneurial activities, which is apparently done by establishing the mentioned business mechanisms. A good example in our sample that displays this behavior might be FF_7, which is a highly innovative company operating in sanitary and air conditioning, has over 500 employees, and is not yet a professional innovation management system. While the company still lacks a certain professionalization, it is also one of the companies that deliberately does not pay any reward for ideas; “...we don't pay any bonuses in our idea management. [...] because for us it is part of [...] the job to contribute.” However, one interviewee also mentioned that they are in an upheaval right now as their innovativeness decreased. In the past, employees could easily approach the business family with suggestions over time, but this became more difficult due to increased responsibilities and complexities. Thus, they are in the process of establishing more business mechanisms that foster innovation by employees such as a structured innovation process. However, they are already struggling, as they noticed the repellent behavior of some long-term non-family employees who are not used to these new processes. Nevertheless, it is a necessary process, and while doing so, they are now trying different interventions to keep the family influence alive and strong, even though the family influence is necessarily pushed back. Thus, we think that family firms need to carefully balance their two dimensions, business and family (Anderson & Reeb, 2003; Dyer, 1988). This is also very clearly illustrated in our “Integrative model of intrapreneurial motivation of non-family employees in family firms” (Figure 18): The family dimension and the business dimension are permeable and influencing each other (Basco & Pérez Rodríguez, 2009; Olson et al., 2003). Especially, when the business dimension spreads out through e.g. firm growth, internationalization, new market entries or increased orders, complexity rises. This forces the business family to react on that by focusing on strategic issues. This might imply that the family influence and inherent aspects are not the highest priorities of the business family any more as their focus lies on managing emerged complexities (Jaskiewicz et al., 2015; Parada et al., 2010; Raitis et al., 2021). As a result, the family-related, intrinsic motivation of the non-family employees could suffer from this fact. However, in this particular situation the

business family still has the opportunity to install appropriate mechanisms counteracting the loss of intrinsic motivation by extrinsically motivating the workforce.

As all the investigated firms have been specially picked for their innovativeness and employee relationship, we propose that these companies have gradually developed and the business family has continually moved away from being actively involved in the day-to-day business, thus having less direct contact with their employees in return, diminishing the “family-related,” intrinsic motivation they generated with their presence and proximity before. Consequently, professional business mechanisms have been established to counteract this process. We thus propose that:

P2: A decrease in family influence leads to a decreased intrinsic intrapreneurial motivation of non-family employees, which needs to be compensated by extrinsically motivating non-family employees through establishing business mechanisms that foster intrapreneurial behavior.

Furthermore, our results show that non-family employees are indeed a source of innovation in family firms; this is in line with previous studies, which also emphasized the importance of employees for family firms and their impact on innovation and firm performance (Damanpour & Gopalakrishnan, 2001; Hitt et al., 2000; Zhang & Bartol, 2010). Due to their abilities and knowledge to meet daily requirements, they are integrated into various organizational processes and contribute significantly to organizational innovation and success. In our study, non-family employees are seen as the family firms’ “most valuable capital” (FF_6.1). While often there is a certain “wrongness” about statements like this, throughout the interview one could feel that what they say is really meant. This is also reflected by the high appreciation that employees receive for their ideas and propositions. This is supported by previous findings, whereas it was proposed that non-family employees and their ideas are taken honestly and appreciated within family firms (Milton, 2008; Stewart & Hitt, 2012). This enables a working culture that encourages employees to share their insights (Somech & Drach-Zahavy, 2013). Such an outstanding respect and recognition build a strong identification of the workforce with the family and the firm, which motivates them to work hard for the

success of both. By working hard and developing innovation, they crucially contribute to the family firm's success. As a result, they are proud of their created outputs and perceive a sense of their own work. This pride goes even that far, that non-family employees enthusiastically talk about their work with their own family and friends or work beyond their regular working hours. They even go as far as thinking about possible improvements in the firm's current situation in leisure time. This can happen throughout family holidays or during after-work drinks with colleagues. Such behavior of pursuing opportunities that result in innovations and finally create value for the firm is defined as intrapreneurial (Baruah & Ward, 2015; Parker, 2011; Stevenson & Jarillo, 1990). This process, and the recognition they receive for their work and product innovations further strengthens the identification, as employees perceive a strong “sense of work”.

P3: Motivated non-family employees contribute to intrapreneurial activities and outcomes, which creates a “sense of work,” further strengthening the identification of employees with the firm and family.

Considering our findings and derived propositions, a more holistic picture of why non-family employees become intrapreneurial active and which role the business family plays in this context occurs. We observe that the family dimension has an enormous impact on the intrinsic intrapreneurial motivation of non-family employees. However, we find that with a decrease in family influence, business mechanisms need to be established, which level out the missing intrinsic motivation by establishing processes extrinsically motivating non-family employees.

