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RESEARCH

Laura K. C. Seibold

Family Businesses' Growth

Unpacking the Black Box

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Sowohl Familienunternehmen als auch kleine und mittlere Unternehmen (KMU) zeichnen sich durch eine Reihe spezifischer Besonderheiten aus, die ihnen im Marktumfeld einen klaren Wettbewerbsvorteil bieten aber auch zu besonderen Risiken führen können. Die vorliegende Schriftenreihe präsentiert wissenschaftliche Arbeiten, die einen empirischen und theoretischen Beitrag zur Erkundung dieser Besonderheiten und deren Auswirkungen auf die betriebswirtschaftliche Praxis leisten. Übergeordnetes Ziel ist es, die Theorieentwicklung des Managements von Familienunternehmen und KMU voranzutreiben.

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Unpacking the Black Box

With a Foreword by Prof. Dr. Hermut Kormann
and Prof. Dr. Torsten M. Pieper

Springer Gabler

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Dedication

To my parents Susanne & Manfred and my brother Felix

Foreword

The importance of family businesses for most economies around the world is well documented nowadays. However, critics remain skeptical whether the contributions of family businesses to economic development are truly superior to those of other (non-family) organizations or merely due to an empirical over-proportion of family businesses in the population. Support for this claim usually comes from the myth that family businesses are notoriously short lived, famously captured in the "law of three generations"[1]. In absence of theoretical support or clear empirical evidence, it suggests that the initial entrepreneurial capabilities and prosperity built in the founder generation gradually diminish with the second generation of stereotyped lazy and unmotivated heirs and essentially evaporate in the third or subsequent generation who squander the family's remaining fortune.

While this may be the case for some family businesses, there are many who effectively defy this myth. Indeed, it appears that the world's oldest businesses are family businesses, as exemplified by the members of the 'Hénokiens' association, which includes businesses with a minimum age of 200 years that are still owned and managed by members of the original founding family, such as British C. Hoare & Co. (established 1672), German Friedr. Schwarze GmbH & Co. KG (1664), or Dutch Van Eeghen Group (1662). Furthermore, if family influence is truly bad for firm survival, how can it be that many multi-generational family businesses continue to thrive and grow at exceptional levels, often occupying world leader positions in their respective markets and industries, such as the 'Hidden Champions'? Is there a secret way perhaps to grow a business in the presence of a growing family? Or, can it even be that a family is necessary and desirable to grow a successful, long-lived business?

Surprisingly, the phenomenon of growth, specifically in the phase of mature businesses in the third or subsequent generation, has not yet received much research attention. In particular, the intricate linkages and causal relationships between family influence, business strategy and growth remain little understood. Many scholars have been calling for this type of research for years, but their calls have been unheard. Dr. Seibold's dissertation provides long-awaited answers to these calls.

Using an inductive, grounded theory approach and combining it with a comprehensive, in-depth review of the extant literature, Dr. Seibold elegantly and creatively integrates theory, prior knowledge and rich insights from family business leaders and owners to develop a conceptual model of family business growth. Thereby, she sheds light on a persistent conundrum that prior researchers were unable to resolve to this point: Why and how are some family businesses able to grow at above-average rates in later

[1] Commonly known in the English-speaking hemisphere as "shirtsleeves to shirtsleeves in three generations" or in German-speaking parts of the world as "the father builds it, the son maintains it, and the grandson destroys it." Similarly, in Chinese culture, the saying goes "rice patties to rice patties in three generations".

generations, and often over extended periods of time, whereas others stagnate or even decline? Several aspects of her dissertation stand out and are noteworthy discussing in more detail.

First, the review of the literature underlying Dr. Seibold's work encompasses as many as 600 references and more than adequately reflects the current body of knowledge on the subject. Synthesized concisely and presented in an intuitive way using an input-process-output structure informed by John Boyd's OODA loop model, this compendium is easily accessible and provides scholars and those interested in the subject with an in-depth overview and a useful resource for future research opportunities.

Second, the identification of persistent gaps in current knowledge is precise and apt: There exists neither a comprehensive growth model for firms in general (gap #1), which is quite surprising given the centrality of growth in strategic management thinking, nor for family businesses in particular (gap #2). Based on these gaps, Dr. Seibold identifies an integrated set of five research questions that she effectively answers with her study. In particular, her focus on *family-specific* growth drivers is to be commended since the literature still lacks widespread acknowledgement of the family side of family business, and a more in-depth understanding of the distinct attributes that family influence and family dynamics add to the business has been identified as an important cornerstone in the advancement of the field. Hence, Dr. Seibold's work fills a persisting void already and shall motivate other researchers to continue to explore the topic in their future efforts.

Third, the sample underlying Dr. Seibold's research is unique and impressive by any standard. To compose her sample, Dr. Seibold drew from the database of the 100 largest, wholly owned private family businesses in Germany. These companies range in sales from EUR 2 billion to EUR 200 billion. Dr. Seibold selected the top 20 companies with the highest growth rates within a defined period of time. Out of this selection of 20 companies, she arranged interviews with 15 representatives (a quota of 75 percent), almost all of whom were owners in the chair or CEO position. Two additional hold-up interviews served to validate the findings and establish theoretical saturation of the emergent conceptual model. This sample is worthy of recognition in several regards. Family businesses – especially of this caliber – are notoriously anonymous and reluctant to share information. The fact that Dr. Seibold successfully secured interviews with owners of such a large and diverse group of family businesses of this type is impressive in itself. Furthermore, most of the prior literature (both in family business and mainstream management/strategy research) uses publicly listed (and primarily US based) corporations. Only a fraction of the literature uses wholly owned and private family enterprises, and even fewer empirically investigate private family companies of this size. Hence, the nature of the sample represents an innovation in itself and shall motivate fellow researchers to invest similar efforts to explore the inner workings of families in business.

Fourth, the findings of the research are significant and ground-breaking in several regards. Noteworthy, several of the findings are counter-intuitive and underline the paradoxical nature of family businesses. For example, none of the family businesses in the sample had a pre-established, fixed growth goal. This is surprising, as managerial practice and strategic management theory typically emphasize the importance of growth objectives as critical in organizational planning. Further, all but one firm grew primarily organically. This finding goes counter the established notion that M&A tends to be a preferred strategy for accelerated growth. Several family businesses utilized unconventional, non-standardized growth strategies, such as resourcing, which is diametrically opposed to commonly practiced outsourcing strategies. Finally, and not the least important insight, in all of the cases studied, growth was only possible when the family was actively involved in the management and leadership of the business, such as in chairperson or CEO positions, dispelling the myth that family influence hampers business growth and development.

Fifth, Dr. Seibold's dissertation contains a vault of useful insights and implications for both family business scientists and practitioners. Interestingly, all of the successful, fast growing businesses in the study were older than 60 years, further defying the shirtsleeves gospel. Based on this observation, one might hypothesize that only the "leisure class" of family shareholders runs the risk of the third generation curse; whereas being actively engaged in the development of the business and assuming the duties of responsible owners can help business families prevent this curse. The findings also carry the important message that the third and subsequent generations are by no means "doomed" by an unavoidable downfall; but instead, that survival is possible and family and business can grow in a mutually beneficial way when managed properly. Future research should explore the strategies used by long-lived, fast growing family businesses to ensure the sustainable involvement of the family in the business. Likewise, family business owners and managers may want to think about establishing processes and structures to develop competent owners and future leaders for both the family and the business.

In conclusion, Dr. Seibold's dissertation represents an important milestone in family business and strategic management science and provides many useful insights for family business owners and managers and exciting avenues for future research that shall spur further investigations into this hugely important topic. Not only were we privileged to work with Dr. Seibold on her dissertation. We were also blessed with becoming friends with her and look forward to many more interactions in the future.

Charlotte and Ulm, 30 November 2019

Prof. Dr. Hermut Kormann	Prof. Dr. Torsten M. Pieper
Zeppelin University	The University of North Carolina at Charlotte
Friedrichshafen, Germany	Charlotte, U.S.A

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Having Prof. Torsten Pieper as a second supervisor has given me confidence to explore the insights into family enterprises´ growth. He has challenged my ideas, motivated me and offered guidance throughout this journey. His support has ensured that I have found my way through the ambiguity of the results. Thank you.

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The willingness of the enterprises´ family members who have participated in this research has been the essential aspect that has made this dissertation possible. It has been incredible to see how available and informative they have been. All have offered unbelievable openness and been very much engaged in this research process. Thank you for your trust and time.

Finally, this dissertation has reinforced my deep belief in the power of the family. To grow as a family is to know that empowering and bonding our individualities are sources of cohesion, power, and resilience. My family has supported me with empowerment, love, and guidance from the beginning of my life.

My mother Susanne Lipp-Seibold is my closest confidante. She has offered understanding, motivation, patience and provided new ideas whenever I was stuck in my mind. Thank you for this deep mutual connection and for being such a fantastic mother.

My father Manfred Seibold has supported my way with his experience and guided me through difficult decisions. Our family business - his life's work - is an extremely remarkable achievement. To follow him in this business will be a great honor for me.

My brother Felix Seibold shows me how a close sibling cohesion can support the individual, the whole family, and our family business. I am thankful for his support and his empowerment. I am sure that we are and will be a successful team in the future.

The gratitude to my family cannot be expressed in words. Without them my academic journey would not have been possible.

As I believe in the power of the family, I dedicate this dissertation to my mother Susanne, my father Manfred, and my brother Felix. May the power of the family accompany us on our ways.

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List of Abbreviations

CAGR	Compound Annual Growth Rate
FIG.	Figure
GDP	Gross Domestic Product
HR	Human Resources
IoT	Internet of Things
IPO	Initial Public Offering
MECE	Mutually Exclusive and Collectively Exhaustive
PIMS	Profit Impact of Market Strategy
PLC	Public Limited Company
RoI	Return on Investment
RoS	Return on Sales
R&D	Research and Development
SMEs	Small and Medium Sized Enterprises

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1 Introduction

1.1 The Phenomenon under Research

"This Business Shall Last Forever" (Leon A. Danco, 2011)[2]

This is a dream of many founders[3] and owners of companies. They pursue longevity, independence and the freedom of their company. Many of today's huge businesses have experienced turbulent times like wars and times of recovery. Beginning in the late 19th century, the founders started with incremental innovations, thus marking the starting point of a business. The onward generations followed this dream by building up multinational companies with thousands of employees. To continue this development is a challenge. Research shows that less than 30% of family companies[4] pass the threshold of the third generation and only 15% survive the third generation (Ward, 1987, p. XXIV; Ward, 2011, p. 2). This phenomenon is known as the "Law of Three Generations", in a German context also known as the "Buddenbrook-Phenomenon" (Mann, 1901) or, in the international context, as "From Shirtsleeves to Shirtsleeves".

However, Paulsen (1941) already presented anecdotal as well as empirical evidence against the law, referring to old and still family run companies. Stamm and Lubinski (2011) critically assesse the "univocal reading" of the very few sources of empirical data (Beckhard & Dyer, 1983a, 1983b; Ward, 1987) and provide their own data which give a different picture of higher survivability of larger and older family companies.

Browsing through the current lists of the biggest family companies in Germany or worldwide shows that there are some old and mature companies that have survived over more than three generations. Therefore, the first question arising is "Who survives and why?" Are there general strategies that help family companies to survive or is longevity a random phenomenon? Or is it a mixture of both systematic planning and opportunism?

Family businesses differ structurally from all other companies, primarily in the fact that a family is the owner of this type of company. For this reason, it is obvious to assume that, among other internal and external economic factors, precisely this aspect must represent an essential argument for the stability of family businesses - the entrepreneurial family itself.

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[2] Cited in Ward (2011), p. XIII. The Center for Family Businesses founded in 1962 by Leon and Katy Danco is regarded as one of the first consulting firms for family businesses in the USA (Kormann & Wimmer, 2018).
[3] In this dissertation founders comprise both women and men.
[4] The term family business, family company, family enterprise, family owned company and all other combinations etc. are used interchangeably.

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The Law of Three Generations

The above mentioned Law of Three Generations is not only a phenomenon to be found in the fictional world, such as in Mann's Buddenbrooks (1901), reporting on the decline of a German merchant family, or Roth's Radetzkymarsch (1932) chronicling the demise of the Trotta family which is fatefully connected to the Habsburg dynasty (Aiolfi, 2012). There are also some prominent examples from the non-fictious world that are relicts of past glory (Aiolfi, 2012)[5]. The failure of the third generation can be detected in prominent entrepreneurial families. The founders create their businesses with incremental ideas, developing those businesses into prospering multinational companies. The second generation increases and maintains the entrepreneurial substance of the business, and the third generation fails to maintain the wealth and the business structures created by the first and second generation. The reasons for the failure of the third generation and the resulting downfall of the company are manifold and idiosyncratic, but are mainly attributed to the lack of entrepreneurial orientation and willingness of the third generation. Today, the names of some large family dynasties can no longer be associated with entrepreneurial success (Aiolfi, 2012). Aiolfi (2012) refers to prominent examples of entrepreneurial failure, i.e. the disappearance of the industrial actions of the Rockefeller family or of the Guggenheim family:

> *Accumulating a huge wealth during the end of the 19th century John D. Rockefeller and his son were not able to pass the entrepreneurial spirit and abilities to the next generation (Aiolfi, 2012). Today, the Rockefeller Center in New York is a relic of past success of the Rockefeller family (Aiolfi, 2012). The family is still active in philanthropic activities and has an enormous influence on banks and politics but the former initial family business does not exist anymore (Aiolfi, 2012).*
> *A similar fate befell the Guggenheim family. Immigrating to the US from Switzerland in the middle of the 19th century and founding a trading enterprise, this trading company then acquired a silver mine and thus laid the foundation for a large and successful mining company (Aiolfi, 2012). However, on the one hand, the first and second generation of the Guggenheims couldn't manage to pass the entrepreneurial orientation and the willingness to continue the business to the third generation (Aiolfi, 2012). On the other hand, the third generation was more willing to engage in artistry (Aiolfi, 2012). The Guggenheim Museum was founded in 1939 (Aiolfi, 2012). Undoubtedly, the museum brings an invaluable value to the people, but at the expense of the once successful Guggenheim business.*

[5] Aiolfi (2012) refers to the work by David Landes "Dynasties: Fortunes and Misfortunes of the World's Great Family Businesses".

However, such anecdotal evidence (Aiolfi, 2012) and some empirical findings (e.g. Beckhard & Dyer, 1983a, 1983b; Ward, 2011) are not sufficient to derive a law. Evidence to the contrary can be found in the examples of some large German family businesses. Among the 100 biggest German family companies[6] the Merck KGaA, founded in 1668, is the oldest company.

Seibold (2017a) summarizes that during his education, Heinrich Emmanuel Merck[7] was interested in the field of natural plant substances. Alkaloids such as morphine and opium were of particular interest to him. During his time in the pharmacy, Heinrich Emmanuel developed and researched several alkaloids and presented them in a booklet which was intended to give doctors and pharmacists an understanding of these medicines. The development of this collection of alkaloids triggered the development of the pharmacy into an industrial enterprise. In the 1820s, the first transactions were made with other European countries. The Merksche Morphium set quality standards in many European countries. To secure the future of the company, Heinrich Emmanuel and his sons Carl Wilhelm and Georg Franz founded a business partnership. The youngest brother of Carl Wilhelm and Georg Franz, Wilhelm Ludwig, joined the company in 1860. The development of further medical substances and high quality standards paved the way to international success. The company was growing and growing. The First and the Second World War were drastic experiences for the company. In the Second World War nearly all production facilities were burned down. However, Merck managed to build up new facilities and quickly continued the production. Merck was controlled and owned by the family during the whole history. Since the retirement of Joachim Landmann (5th generation) in 2000, the company has been managed by non-family managers, however, the family still influences the company through a strong governance system (Seibold, 2017a).

The example of Merck KGaA shows that one of the biggest German family businesses has managed to survive over generations and thus has not become a victim of the Law of Three Generations.

But why do some of the family businesses survive while others fail?

Although there are many examples of the longevity of family firms, this special organizational form is mentioned as an obsolescent model (Aiolfi, 2012; Wimmer, Domayer, Oswald, & Vater, 2018). The praise of the public company (Kapitalgesellschaft) starts in the 1930s by the statements of Berle and Means (1932) who emphasize that a family business is sooner or later forced to be transferred to an anonymous corporation (Aiolfi, 2012). In 1977, Chandler continues this argument by

[6] In 2015. As the dissertation started in 2016 these were the most current sales numbers available.
[7] Heinrich Emmanuel Merck is considered as the first generation of the company Merck. However, the pharmacy has been owned by the family since 1668. Since the takeover of the pharmacy by Heinrich Emmanuel Merck the Engel pharmacy operated as a regular pharmacy.

claiming that the invisible hand described by Adam Smith[8] is replaced by the hand of a professional management (Aiolfi, 2012). Chandler (1977) bases his argument on the theory of conglomerates and formulates an obituary on family businesses (Aiolfi, 2012).

Undoubtedly, family firms have some special challenges arising from the overlap of two social systems, the family and the enterprise (Tagiuri & Davis, 1992, 1996). Aiolfi (2012) outlines that the major challenge lies in dealing with the paradoxes. This means that object-oriented decision criteria could conflict with individual-oriented decision criteria of the family if the setting of priorities between both is not clearly regulated (Aiolfi, 2012). On the one hand, it seems unprofessional to make business decisions according to family principles, on the other hand, it is unusual to regulate family matters according to entrepreneurial principles (Aiolfi, 2012). Since it is not possible to resolve this contradiction, the only thing that counts for a company's success and chances of survival is how this conflict potential is handled (Aiolfi, 2012; Schlippe, Groth, & Rüsen, 2017; Simon, Wimmer, Groth, & Baumhauer, 2005). If family affairs become a central topic and negatively influence the business, as the priority setting is not clearly regulated and therefore family conflicts pass the company unfiltered, the family can become a threat to the business (Aiolfi, 2012). Conflict potential could rise with the generations as the shareholder base increases (Aiolfi, 2012). Therefore, later-generation businesses could be more prone to conflicts and the resulting damage for the company.

In addition to the family centered conflict potentials that could lead to the downfall of the company, there are strategy-related issues for later (third and onward) generations: **Growth or "stick to the knittings"[9]?**

Definitely there are businesses which can survive with resilience ("stick to the knittings"). To sustain with this strategy, businesses need some prerequisites such as hotels or breweries have (Seibold, Lantelme, & Kormann, 2019)[10]. The prerequisites work for the "small and old companies" but not for large and old ones. There is a stream of research on the Hénokiens, an association which consists of family run companies older than 200 years (e.g. Bakoğlu & Yildirim, 2016; Bennedsen & Van der Heyden, 2010). All these firms are quite small.

For businesses facing technological changes, growth is the favorable option to survive. Therefore, growth can be a proof that the Law of Three Generations is not an unavoidable fate. Disclosing the root causes for growth in later generations could be a

[8] For a brief summary of the mechanisms of Adam Smith's invisible hand, see sub-chapter 2.7.2.2.
[9] To do only what one knows or is familiar with. In an entrepreneurial sense this means to stick to its existent business model.
[10] For a detailed overview of prerequisites which enable survival without growth, see Seibold et al. (2019).

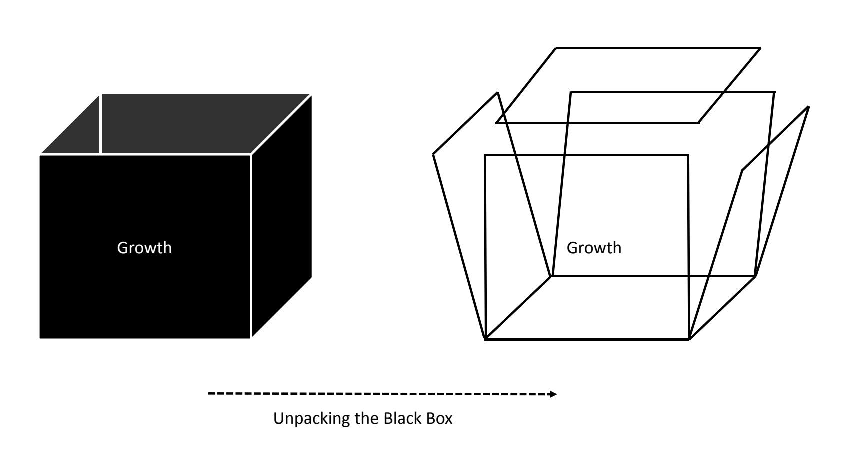
guidance to survival. Therefore, this dissertation analyzes growth performance of large and old family businesses.

By studying and comparing different growth paths of family firms this research endeavors to add to the insights into family firms' heterogeneity. The goal is not to compare family businesses with their non-family counterparts. Comparing family firms with (stock) corporations concerning strategy is difficult. The population of non-family firms also comprises public companies, such as public energy providers, or for example the Deutsche Bahn, which has no autonomous goal function. In comparison to family firms, their goal function is influenced by public interests and many external factors. There is a recent call by popular family business researchers to conduct studies involving different types of family firms to enhance findings concerning their heterogeneity (Memili & Dibrell, 2019). Research on growth as one major component of strategy enables not only insights into the Law of Three Generations, but also into every major strategy line. I trust that this dissertation demonstrates that research on growth opens avenues for a better understanding of the overall strategy of companies.

Growth is a multifaceted phenomenon (sub-chapter 2.7.3). To account for this multidimensionality "growth" is depicted in the form of a cube or a box. The apparent facts of growth are observable, but the comprehensive process of growth is still a "black box". As the title of this dissertation, "*Family Businesses' Growth: Unpacking the Black Box*", promises, this work aimes to shed light into to this black box by slowly unwrapping the phenomenon of growth.

It will start with the importance of growth during the developmental stages of organizations and end with practical implications for a growth strategy, securing the survival and longevity of family enterprises.

Figure 1 Unpacking the Black Box



Source: Author's own figure

1.2 Developmental Stages of Organizations

Considering the question about the path to longevity, developmental stages of a business come into focus. At the beginning of a company, there is an idea of the founder that wants to be realized. This idea can be a general vision to be "independent", to dare one's own thing, as documented in the biographies of early entrepreneurs such as Siemens or Bosch[11]. They then seek appropriate products. Others might already have the vision of a certain product or service. When customers are pleased with the product or service, the company begins to grow.

In general management literature there are various explanation attempts to describe the development of a company. The obvious theory for development is a life cycle theory. Life cycle theories suggest that a company moves through different stages of development. There are many researchers promoting this concept: Adizes (1989); Chandler (1956, 1962); Churchill and Lewis (1983); Davis (1951); Flamholtz (1986); Galbraith (1982); Greiner (1972); Kimberly and Miles (1980); Kazanjian (1988); Miller and Friesen (1984a); Quinn and Cameron (1983); Scott and Bruce (1987); Smith, Mitchell, and Summer (1985). These models propose a different number of stages (Hanks, Watson, Jansen, & Chandler, 1994) and vary according to the characteristics of each stage (e.g. Greiner, 1972; Miller & Friesen, 1984b), but they all identify growth as a necessary condition to develop from one stage to the other. Therefore, growth is a prerequisite condition for survival (Steinmetz, 1969; Ward, 1987) within the life cycle.

[11] See Bähr (2016) for a biography of Werner von Siemens and Theiner (2017) for a biography of Robert Bosch.

Growth strategies are necessary to avoid a downfall (Alchian, 1950; Haberlandt, 1970; Poza, 1989). As growth is seen as a crucial factor to secure the longevity of a business, there is an immeasurable amount of adviser literature providing tools to identify fields of growth, to develop a “successful” growth strategy and to create and establish a growth philosophy. Therefore, the scientific research community and the advisor community support founders and mature businesses in their developmental growth stages.

Each generation has its own growth path and respective growth characteristics. The characteristics of the first generation, also known as the founding generation, are very well studied in start-up research and research on small and medium sized enterprises (SMEs).

However, in this dissertation growth spurts which occur in later generations are addressed. Therefore, the research interest lies in the later stages of the life cycle. Consequently, this research is based on a model that describes all stages of the development of a company.

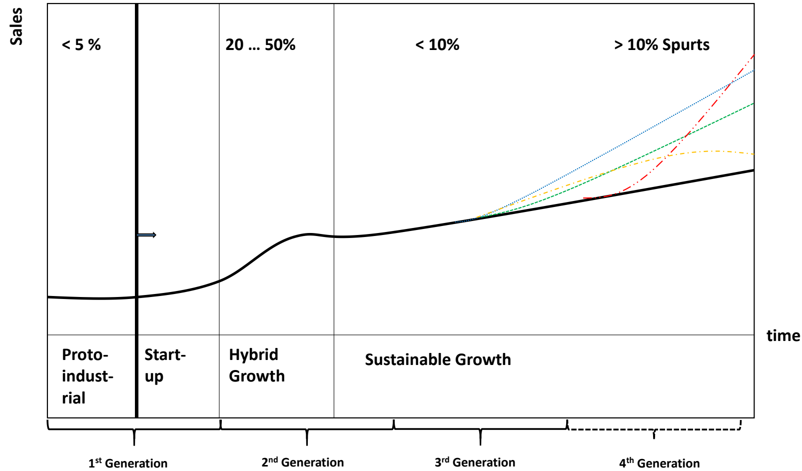
This dissertation is part of a whole research project as will be described in sub-chapter 1.4.

These research activities are based on qualitative case studies and large empirical analyses. To abstract from and combine these findings into a comprehensive theory, Seibold (2017a) used a Grounded Theory approach. This approach lays the basis for conceptualizing a comprehensive phase-oriented model to describe the developmental challenges concerning growth during each generational phase. This dissertation builds up on this work, further elaborating on the initial approach of the phases and giving insights into the decision-making process and the behavior patterns concerning growth in family businesses.

The phase model[12] which can be seen as a starting point for this dissertation is described in the following section.

[12] Definition of model: “An object or structure that represents or (schematically) illustrates (and simplifies, idealizes) the inner relationships and functions of a phenomenon” (Dudenredaktion, 2019).

Figure 2 Life Cycle Model



Source: Author's own figure adapted from Seibold et al. (2019, p. 56)

"To illustrate the phase theorem, the above mentioned example of the company Merck is used:

In the year 1668, the Merck[13] family had a small pharmacy with three employees. After a pioneering invention in the field of Alkaloids by Emmanuel Merck, the pharmacy started to grow, and during the second generation the pharmacy developed into an enterprise with an industrial production of pharmaceuticals and chemicals. Over the years, the enterprise expanded and developed into a multinational, well-established business group.

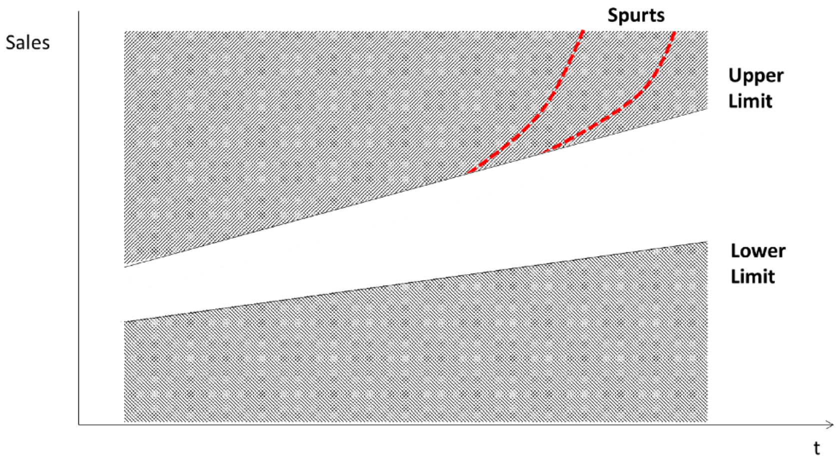
The Merck Story is the narrative of a nearly 350-year-old German family-owned business. There are several more old companies that can look back on a colorful past, starting with a small craftsman shop, a pharmacy or as a self-employed merchant. All of these stories have one thing in common, they all started small and have developed into a long-lasting family business. In most cases, the second generation started to establish organizational structures after the pioneering innovation of the founder" (Seibold et al. 2019, pp. 56-57).

Seibold et al. (2019, pp. 58-64) outline the different phases: The first generation is characterized by the protoindustrial phase in which the business is not a business yet.

[13] For additional information on the Merck history, see Scholtyseck, Burhop, Kißener, and Schäfer (2018).

In the introductory story of Merck, this is the period where they operated as a small pharmacy. The pioneering advancement of the alkaloids offered them the opportunity to grow and to establish first organizational structures, the so-called start-up phase. Developing and increasing the business further leads to the hybrid growth phase which typically takes place in the transition between the first and the second generation. This phase is usually characterized by growth rates (Compound Annual Growth Rate - CAGR of sales) of 20-50% p.a. (Seibold et al., 2019, pp. 58-64).[14] As the company matures, the growth rates settle in a sustainable growth corridor. This corridor (fig. 3) is dependent on the respective industry and is typically between "8-10% CAGR of sales or 1.5 times the overall growth rate of the respective industry" (Seibold et al., 2019, p. 62).

Figure 3 The Long-Term Viable Growth Path



Source: Author's own figure adapted from Seibold et al. (2019, p. 63)

"The lower limit of the viable growth corridor is determined by the market-influenced productivity-improvement that is itself dependent on the respective industry and know-how. This is the logical prerequisite for survival as otherwise the company would shrink due to rising labor costs. Undoubtedly, there are businesses that survive without growth and remain small" (Seibold et al., 2019, p. 62). The reasons for remaining small and surviving are analyzed by Seibold et al. (2019), proposing that price increase, owner-dependence, regional focus and a niche market are necessary prerequisites for the survival of small companies.

[14] A detailed discussion of the second generation's needs is presented by Seibold et al. (2019, pp. 58-64).

This preliminary research and concept development was necessary to lay the basis for this thesis at hand in various aspects. A familiarity with the growth rates achieved by various companies was developed. It became clear that the maximum growth rates could not be drawn upon as a yardstick since these are typical for the first generation only. The broad corridor for growth in the subsequent generation indicates that average or above average growth rates would encompass too many cases, not only the extraordinary ones. Thus the research strategy focuses on the upper limit of the corridor. Special and extraordinary cases – which needed to be investigated – are those above the upper limit.

Having clarified the upper and lower limit of the corridor, the “extreme cases”, the so-called “spurts” are discussed. As high growth firms, the upper quartile and the upper quantile of the growth rates (CAGR) of the 100 biggest family firms have been chosen. This comparison reveals the threshold of 10% CAGR for a time horizon of 11 years (1995-2006). Therefore, growth spurts are defined as 10% CAGR in sales over the defined time span.

1.3 Importance of Growth

It has been outlined that growth plays an important role in all developmental stages and is used as an indication for vitality which again supports longevity, yet growth has a broader meaning for firms, especially for family firms. Critics say that growth and family firms “don’t go together” (Muson, 2002, p. 7) due to aging leaders and the lack of strategic goals. Quite the contrary can be observed in family firms. Growth is incredibly important for the special organizational form of family businesses as they face an increased complexity due to the overlap of two social systems: The company and the family (Lansberg, 1983; Schlippe, 2010; Tagiuri & Davis, 1992, 1996).

Besides positively influencing the business with their culture and resources, the family imposes many aspirations and demands on the business. As the family is growing, how can the business provide jobs and dividend payouts for the rising number of shareholders (Muson, 2002, p. 7)? How can the company meet the financial needs of a retiring generation and the costs of their succession mode (Muson, 2002, p. 7)?

In addition to the family centered importance of growth there is an economic importance of growth. Growth is often seen as a signal for success (Eisenhardt & Bird Schoonhoven, 1990).

Firms’ growth is important to increase the market power and the competitiveness against other larger firms (Audretsch, Coad, & Segarra, 2014; Lockett, Wiklund, Davidsson, & Girma, 2011), as well as for economies of scale. Growth enables survival when niche markets are losing their profitability (Muson, 2002). Growth plays an important role in the valuation of the business. The valuation of a company is based on future sales and future profits. Naturally, the forecast of future sales is somehow based on the historical growth rate.

Furthermore, growth is a positive sign for employees, customers and suppliers. Growth implies that there is an increasing demand for the company's products and services. Anticyclical growth can help to overcome crises.

In conclusion, growth is one of the most important strategic topics for a company. Adding the family as a further strategic component, growth becomes even more important. Many questions arise in the context of growth, for example, how to achieve growth, how to manage growth and how to finance growth in a family firm.

There is a large stream of advisor literature approaching these questions from a practical point of view. One of the most famous authors is Jim Collins (2001), who describes seven characteristics to get from "*good to great*". These characteristics should enable higher growth in financial performance than the market average. Another book published by Collins and Porras (1997), "*Built to Last: Successful Habits of Visionary Companies*" offers implications for achieving longevity of companies.[15] Peters and Waterman (1982), working as McKinsey advisors, published the book "*In Search of Excellence: Lessons from America's Best-run Companies*", "probably the most influential management book in the 1980s" (Stadler, 2011, p. 169). This book emphasizes that the individuals in an organization and their actions are important for longevity (Stadler, 2011). Focusing on the special organizational form of family businesses, Ward (2011) describes how to plan for growth in his book "*Keeping the Family Business Healthy*". Jennifer Pendergast (2011) aims to describe pathways to the growth of the family business.

All this literature contributes to a better understanding of the phenomenon of growth. The amount of literature shows that growth is important in many respects. This gives rise to the relevance of questions such as:

- How to achieve growth?
- How much growth is desirable?
- How to manage growth?
- How to finance growth?

This dissertation aims to provide insights into these questions from the family firm perspective. The expertise of successful and experienced family business leaders serves as the primary data. This dissertation takes the angle of qualitative inquiry to focus on the enterprises with high growth rates and it approaches the root causes by interviewing the individual protagonists of the growth strategy. The author was privileged to have interviews with the majority shareholder or the CEO who was – in one way or the other – directly involved in the growth strategy.

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[15] For a review of Collins and Porras (1997), Peters and Waterman (1982), see Stadler (2011). Besides reviewing the literature by Collins and Porras (1997) and Peters and Waterman (1982), Stadler (2011) reviews the scientific publication by Arie de Geus (1997) *"The Living Company"* which describes four characteristics for surivival.

Furthermore, the research on a key component of strategy such as growth enables a better understanding of the general behavior pattern concerning strategy. Insights from the research on growth processes can be abstracted and used to build a more general model of strategy.

1.4 Evolution of the Research Project

Many researchers are dedicated to the potential strategies of longevity and focus on various aspects such as succession, innovation and the development of new technologies within this context. This dissertation is part of a research project focusing on the growth development of family firms as a potential development route to longevity.

The initial starting date of the interest in the growth of family firms can be seen in an article by Hermut Kormann (2005) *"Grundfragen des Familienunternehmens"* published in the collection *"Familienunternehmen: Erfolgsstrategien zur Unternehmenssicherung"* (Scherer, Blanc, Kormann, Groth, & Wimmer, 2005). This article compares large family owned businesses with public companies and demonstrates a superior growth rate of family businesses.

This research has continued with the thesis by Lantelme focusing on growth rates since the company's foundation (Seibold et al., 2019). Following this large quantitative study, several case studies and literature reviews have been carried out. The main contributing works are:

Conrad, P. D. (2013). *Growth strategies of large German industrial companies from 1991 – 2011.*

Tapfer, V. J. (2013). *Die Bedeutung von Wachstum in Familienunternehmen - Eine Übersicht zu Wachstum in Familienunternehmen im Hinblick auf Strategie und Nachhaltigkeit.*

Lindauer, T. M. (2013). *Bedingungen für erfolgreiches Wachstum - Eine empirische Untersuchung der Wachstumstreiber von Familienunternehmen der Lebensmittelbranche.*

Ertel, L. (2013). *Wachstum von Familienunternehmen - Eine Untersuchung fördernder und hemmender Wachstumsfaktoren anhand der Wachstumsgeschichte vier verschiedener Familienunternehmen.*

Bille, K. (2015). *Wellenreiter – Eine Studie über das Akquisitionsverhalten deutscher Familienunternehmen.*

Leuze, L. L. (2016). *Überlebenssicherung ohne Wachstum - Analyseraster der unternehmerischen Einflussfaktoren.*

Giegler, F. (2017*). Literature Review on Leadership in Fast-Growing Family Businesses.*

Fokuhl, M. (2017*). Product Innovation and Growth in Family Businesses - A Systematic Literature Review.*

The findings of this research are combined and extended in a thesis by Seibold (2017a). This thesis builds on the prior findings by introducing a methodological analyzing framework representing different phases of companies' development. The essential findings, which are the phases and the growth corridor, are described in sub-chapter 1.2.

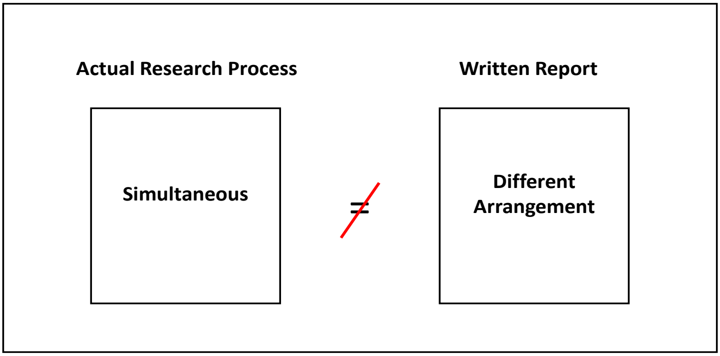
Engaging further in the research on growths stages of family firms, an interesting phenomenon appears (Seibold et al., 2019). From prior research (Ward, 2011) it is known that only 15% pass through the third generation. However, calculating growth rates of second and onward generations shows that there are growth spurts of more than 10% average increase in sales per annum. Therefore, there are several companies experiencing growth spurts in later generations and thus proving not to be a victim of the Law of Three Generations. The growth spurts seem to be successful as the analyzed time is between 1995-2006 and the companies are still alive and have a prospering performance[16]. Therefore, these cases provide intensive potential to carry out research on growth processes of family firms. Analyzing these cases should help to shed light onto the validation of the Law of Three Generations and the secret of the companies' longevity and the growth spurts.

1.5 Brief Introduction to Grounded Theory Methodology

The main goal of this dissertation is to explore the particularities of different family firms concerning their growth from their own perspectives. This research does not aim to test existing theoretical knowledge, but to create new theoretical insights from the viewpoint of family firms. To approach this goal, a qualitative, inductive and theory building methodology is needed. Grounded Theory does not only offer an analysis scheme, but a whole research strategy. Grounded Theory does not represent a single method, but a series of interlinked procedures. Therefore, Grounded Theory must be seen as a whole research design. Grounded Theory is the permanent back and forth between data generation, data analysis and existing literature, forming a theoretical model. In this dissertation the collected data include the interviews and company specific secondary sources. Due to the permanent back and forth, studies based on Grounded Theory do not necessarily follow the "typical" research pattern as it is known from quantitative studies. Due to the simultaneity of generating data, analysis and the review of extant literature, the presentation of results in a written report is difficult and differs from the actual simultaneous research process.

[16] Sales growth from 2006 to 2015.

Figure 4 Presentation of Results in Written Report



Source: Author's own figure

For example, the literature review is not only done before the empirical investigation through interviews and secondary data, but also while conducting interviews and engaging in data analysis. That is the reason why the strategic framework, developed within the analysis processes which is depicted in chapter 4, is presented in chapter 2, because it is also used to present the findings of the literature in chapter 2 to ensure a better comprehensibility. Grounded Theory can start with an overreaching goal which can be adapted while engaging in data generation, data analysis and the existing literature. In this dissertation, Grounded Theory starts with the observation of the growth spurts. The initial goal is to explain the differences in these growth spurts. This goal is adapted during the research process. Grounded Theory offers the possibility to use the perspective of the participants (family business leaders), enriched by existing literature to formulate a theory. The whole procedure of Grounded Theory is described in chapter 3.

1.6 Development of Research Goals

Initial Research Goals

Formulating research goals is important to set the first search direction for the literature review, to identify research questions and to evaluate the research outcomes at the end. Having observed growth spurts in later generations of the business life cycle in contrast to the observation of the decline according to the Law of Three Generations and to the prevailing scientific opinion that later generations of family firms show slower growth rates, (a) a first research goal is to explain this difference to the general opinion on the average development. Assuming that the family is involved in strategic processes, (b) the identification of potential family influences on this observed growth is set as a research goal. These two initial research goals have triggered the next step in the research process: The literature review on general growth theories and the first interviews. To approach the research goals, general growth theories have been screened in order to find a theoretical explanation for the spurts. Evaluating the literature reveals that there is no sufficient theoretical explanation for the spurts. The review of literature furthermore reveals that there is no comprehensive model of growth processes at all. In addition to this, the first interviews have offered a more general view on the topic of growth. The first interview partners have embedded the reasons for the growth spurts in the overall considerations for growth in their company.

Evolved Research Goals

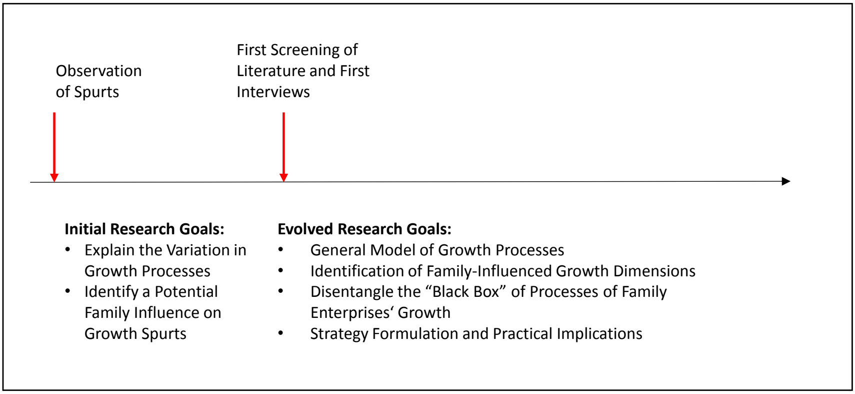
The findings from existent literature and theories as well as the impressions of the first interviews have initiated the evolved research goals. Adapting the research goals during the research process is a usual procedure within the methodology of Grounded Theory. Grounded Theory is an iterative strategy constantly moving between literature and data. The evolved research goals move away from the specific aim to find an explanation for the growth spurts to a more general point of view. The further developed research goals are aiming (1) to build a general model of growth processes. The evaluation of the first interviews supports this refinement of research goals as the interviewees offer a more general view on growth processes in their firms, and the explanation for the growth spurts during the defined time period are a mere side issues. Accounting for the family aspect of the observed businesses, a literature review on growth of family firms is done in order to identify growth critical attributes of family firms and the influence of the family on these attributes. Having identified some growth critical attributes of family businesses from the literature, it should be empirically clarified how these attributes influence the growth process. Therefore, the goal is (2) to identify family influenced growth components in the general growth process, as mentioned above in the initial goal b). In conclusion, it is aimed (3) to disentangle the "black box" processes of family firm growth.

This work is intended to serve various aims. Comparing and evaluating views of successful leaders enables the development of a theoretical model and practical implications at the same time. The development of the theoretical model aims to enhance the theoretical perspectives on growth and to offer a comprehensive model of growth processes in family firms accounting for the family influence. Besides the delineation of a theoretical model, the findings and the narratives offered by the interviewees should serve as practical implications for practitioners. (4) The practical implications are especially designed to show subsequent generations a feasible developmental path independent of the growth aspirations of the predecessor.

Finally, as a summarizing by-product, this research will shed light onto the Law of Three Generations. The empirical investigations by Beckhard and Dyer (1983a, 1983b) and Ward (2011), showing the decline of family firms in the third generation, could cause fear to family firms expecting to pass from one generation to another. The practical implications in this dissertation should help family firms to overcome this fear of decline by emphasizing the value of growth for family firms.

To give a structured overview of the development of the research goals, these goals are summarized in the following figure 5.

Figure 5 Research Goals



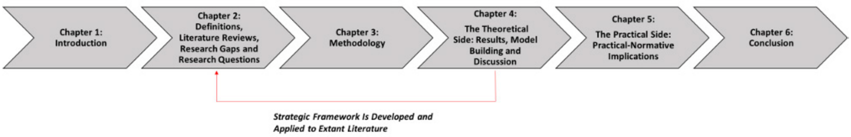
Source: Author's own figure

1.7 Structure of the Dissertation

The choice of Grounded Theory methodology has major implications for the structure of this work. This makes some explications necessary. As indicated in the brief description of Grounded Theory, this methodological approach is an iterative process and the core of this approach lies in the permanent back and forth between collected (interview and secondary, company specific) data and extant literature. Therefore, the order in which findings are obtained and presented in the written dissertation differs from a chronological approach. If one strictly adheres to the precepts of Grounded Theory, the data, the results of their analysis and the review of literature have to be presented simultaneously. This precept of simultaneity is satisfied in chapter 4. However, the reader would have difficulties when confronted with the results without a prior introduction to the topic. Therefore, the existing literature and theoretical concepts are explained beforehand (chapter 2). However, this presentation of existing knowledge uses a framework gained during the analysis which is presented in chapter 4. The framework itself is therefore described in chapter 2, to support the comprehensibility for the reader.

In conclusion, the reader has to keep in mind that the written structure of this dissertation differs from the actual research process, in which data collection, data analysis and the literature review have been carried out simultaneously and there is a permanent back and forth between the existent knowledge and the newly generated data. Such an adjustment of the written report is a frequently used procedure to ensure clarity and comprehensibility (e.g. Pieper, 2007; Suddaby, 2006).

Figure 6 Written Structure of Dissertation



Source: Author's own figure

Chapter 1

The first chapter is designed to outline the motivation of the dissertation. The initial research interest was triggered by the observation that some family firms do not manage to pass through the third generation, known as the Law of Three Generations (sub-chapter 1.1). When studying the growth of old and mature family businesses, examples to prove the opposite of this law can be found. This triggered the closer examination of the developmental path of companies (1.2). Referring to life cycle theory, growth seems important for the survival and the prevention of the decline of the company. Therefore, growth is seen as a sign of vitality and thus a potential instrument against the decline. To learn more about the phenomenon of growth, the importance of growth is discussed in sub-chapter 1.3. By then placing the dissertation within the framework of a broader research project, the basis of the observation of the growth spurts is explained (sub-chapter 1.4). A short introduction to the Grounded Theory methodology used in this dissertation is given in sub-chapter 1.5. The first chapter concludes with the formulation of the research goals (sub-chapter 1.6) and the structure of this dissertation (sub-chapter 1.7).

Chapter 2

The second chapter presents the evaluation of various theoretical growth models in order to deal with the question of the origin of the observed growth spurts. The theoretical growth models are consulted first to check whether the origin of the spurts can be explained by existent theoretical thoughts. If this is the case, the research goals and research design must be adapted to these extant theories. However, examining existing theoretical models reveals that the spurts cannot be explained with existing general growth theories. Moreover, this review of general growth theories shows that there is not even a comprehensive model of the growth process of a firm. Each growth theory answers another growth-related question. Moving on from this scientific knowledge, a broader focus on growth is needed. Therefore, the multifaceted phenomenon of growth is broken down into its components. Many frameworks to structure the phenomenon of growth are evaluated in this context during the research, ending with structuring it into input-process-output components. The origin and derivation of this framework is presented in chapter 2, but has developed during the whole process of analysis. As noted before, the written report does not follow a chronological order. This breakdown of the literature on the phenomenon of growth reveals no explanation of the spurts, but leads to a better understanding of the components of growth. The consideration of the findings of the first literature review on general growth theories and on input-process-output components produces the first research gap, a missing comprehensive theoretical model of growth.

Following this, the family firm as a special unit of analysis is introduced. The motivation to do a second, repeated and extended literature review on growth critical attributes of family firms is the potential explanation of the growth spurts by a special family influence. The literature review on family firms is also structured along input-process-output. Reviewing the literature reveals no explicit explanation of the spurts grounded in the family influence. However, it reveals that the components of growth, such as internationalization, innovation, diversification etc., are very well researched. However, divergent results are provided concerning how they are influenced by the family and how they influence growth. The consideration of the first research gap (I), the second literature review on the growth of family firms and the insights from the first interviews reveal the second research gap (II): A missing comprehensive theoretical model of the growth processes in family firms accounting for the family influence. The second chapter concludes with the research questions which guide the further qualitative procedure.

Chapter 3

Having described the scope, placement and motivation of the dissertation in chapter 1 and the theoretical basis, literature reviews, definitions and the research questions in chapter 2, chapter 3 is concerned with the methodological considerations. After giving an overview of chapter 3 in sub-chapter 3.1, the following sub-chapter (3.2) tries to bridge chapter 2 with chapter 3 by outlining why a qualitative methodology has been chosen. To overcome the critical inquiry on the potentially increased subjectivity of a qualitative procedure, quality criteria for qualitative research are explained (3.3). How these quality criteria are met in this dissertation is outlined in sub-chapter 4.7.1. Chapter 3 continues with a review of different research philosophies in order to decide which philosophy seems suitable for this research (3.4). Deciding on the research philosophy is important to understand how knowledge is created within the dissertation. The research philosophy explains which beliefs and assumptions are taken as basis for research. To show that the author is aware of the assumptions made and the beliefs applied is important for the evaluation of the results of the study (Saunders, Lewis, & Thornhill, 2016). Moving from this, the research strategy is explained (3.5). Research strategy "is a plan of actions to achieve goals" (Saunders et al., 2016, p. 177). The research strategy can be seen as the connection between the chosen research philosophy and the methods of data collection and data analysis (Denzin & Lincoln, 2011; Saunders et al., 2016). For a better understanding of the research strategy Grounded Theory, a general overview, the importance for management research as well as a short historical placement is given in sub-chapters 3.5.1 and 3.5.2. This is followed by the explanation for the use of a constructivistic Grounded Theory approach which is linked to the research philosophy applied (3.5.3). The next sub-chapter outlines how the data are coded in order to develop a theory (3.5.4). Having described the peculiarities and the procedure of coding within the strategy of Grounded Theory the research time frame is presented in sub-chapter 3.6. The next sub-chapter describes how the data have been collected. The particularities of the sampling method (3.7.1) and the procedure of the interviews (3.7.2) are presented in this context. Sub-chapters 3.7.3 and 3.7.4 deals with the description of the use of secondary data and the phenomenon of Theoretical Saturation. Sub-chapter 3.8 concludes with a summary of the methodological approach.

Chapter 4

Chapter 4 is concerned with the category and theory building, as well as the discussion. The reflexive framework which has emerged during the research process is presented in sub-chapter 4.2. Sub-chapter 4.3 describes the emergence of the output category. The following sub-chapter 4.4 describes the input category. Sub-chapter 4.5 depicts the process dimension which is concerned with the connection between ownership and management and the strategic components of management to achieve growth. All categories are discussed according to their relationship to existing theory and literature. Sub-chapter 4.6 explains the multiplicative linkages between the proposed model and the single weights of its components. Chapter 4 concludes with the evaluation of the model by explaining how the quality criteria are met and how the model is evaluated using results from another sample.

Chapter 5

Chapter 5 deals with the added value gained from the special group of interviewees. Top leaders of the largest family businesses provided the data basis by their interviews and their secondary data. In addition, to enhance the theory of the growth processes of family firms with these data, another great interest of this dissertation is to provide practical implications from the insights of these top managers. Therefore, a whole chapter is dedicated to the derivation of practical implications for different target groups. Sub-chapter 5.3 presents implications concerning the strategy of family businesses. The following sub-chapter 5.4 outlines some recommendations for actions for the family members, and sub-chapter 5.5 derives some practical implications for non-family managers in family firms. Chapter 5 concludes with an overview of important quotes by the interview partners. The spontaneity and originality of the statements was limited in some places in order to generate theoretically substantial knowledge from the interviews. Therefore, sub-chapter 5.6 serves as an overview of the most important quotes concerning the key topics, and provides authenticity and originality to the derived model and practical implications.

Chapter 6

The last chapter is dedicated to the conclusion of this dissertation. It starts with the discussion of the limitations of the research process (6.1). Furthermore, this chapter describes the theoretical advancements made with the results of this study (6.2). Practical advancements are summarized and avenues for further research are opened (6.2). This is followed by a sub-chapter which answers the research questions (6.3) and concludes with a brief summary (6.4).

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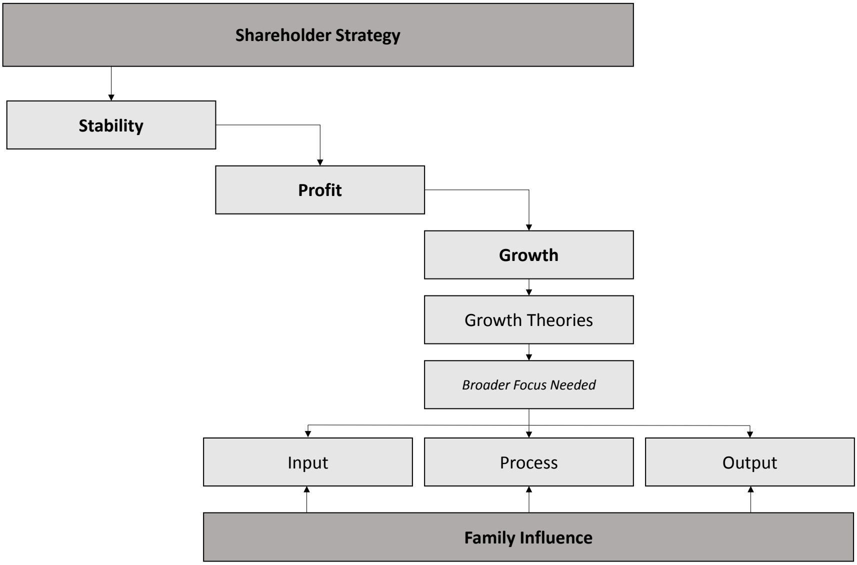
2 Definitions, Literature Reviews, Research Gaps and Research Questions

2.1 Overview of Chapter

Figure 7 Schematic Overview of Chapter 2



Source: Author's own figure adapted from Kormann (2017b).

This dissertation focuses on the growth of the core family firm and not on strategies for the total shareholder wealth including investments outside of the firm. The first question that drives this dissertation at this initial stage is, "Why do the observed growth spurts occur?" These spurts are a surprising finding, as the literature and theory show that old and mature firms grow more slowly than young firms (Eddleston, Kellermanns, Floyd, Crittenden, & Crittenden, 2013; Evans, 1987a, 1987b; Jovanovic, 1982; Molly, Laveren, & Jorissen, 2012; Reid, Dunn, Cromie, & Adams, 1999). Furthermore, there is the fate of the Law of Three Generations predicting the decline of family firms in later generations. To approach the inital question, some general growth theories are evaluated in order to find a theoretical explanation of these growth spurts.

Usually, research would start with the scanning of the specific literature on the growth of family firms. However, this research starts with a broader perspective of growth in general. This is done in order to ensure that the spurts cannot be explained by applying general theoretical thoughts on growth.

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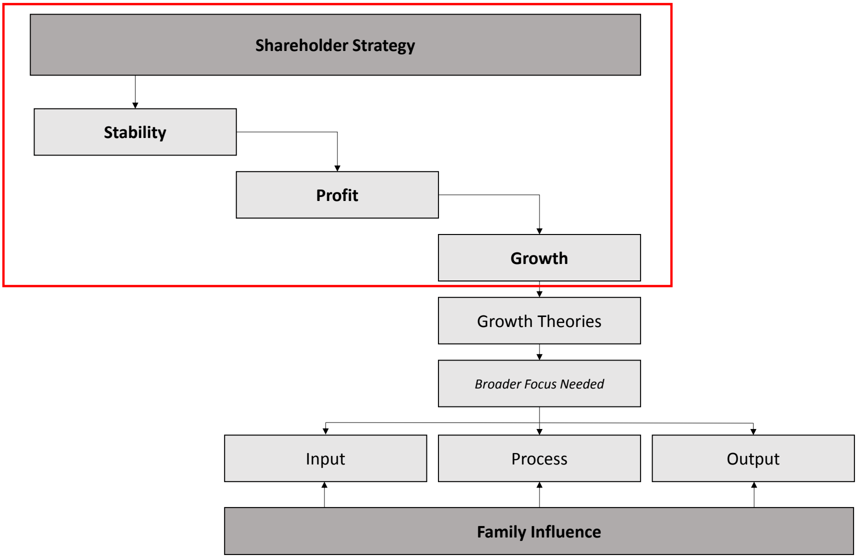
Therefore, the most popular and often used general growth theories are explained and then evaluated according to their suitability to answer the question of the origins of the spurts (sub-chapter 2.3). This critical appraisal of the general growth theories reveals that there is no general theoretical explanation of the spurts. Therefore, further research is needed. The next step is to dig one level deeper and break the phenomenon of growth into its components. This is achieved by a literature review on growth in general. The procedure of a literature review is explained in sub-chapter 2.6. Various frameworks are offered to analyze growth, but they always emphasize the quantitative nature of the growth phenomenon. Some researchers break the components of growth into measurable determinants such as innovation input, age, size, macroeconomical factors, etc. However, this thesis is interested in the strategic elements of growth; more specifically the process behind the occurrence of the growth spurts. Therefore, a strategic framework is chosen to break the causes or drivers of growth into their components. As explained in the introduction, Grounded Theory works with a simultaneous back and forth between extant theory and literature and newly generated data. Therefore, the framework which has been revealed during the process of screening existant literature and analyzing the data is presented in chapter 2. However, the results of this analyzing process are presented in chapter 4 to ensure a better comprehensibility for the reader. The applied strategic framework divides growth into its observable input factors, its "hidden" process and its observable output factors. The main interest lies in the process of growth. Therefore, the main strategic elements (e.g. innovation, diversification, internationalization etc.) of growth are presented on the abstraction level of general growth. The literature review on general growth theories, the breakdown of literature on growth into its components along input-process-output, as well as the first interviews already reveal the first research gap. In addition to the fact that the general growth theories and literature offer no explanation of the growth spurts, it reveals that there is no comprehensive model explaining the process between the input and output of growth. The relationship between input and output is approached by many quantitative researchers, however, a detailed and comprehensive explanation of the process in-between is rare. The first interviews added to this research gap by intending a more general view on growth. Nevertheless, this structuring (input-process-output) of the growth phenomenon proves to be a suitable framework for assessing growth in a qualitative way. The astonishing fact that family firms with their special characteristics show these growth spurts and thus are the unit of analysis had not been taken into account until this point. The reason behind that was to clarify if there is a general explanation for the spurts, which would make the research obsolete. However, as the literature review and the review of general growth theories show there is no general explanations for the observed growth spurts. Only partial explanations for specific research questions are available in theory and literature. Therefore, it is necessary to consider the peculiarities of family businesses in an attempt to explain the growth spurts. Before evaluating the growth critical attributes of family firms, the uniqueness and importance as well as ambiguities of the definitions of family businesses are discussed to provide an introduction to the field of family business research. The theories used in studying family firms’ growth are discussed in order to provide theoretical approaches to support the theory building in chapter 4, as the evolved research goal is to provide a comprehensive model of growth of family firms (sub-chapter 1.6).The framework of input-process-output proves to be suitable for assessing growth, therefore, it is also used to structure the family firm specific literature review into growth critical attributes. A critical reflection on the literature review on growth essential attributes of family firms reveals the second research gap. The literature on the growth of family firms neither provides a general growth model nor does it propose specific explanations for the growth spurts of family firms. However, it reveals that there is a certain family influence on the strategic elements within the process of growth, as well as some influential factors of the characteristics of family members on enablers of growth (input factors). Chapter 2 concludes with the research questions derived from the research gaps, accounting for the evolved research goals.