Our study contributes manifold to the theory building of the innovation, entrepreneurship, and family business research stream. First, it expands the knowledge of intrapreneurship within family firms by providing an integrative model that shows why non-family employees are motivated to become intrapreneurially active in family firms and the role the business family plays in this process. Our model supports the assumption of Bammens et al. (2013, 2015) empirically, that family involvement can positively influence the innovative and entrepreneurial behavior of non-family employees as it strengthens the social identity of non-family employees (Tajfel et al., 1971; Turner et al., 1979).

Furthermore, it contributes to the knowledge of the enigma “innovation in family firms” by helping to explain why certain family firms are so innovative (Ayyagari et al., 2011; Classen et al., 2014; Gudmundson et al., 2003) although they invest less in innovation compared to non-family firms (Chrisman & Patel, 2012; Duran et al., 2016). Like Habbershon and Williams (1999), we found that family involvement is a crucial factor in family business innovativeness. This unique family influence leads to aspects such as family values, extraordinary social responsibility, direct communication, and personal relationships, which intrinsically motivate non-family employees to become intrinsically active and thus an important source of innovation (Ahluwalia et al., 2017; Eddleston et al., 2012).

6.5.2 Limitations and Future Research

Our study helps to understand why intrapreneurship occurs in family firms; however, it faces certain limitations that can be explored in future research projects. First, considering our definition of family firms, different results could be expected for larger, publicly traded family firms. As the influence of the family's values and personal connections might dwindle, so does perhaps the sense of belonging of non-family employees and their obligation to advance the company. Therefore, a study focusing on different types of family firms may be of interest in the future.

Second, our research is mainly focused on the positive aspects of being a non-family employee in family firms and how they influence their intrapreneurial motivation, as this was the main goal and research intention. However, investigating how the dark sides of being a non-family employee in a family firm affect their intrapreneurial motivation would be interesting for future research. Third, our research setting is family firms in a specific region of Germany, which is known for its high density of innovative family firms (Hidden Champions). Researching our focal phenomenon in different geographical locations might yield different implications. Fourth, we selected cases that were known for their innovativeness. Thus, these findings should be verified in less innovative family firms. Fifth, we recommend conducting further research on non-family employees and their intrapreneurial motivation, as we identify them as a crucial source of innovation in

family firms. Finally, our developed theory and our research propositions may encourage further quantitative research.

6.5.3 Practical Implications

The practical contributions of this study are multi-faceted. In general, firms that want to increase the intrinsic intrapreneurial motivation of their employees, regardless of whether they are family-owned or not, should establish a corporate culture that entails certain dimensions of the family influence we identified in our research. For example, taking care of employees' well-being or building and maintaining extraordinarily strong and personal relationships with them can increase their identification with the firm, which motivates them to engage and contribute to the firm's success. Moreover, firms should integrate their employees into multiple processes, as they often have the knowledge and skills needed to improve the current situation. Considering family firms and the family behind the business, we recommend that they value their non-family employees and try to personally show this gratitude. We find that this kind of acknowledgment and integration can lead to the fact that they feel like a part of the firm and family alike, which intrinsically motivates them to become intrapreneurial. Last, growing family firms need to pay attention to not losing their non-family employees along the way, as otherwise a competitive edge, the intrinsic motivation of non-family employees might get lost.

6.6 Conclusion

Family firms have often been deemed less innovative (Naldi et al., 2007; Schulze et al., 2001) and under pressure to rethink their business models in order to stay competitive within their markets. They are reproached for growing too slowly, not innovating radically enough, and being outdated through their long-term orientation, hindering risky investments (Classen et al., 2012; Habbershon & Williams, 1999; Zellweger, Kellermanns, Chrisman, et al., 2012). Additionally, it is purported that they often neglect professionalism (Stewart & Hitt, 2012) and have trouble finding a sufficiently skilled workforce (Chrisman et al., 2014). However, thinking in another way: suppose that avoiding following all these criteria generates