2.2 Goal Cascade of Family Enterprise’s Strategy

The first chapter has presented the introductory thoughts on the observation of the growth spurts. The quantitative characteristics of the spurts and their occurrence within the firm’s life cycle have been elaborated. It has been shown that the spurts can also occur in later generations of the life cycle. Each stage of the life cycle has its own characteristics and goal setting (Seibold et al. 2019, pp. 56-62). The figure below shows that growth – with all its relevance and importance as shown in sub-chapters 1.2 and 1.3 – is neither the first nor the most important topic in business strategy.

Figure 8 Goal Cascade of Family Enterprise's Strategy

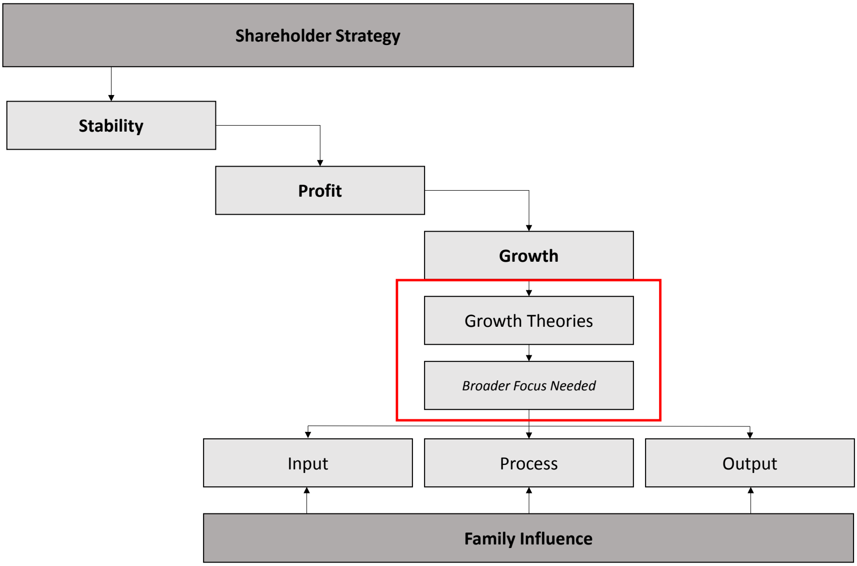


Source: Author's own figure

Kormann (2017b) explains that typically, stability is the major goal. Stability means that there are no major crises or internal conflicts threating the company. Stability requires that the business model is sustainable, too, and not threatened by modern technologies or competitor groups. Having maintained stability, profit making is the next goal. Profit is needed to increase the capital base and liquidity to perform investments and to satisfy the shareholders. Earning profit enables strategic investments which might be required for refurbishing the current business model, innovation and/or growth. Families can either retain their earnings and invest them into the growth strategy, or the profit can be used for a shareholder strategy outside the company, such as gaining private wealth or investing into other investment objects (e.g. start-ups etc.) (Kormann, 2017b).

2.3 Theoretical Perspectives on Growth

Figure 9 Review of Growth Theories



Source: Author's own figure

There is a large amount of growth theories in the modern theory of the enterprise. Many theories address the economic importance/relevance of growth, specifically its impact on the value of the company. These theories try to explain the growth process depending on different goal settings of the corporation. This is done by determining the optimal values for particular growth variables, such as sales or profit (Schoppe, Graf Wass v. Czege, Münchow, Stein, & Zimmer, 1995, p. 21). Different theoretical approaches are explained and evaluated according to their suitability to explain the reasons for growth spurts.

2.3.1 Neoclassical Business Theory

Neoclassical business theory is based on the existence of an "optimal size" of a company (Viner, 1932). In these theories, growth is the movement to the minimum of the long-term average cost curve at which the optimal enterprise size is reached (Schoppe et al., 1995). According to these theories, growth is not a separate corporate goal but a means to the end of arriving at an optimal size which is the precondition for maximizing profit. Once the optimal size has been achieved, there is no incentive for the company to grow (Jarillo, 2005; Kaldor, 1934; Kieser, 1976; Schoppe et al., 1995; Viner, 1932).

2.3.2 Evolutionary, Learning-Theoretical Approaches

One of the most discussed research contributions to the relationship between size and the growth of the enterprise is "Gibrat's Law" (Gibrat, 1931). The law says that there is no relationship between size and growth of an enterprise. Later studies deliver discordant results.[17]

Studies by Evans (1987a, 1987b), Jovanovic (1982), Mansfield (1962) and Meyer and Kuh (1957) show that small and younger companies have higher growth rates. Thus companies grow according to a life cycle. In this respect Jovanovic (1982) explains an efficiency model which describes that companies get insights into their own efficiency over time. He concludes that efficient firms grow and survive and inefficient firms shrink and decline.

Other studies show that the fluctuation of the growth rate decreases with increasing firm size (Evans, 1987a, 1987b; Hymer & Pashigan, 1962; Jovanovic, 1982; Mansfield, 1962). Small companies grow faster than larger companies, but have a higher probability of exiting the market (Audretsch, Klomp, & Thurik, 1999; Brüderl, Preisendörfer, & Ziegler, 1998; Jovanovic, 1982). These findings are based on the underlying argument that only "fitter firms" should expand and "the weakest should decline and exit" (Coad, 2009, p. 56). Some studies are inspired by evolutionary approaches (Bottazzi, Secchi, & Tamagni, 2008; Coad, Rao, & Tamagni, 2008). However, empirical evidence is rarely found (Coad, 2009).

Nelson and Winter (1982) describe a model in which the behavior of executives or decision-makers in shock situations (such as economic downturns) determines success in terms of a high growth rate.

In this dissertation, an attempt is made to exclude the liability of newness and smallness[18] (e.g. Stinchcombe, 1965), which implies that small and young firms need to grow faster to achieve a certain minimum efficient size (Almus & Nelinger, 1999). Therefore, only old (> 50 years) and large firms (sales > EUR 2 billion)[19] are considered as research objects.

[17] Seibold (2017a) summarizes literature supporting Gibrat's Law under specific circumstances: Becchetti and Trovato (2002); Cefis and Orsenigo (2001); Geroski and Gugler (2004); Hart and Oulton (1996); Lotti, Santarelli, and Vivarelli (2003); Mowery (1983). Promoting that smaller companies grow faster, see Audretsch, Santarelli, and Vivarelli (1999); Calvo (2006); Dunne and Hughes (1994); Dunne, Roberts, and Samuelson (1989); Evans (1987a, 1987b); Hall (1987).

[18] For more research on the liability of newness and smallness, see Amburgey, Dacin, and Kelley (1994), Brüderl, Preisendörfer, and Ziegler (1992); Hannan and Freeman (1984); Harhoff, Stahl, and Woywode (1998); Wholey, Christianson, and Sanchez (1992); Woywode (2004) and Woywode (2006).

[19] The selection of the sample firms and interview partners is explained in sub-chapter 3.7.1.

2.3.3 Investment and Production Theory Models

Schoppe et al. (1995, pp. 28-30) summarize the following investment and production models:

There are other growth theories based, for example, on production and investment theory considerations. One of the oldest of these growth theories is the "Law of Mass Production" by Bücher (1910).

This law is based on the reflections on the capitalist mode of production by Karl Marx. The degressive effect of the fixed costs only occurs from one specific minimum production quantity. Business growth is born by capacity expansion (Bücher, 1910).

Schmalenbach (1928) derives a special theory from these considerations and describes growth as a mechanical process. He argues that harmonization of production capacities is not possible and thus unused partial capacities always arise. To distribute the high fixed costs over the entire production, these free partial capacities pursue saturation. Consequently, the output amount is increased to use the free capacity. This creates new unused capacity, which in turn increases fixed cost pressure. This is a continuous process (Schmalenbach, 1928).

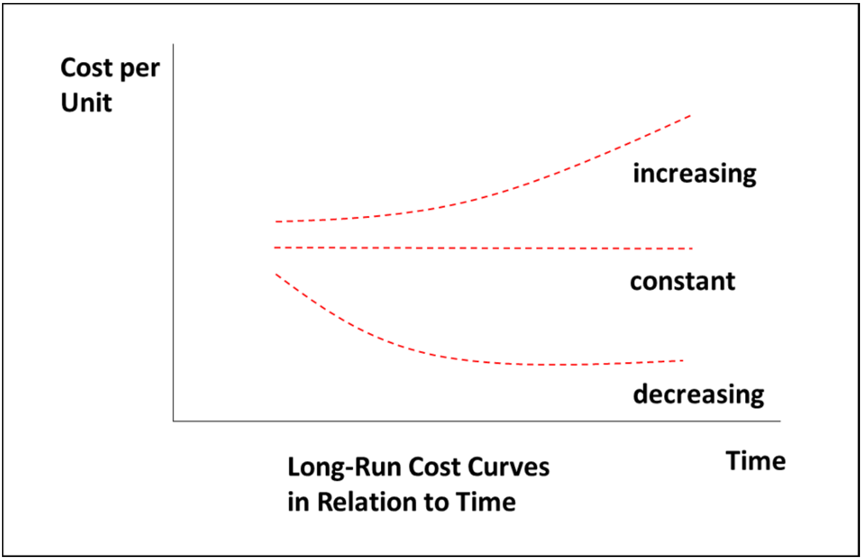
Besides the approaches by Schmalenbach (1928) and Bücher (1910), Schoppe et al. (1995, pp. 29-30) discuss growth through reinvested depreciations (Lohmann, 1949; Ruchti, 1953) which should be considered in the summary of growth theories: This is the so-called Capacity Expansion Effect or Lohmann-Ruchti-Effect. Schoppe et al. (1995, pp. 29-30)[20] outline that after the first year, the earned depreciation amounts of the entire newly acquired machines are immediately invested in new machines. These extend the machine park in the second year, because after one year there is still no wear-related disposal of a machine. This continues over the years, with depreciation increasing due to the growing machine park. Schoppe et al. (1995, pp. 29-30) further state that a break occurs when the equipment acquired in the first year has reached the end of its useful life and is taken out of the stock. The investment stock drops abruptly, but is still above the level of the first period. The investment stock rises again and then reaches a state of equilibrium in which access and exit meet. The Capacity Expansion Effect results from the fact that the depreciation amount is incurred earlier than that required for the wear-related renewal of the machine. Schoppe et al. (1995, pp. 29-30) further state that the return of the funds tied up in the investments and their physical disposal are temporally divergent and thus allow the reinvestment of these funds to expand their holdings. A reduction through taxes or profit distribution is prevented by legislation and valuation regulations. Adding a constant rate of rising gross investment (Domar, 1953; Eisner, 1952) leads to infinite growth (Schoppe et al., 1995, pp. 29-30).

[20] All explanations on the Capacity Expansion Effect are based on the descriptions of Schoppe et al. (1995, pp. 29-30).

2.3.4 Economies of Scale

A preferred subject of research concerning growth are the economies which result from large scale of production. This is a research area which is difficult to present in an abbreviated form due to its multifacetedness and the controversial discussion. The basis of the economies of scale-theory is the long-run cost curve, which can usually have three different forms: increasing, constant or decreasing (Goronzy & Gray, 1974, p. 78).

Figure 10 Economies of Scale



Source: Author’s own figure adapted from Goronzy and Gray (1974, p. 78)

Goronzy and Gray (1974) summarize the different cases of long-run cost curves and their effect on growth:

The case of constant long-run cost curves would imply that there is an optimum (production level) for any size of the company; therefore, the majority of researchers find that there is no “constant long-run cost curve” in the real world. The case of “constant long-run cost curves” is therefore excluded in this abbreviated summary of the economies of scale (Goronzy & Gray, 1974, p. 78).

Decreasing long-run cost curves can be attributed to the multiple adjustment (“constant factor proportions”) or the mutative adjustment (“variable factor proportions”) of the production factors (Goronzy & Gray, 1974, p. 79). The multiple adjustment is essentially based on Babbage's (1832) "principle of multiples" (Goronzy

& Gray, 1974, p. 79), that is, an economic production can only be achieved by a combination of the factors that are the least common multiple of the factors of production (Penrose, 1959 cited in Goronzy & Gray, 1974, p. 79). Goronzy and Gray (1974) provide an example: There is a production line which consists of a manual process done by a single man who can produce 40 units per day. The second part of the process is carried out by an automatic machine which can produce 1,000 units per day, and the third step is carried out by another machine which produces 300 units per day. To use the machinery and the worker to their full capacity; 3,000 units is the optimum amount of production units, as 3,000 is the least common multiple of 40, 300 and 1,000 units. The next optimum level will be 6,000 units (Goronzy & Gray, 1974, p. 79).

Another reason for decreasing long-run cost curves mentioned by Goronzy and Gray (1974) could be a mutative adjustment ("variable factor proportions"). The argument underlying this phenomenon is that the optimal factor combinations differ depending on the output. According to Goronzy and Gray (1974) the following reasons can lead to mutative adjustment:

The "six-tenth factor" (Chilton, 1950 cited in Goronzy & Gray, 1974, p. 79) refers to the change in volume in relation to the change in surface area, and empirical research has shown that the cost of constructing a plant with larger capita increases only by a factor of 0.6666 (Goronzy & Gray, 1974, p. 79).

The law of large numbers can be another reason for variable factor proportions (Goronzy & Gray, 1974). According to this principle, for example, the warehouse stock grows disproportionately to turnover (Goronzy & Gray, 1974, p. 79-80).

Furthermore, the principle of order size can be used to explain the mutative adjustment (Goronzy & Gray, 1974, p. 81). The cost of processing a large order is equal or slightly higher than that of a small order (Goronzy & Gray, 1974, p. 81).

Quality improvement is another root cause of variable factor output (Goronzy & Gray, 1974, p. 81). Big companies can afford specialized equipment for quality improvement (Goronzy & Gray, 1974, p. 81).

A very well know aspect is the learning curve. The learning effect is higher for larger series than for smaller ones (Goronzy & Gray, 1974, p. 81).

The case of increasing long-run cost curves can be attributed to an increase in administrative and distribution costs (Goronzy & Gray, 1974, p. 81).

Goronzy and Gray (1974, pp. 81-83) mention that the increase in administrative costs as a result of corporate size is discussed controversially. Modern management techniques and decentralization can counteract the increasing costs. There are no clear empirical studies in this field. Increasing distribution costs are always an important factor when the distribution costs themselves represent a significant cost factor, such as e.g. in cement industry. The discussion of the course of the long-term cost curve is controversial, yet this instrument offers interesting starting points for long-term corporate planning (Goronzy & Gray, 1974, pp. 81-83).

In modern strategic thinking, the relevance of lot sizes and fixed costs has been superseded by the general theorem of the effects of accumulated experiences, known as the experience curve. Due to the decrease in the own added value costs (without material) of 20-30% by doubling the cumulated quantity, 20% to 30% less capacity in the broader sense are needed or in the previous capacity 25% to 40% more can be produced (Henderson, 1968). The concept of experience is mostly discussed in the context of cost reduction potential and not in connection with growth. However, as stated above, it has major implications for growth.

2.3.5 Organically Oriented Growth Models

Other researchers see the company as an organic system. Schoppe et al. (1995, pp. 30-33) mention that these researchers transfer biological growth trajectories to the companies, driven by the search for equilibrium and stability conditions (e.g. Boulding, 1950, 1952; Haire, 1959; Levy & Donhowe, 1962). Strategy and management research has adopted the concept of the life cycle taken from the life sciences in the 1950s and 1960s (Van De Ven & Poole, 1995).

Schoppe et al. (1995) summarize the organically oriented growth model as follows:

The theory of the life cycle of firms states that companies evolve through predictable developmental stages, just like living objects. The companies' available resources, skills, structures and strategies vary depending on the different stages of the business development (Gray & Ariss, 1985; Miller & Friesen, 1980, 1984a, 1984b; Quinn & Cameron, 1983).

Marshall (1920) and Boulding (1950) describe the development of a company according to the life cycle of an organism. Within this model the stages of development are described as a function of age. The life cycle theory formulates parameters, diagnostic tools and policies that should support the transition of the company between stages of development. Understanding the nature of the life cycle of a company can help management to use its resources efficiently in order to succeed over its competitors (Adizes, 1979). For example, Alchian (1950) formulates the survival theory of the company based on the teachings of Darwinism. According to this theory, companies need to make profit to survive, otherwise they will disappear. The company imitates successful innovations of other companies like animals imitate successful behavior of other animals.

The life cycle therefore has important implications for the management of a company. Each phase is characterized by its own characteristics and requires a specific decision-making behavior to meet the individual demands of this phase (Kazanjian, 1988). Some empirical studies have examined the influence of the life cycle on financing decisions

(Bender & Ward, 1993; Berger & Udell, 1998; Coulton & Ruddock, 2011; DeAngelo, DeAngelo, & Stulz, 2006; Fama & French, 2001; Grullon, Michaely, & Swaminathan, 2002).

The transfer of biological developments of organisms to enterprises seems intuitive. However, there are some differences between growth processes of firms and of living organisms. One major difference in the growth processes of living organisms is that age is the only explanatory variable and the rational planning and the management are completely omitted (Schoppe et al., 1995, p. 33).

2.3.6 Growth Theory by Penrose

The considerations of the life cycle model and the assumptions of neoclassical growth theory are the starting point for Penrose's contrarian and pioneering work on this subject in 1959 "*The Theory of the Growth of the Firm*". Penrose considers the transfer of the life cycle model of organisms to companies unsuitable (Penrose, 1952, p. 804). Besides that, she criticizes the neoclassical theories that describe behavior as price and output-decisions. Maximizing profit is the primary goal of a corporation within Penrose's theory[21] (Penrose, 1995, pp. 26-30). She attributes this to the personal motives of the managers such as new fields of activity, prestige, and increasing salary.

Within her theory, the company is a bundle of resources (Penrose, 1995, pp. 149-152). These resources are physical or human (Penrose, 1995, pp. 24-26). Her resource-based approach suggests that the size of a company results from its past developments, as the size is the present value of all the enterprise's resources used for production and has no natural boundary. Unused resources are a permanent growth driver that arises from the indivisibility of some resources, the need to specialize and the heterogeneity of the resources (Penrose, 1995, pp. 67-78).

The indivisibility of some resources leads to the fact that the output is tied to the constraint factor. An example would be a machine that could produce more output but is limited by the lower capacity of the machine of the previous production stage[22] (Penrose, 1995, pp. 68-71; Schoppe et al., 1995, p. 34).

To leverage the advantages of specialization an efficient usage of resources is needed that arises from the division of labor. The division of labor requires a certain minimum output and therefore new business growth to create economies of scale (Penrose, 1995, pp. 71-74; Schoppe et al., 1995, p. 34).

The combination of heterogeneous resources leads to new opportunities for expansion (Penrose, 1995, pp. 74-76; Schoppe et al., 1995, p. 35).

[21] The Growth Theory of Penrose was introduced in 1959 in her book *"The theory of the growth of the firm"*.
[22] See the explanations of Schmalenbach's capacity theory (sub-chapter 2.3.3) for further explanation of this phenomenon.

According to Penrose, the fact that resources are never balanced leads to constantly new growth incentives for the corporation. Further expansion incentives arise from market growth or changes in demand (Schoppe et al., 1995, p. 35).[23] In this context reference can be made to the above mentioned (sub-chapter 2.3.4) “experience curve” which constantly creates a surplus of resources due to productivity gains.

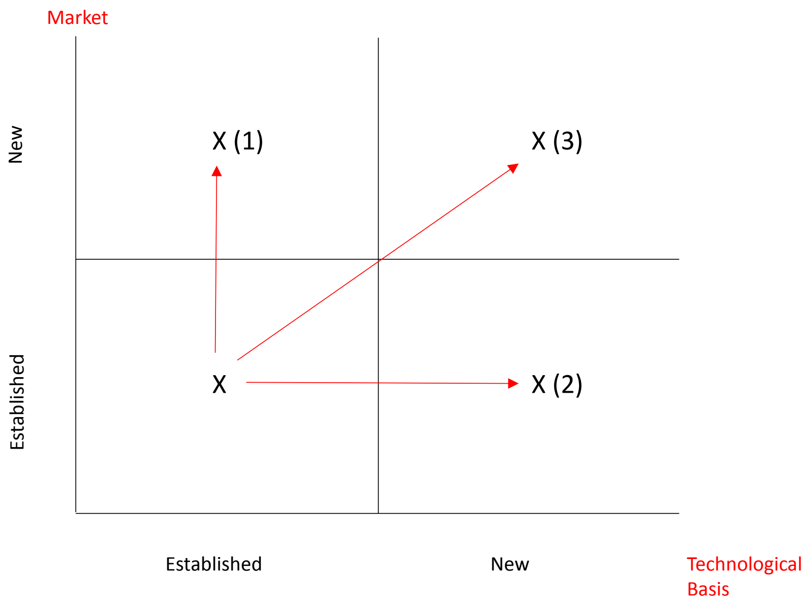
However, Penrose (1995) states that companies are different in their resources equipment. The same resource could be different depending on the company. The production activities are determined by the (productive) opportunities revealed by entrepreneurs. Penrose argues that the growth of a business is only limited by the management capacity. The motivation of the managers determines the growth opportunities. Routines and experiences increase the managers’ productivity and they can use their freed-up capacities for strategic purposes (Penrose, 1995).

The economies of growth are an additional key point of Penrose’s (1995) theory. Large enterprises can revert to existing R&D capacities, brand names and lower costs of financing etc. (Penrose, 1995, pp. 99 ff.; Schoppe et al., 1995, p. 35).

Concerning the direction of growth, Penrose (1995) has established a today well-known and further developed model. The production program is not subject to change as long as the demand increases as fast as the management works to its fully capacity. If the management has not yet reached the limits of its managerial potential, the following options arise (Penrose, 1995, pp. 104 ff.; Schoppe et al., 1995, p. 35):

[23] Note: These effects are mainly on the level of single operative units. A large group consists of many operative units or even divisions anyway.

Figure 11 Growth Theory by Penrose



Source: Author's own figure

The movement into new markets (1) could be one option to grow. A new technological basis can trigger growth (2) or as a third option (3) a movement into a new market with a new technological basis (today known as diversification) can realize growth.

Ansoff (1965) and Chandler (1962) further develop these thoughts. The Ansoff Matrix is one of the most frequently used approaches for assessing growth options.

In Penrose's theory, the management capacity is the main determinant of growth. Managers are individuals with different behavior. Following this path, behavioral approaches are taken into account to explain the observed growth spurts.

2.3.7 Behavioral Approaches

In order to explain certain growth behavior, behavioural approaches can also be used. As in the theory by Penrose, the actions of the individual are of central importance.

Schoppe et al. (1995) state that the central proposition of behavioral approaches is the assumption that not the organization itself but the employees determine the behavior of the firm. The personality traits, the cognitive process, as well as the environment affect the behavior of the individuals (McGuire, 1964, p. 27; Schoppe et al., 1995, p. 103).

Schoppe et al. (1995, p. 103) mention that by introducing socio-psychological insights of human behavior into economics, Katona (1951) was the first researcher to use the term “behavioral economics” (Gilad, Kaish, & Loeb, 1984). Schoppe et al. (1995, p. 103) mention that through the explicit reference to psychological research results, the members of the Carnegie School are seen as the initiators of Behavioral Economics (Frese, 1988, p. 260; Hill, Fehlbaum, & Ulrich, 1976, p. 434).

Schoppe et al. (1995, p. 103) summarize that therefore, the “Behavioral Theory” by Cyert and March (1963) is seen as the major theory of the behavioral approaches. This theory tries to model the reaction of organizations to the complexity of internal and external changes of the environment with structured behavioral patterns (Schoppe et al., 1995, p. 103). Schoppe et al. (1995, pp. 104-105) mention that the concept of bounded rationality (Simon, 1947) is seen as the basis for the theory of Cycert and March (1963), as well as for a multiplicity of economic approaches and theories which abandon the premise of the fully rational individual (Schoppe et al., 1995, pp. 103-130). Criticizing the neoclassical view of the organization, in which maximizing profit is seen as the primary goal, the behavioral theory considers human limitations such as bounded rationality, conflicting goals and information overload as determinants of human decision-making (Cyert & March, 1963; Schoppe et al., 1995, pp. 103-130).

2.3.8 Critical Appraisal of General Growth Theories

The following table shows the theories which have been reviewed in order to explain the growth spurts.

Table 1 Critical Appraisal of General Growth Theories

Growth Theory	Authors/Contributors	Target Function	Measurement Size	Concept/ Main Statement	Potential Explanation for Growth spurts
Neoclassical Business Theory	Kaldor (1934); Kieser (1976); Viner (1932)	Cost minimization	Production capacity	Growth towards minimum cost company size	General concept
Evolutionary, Learning- Theoretical Approaches	Evans (1987a, 1987b); Hymer & Pashigan (1962); Jovanovic (1982); Mansfield (1962)	Relationship between size, age and growth rates	Growth rates	Small and younger companies have higher growth rates	No, as they propose decreasing growth rates with age
Investment and Production Theory Models					
• **Law of Mass Production**	Bücher (1910); Schmalenbach (1928)	Cost minimization	Capacity	More economical production methods from a certain minimum output quantity; forced growth through free partial capacities	No, only answers specific capacity-related questions
• **Capacity Expansion Effect or Lohmann-Ruchti-Effect**	Domar (1953); Eisner (1952); Lohmann (1949); Ruchti (1953)	None	Period capacity (number of plants)	Capacity expansions result solely from reinvested depreciation values	
Economies of Scale	e.g. Goronzy & Gray (1974)	Long-run cost curve	Production capacity	Dependence of the production quantity on the quantity of the production factors used	No, focus on cost curves
Organically Oriented Growth Models	Alchian (1950); Boulding (1950, 1952); Haire (1964); Levy & Donhowe (1962); Marshall (1920);	None	None	Companies are depicted as living organisms whose growth follows biological laws	General concepts. Each life cycle model has different stages with different characteristics
Growth Theory by Penrose	Penrose (1959)	Profit maximation	Net present value of productive resources	Management capacity is a decisive constraint on growth; constant growth incentive, as a company's productive resources are never in equilibrium	General concept of growth. Focus on management capacity which triggered the step to consider behavioral theory
Behavioral Approaches	e.g. Cyert & March (1963); Katona (1951)	none	none	Bounded rationality, conflicting goals and information overload as determinants of human decision-making	General concept, but no potential explanation of spurts

Source: Author's own table adapted from Schoppe et al. (1995, pp. 46-47), and Brändle (1970)

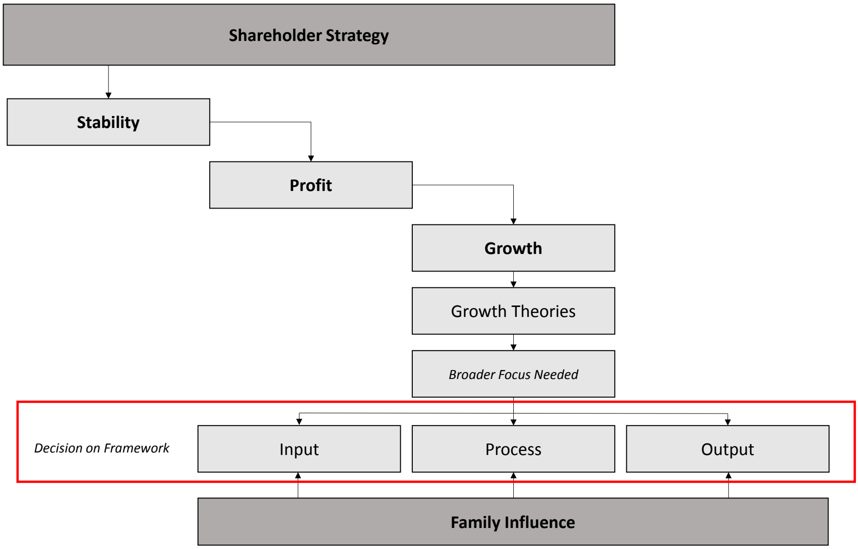
Reviewing general growth theories shows that there are many approaches to explain the growth of firms. However, given the multifaceted nature of growth, each theory answers a different sub-question of growth. For example, the biologically oriented theories describe how organizations grow but do not provide optimality criteria. The Capacity Expansion Effect describes the occurrence of growth only through the reinvestment of the depreciation values. The theory by Penrose (1959) answers the questions about “why” and “how” and is therefore the most often used theory of growth (Schoppe et al. 1995, p. 48) and is still used to explain growth processes today (e.g. Bird & Zellweger, 2018).

Decisions on growth are the result of organization-internal decision processes made by individuals so that behavioral aspects must be taken into account. As the overlapping of growth theory and behavioral theory shows, the growth of an organization is often covered by other theoretical areas such as management science (Schoppe et al., 1995, pp. 48-49).

A clear demarcation of the different approaches which explain growth is difficult. Therefore, a broader model of growth processes is needed. General growth literature must be screened in order to get a better overview of the phenomenon of growth. There are several different ways to structure multifaceted constructs such as growth. Complex phenomena can be hierarchically structured for example according to the Pyramid Principle by Minto (2009). Many structures were applied, evaluated and rejected during the research process. Only one attempt led to the mutually exclusive and collectively exhaustive conditions (MECE) (Rasiel, 1999). The “systems” logic of input-process-output seems to fit to the context of growth. This framework assumes that “various causal factors are interconnected” (Lumpkin et al., 2011, p. 288) and is gaining in importance in entrepreneurial science (e.g. De Massis, Di Minin, & Frattini, 2015; Röd, 2016). Therefore, the literature concerning growth is structured according to the framework input-process-output. How the framework is developed is explained in the following sub-chapter.

2.4 Derivation of Framework

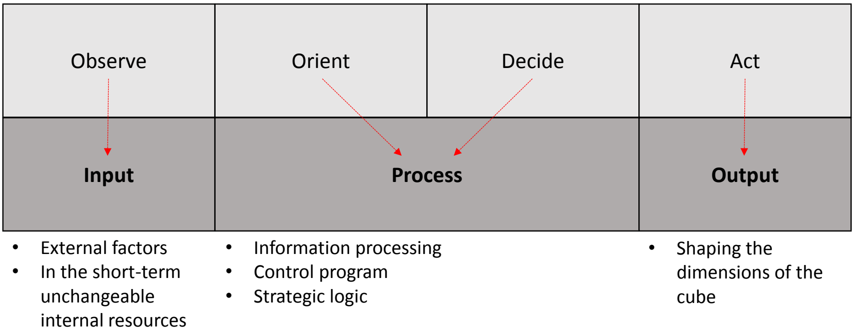
Figure 12 Decision on Framework



Source: Author's own figure

The variety of different theoretical models on growth shows the complexity of the phenomenon of growth. Each model answers different questions concerning growth. However, there is little guidance for the entrepreneur how to develop growth. The goal of this effort in hand is to develop a comprehensive model of how to achieve growth in later generations of the life cycle. In order to build such a model the literature on different components must be reviewed. What prerequisites are needed for growth and how can growth be achieved? Which boundaries constrain growth and how can growth be measured? And how can the family influence this process? The literature base on growth is huge. In order to structure this large amount of literature, a suitable framework must be found. A variety of frameworks is used to structure the literature and the data. This process is done during the analysis of the interviews and the back and forth between the collected interview and secondary data and the existing literature. At this point it seems unusual that a later developed framework is used to structure a prior literature review. However, Grounded Theory methodology includes a simultaneous process of literature review and data generation. Therefore, the framework was developed during the process of screening the literature and anylyzing the data. During this trial-and-error process, one framework seems suitable as a base for further development: The OODA-loop first developed by John Boyd[24]. Serving as American military pilot, he describes a strategic model to improve the competetive power of the organization. His strategic model comprises four components: Observe, orient, decide and act. A closer study of this model and a review of other strategic frameworks reveal certain similarities. A common and in recent times frequently used framework is structuring complex phenomena into “input”, “process”, “output” (Lumpkin et al., 2011). To determine a mutually exclusive and comprehensively exhaustive (MECE) (Minto, 2009; Rasiel, 1999) classification to the input-process-output framework, the OODA-loop is used.

Figure 13 Framework for the Literature Reviews



Source: Author’s own figure

Following the derivation of this strategic framework, input comprises the awareness of the situation. In the case of the phenomenon of growth, these input components are observable facts that determine growth. In concrete terms, these input components consist of oberservable factors which could enable growth (enablers) and on the other hand observable factors that could constrain growth (boundaries). The growth input stage is comprised of resources that enable firms’ growth, such as financial and personnel resources dedicated to growth, but also characteristics of the firm which - according to literature - influence the growth of the company.

The process component of the strategic framework is determined by orientation and decision. Orientation involves the screening of the observed facts and their processing shaped by prior experience, heuristics, analysis and traditions leading to a decision. In the context of growth, the process component is determined by orientation and decision processes on different modes and roots of growth. The process stages describe the interplay between a firm’s resources to create growth. Different modes

[24] For a detailed review of the contributions of the OODA-loop to strategy research, see Osinga (2007).

of growth and the various roots of growth proposed by the literature are explained in this context.

Engaging in “interaction with environment” (Coram, 2002, p. 344) and implementing the decision are determined by the output component. Within the literature review on growth this component is concerned with growth as a result, depicted by the operationalization and by a specially developed growth cube describing different output dimensions. In addition, different modes of measurement are discussed to measure the forms of growth, such as innovation and diversification.

Astrachan, Richards, Marchisio, and Manners (2010) emphasize the fit of the OODA-loop to business contexts and especially to the family business context. The authors argue that Boyd (1986, pp. 124-125) mentions the sigificant role of the moral bonds that tie the individuals of an organization together (Astrachan et al., 2010, p. 556). Astrachan et al. (2010, p. 556) see a fit between the systemic characteristics of family firms and the social ties. As a second fit of the OODA model to family businesses, Astrachan et al. (2010, p. 556) mention that Boyd emphasizes the central role of the survival of the system. The authors see a close match to the goals of family firms, such as transgenerational intent and the long-term orientation, all geared towards the overriding goal of survival and continuity (Astrachan et al., 2010, p. 556). Furthermore, Astrachan et al. (2010, pp. 556-557) mention that Boyd points out that an organization has to have the ability to adapt quickly to new changes; more quickly compared to the competition. Family firms have this ability as they are able to ensure fast reactivity by a strong culture (Astrachan et al., 2010). In addition, Astrachan et al. (2010, p. 558) mention that Boyd’s framework is based on the assumption that organizations follow a “higher purpose” (Boyd, 1986 cited in Astrachan et al., 2010, p. 558) and family firms value altruism, which can be seen as the higher purpose. In conclusion, applying this framework to family businesses can benefit both; the theoretical advancement and the formulation of practical implications for family businesses (Astrachan et al., 2010, p. 559).

2.5 Importance of the Literature Reviews

To review the literature on the components of growth is necessary to find potential reasons for growth spurts. This can form the basis for the development of a comprehensive theory of growth of firms.

Referring to the three components of the goal cascade of family firms displayed in sub-chapter 2.2, stability is a very well researched topic in studies on conflicts and succession etc. Concerning the profit, the intensity of the pursuit of profit can differ between company types of family firms, however, how to make profit is independent of the type of company (Kormann, 2013a). Yet, the question if to grow and how to grow is company specific. Hence, all aspects of the growth strategy must be taken into account and therefore, a literature review on all relevant growth aspects is needed.

The fairly extensive literature review serves multiple purposes:

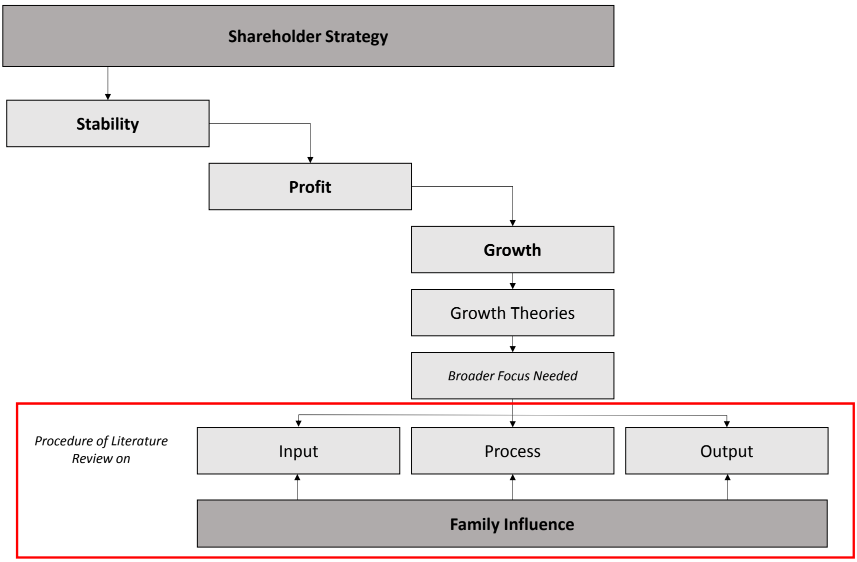
- Documenting the state of research,
- thereby identifying the research gap.
- However, this review also illustrates the various strategy parameters to be taken into account. This multitude leads to the complexity of growth strategies and the variety of growth paths.

The literature review is so large and comprehensive because it also aims to gather the suggestions for a growth strategy. Therefore, the literature review is also guided by the question "how to find growth segments".

2.6 Procedure of Literature Review

General growth theories and the necessity to build a comprehensive model of growth have been outlined. Furthermore, the importance of breaking down the phenomenon of growth into its components and a literature review on these components has been proven. Different strategic approaches were scanned in order to derive a framework for the literature review. This chapter is concerned with the description of the procedure of literature review in order to understand the different procedures of various literature reviews and to point out which types of literature reviews are used in this dissertation.

Figure 14 Placement of Literature Review on General Growth



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2.6.1 General Procedure

As the literature reviews follow a specific pattern, the different concepts summarized by Fettke (2006) will be illustrated briefely:

Fettke (2006, p. 257) and Mertens and Holzner (1992, p. 21) describe that conducting a literature review avoids duplications and the disregarding of relevant existing findings. Besides the practical advantages of a review, screening the wealth of existing literature can bring up new theoretical questions. It can be of interest whether all research on a problem arrives at similar results or whether there are significant differences, inconsistencies or even contradictions (Fettke, 2006, p. 257; Mertens & Holzner, 1992, p. 21).

To cope with the wealth of literature on growth it must be determined which type of review should be conducted. Taking up the ideas of Cooper (1988, pp. 107-112), Light and Pillemer (1984, pp. 160-173), Manten (1973, pp. 76-82) and Virgo (1971, pp. 279f.), Fettke (2006, p. 259) develops different characterizations of reviews summarized in the following table 2.

Table 2 Procedure of Literature Review

<table>
<tr><th colspan="2">Characteristic</th><th colspan="4">Category</th></tr>
<tr><td colspan="2">Type</td><td colspan="2">verbal (1, 2)</td><td colspan="2">mathematical-statistical</td></tr>
<tr><td colspan="2">Focus</td><td>research findings (1, 2)</td><td>research method</td><td>theory (1, 2)</td><td>experience</td></tr>
<tr><td rowspan="2">Goal</td><td>Formulation</td><td colspan="2">inexplicitly</td><td colspan="2">explicitly (1, 2)</td></tr>
<tr><td>Content</td><td>integration (1, 2)</td><td colspan="2">critic</td><td>central issues (1, 2)</td></tr>
<tr><td colspan="2">Perspective</td><td colspan="2">neutral (1, 2)</td><td colspan="2">position</td></tr>
<tr><td rowspan="2">Litera-ture</td><td>Selection</td><td colspan="2">inexplicitly</td><td colspan="2">explicitly (1, 2)</td></tr>
<tr><td>Scope</td><td>exhaustive</td><td>selective (1)</td><td>representative (2)</td><td>central</td></tr>
<tr><td colspan="2">Structure</td><td>historical</td><td colspan="2">thematical (1, 2)</td><td>methodical</td></tr>
<tr><td colspan="2">Audience</td><td>public</td><td>practicioners (1, 2)</td><td>general researchers</td><td>specific reseachers (1, 2)</td></tr>
<tr><td colspan="2">Further Research</td><td colspan="2">inexplicitly (1)</td><td>explicitly (2)</td><td></td></tr>
</table>

Source: Author's own table with reference to Fettke (2006, p. 259). (1) describes the characteristics of the first literature review on general growth and (2) describes the characteristics of the second literature review on the growth of family firms.

In a first step, Fettke (2006) proposes to decide whether to use *verbal* explanations and arguments or *mathematical-statistical* methods to examine the extant literature (Wolf, 1987).

In a next step, Fettke (2006) states that the focus of the review must be determined. The focus could be research findings, research methods, theories, experiences. *Research findings* essentially comprise empirical results. Focusing on *research methods* implies reviewing the research techniques used in the studies. The category *theories* includes theories themselves as well as frameworks and concepts used as theory-like artefacts. Screening the literature for its application is described by the category *experience* (Fettke, 2006).

Having set the focus of the review Fettke (2006) suggests a definition of the goal of the literature review. He distinguishes between formulating the goal and the content of the goal. The goal can be formulated *explicitly* or *inexplicitly*. The content of the goal concerns what the review is trying to accomplish with the extant literature. A review can conflate and *integrate* the findings and theories of existing literature. *Criticizing* the extant research or identifying *central issues* can be goals of the review (Fettke, 2006).

According to Fettke (2006), the reviewer should determine whether she/he[25] adopts a *neutral* or an *explicit* position. Adopting a “position” would mean reflecting on and criticizing the literature through a special theoretical lens (Fettke, 2006).

Fettke’s (2006) subsequent step is the selection and the scope of literature that has to be reviewed. It has to be mentioned whether the author *explicitly* explains and justifies which literatures is used. The scope of the literature used should be differentiated. If an author reviews all available literature concerning the chosen topic, this is called an *exhaustive* literature review. The criterion *selective* is fulfilled if the author concentrates on literature meeting special criteria. To limit the abundance of existing literature, *representative* works of homogeneously defined groups can serve as a population for the literature review. As another option, *central* works can be used to depict the current state of research on a special topic. This especially includes works that have influenced the development of the topic by introducing new thoughts or methods, developing a new framing of the question or providing a heuristic to other researchers (Cooper & Hedges, 2009, p. 6).

Having determined the selection and the scope of the literature basis, Fettke (2006) suggests three different ways to structure the review. The review can be either historically, thematically or methodically structured. A *historically* structured review describes the development of literature over time. Clustering a review according to specific topics and abstract concepts is known as a *thematically* structured review.

[25] The author of this dissertation is aware of the existence of more categories than only man or woman.

Analyzing articles with similar methodological approaches is referred to as a *methodologically* structured review.

As a penultimate step, the audience for the review has to be chosen. Fettke (2006) proposes four target groups; *public, practitioners* or *policy makers*, *general researchers* and *specific researchers*.

Fettke's (2006) last characteristic describes whether the author *explicitly* illustrates and highlights the potential for further research. This can be done by revealing gaps in the existing research and outlining suggestions for further research.

2.6.2 Characteristics of the Reviews Carried Out in this Dissertation

The evaluation of the extant literature within this dissertation is composed of two reviews. The first review is a literature review on general growth. This review is carried out in order to provide an overview of the complex phenomenon of growth. In the following, the eight steps for characterizing a review proposed by Fettke (2006) are presented for this first review.

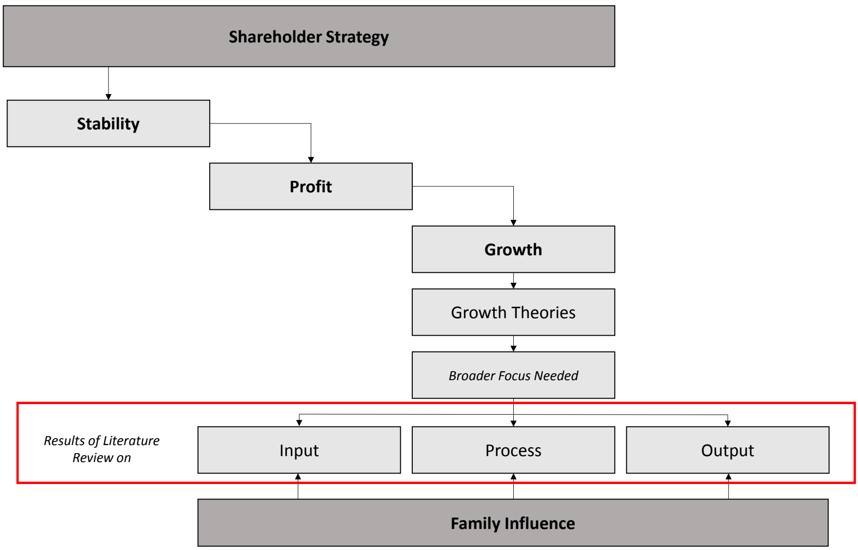
The review on general growth literature uses verbal arguments to examine the extant literature. The focus of this first review is on classifying research findings according to the input-process-output-framework. Theories used in growth research are described in sub-chapter 2.3. The goal of the first literature review is the integration of existing literature into the framework of input-process-output and the identification of central issues of the phenomenon of growth. The author adopts a neutral position within this review. It is explicitly mentioned which literature is used for the first review. The first literature is a selective review on the phenomenon of growth as the literature base on general growth is extremely large. Criteria used were determined by the experience of the researcher, the review of the qualification papers quoted above (sub-chapter 1.4) which deal with specific aspects of growth and of growth histories of various companies, and the input of the first supervisor. A huge literature review on the growth of fast growing firms (Seibold et al., 2019) has revealed similar selective criteria as those used in this review. The first literature review is thematically structured along-input-process-output. The target audience are practitioners and specific researchers on the topic of growth. Further research is not explicitly mentioned as the first literature is followed by a specific literature review on the growth of family firms.

The second review is a review that builds upon the first review by focusing on different growth critical attributes of family firms. In the following, the eight steps for characterizing a review proposed by Fettke (2006) are presented for this second review.

The review on growth critical attributes uses verbal explanations and arguments to describe the literature. Aiming for a better understanding of growth critical factors of family firms, the focus is on research findings. Besides the findings, the interest of the second review lies in the theories applied in studies dealing with the growth of family firms to determine the theoretical lenses for the empirical study in this work (subchapter 2.10.1). The explicit goal of the review in this dissertation is to summarize and integrate the central topics of growth critical literature on family business research. The author of this dissertation aims to adopt a neutral position. After decomposing the construct of growth into its various components in the first literature review (subchapter 2.7), this literature review will explicitly deal will the topics of growth critical innovation, internationalization, diversification, financial structure, M&A, entrepreneurial orientation, values and goal-setting of family firms etc. The author tries to give a representative overview of the existing literature on the mentioned topics with special focuses on their meaning for growth. The review will therefore be thematically structured. This dissertation aims to provide results for the family business research community (specific researchers), as well as practitioners such as CEOs, family business owners and their family members. Concluding the review, research gaps are highlighted in order to incorporate the gaps into the empirical design of this dissertation.

2.7 Results of Literature Review on Growth of Enterprises

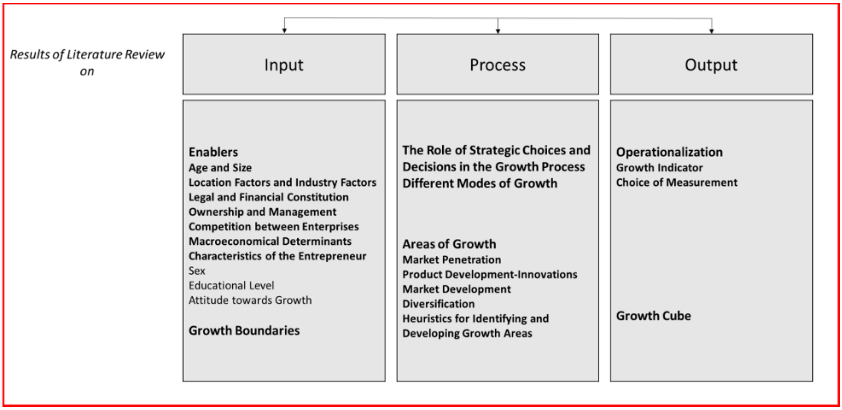
Figure 15 Results of Literature Review on Growth of Enterprises



Source: Author's own figure

The literature further reviewed has been chosen in order to provide an overview of the construct of growth. Describing enablers and growth boundaries should help to understand which input factors can play role. The different modes and roots of growth are presented to provide understanding where growth can technically come from. The output stage describes the different operationalizations of growth and their determinants. Sub-chapter 2.7 is designed to give a general overview of the construct of growth and to provide insights into the mechanisms leading to growth. Sub-chapter 2.10 provides the deepening of the literature basis with a special literature review on growth critical attributes of family firms as a special unit of analysis.

Figure 16 Classification of the Results of the Literature Review on General Growth



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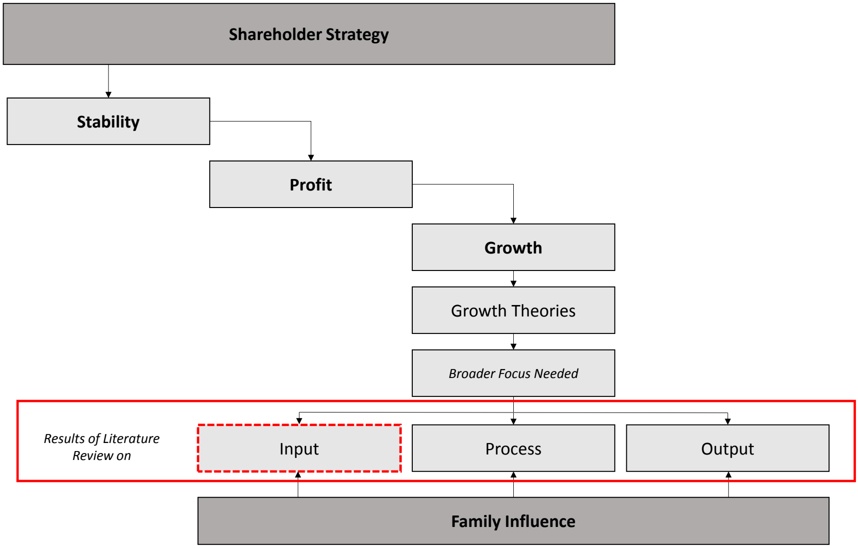
2.7.1 Input Factors

Figure 17 Input Factors of Literature Review on General Growth of Enterprises



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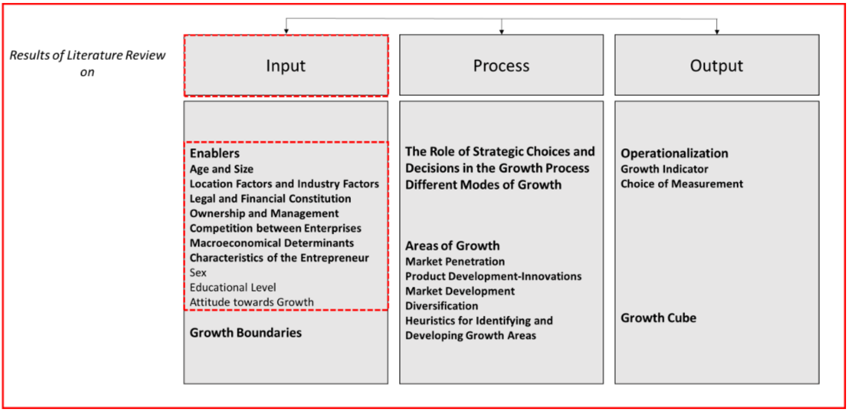
The literature distinguishes between internal and external determinants of company growth (Davidsson, Achtenhagen, & Naldi, 2005). There is disagreement among researchers as to what determines a factor to be "internal" or "external". Some factors have manifestations that could be accounted for as internal as well as external. One example is the classification of "opportunities". Some researchers describe opportunities as external factors (Davidsson, 1989, 1991), such as environmental opportunities, others classify them as internal factors (Davidsson, 2003, 2004). Keeping in mind that not all determinants could be clearly classified, this dissertation does not distinguish between external and internal determinants of growth, but rather between enablers and growth boundaries. Eventually it does not matter that much if a good opportunity is internal or external in origin. The profits of this opportunity are internal anyway. For the research question of this dissertation, the differentiation between enablers and boundaries seems to be more relevant. Enablers are prerequisites such as age, size or industry specific factors as they are all observable factors (sub-chapter 2.4). Furthermore, literature shows that the characteristics of the entrepreneur play an important role as enablers of growth. Growth boundaries are named as input factors, as they can constrain the growth from the beginning.

2.7.1.1 Enablers

According to the literature, there are some prerequisites of firms that influence growth. They comprise age and size, location and industry factors, legal and financial constitution, ownership and management, competition, macroenconomical determinants and characteristics of the entrepreneur.

Figure 18 Input Factors: Enablers



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2.7.1.1.1 Age and Size

It is obvious that the growth of living and social systems is a time-dependent process. The older a firm becomes the larger it can grow. Certainly the historical development shows that also shrinking is possible – specifically due to macroeconomical influences, such as the crisis after the Second World War. However, most of the surviving companies were able to come back to their pre-war-size. Thus, even with such disruptions the time available for growth is of essence.

The interest of this dissertation is, however, not on size in general but on the ability to grow in a certain time span. Therefore, this work is focused on the relative increase in growth, the growth rate. This actual growth rate reflects the current influence of factors, whereas the absolute size might be based on historical achievements.

Many studies suggest that there are decreasing growth rates with rising age (Evans, 1987a; Jovanovic, 1982; Park, Shin, & Kim, 2010). Numerous studies empirically prove this inversely related relationship between age and growth rates for different countries (Almus & Nerlinger, 1999; Glancey, 1998; Wagner, 1992; Wijewardena & Tibbits, 1999). Seibold (2017a) finds that some family firms show increasing growth rates and growth spurts in later generations of the life cycle. The dissertation is built on the ambiguous results of age and growth, trying to explain why some firms do not face decreasing growth rates while aging.

As mentioned in sub-chapter 2.3.2, in this dissertation the liability of newness and smallness, which implies that small and young firms need to grow faster to achieve certain minimum efficient size (Almus & Nelinger, 1999) is excluded by restrictions on the sample. Therefore, the companies for the sample must fulfill the following characteristics:

- At least at the end of second generation (minimum 50 years old)[26]
- Sales over EUR 2 billion in 2015.[27]

2.7.1.1.2 Location Factors and Industry Factors

According to Storey (1994), location factors can play an important role in the growth process. Operating in a slim market or a resource scarce area slows growth in comparison to firms which operate in rising markets and with sufficient resources. This is empirically proven for different countries (e.g. Almus & Nerlinger, 1999). The study by McPherson (1996) concludes that enterprises in South Africa grow faster than firms in other African countries do. This finding is supported by the multitude of different country studies.

Location factors are closely linked to industry factors, as firms in the same industry tend to appear in the same area. This is mostly the case for high-tech firms (Davidsson, Kirchhoff, Hatemi-J, & Gustavsson, 2002) such as in Silicon Valley.

There is evidence of different growth rates for different industry sectors, such as service, manufacturing and retail (Almus & Nellinger, 1999; Wagner, 1992). Considering globalized and large firms which operate in different countries and are diversified in different industry sectors, an industry specific classification is difficult to achieve (Davidsson et al., 2002). However, changes in an industry sector can lead to growth especially in technology intensive industries and these changes are observable (Davidsson et al., 2002).

The companies in this dissertation are sampled across industries and operate as multinational companies and therefore the effect of location and industry is diminished. However, changes in industry sector or location are considered.

2.7.1.1.3 Legal and Financial Constitution

Most researchers suggest that the legal form of limited liability is positively related to growth (Davidsson et al., 2002). The reason for this is that this legal form provides a reduced risk for the entrepreneur or manager. This applies to the USA and the UK with partnerships and limited or public limited companies (PLC). For Germany, this

[26] The duration of one generation is assumend to be 30 years. Therefore, the age minimum of 50 years would imply the end of the second generation.
[27] As the dissertation started in February 2016, these were the latest available figures.

differentiation is less revelant as the GmbH & Co. KG combines the partnership with the limited liability of all partners. This fact can lead to the undertaking of riskier projects to achieve a higher growth rate[28] (Almus, Engel, & Nerlinger, 1999; Harhoff & Stahl, 1995; Harhoff et al., 1998; Stiglitz & Weiss, 1981). Davidsson et al. (2002) note that Storey (1994) states that the legal form of limited liability moreover provides greater opportunities to build the equity capital necessary for growth. Furthermore, a change in the legal form could be a sign of the rising growth aspirations of the entrepreneur or manager (Davidsson et al., 2002). In some cases a change of the legal form is necessary as the firm grows and the complexity rises (Davidsson et al., 2002). Some researchers name the change from private to listed company as an enabler of growth (e.g. Dailey, Reuschling, & Demong, 1977; Mazzola & Marchisio, 2002). An often-mentioned shortcoming of family firms is the limited fundraising (Kormann, 2017a, pp. 94-95). Non-family equity partners can compensate this, or capital-market oriented solutions (market bonds) where the regulations are similar to those of the stock-listed companies can be raised.