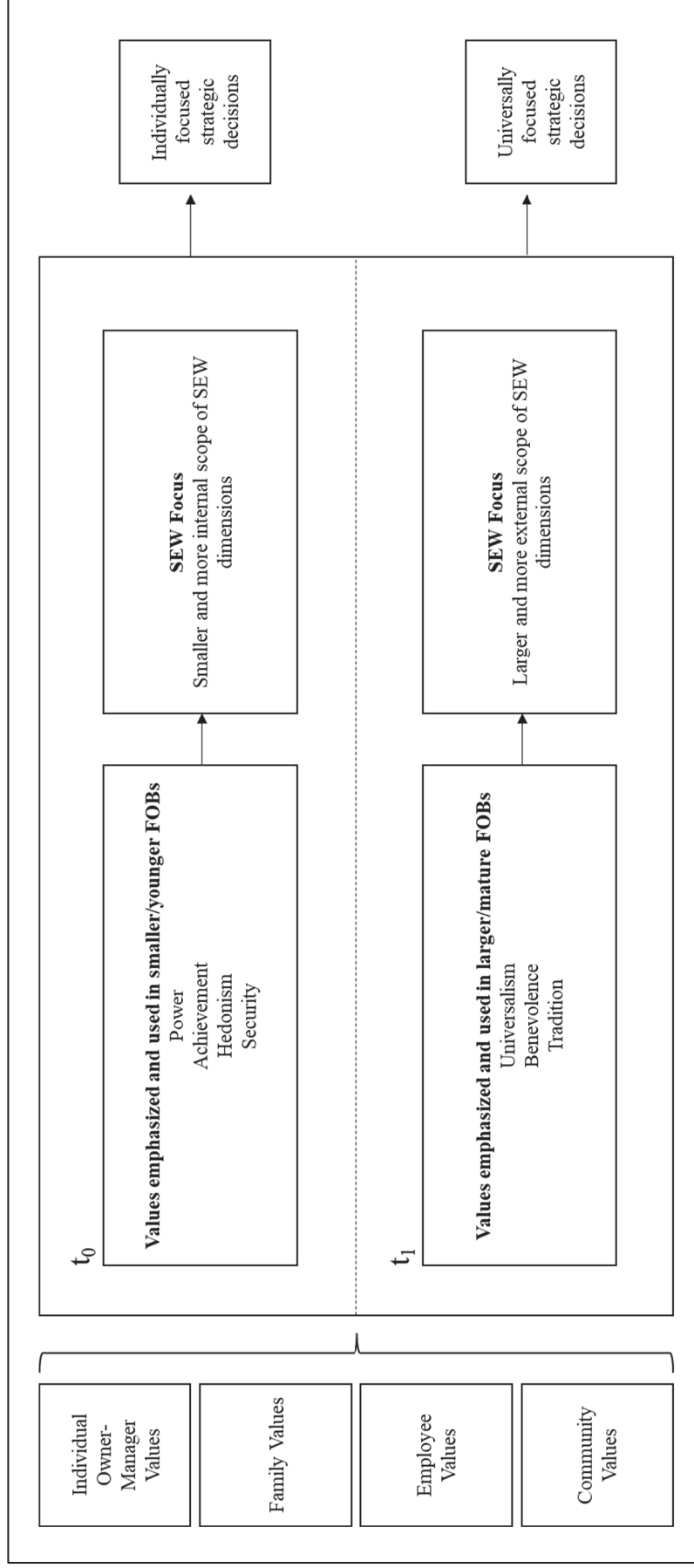
a competitive advantage for family firms that are hard to copy for anyone concentrating on all the above. By employing a value-focused strategy, implying that long-term relationships and investments continue to improve instead of radical innovation, empathy instead of professionalism, and identification instead of monetary rewards, family firms create a unique environment for their non-family employees, where incremental innovations to products and processes are within the DNA of the firm and its workforce. Based on our findings, we argue that the unique connection between family, firm, and non-family employees can lead to heightened exploitation of non-family employees' intrapreneurial potential. This drives intrapreneurship and innovation, making so many family firms the market leader within their industry niche and ensuring the firm's survival over generations.

7 Summary of Findings and Concluding Remarks

Values are important. Since 1951, researchers of different disciplines agree, that values influence affective and behavioral responses significantly (Kluckhohn, 1951; Rokeach, 1973; R. M. Williams, 1974). Especially within the context of family business research, the owner-manager influences the behavior and decision-making of the firm (Anderson & Reeb, 2003; Dyer, 1988; García-Álvarez et al., 2002; Kelly et al., 2000; McConaughy, 2000; Schein, 1983). Thus, researching the values of these individuals might give further insights about the heterogeneous behavior of family firms, ultimately helping us to better understand family firms. Even though this is a known fact, empirical research about values and their influence on family firm behavior or outcomes is scarce (Duh et al., 2010; Koironen, 2002). Thus, goal of this dissertation was to understand, what the basic human values of owner-managers are, how they are connected to family firm behavior, and how they ultimately impact performance, using sound empirical methods.

To answer these questions, four consecutive studies have been planned and executed. First, through interviews with owner-managers, a base of knowledge about values in family firms has been established. A qualitative research design with interviews as the main source of data has been chosen, to investigate which values are predominant within owner-managers and their respective firm, and if they are connected to the special behavior of family firms, reflected by the construct of SEW. Our findings support our initial assumption, that values are the underlying motivators for SEW behavior. Furthermore, the source of family firm values could be identified. As displayed in Figure 19 we observed that the strongest influence is made by the individual owner-manager. Further to that, the family values, values of long-term employees and community values can be found in family firms. Another interesting finding is the fact, that a shift of value hierarchy can be observed. In our sample, the smaller and younger companies did emphasize mostly

Figure 19: Model of Values as Antecedents of Socio-Emotional Wealth Behavior in Family Businesses

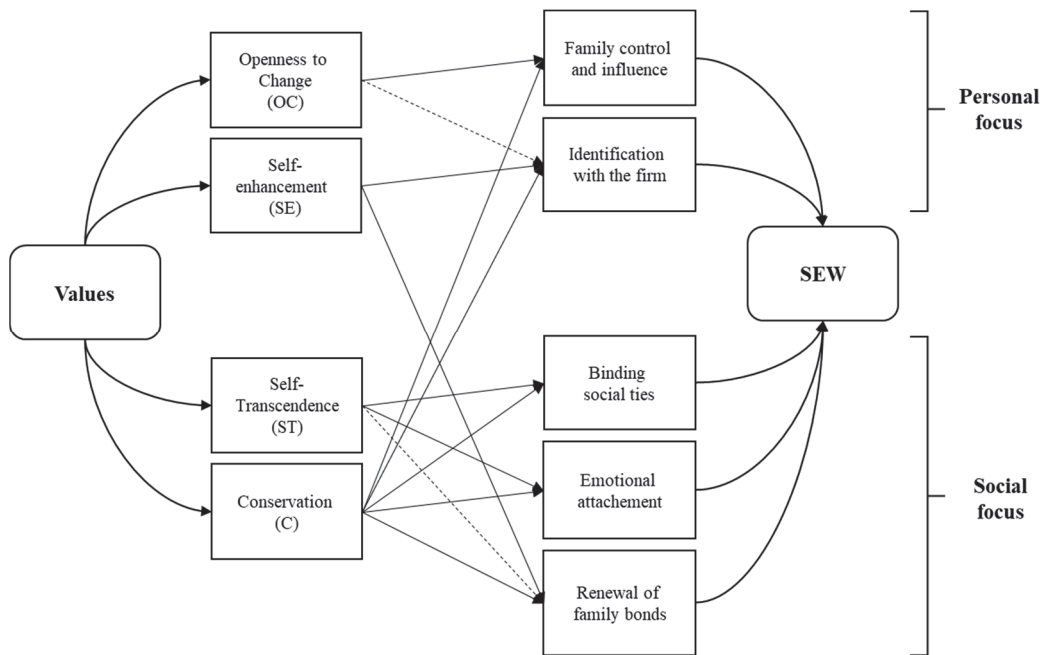


Source: Own illustration

self-enhancement values, such as power, achievement, hedonism and security, while older and more mature family firms emphasize self-transcendence values, such as universalism, benevolence and tradition. These values also influence, what we called the “SEW focus” in such a way, that smaller and younger companies have a more internal scope, while larger, more mature companies have a more external scope of SEW ultimately resulting in individually vs universally focused strategic decisions.

Consecutively, in our second study we tried to validate our qualitative findings of the first study. The goal was, to establish a statistically significant relation between the individual basic human values of owner-managers and the FIBER construct, representing SEW (Berrone et al., 2012). We therefore used SEM modeling on a dataset of 1,003 cases which we gathered via a questionnaire in October 2018. We developed a questionnaire, by using the established Portrait Value Questionnaire (PVQ) developed by Schwartz, which is one of the most including scales, measuring values, to date (Schmidt et al., 2007; Schwartz & Rubel, 2005). Our results support a statistically significant correlation between the basic human values of owner-managers and their SEW behavior. A stronger relationship between person-focused values, such as openness to change and self-enhancement, and the dimensions F and I could be observed, while social-focused values, such as self-transcendence and conservation show a stronger influence on the FIBER dimensions B, E and R (Figure 20). This implies that actions, which deal with the control of the family firm and the identification of the owner-manager with the family firm, are driven by person-oriented values benefitting the owner-manager more personally. Contrary, binding social ties and the emotional attachment, are rather driven by the need of the owner to do something good in general. The dimension renewal of family bonds is somewhat driven by personal as well as social values of the owner-manager. In conclusion, our study showed, that values are antecedents of socioemotional wealth behavior, and thus influence the behavior of a family firm significantly.