2.7.1.1.4 Ownership and Management

The relationship between ownership and management is especially important in the case of family firms. Ownership is a crucial determinant of growth, especially in small firms where the behavior of the firm is largely determined by the behavior and attitude of the founder (Storey, 1994). The fear of the founder of unmanageable complexity can lead to the discontinuation of growth after reaching a critical size. These critical thresholds depend largely on the industry sector (for the critical thresholds e.g. Albach, 1976; Albach, Bock, & Warnke, 1985; Almus & Nerlinger, 1999; Audretsch, 1995; Scherer & Ross, 1980). It can be derived that owner-controlled firms grow at slower rates (Hay & Kamshad, 1994), although Radice (1971) and Holl (1975) could not find any hints for slower growth rates of owner-controlled firms in their examination of large UK companies. The fear of overwhelming complexity can also be true for professional managers or owner-managers in large businesses (Davidsson et al., 2002).

The above-mentioned findings must be treated with caution, as in the context of family businesses it is challenging to clearly distinguish between the different operationalizations of the term “owner-controlled”, as outlined in sub-chapter 2.9.2.

2.7.1.1.5 Competition between Enterprises

Coad (2009, pp. 86-88) argues from a game theorist perspective[29] that the entrance of a new player into the market is a one-on-one strategic game. The entrant takes market shares from the existing market participants (Coad, 2009, p. 86). A counter strategy would be that the existing market participants increase their production capacities (Coad, 2009, p. 86) which hinders the entrant from entering the market (Coad, 2009, p. 86). Coad (2009, p. 86) mentions a study by Caves and Porter (1977) which describe

[28] For the theory of risk and return, see Schmidt and Terberger (1997).
[29] For a general introduction to and specialization of Game Theory, see Fudenberg and Tirole (1991).

a more real world situation by emphasizing the different strategic orientations of small and large companies which do not operate in direct competition (Audretsch, Prince, & Thurik, 1999). In addition, Coad (2009, p. 86) outlines that Wiklund (2007) states that small firms do not compete with larger enterprises over market shares; they grow through increasing demand in their niche.

2.7.1.1.6 Macroeconomical Determinants

Within classical and neoclassical price theory, an enterprise is seen as a reactor to changes in market conditions (Goronzy & Gray, 1974). Young (1961) summarizes four categories of origins of external stimuli which could provide the opportunity for the growth of the enterprise: Technological, economic, political and social changes.

Young (1961) finds a positive correlation between the growth rate and the technological orientation of products. Technological changes can occur as own innovations through research and development programs. These can be considered an internal determinant of enterprises' growth or an external factor if the technological improvement or innovation is established by another company. The technological change can enable new use of products or the opening of new markets. Additionally, new technology can discover untouched needs which are prerequisites for new product innovations. Furthermore, "technology breeds on technology" (Young, 1961, p. 56). Technology produces new products, and as the scope and complexity of these products increase, new technologies and products are needed to support them (Young, 1961).

Social changes, such as demographic issues, rising educational level and new claims on work-life-balance influence, as well as flat hierarchies, all determine the environment of an enterprise (Young, 1961).

Operating in a global environment, economic aspects such as differences in labor costs, increasing incomes and multinational competition influence the operations of companies (Young, 1961).

Strongly tied to the economic aspects, are the political aspects which shape the economy by introducing business regulations and infrastructure (Young, 1961).

It is known from management theories that growth is a result of a decision process (Schoppe et. al., 1995, pp. 48-49), therefore, behavioristic elements must be considered as enablers of growth.

2.7.1.1.7 Characteristics of the Entrepreneur

Considering the behavioral theories of firms and the theory by Penrose, the management is a crucial factor of companies' growth. There are specific characteristics of entrepreneurs or managers which can be connected to growth. These characteristics will be discussed below.

2.7.1.1.7.1 Sex

Studies on the sex of the executive or founder have attracted much attention in management and organizational research (Coad, 2009, p. 89).

Coad (2009, p. 89) summarizes that enterprises with female executives tend to have slower growth rates. He mentions that a variety of studies has been carried out in developing countries (e.g. Catley & Hamilton, 1998; Coad & Tamvada, 2008; Singh, Reynolds, & Muhammad, 2001) and women tend to operate in lower growth industries (Mead & Liedholm, 1998). These results must be treated in a cautious way as the slow growth rate could also be attributed to the specific research context of developing countries. Mature industries with slow growth rates, such as textile and clothing, are a prime target for transfer from high-cost, developed countries to less developed regions.

Coad (2009, p.89) emphasizes two potential reasons for these findings in developing countries. One is the less aspiring opinion towards growth of female business leaders in established enterprises (Robson & Obeng, 2008). The other could be the risk aversion of female executives due to their local and family responsibilities (Mead & Liedholm, 1998).

2.7.1.1.7.2 Educational Level

Coad (2009, pp. 88-89) emphasizes that the educational level can influence the growth of enterprises in manifold ways: On the one hand, a positive impact on firms' growth can be found in the case of fast growing German firms (Almus, 2002). On the other hand, Robson and Bennet (2000) do not find a significant influence of educational factors on growth.

Focusing research on developing countries, the educational level plays an important role (Coad, 2009, pp. 88-89). Coad (2009, pp. 88-89) outlines that research on small enterprises in developing countries has revealed a significant positive effect of education on growth (McPherson, 1996; Robson & Obeng, 2008).

According to Coad (2009, pp. 88-89) the educational level is also included in studies dealing with growth aspirations of entrepreneurs (Wiklund, 2007; Wiklund & Shepherd, 2003). They find that education and experience support the executive to execute his/her plans for growth (Coad, 2009, p. 89).

2.7.1.1.7.3 Attitude towards Growth

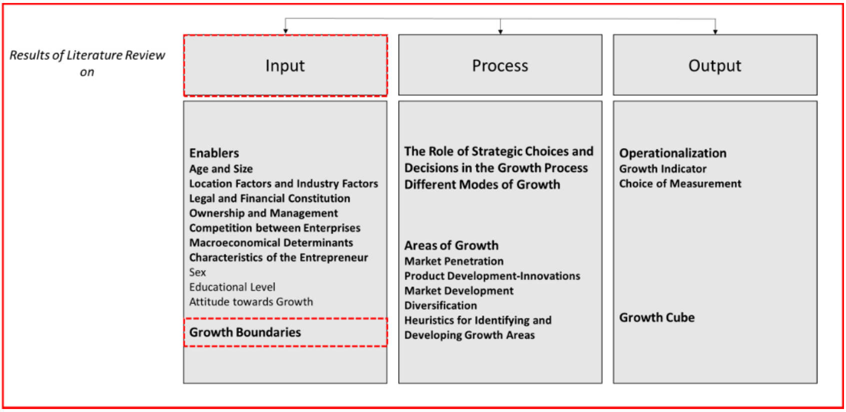
Keeping in mind the attitude-behavior consistency (Foxall, 1984), the attitude towards growth of the individuals in charge can be a crucial determinant of the actual growth of a business.

Wiklund, Davidsson, and Delmar (2003) test small business managers' attitude towards growth and the expected consequences. For the determination of the overall attitude towards growth, the results suggest that noneconomic concerns could be more important than financial outcomes. Davidsson's (1989) finding draws a slightly different picture. For 60% of his sample, expectations of financial rewards and increasing independence are the most important motivators for growth. An asymmetric finding within this study is that the loss of control seems to have a negative effect on the willingness to grow, but a gain in control is not associated with a higher willingness to grow.

Having outlined what enables growth as input factors, the constraints that can appear as input factors should now be examined.

2.7.1.2 Growth Boundaries

Figure 19 Input Factors: Growth Boundaries



Source: Author's own figure

Drawing on biology the question of the maximum and minimum size of enterprises arises (Teune, 1988, p. 51). Therefore, growth has to have some boundaries, just as every natural system has. This seems intuitive but the literature on growth boundaries on a microeconomic level is limited. Boundaries imposed by the availability of financial and human resources are usually associated with limits to corporate growth. The demands on financial capacity and human capital increase with growth. Challenges of increasing complexity can also be attributed to scarce human and financial resources, as these inputs can offer a complexity reducing structure. Growing competition, maturing markets, changing technology and globalization are boundaries which can be attributed to the limiting financial and human resources. Sufficient human and financial resources are means to counter competition, maturing markets, changing technology and globalization.

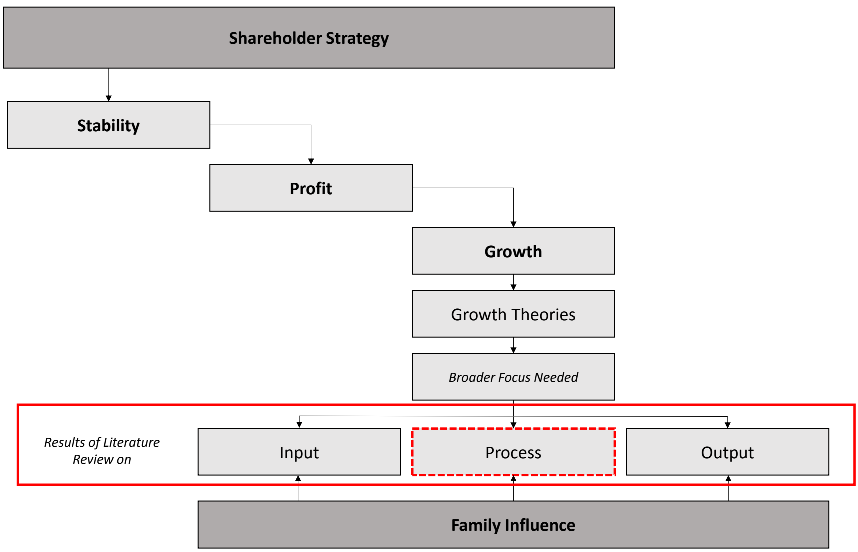
Especially in literature aimed at practitioners, the definition of corporate boundaries as an important step in expansion strategy is emphasized (Zook, 2004; Zook & Allen, 2010). The definition of boundaries also plays an important part in the "Theory of

Constraints" by Eliyahu M. Goldratt. This theory started with a scheduling software to optimize production timetables in 1979 (Goldratt & Cox, 1984; Watson, Blackstone, & Gardiner, 2007). Nowadays, the Theory of Constraints is a widely applied and discussed theory in the field of management (Watson et al., 2007). Goldratt (1990) describes the Theory of Constraints as thought processes and methods for improving the performance of the company: The Theory of Constraints is based on the insight of systems theory that the throughput/performance of a system, in this case the company's performance, is determined exclusively by a limiting factor. The important steps are formulating the goals of the company, identifying the constraints and ranking them according to their importance for the goal. Afterwards, one has to decide how to exploit the system's constraints and try to limit the impact of the constraint. This process is repeated for every constraint and is ongoing as new constraints will arise during the process (Goldratt, 1990).

2.7.2 Process

The process stage describes the interplay between firms' resources to create growth. Different modes of growth and the various roots of growth proposed by the literature are explained in this context.

Figure 20 Process Factors of Literature Review on General Growth of Enterprises



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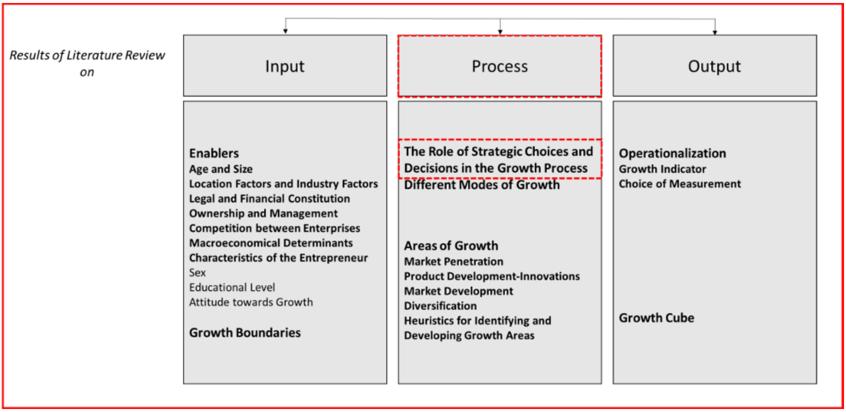
2.7.2.1 The Role of Strategic Choices and Decisions in the Growth Process

Figure 21 Process Factors: The Role of Strategic Choices and Decisions in the Growth Process



Source: Author's own figure

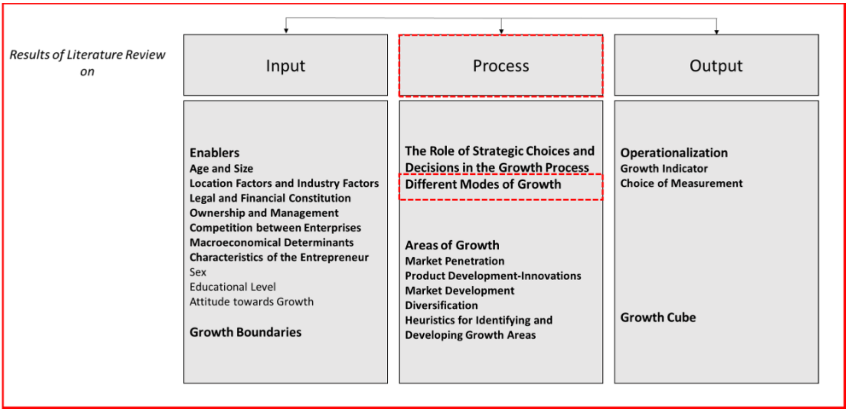
Geyer (2016, p. 49) states that numerous studies in organizational theory and strategic management literature emphasize strategic choices and decisions concerning enterprises' growth as a critical factor determining variations in the growth process of firms (e.g. Certo, Lester, Dalton, & Dalton, 2006; Davidsson & Wiklund, 2013; Hambrick, 2007; Hambrick & Mason, 1984; Wiklund, Patzelt, & Shepherd, 2009).

The central role of the key decision makers is based on the growth theory by Penrose. This theory highlights managerial capacity as the necessary determinant of the growth performance of the firm (Penrose, 1995). Geyer (2016, pp. 52-53) mentions that besides the collective influence of the top management team on corporate decisions concerning growth (Finkelstein, Hambrick, & Cannella, 2009; Hambrick, 2007; Hambrick & Mason, 1984), organizational growth researchers emphasize the key role of the individual in charge of the growth of the organization (Davidsson, 1989, 1991; Kolvereid, 1992; Stenholm, 2011; Wiklund, Davidsson, & Delmar, 2003; Wiklund & Shepherd, 2003). Geyer (2016, p. 53) states that the position of the CEO is seen as one of the most influencing and powerful roles in the corporate decision-making process (Baum, Locke, & Smith, 2001; Child, 1972; Combs, Ketchen, Perryman, & Donahue, 2007; Daily & Johnson, 1997; Gómez-Mejía, Cruz, Berrone, & De Castro, 2011; Hambrick & Mason, 1984). Geyer (2016) follows the Upper Echelon Theory (Hambrick & Mason, 1984), which suggests that organizational performance, e.g. growth, is partially influenced by the background characteristics of the members of the top management team, the organizational situation and the influences on the personality resulting from the social environment, such as peer group recognition of the chief executive officer, all of which play an important role in the decision-making process

(Cannella, 2001; Hambrick, 2007). Geyer (2016) mentions that individual characteristics are difficult to operationalize and can be inconsistent across various studies (Fishbein & Ajzen, 2010), therefore, this dissertation follows Geyer's (2016) suggestion and includes personal attitudes and observable characteristics, such as age and professional experience, into the analysis.

2.7.2.2 Different Modes of Growth

Figure 22 Process Factors: Different Modes of Growth



Source: Author's own figure

Advancing firms' growth research, McKelvie and Wiklund (2010) point out that the focus of growth research should shift from "how much" to "how" does a company grow to qualitatively explain how firms achieve this growth. The researcher has to be aware of the difference between acquired growth and organic growth (Davidsson & Wiklund, 2000, p. 41). A missing differentiation can cause tremendous differences in the outcomes (Davidsson & Delmar, 1997). Shepherd and Wiklund (2009) found out that over 80 articles in important journals try to explain the differences in growth of firms without considering the qualitative site of growth - the different paths of growth. Coad (2009, pp. 124-125) differentiates between internal and external growth, summarizing the fields of application:

Coad (2009) states that organic growth, often called internal growth, is usually associated with innovations and product improvements. Organic growth is used to diversify when there is a strong relationship (synergies) between the existing products or services and the potential ones (Coad, 2009, p. 124). Coad (2009, pp. 124-125) states that organic growth is needed if there is no appropriate acquisition object. If time is not a crucial factor, internal growth is a way of developing and integrating new capabilities (Coad, 2009, pp. 124-125).

Coad (2009, pp. 124-125) states that anorganic growth, often called external growth, in form of acquisitions is a preferable option if new resources are needed quickly. Furthermore, he outlines that acquisitions can be a helpful strategic decision if the market entry barriers are high and no strong synergies are expected to arise from the new activity. Acquisitions are the first step to externally inject new capabilities into the organization. The implementation of the new activities and resources is a subsequent, challenging task for the organization. Successfully implemented acquisitions can bring new knowledge into the enterprise that can then be transformed into new routes to expansion. Besides the cost of the implementation and the acquired enterprise itself, usually a premium has to be paid by the acquirer (Dombret, Mager, & Reinschmidt, 2008; Rossi & Volpin, 2004). Coad (2009, p. 125) cites a study by Mueller (1969) who has found that the premium is about 10-30% above the stock price. Coad (2009, p. 125) mentions another finding by Sheifer and Vishy (1997, p. 747) who observe managerial objectives of acquisitions which could be in "their own interests" instead of the organizational ones (Mueller, 1969).

Müller (2015) states that Mergers and Acquisitions (M&A) are a popular tool in corporate (expansion) strategy. The term M&A covers the strategically induced acquisition or merger of companies or parts of companies and their subsequent integration. There are manifold reasons for a firm to engage in M&A on a macroeconomical and a company-specific level (Müller, 2015).

From a macroeconomical perspective, M&A can be interpreted as the reallocation of specific resources on a selected goods market, where companies are both bought and sold (Müller, 2015). Müller (2015) states that assuming an "invisible" market mechanism (Smith, 1796)[30], M&A can be seen as an efficient optimum-creating instrument (Lucks & Meckl, 2002). Müller (2015) mentions that oligopoly and monopolies arise when the market mechanism does not function (Mueller, 1995). Müller (2015) states that taking a macroeconomical perspective, M&A can lead to market consolidation and to an efficient use of capital, but if the consolidation leads to limitations of the open competition, the whole macroeconomy can be weakened and political counteractive actions will be necessary (Jacquemin & Jong, 1977 cited from Hinne, 2008, p. 32).

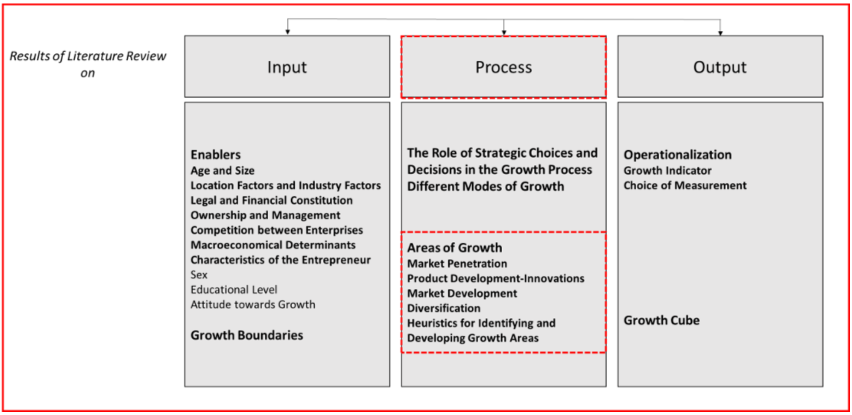
On a company-specific level the reasons and motives of M&A are of interest to better understand the significance of M&A in corporate growth strategy. Müller (2015) states

[30] The term "invisible hand" was introduced by Adam Smith. He uses the term on three different occasions. The first use was the "invisible" hand of Jupiter to clarify the occurrence of natural phenomenona such as thunderstorms etc. (Smith, 1980 cited in Rothschild, 1994). The second use of an "invisible hand" is mentioned in Smith's book *"The Theory of Moral Sentiments"* (1759), describing an invisible hand that makes rich people allocate their wealth to poor people (Smith, 1976b cited in Rothschild, 1994). The third and most popular use is the description of an "invisible hand" in his book *"Wealth of Nations"* (1776), dealing with international trade, arguing against import restrictions (Smith, 1976a cited in Rothschild, 1994). In this work the term "invisible hand" is used in the sense of the third meaning. For a further consideration of the history of "invisible hand" see Harrison (2011).

that the main goals associated with M&A within growth strategy are diversification, optimization of portfolio, increase in market share, access to new resources, opening up of new distribution channels, exploitation of synergy potentials and occupation of niche or growth market (Eiben, 2007; Halpern, 1983; Jensen & Ruback, 1983; Metz, 2002). Besides the strategic goals, Müller (2015) mentions operative goals of M&A from a buyer's perspective: Sales and profit growth, increase in cost efficiency and cost synergies, optimization of the product and service portfolio, transfer of technology and access to human capital or management resources. In addition to these operative goals, Müller (2015) mentions some personal motives of the manager or owner of the company, such as striving for size. The study by Iyer and Miller (2008) emphasizes the role of personal aspirations within the acquisition process. Behavioral motives depend on the ownership structure influencing the goal setting (Desender, Aguilera, Crespi & Garcia-Cestona, 2013). This finding even holds for publicly traded companies (Thomsen & Pedersen, 2000).

2.7.2.3 Areas of Growth

Figure 23 Process Factors: Areas of Growth



Source: Author's own figure

"The Red Queen said, 'Now, here, it takes all the running you can do to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!'" (Carroll, 1941, p. 41), Ansoff (1957, p. 113) starts his article on product-market strategies to realize growth with this quote. The quote is also true for nearly all developed economies. He explains that if a company wants to retain its relative position, it has to adapt and grow continually. By growing up to twice as fast as the competitors, an improvement of the market position can be achieved (Seibold et al., 2019)[31]. The following figure (fig. 24) depicts which alternatives a company has to pursue growth. The specific circumstances of a company, which can be changing over time, influence the decisions on which path to growth to follow at a certain stage of a company's development (Ansoff, 1957).

Figure 24 Roots to Growth

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Source: Author's own figure adapted from Ansoff (1957, p. 114).

2.7.2.3.1 Market Penetration

"Market penetration is an effort to increase company sales without departing from an original product-market strategy. The company seeks to improve business performance either by increasing the volume of sales to its present customers or by finding new customers for present products" (Ansoff, 1957, p. 114). Market penetration can be distinguished into slow and fast penetration (Kotler, 1982, p. 305): A fast market penetration is characterized by low prices and a high sales promotion budget. This strategy tends to generate the fastest market penetration rate and the highest market share for the company. In contrast to fast market penetration, slow market penetration is characterized by high prices and a low sales promotion budget (Kotler, 1982, pp. 305-306).

Increasing the market share is not only a way to growth but also positively influences the profit (e.g. RoI and RoS) (Buzzell, Gale, & Gale, 1987)[32]. The main reason for the positive influence of the relative market share is the economies of scale (see sub-chapter 2.3.4): The higher the market share, the larger the production volume and the

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[31] Seibold et al. (2019) introduce the Seibold-Lantelme-Kormann (SLK)-formula for an achievable growth corridor.
[32] Linking strategy and performance is the PIMS (Profit Impact of Market Strategy)-Study, first initiated in 1972 "for the specific purpose of determining how key dimensions of strategy affect profitability and growth" (Buzzell, Gale, & Gale, 1987, p. vii).

lower the unit costs; this can also be explained by the experience curve. Moreover, as the market share increases, so does the power on the suppliers, which means that better conditions can be achieved.

There are empirical observations leading to rules for the distribution of market shares. One of the most prominent and influential rules is the "Rule of Three and Four" by Bruce D. Henderson (1976). He states that "a stable competitive market never has more than three significant competitors[33], the largest of which has no more than four times the market share of the smallest." (Henderson, 1976, p. 31).

Porter (2008) developed this strategic logic concerning market shares to one of the most accepted strategy patterns.

2.7.2.3.2 Product Development: Innovations

Ansoff (1957, p. 114) describes that "a product development strategy on the other hand, retains the present mission and develops products that have new and different characteristics such as will improve the performance of the mission" .

Coad (2009, p. 77) states that creating products with new and different characteristics is known as innovation. Many authors (e.g. Carden, Mendonca, & Shavers, 2005, p. 25; Hay & Kamshad, 1994) emphasize the centrality of innovation in the expansion process of enterprises. Coad (2009, p. 77) notes that innovation plays a key role in growth of sales (Aghion & Howitt, 1992; Geroski, 2000, 2005; Klette & Griliches, 2000; Nelson & Winter, 1982). According to Coad (2009, p. 77) the explicit linkage of innovation and sales growth is difficult on a theoretical and empirical level (Cefis & Orsenigo, 2001). Coad (2009, pp. 76-83) summarizes that some studies find a positive relationship between innovation and growth[34] (e.g. Geroski & Machin, 1992; Geroski & Toker, 1996), other studies suggest a negative relationship (Coad & Rao, 2008; Grabowski, Vernon, & DiMasi, 2002). One major difficulty in the relationship between innovation and growth is the time which is needed to see the effect of the innovation in the firm's performance (Coad, 2009, p. 77). Achieving the market readiness of a product is time-consuming, uncertain and costly (Coad, 2009, p. 77). To acknowledge the influence of innovation on employment growth, different studies should be done as employees are input factors, whereas growth is an output factor (Coad, 2009, p. 83). Coad (2009, p. 83) explains that there is theoretical evidence for a strong relationship between innovation and growth, while on an empirical level it can be shown that the effect is not strong. He attributes this to the fact that for an average-growing enterprise, innovation is not that important. Yet, for fast growing firms, innovation is a key element of growth (Coad, 2009).[35]

[33] He considers any competitor with less than one quarter of the market share of the largest competitor not an effective competitor (Henderson, 1976, p. 31).
[34] For a small literature review on the relationship between growth and innovation, see Coad (2009).
[35] For further reading on innovation management in businesses, see Hauschildt (2004).

Innovations could have two aims; one the one hand the renewal of technology which does not necessarily lead to growth or on the other hand the development of products for requirements not yet covered by existing products which could lead to growth. Innovations are the new mantra in strategy theory, overtaking the market share doctrine of the 70s and 80s.

2.7.2.3.3 Market Development

“Market development is a strategy in which the company attempts to adapt its present product line (generally with some modification in the product characteristics) to new missions” (Ansoff, 1957, p. 114).

The expansion of the national boundaries into new geographical markets is one form of market development, as is the development of new market segments.

New Market Segments

Adapting a product to a new market segment is one way to achieve growth. For example, adapting an airplane to cargo issues and selling it to logistic firms can be seen as a form of entering into a new market segment (Ansoff, 1957, p. 114).

Internationalization

Coad (2009, pp. 126-128) summarizes different modes of internationalization: One of the most basic modes of internationalization is to introduce existing products into new geographical markets (market development). Enterprises can cooperate with a distributer who is already established in the foreign market. By this means enterprises can gain new knowledge and resources from their partners, but the challenge of principal-agent conflict can arise in this kind of relationship. Furthermore, it is challenging to meet the foreign market demands by exporting existing products and not considering the country specific preferences. Forming strategic alliances or joint ventures can help to mitigate the principal-agent challenges (sub-chapter 2.10.1.2) (Coad, 2009, pp. 126-128).

According to Coad (2009, pp. 126-127) another mode of internationalization is foreign direct investment in the form of building one’s own production facility/service center or an acquisition. This strategic decision offers the firm the possibility to independently choose a location due to labor costs and synergies with existing resources. One disadvantage is the missing experience and distribution channels of the partner. Small firms may not be able to afford the additional staff and the funding for such a foreign direct investment (Coad, 2009, pp. 126-127).

Coad (2009, p. 127) mentions that uncertainty resulting from missing knowledge of the new market is a crucial factor in the process of firms’ internationalization. Some researchers regard the process of internationalization as an ongoing learning opportunity. Firms gain experience from exporting and building up their geographical expansion (Coad, 2009, p. 127).

For firms which operate in a niche market, an early internationalization is of more importance, as they are facing unsatisfactory demand from their national market. From these observations, as Coad (2009, p. 127) mentions, "a new stream of literature on international entrepreneurship" has developed (Autio, Sapienza, & Almeida, 2000; Jones & Coviello, 2005; McDougall, Shane, & Oviatt, 1994; Oviatt & McDougall, 1994; Sapienza, Autio, George, & Zahra, 2006; Zahra & George, 2002).

Coad (2009, p. 128) outlines the advantages small firms have in the internationalization process compared to larger and old companies: Small firms tend to have a faster learning experience and can profit from their home-grown advantages which they can leverage in new geographical markets (Kuemmerle, 2002). Coad (2009, p. 128) describes older firms as tentatively more inert and gridlocked in exploiting existing capabilities instead of being more flexible and more willing to use knowledge achieved from internationalization processes to further develop their core competencies, as SME's can do.

Two often discussed models of internationalization are the "Uppsala Model" by Johanson and Vahlne (1997, 2009) and the "POM Model" (Finnish product, operation mode and market) (Welch & Luostarinen; 1988). Both models explain how firms successively expand their international activities. Businesses follow temporal and local patterns to internationalize.

2.7.2.3.4 Diversification

In his famous quote „*It is the part of a wise man to keep himself today for tomorrow, and not venture all his eggs in one basket*" De Cervantes (1605) outlines the importance of diversification for personal behavior and action. Ramanujam and Varadarajan (1989) acknowledge that Ansoff (1957, 1958) was the first author to discuss diversification as a strategy in the field of management, followed by the work by Chandler (1962) and Gort (1962). Ansoff (1957) describes the path of diversification as the most difficult strategy to grow, as a break up with familiar traditions and patterns is needed.

The term diversification is not clearly defined (Ramanujam & Varadarajan, 1989). Ramanujam and Varadarajan (1989, p. 525) define diversification "as the entry of a firm or a business unit into new lines of activity, either by processes of internal business development or acquisition, which entails changes in its administrative structure, systems and other management processes". There are different directions of diversification: Related and unrelated diversification.

Ebers (2007) outlines that related diversification can be done horizontally, which means at the same value creation stage, or vertically, which means at the upstream or downstream value-added stage. Unrelated diversification, also known as lateral or conglomerate diversification, is characterized by no interrelationships between the existing and new product and service programs of a company (Ebers, 2007).

The direction of diversification chosen by the company is mostly motivated by the reason to diversify. Dowling (2004) describes three motivations of diversification: Synergies, distribution of risk and growth.

To leverage synergies, related diversification can be suitable (Dowling, 2004). For the distribution of risks, the unrelated diversification is favorable (Dowling, 2004). Growth issues can be approached by both forms of diversification (Dowling, 2004).

Chen and Yu (2012, p. 521) mention the model by Chang (1992) who explains that badly performing companies are more willing to engage in unrelated activities as the performance gains within one industry/market are limited (Bowman, 1982). Referring to Jensen (1986) and Mueller (1972), Chen and Yu (2012, p. 521) describe that managers of mature firms (those that have more earnings to spend than they can profitable reinvest) pursue their self-interest perspective[36] by engaging in unrelated diversification for personal reasons (Shleifer & Vishny, 1989).

Schoppe et al. (1995, p.84), drawing on merger theory (Amihud & Lev, 1981), emphasize the reduction of the risk of the entrepreneur or manager as a growth and diversification motive. The expansion in new markets with totally new products (conglomerate acquisition) leads to risk spreading as long as there is a low positive correlation with the profit performance of the new business areas (Schoppe et al., 1995, p. 85). The risk reduction can also be observed when doing a conglomerate diversification without an acquisition, by growing organically. Arguing from a modern theoretical point of view, where the position of owner and manager can be separated, conglomerate diversification is not necessary to split risk (Schoppe et al., 1995, p. 85). An owner-manager can diversify his/her risk by investing in different projects outside the core company (Schoppe et al., 1995, p. 85).[37]

Chen and Yu (2012, p. 518) acknowledge that besides value creation in the form of "economies of scope, financial economies, or market power (Barney, 1991; Bettis, 1981; Montgomery, 1985; Prahalad & Hamel, 1990)" diversification can create complexity leading to communication issues, information asymmetries and therefore to increasing costs (Denis, Denis, & Yost, 2002; Harris, Kriebel, & Raviv, 1982).

Chen and Yu (2012, p. 518) state that businesses with unrelated diversification strategies show better performance than firms with related diversification. Furthermore, they find that for their sample of emerging market firms, diversification is not related to mid-performance but to short-term performance. Ebers (2007) mentions that the success[38] of companies increases with the degree of diversification

[36] Rooted in Agency Theory (e.g. Perrow, 1986).
[37] See Schoppe et al. (1995, p. 85) for this phenomenon in public firms in which investors can diversify their personal risk by investing in different stocks and creating a diversified portfolio.
[38] Ebers (2007) does not define what success means within this study.

but that with rising disparity of divisions, the success decreases again (Palich, Cardinal, & Miller, 2000).

2.7.2.3.5 Heuristics for Identifying and Developing Growth Areas

In addition to the discussed strategies to find growth areas, there are various tools to identify and develop growth areas:

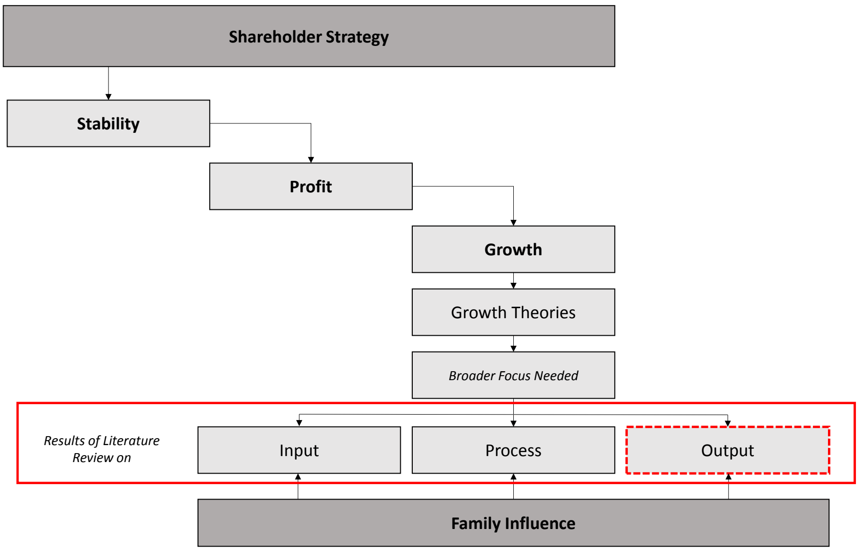
- Creativity techniques
- Oppertunity recognition
- Blue Ocean technique for differentiation patterns (Kim & Mauborgne, 2015)
- Design Thinking (Brown, 2009; Laloux, 2014)

However, there is no "growth theory" incorporating such tools into a systematic approach. Which tool is needed for which phase of growth development? And how to implement those tools?

An interesting finding is that the interview partners offer insights into their approaches to create growth, however, they do not mention the use of heuristics.

2.7.3 Output

Figure 25 Output Factors of Literature Review on General Growth of Enterprises



Source: Author's own figure

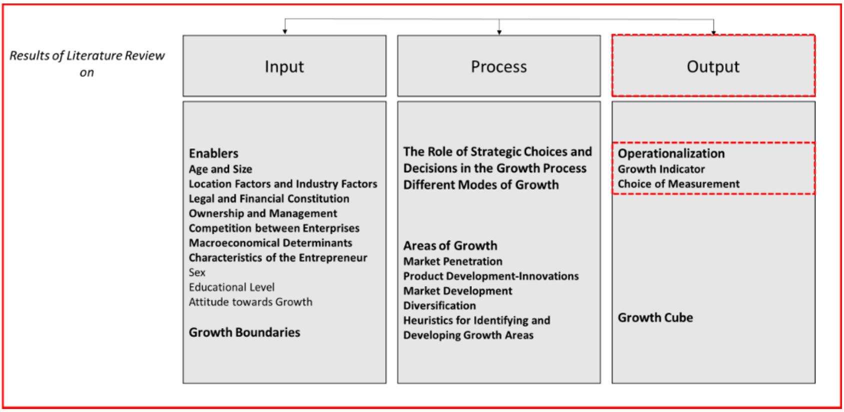
Having outlined and discussed the literature on the observable input factors and the processual modes and areas of growth, this sub-chapter focuses on the operationalization of growth.

Business growth is a multi-dimensional phenomenon and basically describes a change in a relative or absolute amount (Coad, 2009, p. 2; Jünger, 2008, p. 28 ff.; Teune, 1988, p. 25 ff.)[39]. The heterogeneity is based on a huge variety of definitions and operationalizations of business growth (Delmar, Davidsson, & Gartner, 2003). Growth is generally understood as the increase in size of the business which can be expressed by the rise of different operating numbers or key figures, such as sales, profit, total assets, employees etc. These different growth indicators need a different theoretical explanation (Davidsson & Wiklund, 2000) and theoretical concepts. Depending on the object of investigation or the explanatory goal of the growth model, a different measure is used (Hellwig, 1990, p. 125; Zahn, 1971, pp. 14 ff.).

To approach the complex structure of the growth phenomenon, the variety of operationalizations is discussed first. In a second step, the growth construct is unfolded into its determinants by introducing a growth cube. Depicting growth as a cube or a box has been mentioned in sub-chapter 1.1. The aim of this dissertation is to unwrap this black box of growth.

2.7.3.1 Operationalization

Figure 26 Output Factors: Operationalization



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As a first step towards an operational definition of the growth phenomenon, it is necessary to specify how growth can be measured (Hoyle, Harris, & Judd, 2002, p. 71). To approach an operationalization, Delmar and Davidsson (1998) require at least four issues to define growing firms: 1) indicator of growth, 2) measurement of growth, 3) the process of growth and 4) the period of study. Ignoring the importance of these issues can lead to substantially different outcomes (Delmar, 1997). Different indicators

[39] This in not only the case for business growth but for all other areas, such as nature, mathematics etc.

of growth and various measurements of growth are explained next. The process of growth has been described in sub-chapter 2.7.2 and the period of study will be explained in sub-chapter 3.6.

2.7.3.1.1 Growth Indicator

At first, the scholar should decide on the indicator of growth, such as the most commonly used indicators sales growth and employment growth (Barkham, Gudgin, Hart, & Hanvey, 1996; Daunfeldt, Elert, & Johansson, 2014, Delmar, 1997).[40] Other authors use the growth of profit as an indicator (e.g. Baumol, Heim, Malkiel, & Quandt, 1970; Little, 1962).

In this dissertation, sales growth is applied as an indicator. This has some practical as well as theoretical reasons. The theoretical reason is the superior importance and generality (Davidsson & Wiklund, 2000, p. 37) of the sales. Davidsson and Wiklund (2000) state that profitable growth in dimensions such as employees or machinery is unlikely to take place without sales growth. Considering the causality, sales increase first, allowing the aquistion of new resources (Flamholtz, 1986). One practical reason is the fact that the selected population (100 biggest family firms in 2015) operate in different industries and therefore, the employees intensities vary heavily between the industries. Davidsson et al. (2005) state that many researchers suggest using sales as an indicator in cross-industry studies if only one indicator is applied (Hoy, McDougall, & Dsouza, 1992; Weinzimmer, Nystrom, & Freeman, 1998; Wiklund, 1998). A more specific indicator or set of indicators can be useful, specifically in within-industry studies (Bolton, 1971). The change of sales is mostly publicly accessible and incorporates short- as well as long-term changes. Not only researchers favor the use of change in sales as a conceptualization of firms' growth, but also managers (Hubbard & Bromiley, 1995; Neiswander & Fulton, 1989) and entrepreneurs (Barkham et al., 1996) commonly use sales growth as measure of organizational performance. As the interviewed subjects are entrepreneurs and managers, applying sales as an indicator of growth can be more comprehensible and recommended.

2.7.3.1.2 Choice of Measurement

Besides choosing the indicator of growth, scholars have to decide on a measurement in terms of a relative or absolute measurement. As Almus (2002) and Daunfeldt et al. (2014) show, the decision whether to apply a relative or an absolute measurement of growth is crucial. Defining fast growing firms by a relative measurement leads to fast growing firms that are smaller than they would be when measured in absolute terms. Therefore, the application of an absolute measurement biases the sample in favor of larger firms (Coad, Daunfeldt, Hölzl, Johansson, & Nightingale, 2014). The choice of the measurement highly depends on the research question (Coad et al., 2014). Some researchers use the Birch Index (Birch, 1979), which combines relative and absolute

[40] See Haberlandt (1970) for a discussion of different growth factors and Chandler, McKelvie, and Davidsson (2009) and Delmar et al. (2003) for the discussion of the relationship between employment and sales growth.

measurement (of employees). This index is applied to reduce the influence of size on the growth indicator (Coad et al., 2014, p. 94). Yet, this index is also subject to limitations: For example, it is impossible to state in which unit the index is measured and therefore it is conceptually difficult to apply (Davidsson & Wiklund, 2000, p. 39).[41]

One frequently used measurement of corporate growth is the Compound Annual Growth Rate (CAGR). This dissertation uses the CAGR to measure growth. A detailed description of the calculations based on the CAGR is provided in sub-chapter 3.7.1, depicting the sampling procedure.

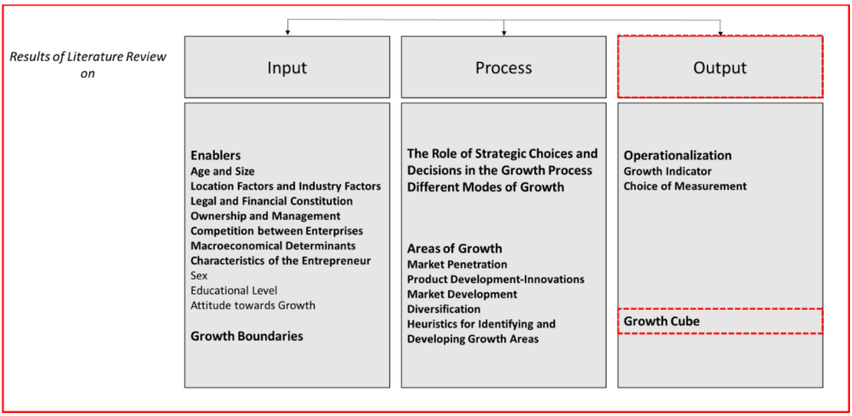
Collins and Porras (1997) choose high growth firms to derive habits of successful companies. Therefore, choosing high growth companies to derive behavior patterns for a growth strategy can be useful.

The dilemma is that researchers have to choose an operationalization of growth, but as is obvious from the above remarks, there is little guidance on the decision on the most appropriate growth measures (Weinzimmer, Nystrom, & Freeman, 1998).

As Delmar and Davidsson (1998) require at least four issues to define growing firms, the indicator of growth and the measurement of growth have been discussed above. As mentioned above, the different processes of growth have been specified in sub-chapter 2.7.2 and the period of study is discussed in sub-chapter 3.6.

2.7.3.2 Growth Cube

Figure 27 Output Factors: Growth Cube



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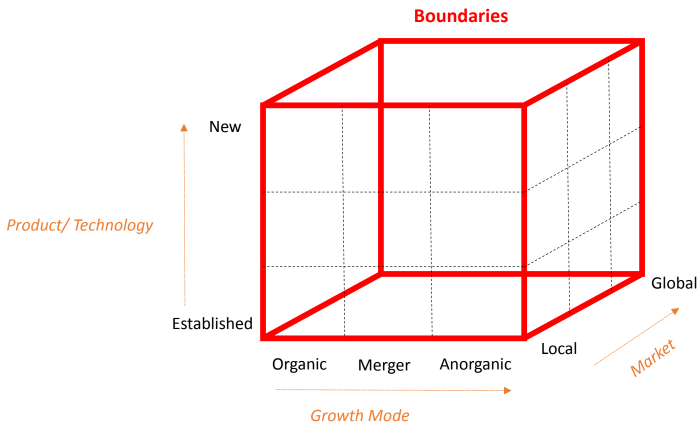
[41] For an overview of modelling growth rates with two or more size observations, see Davidsson and Wiklund (2000, pp. 39-40).

Having discussed the different operationalizations, roots and modes of growth, it is obvious that the phenomenon of growth is multidimensional. This multidimensionality has to be taken into account by considering several key figures. To emphasize the multifaceted components of growth, a “Growth Cube” is developed. This cube consists of the afore-mentioned dimensions, such as the growth mode, the roots of growth including the degree of internationalization and the degree of diversification. This cube is limited by boundaries such as scarce financial and human resources, which have been described in sub-chapter 2.7.1.2.

Figure 28 Growth Cube



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The manifestations of the dimensions of the growth cube have been discussed in sub-chapters 2.7.2.2 and 2.7.2.3. The following paragraph is dedicated to depicting the different dimensions as output variables and to evaluate different operationalization attempts. Therefore, different measurements of the mode of growth are explained. The degree of innovation is chosen to describe the product development, the degree of internationalization is explained to depict the market development dimension and the degree of diversification is mentioned to describe the diversification dimension. The market penetration dimension has been explained in sub-chapter 2.7.2.3.1. Therefore, market share is not depicted in the cube, as this outdated by the concept of product and technology development.

Mode of Growth

A company can either grow organically through its own innovation, or anorganically by acquiring knowledge through a merger, which is a weaker form of anorganic growth, and through acquisitions. Anorganic growth can be measured by the number of acquistions.

Organic growth can be seen in a company's number of own innovations. There are many approaches to measure the innovativeness of a firm.

Degrees of Innovation

Smith (2005, p. 149) states that the nature of an innovation is to create something new. This novelty of a product or a service causes challenges concerning the commensurability between products. An innovation emerges from "learning or knowledge" of the organization, both of which are challenging to measure. Besides the issue of a comparable basis of measuring the innovation, definitional challenges arise when defining what is "new"[42] (Smith, 2005, p. 149).

A frequently used approach to measure innovation is to use the R&D intensity measured by the R&D expenditures and the number of patents (Smith, 2005, pp. 149 ff.). Smith (2005, pp. 153-154) emphasizes the shortcoming of using R&D expenditures as an indicator for innovation. He mentions that the expenditures only measure an input factor of innovation – the monetary resources – for an innovation project, but do not account for the processual characteristics of an innovation, such as the use of knowledge, or for the output factors of innovations (Smith, 2005, pp. 153-154). Smith (2005, p. 154) stresses that there is a great potential for researchers to exploit the undiscovered opportunities of R&D data.

Smith (2005) explains that using patents as an indicator focuses on the output dimensions of innovation. Counting the number of patents is simple to perform, as the data on patents are easily available (Smith, 2005, pp. 158-160). However, researching on large firms the number of patents can be immensely high (Smith, 2005). Besides the pure number of patents, the data of the patents can provide useful information on the innovation (Smith, 2005, pp. 158-160).

Besides the traditional use of R&D expenditure and patents as indicators of innovation, there are some new measurements of innovation focusing more on "outputs, sources, instruments and methods of innovation" (Smith, 2005, p. 160).

To account for an input as well as for an output factor of innovation, it is planned to use R&D expenditures and the number of patents as indicators of innovation in this dissertation. It would be desirable to include some processual information on innovation in this research. Balancing the benefits and costs of including processual

[42] For a detailed discussion of this definitional issue, see Fagerberg (2005).

innovation data reveals that the benefit for explaining the topic of growth is rather small compared to time and resources constraints. Therefore, the measurement of innovation concentrates on R&D expenditures and the number of patents.

Degree of Diversification

The degree of diversification can be approached by using different indicators varying in complexity. The most easily understood but in literature often neglected measure of diversification is the company's number of products (Zloczysti & Faber, 2007, p. 30). Zloczysti and Faber (2007) review different indictors of diversification and evaluate them according to their practical suitability. Starting with the most easily understood indicator - the number of products - they explain (Zloczysti & Faber, 2007, p. 30) the "primary product specialization ratio" (Gort, 1962) which measures the concentration rate of a company on a main product, but emphasize that this indicator does not interpret the total number of the company's products. Another popular measure of diversification discussed by Zloczysti and Faber (2007, p. 31) is the Herfindahl index which incorporates the number of products and their relative importance for the company, measured by their share of sales production value (Absatzproduktionswert.). Zloczysti and Faber (2007) emphasize that the influence of products with a low sales share was lower overall due to the squaring (each product weighted by its own share). Moving on in the discussion, Zloczysti and Faber (2007) outline the development of the Herfindahl index to the Berry-Herfindahl-index: The advantage of the Berry-Herfindahl-index is that it increases as soon as diversification within a company increases. A disadvantage of the Herfindahl index and the Berry-Herfindahl-index is that they react only weakly to product portfolio expansions, as long as these only account for a small share of sales (Zloczysti & Faber, 2007).

Indirectly accounting for the ranking of the products within the company, Zloczysti and Faber (2007, pp. 31-32) mention the Cumulative Diversification Curve which was developed by Utton (1977).

Zloczysti and Faber (2007) further present a more complex model, the entropy measurement: The entropy measurement (Jacquemin & Berry, 1979) is the share of a product in the sales volume weighted by the logarithm of the reciprocal. The purpose of this weighting scheme is to place greater emphasis on products with a low sales share, as is often the case for new products. The entropy measurement is further developed and like all other diversification measures it can be adapted to the special research question (Zloczysti & Faber, 2007, p. 32).

These different measures have been reviewed in order to find a suitable measure for this dissertation. However, due to insufficient available data on the measurement of diversification, in this dissertation it is aimed to describe diversification patterns in a qualitative way, trying to shed light onto the decision routes that lead to diversification.

Degree of Internationalization

There is a huge variety of operationalizations of the internationalization of firms (Germann, Rürup, & Setzer, 1999). The used indicator varies according to the intended question about internationalization. To cope with the variety of operationalizations some researchers decide on one indicator. This indicator is chosen by defining the most important attribute of internationalization relevant for the research question (Hassel, Höpner, Kurdelbusch, Rehder, & Zugehör, 2000, p. 504).

Another quantitative approach to measure internationalization is the use of indices (Hassel et al., 2000). One example of such an indicator is the Transnationality Index of the *United Nations Conference on Trade and Development* (UNCTAD, 1999) (Hassel et al., 2000, p. 506), which includes variables with the same weight in the index. These variables are foreign share of assets, sales and employment (Hassel et al., 2000, p. 508).

Besides measuring quantitatively there are qualitative approaches to define internationalization. Hassel et al. (2000, p. 505) mention the study by Bartlett und Ghoshal (1989) which develops typologies of internationally operating companies. Hassel et al. (2000, pp. 505-506) explain the different types of Bartlett und Ghoshal (1989): Multinational companies are decentrally organized, have country specific strategies and the products are adapted to country specific needs. Global companies are centrally organized and uniform products are exported worldwide. Furthermore, Bartlett and Ghoshal (1989) propose two mixed types: International companies and transnational companies. Hassel et al. (2000, pp. 505-506) emphasize that the boundaries between these types are blurred and the typologization is not unambiguous.

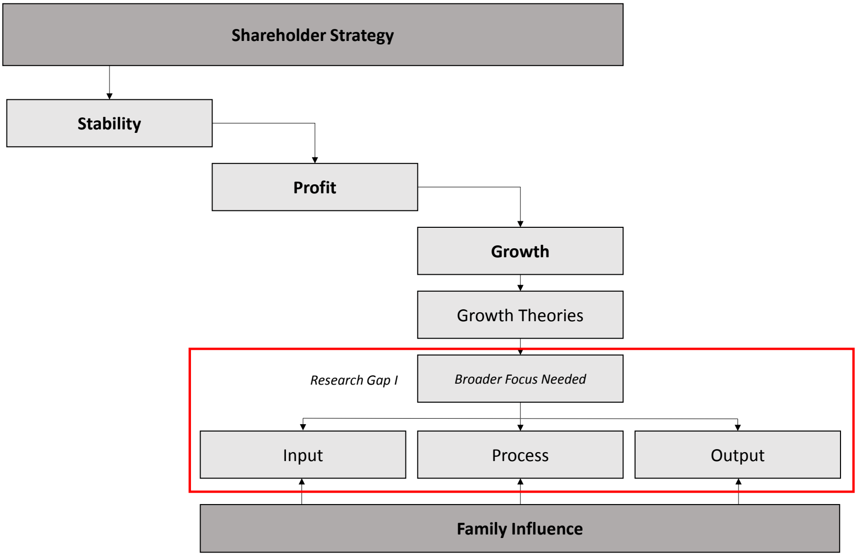
Hassel et al. (2000, p. 510), by referring to Sullivan (1994), mention that the foreign share of total sales is the most common internationalization indicator. According to Hassel et al. (2000, p. 510), similarly common is the foreign share of total employment.

Growth is operationalized as change of sales within this dissertation. Following the assumption that sales are a reliable unit of measurement (sub-chapter 2.7.3.1.1), it is planned to use foreign shares of total sales as a measurement for internationalization. To support and evaluate this figure, the foreign share of total employment is additionally collected as far as it is available.

The initial plan was to support the qualitative data on innovation, diversification, internationalization and the different modes of growth. However, it was not possible to collect comparable quantitative data from the sampled firms. Therefore, the output side is depicted qualitatively. The derived growth cube can serve as basis for further quantitative research.

2.8 Research Gap I: No Comprehensive General Growth Model

Figure 29 Research Gap I



Source: Author’s own figure

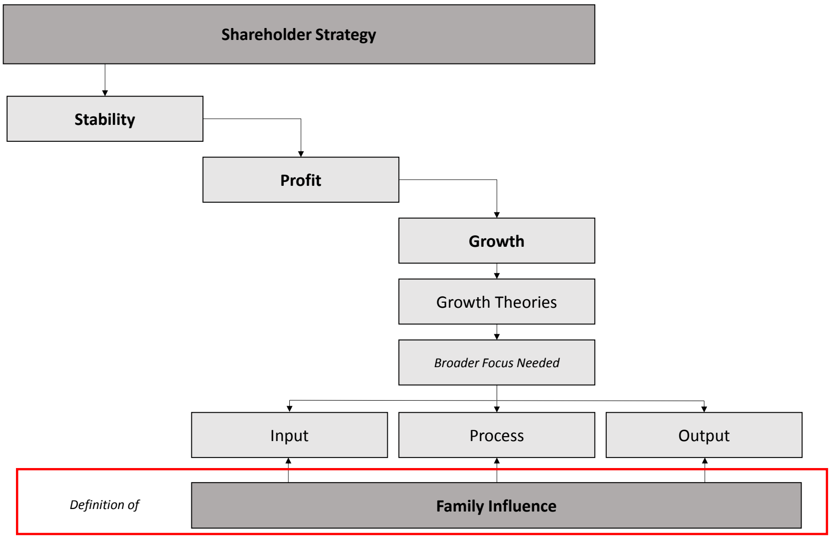
Having reviewed different theoretical models to explain growth and a huge amount of growth literature, no explanation for the observed growth spurts can be found. Furthermore, it can be concluded that there is no comprehensive model of the growth process as each theory or model focuses on a different determinant of growth. There are huge divergences in operationalizing growth which lead to different outcomes. The literature review on the components of growth, as well as the structuring along input, process-, output dimensions allows an overview of the growth critical attributes of a company. There is a need for a comprehensive theoretical model to explain growth processes of firms. Insights from the first interviews add to these findings. The interview partners offer insights into the whole process of growth and put a minor focus on the spurts. The explanations of the interviewees offer the possibility to engage more in the whole process of growth than just focus on growth spurts.

The literature review has additionally been guided by the question “how to find growth” segments which aims to find practical implications for formulating a growth strategy. It reveals that this is an additional research gap. There are no heuristics to help strategists to find growth segments or to develop search strategies. There are some suggestions by Collins and Porras (1997), or various tools, such as Design Thinking, with some potential. However, a systematic theoretical model which incorporates these tools is lacking. This becomes especially clear during the interviews. Practitioners have mentioned that they do not use specific concepts for their growth strategy.

So far, this dissertation has not been able to identify a general theory on growth. Therefore, it is certainly unlikely to find a general theory on growth of family enterprises. Nevertheless, the extant literature and research on growth of family firms has to be screened because there is evidence that all enterprises showing growth spurts are family firms. Thus, there must be at least a differentiating element of the family firms which is perhaps addressed in extant research.

2.9 Family Enterprises as Research Objects

Figure 30 Placement of Definition of Family Influence



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Having examined the social system "business", the focus shifts to the family influenced characteristics of businesses as the companies showing growths spurts are all family owned companies[43]. Besides the idea that the family influence can be a reason for the growth spurts, family firms are a suitable research object to answer general management related questions as their performance is usually not blurred by large acquisitions which represent an artificial growth process and unstructured rearrangements of business divisions. Furthermore, as family businesses tend to get

[43] The definition of family firms will be given in sub-chapter 2.9.2.

older than non-family businesses, the sustainability of the performance can be assessed. An additional advantage of family businesses is that potentially to be interviewed CEOs have been part of the business for a long period of time, so they have a comprehensive overview of the processes taking place. In fact, this dissertation enjoys the privilege of interviewing central decision-makers of the researched time period, which have been part of the business over decades.

Before evaluating literature on growth critical aspects of family firms, the uniqueness and importance of family businesses and the variety of definition attempts of family firms are discussed first. This is done in order to give an introduction to the field of family firm research, and thus to enable a better understanding of the research object “family businesses”.

2.9.1 Uniqueness and Importance of Family Enterprises

The uniqueness of family businesses arises from to the fact that this type of organization combines two social systems, the family and the business (Schlippe, 2010). One of the most cited explanation attempts of this tension field is the “Three Cycle Model”[44] by Tagiuri and Davis (1996). Carrying out research on goals, they outline a model explaining the connection between the stakeholders of a family business; the family, the owners and the members of the company (business). This model has been refined by Leenen (2005) and Klein (2010), adding leadership as a fourth dimension. The overlapping structure is the reason for the particularities of family businesses. Habbershon and Williams (1999) describe the family as a unique resource of a family business. The family influence provides advantages and disadvantages to the family business. The attributes of family firms and their advantages and disadvantages for growth will be the topic of the following discussion (sub-chapter 2.10).

In addition to the reasons to choose family businesses as described in the section above (2.9), family businesses have a huge marcoeconomical importance. Data on the structure of family enterprises is rather poor compared to that available in other countries, such as the United States (Klein, 2010; Welsch, 1991).

One reason for missing reliable data is the heterogeneous definition of family firms (Klein, 2010) which is discussed in sub-chapter 2.9.2. Accounting for the definitional issues Gottschalk, Egeln, Kinne, Hauer, Keese and Oehme (2017) state that 91% of all private companies in Germany are family controlled.