Figure 20: Relations amongst Values and SEW Dimensions

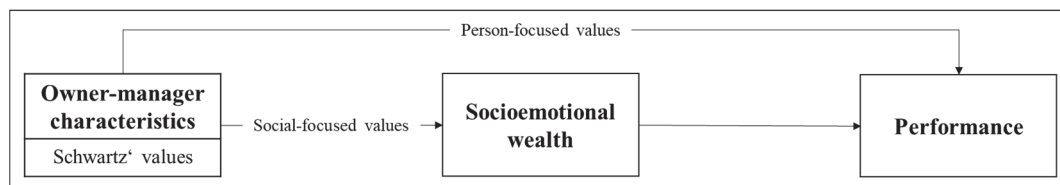


Dashed lines represent a ten percent significance level

Our third study dealt with the question, if any of our previous findings actually influence the performance of a firm. Therefore, we made use of the upper echelon theory (Hambrick & Mason, 1984) which claims that the psychological and observable characteristics of upper echelons influence performance through their strategic choices. That values influence performance directly and indirectly dates at least back to Max Weber's essay in 1904 who already stated, that pursuing to sustain the family values might result in restraint capitalistic economic activities, as the founder is not pursuing financial goals (Bertrand & Schoar, 2006). We thus adopted the UET model and asked ourselves the question if individual owner-manager values are connected to performance and if this connection is mediated by SEW. To test our hypotheses, we used a sample of 673 German family firms gathered through a questionnaire in October 2018. We worked with the same value and SEW measurement of our previous study. The performance measurement is based upon a multidimensional construct which has been commonly used within the family business research stream (Eddleston et al., 2007; Naldi et al., 2007; Wiklund & Shepherd, 2003, 2005). Our results show that performance is indeed influenced by the individual values of the owner-manager. Very interesting is the

finding, that the person-oriented values influence performance directly while social-oriented values only influence the performance through SEW. Both connections are highly significant and positive (Figure 21).

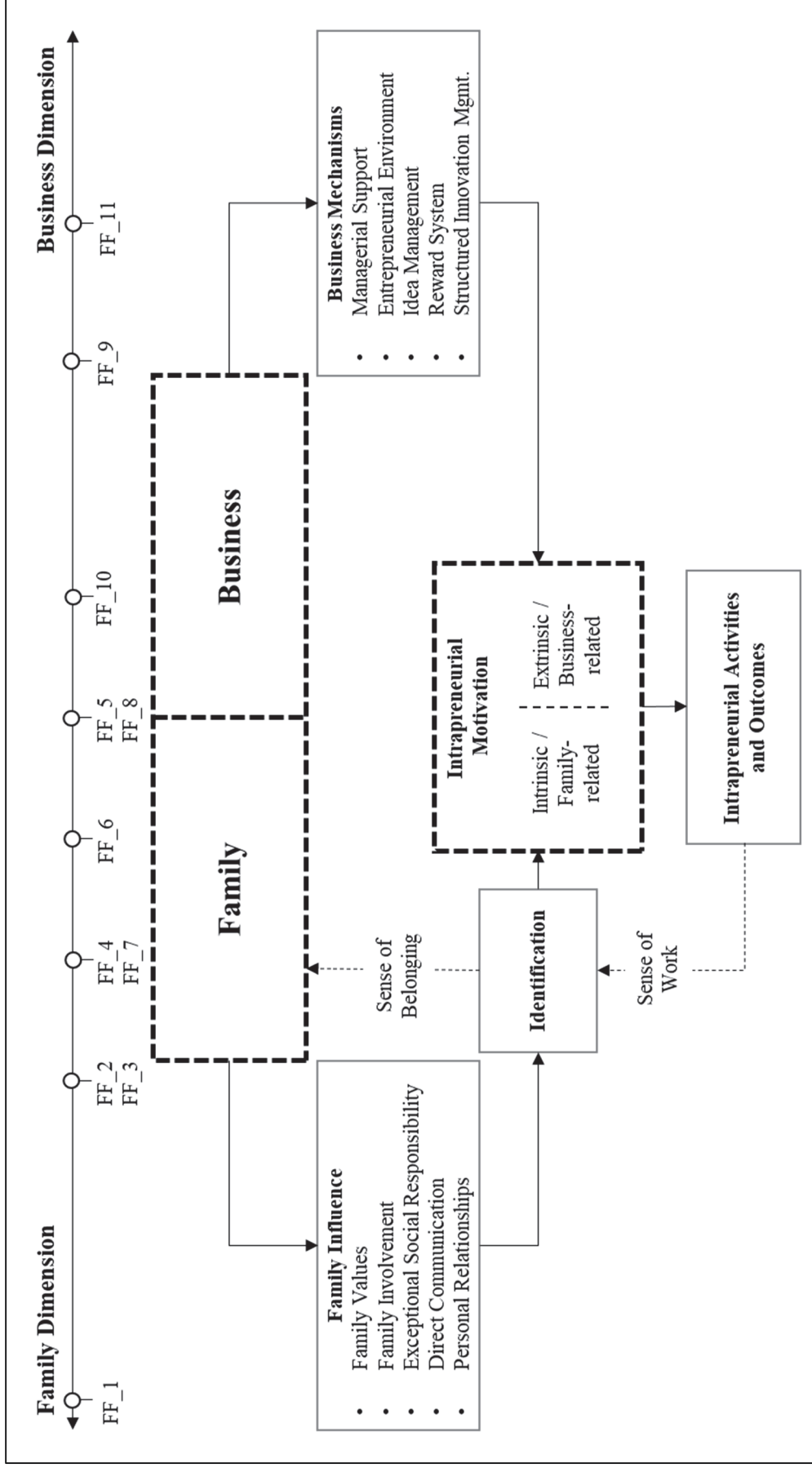
Figure 21: The Influence of Owner-Manager Values on SEW and Performance in Family Firms



Source: Own illustration following Hambrick & Mason (1984)