Seibold (2017b) examines the structure of German family businesses analyzing the dataset of over 10,000 family firms. She concludes that the structure of family businesses ranges from very small businesses with less than four employees to multinational companies with more than 100,000 employees. This study shows the

[44] This model started to be developed in different working papers in 1978. The Three Cycle Model was first published in John A. Davis’ doctoral dissertation (1982) *“The Influence of Life Stages on Father-Son Work Relationships in Family Companies”* (Davis, 2019).

necessity to not only try to incorporate the family influence into definition attempts, but also to include the size class of the family enterprises. Seibold (2017b) explains that only 4% of the sample are large firms (sales > EUR 600 millions) but that these firms create 1.9 millions more workplaces that the small-and medium sized family companies and generate EUR 400 millions more sales than the smaller companies. These findings emphasize the importance of research on large family businesses as they account for a large part of the Gross Domestic Product (GDP) and a large number of workplaces.

Besides the marcoeconomical importance of family businesses there are some further insights from family businesses which could enhance management research. It has been emphasized that family businesses are a useful unit of analysis when studying growth, because their performance is usually not blurred by large acquisitions. Further advantages of the family business context will be highlighted next.

Priem and Alfano (2016) mention that constructs of temporal depth, managerial short-termism, complexity and conflicts can be studied very effectively with family businesses as a unit of analysis.

Referring to Bluedorn (2002), Priem and Alfana (2016, pp. 58-59) describe temporal depth as the ability of the CEO to anticipate the consequences of her/his decision in the future and how she/he incorporates historical incidences. The authors stress that although the trade-off between short-term and long-term decision-making is of central interest in general management research, the construct of temporal depth has not received much attention so far (Priem & Alfana, 2016, p. 59). One should expect management studies to incorporate a long-term perspective, but this is usually not the case as they measure “long-term” with “one-year lag” (Priem & Alfana, 2016, p. 59). Instead, managerial short-termism seems to prevail in decision-making studies (Martin, 2011; Priem & Alfana, 2016). This term refers to the actions that lead to short-term profitability but at the same time to diminishing profit in the future (Priem & Alfana, 2016, p. 59). According to Priem and Alfana (2016, p. 59) there are at least three reasons that lead to managerial short-termism: The first mentioned contributing factor is the observation that US-publicly traded firms show a “half-life” of only ten years (Daepp, Hamilton, West, & Bettencourt, 2015). As second and third factors, Priem and Alfana (2016) mention the short-term CEO tenure and CEO stock-market related compensation. As a restriction Priem and Alfana (2016, p. 59) mention examples of long-term oriented founders such as Steve Jobs.

Another topic where general management research can be inspired by family business scholars is the decomposition of complexity such as the breaking up of goals into sub-goals (Priem & Alfana, 2016, pp. 59-60). Family firms usually have various goals as they have non-economic goals and economic goals.

2.9.2 Definition Concepts of Family Enterprises

Having described that family firms have unique capabilities and resources (Habbershon & Williams, 1999; Sirmon & Hitt, 2003), this sub-chapter wants to explain the ambiguity of the definition of the term family business. To get a better understanding of the field of family business research, a brief historical summary of the evolution of the field is given. Afterwards, different definition attempts and the definition used in this dissertation are presented.[45]

The family influence is of vital importance for the research questions of this dissertation, as will be described later (sub-chapters 2.11 and 2.12). Therefore, some emphasis is put on locating the relevance of the family influence within the context of defintions of family enterprises.

To get a better understanding of the diversity of definition approaches, a short historical appraisal of family business research is given.

Historical Appraisal of Family Enterprise Research

Hernández-Linares, Sarkar, and Cobo (2018, p. 931) describe that the contributions by Carl R. Christensen "*Management Succession in Small and Growing Enterprises*" and by Grant H. Calder "*Some Management Problems of the Small Family Controlled Manufacturing Business*", both published in 1953, are considered the starting point of family business research. In Germany the juridical dissertation by Hengstmann (1935) is seen as the first publication to treat the family business as a particular form of organization. For an overview of the development of the international field of family business research see Kormann and Wimmer (2018). Hernández-Linares et al. (2018, p. 931) outline that Donnelley (1964) was the first who gave a definition of the family firm. He defines a family business as a company that "has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family'' (Donnelley, 1964, p. 94 cited in Hernández-Linares et al. 2018, p. 931). Hernández-Linares et al. 2018 (p. 931) state that the subsequent research community applies "mono-criterion definitions" based on ownership (Ang, Cole, & Lin, 2000; Babicky, 1987; Barmes, & Hershon, 1976) or management control (Barry, 1975; McConaughy, Walker, Henderson, & Mishra, 1998; Miller & Rice, 1967), as well as poly-criterion ones (e.g. Gómez-Mejía, Larraza-Kintana, & Makri, 2003; Holland & Boulton 1984; Stern, 1986). Hernández-Linares et al. (2018, p. 932) outline that some researchers have conducted reviews to give an overview of the definition variety and to advance the different approaches (e.g. Chua, Chrisman, & Sharma, 1999; Litz, 1995). Hernández-Linares et al. (2018) mention that different regional, national, historical, cultural and religious contexts (e.g. Harris, 2009) make it difficult to agree upon a joint definition of family

[45] Please note: The overview of the history of family business research and the defintions of family firms is not exhaustive and does not include all possible definitions. The present selection of papers should be representative for the ambiguity which exists in the definition approaches of family firms.

firms. Importance and function of family varies across cultures (Hernández-Linares et al., 2018, pp. 931-932). Family business researchers come from different disciplines such as psychology, economics, management, law, sociology etc. applying different perspectives and priorities (Hernández-Linares et al., 2018, p. 932, 945).

Definition of Family Enterprises

Hernández-Linares et al. (2018, p. 930) mention that a large body of definition approaches of family firms exists and has been growing especially in the last years (Benavides-Velasco, Quintana-García, & Guzmán-Parra, 2013; Xi, Kraus, Filser, & Kellermanns, 2015). Yet, there is no clear general definition of what conditions constitute a family firm (De Massis, Sharma, Chua, & Chrisman, 2012; Desman & Brush, 1991; Gedajlovic, Carney, Chrisman, & Kellermanns, 2012; Kellermanns, Eddleston, Sarathy, & Murphy, 2012; Littunen & Hyrsky, 2000; Litz, 1995; Miller, Le Breton-Miller, Lester, & Cannella, 2007; Upton, Vinton, Seaman, & Moore, 1993; Wortman, 1994). Depending on the family firm definition chosen, the amount of family firms in an economy can vary significantly. For example, Villalonga and Amit (2006, p. 423) show that the fraction of family firms can vary between 7% and 37% of the sampled firms, depending on the different definition criteria applied. In Germany, family enterprises outnumber public firms anyway (Stiftung Familienunternehmen, 2016). Governmental-owned and foreign-owned corperations cannot be included in a comparison with family-owned companies, as explained in sub-chapter 1.1. Westhead and Cowling (1999, p. 43) show that different definition attempts are problematic, explaining that the proportion of family firms can vary from 78.5% to 15% of UK unquoted firms. Some researchers aim to give an overview of the applied definitions, attempting to build a comprehensive model of the definitions of family firms (e.g. Chua et al., 1999; De Massis et al., 2012; Handler, 1989; Zellweger, Eddleston, & Kellermanns, 2010). The variety and the quantity make this a difficult undertaking.

The baseline is that scholars generally agree that family involvement is the critical condition that makes family firms different from their non-family counterparts (Miller & Rice, 1967). Still, researchers interpret family involvement in different ways.

Most researchers operationalize family involvement through management and ownership (Handler, 1989), as stated above. Some others add the condition of the existence of a family successor (Churchill & Hatten, 1987). Such definition attempts can be categorized under the Components of Involvement Approach.[46]

[46] Chrisman, Chua, and Sharma (2005) distinguish between the Essence Approach and the Components of Involvement Approach. Building up on these two approaches Zellweger et al. (2010) try to explain why some families can constitute familiness and others not, by adding the Organizational Identity Theory.

Components of Involvement

The Components of Involvement Approach considers some combinations of the owner-family's involvement in the business such as governance, management, ownership and succession among family members as a sufficient condition for being a family business (Pearson, Carr, & Shaw, 2008).

A lot of definitions of family firms which can be categorized under the Components of Involvement Approach are defined through ownership fractions, managerial presence or a junction of both.

There are some scholars who define the family firm by their managerial presence. Managerial presence is related to the presence of family members in active roles at the management level, e.g. in the C-Level or the board of directors. Fahlenbrach (2006) defines the business as a family firm if the CEO is the founder or the co-founder. Some authors have a broader definition and define a family firm through the condition that the CEO is related to the family by blood or marriage (Bennedsen, Nielson, Perez-Gonzalez, & Wolfenzon, 2007; Denis & Denis, 1994; McConaughy et al., 1998).

Concerning the fractions of ownership, a lot of thresholds exist. One very common threshold is 50% of equity ownership or more (e.g. Ang et al., 2000; Chirico, Sirmon, Sciascia, & Maczzola, 2011; Claessens, Djankov, Fan, & Lang, 2002). Other thresholds are over 20% of the voting rights (e.g. La Porta, Lopez-de-Silanes, & Shleifer, 1999) and over 33% of the shares (e.g. Barth, Gulbrandsen, & Schone, 2005) or over 60% of equity (e.g. Donckels & Fröhlich, 1991). Not only the thresholds themselves vary across the studies but also their bases. Some researchers use percentages of voting rights (e.g. Barontini & Caprio, 2006; Faccio & Lang, 2002; Maury, 2006), others use percentages of equity ownership or percentage of shares as thresholds for the definition as a family business.

In the early literature (e.g. Allen, 1981a, 1981b; Burch, 1972; McEachern, 1977) the threshold of 5% stock ownership was defined as a minimum condition for being a family firm. The threshold of 5% is still used by scholars today (e.g. Claessens, Djankov, & Lang, 2000), although the basis of the 5% threshold varies across studies.[47]

Recent studies which use numerical definition criteria often combine fractional ownership and managerial presence. Some researchers (e.g. Cucculelli, Mannarino, Pupo, & Ricotta, 2014; Gómez-Mejía et al., 2003; Sirmon, Arregle, Hitt, & Webb, 2008) use a fractional ownership and supplement it with the condition that the CEO is the founder or a family member. Other authors combine the fractional ownership with the requirement that the chairman is a family member (Block, 2010). Another criterion of managerial presence which is combined with fractional ownership is the condition that

[47] However, this is only understandable with the multiple voting right that the old shareholder can retain in an Initial Public Offering (IPO) in the US.

the family is represented on the board of directors (Allen & Panian, 1982; Anderson & Reeb, 2003a, 2004). The composition of the board is often used as a definition criterion for family firms. For example, Anderson and Reeb (2004) and Anderson, Mansi, and Reeb (2003) use the ratio of board seats held by family members to independent members to constitute the definition of family firms.

The German research context additionally provides definitions by the Institut für Mittelstandsforschung (IfM) and the Stiftung Familienunternehmen. Just as many definitions from the international context, these classifications are a combination of ownership fractions and the manifestation of managerial presence. According to the Institut für Mittelstandsforschung (2019), a family firm is constituted by maximum two natural persons or their family members who possess at least 50% of the company and where these persons are involved in the management of the company as well. The Stiftung Familieunternehmen (2019) distinguishes between private and publicly traded/listed companies. In accord with the definition of the Stiftung Familieunternehmen, a private company is a family firm if the majority of decision-making rights is owned by the founder or his/her direct heirs, including the spouse. Furthermore, at least one family member must be involved in the governance of the firm.

A lot of other numerical definitional criteria for the determination of family firms exist. The difficulty with all these definition approaches is, besides their variety, that they are dichotomous. These definitions solely allow the categorization into a family business or a non-family business. Such approaches can be valuable to work out the static differences of family firms and their non-family counterparts. The problem with this dichotomy is the derivation of practical implications. For example, if a scholar concludes that non-family businesses grow faster than family businesses, the practical implication for the family business is to become a non-family business, which is not possible for a family-owned firm. Even decisions of a CEO of a widely owned corporation are sometimes influenced by relatives, therefore, a firm cannot escape some kind of family influence. To approach this problem, the research community tries to acknowledge the heterogeneity of family firms (Hernández-Linares, Sarkar, & López-Fernández, 2017; Memili & Dibrell, 2019) by pointing out the particularity of the family - the family influence. The Essence Approach is elaborated to define a family business in a more behavioral way.

Essence Approach

The necessary condition of the Essence Approach is the owner's family involvement in the family firm, just as it is in the Components of Involvement Approach. What really distinguishes a family firm from a non-family firm within the Essence Approach is the behavior of the family which is directed to cause distinctiveness, which indeed leads to the specific behavior of the family firm. This constitutes the familiness (Habbershon & Williams, 1999), which defines the essence of the family firm (Pearson et al., 2008).

Some researchers approach this essence by defining a family firm by the intention to pass the company onto the next generation (Rutherford, Kuratko, & Holt, 2008) and the long-term orientation over several generations (Astrachan & Shanker, 2003; Chua et al., 1999; Rutherford, Lori, Muse, & Oswald, 2006). Casson (1999, p. 10, 2000) describes that the “dynastic motive” is what characterizes family firms.

The term “familiness”[48] depicts the specific resources of a family firm (Carnes & Ireland, 2013; Habbershon & Williams, 1999) which can lead to a competitive advantage. This resource-based concept was first developed by Habbershon and Williams (1999). In recent literature the term “familiness” is used as an indicator of the influence of the family or the family intensity (Arijs & Praet, 2010; Rutherford et al., 2008). Accounting for the heterogeneity and variety across family firms, the concept of “familiness” is a continuous definition approach (Habbershon, Williams, & MacMillan, 2003). There are several models to operationalize the family influence.

One of the most discussed operationalization of “familiness” is the F-PEC Scale (Family Influence through Power, Experience and Culture) developed by Astrachan, Klein, and Smyrnios (2002). This scale is used to measure the specific characteristics of family firms continuously and has been widely applied and tested (Klein, 2003; Klein, Astrachan, & Smyrnios, 2003, 2005; Pieper; 2003; Rau, Astrachan, & Smyrnios, 2018; Varamäki, Pihkala, & Routamaa, 2003). Another approach to measure family influence is the F-CPO scale (Collective Psychological Ownership of Family over Business) introduced by Rantanen and Jussila (2011). These two authors state that F-PEC measures the “potential” influence of the family on the firm. According to Rantanen and Jussila (2011, p. 143) the F-CPO adds indicators of “actual” family influence, such as “collective control”, “intersubjective familiarization”, and “independent effort” and combines them in the aggregated indicator of “realized family influence”.

Other researchers try to approach the concept of familiness by applying social capital and systems theory (Arregle, Hitt, Sirmon, & Very, 2007; Habbershon, 2006; Habbershon et al., 2003; Pearson et al., 2008; Weismeier-Sammer, Frank, & Schlippe, 2013).

Organizational Identity

Building up on the Components of Involvement and the Essence Approach, Zellweger et al. (2010) try to explain why some families can constitute familiness and others not, by adding Organizational Identity Theory. This theory, in the context of family businesses, focuses on how a family views and defines their business. Zellweger et al. (2010) investigate that the organizational identity dimension of familiness can facilitate performance. For some researchers the self-perception as a family firm is the crucial argument for the definition of family firms (e.g. Birley, 2001; Cruz & Nordqvist, 2012).

[48] For a detailed review of the concept of familiness, see Frank, Lueger, Nosé and Suchy (2010).

Developing a new scale based on a new system theory integrating the Involvement, the Essence and the Identity Approach, Frank, Kessler, Rusch, Suess-Reyes, and Weismeier-Sammer (2017) introduce the Family Influence Familiness Scale (FIFS), a scale "comprising six dimensions: (1) ownership, management, and control; (2) proficiency level of active family members; (3) sharing of information between active family members; (4) transgenerational orientation; (5) family–employee bond; and (6) family business identity" (Frank et al., 2017, p. 709).

Concentration on Family Instead of Business

Sharma and Chua (2013) emphasize that there is a strong focus on the "business" side of the family enterprise. Most of the definition approaches do not operationalize the concept "family" (Hernández-Linares et al., 2018). Hernández-Linares et al. (2018, p. 945) state that Nordqvist and Melin (2010) consider the family a dynamic concept and therefore, account for changes over time within the family, such as roles or changing family members. A new research stream tries to account for the business family (Haftlmeier-Seiffert & Cravotta, in press). Assuming that family is the decisive factor for long-term survival, Haftlmeier-Seiffert and Cravotta (in press) propose a model (chameleon model) which describes how family members organize themselves within decision-making.

In spite of the existence of various definition attempts and the arising challenges, family businesses have gained a huge interest among international researchers. The use of theoretical perspectives is broadened by using psychological theories and other approaches[49] to enhance the research on this specific organizational form. Therefore, family businesses are a useful unit of analysis to build new knowledge in the field of general management and psychological literature (Pieper, 2010).

Definition of Family Enterprises in this Dissertation

Evaluating different definition approaches shows that there is a variety of attempts to define family businesses. This research uses an abductive and qualitative approach to study the phenomenon of growth, and therefore uses a broader definition of family firms. This is done to ensure that different types of family firms are included in the sample in order to strengthen the explorative character of this study.

Furthermore, the data-related starting point of this dissertation is the list of the 100 biggest family firms in Germany (Die deutsche Wirtschaft, 2016). This list is based on the following definition:

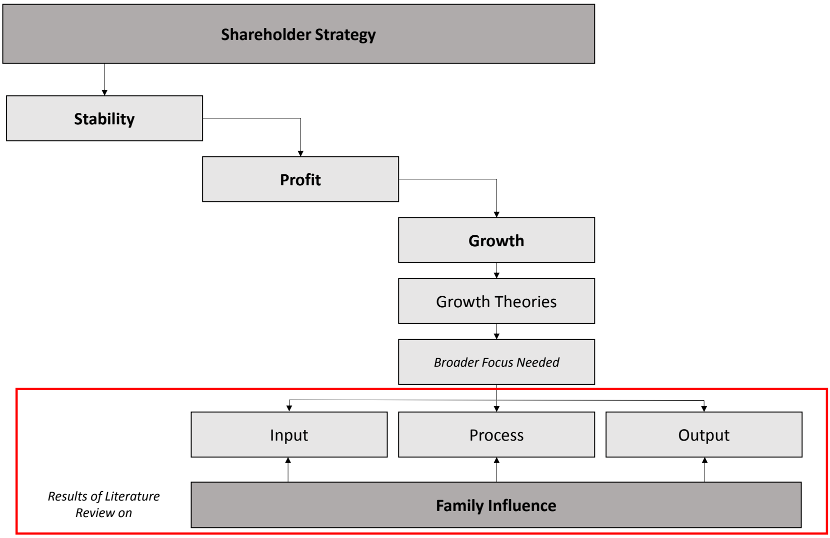
[49] For example, hypnosis is considered a new method of research in family business, see Moog, Belausteguigoitia, Betz, and Ruf (2018). A recent call for papers by De Massis, Piccolo, Picone, and Tang (2018) which asks for more research on psychological foundations of management in family firms shows the topicality of using psychological approaches in family firm research.

German companies with a dominant position held by one or more German owner families, generally through their shareholdings of at least 51%, or more than 25% in the case of public limited companies, were included. Foundations established by the former owners are also included.

Therefore, the definition in this dissertation uses the above mentioned Components of Involvement Approach. Furthermore, the family influence is represented by interviewing family members.

2.10 Results of Literature Review on Family Enterprises and Growth

Figure 31 Results of Literature Review on Family Enterprises and Growth



Source: Author's own figure

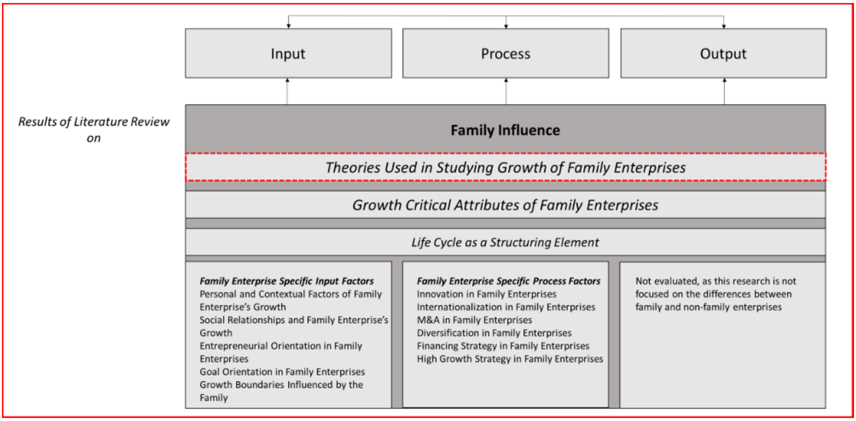
Having described that the literature in the field of family business research has increased tremendously in the last decades, there is the need to specify the growth-related literature available in the context of family business. Trying to find the roots of the double-digit growth in later generations the extant literature on family business growth and growth critical characteristics should be reviewed.

Literature on the growth of family firms is very limited (Sharma, Chrisman, & Chua, 1997; Upton & Heck, 1997; Upton, Teal, & Felan, 2001). Upton, Tend, and Seaman (2004) mention that Dyer and Handler (1994) call for research on the determinants of family firm growth and Goffee (1996) for research on the balancing act between pursuing growth and keeping the control of the business in the family.

Having explained the uniqueness and importance of family businesses and the difficulties of a general definition, theories studying the growth of family firms are outlined in order to get a better understanding of the specific theoretical lenses used in this context.

2.10.1 Theories Used in Studying Growth of Family Enterprises

Figure 32 Theories Used in Studying Growth of Family Enterprises



Source: Author's own figure

Molly et al. (2012, p. 707) mention that studies exploring the growth of family firms often use a Resourced-Based View or an agency perspective. The authors specify that researchers applying a Resourced-Based View argue that the use of specific family business resources can produce a competitive advantage (e.g. Sirmon & Hitt, 2003 cited in Molly et al., 2012, p. 707) and that therefore, higher growth rates and higher performance figures can be expected in family businesses than in their non-family counterparts (Molly et al., 2012, p. 707).

Using an agency theoretical perspective can lead to ambiguous results. Daily and Dollinger (1992) (cited in Molly et al., 2012, p. 707) attribute a lower exposure to agency costs to family firms due to the overlapping systems of ownership and control. Other authors such as Schulze, Lubatkin, Dino, and Bucholtz (2001) (cited in Molly et al., 2012, p. 707) see family firms as more exposed to agency costs leading to slower growth and decreased performance in comparison to non-family firms.

To get a better understanding of the different theoretical views, these will be explained in the following section.

2.10.1.1 Resourced-Based View

Resourced-Based View in Family Enterprises

The Resourced-Based View plays a key role in the research on family businesses (Chrisman et al., 2005). The “familiness” (Habbershon & Williams, 1999, p. 1) of a business is seen as the core resource bundle of the family, as this term originates from the Resourced-Based View. The term aims to give an approach to explain the competitive advantage of family firms against their non-family counterpart (Habbershon et al., 2003). There are several approaches trying to define the resource bundle of familiness (e.g. Pearson et al., 2008; Sirmon & Hitt, 2003; Tokarczyk, Hansen, Green, & Down, 2007). Habbershon et al. (2003, p. 451) mention two dimensions of familiness, the advantageous and the constrictive effect on firm performance. They describe competitive advantage of family firms by a function of resources and capabilities summarized in the term “distinctive familiness”. “Constrictive familiness” constrains the strategic advantages (Habbershon et al., 2003, p. 460). Therefore, the sum of advantageous and constrictive resources of family firms must be positive (more advantageous effects than negative ones) to achieve wealth-creating performance. Besides having a unique bundle of resources, family firms must be able to manage these resources, as postulated by the dynamic capabilities approach (Sirmon & Hitt, 2003; Teece & Pisano, 1994; Teece, Pisano, & Shuen, 1997). The deployment of resources needs the combination of entrepreneurial and strategic management mindsets (Amit & Zott, 2001; Barney & Arikan, 2001). The entrepreneurial mindset is needed to create entrepreneurial actions, as actions arise from the mindset (McGrath & MacMillan, 2000). These entrepreneurial actions are crucial for growth and survival of businesses (Lyon, Lumpkin, & Dess, 2000).

The values of a family play a core role in the identification and implementation of the resources (Chrisman, Chua, & Zahra, 2003). Poza (1988) describes that family values themselves are an important resource to create intrapreneurship[50].

However, the familiness remains a phenomenon worth investigating as it is referred to as a “black box” (Moores, 2009; Zellweger et al., 2010). As described in sub-chapter 2.9.2, the operationalizations and measurements of familiness are evolving further.

One major challenge for the research on familiness and for the derivation of practical implications is causal ambiguity (Barney, 1991), which means that the connection between the resource and the strategic advantage is not fully understood. Family firm-specific behavioral patterns emerge over years, thus creating a competitive advantage with a causal ambiguity (ursächliche Unklarheit) of its origin.

[50] “Intrapreneurship is a term that is used quite loosely in the literature. It can refer to entrepreneurship within existing organisations (Antoncic & Hisrich, 2001); (…)” Irava (2009, p. 28).

Origins of the Resourced-Based View

The Resourced-Based View, established in the early 90s (Barney, 1991; Barney & Arikan, 2001), is a theory grounded in the strategic management research trying to explain differences in performance by using company specific resources to create competitive advantage. The central idea of the Resourced-Based View is that specific resources of the company enable strategic advantages for the business, thus creating a positive influence on the company's performance. The core dilemma of the Resourced-Based View lies in the selection of the used resources, as not all resources are suitable to bring about competitive advantage (Irava, 2009, p. 24). Irava (2009, p. 24) states that the literature offers a variety of definitions of business's resources and refers to the definition by Wernerfelt (1984, p. 172), who describes a resource as "anything which could be thought of as strength or weakness of a firm and at any given time can be defined as those assets (tangible and intangible) which are tied semi-permanently to the firm". By referring to Miller and Shamsie (1996), Irava (2009, p. 24) emphasizes the differentiation between "tangible and intangible resources". According to Miller and Shamsie (1996), tangible resources are property based and intangible resources are knowledge based.

In addition to the explained definition by Miller and Shamsie (1996), Irava (2009, p. 24) mentions the definition by Barney (1991). As one of the most cited studies, Barney (1991) distinguishes between three types of resources: Physical, human, and organizational resources. In Barney's (1991) understanding, which draws on Daft (1983), resources are "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness" (Barney, 1991, p. 101). To determine if a resource is appropriate to create strategic advantage, Barney (1991, pp. 105-106) proposes four necessary characteristics of a resource: Valuable, rare, imperfect imitable and non-substitutable.

Barney (1991, pp. 107-111) explains that a resource is *valuable* for the company when it allows for and initiates strategies to improve the efficiency and effectiveness of the business. He further explains that executing a value-creating strategy facilitates competitive advantage if other firms do not carry out the strategy concurrently. This condition describes the *rare* characteristic. He continues by stating that resources are difficult or *impossible to imitate* if they contain at least one of the following three criteria: (i) The resource is grounded in the unique history of the company. (ii) The resource has a high social complexity. As soon as a competitive advantage is achieved in highly complex contexts, the possibilities of other companies to utilize and imitate these resources are limited. Complex physical technology, such as machines or robots, are not included in this category as they are imitable. However, if the use and implementation is associated with socially complex resources, physical technology can create a competitive advantage. (iii) There is causal ambiguity, i.e. the relationship between a company's resources and its ongoing competitive advantage is not fully understood. As long as this connection is not understood, it is also not duplicable (Barney, 1991, pp. 107-111). Barney's (1991) last characteristic of a resource to achieve a competitive advantage is the characteristic of *non-substitutable*. Two firms' resources are substitutable or "strategically equivalent when they each can be exploited separately to implement the same strategies" (Barney, 1991, p. 111).

Irava (2009, pp. 24-25) outlines that some researchers further divide the Resourced-Based View into resources and capabilities, and refers to the differentiations and definitions by Amit and Schoemaker (1993) and Chandler and Hanks (1994).[51] These researchers describe resources as the sum of available factors of the company, and capabilities as the usage and implementation of the resources (Amit & Schoemaker; 1993, p. 35; Chandler & Hanks, 1994, p. 334).

Irava (2009, p. 25) mentions that these differentiations of resources and the benefit of their usage within the Resourced-Based View dates back to the theory by Penrose (1959) outlined in sub-chapter 2.3.6 of this dissertation.

Irava (2009, p. 25) explains that based on the distinction between resources and capabilities, the so-called Dynamic Capabilities approach (Teece & Pisano, 1994; Teece et al., 1997) which emphasizes the deployment of resources, has been developed. They "define dynamic capabilities as firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece et al., 1997, p. 516). Eisenhardt and Martin (2000) argue that dynamic capabilities are idiosyncratic and path-dependent. Depending on the market (stable or high-velocity), dynamic capabilities can be routines or "highly experiential and fragile processes with unpredictable outcomes" (Eisenhardt & Martin, 2000, p. 1105).

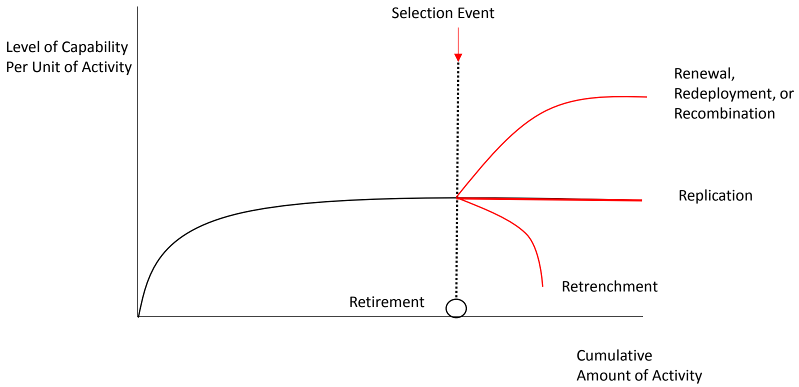
Helfat and Peteraf (2003) build up on the thoughts of Teece et al. (1997) and move further with their development of the "capability life cycle", a more comprehensive concept of Dynamic Resourced-based Theory. The starting point of Helfat and Peteraf's concept is the absence of an explanation of how the heterogeneity of resources arises (p. 997). The competitive advantage or disadvantage which arises from the deployment of resources is not a static phenomenon (Helfat & Peteraf, 2003, p. 997). The advantages and disadvantages appear and disappear with the development of the organization along the life cycle (Helfat & Peteraf, p. 997). One key assumption of the capability life cycle is that all capabilities are subject to change. The capability life cycle describes a general pattern and possible paths of the capability's development (Helfat & Peteraf, 2003, p. 1000). Helfat and Peteraf (2003, p. 1000) state that their model is general enough to be applied to any size of organization. Thereby, the authors

[51] There are more definitions of resources presented by Müller-Stewens and Lechner (2003). These authors outline, for example, the definitions by Sanchez, Heene, and Thomas (1996) who describe resources as available assets to answer to market opportunities and threats.

emphasize that such a general model cannot account for every detail of each capability in various settings.

According to Helfat and Peteraf (2003), a capability evolves through different stages: The founding stage, the development stage and the maturity stage. This structure reminds one of the product life cycle (Helfat & Peteraf, 2003, p. 998). The authors Helfat and Peteraf (2003) refer to Wernerfeldt's (1984) finding that "products and resources are two sides of the same coin" (Helfat & Peteraf, 2003, p. 998), stating that products and resources follow the same evolutionary pattern: Growth, maturity and decline.

Figure 33 Capability Life Cycle



Source: Authors's own figure adapted from Helfat and Peteraf (2003, p. 1005)

Focusing on the maturity stage, as the focus of this dissertation is on well-established and later generation organizations, there are several branches of development in this phase called the six Rs: "Retirement (death), retrenchment, replication, renewal, redeployment, and recombination" (Helfat & Peteraf, 2003, p. 1000).

Helfat and Peteraf (2003, p. 1005) state that some situations can force the organization to *retire* a capability. Such an event could be the prohibition of a certain product by the government so that the organization has to stop its production and all capabilities needed for the production process (Helfat & Peteraf, 2003, p. 1005). The same prohibition can lead to the *retrenchment* of a capability (Helfat & Peteraf, 2003, pp. 1005-1006). The *renewal* of a capability needs modifications of the capability (Helfat & Peteraf, 2003, p. 1006). Returning to the prohibition example, transferring the capability to a new (geographical) market could be an option as long as the costs of transferring do not exceed the expected benefits (Helfat & Peteraf, 2003, p. 1006). This is known as *replication* of a capability (Helfat & Peteraf, 2003, p. 1006). *Redeploying* the capability to other product markets is another way to further use the resource (Helfat & Peteraf, 2003, pp. 1006-1007). If the barriers for redeploying or replication are too high, the *recombination* of the old and a new capability can be helpful to serve the existing product market (Helfat & Peteraf, 2003, pp. 1006-1107). The different paths of the six Rs can not only occur in response to a threat to the organization, they can also arise from opportunities (Helfat & Peteraf, 2003, p. 1007). In the prohibition example, the opportunities arise from external forces, but opportunities can also be internally initiated (Helfat & Peteraf, 2003, p. 1007). Such internal opportunities can arise from technological innovations (Helfat & Peteraf, 2003).

The main difference between the Resource-Based View and the Capability-Based View is the value creation. Within the Resource-Based View the value creation is done by detecting under-evaluated resources and their preservative and defensive use. In the Capability-Based View value is only created through the coordinated use of resources (the capabilities) (Müller-Stewens & Lechner, 2003).

The Resource-based View is a frequently applied theoretical lens to study family firms. This view treats the family as a resource which can be helpful to develop a theoretical model of firm's growth, accounting for the special family resource.

2.10.1.2 Agency Theory

Kallmünzer (2015, p. 58) mentions that that besides the Resource-Based View, the concept of Agency Theory is a frequently applied theoretical lens in family enterprise research (Chrisman, Kellermanns, Chan, & Liano, 2010). He further outlines that agency Theory is grounded in the economic theory of financial research by Jensen and Meckling (1976). According to Kallmünzer (2015, p. 58) Jensen and Meckling (1976) aim to develop a theory of ownership of the firm combining thoughts on property rights, agency and finance. Kallmünzer (2015, p. 58) states that the core topic of Agency Theory is the Principal-Agent-Paradigm, describing problems between "the owner (principal) and the employed management (agent)" in the form of "asymmetric information, uncertain outcomes" (Kallmünzer, 2015, p. 59), incentives, and the risk attitude in decision-making (Kallmünzer, 2015, p. 59). Kallmünzer (2015, p. 59) states that in this paradigm, agency costs can arise due to differing interests of the actors described by Jensen and Meckling (1976). One major problem addressed by Agency Theory is known as *Moral Hazard,* which describes that the agent pursues his/her own goals and preferences instead of the agreed upon organizational ones (Eisenhardt, 1989, p. 61). Another issue that arises in the Principal-Agent Paradigm is *Adverse Selection* (Eisenhardt, 1989, p. 61). This term accounts for the fact that the principal cannot verify the skills indicated by the agent (Eisenhardt, 1989, p. 61). The agent can hide his/her own interests and can be dishonest about his/her actual abilities (Eisenhardt, 1989, p. 61).

Kallmünzer (2015, p. 59) mentions that taking into account increasing efficiencies, Fama and Jensen (1983a, 1983b) have developed the Agency Theory further, arguing that due to risk sharing and increased specialization of the organization, the agency costs can rise.

Eisenhardt (1989, p. 59) summarizes the core characteristics of Agency Theory. Analyzing the agreement between principal and agent, she describes the key concept as follows: “Principal-agent relationships should reflect efficient organization of information and risk-bearing costs” (Eisenhardt, 1989, p. 59). Agency Theory assumes that individuals act under bounded rationality, pursuing self-interest, and try to avoid risk in decision-making. “Partial goal conflicts” between principal and agent can arise as Agency Theory assumes that information asymmetries lead to different interests and goals. Within Agency Theory, information is assumed to be “a purchasable commodity”. The information asymmetries could cause the challenges of *Moral Hazard* and *Adverse Selection*, as well as risk sharing, as described above. The Agency problems can occur in form of discussing “compensation, regulation, leadership, impression management, whistle-blowing, vertical integration, transfer pricing” as organizational phenomena (Eisenhardt, 1989, p. 59).

Agency Theory in Family Enterprise Research

Kallmünzer (2015, p. 62) outlines that Shukla, Carney, and Gedajlovic (2014) divide Agency Theory in family business research into three streams: The Principal-Agent, Principal-Principal and Behavioral Agency Model. The “classical” principal-agent conflict is irrelevant or must be examined in detail for family businesses (Schulze et al., 2001) if there is a unification of ownership and management in a managing owner. In the case of a family business with a non-family manager, the selfish behavior of the manager would not remain undetected for a long time (Kormann, 2017a, p. 64). With the development of the Stewardship Theory[52] (Davis, Schoorman, & Donaldson, 1997), research has created a framework that assumes principal and agent to act as a performance-oriented community (Leistungsgemeinschaft) based on mutual support (Kormann, 2017a, p. 64).

Kallmünzer (2015, p. 63) summarizes that Anderson and Reeb (2003a), who focus on ownership, introduce the “principal-principal approach”. Kallmünzer (2015, p. 63) elaborates further that this paradigm usually appears in businesses with owners equipped with the same power and refers to the studies by Gersick, Davis, Hampton, and Lansberg (1997) and Schulze, Lubatkin, and Dino (2003a). Kallmünzer (2015, p. 63) states that such a situation could be reinforced by the emotional perspectives of family members described by studies by Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, and Moyano-Fuentes (2007) and Schulze, Lubatkin, and Dino (2003b).

Kallmünzer (2015, p. 63) further explains that incorporating the different risk attitudes of family firms in contrast to non-family companies, a “behavioral agency model” with

[52] For a comparison of Agency Theory and Stewardship Theory, see Kormann (2017a, p. 65).

recourse to prospect theory by Kahneman and Tversky (1979) is seen as a third stream of Agency Theory (Wiseman & Gómez-Mejía, 1998). Kallmünzer (2015, p. 64) states that focusing on “social and emotional” preferences, the Socio-Emotional Wealth[53] approach (SEW) (e.g. Berrone, Cruz, & Gómez-Mejía, 2012; Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana, 2010; Gómez-Mejía, Haynes et al., 2007; Gómez-Mejía et al., 2011) builds upon the behavioral agency model.

Berrone et al. (2012) introduce dimensions to measure SEW, the so called FIBER scale. This scale comprises the dimensions of “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” (Berrone et al., 2012, p. 259). Hauck, Suess-Reyes, Beck, Prügl, and Frank (2016) validate the FIBER scale and offer a short variation of this scale by introducing the REI scale. The REI scale emphasizes the explanatory value of the dimensions renewal, emotional attachment and identification.

Another approach to measure SEW is offered by Debicki, Kellermanns, Chrisman, Pearson, and Spencer (2016), who develop the SEW importance scale (SEWi) “to test how the importance of SEW influences the strategic behaviors of family firms in comparison to non-family firms and how variations in the importance of SEW lead to heterogeneous strategic behaviors among family firms” (Debicki et al., 2016, pp. 47-48).

Agency theory is an often applied theoretical lens in family business research. However, sparse insights can be gained for the growth theory of family firms. It can be concluded that agents are influenced by principals. This could be a useful insight for the growth theory of family firms, as it is indeed relevant if the agency problem is eliminated or mitigated in this study.

Having discussed the Resource-based View and Agency Theory in the context of family business research, Upper Echelon Theory should be examined as it is used to research growth of family firms.

2.10.1.3 Upper Echelon

Taking the contrary view to Hall (1977) and Hannan and Freeman (1977), who claim that large enterprises “are swept along by events or somehow run themselves” (Hambrick & Mason, 1984, p. 194), Hambrick and Mason (1984) state that the top management team matters.

Building on the assumptions of human limitations by March and Simons (1958) and Cyert and March (1963), Upper Echelon Theory considers the top management as “the dominant coalition” in the enterprise (Hambrick & Mason, 1984, p. 193). “Organizational outcomes—both strategies and effectiveness—are viewed as

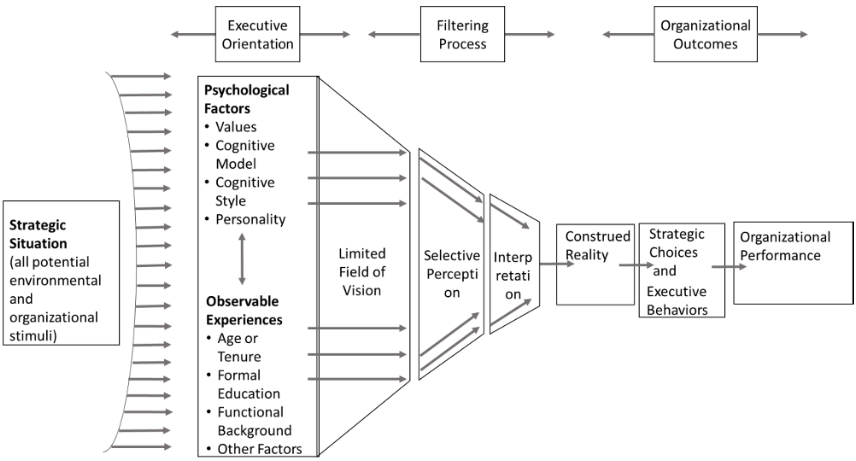
[53] The SEW approach was developed by Gómez-Mejía et al. (2007) studying Spanish olive oil mills.

reflections of the values and cognitive bases of powerful actors in the organization" (Hambrick & Mason, 1984, p. 193). Geyer (2016) mentions that varieties of researchers support this view (e.g. Bantel & Jackson, 1989; Boeker, 1997; Carpenter & Fredrickson, 2001; Eisenhardt & Bourgeois, 1988; Miller, Burke, & Glick, 1998; Patzelt, Knyphausen-Aufseß, & Nikol, 2008; Simons, Pelled, & Smith, 1999).

The main idea of Upper Echelon Theory is that "executives act on the basis of their personalized interpretations of strategic situations they face" (Hambrick, 2007, p. 334). The top management teams make strategic choice under bounded rationality, the executives construe their reality as shown in the following figure (34).

Taking a sequential view can be helpful to conceptualize the perceptual process (Hambrick & Snow, 1977, p. 110). The contextual model of strategic decision-making by Hambrick and Snow (1977, p. 110), with the manager's perception of a situation as the biggest determinant of the decision-making process, serves as fundamental consideration for Upper Echelon Theory. This model is further developed by Hambrick and Mason (1984) and Hambrick (2005b) and presented in figure (34).

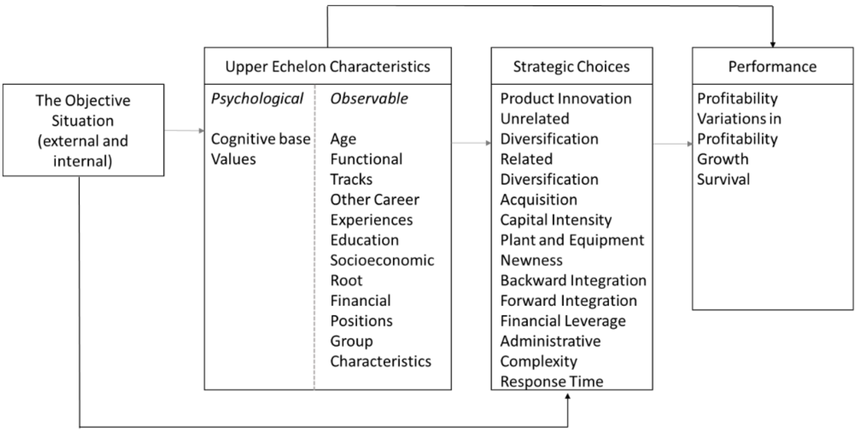
Figure 34 Upper Echelon Theory



Source: Author's own figure adapted from Hambrick (2005, p. 113), adapted from Hambrick and Mason (1984) and Finkelstein and Hambrick (1996)

The top executives face a complex situation stimulated by *environmental and organizational factors*. To reduce the complexity of the situation, as the individual is not capable to process all given information, the *psychological factors* and the *observable experience* determine the *limited field of vision* by filtering the perception of the situation (Hambrick, 2005, p. 112, Hambrick & Mason, 1984, p. 194). The perception is further limited as individuals tend to *selectively perceive* only limited details of the situation. The construed reality is complemented by the *interpretation* of the perceived stimuli. This filtering process is seen as the basis of strategic choices and their organizational outcome (Hambrick, 2005, p. 112).

Figure 35 Upper Echelon's Perspective of Organizations



Source: Hambrick and Mason (1984, p. 198)

Moving from the individual to the overall organizational level (fig. 35), Hambrick and Mason (1984, p. 198) view the "*objective internal and external situation*" as the starting point of Upper Echelon Theory. The characteristics of the top management team are reflections of the enterprise's situation.[54] Furthermore, the situational circumstances limit the sum of strategic choices available to the executives (Carpenter, Geletkanycz, & Sanders, 2004; Hambrick & Mason, 1984). The organizational performance is determined by the strategic choices that are influenced by the Upper Echelon characteristics in combination with the situational context (Hambrick & Mason 1984, p. 197). Geyer (2016, p. 30) outlines that these characteristics consist of psychological and observable factors. The latter ones are easy to obtain. She continues by stating that considering that cognitive base values (psychological factors) are difficult to discover and to analyze, many researchers rely on the reliability and accessibility of observable characteristics to approach the psychological factors such as values, perceptions and cognitions (Cannella, 2001, pp. 36-38).

Besides reflecting the characteristics of the executives, the strategic choices are themselves limited by the internal and external situation of the enterprise (Hambrick & Mason, 1984). Hambrick and Mason (1984) consider the existence of other

[54] Managers tend to select companies that suit their profile (Geyer 2016, p. 25).

influential factors in addition to the already mentioned ones, but conclude that the enterprise’s performance is a “reflection of its top managers” (Hambrick & Mason, 1984, p. 193)

As a limitation, Cannella (2001, p. 38) refers to the “black box” by Barbara Lawrence (1997) that emphasizes the need to develop the understanding of the underlying processes and mechanisms of the decision-making. Further adding to the criticism of Upper Echelon Theory is the fact that the characteristics are mainly approached by observable factors (Cannella, 2001, p. 38).

Considering these limitations, Upper Echelon Theory has been further refined over the years. Hambrick (2007) accounts for philosophical skepticisms, reversed causality, endogeneity and introduces two more moderators that determine the magnitude with which the executive characteristics are reflected in the organizational performance.

Upper Echelon Theory describes that decision processes are of essence for strategy, attributing a central role to the individuals in charge. Geyer (2016) uses this theoretical lens in combination with the Theory of Planned Behavior to describe that the intentions of the individual in charge are drivers of decisions in growth processes of family firms.

Having discussed the Resource-based View, Agency Theory and Upper Echelon Theory, the Theory of Planned Behavior should be discussed next.

2.10.1.4 Theory of Planned Behavior

The Theory of Planned Behavior is grounded in the Theory of Reasoned Action (Fishbein & Ajzen, 1975, 2010). Geyer (2016, p. 30) mentions that this theory tries to predict human behavior from human attitudes and intentions “under full volitional control”. She continues by stating that its extension is the Theory of Planned Behavior, adding the constraint of “limited volitional control” (p. 30) (Ajzen, 1985, 1988, 1991, 2002, 2011, 2012; Fishbein & Ajzen, 2010). According to Greve (2001), the Theory of Planned Behavior is one of the most widely applied theories of social psychology. The Theory of Planned Behavior assumes that the individual’s intended actions, combined with the perceived magnitude of behavioral control, can predict and explain the performance of the intended action (e.g. Ajzen, 1991).

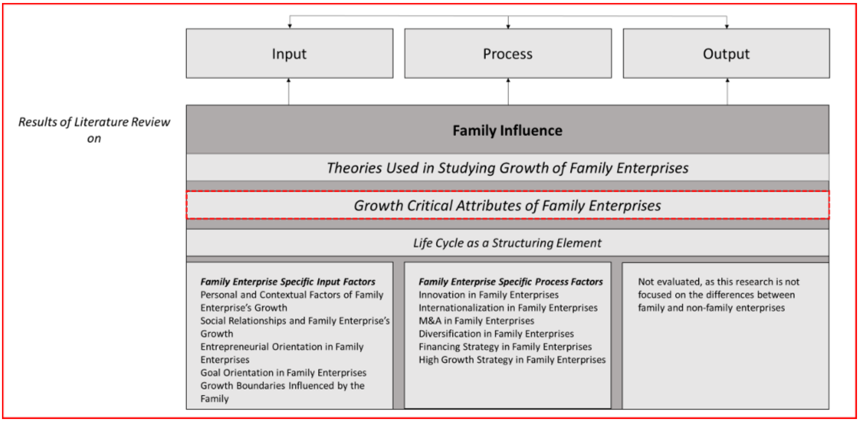
2.10.1.5 Critical Appraisal of Theoretical Lenses on Growth

Discussing the different theoretical lenses of research on the growth of family firms, it can be concluded that there is no recipe to study the growth of family businesses through a special theoretical perspective. Depending on the research focuses and detailed research questions, a theoretical lens is chosen within family business growth research. However, screening the existing theoretical lenses is important to indicate which aspects must be taken into account when building a general growth theory of family firms.

As the goal is to build up a comprehensive model of growth processes, the choice of the theoretical point of view should be kept open in order to advance the research concerning growth by describing the impact of the theoretical perspective after the theory building. This procedure contributes to the fact that several theoretical points of view can be used and thus also progress in several theoretical points of view can be made.

2.10.2 Growth Critical Attributes of Family Enterprises

Figure 36 Growth Critical Attributes of Family Enterprises

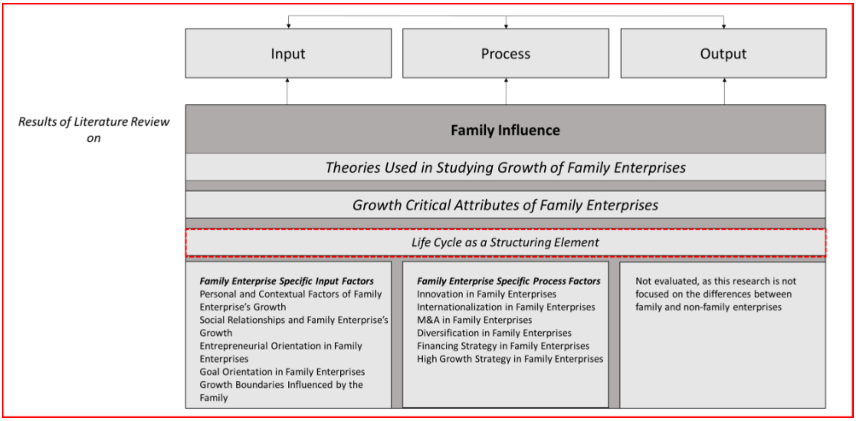


Source: Author's own figure

The first literature review on growth of firms in general reveals that the framework of input-process-output is a valuable break-down of the phenomenon of growth. Therefore, the literature on growth critical attributes of family firms is structured according to this framework. Additionally, given the long-term perspective and the different generations involved in family firms, the literature is structured along the sequence of generations whenever it is possible. The goal of the review is to find a potential explanation of the spurts which is possibly rooted in the family influence.

2.10.2.1 Life Cycle as a Structuring Element

Figure 37 Life Cycle as a Structuring Element



Source: Author's own figure

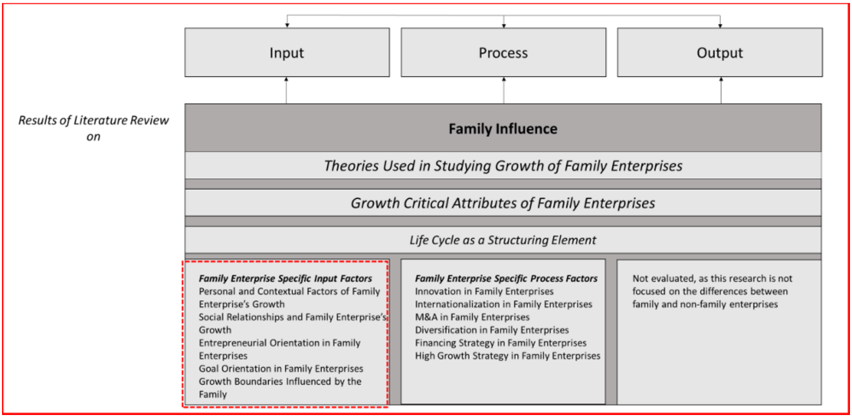
Assuming that each business has to evolve through different developmental stages of the life cycle (Schumpeter, 1990), this sub-chapter discusses the evolvement of growth critical attributes over time. Well-established businesses, whether influenced by a family or not, face challenges due to their respective life cycle phase (Ward, 1997). According to Eddleston et al. (2013), De Visscher (2004) stresses that the respective generation in charge shapes growth development, shareholders' dividend aspirations and selling options.

Eddleston et al. (2013, p. 1181) outline that family firms in the first generation are mostly dependent on the founder's knowledge and network and the resistance of the founder to give away his/her power referring to studies by Gedajlovic, Lubatkin, and Schulze (2004) and Gersick et al. (1997). Eddleston et al. (2013, p. 1182) state that second generation family businesses are mostly run by sibling partnerships (Gersick et al., 1997) which have to deal with conflicting aspirations and values, as well as declining family cohesion (Lubatkin, Schulze, Ling, & Dino, 2005; Miller, Steier, & Le Betron-Miller, 2003), although they have the willingness to implement change (Salvato, 2004). According to Eddleston et al. (2013), third and subsequent generation families have lower altruistic values (Lubatkin et al., 2005) as they are characterized by the aspirations of non-family executives and a rising number of non-active shareholders (Gersick et al., 1997; Jaffe & Lane, 2004).

As growth is a time-dependent construct, a snapshot is not satisfactory. Once instruments triggering growth are used, it takes time to observe and measure the outcome in organizational figures. Therefore, as mentioned above, whenever possible the literature findings are structured according to generations or along the life cycle.

2.10.2.2 Family Enterprise Specific Input Factors

Figure 38 Family Enterprise Specific Input Factors



Source: Author's own figure

2.10.2.2.1 Personal and Contextual Factors of Family Enterprise's Growth

Referring to the works of Certo et al. (2006), Davidsson and Wiklund (2013), Wiklund et al. (2009), Geyer (2016, p. 156) explains in her dissertation "*The Growth Behavior of Family Firms: Theoretical and Empirical Elaborations*" that "firms' strategic choices regarding growth and the processes by which these decisions are formed are of central importance". The model proposed by Geyer (2016) analyzes the influence of the CEO's growth intentions on the strategic choices concerning growth, using Upper Echelon Theory and the Theory of Planned Behavior. Situational and environmental factors, combined with personal characteristics, are identified as the most important background factors that drive growth intentsions. These background contexts comprise nine different factors which can be distinguished into the categories organizational environment, social situation, personal characteristics and personal attitude. The organizational environment consists of (1) "power (e.g. ownership or management)", (2) "experience" and (3) "culture". The social situation is determined by (4) "family of origin", (5) "local community and broader society". (6) "Managerial job tenure" and (7) "accountability" are personal characteristics. The (8) "long-term versus short-term orientation" and (9) "altruism versus opportunism" form the personal attitude (Geyer, 2016, p. 157). Each of these factors can be a reason for the variation in growth processes of family firms. The relationship between the growth intentions and the strategic choices concerning growth are moderated by the magnitude of "managerial discretion", whereby the sources of managerial discretion are comprised of environmental factors (“presence of powerful stakeholders”), organizational factors (“distribution of ownership, governance structures”) and individual managerial characteristics (“individual power base”) (Geyer, 2016, p. 158). Geyer (2016) accounts for heterogeneity of family businesses by using executives’ membership in the family, thus showing that this factor plays a central role in explaining the variations in growth processes between family and non-family executives. Applying a slightly different framework, Geyer (2016) shows that the influence of executives’ family membership is moderated by growth intentions. Attributing variations in growth processes to motivational components of the individuals in charge is also supported by literature on SMEs (e.g. Davidsson, 1991; Delmar & Wiklund, 2008; Morrison, Breen, & Ali, 2003; Wiklund et al., 2003; Wiklund & Shepherd, 2003). More precisely, Geyer (2016) explains that the executives’ family membership influences two factors of growth intensions: “Subjective norms” and “perceived control” (Geyer, 2016, p. 178). Subjective norms indicate to which extent the individuals are tied to the approval of an action by a reference group such as the family or other stakeholders (Geyer, 2016, p. 182). Perceived control is measured by the indicated degree of power by the individual (Geyer, 2016, pp. 182-183).

Concluding from the studies of Geyer (2016), the intentions and the behavior of the individuals in charge, influenced by contextual variables, are an important growth factor. Following this path, entrepreneurial orientation as a collection of concepts of intentions and behavior of entrepreneurs is examined regarding its impact on and relationship to firm’s growth. Before following the path of entrepreneurial orientation, the role of social relationships within firm’s growth is examined.

2.10.2.2.2 Social Relationships and Family Enterprise’s Growth

Bird and Zellweger (2018) analyze the influence of social relationships on an organization's growth. Using the Theory of Growth by Penrose (1959) and the relational embeddedness perspective (Granovetter, 1992), they carve out the differences in growth depending on spouses or sibling teams: A stronger stress on the three dimensions of relational embeddedness trust, identification, and mutual obligations supports the growth of spouses-led firms in contrast to firms led by siblings. Furthermore, Bird and Zellweger (2018) show that the advantage of spouses weakens with the age of the company. Different industry background of the management team “reinforces these growth advantages” (Bird & Zellweger, 2018, p. 264).

Bird and Zellweger (2018, p. 265) emphasize that there are other studies using relational embeddedness to analyze the relationship between networks, alliances and growth (Arregle, Hitt, Sirmon, & Very, 2007; Batjargal, Hitt, Tsui, Arregle, Webb, & Miller, 2013; Brüderl & Preisendörfer, 1998; Davidsson, Achtenhagen, & Naldi, 2010; Galaskiewicz, Bielefeld, & Dowel, 2006; Peng, Wang, & Jiang, 2008; Stam & Elfring, 2008; Stuart, 2000).

Moving back to the thoughts on the intentions and the behavior of the individuals in charge influenced by contextual variables as an important factor of growth, the phenomenon of entrepreneurial orientation will be examined in the following section.

2.10.2.2.3 Entrepreneurial Orientation in Family Enterprises

Entrepreneurial orientation[55], such as proactiveness, innovativeness and risk-taking behavior, is associated with the phenomenon of growth (Moreno & Casillas, 2008).[56] High growth is especially linked to entrepreneurial behavior (Moreno & Casillas, 2008). Although, as Moreno and Casillas (2008, pp. 507-508) state, the relationship between the performance of a firm and its entrepreneurial orientation has been much studied (Covin & Slevin, 1989, 1991; Lumpkin & Dess, 1996, 2001; Rauch, Wiklund, Lumpkin, & Frese, 2009; Wiklund & Shepherd, 2005), most of the studies fail to account for the multidimensionality of performance and use, for example, a combined measure of growth and profit (Moreno & Casillas, 2008, p. 508). Furthermore, the variables which influence the relationship must be further examined (Moreno & Casillas, 2008, p. 508). Moreno and Casillas (2008) account for these shortcomings and identify a positive relationship between entrepreneurial orientation and growth. This relationship is mostly driven by innovativeness and a prospector strategy[57]. Besides these internal forces, a dynamic environment accelerates growth (Moreno & Casillas, 2008). Doing case studies on long-lived firms, Zellweger and Sieger (2012, p. 67) explain that entrepreneurial orientation is “not a necessary condition for the long-term success”. They describe that entrepreneurial orientation varies over generations and suggest a more dynamic view on this construct: A generational focus is needed. Zahra (2005) explains that family ownership and involvement of family members support entrepreneurial activities, but that long CEO tenure hinders them.

Doing more research on the relationship between entrepreneurial orientation and growth, Casillas, Moreno, and Barbero (2010) explain that entrepreneurial orientation has a positive effect on growth which only holds for second generations. Exploring the generational involvement within this relationship, Casillas et al. (2010, p. 39) explain that procativeness in the first generation leads to smaller growth and attribute this to the lower orientation towards growth of the founder due to a long tenure (Hoy, 2006; Ward, 1997). Casillas et al. (2010) conclude that the founder’s proactive behavior follows different objectives than growth, e.g. profitability. Casillas et al. (2010, p. 39) strengthen this finding by referring to the considerations of Cruz and Nordqvist (2008) describing that after a long tenure in business, “founders become less entrepreneurial”. The findings by Salvato (2004), mentioned by Casillas et al. (2010, p.

[55] For a recent discussion of entrepreneurial orientation, see Randerson (2016). For further research on the relationship between entrepreneurial orientation and growth, see Casillas and Moreno (2010).

[56] The concept of entrepreneurial orientation was developed by Miller (1983) and extended and broadened by Lumpkin and Dees (1996), describing entrepreneurial orientation by five dimensions: Autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness.

[57] See Miles and Snow (1978, p. 29). They propose four different strategic types: Prospector strategy; defender strategy, analyzer strategy and reactor strategy.

39), imply that growth is a more important topic for members of the second generation than for the founder's generation. According to Casillas et al. (2010, p. 39), the establishment of structures and processes (professionalization) of the firm in the second and onward generations supports the effect of proactive actions onto the growth of the firm (Ward, 1987; Zahra, Hayton, & Salvato, 2004). Referring to Salvato (2004), Casillas et al. (2010, p. 39) mention that a professionalization of the firm can trigger the recognition of growth as a need for a long-term development of the business. As ambivalent findings are found for the general literature on entrepreneurial orientation and performance, the same applies in the family enterprise context. Casillas et al. (2010) mention that Martin and Lumpkin (2003) state that the entrepreneurial orientation decreases, and that stability and inheritance issues are the drivers of strategic decisions within the second generation. Actually supporting the hypothesis that entrepreneurial orientation decreases, however, Jaskiewicz, Combs, and Rau (2017) show that some exceptional family firms manage to pass the entrepreneurial spirit on to next generations. Introducing the term "entrepreneurial legacy", Jaskiewicz et al. (2017, p. 29) explain that "rhetorical reconstruction of past entrepreneurial achievements or resilience (…) motivates incumbent and next-generation owners to engage in strategic activities that foster transgenerational entrepreneurship".

Risk taking is one dimension of entrepreneurial orientation positively related to innovativeness and proactivness (Naldi, Nordqvist, Sjöberg, & Wiklund, 2007). Usually researchers find positive relationships between the dimensions of entrepreneurial orientation and performance, but this does not hold for risk taking as Naldi et al. (2007) explain. Different studies support this impression of risk averse family enterprises (Gómez-Mejía, Nunez-Nickel, & Gutierrez, 2001; Hiebl, 2012; Romano, Tanewski, & Smyrnios, 2001; Schulze et al., 2001). However, Rogoff and Heck (2003) state that entrepreneurial risk taking is important for performance. Gómez-Mejía, Haynes et al. (2007, p. 106) find that family firms can be risk averse and yet willing to take risks "at the same time". Visser and van Scheers (2018, p. 128) summarize that risk taking is a "motivator for the first generation" and risk avoidance "a motivator for the second" and onward generations. As the business grows, the second and subsequent generations need to establish a structured risk management (Pendergast, Ward, & de Pontet, 2011). In conclusion, different opinions of risk taking behavior and entrepreneurial orientation of family firms exist.

2.10.2.2.4 Goal Orientation in Family Enterprises

Goals are an important part of strategy formulation as they determine the family company's willingness to act (Williams, Pieper, Kellermanns, & Astrachan, 2018). Therefore, as outlined in the definition sub-chapter 2.9.2 in this dissertation, goals play a central role in definition concepts of family firms (Williams et al., 2018), such as the goal to pass the company on to the next generation (Rutherford et al., 2008).

Carrying out an extensive literature review, Williams et al. (2018) find that goals are an important factor to distinguish family businesses from non-family enterprises. Williams et al. (2018, S68) emphasize that with a rising number of coalitions, as we have in family firms (Tagiuri & Davis, 1992), the number of goals is increasing (Cyert & March, 1963). Having the family as a dominant coalition in the business, Williams et al. (2018, p. S68) mention that non-economic goals (Corbetta & Salvato, 2004; Zellweger & Astrachan, 2008; Zellweger, Nason, Nordqvist, & Brush, 2013) can lead to an "aggregate number of goals" which is higher than that in non-family firms. Furthermore, Williams et al. (2018, pp. S69-S70) present some management-related outcomes of goals. They outline that family firms tend to maximize utility by focusing on family-important "non-financial goals" rather than only "on maximizing profit" (Astrachan, 2010; Basco, 2017).

Founder centrality[58] (Kelly, Athanassiou, & Crittenden, 2000) is seen as moderator between goals and outcomes (Williams et al., 2018, pp. S70-S71). The centralized authority of the founder (Gedajlovic et al., 2004; Gersick et al., 1997) characterizes the strategic decisions of the first generation, expressed either by excessive risk taking or a strong aversion to risks in order to keep the company's assets (Casillas et al., 2010). Adherence to the sole control ties the founders to retained earnings and organic growth for investments (Carney & Gedajlovic, 2002). In the first generation, a reluctance of the founder to give away his/her "power" can be detected (Gedajlovic et al., 2004; Gersick et al., 1997), as well as the founder's resistance to succession plans (Davis & Harveston, 1998; Sonfield & Lussier, 2004). However, Eddleston et al. (2013) state that succession planning (Cabrera-Suárez, 2005; Handler, 1994) and strategic planning (Poza, 1989; Upton et al., 2001) are important drivers of growth depending on the generation in charge. They examine that these forms of planning are most advantageous for first-generation businesses. Strategic and succession planning do not support growth in the second generation (Eddleston et al., 2013). For the third generation, they find succession planning advantageous for growth but "strategic planning is negatively associated with their level of growth" (Eddleston et al., 2013, p. 1177). Obviously that finding could imply a reverse correlation: Fast growing companies have enough to manage deploying their positive momentum. When the growth momentum has slowed down, the management might feel an increased need to search opportunities by strategic planning. Eddleston et al. (2013, p. 1181) summarize that generational involvement plays a central role in the family business's future growth strategy by referring to Carlock and Janssens (2006). Eddleston et al. (2013, p. 1181) state that the family business has to account for the needs of the extending family and at the same time the family enterprise has to develop itself in the market environment (e.g. Fernández & Nieto, 2005; Poza, 1988).

Not all entrepreneurs have growth as a corporate goal (Ambrose, 1985). Furthermore, profit maximization is not the only goal of family entrepreneurs (Chrisman et al., 2005;

[58] Founder centrality is the degree to which the founder centralizes the decision-making authority.

Westhead & Cowling, 1997; Westhead & Howorth, 2006). The latter study shows that companies in the first generation and businesses where few managers are part of the family prefer "rational" objectives before family goals. As the number of shareholders rises, the focus shifts to family specific objectives (Dyer & Handler, 1994).

In the earlier literature there is a distinction between the business-first and family-first mentality (Singer & Donahu, 1992; Ward, 1987). Dunn (1995) states that having the characteristics which are important for growth is more likely for the business-first company. Donckels and Fröhlich (1991) point out that family-first companies are resistant and have a more conservative attitude towards growth than business-first companies. Subsequent literature reveals that the terms family-first and business-first are not static concepts, but rather can change within the company over time (e.g. Reid et al., 1999; Martin & Lumpkin, 2003).

In the second generation, family goals are becoming more important than rational economic objectives, such as growth (Reid et al., 1999). For example, less investment in R&D and in the capital resources are undertaken, and new markets or technologies are less exploited (McConaughy & Phillips, 1999).

The information asymmetries increase within the second generation (Blanco-Mazgazatos & de Quevedo-Puente, 2007; Kellermanns & Eddleston, 2004). This can lead to conflicts (Miller et al., 2003) which are a major cause of stagnation in the family firm (Ward, 1997).

The expansion of the shareholder base (especially siblings) or even the personal situation of siblings (single vs. family (Hoy, 2006)) can lead to risk-averse behavior (regarding risk-averse behavior of future generations see Kaye & Hamiliton, 2004; Reid et al., 1999; Schulze et al., 2003a), so that growth targets, due to their consequence of increasing debt financing, are becoming less important (Schulze et al., 2003a). Referring to Jaffe and Lane (2004) and Miller (1983), Eddleston et al. (2013) state that third generation family companies consider the expansion of the shareholder base by planned formal growth strategies. Eddleston et al. (2013, p. 1183) state that the increasing demand for dividends (Lubatkin et al. 2005) reduces the equity, which could be used for investments in growth and the development of the company (Miller & Le Breton-Miller, 2006). Referring to De Visscher (2004), Eddleston et al., (2013, p. 1183) describe that non-active family members (shareholders) “evaluate their ownership” in terms of return. A decreasing trend of investments necessary for growth can be detected in subsequent generations (Chami, 2001). Reid et al. (1999) attest the later generations a slower growth than the founder’s generation.

Goals play an important role in formulating a growth strategy. However, the direct connection between goal and growth must be examined further.

2.10.2.2.5 Growth Boundaries Influenced by the Family

Growth has some general boundaries such as growing competition, maturing markets, changing technology and globalization, as discussed in section 2.7.1.2. A family business arises from the combination of two social systems, the family and the company (Lansberg, 1983; Schlippe, 2010; Tagiuri & Davis, 1996). The interaction between these social systems can offer enormous opportunities and advantages, but can also cause great dilemmas. Family conflicts can pass on to the company in an unfiltered way and weaken it in the long term or even lead to its downfall. Conflicts[59] are not necessarily damaging for the company as some types of conflicts can be constructive for both the family and the company (Cosier & Harvey, 1998; Harvey, Cosier, & Novicevic, 1998; Kellermanns & Eddleston, 2004; Pieper, 2010). In this way, conflicts regarding strategy, in the sense of competition for the best possible solution, can be assessed positively (Kormann, 2017a, p. 99). Complexity results from the combination of both systems and is difficult to manage (Schlippe, 2010).

Gimeno, Baulenas, and Coma-Cros (2010) describe that a growing company implies a particular complexity. Increasing complexity can be attributed to the fact that the company itself grows and the number of family members increases. This entails that the number of actors increases and therefore processes get more and more complex. Both systems can grow with a different magnitude which leads to an increasing complexity. Establishing structures is an important step to manage complexity. These structures vary depending on the type of family structure and the developmental stage of the company (Gimeno et al., 2010).

Moving from the abstract level of complexity, some specific boundaries of growth will be considered in the next section.

Ward (1997) identifies several specific growth boundaries of family firms: For companies in the transition process between first and second generation, the reluctance of the founder to changes and being trapped in old ideas can be seen as a growth boundary. Companies in second and subsequent generations face the problem of a lack of social and financial commitment of the family firm. As the family grows there are shareholders who are willing to spend their money outside the company and could prefer a leisure-orientated lifestyle. Furthermore, as the family grows, there are more family shareholders who want to be satisfied monetarily. Lacking social competences due to a powerful parental education can bear risks for the collaboration between siblings. As siblings grow up and build up their own families, "building a shared vision" becomes increasingly difficult (Ward, 1997, p. 324).

Boundaries to corporate growth can vary between different cultural contexts. For example, research on Chinese firms by Yeung (2000, p. 55) reveales that their growth boundaries are determined by "paternalism, nepotism, personalism, and

[59] For further research on conflicts in family firms, see Pieper, Astrachan, and Manners (2013).

fragmentation". Yeung (2000, p. 58) continues by mentioning that paternalism describes the directive position of the patriarch who is reluctant to delegate power to other managers outside the family. Nepotism is a typical phenomenon in China which hinders growth (Yeung, 2000, p. 58). Personalism prevents the establishment of professional and structured processes (Yeung, 2000, pp. 58-59). The issue of fragmentation can be attributed to inheritance law, dividing the company into different parts (Yeung, 2000, p. 59).

Growth boundaries due to inheritance issues can also be overserved in a German context.[60] Seibold et al. (2019, p. 59) otlines that if the business is transferred to all heirs, the shareholder base expands. The increased demand for dividends and the possibility of an active career in the family business become present. If "the business is bequeathed to one child, the shares of the other heirs must be financially compensated, which indeed reduces the financial scope of the business´s potential growth opportunities" (Seibold et al., 2019, p. 59).

Therefore, as Seibold et al. (2019, p. 59) summarize: "transferring the business to one child only significantly curbs the desired growth. It is a fact that there is no old and large company in the sole ownership of a fourth-generation owner (Fittko & Kormann, 2014). Those companies that are in the sole ownership of one person are comparatively small, such as Faber Castell, traditional hotels or the famous vineyards. Concentrated ownership requires cash outflow to compensate the heirs excluded from the inheritance of the business shares. According to German laws, this is half the value of the estate compared to the state of intestacy. However, this half is to be paid in cash. This cash comes from the company's after-tax retained profit. This cash outflow reduces the growth potential by one half or two-thirds (Fittko & Kormann, 2014)."

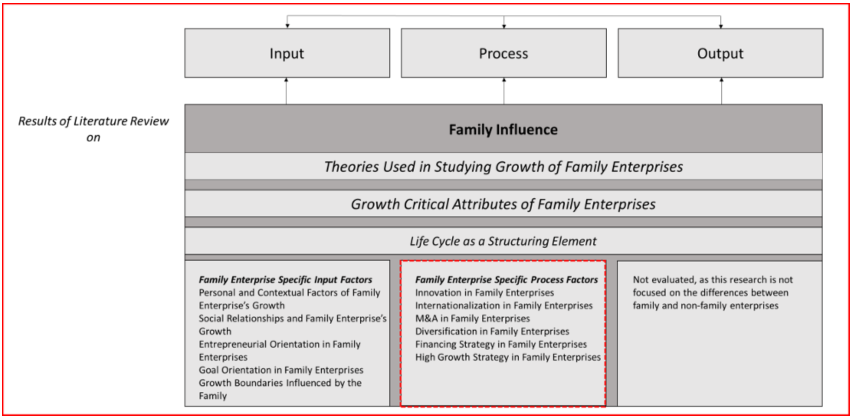
In some cases it can be observed that the senior "harvests" the equity as she/he has no awareness of the height of the budget she/he needs for retirement (Ayres, 2002, p. 139).

In conclusion, the complexity of family firms arising from the overlapping of two social systems leads to some special growth boundaries. However, literature offers some guidance to avoid and work against those boundaries.

[60] The following paragraph is related to the author's comments in Seibold et al. (2019).

2.10.2.3 Family Enterprise Specific Process Factors

Figure 39 Family Enterprise Specific Process Factors



Source: Author's own figure

Having clarified the special influence of the family on growth-related input-factors, the focus shifts to family specific processual factors. This sub-chapter is dedicated to explaining what insights into strategic components of family firm's growth the extant literature offers. The different strategic components relevant for growth have been explained in sub-chapter 2.7. This section should add how the family specifically influences those components.

2.10.2.3.1 Innovation in Family Enterprises

As Moreno and Casillas (2008) state, innovativeness plays a central role between entrepreneurial orientation and growth. Schumpeter (1931, 1934, 1942) already recognizes the central role of innovation for the long-term survival of the firm. Halder (2016, p. 37) mentions that innovation is a multifarious construct and as in the discussion on the definition of the term "family business", there is no coherent definition of what constitutes an innovation (Hauschildt & Salomo, 2011). Halder (2016, p. 38) states that Baregheh, Rowley, and Sambrook (2009) have reviewed 60 different definitions of "innovation" and find out that the definition is highly dependent on the research discipline.

The interest in researching innovation of family firms has increasingly gained attention in the last decade. The case study by Litz and Kleysen (2001) was mentioned for several years as the sole work on the topic of innovation of family firms (Halder, 2016, p. 70; Leenen, 2005).

The research done on innovation and family firms reveals contradictory results when comparing family firms to their non-family counterparts (De Massis, Frattini, &

Lichtenthaler, 2013). Hauck and Prügl (2015, p. 106) outline that some of the studies detect "a positive relationship" (e.g. Hsu & Chang, 2011), while others attribute a negative influence of family involvement on innovation (e.g. Block, 2012; Muñoz-Bullón, & Sanchez-Bueno, 2011; Nieto, Santamaria, & Fernández, 2015). Hauck and Prügl (2015, p. 106) suppose that the inconsistencies of these findings are based on the operationalization of the family influence, as most of the studies measure the family influence by ownership and management. They conclude that there are hindering as well as fostering factors of family influence on innovation (Hauck & Prügl, 2015, p. 106). Hauck and Prügl (2015) mention that by conducting a qualitative paper Cassia, De Massis, and Pizzurno (2011) work out "family members' commitment" to the enterprise (Hauck & Prügl, 2015, p. 106), the willingness to retain the family's name and reputation and the communication within the family as fostering factors for innovation. However, risk aversion and conflicts are factors that can hinder the innovation in family firms (Hauck & Prügl, 2015). Hauck and Prügl (2015, p. 106) state that the factors risk aversion and maintaining "the status quo" are supported for later generation family firms by Kellermanns et al. (2012). Hauck and Prügl (2015) mention that by analyzing ownership and management in first and multigenerational family firms, Westhead, Howorth, and Cowling (2002) find that later generation family firms tend to "have more formalized structures" (Hauck & Prügl, 2015, p. 106) and more established processes that could hinder innovation.

De Massis et al. (2013) find that family enterprises are perceived as less innovative than non-family enterprises. Having reviewed 108 articles, Duran, Kammerlander, Van Essen, and Zellweger (2016, p. 1224) differentiate this finding by stating that family firms "invest less in innovation but have an increased conversion rate of innovation input into output". Introducing the "Ability and Willingness- Paradox", De Massis, Kotlar, Chua, and Chrisman (2014) and Chrisman, Chua, De Massis, Frattini, and Wright (2015) explain that family firms innovate less but would have the means to be more innovative. These researchers see the roots of this behavior in non-economic factors (Chrisman et al., 2015). Hauck and Prügl (2015) mention a study by Chrisman and Patel (2012) which shows that family companies are able to invest more resources in R&D than non-family enterprises, but most of the family businesses do not have the will to do so due to non-economic factors.

There is tremendous work on the innovation input and the innovation process, but findings concerning innovation and its effects on growth are not well-developed yet (Fokuhl, 2017). The relationship between the growth of the firm and innovations is hard to describe and to measure, as already described in sub-chapters 2.7.2 and 2.7.3. Kraiczy, Hack, and Kellermanns (2015) describe innovativeness of the top management team as a mediator of organizational growth.

Röd (2016) reviews the literature on innovation, classifying the studies according to the framework by Lumpkin et al. (2011) into input, activity, and output. Screening these articles, only four articles can be detected that address growth. Addressing an innovation input, Choi, Zahra, Yoshikawa, and Han (2015) describe that there is a negative relationship between family ownership and R&D expenditures, but the relationship goes into reverse when growth opportunities are present. When growth opportunities are limited, family control is positively related to a firm's R&D spending (Yoo & Sung, 2015). The study by Ingram, Lewis, Barton, and Gartner (2016) concerns the innovation activity by explaining that leaders with paradoxical thinking ability tend to be more able to successfully manage strategic tensions within the innovation process, such as the liquidity of the family members versus business growth. Within the output dimension, Cucculelli (2013) finds that innovation is crucial for high-growth firms and limited to those with low family influence on decisions about the development of a new product.

In conclusion, there are ambiguous results regarding the relationship between family firm's growth and innovation, and especially the family's influence on innovation. However, innovations are an important driver of growth.

2.10.2.3.2 Internationalization in Family Enterprises

Arregle, Duran, Hitt, and Essen (2017, p. 801) present a meta-analysis of 76 studies, examining the uniqueness of family firms' internationalization. They conclude (p. 801) that the uniqueness of family businesses' internationalization is entrenched in "family control, internationalization types, and home countries' institutional contexts". Referring to the studies by Fernández and Nieto (2006) and by Sciascia, Mazzola, Astrachan, and Pieper (2012), Arregle et al. (2017, p. 801) state that there are numerous studies on international activities of family firms providing different results. Some studies attribute fewer international activities to constraints of the family firm, such as "lack of capital and resources, resistance to change, family conflicts, fear of losing control" (Arregle et al. 2017, p. 801; Patel, Pieper & Hair, 2012), while other studies emphasize the strengths of family involvement in the internationalization process, such as "flexibility, speed in decision-making, long-term orientation, stewardship" (Arregle et al. 2017, p. 801) and altruism (Patel et al., 2012). Although divergent results of internationalization of family firms exist, it is clear that the family involvement matters in this process (Arregle et al. 2017). Relating internationalization and organizational growth, Davis and Harveston (2000) find that the entrepreneur's age does not play a significant role in the internationalization process and has no effect on growth. According to Davis and Harveston (2000), the educational level of the entrepreneur and internet usage are positively related to growth and internationalization. Emphasis on investments in technology are positively related to growth but negatively related to internationalization (Davis & Harveston, 2000).

Doing research on the global expansion of family firms, Patel et al. (2012, p. 233) refer to a model by Etemad (2004) introducing "push and pull factors" of SMEs' globalization. Patel et al. (2012, p. 234) transfer these to family businesses, identifying “strategic drivers, competitive forces, family demands” as push factors and “desirable location, networks and alliances and preemptive positions” as pull factors. Push factors can be seen as a pressure whereas pull factors are comprised of opportunities. The impact of push and pull factors on a family business varies depending on the degree of importance of the specific characteristics on the family enterprise (Patel et al., 2012).

According to Patel et al. (2012), strategic drivers comprise lower costs of key resources abroad, such as employees and production costs, as well as levering synergies and the development of new domestic products and services, and fulfillment of the supply change requirements of a moving client.

Some family firms pursue their internationalization strategy with the aims to conquer competitive forces by developing a physical presence, to be a first mover or to react fast to changes implied by the client or competitor (Patel et al., 2012).

Patel et al. (2012) state that family demands comprise increasing demands for dividends which can probably be satisfied by increasing profit from international sales. As the family is growing in number, the aspirations of some family members for a working position within the company are rising. Another family driven factor can be the educational opportunities for the family members and especially the next generation provided by a globalized company (Patel et al., 2012).

According to Patel et al. (2012), moving away from the push factors to the pull factors, desirable locations play a central role. On the organizational level, desirable locations are derived from strategic viewpoints such as occupying a niche and/or gaining regional dominance. On a family level, desired locations can depend on the personal preferences of family members (Patel et al., 2012).

Furthermore, Patel et al. (2012) mention networks and alliances as potential determinants of internationalization. International networks can provide opportunities and joint investment, as well as market access where personal relationships are necessary. A preemptive position can be seen as a motivating force to enter geographically new markets (Patel et al., 2012).

The review of the literature concerning the internationalization of family firms reveals ambiguous results. There are family influenced constraints as well as family influenced fostering factors of internationalization.

2.10.2.3.3 M&A in Family Enterprises

Most research on M&A is done on publicly traded firms. These findings fail to account for the specific features of family enterprises (Müller, 2015). Gómez-Mejía, Patel, and Zellweger (2018) find a general reluctance of family firms towards acquisitions. A study by Witt (2019) supports this argument by examining mergers and aquistions of large German firms, finding that nearly all acquirers of large German firms are public firms and not family companies.

If they engage in an acquisition they usually tend to acquire a related target (Gómez-Mejía et al., 2018). Increased firm's vulnerability serves as an indicator for families to prioritize financial goals over the protection of SEW (Gómez-Mejía et al., 2018). In cases where financial goals have dominance over SEW, acquisitions of unrelated targets are considered (Gómez-Mejía et al., 2018). The same observations are found for mergers. Family firms tend to engage less in mergers, and non-family firms tend to benefit more from mergers than family firms do (Shim & Okamuro, 2011).

Having described some general goals and reasons for M&A in sub-chapter 2.7.2, M&A with a special focus on family specific challenges will be outlined.

Capron and Pistre (2002) outline that earning high financial returns depends on the role of resources within the M&A process. If the acquirer only uses resources from the acquired firm, no abnormal returns will be earned. If the acquirer is able to transfer their own resources to the acquired firm, abnormal returns are possible (Capron & Pistre, 2002).

Müller (2015) states that family firms are able to better implement the acquired firm into their portfolio than their non-family counterparts.

The downside, that financial returns are uncertain, is supported by the study by Masulis, Wang, and Xie (2007) focusing on corporate governance mechanisms and acquirer returns, emphasizing the role of antitakeover provisions. Capron, Dussauge, and Mitchell (1998) and Uhlenbruck, Hitt, and Semadeni (2006) question the efficient use of resources after acquisitions.

Gómez-Mejía, et al. (2018) focus on the SEW relevant downsides of acquisitions. They mention the studies by Dreux (1990) and Zellweger, Kellermanns, Chrisman, and Chua (2012) that show that acquisitions dilute family control and independence. Referring to the work by Friedland, Palmer, and Stenbeck (1990), they emphasize that the social networks of the family firm could be disturbed by acquisitions. By referring to the study by Deephouse and Jaskiewicz (2013), Gómez-Mejía et al. (2018) mention the influencing factor of an acquisition on the firm’s reputation. The acquired products and services could disrupt the well-established reputation of the existing portfolio. A divestment on a failed acquisition is seen as a worst-case scenario assuming a long-term orientation of the family firm (Gómez-Mejía et al., 2018).

In conclusion, family firms tend to engage less in M&A processes for various reasons. Furthermore, the direct connection between M&A and family firm’s growth remains open.

2.10.2.3.4 Diversification in Family Enterprises

Following the different paths of a growth strategy, the role of diversification in family firms will be discussed below.

Diversification is a growth strategy by which new products are introduced into a new market. Gómez-Mejía, Makri and Larraza-Kintana (2010) find that family firms diversify less (internationally and domestically) than their non-family counterparts. Anderson and Reeb (2003b) also discover a lower level of diversification of family firms than of non-family firms. Hernández-Trasobares and Galve-Górriz (2016a, 2016b) analyze the effect of family control on "decisions regarding the specialization and diversification" (Hernández-Trasobares & Galve-Górriz, 2016a. p. 73), which are key parts of growth strategies. They conclude that family involvement decreases the level of diversification and has a positive influence on specialization. Engaging in diversification activities, family firms prefer culturally related and domestic areas (Gómez-Mejía, Makri et al., 2007).

For a management implication, Gómez-Mejía, Makri et al. (2007) find that family firms do not tie the CEO's incentive compensation to international diversification efforts as much as non-family firms do. Banalieva and Eddleston (2011, p. 1060) suggest that there is a relationship between diversification and leadership style. Studying a sample of 202 European firms, they conclude that family leaders are "most beneficial" when following a regional strategy. Analyzing the role of affiliate directors Jones, Makri, and Gómez-Mejía (2008) find that the impact of the affiliate directors' knowledge and experience can encourage diversifying actions.

For companies with owner-managers, the willingness to diversify is dependent on the fraction of ownership (Chen & Yu, 2012). When the fraction of ownership of the owner-manager exceeds a critical level of control, she/he is more willing to engage in diversification activities (Chen & Yu, 2012). Chen and Yu (2012) attribute this to the fact that the wealth of the family is tied to the company. Owner-managers are more willing to pursue diversification to lower the variability of their profit and to reduce the risk of financial distress (Chen & Yu, 2012). Another reason for owner-managers to engage in diversification mentioned by Chen and Yu (2012) is their personal employment security.

In conclusion, family firms tend to diversify less than their non-family counterparts. However, there can be some personal characteristics of the manager and some constellations of ownership and management which can foster diversification in family firms.

2.10.2.3.5 Financing Strategy in Family Enterprises

A crucial question in formulating a growth strategy is how to finance the growth. Besides the financing of the growth itself, a growing business bears the risk of divergent aspirations of active and passive family members which must be financed (Allouche, Amann, Jaussaud, & Kurashina, 2008; Voordeckers, Le Breton-Miller, & Miller, 2014). Finance in family firm is a widely discussed topic (Gallucci, Santulli, & De Rosa, 2017; Voordeckers et al., 2014). A special feature of family businesses is the compatibility of financial decisions with emotional considerations (Voordeckers et al., 2014). Family enterprises are usually associated with conservative financing. Knöll and Kettern (2012) find that driven by the goal of independence, family enterprises usually rely on self-financing and bank loans. Studies by Pernsteiner (2008) and Blanco-Mazgazatos and de Quevedo-Puente (2007) show that family firms tend to use their own funding.

Different studies indicate that the developmental stages of a company influence financial performance (Berger & Udell, 1998; DeAngelo et al., 2006, 2010; Dickinson, 2011; Richardson, 2006). Richardson (2006) for example finds that companies in the initial stages make larger and growth-oriented investments than those in the maturity phase.

In addition to the stages of the life cycle, the transition phase between family management and non-family management has an impact on financial decisions. Amore, Minichilli, and Corbetta (2011) find that incoming non-family CEOs tend to exploit the lending capacity by raising the debt level with short-term liabilities.

On a more mathematical level it can observed that the cost of equity is determined by the family's aspirations for growth (Adams & Manners, 2011). Kormann (2013a) concludes that privately held family firms in Germany do not have the possibility to finance themselves through the capital market but compensate this disadvantage by a higher retention rate, which then determines– in the long-term – the financially sustainable growth rate.

In his dissertation Fabian Berthold (2010, pp. 195-204) examines the area of conflict between growth and financing growth. Performing cases studies on German family enterprises, he concludes with the following hypotheses[61]:

"H1: Typically, maintaining financial and entrepreneurial independence is of central importance in the financing decisions of large German family owned companies.

H2: In addition to these overarching guidelines and financing motives, many family businesses pursue pragmatic financing goals, such as matching maturities between financing and investment periods, the lowest possible capital costs or attractive collateralization concepts.

[61] He concludes with 13 hypothesis, eight of which are discussed here. The hypotheses have been translated into English.

H 3: Family businesses finance themselves primarily through retained profits and bank loans and are often characterized by high equity shares in their total financing.

H 4: Family businesses are typically subject to only minor exogenous financing restrictions. The market for public and private capital now offers a sufficient range of financing options.

H 5: Endogenous financing restrictions in the form of a pronounced maxim of independence or a particularly conservative financing policy, conversely, in most cases do not prevent companies from financing themselves in a diverse and modern way.

H 11: Investment and financing decisions taken by family owned companies are typically not affected independently of each other. Both decision dimensions are iteratively related to each other and the possible mutual effects are weighed against each other.

H 12: If there is a growth option that fits well to the strategy of the family business and contributes to its long-term development, suitable financing will be found in most cases. Many companies are also willing to try out new financing options and overcome any existing resentments and their own traditional way of thinking.

H 13: If a promising growth option requires an expansion of the equity base and the family alone is not in a position to provide the necessary financial resources, more and more family owned companies are also willing to offer participation to non-family shareholders. However, such an exposure should typically be restricted to a minority interest and be of limited duration."

According to the empirical findings by Berthold (2010) large German family owned companies show creative and flexible financing possibilities driven by the goal of independence.

Schraml (2010) concludes her empirical study with the finding that growth oriented family businesses tend to eschew financing from retained earnings and tend to choose non-family CFOs.

Seibold et al. (2019) state that the growth of the family business follows a certain pattern over the time span of its development. It is and has to be highest in the founder's generation. Only by growth rates of 10% up to 20% or 30% over some period of time the start-up activity can develop into an enterprise which can exist independent of the lone founder (Seibold et al., 2019). In this generation basically all profits have to be retained. This is possible because the founder – and often other family members – are employed in the family business (Typically, the executive remuneration per person is higher than the potential payout for a non-active shareholder in one of the subsequent generations). This low payout is confirmed in empirical studies by Vandemaele and Vancauteren (2015) and Michiels, Voordeckers, Lybaert, and Steijvers (2015). They are, however, explained by the construct of SEW. Explaining this with the diminishing growth rate in subsequent generations is easier and more stringent. This reduced growth rate allows a higher profit payout. The older the family business is, the higher is the risk of economic obsolescence of the business activity and the higher is the need of diversification of the family wealth which can cause a higher payout ratio.

Summing up, the area of financial decision-making in family firms is growing, but is still in its beginnings (Motylska-Kuzma, 2017). Most studies focus on the capital structure of family firms but only approach the financial logic of family firms (Motylska-Kuzma, 2017). Furthermore, research on dividend policy and investment decisions is rare[62] (Motylska-Kuzma, 2017).

2.10.2.3.6 High Growth Strategy in Family Enterprises

There is only a limited number of articles that deal with the relationship between high growth and family firms (Upton et al., 2001). The characteristics of rapid growth firms vary depending on the respective definition of “high growth” applied (Almus, 2002). However, studying rapid growth firms can help to get a better understanding of the dimensions that are associated with firm’s growth (Barringer, Jones, & Neubaum, 2005). However, these articles dealing with high growth of family firms do not especially accout for generational differences between the first and subsequent generations.

Founder and Firm Characteristics

Barringer et al. (2005, p. 664) mention the higher educational and motivational level, as well as a higher industry experience, as determinants of high growth performance. Companies showing high growth have a higher commitment to growth, using ”growth-oriented mission statements” and are more involved in interorganizational relationships (Barringer et al., 2005). The rapid growth firms in Barringer et al.’s (2005) sample place a higher value on a deeper understanding of customer knowledge. Almus (2002) states that rapid growth is not dependent on the industry or sector of the business operations.

Strategic and Business Planning

Upton et al. (2001) analyze 65 fast growing family enterprises according to their strategic and business planning, finding that most of them have formal written plans. These plans are very detailed and enable management to concatenate planning and actual performance, as well as management compensation. 50% of their sample states that they sometimes involve the board of directors in strategic planning (Upton et al., 2001). Informing the staff about these plans and communicating goals and the information necessary for their achievement is found in high growth family firms (Upton et al., 2001).

[62] The few available studies on investment and dividend behavior can be attributed to the restraint of family businesses and the lack of disclosure requirements.

Human Resources Practices

High growth firms have a transparent process of involving their employees in the "comparisons between actual company performance results and goals or planned performance" (Upton et al., 2001, p. 60). Carlson, Upton, and Seaman (2006) examine the human resources practices of high growth firms, finding that development and training, performance appraisals, competitive compensation models, maintaining morale and recruitment package are determinants of high growth. The results of Barringer et al. (2005) also incorporate the human resources management practices and their central role for high growth performance, adding stock market options for employees as another determinant in high growth performance. A general importance of human resources practices for family firms' revenues is stressed by Astrachan and Kolenko (1994).

Product and Marketing Strategy

Results from the self-description of high growth family firms reveal that they perceive themselves as high quality producers and not as low-cost or time-based strategists[63] (Upton et al., 2001). Upton et al. (2001) mention that regarding the market entry strategies, high growth family firms choose first mover or early follower strategies (Upton et al., 2004). Upton et al. (2004) examine that high growth family firms tend to choose a differentiation strategy. Concerning the product portfolio of fast growing firms, they mostly rely on products older than 3 years, and a third of the sales is attributed to new products and services, thus trying to keep their market position (Upton et al., 2004). A third of the new product portfolio drives the high growth (Upton et al., 2004). Teal, Upton, and Seaman (2003) find that fast growing family firms use an above market price strategy as they are getting older. The analyzed fast growing family enterprises spend a greater fraction of their marketing budget on mass media (Teal et al., 2003). Exceptional quality of products and services is important for fast growing family firms to set themselves apart from other companies (Upton, 2002). Family firms are able to maintain their customer base and to attract new customers (Upton, 2002).

There are different research attitudes if the high growth sales come from domestic or international sales. The study by Upton et al. (2004) reveals that their high growth firms gain their sales in the domestic (U.S.) market. Furthermore, they find that the fraction of international sales is correlated with outsiders on the board of directors and the usage of brokers and agents (Upton et al., 2004).

Upton (2002, p. 32) concludes that fast growing family firms "foster a participative management style, share performance information, and build a team-oriented culture.

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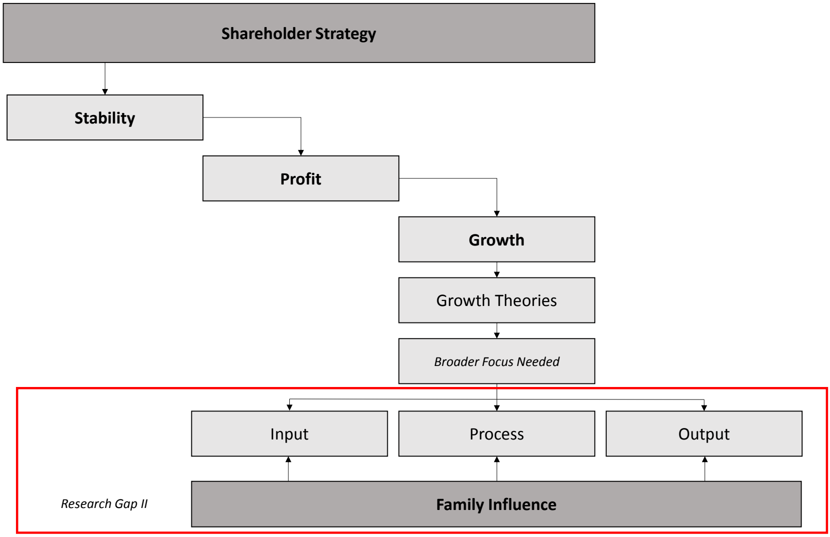
[63] "A time-based strategy gains its advantage through good timing in seizing marketplace opportunities quickly" (Upton et al., 2001, p. 63).

But they manage to maintain voting control over their firms while continuing to grow dramatically".

2.11 Research Gap II: No Comprehensive Growth Model of Family Enterprises

Figure 40 Research Gap II



Source: Author's own figure

Having examined growth critical attributes of family firms, no explanation for the growth spurts can be found. It can be concluded from the literature that the previous studies have identified business planning, strategic planning (Brinckmann, Grichnik, & Kapsa, 2010; Cabrera-Suárez, 2005; Eddleston et al., 2013; Handler, 1994; Knight & Knight, 1993; Jones, 1982; Upton et al., 2001; Upton et al., 2004; Ward, 1988) and succession planning as important determinants of growth. Many studies use sales growth as a performance measurement or output variable (e.g. Gallucci, Santulli, & Calabrò, 2015), but research on the process of growth is rare. However, there is a lot of research on growth critical strategic components, such as innovation, internationalization and diversification etc. with ambiguous results concerning their influence on growth.

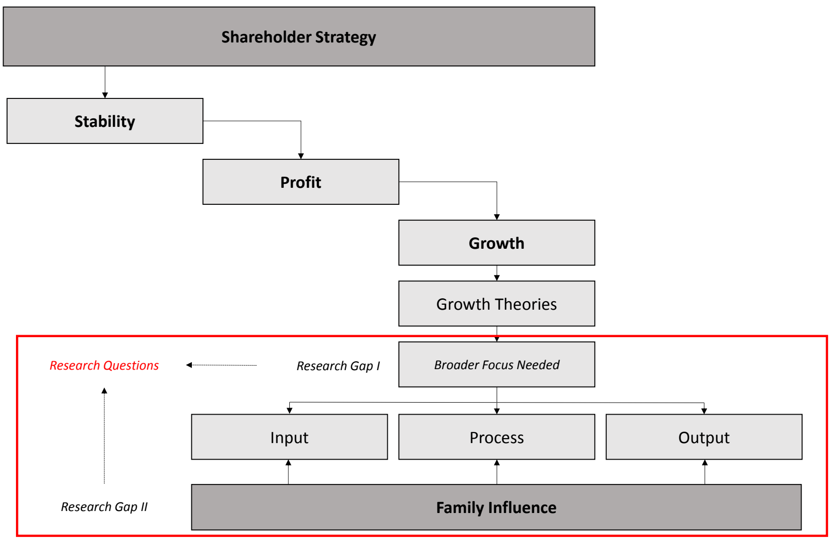
There are different results concerning innovation in family firms. There is more unity in the findings concerning M&A and diversification. According to the reviewed literature, family firms tend to engage less in M&A and diversification. Divergent results concerning the internationalization of family firms have been revealed during the literature review.

In sub-chapter 2.8 the first research gap has been identified, emphasizing that there is no comprehensive theoretical model of the process of growth in a firm. Thus, the literature on growth in family enterprises was screened in order to gain insights which might be specific for this type of enterprises. The literature review on growth and family firms reveals that neither is there a direct explanation of family influences on growth. However, the components of growth, such as innovation, diversification, internationalization etc. are very well researched but the results are ambiguous. Sometimes the input factors, such as innovation as well as output factors, such as internationalization or diversification are analyzed to identify differences by generations involved. The conclusions for growth patterns are not explored, which adds to the ambiguity or inclusiveness of the body of research under the perspective of this research goal: The explanation of the growth spurts.

Therefore, the literature review on growth critical attributes, as well as the review on general growth and the impressions from the first interviews show the need for a comprehensive theoretical model of growth processes in family firms which takes the family influence into account.

2.12 Research Questions

Figure 41 Research Questions



Source: Author's own figure

Based on the observation of growth spurts of family firms, the search for a literature-based explanation of these spurts was started. The review has revealed that there is no model or theory that could explain the observed growth spurts. Having evaluated general determinants and factors of growth, and adding the influence of the family by reviewing growth critical family attributes, an encompassing picture of the growth phenomenon is given. Taking the findings of the literature review together, it can be seen that there is no explanation for this unknown phenomenon.

Critically reviewing and evaluating the literature reveals that a broader focus on the growth phenomenon is needed. Research on what to do in order to generate growth and develop a growth path is rather rare. Most research treats growth as a decision problem. The first interviews offer initial insights into a general growth model of family firms. Therefore, the goal moves from the expected explanation of growth spurts to a more comprehensive model of growth processes. Therefore the first research question is

Q 1: How do growth processes of family enterprises evolve?

The answer to this question will be a general theoretical model of growth, accounting for the family influence. As the research objectives are family firms and this form of organization has special growth critical attributes, as has been shown in the literature review, the goal is to identify the family-influenced dimensions.

Q 2: Which are the family-influenced components?

Having identified the family-influenced dimensions, the focus shifts to how the family shapes these dimensions.

Q 3: How are these components shaped by the family?

Aiming to provide practical implications to subsequent generations to find their role in the sequence of generations, the fourth research question intends to derive pragmatical-normative recommendations.

Q 4: Which practical-normative implications can be derived?

Reviewing the literature, divergent results concerning the growth processes are found. Therefore, no testable hypothesis could be derived, thus a qualitative approach is needed. The goal is to develop a comprehensive model of growth processes. The mentioned input and output factors could be observed and measured, but the process within remains a “black box”. The aim is to approach the processes within this “growth black box”. This is done by following a Grounded Theory inspired approach engaging in interviews with the individuals in charge. As Grounded Theory is not often used in management science, and growth seems to be a quantitative topic as it is associated with growth rates and formulas, a methodological question accompanies this research:

Q 5: To what extent can a Grounded Theory Approach be used to explain the phenomenon of growth?

The research questions were formulated in order to guide this research. An attentive reader will notice that it is uncommon to present the research questions at such a late stage of the written report of the study. This can be attributed to the special methodology of Grounded Theory. As described at the beginning, within the research process of Grounded Theory data generation, analysis and literature review happen simultaneously, therefore, the research goals and questions adapat during the process of research. Placing the research questions at the end of the literature based introduction to the topic seems suitable to offer guidance through the upcoming presented empirical analysis. Before presenting the results of this analysis, the methodological approach of this dissertation will be outlined.

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3 Methodology

3.1 Overview of the Chapter

In order to approach the research questions a suitable method has to be applied. First of all it must be decided whether to follow a qualitative or quantitative research design. Therefore, the first explanations are dedicated to the clarification of the differences between those two types of research design and to the reason why a qualitative approach is used. Usually growth research is associated with quantitative studies. However, this research is concerned with finding out “why” and “how” firms grow and therefore, a qualitative research design is needed. To secure quality standards and ensure the traceability of the qualitative results, the evaluation criteria and their implementation in this dissertation are explained. The methodology chapter is so extensive because the suitability of this method to an otherwise mainly quantitatively investigated phenomenon is raised as a research question (Q. 5).

Following the remarks on the reasons for qualitative research and its evaluation criteria, the relationship between the world and the subject observing this world (world-subject connection) is clarified by reviewing and deciding on a research philosophy (3.4). Having described the research philosophies, the decision of the chosen research strategy is presented. As the aim is to gain insights into the growth processes of family firms and the development of theoretical knowledge about this process, a strategy supporting these goals is found by applying Grounded Theory methodology. One advantage of using a Grounded Theory strategy is that existent theoretical concepts can enrich the construction of reality given by the interview partners within theory building. Sub-chapter 3.5 will explain why this strategy is used.

Having explained which research strategy is pursued, sub-chapter 3.6 outlines the time horizon of the research design. The cornerstones of research on processes are described in this context.

Following the elaboration of the time horizon, the procedure of data collection is shown by describing the sampling method and the characteristics of the sample, as well as the content and procedure of the interviews.

The research objects are large and old family businesses that experienced growth spurts in later generations. These firms are therefore capable of providing intensive insights into the processes concerning growth. Believing that the organizations are reflections of the top management team (Hambrick & Mason, 1984) the CEO in charge during the researched time frame was approached to gain reliable and valuable information about on the process of growth.

The interviews held with the representatives of the companies are semi-structured and narration-based, supported by an iterative, adapting guideline. The role of the researcher in the research process is especially acknowledged in sub-chapter 3.7.2.3. Furthermore, first reflections on the characteristics of the interviewees are given. To

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conclude the chapter, the role and use of secondary data and the construct of Theoretical Saturation are outlined.

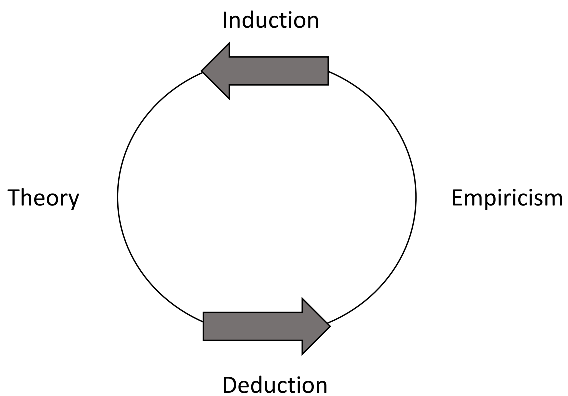
3.2 Qualitative Research and Reasons for Its Application

There are two different ways to approach a research question or phenomenon: Qualitative and quantitative. The major difference is the interplay between theory and empiricism. Quantitative methods use extant theories as basis to prove theoretical constructions through empirical observation (deduction). If theory on the researched topic is available and hypotheses can be derived from existing literature, a deductive approach is suitable. This approach is used to falsify or verify theory, generalizing from the general to the specific.

Qualitative methods use empirical observations as a basis and build theoretical concepts from empiricism (induction) (Rost, 2003). Starting the research with data collection on a specific phenomenon due to scarce or no existing theory is an inductive approach. Induction is used to build theory by generalizing from the specific to the general.

This circular model shows that qualitative and quantitative processes are not competing directions but two mutually supportive processes (Rost, 2000, 2003). Mixed methods designs combine both approaches (e.g. Saunders et al., 2016, pp. 165-174)[64].

Figure 42 Induction vs. Deduction



Source: Author's own figure (adapted from Rost, 2003)

[64] See Saunders et al. (2016) for a detailed description of mixed methods approaches.

The research on growth is mostly associated with quantitative studies (Shepherd & Wiklund, 2009) measuring the input and output factors of growth. Some of these have been described in chapter 2.

As described in chapter 1, a variety of quantitative research projects was done to lay the basis for the observations of the spurts. The “typical” growth development as well as the thoughts on growth corridors (fig. 2 and 3) are based on extensive quantitative calculations and some qualitative studies.

Although the input and output factors are observable and quantitatively presentable, this research is interested in the in-between process which cannot be observed and measured. The process is particularly focused on depicting which dimensions influence family firms’ growth and how these dimensions are shaped by the family. The literature review has shown that there are many theories of firms’ growth answering particular sub-questions of the phenomenon of growth. The more general theories, for example one of the most famous ones, presented by Penrose, propose some general theoretical thoughts on how to approach the research questions. Yet, no combination of theory or literature or both could be found which proposes testable hypotheses explaining the family influenced dimensions of growth. Therefore, qualitative, theory building research is needed.

Referring to Denzin and Lincoln (2000, p. 3), Gepart (2004, p. 455) states that “Qualitative research addresses questions about how social experience is created and given meaning and produces representations of the world that make the world visible”. As this quote shows, qualitative research is designed to get a better understanding of the process of growth taking place within the family firm. Qualitative research supports the development of guidelines for practitioners.

In conclusion, an extensive quantitative research basis based on the previous research done within this project and by other growth researchers (chapter 1) creates the need for qualitative research which is carried out in this dissertation. This approach tries to balance the perspectives (of qualitative and quantitative) to get a holistic understanding not only of “how much growth” but also of “why and how to grow”.

3.3 Evaluation Criteria for Qualitative Research

Qualitative research aims to approach phenomena with the greatest possible openness and flexibility to allow room for the discovery of new, hitherto unknown phenomena or facts (Flick, Kardorff, & Steinke, 2017). The goal of qualitative research is the development of new theories and models. Statistical generalizability and representativeness are not aimed at with qualitative research (Barbour, 2001). Subjectivity and self-reflexivity[65] are striking signs of qualitative research (Mey & Ruppel, 2018, p. 6). Qualitative research focuses on idiosyncrasies and processual

[65] For the important difference between reflexivity and reflection, see Moldaschl (2010).

phenomena, therefore, it is important, as stated within the description of theoretical sampling, to choose the research objects according to their information density and not according to their comparability. Each research object should contribute something new to the research process until Theoretical Saturation (sub-chapter 3.7.4) has been reached. Qualitative research must face the accusation of high subjectivity. Therefore, some quality criteria must be fulfilled in order to enfeeble such allegations of subjectivity and to allow the opportunity to evaluate qualitative research.

Steinke (2017) distinguishes between three basic positions for the evaluation of qualitative research. The first position asserts that quantitative criteria could be used for evaluating qualitative research, such as objectivity, reliability and validity adapted from statistical, hypothesis-verifying research. Researchers applying this view argue that there are uniform criteria of research which could be adapted to each kind of research. Steinke (2017) mentions that some researchers have added qualitative criteria such as credibility to the set of quantitative criteria (Miles & Huberman, 1994). One often used example of quantitative criteria for qualitative research is multiple coding, also known as inter-rater or inter-coder reliability[66], which is a useful tool to overcome the potential subjectivity on the level of analysis (Barbour, 2001). An independent researcher should cross-check parts of the coded data set to make sure the interpretations of the data are not divergent (Barbour, 2001). There are several measurements to examine the inter-coder reliability, such as Krippendorff's alpha (Krippendorff, 2004, 2011) and the Holsti-reliability coefficients (Rössler, 2005, p. 190). In this dissertation, parts of the data have been coded by another individual who was not present during the interviews.

As a second basic position Steinke (2017) mentions researchers that deny that quantitative criteria could be used to evaluate qualitative research. These researchers recourse to the scientific-theoretical and methodological particularities of qualitative research by formulating their own suitable criteria.

One example Steinke (2017) mentions is the so called member check (e.g. Terhart, 1981, 1995; Kvale, 1995). To accomplish this kind of communicative validation, the results of the data analysis are presented to the former interviewees to examine the validity of the results.

To fulfill these criteria the derived model was presented to and discussed with some of the former interviewees.

Another example given by Steinke (2017) is triangulation. According to Flick (2017), the term triangulation refers to the consideration of a research object from at least two points of view. Triangulation can be discussed as a connection of quantitative and qualitative research (Jick, 1979, 1983), but also within qualitative research (Flick, 2017,

[66] See Campbell, Quincy, Osserman, and Pedersen (2013) for a comprehensive discussion of useful tools and challenges of inter-coder reliability.

p. 309). Denzin (1978) considers triangulation a validation strategy and distinguishes between four types of triangulation. The methodical triangulation within a method and between different methods is the key concept of Denzin (1978). He further describes the investigator triangulation that uses different observers or interviewers for data generation. Approaching the research question by applying different theories is mentioned as theory triangulation. Data triangulation combines data collected at different points in time, from different locations and from different sources (Denzin, 1978). Triangulation plays as central role in Grounded Theory methodology as Glaser and Strauss (1967, p. 65) describe that “slices of data” are important to create theory. “Slices of data” represent different kinds of data. The authors emphasize that the comparative analysis with different slices of data is necessary to test these slices against each other, to generate new knowledge and to develop a useful theory (Glaser & Stauss, 1967, pp. 65-69). Divergent results from different kinds of data can broaden knowledge. Convergent findings can support the generalization (Flick, 2017, p. 318). In conclusion, triangulation can be used as a validation strategy, as an approach to generalization and to broaden knowledge (Flick, 2017, p. 318). To engage in triangulation, more data sources are examined. In addition to the interview data, the annual reports and some material provided by the companies are evaluated.

As a third criterion, Steinke (2017) mentions the validation of the interview situation. The course of the interview is checked to see if the interviewees have answered sincerely. This is done by scrutinizing if there are any hints that the interview was not characterized by openness, trust, willingness to work and a possible small power gap as there should be (e.g. Groeben, Wahl, Schlee, & Scheele, 1988; Legewie, 1987). After each interview, the interview situation was evaluated by the researcher herself adding the perception of the atmosphere to the field notes.

Furthermore, Steinke (2017) points out that there are postmodern researchers who reject the existence of evaluation criteria (e.g.Richardson, 1994, p. 552; Shotter, 1990, p. 69).

Qualitative research is not directed towards intersubjective verifiability but towards intersubjective traceability (Steinke, 2017). Creating traceability is possible through the elaborated documentation of the preconceptions of the researcher, of the data collection, the rules of transcription, the data themselves, the data analysis, and the information sources, such as literal citations, indirect citations and interpretations of the researcher (Steinke, 2017). In addition to the field notes taken after and during the interview, memos were prepared during the coding process as described in sub-chapter 3.5.4.4. Another important criterion mentioned by Steinke (2017) is the application of codified procedures which offers a systematic procedure of coding, such as the steps of initial, focused and theoretical coding within constructivist Grounded Theory, which is applied in this dissertation. Corbin and Strauss (1990, p. 17) formulate seven criteria for evaluating the data analysis process:

“Criterion 1: How was the original sample selected? On what grounds (selective sampling)?

Criterion 2: *What major categories emerged?*

Criterion 3: *What were some of the events, incidents, actions, and so on that indicated some of these major categories?*

Criterion 4: *On the basis of what categories did theoretical sampling proceed? That is, how did theoretical formulations guide some of the data collection? After the theoretical sample was carried out, how representative did these categories prove to be?*

Criterion 5: *What were some of the hypotheses pertaining to relations among categories? On what grounds were they formulated and tested?*

Criterion 6: *Were there instances when hypotheses did not hold up against what was actually seen? How were the discrepancies accounted for? How did they affect the hypotheses?*

Criterion 7: *How and why was the core category selected? Was the selection sudden or gradual, difficult or easy? On what grounds were the final analytic decisions made? How did extensive "explanatory power" in relation to the phenomena under study and "relevance" as discussed earlier figure in the decisions?”*

The procedure of sampling can be found in sub-chapter 3.7.1. How the categories emerged and how they are related to one other can be found in chapter 4.

Having discussed actions to be taken to overcome the allegations of subjectivity, this section will outline how to evaluate the derived concepts and categories from a Grounded Theory perspective. Corbin and Strauss (1990, pp. 17-19) suggest seven criteria to gauge the empirical findings:

“Criterion 1: *Are concepts generated?*

Criterion 2: *Are the concepts systematically related?*

Criterion 3: *Are there many conceptual connections and are the categories well developed? Do the categories have conceptual density?*

Criterion 4: *Is there much variation built into the theory?*

Criterion 5: *Are the broader conditions that affect the phenomenon under study built into its explanation?*

Criterion 6: *Has “process” been taken into account?*

Criterion 7: *Do the theoretical findings seem significant and to what extent?”*

The evaluation criteria are important to ensure traceability. The quality criteria used in this dissertation are discussed in sub-chapter 4.7.1.

Having clarified and described which evaluation criteria are used, the research philosophy is presented next.