Finally, our last study which was motivated by certain side findings of the previous studies, deals with the intrapreneurial motivation of non-family employees through family involvement. Previous research has argued that family involvement creates a unique atmosphere, which enhances the motivation of non-family employees to contribute intrinsically to innovative improvements. We decided to investigate this matter, as intrapreneurship is one of the most important sources of innovation for firms (Ahluwalia et al., 2017; Eddleston et al., 2012). However, it has been rarely investigated how exactly the family involvement engages the workforce and thus motivates them. We therefore asked ourselves, why non-family employees decide to become intrapreneurially active and what role the business family plays. Due to the given research setting, we chose to use a qualitative case study design based on (Eisenhardt, 1989b, 2021), using 22 interviews and secondary data to investigate the matter. Our results indicate that the business family, their values and unique influence create a strong bond with their employees, strengthening the identification of the employees with the business family. This identification leads to a strong what we labeled it “sense of belonging” to the business family, intrinsically motivating the workforce. While the family dimension intrinsically motivates the workforce, business mechanisms create an extrinsic motivation. Depending on the strength of the family or business dimension, we could see the workforce being motivated which is also displayed in Figure 22.

Figure 22: Integrative model of intrapreneurial motivation of non-family employees in family firms

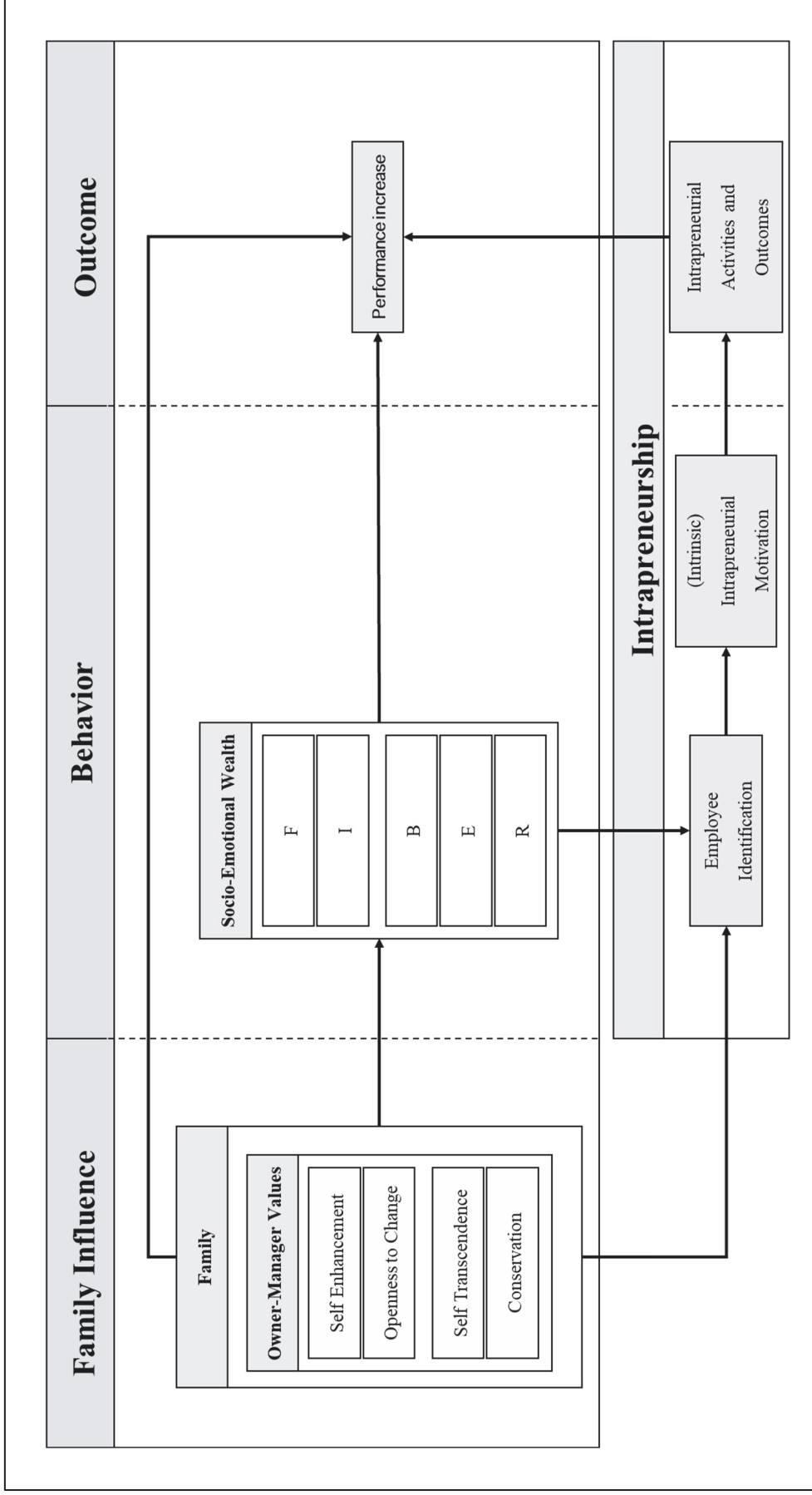


Source: Own illustration

We thus show that a strong family influence can lead to an environment, fostering the intrinsic motivation of employees.

To conclude the findings of this dissertation, an overarching model has been developed (Figure 23). This model displays the influence of values on the behavior and outcomes of a family firm from a more holistic perspective. What differentiates family business research from small business research or entrepreneurship is an obvious fact: the influence of the family on the firm and vice versa (Payne, 2018). By adding a value perspective, this dissertation helps to understand how these systems interact with each other, how they influence each other, what the motivation is behind certain behavior and how this ultimately influences performance of family firms. Our findings highlight, that the individual owner-manager's values show a strong influence on the SEW behavior of family firms, significantly influencing their behavior and decisions, ultimately and positively influencing the performance of their company. In addition to that, we could highlight, that this closed "family system" does not only influence the firm in general, or other family members, but can also motivate employees intrinsically. As highlighted by our last study, family values play an important role in strengthening the identification of employees, creating a sense of belonging and generating an intrinsic motivation to give something back. This leads to more intrapreneurial activities and outcomes, which has proven to increase performance significantly.

Figure 23: Overarching model of Values and Socioemotional wealth influencing Performance in a family firm



Source: Own illustration

7.1 Theoretical Implications

This dissertation helps to understand the importance of values in family business research, their influence on behavior of family firms and their influence on the performance variable. Therefore, it contributes mostly to the research stream, investigating the often contradicting and ambivalent behavior of family firms. It helps to explain the often-mentioned heterogeneity of family firms by adding a value perspective. Furthermore, it also generates new insights about organizational behavior and contributes to the ongoing discussion about the SEW construct.

The first study supports the general notion, that distinguishing between individual owner-managers, family values and firm values is rather difficult, as they are blurred (Denison et al., 2004; Fitzgerald et al., 2010; Tàpies & Ward, 2008). Furthermore, we showed first empirical evidence, that values are indeed antecedents of SEW and thus motivate the unique behavior of family firms. Last, we showed, that at least the focus or hierarchy importance of values as well as SEW can change over time, shifting from a more individualistic to a more holistic perspective.

The second study empirically proves the theorised connection between values and SEW (Berrone et al., 2012; Fletcher et al., 2012; Gómez-Mejía et al., 2007; Marques et al., 2014). It descriptively showed, that self-direction, benevolence, universalism, and security are rated highest among owner-manager and tradition, stimulation, and power are rated lowest, which contradicts the often mentioned strong emphasizes on tradition within family firms (Tagiuri & Davis, 1992). One of the most interesting findings is, that maintaining the control over the family business is not motivated by person-oriented values, and thus does not satisfy the personal need of the owner to stay in charge. It is motivated by conservation and openness-to-change values. Same goes for the renewal of family bonds dimension which is motivated by conservation and self-enhancement values. Both findings are somewhat contradicting to the actual literature. Based on our findings handing over a business is therefore not motivated by doing something good for your successor

or others, but to satisfy the owner-managers own personal value construct, which adds to the fact, that predecessors often lack the willingness to hand over the business (Handler & Kram, 1988) and fear a loss of status (Lansberg, 1988; Zellweger & Astrachan, 2008).

Our third study also reveals a counterintuitive finding. While we expected social values to negatively impact the performance of a firm (Kotey & Meredith, 1997; Tomczyk et al., 2013) as they are less likely to focus on financial performance, no significant positive or negative influence could be shown. However, a positive influence over the construct of SEW could be shown. Our third study also adds to the discussion of non-economic vs. economic goals (Aparicio et al., 2017; Zellweger et al., 2013) showing that emphasizing both does not necessarily need to a decrease in performance. We furthermore contribute to the UET as we are one of the rare studies who actually measure individual values and connect them to a firm-level variable, which was unto know often only theorized about.

Our final study adds to the discussion about intrapreneurship and family influence on employees. We support previous findings, that the family influence creates a unique culture creating strong social bonds (Berrone et al., 2012), informal ties and communication (Gómez-Mejía et al., 2011) enhancing the working environment (Miller et al., 2009). We add to the intrapreneurship research stream, by entangling where the intrinsic motivation of family firm employees come from to actively contribute to innovation activities within the firm. We show, that an identification is not only possible within the family, but within the actual workforce as well. We furthermore add to the enigma, why certain family firms are hugely innovative (Ayyagari et al., 2011; Classen et al., 2014; Gudmundson et al., 2003), while others are not. We support Habbershon and Williams (1999) who stated that the family itself play a critical role in this context. The unique influence like lived values, personal relationships and direct communication intrinsically motivate employees to become intrapreneurially active.