3.4 Research Philosophy

3.4.1 *Reviewed Philosophical Approaches*

The research philosophy describes the fundamental attitude of the researcher towards the generation of knowledge. Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144) particularly emphasize five different research philosophies: Positivism, critical realism, interpretivism, postmodernism, pragmatism. To distinguish between different theories of science approaches, Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144)[67] propose to clarify their different assumptions first: The philosophies make assumptions about the nature of reality by asking questions about the relationship between the world and the subject, such as, what is the world like, what are organizations like? These assumptions about the classification of the existing structures are known as *ontology*. Within the multidisciplinary research context of businesses, scholars can recourse to many resources such as numerical, textual, or visual data. Making assumptions about what can be seen as acceptable and valid knowledge is subsumed under the term *epistemology*. The assumptions about the role as researcher and the treatment of values and ethics are referred to as *axiology*. In the following section, five major philosophies are discussed based on their manifestations of these assumptions (Saunders, Lewis, Thornhill, & Bristow, 2016, pp. 135-144).

3.4.1.1 Positvism[68]

Ontology of Positivism

Positivism believes in one true reality which is real, external and independent. Hilbert (2009) describes that, building on the works of Compte, positivism was born during the 19th century meaning that the gaining of knowledge was based on empirical and thus measurable results. Science thus became verifiable. Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144) mention that empirical traceability became the core of scientific work. Positivism does not consider all theories of science. For example, the humanities are not considered in the positivistic approach (Saunders, Lewis, Thornhill, & Bristow, 2016, pp. 135-144).

Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144) continues summarizing positivism as follows:

[67] The whole section is based on the ideas of Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144).
[68] This sub-chapter is based on Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144). For further reading on positivism, see Remenyi, Williams, Money, and Swartz (1998).

Epistemology of Positivsm

Within positivism scientific, methods and observable facts are accepted as sources of knowledge. These sources produce law-like explanations as contributions to science.

Axiology of Positivism

The researcher is independent, neutral and conducts value-free research.

Summary and Appraisal of Positivism

Positivists mainly use deductive, highly structured and typically quantitative methods and large samples. Different sources of data can be analyzed. Positivism in business and management research sees organizations as real things such as other physical objects. Applying a positivist philosophy leads to the detection of causal relationships and generalizations by using measurable and observable knowledge to test hypotheses and challenge theories. Therefore, positivism is not suitable when following the aim to build an inductive and explorative theory.

3.4.1.2 Critical Realism[69]

Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144) summarize critical realism as follows:

Ontology of Critical Realism

Reality is seen as something that can neither be observed nor understood through knowledge. The structure of critical realism ontology distinguishes between three layers; the empirical, the actual and the real. Humans can observe sensations of reality (the empirical). The observed is only a small fraction of what humans could have seen (the actual). The underlying causes and mechanisms cannot be observed (the real). To understand reality, sensations are mentally processed by experiences to understand the causal mechanism underlying them.

Epistemology of Critical Realism

Knowledge is historically grounded and a product of the past, especially of human experience. Critical realism assumes that realities are socially constructed, therefore, representatives of critical realism cannot use statistical, quantitative methods to depict reality.

Axiology of Critical Realism

The role of values within critical realist positions is determined by social conditioning. If something really is what we think it is, this and that should happen. Considering a 3-D picture, if the figure displayed by the 3-D picture were reality, a person who runs into

[69] This sub-chapter is based on Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144). For further reading on critical realism, see Riege (2003).

it would get hurt. In reality, what we see is only a sensation. Therefore, the reality cannot be understood independently from its actors. Critical realists must be aware that experiences and cultural background could shape their projects.

Summary and Appraisal of Critical Realism

Assuming that reality consists of the mental processing of sensations and the belief that knowledge is historically situated and socially constructed, a critical realist could uses a variety of methods to construct reality. If the goal of the research is to create a bigger picture of what we actually see, adopting a critical realist perspective could be appropriate.

3.4.1.3 Interpretivism[70]

Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144) summarize interpretivism as follows:

Ontology of Interpretivism

Picking up the criticism of positivism, interpretivists see humans as creators of meaning and not as physical facts. In an organizational research context, this means a multi-perspective approach is needed, as different people create different meanings of a phenomenon. Accounting for different meanings and interpretations of reality, interpretivism assumes a socially constructed and complex reality.

Epistemology of Interpretivism

Interpretivists consider theories and concepts too simple to create knowledge. They use narratives, perceptions and individual descriptions to develop new viewpoints as contributions to knowledge.

Axiology of Interpretivism

Within interpretivist approaches the researcher himself/herself and his/her interpretation play a key role in the analytic process. The researcher should engage in reflexivity about his/her role and the research situation.

Summary and Appraisal of Interpretivism

Having in mind the role of the researcher, interpretivist research is usually inductive and works with in-depth analysis on small sample sizes. Different sources of data can be used. Symbolic interactionism is based on pragmatist thoughts and bridges interpretivism and pragmatism (outlined as the last philosophy in this section) by observing interactions between humans. As companies and their contexts are mostly

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[70] This sub-chapter is based on Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144). For further reading on interpretivism, see Kamlah and Lorenzen (1967, 1996).

idiosyncratic, using an interpretivist approach seems a suitable philosophy in business contexts.

3.4.1.4 Postmodernism[71]

Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144) summarize postmodernism as follows:

Ontology of Postmodernism

Enlarging the criticism on positivism, postmodernism attributes a central role to language. Language constructs the structure of the world. The collective determines what is right or true determined by power structures and special context. Postmodernist approaches try to "deconstruct" these realities and to question the power structure by searching for contradictions and inconsistencies.

Epistemology of Postmodernism

The dominant coalition defines what constitutes "knowledge". Postmodernism attempts to critically explore existing thoughts and knowledge and aims to emphasize unappreciated ways of thinking which were precluded by the dominant power structure beforehand.

Axiology of Postmodernism[72]

Postmodernists have a high awareness and reflexivity of the interdependence of the power structures between the researcher and the research objects.

Summary and Appraisal of Postmodernism

In an organizational research context, a postmodernist tries to deconstruct organization theories and aims to accentuate the unexplored and omitted. Postmodernists use a range of qualitative data, challenging them against themselves checking for inconsistencies and the "unsaid".

3.4.1.5 Pragmatism[73]

Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144) summarize pragmatism as follows:

Ontology of Pragmatism

Reality is the practical consequence of thoughts and ideas. The starting and central point of pragmatist research is the problem. The actions of pragmatists aim to find a practical solution rather than abstract outcomes.

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[71] The whole sub-chapter is based on Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144). For further reading on the ontology of postmodernism, see Chia (2003), Derrida (1976) and Foucault (1991).
[72] For further reading on the axiology of postmodernism, see Calás and Smircich (1997) and Cunliffe (2003).
[73] The whole sub-chapter is based on Saunders, Lewis, Thornhill, and Bristow (2016, pp. 135-144). For further reading on pragmatism as a research philosophy, see Kelemen and Rumens (2008).

Epistemology of Pragmatism

Pragmatist approaches consider all data as knowledge that is helpful to find an answer to the research problem.

Axiology of Pragmatism

Pragmatist researchers engage in reflexivity and their critical questions and views shape the research.

Summary and Appraisal of Pragmatism

Pragmatism applies quantitative as well as qualitative analyses with a focus on practical answers to the research question. This approach can be helpful if a research phenomenon is ambiguous. More than one type of data or method can be used.

3.4.2 Research Philosophy Used in this Dissertation

After discussing the different philosophical approaches to the understanding of how knowledge is gained, it seems most suitable to choose an interpretivist position for this research project. Interpretivism allows a construction of reality by individuals. The process of growth, which is of interest in this dissertation, is a construction by people, as it is neither observable nor measurable. Only input and output could be observed and measured. Therefore, a positivistic approach, based on quantitative measures and observations, does not seem suitable. Furthermore, the interpretivist approach allows the use of existing literature. Growth is a widely discussed topic and large amounts of literature exist on the general topic of growth. To approach the specific question of growth processes of family firms, where literature is rather rare, the general growth literature cannot be neglected. Additionally, the research philosophy in this research project is influenced by a pragmatic perspective as the aim is, besides the process of growth, to answer the question of the reasons for growth spurts, and to derive normative-pragmatic implications for practitioners. Pragmatic perspectives are useful to derive practical implications and therefore, they are additionally used in this dissertation.

3.5 Research Strategy – Grounded Theory Approach

Having described which philosophical views are adopted, this chapter is dedicated to the research strategy used. Choosing an interpretivist position implies that the phenomenon under research is a construction by individuals. Therefore, a strategy involving the views of people is needed. Building theory from these views and constructing the process of growth is the goal of this dissertation. Reviewing different strategies, such as case studies, narrative inquiry, surveys and archival research, a Grounded Theory approach seems most suitable to build theory from the views and constructions of individuals. To offer a better understanding why a Grounded Theory approach is used, an overview of the general understanding of Grounded Theory and its application in management research is given in the first place.

3.5.1 General Understanding and Application in Management Research

The methodology of Grounded Theory has attracted increasing attention and acceptance in the last few years, serving as a research strategy and as a collection of methodological elements. A study by Titscher, Meyer, Wodak, and Vetter (2000, p. 74) emphasizes the importance of Grounded Theory as a research strategy, stating that in 60% of all their sampled entries, it is the most frequently mentioned research strategy (Mey & Mruck, 2011, pp. 11-12).

Mey and Mruck (2011) state that in the meantime, however, it is increasingly recognized that in times of social change and globalization, quantitative methods are not enough because they focus on the recording of verifiable theoretical knowledge and hypotheses derived from already existing knowledge. Here, especially the eminently important question of the scientific accessibility of "new" procedures for the development of theories is of outstanding importance (Mey & Mruck, 2011, p. 11).

Taking up this claim, the methodology of Grounded Theory, for the first time formulated by American sociologists Barney G. Glaser and Anselm L. Strauss (1967) in a joint monograph "*The Discovery of Grounded Theory. Strategies for Qualitative Research*", should serves as rule-guided, controlled and verifiable "discovery" of theory from data (Mey & Mruck, 2011, p. 11). Grounded Theory is based on a multistage evaluation procedure of different data. This evaluation procedure is based on the method of continuous comparison which Glaser described for the first time in 1965 (Glaser, 1965).

Using Grounded Theory in management research has been becoming more and more popular in recent years, but is still underrepresented (Kenealy, 2008). Walsh (2014) explains that using an open and well-designed Grounded Theory could obviate major shortcomings of research. She describes such shortcomings as “those studies that withhold methodological details/results, and those that select only those data that support a hypothesis while withholding the rest“ (Walsh, 2014, p. 41). This procedure is called “cooking data” by Bedeian, Taylor, and Miller (2010, p. 718 cited in Walsh, 2014, p. 41). A detailed presentation and explanation of the Grounded Theory applied in the respective study is necessary to avoid the mentioned shortcomings and the resulting limitations and criticism.

Tracing the use of Grounded Theory in management studies, Jones and Noble (2007) show that there is a huge flexibility in applying Grounded Theory. The authors suspect the main arguments in the variety of Grounded Theory approaches and a missing tracing and documentation of the development of Grounded Theory. They argue that Grounded Theory methodology has become pliant and that researchers use the term Grounded Theory for nearly every inductive, data-grounded study and with an “anything goes”-mentality (Jones & Noble, 2007, p. 100). This comes along with their invocation to use more discipline and better understanding of different Grounded Theory approaches (Jones & Noble, 2007). Emphasizing an “overly orthodox application" Fendt and Sachs (2008, p. 430) mention the other side of shortcomings in using Grounded Theory. They propose applying the "newer" forms of Grounded Theory, such as the ideas by Charmaz (2014).

Also surprised by the misunderstanding of Grounded Theory, Suddaby (2006) writes an article about "what Grounded Theory is not", unveiling the misleading application of Grounded Theory.

Taking these considerations into account, this dissertation aims to critically review the development of Grounded Theory approaches[74] and to keep in mind the shortcomings discussed by Suddaby (2006) and the above mentioned authors. It is important to specify which version of Grounded Theory is applied and why it is suitable for the research question (Tan, 2009). It is important to explain the coding techniques used and the emergence of categories to build up plausibility for the reader (Tan, 2009). After describing the historical development, the constructivist approach that is used in this dissertation is explained in detail. This explicit description of the applied procedure is important for evaluating reasons (Corbin & Strauss, 1990, p. 4), as Grounded Theory often faces the the accusation of subjectivity (Jones & Noble, 2007, p. 100; Suddaby, 2006).

In order to understand the essence of Grounded Theory, an overview of the historical development is needed to distinguish between the different approaches within Grounded Theory and to make serious use of them.

3.5.2 Historical Development of Grounded Theory

Mey and Mruck (2011, pp. 13-16) summarize that Glaser, one of the founders of Grounded Theory, was a student of knowledge sociologist Robert K. Merton and was educated at the Columbia School, which was influenced by Paul Lazarsfeld, with a critical and rationalistic orientation and a methodical focus on quantitative opinion research. Strauss, the other founder of Grounded Theory, had been socialized in the qualitative tradition: As a student of Blumer (a student of George Herbert Mead, originator of the symbolic interactionist school of thought) and employee of Lindesmith (Lindesmith, 1968; Lindesmith & Strauss, 1949), his background was grounded in the scientific-historical context of pragmatism and symbolic interactionism in the tradition of the Chicago School, in sociological field research (Mey & Mruck, 2011, p. 14; Robrecht, 1995, p. 170).

The following figure (43) shows the historical development of Grounded Theory[75] over two generations.

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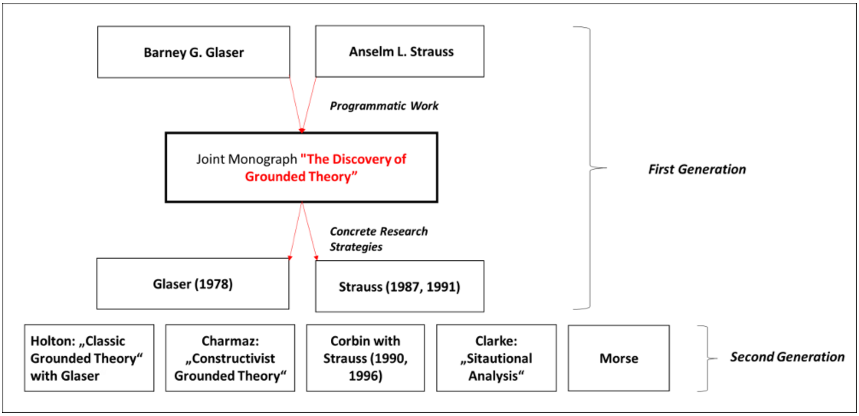
[74] The author of this dissertation attended several classes and seminars on different Grounded Theory approaches to learn about different assumptions, coding mechanisms and procedures. To keep the focus on the applied type of Grounded Theory, this dissertation limits itself to a short summary of the historical development of Grounded Theory.

[75] This figure is based on the theoretical streams proposed by Mey and Mruck (2011). There are more streams of Grounded Theory methodology. For some more streams, see Seale (1999) for a constructivistic perspective and

Figure 43 Historical Development of Grounded Theory



Source: Author's own figure

Glaser and Strauss, as well as second-generation representatives such as Charmaz (2014) and Corbin (1991), emphasize the connection between Grounded Theory approaches and the mental framework of the social interactionist school (Alvesson & Sköldberg, 2000; Hutchinson, 1988; Locke, 2001, p. 25; Pickard, 2007; Riemann, 2011, p. 408). Symbolic interactionism is a sociological theory that deals with the interaction between people. This theory of action is based on the idea that the meaning of social objects, situations and relationships is produced in the symbolically mediated process of interaction/communication (Locke, 2001; Mead, 1934).

The fundamental monograph by Glaser and Strauss (1967) is considered a programmatic work with limited insight into a concrete research strategy (Mey & Mruck, 2011, p. 12).

Studying death and dying in hospitals, Glaser and Strauss developed Grounded Theory. They established a cutting-edge statement proposing that qualitative research generates theory from the concurrent treatment of data and analysis. At each stage of the analysis, the data are compared; this is called the constant comparison method (Charmaz, 2014, pp. 5-7).

Mey and Mruck (2011) explain that concrete research strategies were later developed separately from each other: Glaser in 1978 and Strauss in 1987 and together with Corbin in 1990. Corbin, Charmaz, Clarke, Holton and Morse are regarded as the second generation of Grounded Theory methodologists (Morse, Stern, Corbin, Bowers,

Downward, Finch, and Ramsay (2002) for a critical realist perspective. Kock, McQueen, and Scott (1997) argue in a more positivistic way. For a general criticism of using Grounded Theory, see Thomas and James (2006).

Charmaz, & Clarke, 2009). Each of these authors develops his or her own characteristics and application of Grounded Theory[76]. This acknowledges that there are several ways to apply Grounded Theory methodologies, as there are more than one instruction and format (Mey & Mruck, 2011, p. 12).

Mey and Mruck (2011, p. 135) describe that the objectivistic approach by Glaser is further developed with Holton, named "Classical Grounded Theory". The constructivist perspective of Charmaz is more oriented towards Glaser and at the same time distinctly different. Corbin, together with Strauss, has developed a systematic approach (Denzin, 2007 cited in Clarke, 2011, p. 115). Clarke has developed a situationistic approach (Denzin, 2007 cited in Clarke, 2011, p. 115). Morse et al. (2009) emphasize a more pragmatic view of Grounded Theory.

As this dissertation adopts an interpretivistic approach, it seems suitable to apply the constructivist methodologies of Charmaz (2014). As in the Interpretivistic School, the construction of reality is based on its reconstruction by individuals. Further reasons for using constructivistic Grounded Theory are outlined in the following chapter.

3.5.3 Constructivistic Approach and the Reason for its Application

As Charmaz (2014) describes, moving away from the more positivistic view of Glaser and Strauss's early versions of Grounded Theory, the constructivistic view of Grounded Theory was developed in the 1990s.[77] Mainly influenced, fostered and represented by Kathy Charmaz, constructivistic Grounded Theory follows Glaser and Strauss's (1967) idea of an iterative, comparative, emergent, open-ended and inductive methodology in a nonlinear fashion (Charmaz, 2014). Taking up the criticism of the earlier version of Grounded Theory, such as a value-free and neutral researcher, a constructivistic Grounded Theory approach emphasizes the flexibility of methodology and stresses the assumption of a multifaceted, processual and constructed reality where it is important to accept and consider the role of the researcher and the interaction with the interviewee (Charmaz, 2014). As Charmaz (2014, p. 13) states "(…) the constructivist approach treats the research as a construction but acknowledges that it occurs under specific conditions – of which we may not be aware and which may not be of our choosing".

In contrast to the objective stream of Grounded Theory, constructivistic Grounded Theory considers reflexivity throughout the whole research process (Chamaz, 2014). According to Mills, Bonner, and Francis (2006, p. 12), the researcher is seen as a partner

[76] The different developments of Grounded Theory of Clarke, Holton, Corbin and Strauss cannot be described here, as their comprehensiveness is too large to be meticulously explained within this dissertation. For further information about the situationistic approach of Clarke, see Clarke (2011) and Diaz-Bone (2013). Glaser and Holton (2004, 2011) give a detailed overview of "classical" Grounded Theory. For the developments of Strauss and Corbin, see Corbin (2011). Strübing (2011) explains the differences between the approaches of Glaser and Strauss. Morse et al. (2009) provide an overview of the second generation of Grounded Theory.

[77] For a more detailed overview of the comparison between the objectivistic approach and the constructivistic approach, see Charmaz (2014, pp. 234-239) and Charmaz (2000).

of the interviewee, not as “an objective analyst” of the data. Critical reflection on the researcher’s role helps to understand his/her use of preconceptions and assumptions. Reflexivity enables a better understanding of the analytical thoughts and theoretical lenses used by the researcher (Mills et al., 2006).

There are two reasons for taking a constructivistic Grounded Theory perspective: The consideration of constructed reality and the role of the researcher, which makes Grounded Theory more applicable and realistic, and the handling of existing literature.

The early versions of Grounded Theory by Glaser and Strauss (1967) and Glaser’s Grounded Theory and its development together with Holton (Glaser & Holton, 2004; Glaser & Holton, 2007) required the researcher to enter the research process with a blank mind, starting with the data collection and analysis without a biased perception. Later and modified versions, such as the constructivistic Grounded Theory of Charmaz (2014), emphasize the review of literature before entering the research field. As Suddaby (2006) states, expecting the researcher to enter the research field without any prior knowledge and experience is escapist. Prior conceptions derived from reviewing the literature do not necessarily lead to a narrow mind and preconceptions (LaRossa, 2005). Reviewing extant literature can support the conceptualization of the research design and can be helpful to formulate guiding questions for the interview (Charmaz, 2014). Knowing the extant literature can obviate duplicate findings (Dunne, 2011). From a practical point of view, a literature review and notes on the data collection method are needed to get research funding (Barbour, 2001).

Reichertz (2011) states that the Grounded Theory methodology represented by Glaser is an inductive approach following the belief that theories only emerge from the gradual abstraction and condensation of data. The subsequent interpretations and improvements of Grounded Theory, such as by Strauss and Corbin, hold the position that theoretical knowledge is incorporated into the interpretation of the data. This current logic of Grounded Theory methodology's research now has a lot to do with the abductive research logic that was developed by Charles Sanders Peirce (Reichertz, 2011, pp. 279-280).[78]

This fundamental discourse about inductive versus abductive research approaches is explored by many researchers (Glaser, 1992, 2002; Kelle, 1994; Kendall, 1999; Miller & Fredericks, 1999; Reichertz, 2011; Strübing, 2004).

Reichertz (2011, p. 276) mentions that the abductive research approach was first introduced in 1597 by Julius Pacius to translate the Aristotelian Apagogè, and that it remained almost unnoticed for three centuries. Charles S. Peirce picked up this thought, but the systematic application took place decades later (Peirce, 1973, 1976, 1986, 1992 cited in Reichertz, 2011, p. 276, 281). During the following decades, the

[78] For a further discussion of the use of abduction within Grounded Theory methodologies, see Reichertz (2009).

idea of abduction was adopted by many researchers such as Hanson (1965), Tursman (1987) and Wartenberg (1971).

In research literature, the term “abduction” is diffuse and contradictorily used. Abduction is associated with a great scientific theoretical hope: Namely the hope of a rule-based, reproducible and also valid production of new scientific knowledge (Reichertz, 2003; Reichertz, 2011, pp. 281-282; Reichertz, 2017, p. 277).

Reichertz (2017) states that the aim of abduction is not to be as realistic as possible, but to be as rational as possible. The goal is the utility of what has been developed for the specific research question. The order found abductively is thus neither a pure reflection of reality, nor does it reduce reality to its essential components; it is a mental construction. As long as the new order helps to cope with a task, it will remain in force. If the assistance in answering the question is limited, further differentiations must be made. In view of surprising facts, abduction looks for a meaningful rule in the data, which can explain whatever is surprising in the facts. The very end of this process is the formulation of hypotheses that can be tested in a multi-stage process (Reichertz, 2017, pp. 284-285).

Suddaby (2006) mentions that a more recent understanding of abduction formulates the abductive approach as a combination of deduction (from theory to data) and induction (from data to theory), as abduction moves back and forth between data and theory, thereby applying the constant comparative method. Saunders, Lewis, Thornhill, and Bristow (2016, p. 148) state that the starting point of an abductive approach is the occurrence of a surprising fact in the data that is developed into a plausible theory.

Saunders, Lewis, Thornhill, and Bristow (2016, p. 148) mention that an abductive approach explores a phenomenon by identifying and analyzing topics and patterns from detailed data and integrating these findings into a conceptual framework, thus building up a theory of the specific topic. The developed theory is constantly tested against existing and new data and correspondingly improved and amplified (Saunders, Lewis, Thornhill, & Bristow, 2016, p. 148).

Richardson and Kramer (2006, p. 500) describe the role of abduction in Grounded Theory as “associating data with ideas” where ideas can be developed from existing theories (Coffey & Atkinson, 1996).

As outlined before, abduction is an essential part of Grounded Theory procedure (Reichertz, 2011; Richardson & Kramer, 2006) and is therefore used as the research approach of this dissertation.

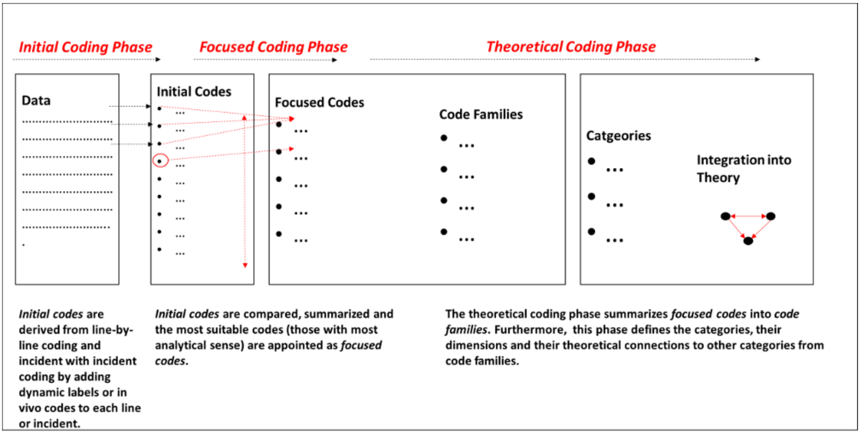
Representing the widely accepted view that data is inseparably tied to theory (Alvesson & Kärreman, 2007; Denzin & Lincoln, 2000; Gergen, 1978; Hanson, 1958; Kuhn, 1962) this dissertation applies a constructivistic Grounded Theory approach. In addition to the above-mentioned reasons and advantages of using constructivistic Grounded Theory, such as reflexivity and the handling of literature, not to consider the huge literature base on growth theories and determinants, as well as the specific literature on growth-critical attributes of family businesses, would be a huge shortcoming of this dissertation.

Having described the constructivistic approach by Charmaz (2014) and the reason for applying it in this dissertation, the next sub-chapter will outline how the data analysis is going to take place. This is done in order to ensure the traceability of the findings.

3.5.4 Relevance and Procedure of Coding

Coding is the first analytic step in Grounded Theory research (Charmaz, 2014, p. 109). The gathered data are conceptualized by breaking them up into their components, which is useful for a close examination (Charmaz, 2014, p. 113). The Grounded Theory coding process consists of at least two coding phases, the initial coding and the focused coding (Charmaz, 2014, p. 109). The following figure depicts the coding phases applied in this dissertation. These phases are based on the phases proposed by Charmaz (2014) but are adapted to the need of the data used in this disseratation.

Figure 44 Coding Procedure



Source: Author’s own figure

3.5.4.1 Initial Coding Phase

On a first tier, coding means labeling fragments of data with terms that define and summarize what the data are about. By extracting segments of data and asking about their meaning, the data are abstracted on an analytic level. Not only the written data are part of the analysis, but also the ethnographic setting in which analytic ideas can occur. These ideas should be secured in a memo (Charmaz, 2014, p. 111), a process which is discussed in sub-chapter 3.5.4.4. The importance of the initial coding phase is to remain open to all possible theoretical interpretations appearing while ranging through the data (Charmaz, 2014, p. 114).

The following questions guide through the initial coding:

"What is this data a study of?" (Glaser, 1978, p. 57; Glaser & Strauss, 1967 cited in Charmaz, 2014, p. 116)

"What do the data suggest? Pronounce? Leave unsaid?" (Charmaz, 2014, p. 116)

"From whose point of view?" (Charmaz, 2014, p. 116)

"What theoretical category does this specific datum indicate?" (Glaser, 1978 cited in Charmaz, 2014, p. 116)

In the initial coding phase, the codes should contain words that describe actions instead of themes or topics to stay focused on what is happening in the data. This prevents the coding from being too focused on the individual level (Chamaz, 2014, p. 116). Static labels contain the hazard of being one-dimensional and overlooking other relevant factors (Charmaz, 2014, p. 117). The use of gerunds as a "heuristic device" (Charmaz, 2014, p. 121) supports the revelation of implicit meanings and emergent processes, and is also encouraged by Glaser (1978, 1998 cited in Charmaz, 2014, p. 124). Using *in vivo* codes can support the discovery of their meanings and their underlying actions (Charmaz, 2014, p. 134). The term in vivo means using the interviewee's words to describe a code (Charmaz, 2014, p. 134).

Having outlined how a code can be described, the question of how much data should be used for one code arises (Charmaz, 2014).

According to Charmaz (2014) there are different types of initial coding practices. One can code word-by-word, which is most useful if the researcher is interested in phenomenology and codes particular documents; such as internet blogs (Charmaz, 2014, p. 124). Concentrating on a different form of coding, the line-by-line coding can help to discover underlying arguments that can be overlooked when concentrating on thematic segments only (Charmaz, 2014, pp. 124-125). Closely related to line-by-line coding is the comparison of incident with incident in the data (Charmaz, 2014, p. 128).

Charmaz (2014) explains that line-by-line coding works well with profound data containing information about processes or empirical problems. This coding practice is useful to detect simultaneously occurring events and helps to analyze their origin. It is also useful to analyze in-depth interviews (Charmaz, 2014, pp. 124-125).

As this dissertation is interested in growth processes of family businesses and works with in-depth interviews, line-by-line coding combined with the comparison of incident with incident is used.

The tendency to apply extant theories is controlled by using actions describing the data instead of static labels. New ideas need the openness of the initial coding to be developed. Glaser's idea of open coding as a starting process has even stricter guidelines (Charmaz, 2014, p. 117). He sees the researcher as a subject without "preconceived concepts in mind" (Glaser, 1978, 1992 cited in Charmaz; 2014, p. 117). There are increments of this view among Grounded Theory researchers. Some researchers claim that one should enter the research field without a predefined agenda and with a blank mind. Other researchers interpret this blank-mind guideline to defer from reading and evaluating existing literature related to the topic, as mentioned earlier in this chapter (Suddaby, 2006, p. 634). Glaser and Strauss as "founders" of Grounded Theory themselves state that "Indeed it is difficult to find a grounded formal theory that was not in some way stimulated by substantive theory" (Glaser & Strauss, 1967, p. 79 cited in Suddaby, 2006, p. 635).

3.5.4.2 Focused Coding

The initial codes are related closely to the data. In a second step, *focused coding*, the initial codes are compared, summarized and the most suitable codes (those with most analytical sense) are appointed as *focused codes* (Charmaz, 2014, pp. 138-161). These codes are used to code large slices of data.

The following table presents an example of the focused code "Prioritizing Goals".

Table 3 Example of Focused Code

<table>
<tr><th>Initial Codes</th><th>Focused Code</th></tr>
<tr><td>Independence from supplier</td><td rowspan="5">Prioritizing Goals</td></tr>
<tr><td>Profitability as primary goal</td></tr>
<tr><td>Scale back short-term profitability for long-term profitability</td></tr>
<tr><td>Growth is not the decisive factor</td></tr>
<tr><td>…</td></tr>
</table>

Source: Author's own table

3.5.4.3 Theoretical Coding Phase

Charmaz (2014, pp. 150 ff.) states that the theoretical coding phase defines the categories, their dimensions and their theoretical connections to other categories. Within the theoretical coding phase, the knowledge of prior literature becomes important. At first, the focused codes are aggregated to code families. The building of these code families is based on information gained from existing theoretical knowledge.

Stern (1980, p. 23 cited in Charmaz, 2014, p. 150 and Glaser, 2005, p. 5) states that theoretical coding "simply means applying a variety of analytic schemes to the data to enhance their abstraction". The ability Charmaz (2014, p. 155) emphasizes is that the researcher must be aware of imposing preconceptions on the data. Employing reflexivity is helpful to prevent extensively forcing theoretical concepts and preconceptions onto the data (Charmaz, 2014, p. 155).

As a first step in the theoretical coding phase, code families are summarized and aggregated from focused codes. These code families are categorized. The resulting categories show interrelationships which are portrayed in the model and supplemented with insights from existing theory (chapter 4).

3.5.4.4 Memo-Writing

Charmaz (2014, p. 162) explains that while engaged in coding processes, it is useful to develop informal analytical notes known as memos. In addition to helping to structure one's analytical thoughts, memos can improve the abstraction level of the analytical ideas. Writing memos confronts the researcher with newly emerging questions that could accelerate and elaborate the coding, the definition of categories and their theoretical relationships (Charmaz, 2014, p. 162).

Mey and Mruck (2011, p. 26) accentuate the role of memos by stating that Glaser and Strauss (Glaser & Strauss, 1967, p. 133) emphasized the importance of continuous memo writing in their initial work and in subsequent writings, as memos are crucial to reveal gaps in theory development.

In addition to the increased analytical value of memos, memo writing helps the researcher to reflect about his/her own assumptions and preconditions and thus engage in reflexivity (Charmaz, 2014, p. 165).

Charmaz (2014, pp. 164 ff.) describes different ways of constructing memos. She highlights that there are few guidelines to write memos and encourages the researcher to do what works best for each one, having in mind the analytical added value of the memos.

In this dissertation, memos were created from the very beginning of the research to record and structure thoughts and analytical ideas, as well as to reveal new questions for the remaining data. Besides textual memos, graphical illustrations support the author of this dissertation in perceiving the analytical value of the analyzed data.

Having propounded how to use codes to analyze your data, thus creating theoretical links between categories, and how to reveal gaps and open questions of the data through memo writing, it needs to be discussed which data should be coded and used for theory building and which time horizon should be analyzed.

3.6 Time Horizon

Having described the functioning and application of the research strategy, it has to be decided which time horizon will be used for analyzing the research object. Phenomena can be examined over a longer period of time (Langley, 2007; Meyer, Gaba, & Colwell, 2005) or in a snapshot (Tsoukas & Hatch, 2001). As described above in chapter 2, growth is a dynamic construct, and once instruments triggering growth are used, it takes time until results can be observed in the figures of the company. The input and output factors could be observed and measured at different points of time, but the process in-between is subject to reconstructions through narratives of individuals having experienced and shaped this process. Processual thinking has been gaining more attention in the last decades (Barney, 1991; Langley, 2007; Porter, 1991) as the "dynamic"-component has been added to more static theories, such as "dynamic capabilities". Examining processes is especially important for performance related studies (Langley, 2007). Ignoring complex process steps by measuring input and output only can lead to oversimplified results (Langley, 2007). There are various ways to study processes in an organizational context.

Langley (1999) acknowledges the role of the unit of analysis in processual research. She explains that the levels of analysis are hard to distinguish within the process, and that the context must be taken into account.

An organization can be understood as an instrument with which individuals try to achieve personal or collective goals, assert interests and satisfy needs (Bartölke, 1980; Bartölke & Grieger, 2004). Owners or managers set these goals. There is a reciprocal influence as organizations are entities created by individuals and act upon them as such (Bartölke & Grieger, 2004).

In this dissertation it is assumed that individuals form an organization, and that their strategic decisions determine the organization's (growth) strategy (Bertrand & Schoar, 2003; Geyer, 2016; Hambrick & Mason, 1984). To attribute the major role as unit of analysis to the individual in charge is a widely used and accepted procedure in the growth research community (e.g. Davidsson, 1991; Delmar & Wiklund, 2003; Schwass, 2005). Yet, in the processual research within this dissertation, the line between the organizational and individual levels cannot always be clearly defined.

Grounded Theory can be a useful tool to analyze process data (Langley, 1999). Langley (1999) describes that Glaser (1978) and Strauss and Corbin (1990) emphasize different stages of categories as processes. Furthermore, as described in sub-chapter 3.5.4.1, codes and the remaining categories are often labeled with gerunds, which implies a processual thinking (Langley, 1999).

With process research, qualitative and quantitative data can be used to build theory (Brewer & Hunter, 1989; Langley, 1999).

3.7 Data Collection

At first, suitable research objects must be selected. The particularities of the sample and the sampling methods are outlined first. Afterwards, the drafting of the interview guideline and the procedure of the interviews are depicted. Finally, the use of secondary data and the phenomenon of Theoretical Saturation are explained.

3.7.1 Sampling

3.7.1.1 Focus on German Family Enterprises

As a closed population is needed, family businesses in Germany are examined. The restriction to a basic population makes it possible to observe and compare the growth spurts. For example, if German and Chinese companies were compared in terms of growth, German companies would grow more slowly, because the whole Chinese economy is in a strong growth phase. This comparison would blur the results.

The literature review shows that the legal constitution of a firm could have impact on growth decisions (see sub-chapter 2.7.1) therefore the restriction to one legal system is used.

Furthermore, it is known from the literature review that aspirations and goals play an important role as input factors of growth (see sub-chapter 2.7.1). These expectations and goals would probably differ between various cultural contexts and should be examined in a separate study based on the findings of this analysis. Moreover, the cultural context is decisive for the understanding of the concept of family and the interaction between family and institutions, such as the state (Kormann, 2017a, p. 10).

3.7.1.2 Adjusted Method of Theoretical Sampling

Adjusted Theoretical Sampling

Within Grounded Theory theoretical sampling is used. Theoretical sampling usually requires that the basic population and its characteristics are unknown (Mey & Ruppel, 2018, p. 27). In Grounded Theory, data collection and data analysis are interrelated (Corbin & Strauss, 1990). Having defined the first categories and their properties during coding, new research objects are searched and added according to their suitability to elaborate and refine the categories and the emergent theory (Charmaz, 2014, p. 192). New research objects are added until no new properties of a category emerge. The categories are then saturated with data (Charmaz, 2014, p. 193).

The sampling in this dissertation is oriented towards theoretical sampling, however, there are some modifications due to the research context. As described in chapter 1, the motivation of the dissertation arises from the observation of growth spurts within the 100 biggest German family businesses. Therefore, the basic population is given. Theses cases were interviewed according to the availability of the interviewee.

Achieving Theoretical Saturation

After conducting the first 13 interviews and iteratively constructing the conceptual model, this model was presented to the two remaining interview partners of the sample. This was done to determine if theoretical saturation has been reached and the categories could not be further refined by the insights of the new interviews.

To avoid and weaken the sample selection bias (Berk, 1983) of selecting only “positive” cases that show the growth spurts, two additional companies of the 100 biggest

German family firms which did not grow that much (CAGR of sales < 5%) where chosen to elaborate if the model holds in general, and if there are different manifestations of the dimensions which can explain the double-digit growth of the sampled firms in comparison to the not-that-fast-growing ones.

3.7.1.3 Sample Characteristics of the Family Enterprises

The 100 biggest family businesses (Oelmann, 2016) are the parent population of the chosen sample. These enterprises are ranked according to their sales in 2015 ranging from EUR 2 billion to EUR 200 billion Euro. As the dissertation started in 2016, these were the latest sales figures to obtain. The analysis of the biggest companies was carried out to find out more about the growth rates of long-living family enterprises.

A study by Seibold (2017b) shows that the structural diversity of German family enterprises is huge. The German family business landscape ranges from the 3-men-bakery to multinational companies such as Henkel or Oetker with more than EUR 10 billion of sales. The different size classes have different challenges and opportunities in their growth process. Therefore, it is important to differentiate family enterprises according to their size (Seibold, 2017b). There is a remarkable research stream on the growth of SME (e.g. Davidsson et al. 2005), but less research has been done on large family enterprises. Consequently, the 100 biggest companies have been chosen.

In addition to the restriction to large companies, businesses in the first generation were excluded from the sample, as previous studies (Seibold, 2017a; Seibold et al., 2019) show that, following a life cycle logic of enterprises, first generation businesses have to grow at double-digit growth rates during the first generation, otherwise they will not achieve a certain size in later generations and would not have grown to the biggest German companies. Showing this double-digit growth constantly through the first generation, first generation businesses are not suitable to get insights into the reasons for growth spurts in later stages of the life cycle. Although start-up companies or first generation companies are an interesting object to study growth, their strategy issues could be very special due to their developmental stage and age. Often they are accompanied by consultants such as angel investors or venture capital, making it difficult to identify personal influences on growth. Furthermore, in first generation and start-up businesses, the "family" plays a subordinate role as there is usually one founder or a team of two or three non-relatives.[79] Therefore, these companies have been excluded. The sales figures of 2015 are complemented with the sales data from 1995 and 2006. These sales figures were manually derived from multiple sources such as Hoppenstedt (1997), Simon (2007, pp. 55-59), Frankfurter Allgemeine Zeitung (1996,

[79] It should be acknowledged that there are start-up and first generation businesses that are founded by relatives such as brothers, sisters or one or two families and these are undoubtedly interesting research objects, but not for this special research question.

2007)[80]. The compound annual growth rate was calculated for 1995-2006 and from 2006-2015 with the following formula:

Equation 1 Compound Annual Growth Rate of Sales Growth

$$CAGR\ (t_0; t_1) = \frac{S(t_1)}{S(t_0)}^{\frac{1}{t_1 - t_0}} - 1$$

$S(t_1)$ = Sales in 2006 or 2015

$S(t_0)$ = Sales in 1995 or 2006

The time slot (1995-2006) is used as a time horizon. The reasons for choosing this time frame are the availability of key decision makers of the companies, the availability of data and the overall macroeconomical situation in this period.

The above-mentioned exceptions are excluded. Afterwards, the upper quantile (20%) and the upper quartile (25%) of the 100 biggest companies are selected. Comparing the growth rates of these different sample sizes reveals that 10% is a suitable threshold for the fastest growing companies. The final sample is comprised of 22 firms showing growth spurts of 10% or more.

Having clarified which companies are reasonable research objects to study growth spurts the procedure of the interviews, the role of the researcher and some reflections on the sample characteristics will be given in the next chapter.

3.7.2 Interviews

3.7.2.1 Interview Guideline

Mey and Mruck (2007) explain that the term qualitative interviews refers to a group of procedures that can be arranged along different dimensions. One such dimension is that of interview control, which is expressed through the selected degree of structuring and standardization (Gudkova, 2018, p. 49; Mey & Mruck, 2007, p. 249).

One of the most open and unstructured forms of interviews is the narrative-based interview (Schütze, 1977, 1983). The narrative-generating opening question and immanent demands are the key cornerstones of the narrative-based interview (Mey & Mruck, 2007, p. 251). The semi-structured interview provides a more formal structure (Mey & Mruck, 2007, p. 253). In the first part, open questions are used to ask about explicitly available assumptions and components of the research field (Mey & Mruck, 2007, p. 253). In order to self-critically examine the developing subjective theories, more implicit knowledge stocks are discussed via questions based on theory and finally via questions of confrontation (Mey & Mruck, 2007, p. 253). In the second part, the

[80] Hoppenstedt is a handbook of enterprises which provides sales figures and other key figures from approximately 1955 onwards. The book "*Hidden Champions*" by Hermann Simon contains lists sales figures of large family owned businesses. The Frankfurter Allgemeine Zeitung provides a list of the 100 biggest enterprises every year.

statements of the first part of the interview are structured and communicatively validated together (Mey & Mruck, 2007, p. 253). The structure of this type of interviews is open enough to be able to ask further questions or to skip questions and change the order of questions (Fylan, 2005). In contrast to the narrative-based interview, the researcher has a more structured and active role. A semi-structured interview is suitable when there is only one opportunity to talk to the interviewee (Cohen & Crabtree, 2006). Another form of interview is the expert interview (Meuser & Nagel, 1991). In this case, the label does not result from the survey type, but from the targeted study group (Mey & Mruck, 2007, p. 254). The interviewees are addressed as actors in the functional context they represent, and the biographical context is not important (Mey & Mruck, 2007, p. 254). The classification of “experts” is controversially discussed (Mey & Mruck, 2007, pp. 254-255).

The interview form used in this dissertation is influenced by all of the types presented above. The guideline is semi-structured but tries to encourage open narrations. The targets of the interviews are the CEOs who were in charge during the respective investigation period (1995-2006) and thus they can serve as “experts” in their field. However, their biographical background plays a central role in the reconstruction of reality.

In Grounded Theory methodologies, the guideline is adjusted based on new insights after each interview. Therefore, the following table will summarize the components of the first version of the guideline.

Table 4 Interview Guideline

Phase	Components	Goals
Introduction	Personal introduction, summary of key figures to suggest competency and preparation	Confidence-building
Starting Question	Could you describe your path into the company and what was your starting point when you took over the company? What has shaped your attitude towards growth?	Narrative-generating question; Relationship between attitude and biographics
Exploring Reasons for Growth Spurts	Starting situation in 1995, comparison to industry-specific growth, specific reasons for growth, ranking of dimensions	Generation of facts
Processual Questions	Concerning innovation management, organizational and financial capabilities, M & A, decision-making strategies, role of family, role of key people etc.	Exploration of process and family influence
Special Family-Related Questions	Family agenda, family strategy, family structure	Family influence
Exploration of Future Situations	Sustainability of growth spurt, new emerging trends	Conclusion and outlook

Source: Author's own table

The interview guideline was pretested with an available CEO who was not part of the initial sample, to make sure that the guiding questions are fully understandable. After this pretest, the formulation of the questions was adapted minimally due to the reflexive discussion with the CEO.

3.7.2.2 Selecting Interview Partners and Procedure of Interview

Selecting Interview Partners

The selected 22 firms were contacted in February 2017 in writing (letter), explaining the project and its details. A fax answering sheet was provided. The letter was directly addressed to the CEO in charge or, if personal contacts were available, to one of the family members directly. The goal was to interview the CEO in charge during the researched time frame 1995-2006. A positive response of 13 out 22 selected companies was received[81]. This is a response rate of 60%. An effort has always been made to speak to more than one family member or person in the company.

[81] Note: An interesting observation is that some of the positive responses were given due to the note that other successful company leaders were taking part in the research project. This could be seen as a type of snowball sampling (see Goodman (1961) and Noy (2008) for a detailed description and application of "classical" snowball sampling), and could be a helpful hint for researchers trying to approach large companies.

Some interview partners required the guideline in advance in order to prepare for the interviews. Due to confidentially issues, confidentially agreements have been signed in some cases so that verbatim quotes need the specific permission of the interviewee. The interviews took place from March 2017 to February 2018.

Procedure of Interview

In total that led to 15 full-length interviews consisting of 13 transcripts and 2 field-note protocols[82]. Two additional interviews from another sample were carried out in order to ensure Theoretical Saturation (3.7.4 and 4.7.2). During and after the interview, field notes were taken, consisting of facts which were stressed by the interviewee as well as perceptions and thoughts of the interviewer. The duration of the interviews ranged from approximately 45 minutes to 2 hours and 45 minutes and was approximately 20 hours in total. If permitted, the interviews were transcribed. This was done by the researcher, which provides the additional advantage that the researcher gets more familiar with the data. Furthermore, the language and tone, as well as noticable specific situations during the interview were written down and compared to the field notes which were drafted during and after the interview.

10 interviews were done face-to-face. Hoyle et al. (2002) acknowledge that the face-to-face interview, although the costliest (Groves & Kahn, 1979), is yet the most advantageous form of interviewing. They mention that during face-to-face interviews, the researcher can notice and explain misunderstandings, provide some further information if needed and concretize vague answers by enquiring. In addition, the researcher can control not only the course of conversation but also its context. The face-to-face interviews were done at the CEO's office. This setting gave the interviewee a comfortable and familiar setting and thus created a constructive environment and atmosphere. Furthermore, visual supplements such as pictures or graphs can be supportive. The interviews in this dissertation were also supported by graphs and figures. Moreover, Hoyle et al. (2002) emphasize that face-to-face interviews provide the highest response rate, the highest possible length and motivation of the interviewees, all of which tremendously improve the data. The length allows addressing complex phenomena. In spite of all the advantages of face-to-face interviews, there are some shortcomings applying to this form of data collection, known as the "interviewer effect". Research shows that the personal characteristics and appearance, experience and expectations of the interviewer can lead to socially desirable answers of the interviewee (Frey & Oishi, 2003; Hoyle et al., 2002).

5 interviews were conducted via telephone as the interviewee preferred this. Telephone interviews have the same advantages and disadvantages as face-to-face interviews have. The visual supports were provided to the interviewee via e-mail in

[82] In two cases an additional interview partner of the family was available but due to confidentiality reasons the interview was not recorded. Yet, field notes were drafted during and after the interview.

advance. The personal appearance does not influence the interview as much as in face-to-face interviews. One shortcoming of interviews via telephone is that the researcher cannot influence the interview setting such as the situation of the interviewee (in car or train or on a trade fair etc.) and therefore, it is more challenging to create an atmosphere of trust. Researchers find that there are no significant differences in the outcomes of telephone and face-to-face interviews (Sturges & Hanrahan, 2004), although in this dissertation the impression was gained that the telephone interviews provide more fact-based insights, whereas the personal interviews are higher in their processual and emotional content.

Use of Computer-Assisted-Programm

A computer-assisted program is used to manage the data (QDA Miner 5). Computer-assisted programs are able to simultaneously administer the texts of a project, e.g. the transcribed interviews, with quick access to each individual text. This program supports the storage, the archiving process and the handling of a huge amount of complex data. The actual data processing is done manually and with the help of MS Office products, as it was important for the researcher to engage manually with the data to explore the key concepts and their interconnections.

3.7.2.3 Reflexivity of Researcher

The degree of structuring determines the way in which interviewees are involved in the interview process (Mey & Mruck, 2007, p. 250). As the data collection was done by personal interviews provoking the associated challenges of the interviewer effect, the role of the researcher in the research process must be acknowledged.

The theory emerging from the interview data is a product shaped by the researcher, to whom the social, cultural, local, institutional, interactive and personal circumstances of production are ascribed (Breuer, Muckel, & Dieris, 2018, pp. 84-85). As stated in sub-chapter 3.5.3, the reflexivity of the researcher is central in constructivistic Grounded Theory. Breuer et al. (2018, pp. 84-85) explain that a constituent part of the reflexive process is the view that the researcher appears as a personal, holistic subject and committed protagonist (physical, with a life story, with family and other affiliations, and with ties, with interests, motivations, etc.) in the context of generating social scientific knowledge. Furthermore, Breuer et al. (2018, pp. 84-85) state that the researcher's work takes place in an institutionalized context (science, university, research group, etc.) with specific instruments and tools (methods, technologies, equipment, etc.) under certain conditions, historical, geographical, social and cultural circumstances (location, time, social formation, traditions of thought etc.).

Within this research project the researcher has been aware of her personal-idiosyncratic attributes shaping the research process. Age differences, experienced-based advantages, gender challenges, scientific versus practical context, and her own family business background must be taken into account when evaluating the results of this dissertation.

Keeping in mind the intented form of a narrative interview with semi-structured components the speaking time of the researcher in each interview is cross-checked. The main part of the speaking time is taken up by the interviewee. This finding is important to ensure the narrative characterstics of the interview. The need of the researcher to intervene is low. This speaks for the clarity and comprehensibility of the interview questions and the topic.

3.7.2.4 Reflections on the Sample Characteristics of the Interview Partners

The reflections of the first interviews revealed that the initial research focuses must be shifted away from the special cases of growth spurts and more to the general growth processes in family firms. The reason was that the questions concerning the spurts revealed only pragmatic and general answers about the growth mode and industry, and the macroeconomical determinants of these spurts. This finding strengthened the re-framing of the research focus from the specific to the general growth processes in family firms.

In a first analytical step, the sample characteristics of the interviewed individuals are examined. The following table summarizes the characteristics of the company and personal background information about the interviewee. Evaluating this information supports the interpretation of the data.

Table 5 Sample Characteristics

Interview Partner	Position at the Time of Interview (2017)	Tenure[83]	Profession	Generation
1	Chairman of the Supervisory Board	> 30	Economics & Management	Family Member
2	Chairman of the Shareholders' Committee	< 30	Economics & Management	Family Member
3	Chairman of the Administrative Board	< 30	Engineer	Family Member
4	Head of Division	n/a	Economics & Management	Family Member
5	Chairman of the Supervisory Board	n/a	n/a	Family Member
6	Former CEO	< 30	Economics & Management	Non-family Member
7	Chairman of the Supervisory Board	< 30	Politics	Family Member
8	Member of the Board	n/a	n/a	Family Member
9	Majority Owner and former CEO	> 30	Jurisprudence	Family Member
10	CEO	< 30	Economics & Management	Family Member
11	CEO	< 30	Economics & Management	Non-family Member
12	Chairman of the Supervisory Board	> 30	Electrical Engineering	Family Member
13	Former CEO	> 30	Mechanical Engineering	Family Member
14	CEO	< 30	Electrical Engineering	Family Member
15	CEO	> 30	Economics & Management	Family Member

Source: Author's own table

Table 6 Evaluation Companies

Interview Partner	Position at the Time of Interview (2018)	Tenure	Profession	Generation
16	Chairman of the Administrative Board	< 30	Jurisprudence	Family Member
17	Honorary Chairman of Advisory Board	> 30	Jurisprudence	Family Member

Source: Author's own table

The response rate of 60% of the initial sample and of 67% of the companies sampled for evaluating reasons is surprising. All sampled companies are large family companies (> EUR 2 billion sales in 2015) which are usually reluctant to participate in to such research inquiries. Family businesses in general are reluctant to serve as research objective (Davis, 1983). Discussing this issue with some interviewees in an informal "small talk" revealed that the positively formulated research questions had opened the path to the possibility of an interview. Furthermore, the extensive personal contacts of the supervisors were very helpful to engage in the interviews. Another interesting finding is that some interviewees noted that they were willing to be interviewed, as other leaders of large companies were part of this research project as well. Although there was a huge interest in the research project, it was difficult to get more than one interview partner in a given company. In two cases, it was possible to talk to another family member.

As this research is interested in growth spurts of later generations, and results of growth processes usually take long to be observable in numbers, old companies were selected (see sub-chapter 3.7.1). The oldest company of the responding sample is older

[83] The average tenure is approximately 30 years. Therefore, the interview partners are classified according to this. The tenure ranges between 14 and 53 years.

than 150 years. This company has more than 100 shareholders due to its long existence. One could assume that all of the old companies have a large number of shareholders, yet only two of the responding firms have more than 100 shareholders. All other companies have less than 10 shareholders. Two companies explicitly mention that the consolidation of shareholders' shares on one shareholder or a small shareholder group is favorable for growth aspirations (Q. 7-9; O. 41-42). The inheritance mode plays a crucial role in growth strategies (sub-chapters 4.5.2.1 and 4.4.4.2).

The interview partners have different positions in the company. The goal was to interview the manager in charge during the respective time period from 1995-2006. Most of them are now in a governance position. In some cases, the manager in charge at this time was not available but his descendants were willing to take part. The prerequisite for descendants to participate is that they hold an active part during the researched period or are able to reconstruct this time. The tenure of the participants is long, on average about 30 years. Long tenure is crucial for the growth development of a company as growth takes time to develop. Short-term profitability must scale back in order to allow for growth. Even the two non-family members have a long tenure, therefore, they can serve as an excellent source of information, as they have accompanied the growth development but represent a different view point on the process due to their status as non-family members. All participants have a company-related education. According to research, education plays an important role in growth aspirations (Wiklund, 2007; Wiklund & Shepherd, 2003). The interviewees mentioned the subject of their studies, but they created no link to their growth aspirations. The parental education in form of values and traditions is named as a determinant of growth and developmental aspirations.

3.7.3 Secondary Data

To gain variation in the data sources and to become more familiar with each company secondary data were collected and analyzed. These included material offered by the companies, such as annual reports, company biographies, historical protocols, product information brochures, especially those depicting the researched time frame.

Additionally, some internet research was done. This research revealed information about the family and company history. Thus, it was especially important to understand the “big picture” of the respective family business and to identify key persons of interest for the development of the company. To get a better first impression of the interview partner and to get a feeling for his[84] charisma, some former interviews were read and watched on the internet. Furthermore, some background information about the interviewees was researched and included in the respective interview guideline. This preparation helped the researcher to personally address the interviewee. The

[84] The final sample of respondents consists of men only.

background information and the knowledge of former publicly available interviews, recorded as videos, supported the engagement in reflexivity about the researcher's own role in the interview, the atmosphere in the actual interview, and the behavior of the interviewee.

Preparation is important to get a high information density, yet the researcher has to engage in reflexivity to cope with the preconceptions formed during the preparation and to make useful sense of them in the analyzing process. Given the multifaceted nature of the secondary data, these data are not formally analyzed. Each company provided different information, some did not provide any additional information at all and it was hard to find background information in publicly available sources. These different levels of information are a difficult basis for a formal analysis. Therefore, the secondary data are used for theory building by supporting the reflexivity of the researcher, as mentioned above, and helped to supplement the categories and to round the theory building by triangulation.

3.7.4 Theoretical Saturation

Having described that Grounded Theory combines data collection and data analysis, it is important to note the point of completion.

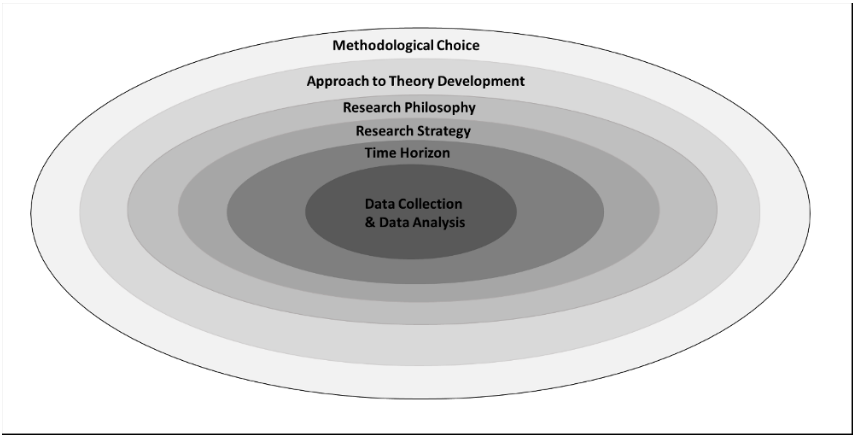
Charmaz (2014) explains that within Grounded Theory, the categories emerge while the researcher is engaged in the data. The category is saturated when including more data will reveal neither new properties of the category nor new insights into the category and its interdependencies to other categories. This point of concluding is called “Theoretical Saturation” (Charmaz, 2014, pp. 214, 345).

This dissertation captures the idea of Theoretical Saturation but has a slightly different approach. The categories and their interdependencies are formed while engaging in the data. But how many companies would be interviewed was clear beforehand. As the observation of the growth spurts which led to the initial research aim revealed a population of 22 companies showing these spurts, these special companies were contacted. The research process itself was informed by Theoretical Saturation as the first interviews revealed categories which were supplemented by additional insights from the following interviews. When no more new insights were gained from new interviews the developed theory was tested with two companies which were not part of the initial sample of the 22 firms. Theoretical Saturation was thus achieved.

3.8 Summary of the Methodological Approach

Chapter 3 has been dedicated to the description of the methodological design of this dissertation. The whole chapter provides an extensive overview of different approaches, philosophies, techniques and procedures. To summarize the key points of the methodological design and to provide a guide through the different layers of the methodological choices for further research projects, a so-called “research onion” (Saunders, Lewis, Thornhill, and Bristow, 2016, p. 124) is developed and introduced.