7.2 Managerial Implications

Even though, this dissertation was mainly focused on the theoretical connection between values and SEW, there are multiple managerial implications, which can be derived out of the findings. One of the most important highlights of this research is simply to acknowledge, that values play an important role in our conscious and unconscious behavior. Our own value hierarchy gives us a certain frame in which we normally act, to not feel shame or guilt. By acknowledging this fact, and knowing, that a family firm is often an extension of the owner-manager or the family itself, it is quite clear that family firms will act heterogeneously and not always rational for external bystanders. To counteract internal and external misunderstandings, values should be identified, recorded, and expressed. They should not be something deeply buried within an organization culture, but rather something which is used as a banner to display the rudimentary rules on which to act within the family firm. This does not only help others to understand the motivation of certain family firm decisions, but e.g., also helps employees identifying with family and the firm in a faster way. It may help external shareholders and suppliers to create stronger bonds and engage in trusted, long-term relationships beneficial for both parties. Furthermore, as an owner-manager, being aware that the individual values influence not only the decision of oneself, but of the whole firm and all stakeholders, would sometimes lead to more objectively driven decisions, thus being able to have a healthier company on the long-run.

7.3 Limitations and Future Research

Obviously, no social research comes without limitations as displaying reality in its entirety is impossible. Each chapter does already mention certain limitations, which are individual to each study. However, there are certain limitations and future research interests, which apply to this dissertation as whole. Schwartz (1994) showed in his study about cross-cultural values, that there are universal aspects to the human value construct. Nonetheless, he also showed that there are also

significant differences. All the studies within this dissertation have been conducted within the German speaking context, mainly in Germany itself. Thus, our results might be transferable to other nations or regions, which are equal or similar to the German value construct. However, looking at more distant cultures e.g., Asian, or Hispanic culture, results of this study might differ as the value hierarchy is different.

Furthermore, a topic which gives food for discussion within the family business research stream must be addressed. To date, there is no clear definition about what family firms are and what not. As stated earlier, this dissertation follows Chua et al. (1999), thus concentrating on ownership, management, familiness and the intend to hand over the business to the next generation. This specific definition was chosen, as we really wanted to see the influence of the family, the influence of the owner-manager and his values on the behavior and the decision-making. Obviously, choosing a different definition for family firms will most likely result in other or less strong results. We would expect, that if the family is not part of the active management anymore, the influence of their values, especially if not consolidated, will weaken over time.

However, even though these two points are some of the major limitations to every study, they also give room for further research. Similar studies could and should be done within different regional settings. This could range from smaller differences, such as west and east Germany, to continents or towards different cultural spheres. The topic about values should also be researched with a different sample of family firms. What happens to family values if the family leaves the active management? What happens if the family is not present at a certain company location? Does this impact the employees negatively or perhaps positively? Do they show a different performance? Or do they perhaps install certain mechanisms as we have seen with the intrapreneurial motivation of employees, to ensure a positive future? What happens during the succession process? How can a family firm ensure to keep their fundamental base, while embracing the future? Or are family firms especially prone for that, as a combination of predecessor and successor values helps with that? Even

though some of these questions have been touched, a lot of the enigma around values and their influence is still unriddled. This dissertation should thus also be an encouragement to others to embrace and include values in their future research.

7.4 Conclusion

“Once a value is internalized it becomes, consciously or unconsciously, a standard or criterion for guiding action, for developing and maintaining attitudes toward relevant objects and situations, for justifying one’s own and others’ actions and attitudes, for morally judging self and others and for comparing oneself with others.” (Rokeach, 1968a, p. 16)

I already started chapter 3 with this quote by Milton Rokeach, who was one of the founding fathers of modern value research. This quote summarizes, why looking into values, and their impact on firms is such important research. Values, while changeable to a certain extent and age, are internalized throughout the earlier stages of our life, are influenced by our family, our surroundings, the beliefs and views of others, and our society. Once internalized, these values will influence our actions, our behavior, and our decisions in every second of our life. They will tell if we get along with someone else, if we can identify with a task, work, or a firm. They will guide us, and we will judge ourselves and others according to our own value construct. As such, values of leaders will influence a firm’s behavior significantly, even more if this firm is your very own perhaps even since generations. With this dissertation, an attempt has been made to empirically show, what values of owner-managers are, how they are connected to the behavior, resulting in ambivalent behavior represented by SEW, and how these finally impact performance. We could identify relevant values and connect the basic human values of Schwartz (1992) to the construct of Socioemotional wealth. We furthermore showed that different values, influence different dimensions of the FIBER construct and performance. Furthermore, we showed that this connection does not only concern the family and the firm, but more stakeholders like employees, which may lead to an increased identification, and thus motivation to intrapreneurially contribute.

Thus, this dissertation hopefully helps to emphasize values, helping owner-managers and others to acknowledge their importance and thus contributing to a better conscious and unconscious understanding of each other ultimately helping family firms to thrive.

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