Figure 45 Research Onion



Source: Author's own figure adapted from Saunders, Lewis, Thornhill, and Bristow (2016, p. 124)

Saunders, Lewis, Thornhill, and Bristow (2016, p. 124) propose a different chronological order of their onion. However, the present research has shown that a slightly different order seems more practically orientated.

At first the researcher has to decide on the *methodological choice*. This implies the decision whether to follow a qualitative or quantitative way. This decision mainly depends on the goal of research and the availability of existent literature and theory. The present dissertation aims to follow a qualitative, explorative and theory building approach.

In a second step, the *approach to theory development* must be chosen. The researcher has to decide whether to work inductively, deductively or abductively. The choice of the approach to theory building is mainly determined by the availability of extant literature and theory. Therefore, this dissertation uses an abductive approach.

In a third step, the *research philosophy* has to be chosen in order to clarify the relationship between the world and the observing subject (world-subject connection). It is important to understand the particularities of each philosophy, to be able to find the most suitable one for one's own research questions. This dissertation uses interpretivism and pragmatism to describe the world-subject connection.

Having decided on the research philosophy, a *research strategy* must be chosen. A strategy includes a plan how to answer the research questions. This dissertation uses a Grounded Theory strategy.

As a subsequent step, the researcher has to decide on the *time horizon* of the study. Is a cross-sectional, a longitudinal or processual time frame suitable to approach the research questions? This dissertation uses a processual time horizon.

Concluding, it has to be decided how the data on the respective research questions are *collected and analyzed*. This procedure can be determined by the research strategy, as in the case of Grounded Theory which is used in this dissertation.

The following chapter 4 is concerned with the category building and generation of the theory.

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Wiklund, J., & Shepherd, D. (2003). Aspiring for, and achieving growth: The moderating role of resources and opportunities. *Journal of Management Studies*, *40*(8), 1919–1941.

4 The Theorectical Side: Results, Model Building and Discussion

4.1 Overview of Chapter

Chapter 4 is designed to provide the solution to the riddle of the observed growth spurts raised at the beginning of this dissertation. The riddle as well as the key to a pragmatic[85] guideline is:

> Is the whole observation family enterprise specific? As a reminder: There is not that much literature on family specific growth. The output dimensions are the same for any type of corporation. Thus, family business specific patterns should be the first to be recognized in the measurements in this given set of output dimensions. Therefore, this chapter starts with the "output", as it is observable that the result is different: **Only family firms show the growth spurts**.
> Is each element of the developed model equally important? Which would require a very systematic approach or is one component of central importance (e.g. such as in a sports decathlon: One must be reasonably good at all disciplines but excellent at least in one to be able to win)?

To approach the answer to this riddle, the sequence of the chapter is as follows:

First, the output side is screened according to its family specificness. Following this, the input side is examined according to the potential existence of family specific factors. Finally, the process side is focused on, as here the highest degree of family specific influence is already indicated by the existing literature.

At the beginning of each discussion of the different categories (input-process-output), a comparison between the existing literature and the emphasis in the interviews concerning each part of the model is given. This is done to ensure a better understanding of the emergence of the code families and categories. Furthermore, this comparison shows which topics are frequently discussed in the literature on growth but are not that much addressed in the interviews. This should help support the development of new research gaps and therefore, further research.

Before starting with the description of the interplay of the categories the development of the whole framework is described. How the input, process, and output framework has emerged has already been described in sub-chapter 2.4.

Following the discussion of the categories, the derived growth equation is presented. The multiplicative nature is explained, and the weights of each equation component is discussed.

[85] Cambridge Dictionary (2019) defines the term pragmatic as 1) "solving problems in a sensible way that suits the conditions that really exist now, rather than obeying fixed theories, ideas, or rules, or 2) based on practical judgements rather than principles."

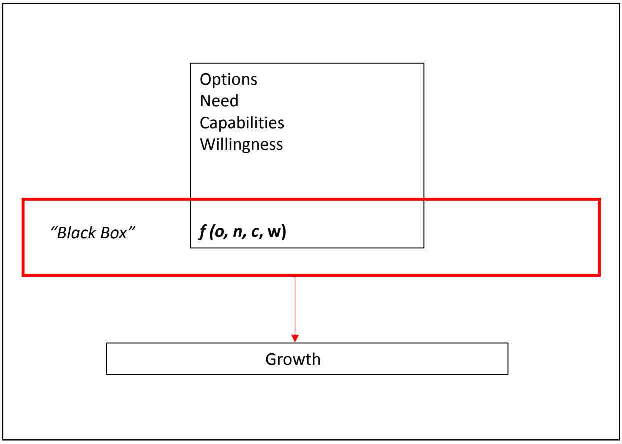
L. K. C. Seibold, *Family Businesses' Growth*, Familienunternehmen und KMU,
https://doi.org/10.1007/978-3-658-29396-3_4

The chapter concludes with the evaluation of the model according to the criteria presented in sub-chapter 3.3. Furthermore, the model is evaluated on a second sample of family firms.

4.2 Reflexive Framework

The researcher has been engaged in the growth literature from the beginning of this dissertation. After performing the first two interviews, the coding process started. During the theoretical coding phase, the researcher has detected the following main code families[86] (fig. 46).

Figure 46 Reflexive Framework



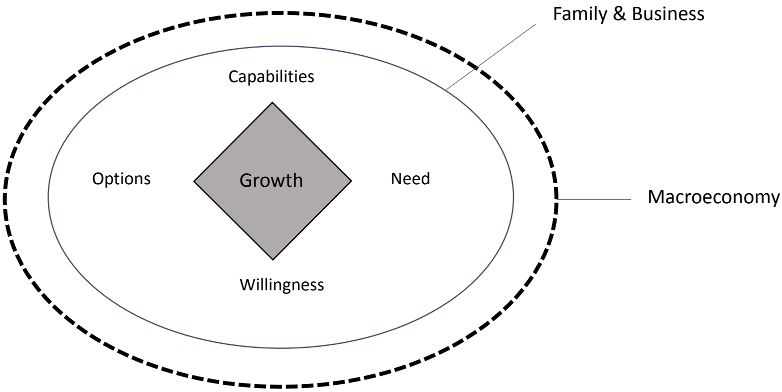
Source: Author's own figure

The code families (Options, Need, Capabilities, Willingness) interplay with each other and result in growth. The data suggest a multiplicative linkage between the code families (sub-chapter 4.6), therefore, growth is depicted as a formula. In concrete terms, at this stage of evaluation, ability is refined to "capabilities", thus capturing *all* the resources including all the skills and organizational qualities that are needed for growth. At this analytical stage, willingness concerns the desire for growth and the goal setting towards growth. Options contain the search for and the identification of

[86] Davidsson (1991) refers to and refines a psychological framework by Katona (1975) that reduces entrepreneurial activity to ability and willingness. The dimensions of Davidsson (1991), consisting of ability, need, opportunity and motivation, only support the structuring of the collected data by using thematic labels. The framework of Davidsson (1991) is not applied to the data. Only the terms are used as structuring elements for the data as the dimensions of Davidsson (1991) consist of different manifestations of the dimensions than the data in this dissertation suggest. In Davidsson's (1991) framework, ability, need, and opportunities and the perception of these dimensions lead to growth motivation that in turn leads to actual growth. Incorporating motivational aspects is frequently found in growth research on SMEs, as stated in chapter 2. Moving between the data and the theoretical thoughts of Katona (1975) and Davidsson (1991), own dimensions, their manifestations and interconnections between them arise.

opportunities. As a preliminary result, it should be noted that whereas opportunities play an important role in the interviews, in the literature review opportunities were rarely found to be associated with growth. The need describes the pressure to grow based on business contexts as well as on family issues. As an intermediary result, the following “growth diamond” can be derived:

Figure 47 Growth Diamond



Source: Author’s own figure

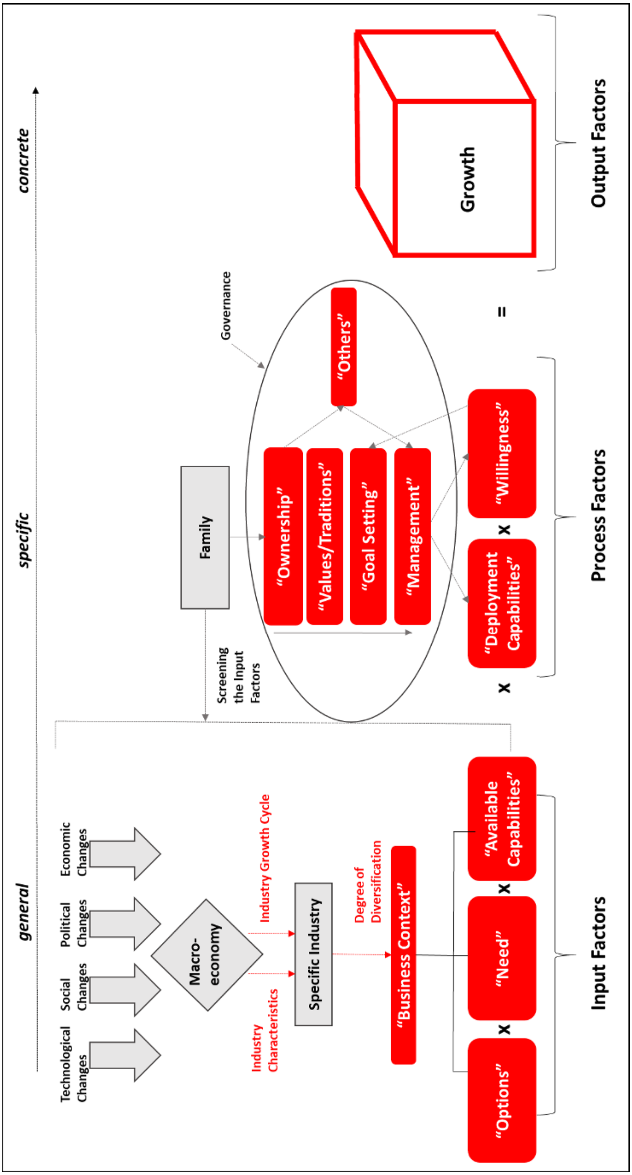
Moving back and forth between the theoretical models of firms' growth and the data,[87] the concept of a system theoretical structuring emerges: Input, process, and output. Recently, these structuring elements have been more frequently used in entrepreneurial research (e.g. Lumpkin et al., 2011; Röd, 2016). This framework was derived by drawing on the OODA-loop of John Boyd, presented in sub-chapter 2.4. The input factors, as well as the output, can be observed and measured. Process is the black box and needs to be explored through the interviews. Allocating the so far developed code families and categories to this structure reveals that this is mutually exclusive and comprehensively exhaustive (MECE) (Minto, 2009; Rasiel, 1999). This framework was initially developed based on the analysis of the interviews, but its suitability has also been shown by structuring the literature review according to this framework (sub-chapter 2.4).

Engaging more in focused coding and theoretical coding and constantly comparing data with data and existing theory, the categories "input", "process", "output" (Lumpkin et al., 2011) seem suitable to structure the data as explained in sub-chapter 2.4.

The interplay between these categories and their manifestations have resulted in the following model.

[87] The analyzed data are comprised of the transcribed interviews, the documentation made before, during and after the interview, such as the field notes as well as the secondary material provided by the companies (sub-chapter 3.7.3). In the following, the terms "data" and "interviews" are synonymously used. As the target group of this research are practitioners, the term "interview" is more often used to describe the overall empirical data to ensure the understanding for the non-scientific reader.

Figure 48 Entire Model



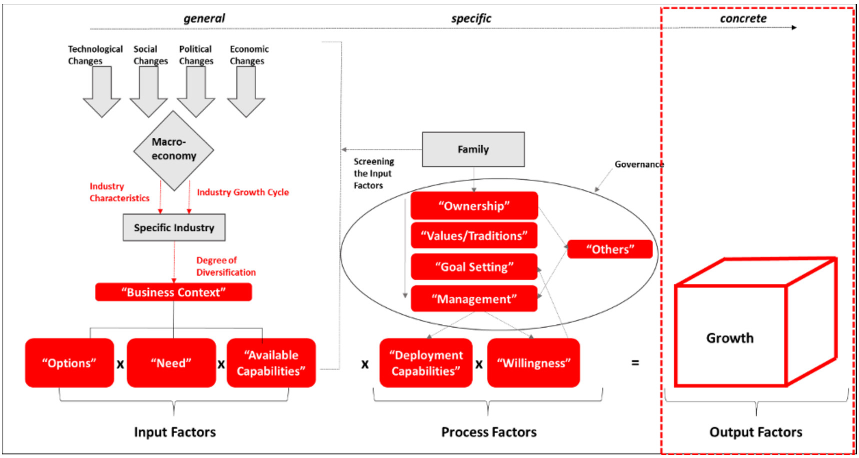
Source: Author's own figure

The model describes the development from the generally available options and resources to the specific process of handling these options and resources by the family and the management, leading to concrete growth. Again, growth is depicted as a cube/box. The "black box" of growth consists of observable input and output factors and the "hidden" process. This model makes this "hidden" process visible by further unpacking the "black box of growth", explaining the input and output factors and especially the process in-between. The unwrapping of the black box of growth is continued by disussing the observable output factors.

4.3 Output

The explanation of the model starts with the output category. This category can be observed and measured by growth rates. At first, a comparison between the findings of existing literature from the literature review and the emerging dimensions of the output category from the joint analysis of the interview data and the existing theory/literature is presented. This is done to provide a better understanding of the derived code families and categories, as they are grounded in the interplay between existing literature and new data. Following this, the dimensions of the derived growth cube are discussed.

Figure 49 Entire Model: Output Factors



Source: Author's own figure

4.3.1 Comparison between Existing Literature and the Emerging Output-Category

The growth performance of the sample is family enterprise specific due to the following reasons:

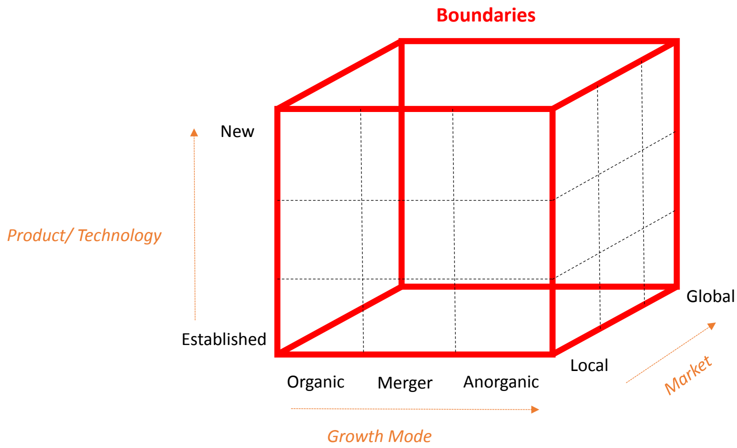
- The superior growth rate (no public company achieved the same rates without a major and large merger)[88]
- Emphasis on organic growth
- The sampled firms grew wherever it seemed attractive, but along their evolutionary path
- There is no industry-specific booster, as all industries are mature industries

Although both the growth rate and the direction/mode of growth are specific, the interview partners do not emphasize this uniqueness.

Many studies use growth as an outcome variable (Achtenhagen, Naldi, & Melin, 2010). The focus of this study is on the process components of growth; however, the process and the outcome are closely connected. The output category is mainly comprised of the measurement of the outcome of the process, for example, how internationalization is measured. However, during the research process it has been found that a quantitative measurement and description of the output category is difficult. Not all companies provide quantitative data material and the key figures are based on different assumptions depending on the company's accounting. Therefore, some qualitative results of the output side are provided. To depict the output dimensions, the already developed and mentioned growth cube is used.

[88] See results of prior studies in this research project, such as the thesis by Lantelme (2017) and Seibold et al. (2019).

Figure 50 Growth Cube



Source: Author's own figure

First of all, the model components of the output side are divided according to the findings in the literature review. After this step, these components are classified according to their degree of emphasis in the interview.

The classification characteristics for the degree of emphasis in the interviews are:

X topic is not mentioned in the interviews
✓ topic is mentioned in the interviews
✓✓ topic is emphasized in interviews
The results of this classification are presented in the following table.

Table 7 Output Components and their Consideration in the Literature and Interviews

Output Model Component	Finding of Literature Review	Degree of Emphasis in Interviews
Growth Rate	• Higher Growth Rate of Family Businesses	X
	• Market Share	✓✓
Growth Mode	• Organic	✓✓
	• M & A	✓
Product/Technology	• Innovation	✓✓
Geographical Focus	• Internationalization	✓✓
Diversification	• Diversification	✓✓
	• Lower Degree of Diversification of Family Businesses	X

Source: Author's own table

Prior research, especially Lantelme (2017), has found that family firms achieve higher growth rates than non-family firms. The interviews revealed that the interviewees are not aware of this issue or do not address it. Therefore, it is important to stress this finding and make it available to the family business practitioners. Market share is a frequently discussed topic in literature, especially that by Porter (2008) and Henderson (1976). Achieving a certain market share and target size is an often mentioned and therefore important topic for the interview partners (sub-chapter 4.5.4.4).

The growth mode is discussed in the literature and the consensus is that family firms tend to engage more in organic growth. The interview partners also acknowledge the central role of organic growth in their growth path. M&A is seldom used. Acquiring firms is mainly used to acquire new knowledge or a fast market entrance.

The literature on innovation reveals ambiguous results concerning growth of family firms. However, innovations are an integral part of growth strategies (Ansoff, 1957). Innovations as drivers for growth are also highly emphasized in the interviews.

Internationalization is also an integral part of growth. There is a large stream of literature on internationalization and on the internationalization of family firms. Internationalization as a tool for growth is highly emphasized in the interviews (sub-chapter 4.5.4.7).

Diversification is another integral component of growth and frequently discussed in literature (e.g. Ansoff, 1957). Literature on diversification of family firms concludes that family firms tend to engage more in related business activities. The interviewees acknowledge the central role of diversification (sub-chapter 4.5.4.5). The sampled firms mainly engage in related diversification activities. However, this is an interesting finding, as one could expect unrelated diversification as a driver for high growth. Furthermore, literature concludes that family enterprises have a lower degree of diversification than non-family enterprises. However, the interview partners emphasize that they are more diversified than non-family firms due to the freedom to create their own portfolio which has to meet the preferences of the family members but not stock market preferences (sub-chapter 4.5.4.5).

4.3.2 Growth Rate

The output of growth is primarily measured by the growth rate, as CAGR of sales, for the time horizon of 1995-2006 (sub-chapter 3.7.1.3). The time frame is used because of the availability of data and its qualification as a good growth decade. Using a decade with high overall growth rates due to a positive macroeconmical setting allows the selection of cases with high growth which did indeed grow fast. If the fastest growing were chosen in a period of moderate or slow overall macroeconomical growth rates, this could be outliers due to industry-specific reasons. However, choosing a period of high macroeconomical growth implies that the pace of the growth cannot be the same in the following period. Therefore, the period of 1995-2006 has been chosen due to the availability of data and the prospering macroeconimcal context.

The minimum growth rate for the seleted cases of “spurts” is 10% (chapter 3.7.1.3).

The literature review has shown that the observed spurts are indeed a sign of high growth. Furthermore, the literature review has also indicated higher growth rates of family owned businesses compared to those of their non-family counterparts (e.g. Lantelme, 2017). There is always an age and size specific comparison. In the interviews, not everybody was aware of this extraordinary performance.

Having clarified the result of growth depicted in growth rates, the following sub-chapter is concerned with the mode of growth; organic or through M&A.

4.3.3 Growth Mode

There are several companies in the sample which have acquired companies for growth related reasons. The consensus is that family firms tend to engage more in organic growth (I. (1) 281; R. 181-183).

> ***“(…) the acquisition process is kept within limits for us as a family owned company (…).”*** *(R. 181-183)*[89]

Some scenarios in which family firms have engaged in acquisition activities could be observed. One major reason for acquisitions is the consolidation of industry (Q. 72-81). Furthermore, acquisitions are a preferred tool to enter into foreign markets and to enable fast growth in these markets (Q. 104-106). However, these foreign acquisitions

[89] „(…) das mit dem Akquirieren hält sich bei uns als Familienunternehmen in Grenzen (…)“ (R. 181-183).

could lead to dissatisfaction of the customer due to quality issues (I. (1) 279-300). If an acquisition strategy is followed, this is a systematic process of searching for opportunities (D. 10-12; L. (1) 60-62). Besides market entry or the will to expand, there could be some company specific strategic reasons for acquisitions.

Two other remarkable findings concerning growth mode should be mentioned. The cases where family businesses acquired large companies (e.g. Porsche or Heidelberger Cement) cannot be found in the sample as they did not show the growth spurts. Just in one case, acquisitions have been a core strategic element. In all other cases, acquisitions are not decisive for pursuing the overall, opportunistic strategy.

It has been concluded that the sampled firms engage more in organic growth which focuses on product and technology development.

4.3.4 Product and Technology Development

Measuring the degree of innovativeness in the form of R&D expenditures and the number of patents appears difficult as mentioned in sub-chapter 2.7.3.2 in this research context. Obtaining reliable numbers is the biggest challenge. Besides the limited availability of data, interesting qualitative observations could be made on product and technology development during the research process.

Sales from the core market appear as a relevant topic in terms of product and technology development. Does the growth arise from a familiar field or from unrelated activities, i.e. from leaving the core market? Defining the core market is difficult (Zook & Allen, 2001), especially for highly diversified companies like company I. Reviewing the growth activities of the firms shows that the critical factor in the definition of growth in the core market or expanded market is “know-how”. In this context “know-how” refers to the technology or method with which new products or services are created. Does the company use existent knowledge or new knowledge? A consideration of the sampled companies reveals that they expand into logical markets that share economies (Zook & Allen, 2001, p. 148). They grow within the core market and exploit the opportunities of the core market and thus follow an evolutionary growth path.

> ***“That is to say, the main technology with which we handle in the end products, we have in-house (I. (1) 20-21). So the scissors open more and more, so that we can still make this new application and that new application and so our base becomes wider and wider (…).”*** (I. (1) 86-88)[90]

The development of products and technology is one path to growth, expanding national boundaries is another one.

[90] „Soll heißen, die Haupt-Technologie, mit denen wir in den Endprodukten handhaben, dass wir die im eigenen Haus haben (I. (1) 20-21). So tut sich die Schere immer weiter auf, dass wir diese Anwendung noch machen können und die Anwendung und so wird unsere Basis immer breiter (…)“ (I. (1) 86-88).

4.3.5 Geographical Focus

When the sampled firms discuss internationalization, they mainly refer to China and India. Internationalization is an important topic for the growth spurts.

> ***"The two success factors are easy to define, innovation and internationalization."*** (P. 87-88)[91]

However, the growth in the emerging markets could not outweigh the growth in the established markets.

> ***"(…) there I have a completely different relationship what the contribution of the mature market and that of the emerging market is. This will depend on the mature one for a very long time (…)."*** (R. 302-303).[92]

Internationalization is obviously an important topic in discussing growth, as nearly all sampled companies are engaged in extensive export business due to mature national markets. One firm is mainly active in national activities as they are creating a new market in Germany.

Another path to growth is diversification (Ansoff, 1957) which is discussed in the next section.

4.3.6 Diversification

The interviews reveal interesting insights into diversification activities. Diversification in family businesses is not only a tool to grow, but a tool to secure wealth. Normally, huge parts of the wealth of the family are tied to the business and therefore, diversification is used to spread the risk of the family wealth.

None of the sampled firms have diversified into totally unrelated activities. They have followed an evolutionary growth path along their core competencies. This is a counter-intuitive finding. One would expect that highly unrelated activities would lead to high growth. Therefore, it is interesting that none of the companies needed highly unrelated activities for their high growth. Following an evolutionary path, using and developing their core competencies further and diversifying into related activities were enough for double-digit growth. However, the sampled firms grew wherever it seemed attractive, and pursued uncommon growth paths. Such uncommon growth paths, whereby "uncommon" means contrary to the mainstream (such as re-sourcing of outsourced components), were possible due to the independence provided by the family and therefore the independence from the stock market where only paths which suit the "portfolio-story" are possible (C. 127-128; L. (1) 72-78; L. (1) 106-111).

The growth performance of the sample is family enterprise specific due to the superior growth rate (no public company achieved the same rates without a major and large

[91] „Die zwei Erfolgsfaktoren sind einfach zu definieren, Innovation und Internationalisierung" (P. 87-88).
[92] „(…) da habe ich ein ganz anderes Verhältnis was der Beitrag der Mature und was der Emerging ist. Das wird noch sehr lange von der Mature abhängen (…)" (R. 302-303).

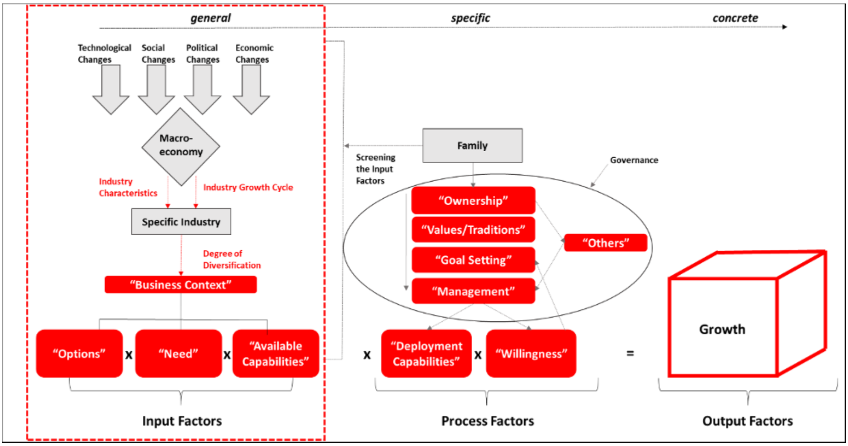
merger) and the emphasis on organic growth. There is no industry-specific booster, as all industries are mature industries.

Therefore, the next area of inquiry will be the input side. Did the companies have special options, needs or available capabilities, which led them to grow in attractive segements?

4.4 Input

Following the explanations of the output category, the input category is explained and screened according to the detection of family influence. At first, a comparison is made between the findings of existing literature from the literature review, the emerging dimensions of the input-category from the joint analysis of interview data, and existing theory/literature concerning the input factors. This provides a better understanding of the derived code families and categories, as they are grounded in the interplay between existing literature and new data. Following this, the dimensions of the input category are discussed in detail.

Figure 51 Entire Model: Input Factors

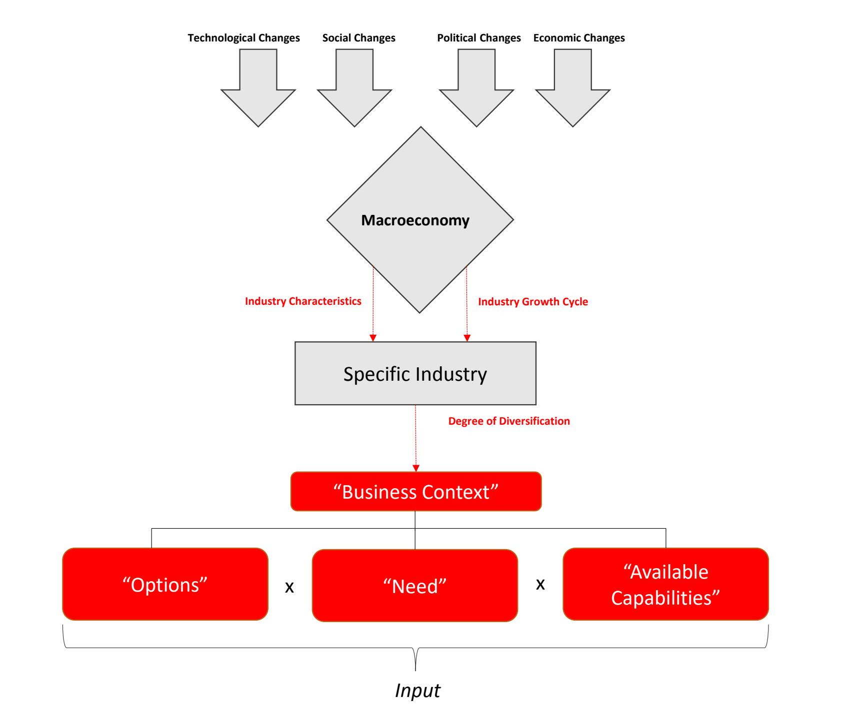


Source: Author's own figure

4.4.1 Comparison between Existing Literature and the Emerging Input-Category

The input box comprises three different code families which are mutually dependent. Based on the focused code "Business Context", three different code families arise. These code families are "Options", "Need", which is divided into two sub-dimensions, the "Family Driven Need" and the "Business Driven Need", and the third code family "Available Capabilities".

Figure 52 Input Category



Source: Author’s own figure

Screening the input side according to its family specificness, no special family influenced input factors can be found. There were non-extraordinary firms in terms of capabilities, in non-extraordinary markets (options) without extraordinary pressure to grow (need). Especially financial resources have placed no restrictions on growth in the sampled firms.

First of all, the model components of the input side are divided according to the findings in the literature review. After this step, these components are classified according to their degree of emphasis in the interview.

The classification characteristics for the degree of emphasis in the interviews are:

X topic is not mentioned in the interviews
✓ topic is mentioned in the interviews
✓✓ topic is emphasized in interviews
The results of this classification are presented in the following table.

Table 8 Input Components and their Consideration in the Literature and Interviews

Input Model Component	**Finding of Literature Review**	**Degree of Emphasis in Interview**
Macroeconomical Influence		
Economic Change	Location Factors	✓
Technological Change		✓
Social Change		X
Political Change		✓
Specific Industry		
Industry Growth Cycle	• Life Cycle Structure	✓✓
Industry Characteristics	• Industry Characteristics	✓✓
Business Related Need	• Competition • Industry Growth	✓ ✓✓
Options		
Opportunity Recognition	• Opportunity Recognition • e.g. Design Thinking	✓ X
Available Capabilities	• Financial Constitution • Entrepreneurial Characteristics	✓✓ ✓
Family Related Need	• Expansion of Shareholders	✓✓

Source: Author's own table

Macroeconomical influences are addressed as drivers of growth in general growth literature. The interview partners emphasize economic changes, technological changes and political changes as noteworthy topics for growth. However, in the period of study no major macroeconomial changes can be detected.[93]

Specific industry factors such as the life cycle of the industry are discussed in the literature and are emphasized by the interviewees. Industry characteristics are discussed in literature context of growth and the interview partners emphasize the importance of industry characteristics for growth. Competition is a frequently discussed driver of growth and is acknowledged by the interview partners. In the

[93] Even the prominent topic of industry 4.0 started in 2007 and its major awareness started from 2010 onwards.

literature, industry growth is often associated with the company's growth. The sampled firms use industry growth as a benchmark for their own growth.

Options or opportunities are discussed in the context of opportunity recognition and design thinking but are not frequently associated with growth within literature. The interviewees mentioned that the search for opportunities was not a challenge, the opportunities arose from the existing activities and the interaction with the customers. The development of their core knowledge along an evolutionary path led to growth. Heuristics, such as Design Thinking are acknowledged by the literature but were not mentioned by the interview partners.

Available capabilities are frequently discussed in association with growth. However, the family businesses examined in this work note that they had no boundaries or restrictions to growth due to scarce resources. They only experienced personnel resources as boundaries to growth. They highlighted that the financial resources had never been a problem. Entrepreneurial characteristics are often used in research as variables leading to growth. However, the interviewees mention personal characteristics but do not attribute the growth to their own characteristics.

Family related need is a topic which is mentioned in the literature. It is mostly described as an increasing shareholder base leading to increasing demands on the company. The interview partners see a rising number of shareholders as a challenge for the company. They especially emphasize the rising demands for dividends and co-determination on strategy issues and the arising challenges for growth.

4.4.2 Business Context

The "Business Context" turns out to be a starting point. Business Context itself is influenced by macroeconomical developments, industry characteristics and industry growth cycles. Taking the macroecomical perspective, different technological, political, social and economic changes can determine the macroeconomical environment. Besides the regular progress made in these macroeconomical areas, there are some "Megatrends" that heavily influence the macroecomical environment. Megatrend is a term developed by John Naisbitt (1980), meaning long-term developments that shape all areas of society and the economy.

Technological Changes

Technological change is manifested in the progress of so-called key technologies or basic innovations (Grömling & Haß, 2009, p. 48; Wartenberg & Haß, 2005, 117 ff.). Innovative products, production processes, services and the combination of these three factors can provide answers to almost all questions raised by the global megatrends outlined here (Grömling & Haß, 2009, p. 47). Technological change can also be driven by innovative marketing and distribution modes, such as provided by Amazon. Marr (2017) describes some megatrends in technology: The increasing datafication known as "Big Data", "the internet of things" (IoT), describing that the devices used in every day life are becoming more and more connected, and the increasing computing power which makes Big Data and IoT possible. Artificial intelligence, automation and 3-D printing are revolutionizing production and services (Marr, 2017).

A topic mentioned in the interviews as a megatrend is “Industry 4.0”. In production, people and machines are networked, using the latest information and communication technology. As all of the sampled companies are manufacturing companies, this is a highly important topic, influencing the strategy of the analyzed businesses tremendously. However, as stated above, the topic of Industry 4.0 started after the researched period. The interview partners emphasized Industry 4.0 due to their overall picture of the company’s development due to their long tenure.[94]

"Smart Factories", where production facilities organize themselves and coordinate processes and deadlines among themselves (Bundesverband der Deutschen Industrie e.V., 2018), are an example of Industry 4.0. Furthermore, the “Smart Construction Site”, a self-organizing construction area was mentioned as a technological change and therefore as a large growth potential.

Technological changes, initiated by megatrends or not, impact other dimensions. For example, the changes in production within Industry 4.0 will lead to a change in the role of human resources within the company. The individual is in charge of controlling and monitoring the processes. Therefore, social changes will arise, as will be discussed in the following paragraph. Furthermore, new technologies need new political framework conditions and affect the economy - both industry specific and as a whole.

The remarkable observations of the technological changes concerning the sampled companies are that none of the companies (with one exception) is in a “hot” market, which implies that there are disruptive changes. However, all sampled companies are influenced by the changes in technology, but all are aware of these changes (e.g. Industry 4.0). Furthermore, all companies, except the above mentionend exception, are export extensive.

Social Changes

Just as technology evolves, so do social structures and conditions. The impacts of demographic change, rising educational level, rising lack of manual professions as well as a shortage of specialists and an increasing demand for work-life-balance and flat hierarchies are changing the working conditions and environment. The demand for an

[94] As a side note: The emphasis of a topic not taking place in the researched time frame highlights the advantages of interviewing CEOs with a long tenure, as they can offer an overall picture of the company’s development. Family firms do typically employ their top employees for a long tenure, therefore, family firms are a valuable object to study long-term developments, such as growth.

increased working-life balance and flexible working hours was named by the interviewees as a change to be considered in their strategic thoughts (D. 395-400).

Political Changes

By providing infrastructure and imposing regulations, political changes influence the macroeconomical environment. Especially for highly regulated industries such as the pharmaceutical industry this can cause tremendous changes to their whole business model. Government subsidies and government development loans can support the development of certain products (I. (1) 257-258).

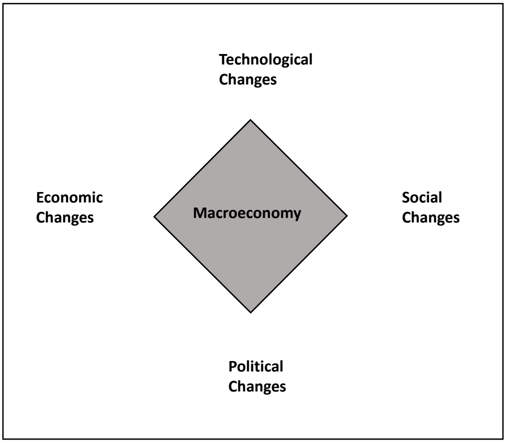
Economic Changes

Economic crises such as the financial crisis in 2008 impact the whole economy. Almost all companies recorded a decline in sales. Among other results of the financial crisis the granting of loans got more difficult for companies. Industry specific crises, such as the recent ongoing steel crisis, have an influence on production, both on the purchasing side and on the sales side. Economic cycles play an important role in the macroeconomical context. These cycles consist of expansion, peak, recession and trough. There are three major theories to explain economic cycles; they differ according to the length of each period and the reasons for its occurrence. The most prominent and frequently used and discussed cycle theories are the Kitchin cycle (Kitchin, 1923) with a length of 3-5 years, the Juglar cycle (Juglar, 1862) with a length of about 7-11 years and Kondratieff cycle with a length of 45-60 years (Tanning, Saat, & Tanning, 2013).[95]

As has been described for the example of Industry 4.0, the technological, social, political and economic changes are mutually dependent. Technological changes such as the "Smart Factory" trigger social changes such as the role of the individual within the company. Furthermore, technological changes impact economic changes such as business cycles. Political changes such as regulations can influence technological changes as is the case in electric mobility. Due to the high interrelation of the four contextual dimensions influencing the macroeconomy, these dimensions are depicted as a diamond to represent multidimensionality and the mutual relationships between all context dimensions (fig. 53).

[95] For a detailed discussion of economic cycles, see Tanning et al. (2013).

Figure 53 Macroeconomical Changes



Source: Author's own figure

The macroeconomical environment influences the specific industry in which a company operates with different magnitudes. These magnitudes are dependent on the degree of dependence of the respective industry. This degree varies depending on the industry characteristics and the respective stage of the industry growth cycle. For example, some industries are highly dependent on political regulations, such as the pharmaceutical industry and armaments industry. Other industries, such as mechanical engineering, are not that much dependent on political changes but instead on technological changes. Labor-intensive businesses such as service companies are strongly contingent on social changes.

The relationship between the focused code "Specific Industry" and the focused code "Business Context" is characterized by the degree of dependency of the company on the respective industry. Most of the sampled firms operate in more than one industry. Depending on the degree of diversification a company is more dependent on one specific industry. Highly diversified companies, such as company I, operating in more than ten divisions and more than five industries, are not that highly dependent on specifics imposed by the respective industries. Other sampled companies operate in correlated industries or in just in one core industry, such as a pharmaceutical company. These firms are much more dependent on the specific industry characteristics and industry growth cycles. A remarkable finding is that a wide variety of industries is respresented in the sample. No company operates in a "hot" market or a dying industry.

It has to be acknowledged that in the observation period of the spurts, no major macroeconomical trend has emerged. Even industry 4.0 achieved major awareness only from 2010 on.

The focused code “Business Context” initiated three code families: The options arising from the business context, the need established by the business context and available resources offered by the business context. The following section starts with discussing the code family “Options”.

4.4.3 Options

In order for entrepreneurial activities to take place, entrepreneurial opportunities must first exist or be created. Franke (2007) mentions that Casson (1982) describes such entrepreneurial opportunities as situations in which new products can be introduced onto the market and sold at a profit. The discovery of such opportunities is a subjective process, but the fact itself is an objective phenomenon (Franke, 2007). Franke (2007) emphasizes that Kirzner (1997) shows that these entrepreneurial opportunities must be distinguished from normal business opportunities. In entrepreneurial opportunities the optimization of the existing offer is not sufficient, a new combination of means and purpose must be found (Franke, 2007). Franke (2007) names roots of entrepreneurial opportunities referring to Drucker (1985): Potential roots to opportunities are technological changes and developments. Market inefficiencies and information imperfection, such as excess demand, lack of supply and temporal or geographical arbitrage opportunities can be other reasons for the occurrence of opportunities. Political, environmental, social and legal changes can affect the appearance of entrepreneurial opportunities (Franke, 2007).

Franke (2007) explains that the discovery of opportunities is dependent on the access to information and the ability to see it as an opportunity. There is a particular period of time in which the opportunity is given, known as the “Window of Opportunity”. Franke (2007) mentions that not every market participant has the same information and ability (Hayek, 1945) and due to this asymmetry, opportunities arise because if perfect information existed, every profit would be rivalled away.

Access to information is different for each market participant (Franke, 20017). Franke (2007) summarizes that personal experience is one major determinant of information access. He refers to Bhide (1994) who finds that the intensive engagement with a specific topic or industry supports the recognition of opportunities. Furthermore, Franke (2007) cites Baldwin, Hienerth, and Hippel (2006) who attribute the access to information to intensively pursued hobbies.

Franke (2007) names social contacts as another source of increased access to information (Shane, 2003). Networks are mentioned as an important success factor in the opportunity recognition (L. (1) 255; 216-217).

In addition, the active search for opportunities is acknowledged by Franke (2007). The interviews show that there is no active search, such as sending off an M&A team to detect acquisition possibilities, named as part of opportunity recognition (L. (1) 219-224). As stated above, a far-reaching network and good market expertise lead to the detection of options. In an extreme case there were always more options than could be followed (Q. 354-355).

Franke (2007) proposes that the processing of this information on opportunities is determined by industry specific knowledge and cognitive capabilities such as intelligence (Van Praag & Cramer, 2001), intuition (Hills, Shrader, & Lumpkin, 1999) and creativity (Fraboni & Saltstone, 1990).

Having evolved through access to information and the processing of this information, the decision on taking up the opportunities has to be explained. Franke (2007) states that the making use of opportunities depends on the personal situation of the individual, personal characteristics and the perception of the objective situation.

According to Franke (2007), the personal situation can comprise opportunity costs and context factors. Personality traits could be the willingness to take risks, tolerance for ambiguity, optimism, internal locus of control, need for achievement (Franke, 2007; Hisrich, Peters, & Shepherd, 2005). These personality traits are some of the determinants for using opportunities, but there are many more, such as motivation and attitudes towards specific topics. It has to be acknowledged that in some cases there are management teams where the use depends on joint abilities and attitudes[96]

Finding new options is often associated with focusing on expanded or new markets. But reflecting the options of the core market inaugurates great potential for new growth and profit (Zook & Allen, 2001). To exploit the opportunities of the core market "the most potentially profitable, franchise customers, the most differentiated and strategic capabilities, the most critical product offerings, the most important channels and any other critical assets that contribute" (Zook & Allen, 2001, p. 15)[97] to the afore mentioned must be identified.

In conclusion, the identification and implementation of an opportunity depends on "entrepreneurial alertness, information asymmetry and prior knowledge; social networks; personality traits, including optimism and self-efficacy, and creativity; and type of opportunity itself" (Ardichvili, Cardozo, & Ray, 2003, p. 106).

The interviews show that missing options were not a crucial factor for growth. This observation also explains why opportunity recognition is underrepresented in the literature review. The companies created their own opportunities by following an evolutionary growth path, exploiting their core market, developing further their core

[96] See Kormann (2013a, 2013b) for a detailed discussion of management teams.
[97] Within the quote "your" was changed to "the" to ensure a better flow of reading.

know-how and grew wherever it seemed attractive. This includes to follow uncommen growth paths, as mentioned before.

4.4.4 Need to Grow

Having described how the business context shapes the appearance and the use of options, this sub-chapter is dedicated to the need arising from the business context. It has been outlined that the focused code "Business Context" is influenced by marcoeconimical changes moderated by the respective industry. The code family "Need to Grow" has the peculiarity that besides the need driven by the business context, the family imposes a special need to grow. This family related need can arise from inheritance modes, conflicts and increasing family demands.

In cases of a non-family business, these needs would arise from shareholders due to conflicting interests between long-term appreciation in value and willingness to take risks. The interests of shareholders can be typologized, the interests of family members are more multifaceted. Depending on the fraction of shares, conflicts do not play such an important role in non-family firms. Inheritance modes, depending on the legal framework, do not account for the need of a non-family company to grow.

Before outlining the family driven need for growth, the need driven by the business context is depicted.

4.4.4.1 Business Context Driven Need

There are different forces influencing the business context driven need to grow.

Industry Growth

Many companies tie their growth expectations to aggregated growth rates of the industry. Seibold et al. (2019, pp. 62-64) develop a corridor for industry driven growth of a company. The upper limit of this corridor is estimated to be 1.5 times the overall growth rate of the respective industry.

Competitive pressure can be derived from industry growth. Decreasing margins due to increasing competitive pressure can be observed. Intense price and margin pressure in many industries requires sales growth to stabilize the earnings situation. To react to an increasingly competitive pressure, increasing its market share could be necessary for a company to defend and expand its own market position. Furthermore, growth could be needed to achieve a certain size which is necessary to have the market power required to stay competitive.

Growth of Customer and Growth with Customer

Having achieved a certain size in the market and being a reliable partner for the customer, there will be joint projects developed together. If the customer is growing, the supplier companies have to grow as well. The growth is needed to provide the new capacities as a supplier and eventually new products and services arising from the growth of the customer (I. (1) 78).

Whole divisions have been built along the customer:

> ***"We have nearly 2,000 patents right now, where do they come from? They usually come from our customers. Namely in the form, the inquiry for technical solutions which the market needs. Or conversely, the knowledge of what is going on with the customers and how can our customers become better. How can we offer them something that is so attractive to them that they give us the work to do it? So, the permanent communication with markets and customers is the basis for what we do today."*** (N. 39-45).[98]

The international growth is guided by the growth and the preferred location of the customer.

> ***"(…) this has always been connected with the customers, we are always where the customers go. Customer X went to country D back then, set up something new in a big way in city Z and then of course looked for suppliers for the production there in country D and the easiest thing is always to take the known supplier and now tell them to set it up. That was the case with us, we came to country D through customer X. That's how it always went when we went abroad. One of our customers was already there and gave us the orders as an incentive to build something up for us."*** (M. 45-52)[99]

Globalization

Globalization drives the need for growth. As upstream and downstream stages of the value chain are increasingly shifting abroad, many companies have no choice but to follow them. In addition, there are factor cost advantages of production facilities in low-wage countries. In addition, new markets are needed in order to be competitive. The need to internationalize reached its peaks with the expansion to India since the 1970s and to China since the 1990s, as well as the opening of the Eastern Bloc in the 1990s (Q. 91-93).

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[98] „Wir haben im Moment fast 2000 Patente, wo kommen die her. Die kommen in der Regel von unseren Kunden. Nämlich in der Form, der Abfrage nach technischen Lösungen, die der Markt braucht. Oder umgekehrt die Kenntnis, was läuft bei den Kunden und wie können unsere Kunden besser werden. Wie können wir ihnen etwas bieten was für sie so attraktiv ist, dass sie uns dafür die Arbeit geben. Also die permanente Kommunikation mit Märkten und Kunden, ist die Basis für das was wir heute tun" (N. 39-45).

[99] „(…) das hing immer mit den Kunden zusammen, wir sind immer dorthin, wo die Kunden hingehen. Kunde X ist damals nach Land D gegangen, hat in Stadt Z ganz groß was neues aufgebaut und hat natürlich dann auch für die dortige Produktion Lieferanten gesucht in Land D und das einfachste ist immer, man nimmt den bekannten Lieferanten und sagt jetzt baut ihr das mal auf. Das war eben bei uns der Fall, durch Kunde X sind wir nach Land D gekommen. So ging das immer, wenn wir ins Ausland gingen. War einer unserer Kunden schon da und hat eben als Incentive uns die Aufträge gegeben, uns da was aufzubauen" (M. 45-52).

Endogenous Forces

Endogenous forces driving the need to grow are economies of scale. Economies of scale are gaining in importance in order to keep unit costs low (transaction costs, on the other hand, have fallen significantly in recent years). Another endogenous driver for the need to grow are the perspectives for employees (N. 16-19, 157-158). The company's growth is often accompanied by attractive prospects for employees (international assignments, varied work, and high reputation) and is therefore an important component of the company's development.

Furthermore, the entrepreneurial responsibility drives the need to grow.

> ***"(…) entrepreneurial responsibility, if you take it on, is automatically associated with growth, because they have the situation that they reduce their workforce through rationalization, and if they no longer grow, then they can't live up to the claim or keep them or create additional ones and at the time when I entered the company's history, the issue of job creation was a big issue."*** (N. 15-21)[100]

4.4.4.2 Family Driven Need

Having discussed the business driven need, the reasons for family driven need are outlined.

Inheritance Mode [101]

The mode of inheritance is a driver of the necessity to grow, as an increased shareholder base or the payout of shareholders can be the result. "If the business is transferred to all heirs, the shareholder base expands and the issues stated above arise: The increased demand for dividends and the possibility of an active career in the family business. If it is the case that the business is bequeathed to one child (out of several siblings), the shares of the other heirs must be financially compensated, which indeed reduces the financial scope of the business´s potential growth opportunities" Seibold et al. (2019, p. 59).

"Therefore, transferring the business to one child only significantly curbs the desired growth. It is a fact that there is no old and large company in the sole ownership of a fourth-generation owner (Fittko & Kormann, 2014)" (Seibold et al., 2019, p. 59), as described in sub-chapter 2.10.2.2.5.

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[100] „(…) unternehmerischer Verantwortung, wenn man sie übernimmt, ist automatisch Wachstum verbunden, denn sie haben die Situation, dass sie über Rationalisierung die Mitarbeiter abbauen, und wenn sie nicht mehr wachsen, dann können sie dem Anspruch nicht gerecht werden oder sie erhalten oder zusätzliche schaffen und in der Zeit wo ich in die Unternehmensgeschichte eingetreten bin, war das Thema Arbeitsplätze schaffen, ein großes Thema" (N. 15-21).

[101] The explanations concerning inheritance mode and increasing shareholder demands are oriented literally to the descriptions concerning these topics given in Seibold et al. (2019). The chapter dealing with these inheritance issues and increasing demands in Seibold et al. (2019) was written by the author of this dissertation.

Increasing Shareholder Demands

"As the number of family members increases, there is a greater need for the business to grow in order to satisfy the demands of all family members" (Seibold et al., 2019, p. 59). On the one hand, this is financial compensation in form of dividends (e.g. Michiels et al., 2015; Michiels, Uhlaner, & Dekker, 2017; Vandemaele & Vancauteren, 2015) etc., on the other hand this is the opportunity of an active career in the family business. As the business grows and develops further business divisions, it can offer any suitable member of family a job opportunity. The increased demand for dividends can increase the need to grow, but this demand could also be a threat to the company as it depletes the financial resources that are dedicated to financing the aspired growth.

> ***"Of course, if they have a lot of mouths to feed, they have to earn a lot. That's clear. Dissatisfied shareholders."*** (N. 178-189)[102]

4.4.5 Available Capabilities

Using options and following the need to grow is not possible without "Available Capabilities".

There many definitions of firms' resources (see sub-chapter 2.10.1.1). Defining resources as financial, human, organizational resources and know-how, this attempt is oriented towards the definitions by Barney (1991) and Grant (1991).

Financial capabilities comprise liquidity or available credit lines to execute projects where fast reactions are needed. Furthermore, long-term liquidity is needed to develop new products. Self-financing has the highest priority within the sampled family firms (C. 86-87; C. 89-90; L. (1) 263-286). Furthermore, having a high equity base establishes a creditworthiness in case it is needed.

Having enough employees to use the options and the need to grow is an important capability. The shortage of personnel resources is named as a large limitation to growth (P. 274-278).

Organizational capabilities, such as legal structures, are needed to enable growth. The Greenfield approach is mentioned as one way to facilitate growth, as each product gets its own plant to grow independently (I. (1) 203).

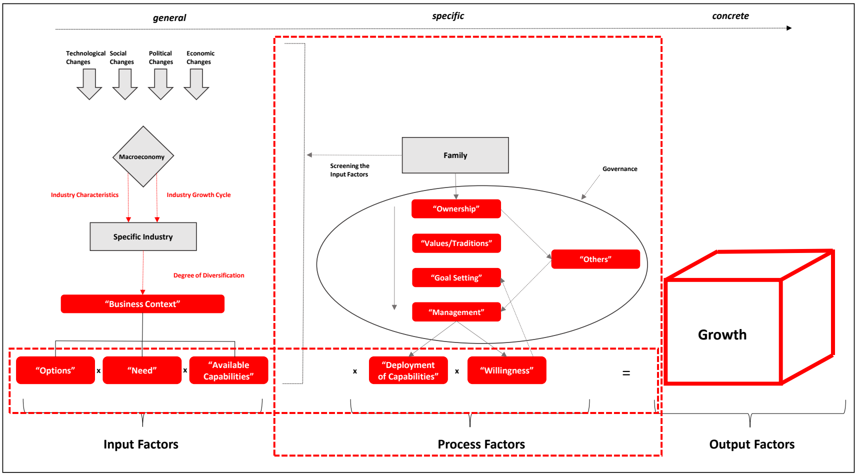
Technological capabilities play an important role in manufacturing companies. For example, the technological readiness level is an important indicator as a signal to customers (I. (1) 520-522).

[102] „Natürlich, wenn sie viele Mäuler zu füttern haben, müssen sie viel verdienen. Ist ja klar. Unzufriedenen Gesellschafter" (N. 178-189).

4.5 Process

Having discussed the input and output categories with their observable and measurable components, this sub-chapter explains and discusses the process category. First, a comparison is made between the findings of existing literature from the literature review and the emerging dimensions of the process-category from the joint analysis of interview data and existing theory/literature concerning the process factors. This provides a better understanding of the derived code families and categories, as they are grounded in the interplay between existing literature and new data. Following this, the dimensions of the process category are discussed in detail.

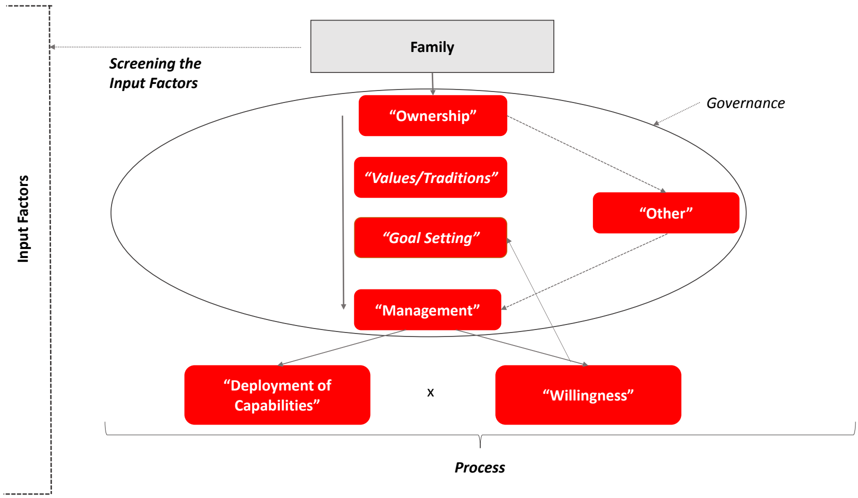
Figure 54 Entire Model: Process Factors



Source: Author's own figure

The clearly differentiating feature of the companies which experienced spurts is willingness of the management, fully supported by the shareholder family. This willingness is deeply grounded in the process between input and output factors of growth. In order to approach the specific reasons of this willingness and the importance of willingness in the growth process, the process part of the developed model is explained below.

Figure 55 Process Category



Source: Author's own figure

4.5.1 *Comparison between Existing Literature and the Emerging Process-Category*

First of all, the model components of the process side are divided according to the findings in the literature review. After this step, these components are classified according to their degree of emphasis in the interview.

The classification characteristics for the degree of emphasis in the interviews are:

X topic is not mentioned in the interviews
✓ topic is mentioned in the interviews
✓✓ topic is emphasized in interviews
The results of this classification are presented in the following table.

Table 9 Process Components and their Consideration in the Literature and Interviews

Process Model Component	Finding of Literature Review	Degree of Emphasis in Interview
Ownership Structure Succession Pattern	• Ownership • Succession Planning • Generational Involvement	✓ ✓ ✓
Family CEO and Perceived Sole Ownership	• Founder Centrality • Personal Characteristics • Entrepreneurial Orientation	✓✓ ✓✓ ✓✓
Sibling Management	• Social Relationships and Growth • Conflicts	✓✓ ✓
Non-Family CEO and Family Governance	• Agency Theory • Stewardship Theory • Personal Characteristics of the Top Managment Team • CEO Intentions	✓ ✓ ✓ ✓
Values/Traditions and Goals Multigenerational Mindset Independence as Integral Financial Goals Non-Financial Goals	• Goals • SEW	✓✓ ✓✓
Management's Influence on Deployment of Capabilities **Long-Term Strategic Components** Finance	• Areas of Growth • Financing Growth	✓✓ ✓✓
Market Share Size Orientation Regarding Client/Customer	• Market Share • Target Size • Branding as Family Business	✓✓ ✓ ✓
Orientation Regarding Diversification Orientation Regarding Internationalization	• Diversification • Internationalization	✓✓ ✓✓
Orientation Regarding Innovation Orientation Regarding Innovation for Diversification	• Innovation	✓✓
Orientation Regarding M&A	• Organic or Anorganic Growth	✓✓

Human Resources	• Human Resources	✓✓
Organizational Structure	• Organizational Environment	✓✓
Revitalizing Extant Business Model		
Management's Influence on Willingness		✓✓
Willingness as Integral		
	• Entrepreneurial Orientation	✓✓
	• Motivation	✓✓

Source: Author's own table

The model describes the relationship between ownership and management in a family firm. Different succession modes lead to different constellations of ownership and management. Ownership is a frequently discussed topic in literature and is mentioned in the interviews. Succession is a very well researched topic and there are insights into the relationship between the succession mode and growth (Fittko & Kormann, 2014). The need for succession planning and its impact on the family firm are discussed in the interviews. Generational involvement has gained attention in the research community, many studies distinguish between different generations. Generational involvement is also mentioned in the interviews. The model depicts three different constellations: Sole ownership or perceived sole ownership, sibling management and family governance combined with non-family management.

The case of a family CEO and sole or perceived sole ownership are mentioned in the literature. There is a large stream of literature on the characteristics and the centrality of the founders and the arising challenges for the firm. Entrepreneurial orientation is a very well researched topic in the context of different generations. The centrality of the founder, his/her characteristics, as well as his/her entrepreneurial orientation play a central role in the interviews. There is research on sibling management or a cousin consortium. In this context social relationships and conflicts are frequently discussed. The interviews acknowledge the central role of trust and loyalty in sibling led firms as well as the role of conflicts. Literature discusses agency problems, stewardship theories, personal characteristics of the top management team and CEO intentions in the context of non-family management. These topics are mentioned in the interviews. However, the relationships between the family and the non-family managers in the sampled firms are characterized by trust and loyalty.

The model proposes that the relationship between the ownership and management is determined by values, traditions and goals. The model depicts a multigenerational mindset where independence is the overriding goal, imposed on the management by financial and non-financial goals. Goals are a central topic in family business research and have been gaining attention in the last years (Williams et al., 2018, 2019). Financial goals are mostly embedded in the context of research on the financing of family firms. Non- financial goals are researched in the context of Socioemotional Wealth (SEW). The goal of independence and financial and non-financial goals are emphasized in the interviews.

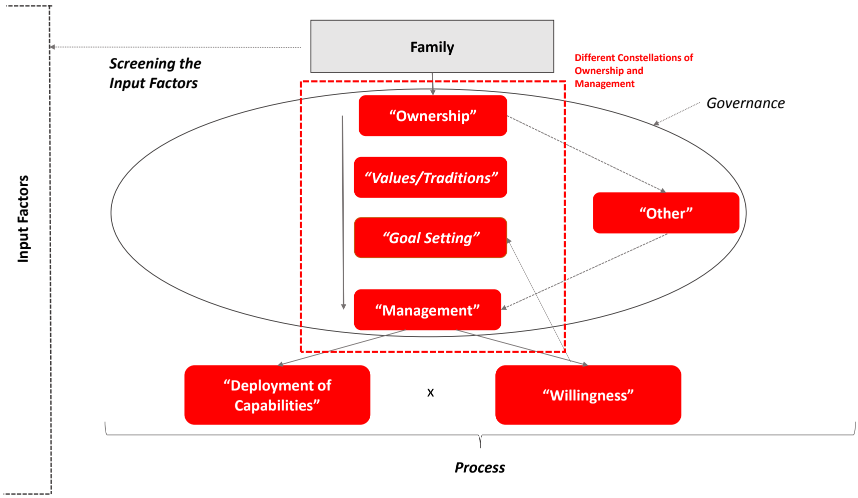
The influence of the management on the deployment of capabilities and therefore on long-term strategic components is very well researched. Literature on areas of growth, such as diversification, innovation or the modes of growth, such as organic and anorganic, as well as financing growth, is large. However, literature on “how to grow”, describing practical paths to growth for family businesses, is rather rare. The interview partners emphasize the central role of the areas of growth and the root of growth and offer insights into the practical paths to growth.

The influence of the management on the willingness is a central aspect of the model. Willingness is researched in the context of entrepreneurial orientation and motivation and is treated as a decision problem. The interviews reveal willingness as the integral part of the growth equation, determining the variation in growth performance.

4.5.2 Relationship between Ownership and Management

The discussion of which code families comprise the input category shows that there is no special influence of the family on the existence of these input factors, except on the inheritance mode. The family demonstrates its influence by screening these generally available resources and options. The family influences the deployment of capabilities and the willingness through its values and traditions and its goal setting for the management.

Figure 56 Relationship between Ownership and Management



Source: Author's own figure

The magnitude and manifestations of the screening depend on the governance structure of the firm. The family is represented through its ownership and its effects on governance. In this context, governance is understood as the structure with which the family demonstrates its influence on the firm, respectively on its management, as this dissertation assumes that the organization is a reflection of the actions of its managers in charge (Hambrick & Mason, 1984).

4.5.2.1 Ownership Structure Following Different Succession Patterns

The cases analyzed in this dissertation are multigenerational family businesses, therefore, succession patterns have determined the current ownership structure.

It is a crucial question how the family maintains its influence on the company over generations. The succession principles are tightly bound to the inheritance mode. Therefore, the succession principles play a central role in perpetuating a multigenerational mindset. The heirs build up the circle of potential successors that secure the family influence on the company. Considering the firms of the interviewed sample, two cases can be observed: Over 100 shareholders or less than 10 shareholders. For example, one company of the used sample has more than 100 shareholders. The company's shares were bequeathed according to the egalitarian principle, which means that the shares are distributed as fairly as possible and to all descendants (Fittko & Kormann, 2014). There is a large pool of potential successors to secure the family influence but at the same time, there are many divergent attitudes and aspirations of the shareholders. With a rising number of shareholders, it becomes more difficult to find joint goals among the family members (Buchanan & Badham, 2008). Furthermore, there is the peril that solidarity among team members dilutes with the increasing number of shareholders as the relationship between them can be less personal (Moody & White, 2003). However, a rising number of shareholders can also weaken conflicts between siblings as their direct contact decreases (Moody & White, 2003). Therefore, the rising number of shareholders can help to invert conflict into something positive (Ensley, Pearson, & Amason, 2002; Kellermanns & Eddleston, 2004). An increasing number of shareholders can help to formalize the process of decision-making, as personal conflicts do not play such an important role (Gordon & Nicholson, 2008). In sum, there are positive and negative group dynamics of a rising family shareholder base. To catalyze various expectations and the capabilities of the rising shareholder group, mechanisms to improve shareholder loyalty and shareholder cohesion must be installed (e.g. Keese, Tänzler, Oehme, Hauer, & Woywode, 2018; Pieper, 2007) as the following quote shows:

> ***"The other thing I think has been decisive for growth is that we try to have the shareholders on board. We have over 100 shareholders."*** (C. 79-80)[103]

The same holds for the case of less than 10 shareholders but with reduced complexity of building loyalty and cohesion, as there are fewer people to be coordinated and to work with. Creating a small group of successors even for an old company can be achieved by applying the dynastic principle, which means that there is only one heir who gets all the shares of the company (e.g. company O. 41-42). Furthermore, hybrid forms of inheritance, which means that only selected heirs get shares, can create a small group of shareholders. Another hybrid form is that the heir who is the manager in charge gets more shares than the non-active family members. There are many hybrid forms of inheritance (Fittko & Kormann, 2014).

Another sensitive issue in family firms is nepotism, i.e. providing an active role to relatives only because they belong to the family. A very impressive example of this is the family policy of Jacob Fugger, an outstanding entrepreneur of the late Middle Ages (Paulsen, 1941, p. 273). In the statutes of his company, he tried to push through the thought that only Fuggerian blood was permissible in the leadership of the company. The danger of such strict regulations became apparent when his nephew, Anton Fugger, with neither talent nor passion for the merchant profession, joined the company. Due to the inadequate leadership over the years of his tenure, the company was liquidated by his successors (Paulsen, 1941, p. 273).

The succession principles have some major implications on the growth performance of the firm, as mentioned in sub-chapter 4.4.4.2.

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[103] „Das andere was ich glaub was für das Wachstum ausschlaggebend war, ist das wir versuchen, die Gesellschafter an Bord zu haben. Wir haben über 100 Gesellschafter" (C. 79-80).

As described in chapter 2, Seibold et al. (2019, p. 59) emphasize that “the mode of inheritance is a further driver of the necessity to grow, as an increased shareholder base or the payout of shareholders can be the outcome. If the business is transferred to all heirs, the shareholder base expands and the issues stated above arise: The increased demand for dividends and the possibility of an active career in the family business. If it is the case that the business is bequeathed to one child, the shares of the other heirs must be financially compensated, which indeed reduces the financial scope of the business´s potential growth opportunities”.

Different succession modes create different forms of ownership. Depending on the succession mode there is a smaller or larger pool of potential successors. In addition to the succession mode, the interests and the family agenda can influence the design of ownership. There are many compositions of ownership. Three clusters of ownership design could be indentified from the sampled companies:

- Family CEO and Perceived Sole Ownership
- Sibling Management
- Non-Family CEO and Family Governance

The owning family controls and navigates its management by imposing its values and traditions and its goal setting.[104] There are different scenarios of the structure of ownership and management. It could be the case that there is one (perceived)[105] owner serving as CEO. In this case the relationship between ownership and management is moderated through values, traditions and goal setting in an internal mental process by the owner-manager (Q. 392-393). The internal mental process also plays a role in the sibling management team. Loyalty and trust between the siblings are crucial factors within the process from values and traditions to goal setting. There are other cases where the family plays a more passive role and controls its management through a supervisory or advisory board. Within this setting, clear communication of values, traditions and goal setting is of major importance. When having a non-family management, it is important to establish trust and loyalty between the non-family managers and the family members (L. (1) 198-203; L. (1) 273-279; Q. 455-457). Research supports this finding as Eisenhardt and Bird Schoonhoven (1990) find that interpersonal trust in teams has a positive impact on growth. Therefore, the managers must be carefully selected.

The different clusters of composition of ownership are presented below.

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[104] The code family “others” is added to the process as there is the possibility that within a different sample other factors influencing governance can occur and they could be summarized in this code family.

[105] In this sample there is the case that there are family members owning the company but one family member is the perceived owner as she/he can act as if she/he had sole ownership. This phenomenon is explained in detail in sub-chapter 4.5.2.2.

4.5.2.2 Family CEO and Perceived Sole Ownership

As known from Tagiuri and Davis (1996), there can be different forms of overlaps between family, ownership and business. In most of the cases the CEO in charge during the researched time span is a family member and holds some fraction of ownership. In some cases, the CEO holds 100% of the shares (e.g. company O) or the CEO has a perceived sole ownership which means that there are other family members holding shares with voting rights but in fact she/he decides alone (Q. 392-293; I (1) 350-355).

> ***"… actually, the family has just made sure that I could work in peace."*** (Q. 553-554)[106]

The perceived sole ownership supports growth even if another shareholder with a large block is present through the governance system (Q. 384-387; Q. 50-56). If there is a perceived sole ownership, the family cohesion is characterized by trust, loyalty and extensive communication (I. (1) 342-342).

> ***"And they assumed that their brother or uncle is a successful one, there was always a lot about me in the press. So they said we were on the right ship."*** (Q. 412-415)[107]

Being successful as a leader ensures the trust of the family. The family sees no reason to infere with management policy, as long the performance is satisfactory.

> ***"As long as he delivered, they let him do it."*** (R. 287-288)[108]

Having decided almost on his/her own (Q. 388-392), the sole owner or the perceived sole owner acknowledges the intensified role of governance in preparation for succession (Q. 415-418). Before the sole owner or the perceived sole owner relinquishes his/her power, a governance structure has to be established. In addition to the legally required supervisory board, a shareholder committee can be seen as the instrument for corporate control by the family (Q. 415-421). Usually, the shareholder committees consist of professional advisors and family members to ensure professionality (Q. 436-439). The role of the family is to control and imprint the family culture (Q. 434-435).

4.5.2.3 Sibling Management

The relationship between the siblings is characterized by trust, extensive communication and clear division of labor (L. (1) 183-184; I. (1) 335-336; I. (1) 413-415). In the external image to the employees and the public, transparency is important. The responsibilities of each division must be clear to employees and externals. These areas of competence must be respected by the siblings so that the employees of each

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[106] „(…) hat die Familie eigentlich nur dafür gesorgt, dass ich in Ruhe arbeiten konnte" (Q. 553-554).
[107] „Und die gingen davon aus ihr Bruder oder ihr Onkel ist ja ein erfolgreicher, über mich stand ja auch immer viel in der Presse. So dass sie sagten, da sitzen wir auf dem richtigen Schiff" (Q. 412-415).
[108] „So lange der geliefert hat, hat man ihn auch machen lassen" (R. 287-288).

division know what to expect and who is responsible for them. The division manager has to report to the family member who is in charge of the division. Every four weeks they meet in a formal meeting to discuss common topics. It is mentioned that topics are discussed, but the family member in charge of the respective division makes the decision on his/her own (I. (1) 407-410). Such a decision-making is only possible with strong mutual trust (I. (1) 354-374). The mutual trust and decision-making authority enables a quick responsiveness to enquiries and opportunities. Bird and Zellweger (2018) have also identified trust, identification and mutual obligations as drivers of growth in sibling-led firms.

The committee of the Board of Directors is the decision-making body. The Board of Directors has a duty of supervision (I. (1) 375-377). A consortium agreement regulates the interaction within the Board of Directors. For example, one cannot sell one's shares unless one has offered them to the other shareholders, or every family member needs to have a marriage contract. This consortium agreement is adjusted over the years to fit the needs of the family and the business (I. (1) 384-387). The idea of written rules originated with the father (1st generation), as his concern was not only to create transparency and clarity in the company but also in the family (I. (1) 390-391). It is emphasized that the rules must be specified beforehand; if the conflict has begun it is too late to set up such rules (I. (1) 391-392).

The sampled sibling-led firms in this sample are positive examples of sibling management. However, the relationship is not necessarily characterized by loyalty and trust; there can also be a long history of rivalry and conflict (Gordon & Nicholson, 2008) which weakens the cohesion between the siblings (White, 2001).

Conflicts between family members which affect the company unfiltered can cause tremendous negative impact on the company. Conflicts in family businesses require the utmost attention, as these can lead to individual shareholders leaving the company and thus endangering its existence (Kormann, 2017a, p. 99). If a shareholder wishes to leave the company on the basis of a claim, he or she must be paid out (e.g. Gordon & Nicholson, 2008, 2010; Redlefsen, 2004; Redlefsen & Witt, 2006).

4.5.2.4 Non-Family CEOs and Family Governance

Trust, loyalty and familiarity play a central role between owners and non-family managers (L. (1) 198-203; L. (1) 273-279; Q. 455-457). Assuming personal motives of managers related to growth and general aspirations, it could be advisable to place more value on the emotional, social characteristics of managers and a trustful relationship within the CEO selection process as this could avoid potential principal-agent conflicts (L. (1) 289-296; Q. 496-498) (sub-chapter 2.10.1.2). Having a non-family CEO, consensual decisions among the family members should prevent information asymmetries and should support the relationship between the family-led governance and the non-family CEO (L. (1) 236-240). One main task of the family governance is to carefully select and assemble the non-family operative managers.

The interviews show different attitudes towards the risk taking of non-family managers. This divergence mainly depends on the personal motivation of the manager and the degrees of freedom offered to the managers by the family (Q. 444-447). An interesting observation is that although there are cases of mixed management (family and non-family managers), the particularities of this interplay are not emphasized. In cases of mixed management, the presence of the non-family part was acknowledged, but only the family member's own (central) role was discussed and not the interplay between both on the managerial level (e.g. Q. 453-354). However, the remarkable interaction between family governance and non- family management is described.

> ***"We must be in harmony. We discuss until we have a good solution. And then they put that into practice."*** (I. (1) 553-554)[109]

The ideas and goals are jointly discussed between the family members representing the governance and the operatively active non-family CEOs (I. (1) 551-554). Working together as a team of family governance and non-family CEO, it must be ensured that only well-developed proposals find their way into the decision-making committee. It must be prevented that too many people discuss topics that are not within their area of competence. Critical questions are allowed but to ensure fast reactiveness, mutual trust between the members of the committee must be established, and trust in the members operatively responsible for the respective decision. Therefore, it is important for the family member responsible for their division to be close to the topics and challenges of this division so that mutual trust between family members can grow.

As it has been found that trust, loyalty, shared vision and goals are important factors of the interplay between the family and the non-family managers, the topic of "goal alignment" should be discussed in this context. Goals and values shared between management and owners are defined as a social control mechanism by goal alignment (Mayer & Schoorman, 1992; O'Reilly & Chatman, 1996; Pieper, Klein, & Jaskiewicz, 2008). Pieper et al. (2008) discuss that social control mechanisms can substitute formal control mechanisms such as Board of Directors up to a certain level of complexity, the so-called substitution hypothesis. It is also mentioned by Pieper et al. (2008) that there are combinations of formal and social control mechanisms, depending on the size of the company. Referring to the interviews it should be acknowledged that goal alignment is an important factor but the combination with formal control mechanisms should be individually adjusted to the respective family and their business.[110]

[109] „Wir müssen im Einklang sein. Wir diskutieren so lang bis wir eine gute Lösung haben. Und dann setzen die das um" (I. (1) 553-554).

[110] Kormann (2017a) gives a detailed overview of governance of family firms and formulates guidelines to find suitable combinations of social and formal control for each family and business.

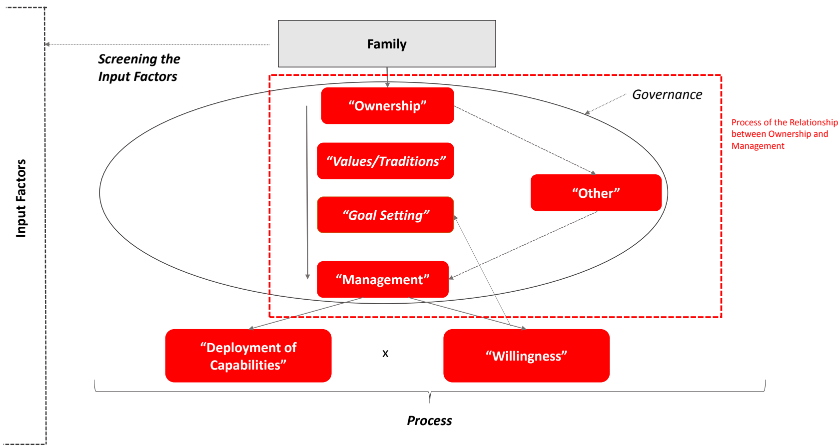
> ***"We are extremely close with each other, we talk a lot with each other, we coordinate with each other with the greatest familiarity."*** [111] (L. (1) 184-185)

Having clarified which forms the relationship of ownership and management can take and how they are influenced by the succession mode, it is explained how the overriding goal of independence shapes values, traditions and the goal setting which navigate the relationship between ownership and management.

4.5.3 Independence as Overriding Summary of Values, Traditions and Goal Setting

The interviews show that the entrepreneurial families lead their family businesses in a special way because of their special values and their multigenerational mindset.

Figure 57 Process between the Relationship of Ownership and Managment



Source: Author's own figure

4.5.3.1 Multigenerational Mindset

The relationship between ownership and management seems to be moderated by values and traditions. Values and traditions help the individuals to formulate goals (Distelberg & Blow, 2010). The overriding value of family firms is providing independence to the family company. Putting the goal of independence in first, technological leadership in second, profitability in third and employees and culture in fourth and fifth place is described as the goal cascade. Following these goals, the interviewees describe that the growth appeared automatically (I. (1) 471-482). Having such a goal cascade seems unique for German family businesses. One interview partner mentioned that in an exchange of expectations the mentioned goal cascade was

[111] „Wir sind extrem eng miteinander, wir reden sehr sehr viel miteinander, wir stimmen uns mit einer allergrößten Vertrautheit miteinander ab" (L. (1) 184-185).

compared to the cascade of the US-partner company and it became evident that the German company needed to catch up in cost control (I. (1) 483-489). The superordinate goal of independence is also discussed in research (e.g. Chrisman et al., 2005; Colli, 2013; Hülsbeck, Lehmann, Weiß, & Wirsching, 2012; Miller & Le Breton-Miller, 2005; Rossaro, 2007; Simon, Wimmer, & Groth, 2005; Stietencron, 2013).

All other values are geared to reach and sustain independence. These values and traditions are embedded in a multigenerational mindset. Such a mindset is characterized by transgenerational thinking. All values and traditions are aimed at the long-term survival of the business. The special value imprint is considered decisive for the growth process in family firms.

It seems obvious that education plays a decisive role in the development of a multigenerational mindset and in the subsequent decisions of individuals. The entrepreneurial culture always seems to be predominant in the family. Nevertheless, the parents try to keep the children free from pressure to enter the company. However, in some cases the children feel a certain obligation and see an education thematically far away from the company as the only way out (R. 33-40).

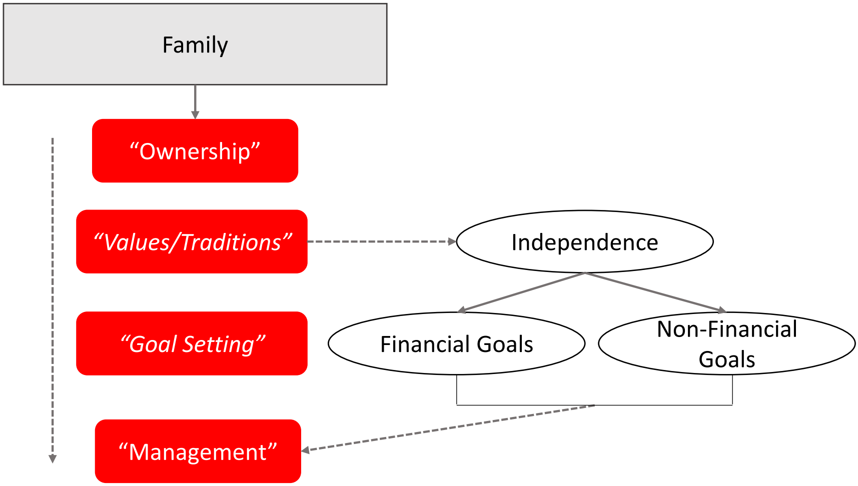
The successors see it as an opportunity but also as a challenge to enter the company. On the one hand, the company has survived for decades and the successor does not want to be the first to make a far-reaching wrong decision. On the other hand, the longevity of the company gives the successor the opportunity to make mistakes that are not directly punished by the immediate downfall of the company, as potential problems are balanced by the size and the durability of the firm (R. 47-52).

What the family has achieved before serves as a benchmark for the generation currently in charge. The goal is to hand over the company in a better condition than it was in when taken over (R. 63-66).

4.5.3.2 Independence

The overreaching value of family firms is to build and maintain independence. Concrete goals are derived from the pursuit to fulfill this value. These goals can be split into two groups; financial and non-financial goals. This classification is offered by the data, and recent research uses similar classifications to structure the goals of family firms (e.g. Kotlar & De Massis, 2013; Zellweger, Nason, Nordqvist, & Brush, 2011). The combination of financial and non-financial goals serves as goals for the management. Decision rules derived from financial goals are embedded in a conservative financing structure.

Figure 58 Multigenerational Mindset



Source: Author's own figure

4.5.3.3 Financial Goals

A conservative financing structure is an important cornerstone of a multigenerational mindset.

> ***"If we want to experience our 200th anniversary, we must have good self-financing."*** (C. 90-91)[112]

This quote shows that a high equity base is required for long-term survival. Conservative financing and a low debt rate are deeply grounded in the values and traditions (Q. 500-502). The liquidity of the firm has priority over financial self-interest (L. (1) 257-261). An often mentioned course of action of the interviewees is that they calculate their investments along clear conservative decision rules. There is no undertaking that can put the existence of the firm at risk. They always try to balance the risk.

This conservative finance tradition is passed on over generations. However, as the shareholder base grows it gets more difficult to align the shareholders to this tradition as not each shareholder can hold a position in the firm. Thus, keeping the relationship to the firm is difficult. Cohesion mechanisms must be established at an early stage. The conservative financing is written down in decision rules in most cases.

[112] „Wenn wir das 200 jährige erleben wollen, müssen wir eine gute Eigenfinanzierung haben" (C. 90-91).

All examined firms have clear decision rules concerning their financials. These rules comprise a fixed retention rate, a fixed height of liquidity, dividend payout and limits of the debt ratio (C. 86-87; L. (1) 263-286; Q. 500-502). This conservative financing is done to ensure growth from own funds (I. (1) 255-256). These rules are fixed in a family codex or family agenda (C. 86-87; L. (1) 263-286; C. 89-90). Furthermore, the sale of shares and the role and participation of spouses are settled in a family agreed contract (I. (1) 383-396). Understanding and abiding by these rules can strengthen the family cohesion and the family loyalty. Some interviewees express concerns if this contract holds for later generations and whether they feel obligated to follow these rules (L. (1) 308-311). Others are optimistic that the family will stick to these rules in the future (I. (1) 395-396).

4.5.3.4 Non-Financial Goals

Non-financial goals are core elements of family businesses and distinguish them from non-family firms (Zellweger et al., 2011). There is a large stream of literature on non-financial goals represented in the literature on Socioemotional Wealth. Socioemotional Wealth refers "to 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).

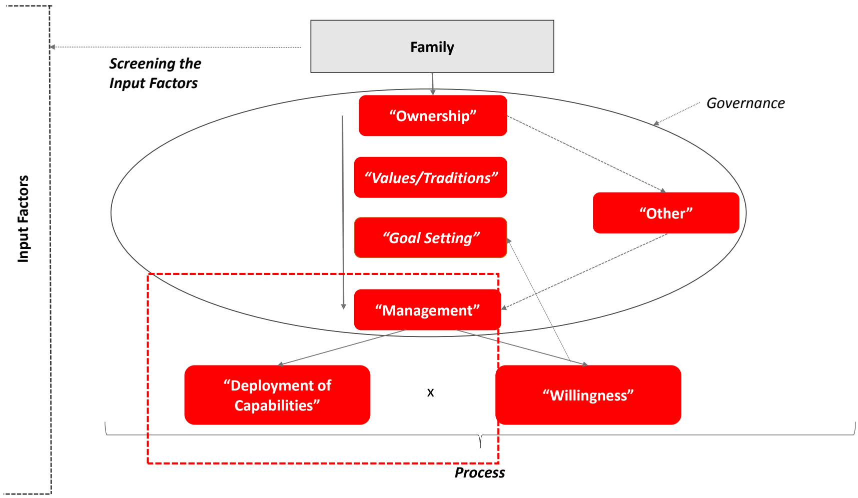
Non-financial goals include goals such as preserving harmony (Sharma & Manikutty, 2005), loyalty (Sorenson, 1999), maintaining social statues and linking the family image with the business (Sorenson, 1999).

The value of independence can promote a long-term oriented culture in the company. Employees are able to work on a process without disturbance, as the family is able to scale back short-term results and bear uncertainty about the success of the development (R. 179-180). Furthermore, the family firms aim to establish a culture of trust (L. (1) 198-203; Q. 50-56) and loyalty (L. (1) 273-279; Q. 455-457) between the family and the employees and among the employees themselves.

4.5.4 Navigating Management's Influence on Deployment of Capabilities

The described factors depict which values, traditions and goal setting of the family navigate the management. Influenced by these factors, the management has to decide how to deploy the capabilities and how to cope with the business and family driven need. Especially in the cases where the top management team solely consists of non-family members, the question arises how the family can influence the deployment of capabilities. In this context, the long-term strategic components are discussed below.

Figure 59 Navigating Management's Influence on Deployment of Capabilities



Source: Author's own figure

4.5.4.1 Balancing Act to Include Family in Strategic Decisions

The deployment of capabilities can be steered by the goal setting of the family and family participation in strategic decisions, such as expanding into new markets etc. The interviews reveal that it is a difficult balancing act to include the family in strategic decisions. This difficulty arises due to the qualifications, the personal aspirations and the number of family members. Different educational backgrounds of family members making up the board of shareholders can enrich the strategic decision due to different views but at the same time, many views and a lack of business experience can limit the decision-making ability. A possible solution would be to strengthen capabilities needed by shareholders with special training seminars. If, however, it is observed that the diversity of the family has a negative influence on the decision-making ability, the appointment of a family representative can be a solution. This elected family member then represents the interests and the visions of the family. This can be very useful for families with a large group of shareholders[113]. Therefore, the active influence on strategic decisions of the family can vary in its magnitude due to willingness, the ability and the number of shareholders. The selected cases show the range from non-family management with a board of family members to a family CEO with perceived sole ownership due to the absolute loyalty, trust and restraint of the remaining family members. The attempt to classify the family business according to how the family organizes its influence seems difficult due to the idiosyncrasies of each case. A broad

[113] Further research on the number of members that makes a representative useful would be interesting.

structure of above mentioned three clusters is an attempt at classification. This observation implies that there is no “optimal” way to secure the influence of the family on strategic decisions by the organization of the family and the committees. However, the family can navigate the acting persons (family member or not) by formulating its visions into goals and into orientations for the managment. If the family is represented by a family CEO and the family is not interested in participating in strategic decisions, the derived process of formulating goals from values and traditions can be an internal support for the family CEO. The family CEO can define the family values and the resulting goals and decision guidelines for himself/herself in a thought experiment.

There are special strategic components which are navigated by the family but deployed by the management (family member or not). The following explanations discuss the components of the long-term strategy.

4.5.4.2 CEO Selection Process

The conservative financing strategy of family firms contains the possibility to scale back short-term profitability for long-term profitability (I. (1) 270-274). This supports the value of long-term orientation of family firms. This tradition of short-term retrenchment of profitability is supported by long tenures of the CEOs (L. (1) 274-275). The success of a CEO is measured over a long period of time. To keep a CEO for such a long tenure, the selection process of the CEO plays an important role. This CEO needs to have the ability to combine the interests of the family with the interest of the business. The families pursue some traditions in the CEO selection process. They look for people that “fit” into their companies, emphasizing that the character of the CEOs and the implementation of their values is a crucial determinant of selection (I. (1) 600-612; L. (1) 289-296; Q. 496-498). To clearly define what the values of the family are those values are formulated as goal settings for the CEO. To be able to formulate these goals, the family must clarify the family meaning, the family vision and the organization of the family. The family has to define how they want to influence the business, either through a family CEO with a family supervisory board or a mixed supervisory board or with a non-family CEO and a family advisory board etc. There are many possibilities to secure the influence of the family. In a next step, the above mentioned values and traditions must be noted and formulated into goals. This procedure has to be followed no matter if there is a family CEO or not. In some cases of the interviewed partners, the family CEOs act like a sole owner and the family follows them as long as they are successful.

> ***"But in the past, the family has just made sure that I could work in peace."***
> (Q. 553-554)[114]

[114] „Aber in der Vergangenheit hat die Familie eigentlich nur dafür gesorgt, dass ich in Ruhe arbeiten konnte" (Q. 553-554).

In conclusion, no matter what form of family influence is chosen, it is important to clearly communicate the values and traditions and to formulate them into goals.

Other components of the long-term strategy are the financial capabilities of family firms.

4.5.4.3 Financial Capabilities

Literature shows that financing growth is an important topic within growth strategy (e.g. Berthold, 2010; Schraml, 2010). A repeatedly emphasized fact during the interviews is that financing growth, whether organic or anorganic (Q. 293-294), is not a constraint for the companies surveyed. All interviewed family firms are characterized by a high base of equity established by a high retention rate. This concept of values is deeply rooted in the multigenerational family mindset

> ***"If we want to experience our 200th anniversary, we must have good self-financing."*** (C. 90-91)[115]

The high retention rate is codified as a decision rule in the family agenda (C. 86-87; C. 89-90; L. (1) 263-286). In most cases the family members are satisfied with small dividends (Q. 144-146; C. 81-86; L. (1) 348-352). Regardless of the number of shareholders the aim is that the non-active family members must provide for their livelihood outside the family company (C. 124-125; L. (1) 308-311). In some companies there are even liquidity requirements for each division (L. (1) 263-286). The costs associated with the high liquidity are accepted to ensure fast reactivity and to take advantage of options (L. (1) 257-261). Although renouncing high dividends is formalized in the family agendas, it is unclear if this guideline is accepted and still maintained by the next generation (L. (1) 308-311; L. (1) 311-318).

Some companies have a zero debt policy (Q. 500-502). In some companies, the principle applies that investments are made from one's own strengths and with one's own resources (I. (1) 255-256).

The financial independence of family firms from outside investors gives companies the opportunity to make business plans in which the return is made in the medium term and not in the short term (I. (1) 261-269). If a business plan has to be adjusted and takes longer than originally planned, tolerance for ambiguity is needed as described in the product innovation section of this chapter. This additionally has the implication that family firms plan for the long run, otherwise they would not tolerate scaling back of short-term profitability for later sales (I. (1) 270-274).

> ***"Our strength again, we are spending so much money today for tomorrow."*** (I. (1) 532)[116]

[115] „Wenn wir das 200 jährige erleben wollen, müssen wir eine gute Eigenfinanzierung haben" (C. 90-91).
[116] „Wieder unsere Stärke, wir geben heute so viel Geld aus für morgen“ (I. (1) 532).

Investing high amounts in product development and technology is seen as an important driver of long-term growth. The investment in R&D happens at the expense of short-term profitability, but this is tolerated by family firms as they know they will need these new developments to survive in the future. Development of technology can be very capital intensive but is needed to build a level of technological readiness to provide products with current technology, otherwise they could not compete with other producers in the future (I. (1) 520-542). The tension between profitability and growth is a discomforting challenge for companies. Chakravarthy and Lorange (2008) point out that profitability and growth are rival challenges by stating that 40% of the firms achieved either profitability or growth, but not at the same time.

The finding that financing growth is not a crucial topic in family firms is counter-intuitive. Literature shows that usually it is difficult for family firms to raise new external equity funds as the goal of independence is difficult to combine with external investors (e.g. Kormann, 2013a). Interpreting the interviews, the potential reason behind this phenomenon is that family firms are not engaged in large acquisitions or “mega deals”. Most of the family firms grow organically, so the financing is a manageable successive process. In cases where acquisitions are made, they are either small or anticipated in the granulation of the acquisition project. The special business policy can eliminate an apparent disadvantage.

The need to finance growth is an often assumed reason for an IPO (Blättchen & Nespethal, 2009; Langemann, 2000). Only one of the analyzed family firms is stock-listed[117]. Therefore, one can interpret that an IPO is not necessary to finance high growth.

In evaluating this finding, it has to be remembered that the sample of this dissertation consists of mature (later generation) companies. The necessary equity base was built up in the previous generations. The remaining challenge is “only” to finance growth, whereas a company in the first generation has to create the normal equity bases which constantly increases by the growth achieved.

Having discussed the financial capabilities of family firms and their implications for long-term strategy, the topic of market share is discussed in a next step.

4.5.4.4 Market Share for Target Size

The interview partners spontaneously mention that size is as an irrelevant goal (C. 131-132; C. 149; Q. 362). The course of the conversation, however, shows that size is not irrelevant to the interviewees but is tied to the market position. A specialized firm needs a target size to survive (Q. 31-34; Q. 299-303). To achieve size, growth is needed, but growth does not seem to be a primary goal of the interviewees (C. 121; C. 131-132; Q. 307-309).

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[117] This company is stock listed due to family specific reasons.

> ***"…growth was not my primary goal. But that came up automatically."*** (Q. 302-303)[118]

Focusing on market share (Q. 307-309), profitability and cost reduction (C. 134-136) has triggered the growth of the companies. This is what the companies describe as automatically.

The goal of market share implies the need to grow. If the aim is to be the best or the second best in the market, growth is needed to achieve this (I. (1) 490-496).

> ***"It may be that growth is forced by this requirement."*** (I. (1) 495-496)119

The aspiration concerning the fraction of market share depends on the segmentation of the global market. In some markets it is enough to have 3-4% of the market share, provided this share is in the prime segment (I. (1) 497-505).

Achieving a certain market share through growth is also necessary for new divisions to secure the survival of the division and to use the options provided by a new market entry (I. (1) 506-515). Growth is a necessary condition for the development of products in the future (I. (1) 516-519).

> ***"It always depends on how I am positioned in the market."*** (I. (1) 516)[120]

Being a market leader also drives customer satisfaction.

> ***"My goal was to become the best in the business." (Q. 323). You can express this quite simply. Even as a young man, I sensed that the recipe for success lies in the fact that you are the market leader in specific industries in which you have specialized. The one who is the first there, the customers like best."*** (Q. 367-369)[121]

Moving from the position in the market to some overreaching goals, the values and traditions of a family firm influence the goal setting. As has been described in sub-chapter 4.5.3.1, the values and traditions are embedded in a multigenerational mindset of the family or families. This mindset comprises the strive for independence and the transmission of the business over generations.

The CEOs do not measure their importance in terms of growth.

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[118] „Und das Wachstum war nicht mein primäres Ziel. Sondern das ergab sich automatisch" (Q. 302-303).

[119] „Es kann sein, Wachstum wird erzwungen durch diese Vorgabe" (I. (1) 495-496).

[120] „Es kommt immer drauf an, wie bin ich positioniert im Markt" (I. (1) 516).

[121] „Mein Ziel war, ich möchte der Beste der Branche werden" (Q. 323). „Kann man ganz einfach formulieren. Ich habe schon als junger Mann gespürt, dass das Erfolgsrezept darin liegt, dass man Marktführer in speziellen Branchen ist auf die man sich spezialisiert hat. Der, der dort der erste ist, den haben die Kunden am liebsten" (Q. 367-369).

> ***"So if you measure your importance by growth and get press and then slide into a different order of magnitude and then gets driven by this."*** (C. 141-143)[122]

They describe that having growth as a primary goal and overemphasizing growth goals lead to a different, growth-driven behavior pattern.

A difference between entrepreneurs and employed managers concerning growth as a primary goal is mentioned in the interviews. If growth is the driver of the strategy, people are hired who are driven by growth, which is also reflected in their bonus etc. (C. 150-153). The manager's own significance can be defined by growth (Q. 310-312). This has important implications for the non-family CEO selection process. Besides the personal motivation, the qualifications are drivers of the willingness to grow. The diversity and willingness to live well with the second and third best CEO is mentioned, as the second or third best is not as vain as the best in class. By not having vanity, it is much easier to deal with each other. The best in class is, of course, smarter and she/he probably knows how to run the company better, and would possibly also bring a better profitability. However, it is believed that these types of people would not have the other emotional qualities to such an extent (L. (1) 289-296).

4.5.4.5 Diversification

Diversification is a multifaceted tool for a long-term strategy. The positioning in different fields of actions paves the way for longevity (I. (1) 305-324; Q. 165-167; C. 100-104). Diversifying activities can be used to reduce risks.

> ***"(…) our diversity, that we are on the move in many areas gives us a balance. That is a huge strength."***[123] (I. (1) 424-426)

However, diversification has recently experienced its limits due to the increasing interconnectedness of global markets. Therefore, a distribution of risk is hard to accomplish and a search for highly unrelated areas is needed to achieve risk diversification (Q. 270-273). Some firms anticipated this change and diversified before such unrelated diversification becomes the general trend (Q. 173-175).

A diversified portfolio supports the growth by reducing risk, and opens new avenues for sales. This can be an advantage for family businesses. The valuation of listed companies can suffer, as the stock market is likely to penalize diversified portfolios with a diversification discount (Gold & Luchs, 1993; Kormann, 2017a, p. 110). Therefore, stock market oriented non-family firms are more tied to the strategy of focusing as the stock market otherwise penalizes them with a diversification discount. The interviews

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[122] „Also wenn man an Wachstum seine Bedeutung misst und Presse bekommt und dann in eine andere Größenordnung rutscht und davon dann getrieben wird" (C. 141-143).

[123] „(…) unsere Vielfalt, dass wir in vielen Bereichen unterwegs sind gibt uns eine Ausgewogenheit. Das ist eine riesen Stärke" (I. (1) 424-426).

mention many examples of the "stories"[124] which stock market listed firms have to present (C. 127-128; L. (1) 72-78; L. (1) 106-111).

The focus of family firms to occupy niche markets (Kormann, 2017a, p. 111) naturally limits the possibilities to expand.

> ***"I can only be good at that if I choose a narrow area and since I am the world market leader there."***[125] (Q. 259-260)

Therefore, diversification activities help to open new avenues for growth opportunities.

Diversification paves the way for longevity of the business but at the same time it might reduce return potential (Kormann, 2017a, p. 111). Diversification has another special value in family businesses. In most family businesses, nearly all assets of the family are tightened to the company. Diversifying activities reduces the risk for the whole company and therefore the basis of existence of the owning family.

4.5.4.6 Market Entry

Medium sized markets[126] are popular target markets for market entry. With a certain initial size it is quite possible to reach 50% of the market share, since no big player will enter (I. (1) 761-763).

In special industries which are not that much consolidated it is difficult to reach a certain market share (R. 84-92). To make the decision to enter a market and to have the family support this decision, journeys to the target country with the family are a useful tool to find out about a potential entry and to include the family in this decision.

4.5.4.7 Internationalization

Market entries in China and India are the mainly discussed topics concerning internationalization. Going east is one of the strategic challenges faced in the analyzed time period. The political relaxation in China has enabled the expansion in this market (Q. 131-136).

The market entry mode is chosen depending on the target country and the respective industry. Most of the companies engage in a joint venture. These joint ventures are helpful in the first place, but nearly all joint ventures were dissolved after a couple of years (H. 219-220; R. 125-128). The dissolution could have various reasons, e.g. differences of opinions between the shareholders of the joint ventures which could also be triggered by a generational succession (Q. 148-150), and the fact that the joint ventures were limited to a certain time. These kinds of joint ventures are often entered

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[124] Börsenstories.

[125] „Da kann ich nur gut sein, wenn ich mir ein schmales Gebiet aussuche und da der Weltmarktführer bin" (Q. 259-260).

[126] What is meant by "medium sized markets"depends on many factors. At the beginning of a new industry, it might be some EUR 100 millions. Thus, today's size of the industry depends on age and regional coverage and could reach up to EUR 5 billion (Simon, 2012, pp. 150 ff.).

into in order to build up a critical mass to sell products of both joint venture partners. Once the critical mass is reached, the goal of the project has been achieved and the structure of the joint venture becomes obsolete (R. 130-144). Establishing those joint ventures enabled high growth (> 30% p.a.) but with small profitability as the pricing situation is difficult for this company in emerging markets (R. 149-151).

Internationalization is used as a tool for fast growth (Q. 88-89). Personal networks and membership in associations support an early internationalization (Q. 91-93, 202-203, 241-243).

If there is a non-family manager, internationalization can be triggered by the family. Family journeys to the respective country can enable a better understanding of the country specific characteristics and the formulation of a joint strategy of the management and the family to enter the respective foreign market (R. 286-308).

4.5.4.8 Acquisitions

As is known from literature, acquisitions are not often used in family firms. The same pattern can be seen in the sampled firms. They only acquire other firms for special reasons, such as acquiring missing capabilities, getting fast entrance to foreign markets or the reacquisition of shares. Furthermore, there is an example in the sampled firms where acquisitions led to dissatisfaction of the customer and triggered the in-house development. The acquisitions to acquire capabilities and the example of customer dissatisfaction through acquisition are discussed below. Acquisitions as a tool for fast market entry are discussed in sub-chapter 4.5.4.6 and the reacquisition of shares in sub-chapter 4.5.4.14.

Acquisition to Acquire Capabilities

Acquiring new capabilities through an acquisition is a tool to accelerate the development of products or technologies.

> ***"Of course I have to have the skills and if I don't have them myself, I have to buy them."*** (N. 201-202)[127]

However, integrating these newly acquired capabilities is a huge challenge. Especially for family firms, cultural challenges can arise when integrating a new firm.

Acquisition Leading to Customer Dissatisfaction

Acquiring a small US company was thought to be faster, but caused tremendous challenges for the family firms. There were huge problems with the quality of the supplied products. The family company only produced the steel frame of the product, all other products were delivered by the supplier. The family company as a producer was held responsible for all problems associated with the new product, although they

[127] „Klar muss ich die Fähigkeiten haben und wenn ich sie nicht selber habe, muss ich sie einkaufen" (N. 201-202).

only provided the steel frame and the assembling of the product. As described in the product innovation section in this chapter, the lack of suppliers prompted the CEO to press ahead the own product innovation and vertical integration.

Here, too, the attitude to risk, the tolerance of ambiguity and optimism have given the opportunity to think in the long term (I. (1) 302-303).

The sampled firm engage more in organic growth, following an evolutionary path, growing along the development of their core know-how.

4.5.4.9 Product Innovation

Quality Leadership

Quality leadership is named as one driver of sustainable growth. It is aimed to produce technologically advanced products to ensure technological development and satisfied customers. Besides the willingness to produce high quality products, the companies target quality leadership due to the need arising from context factors such as economic low-cost production. In Germany, this cannot be as easily done as in other countries (I. (1) 109-115).

Arising from the need to get rid of the past dependencies on the supplier, the goal (the willingness) is to maintain quality and independence through vertical integration.

> ***"Then we said maintaining independence, being able to drive our technological roadmap is always better. We have the main technologies in our own hands. That was the driver. This has been deepened and developed over the years. And I say today thank God that we have got so far. If we didn't have all this ourselves today, but still had to buy everything, many things that we are doing now would not even be possible. Theoretically possible. But not in this quality."*** (I. (1) 121-127)[128]

The lack of quality of products provided by the supplier leads to own product innovations and these set the milestones for the further growth of the company.

> ***"And that was horrible and then we said, now we will make our own product."*** (P. 201-202)[129]

Being able to create their own product, company P establishes the cornerstone to its core technology. All other innovations are mainly based on these developmental efforts.

[128] „Dann haben wir gesagt, die Unabhängigkeit zu bewahren, unsere technologische Roadmap fahren zu können ist immer besser. Wir haben die Haupttechnologien in eigener Hand. Das war der Antrieb. Das hat man über die Jahre schön weiter vertieft und entwickelt. Und ich sag heute sind wir Gott froh, dass wir so weit sind. Hätten wir das heute alles nicht selber, sondern müssten alles noch kaufen, wären viele Dinge gar nicht möglich, die wir jetzt machen. Zwar theoretisch möglich. Aber nicht in dieser Qualität" (I. (1) 121-127).

[129] „Und das war schrecklich und dann haben wir gesagt, jetzt machen wir ein eigenes Produkt" (P. 201-202).

Customer-specific products with high requirements drive the sustainable customer satisfaction (I. (1) 164-166).

In-house Components Marketed to Third Parties

Launching new products and services can be a major growth driver and can ensure independence. One example shows that the core technologies are developed in-house (I. (1) 19-20). These technologies are used in other applications in all products and are sold to third parties as components. (I. (1) 7-8, 14-15). This is seen as a major growth driver (I. (1). Furthermore, in-house developments are the results of yearlong service on other products by different firms. The company did service on components and finally developed them by themselves (I. (1) 27-29). A company's own certification through cooperation with authorities can be very helpful in product development and for market readiness (I. (1) 40-52).

One reason for the high degree of vertical integration has historically developed. The company was not satisfied with the supplier's ability to deliver and with the product itself (I. (1) 57-61, 93-95). Therefore, they developed their own products. They started small, developing their own parts of the product, and nowadays they sell these components and have opened up a new field of activity as they use the components not only for their own purposes but they also sell them (with variations) to other customers (I. (1) 57-61). The new business area of selling components is successful due to its flexibility for the customer and independence from the number of units (I. (1) 62-63). Vertical integration takes time and short term profitability has to be dispensed with (I. (1) 68).

Adapting to the customer and their wishes and requirements has the advantage of receiving new orders from this customer (I. (1) 78). Company I manufactures components for an area of customer X. This customer X now asks company I to provide another area of the company with other components as well.

> ***"So the scissors open more and more, so that we can still make this new application and that new application and so our base becomes wider and wider (…)."*** (I. 86-88)[130]

In-house development serves as a long-term advantage and thus the expansion of the product portfolio is strengthened. The use of many applications in different areas supports the know-how and the growth of the core field as well as the new field of components (I. (1) 95-104).

[130] „So tut sich die Schere immer weiter auf, dass wir diese Anwendung noch machen können und die Anwendung und so wird unsere Basis immer breiter (…)" (I. (1) 86-88).

> ***"We have so many irons in the fire. We already have many projects and each one that is then realized, then gives additional turnover. This is a key to growth."*** (I. (1) 241-243).[131]

> ***"But the basis has already been laid before with the fact that we did not stop doing things ourselves, always have been driving ourselves."*** (I. (1) 243-245).[132]

This quote shows that the tolerance for ambiguity and the internal locus of control are main determinants of growth. The ability to withstand the uncertainty of whether a product will be successful or not, and the belief that success is largely determined by the company's own activities, need optimism. Literature shows that these personality traits of individuals in charge are drivers of entrepreneurial behavior (Franke, 2007; Hisrich et al., 2005).

Furthermore, the high quality of products supports the family image. Lude and Prügl (2018) find that communicating being a family firm (family image) results in stronger purchase intentions. Branding the business as a family business is associated with positive organizational achievements (Binz Astrachan, Botero, Astrachan, & Prügl, 2018) such as sales growth (Gallucci et al., 2015). Zellweger, Kellermanns, Eddleston, and Memili (2012) state that the image as a family firm fosters performance.[133]

Greenfield Approach

The starting point of this strategy was the fact that the company could not buy any new products. Then the founder (father of the interviewee) started his own production of these products for which he saw a market. This production was built up completely independently of the other business "on the greenfield" (I. (1) 203). The products were completely new and therefore, the engineers were asked to only focus on this special production (I. (1) 195-205). A remarkable finding is that the Greenfield principle has been repeated more often and has proven itself (I. (1) 231-232).

This phenomenon of a Greenfield approach could also been seen in other sampled firms.

> ***"We did the development of our own product like this: We said we would form a small group, take them out of here, put them in a rented house."*** (P. 207-208).[134]

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[131] „Wir haben so viele Eisen im Feuer. Wir haben schon viele Projekte und jedes das sich dann realisiert, gibt dann Zusatzumsatz. Das ist ein Schlüssel zum Wachstum" (I. (1) 241-243).

[132] „Aber die Basis ist vorher schon gelegt worden mit das wir die Dinge selber nicht aufgehört haben uns immer schön selber getrieben haben" (I. (1) 243-245).

[133] See Botero, Spitzley, Lude, and Prügl (2019) for a detailed study why family firms choose to communicate the family business image or not. Botero (2014) is concerned with family enterprise recruitment and communicating family enterprise image, stating that communicating the fact of being a family firm has no influence on how applicants perceive the firm.

[134] „Die Entwicklung des eigenen Produktes haben wir so gemacht: Wir haben gesagt, wir bilden eine kleine Gruppe, nehmen die hier raus, setzen die in ein gemietetes Haus" (P. 207-208).

Having emphasized the value of product innovations as a long-term strategic component, human resources management will be discussed as another important component of long-term strategy.

4.5.4.10 Human Resources

> ***"This is part of the character of the family business. You just have to believe it. Not only have hope. Believing in one's own abilities."*** (I. (1) 325-326)[135]

These abilities also comprise human resources. Hundreds of engineers build up the heart of company I and serve as their capital (I. (1) 326-330). Astrachan and Kolenko (1994) show that Human Resources practices support the competitive advantage of family firms.

Having a good knowledge of human nature, establishing a culture of constructive criticism and stimulating the employee's own ability to think are central drivers of HR practices in family businesses (I. (1) 612-637). The centrality of the founder is abolished. The new generation encourages the mutual communication between divisions and the self-management of the employees. This can be attributed to the increasing size and the new role of the subsequent generation. As the company grows, it is not possible anymore to know each and every employee and tasks must be delegated. Furthermore, the new generation controls the firm as shareholders and has managers to care for the operative business. It is important that the responsible family members (of the division) are approachable for the employees (I. (1) 641-668)

> ***"The echo I hear from the company that they say "I can still do something".*** (I. (1) 671-672)[136]

These degrees of freedom strengthen the motivation of the employees as they can work in a self-responsible way. However, in spite of all self-control, the structure and limits of what is being done must not be jeopardized (I. (1) 669-685).

Self-responsibility is mentioned as central success factor in the growth in family firms. The employees can develop a product without the pressure to present short-term results. The long-term strategy enables the employees to work on their projects without disturbances.

> ***"They were allowed to work through from an idea to the product without too much disturbance."*** (R. 179-180)[137]

[135] „Das gehört zum Charakter der Familiengesellschaft. Man muss nur dran glauben. Nicht nur Hoffnung haben. An die eigenen Fähigkeiten glauben" (I. (1) 325-326).
[136] „Das Echo das ich da bei uns aus der Firma hören, dass sie sagen „ich darf noch was machen" (I. (1) 671-672).
[137] „Sie durften eine Idee bis zum Produkt durcharbeiten ohne allzu viel Störung" (R. 179-180).

In addition, for some employees a growing enterprise plays an important role in the choice of their employer. Communicating the size of the company has a positive effect on the perception of the firm by potential employees (Botero, 2014, p. 184).

The responsibility to provide a growing company to secure the demands of the employees is also mentioned as an important driver of growth (N. 157-158).

4.5.4.11 Organizational Structure

Companies of this size (> EUR 2 billion) are often already very bureaucratic, especially if they are stock corporations (Q. 370-371). Therefore, the family companies are organized decentrally, i.e. there are as many entrepreneurs in the company as possible and as many independent divisions as possible. Each product or service has to have their own manager who feels as responsible as an owner-entrepreneur (Q. 370-376).

Independent divisions are an important prerequisite for growth. It is essential that one division is not handicapped by the other. Each division must have the freedom to concentrate on the market, product development, everything that belongs to it. Clear transparency between the divisions helps to identify the sources of faults. This transparency produces effectiveness and if something goes wrong it can be immediately recognized, and also immediately corrected (I (1) 168-176).

Still, the divisions are very independent. There are guidelines that must be adhered to. The divisions exchange technology (I. (1) 177-184). All divisions meet regularly and there is an active exchange of ideas, challenges and problems (I. (1) 442-444). Apart from this, each division can act very independently. As the product portfolio is so diverse, each division has its own sales. This is seen as a condition for being effective and successful in the market (I. (1) 177-184).

Related topics such as autonomous driving are worked on together between the divisions. Therefore, highly specialized and customer satisfying products can be engineered. In order to follow this, the standardized process must be jointly developed (I. (1) 449-462).

4.5.4.12 Customer Relationship

Customer relationship is emphasized as a key driver of growth. The positioning as family business can influence this relationship, as research shows (Binz, Hair, Pieper, & Baldauf, 2013; Gallucci et al., 2015). The integrity of the family owned company plays a particularly important role, especially in large-scale projects (Q. 509-510). There is an immense advantage for the family company when the customer can see who is behind the project and who is liable with his assets (Q. 511-515).

> ***“they (customers) want to see who is the one on the other side who has the responsibility with their own fortune. Then you have to go yourself. That's the***

> ***advantage, too. The competitors always sent some managers, and I could always say, I stand for it, I do it this way."*** (Q. 511-515)[138]

A close and long-term relationship with clients can help gain new orders. Growth of the firm supplying the customer is a crucial factor within this relationship. Growth of one's own service and product portfolio, accompanied by the advantages of a global supply chain for the customer, enables an interaction as equals between supplier and customer. The customer has more confidence that the supplier fulfills their obligations well (I. (1) 685-694). New projects, also outside of the existing range of products and services, are created through good and close cooperation (I. (1) 696-718). Listening to the clients' needs and meeting their demands through a long-term relationship and customized solutions all enable growth (I. (1) 743-748). Research supports the view that it is easier for family firms to tailor their solutions to the demands of the customer because they value individuals and their differences (Poza, 2002, p. 25).

> ***"We are here to stay and we will be here tomorrow and i fit is necessary we will help you. I have talked so many times with customers and said there is 30% of success is the quality of our product, 30% is the support we give you and 30% are they themselves."*** (P. 230-233)[139]

4.5.4.13 Revitalizing or Changing the Extant Business Model

Research on old and mature businesses has the advantage that these companies have experienced many changes in their environment. Adapting to these changes, which could be of a political, technological, social or economic nature (sub-chapter 4.4), needs the revitalization or the change of the business model. One of the sampled companies is highly dependent on political changes, such as changes in legislation. In this example a fully new business model with different players is needed to achieve growth in the future.

> ***"But this transformation from one model to the other that will then become the next big wave. Where it is decided who will grow faster than the market and who will not."*** (R. 282-284)[140]

4.5.4.14 Special Findings Concerning the Roots of the Spurts

There is a special finding which cannot be classified under the other components of long-term strategy. Nevertheless, this is an interesting case of growth.

[138] „dann wollen die sehen wer auf der anderen Seite die Verantwortung hat auch mit seinem eigenen Vermögen. Dann muss man selber hingehen. Das ist auch der Vorteil. Bei den Konkurrenten kamen immer irgendwelche Manager und ich konnte immer sagen, ich stehe dafür, ich mache das so" (Q. 501-515).

[139] „we are here to stay and we will be here tomorrow and i fit is necessary we will help you. Ich habe so oft mit Kunden gesprochen und gesagt, es gibt 30% des Erfolgs ist die Qualität unseres Produkts, 30% ist die Unterstützung die wir Ihnen geben und 30% sind sie selber" (P. 230-233).

[140] „Aber diese Transformation von dem einen Modell in die andere das wird dann die nächste große Welle werden. Wo sich entscheidet wer schneller wächst als der Markt und wer nicht" (R. 282-284).

Acquisition of Majority

A large wave of consolidation shaped the respective industry at that time (Q. 72-97). The joint venture was 50/50. The other company owned 51% of the capital but 2% of the shares were non-voting, so that the voting rights were 50/50 (Q. 133-134). Being the (family)-owner of 49% of the capital and 50% of the voting shares, and working as a CEO for the joint venture imply a strong position (Q. 133-137). The non-family part of the joint venture was struggling with this construction but at the same time the family CEO was very successful and the personal relationship was characterized by trust and loyalty (Q. 137-144). After 30 years of a successful and profitable joint venture, succession issues eventually had to be taken into account. The relationship was shaped by loyalty and trust, but it was uncertain what the relationship would be like in the next generation with different personalities as managers (Q. 147-151). Besides the willingness to reacquire the shares, the industry of the joint venture partner faced a crisis and therefore the family CEO started the very well-developed and complex reacquisition plan that failed due to asymmetric information (Q. 151-188). The relationship was permanently damaged so that the non-family company decided to offer their joint venture part to the family firm. The family firm could afford the reacquistion due to their high liquidity as they had always had small dividend payouts (Q. 181-194). Today, the company is fully owned by the family (Q. 194-195).

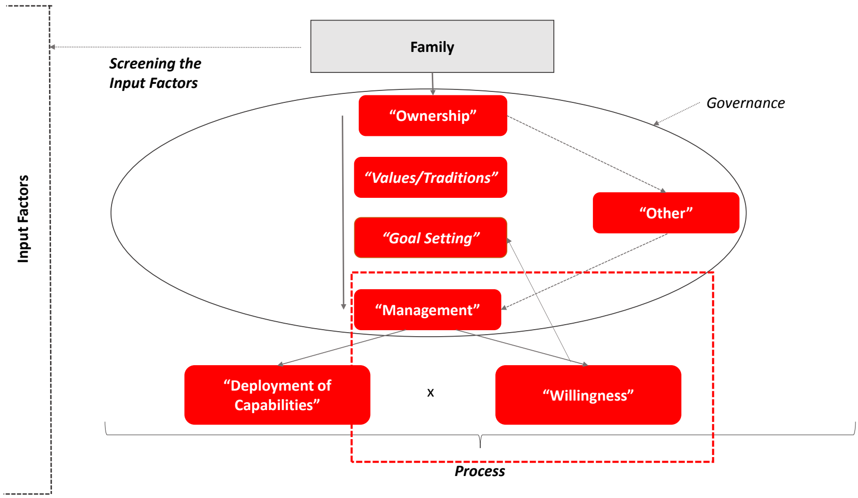
This case illustrates that growth spurts can be attributed to acquisitions. The pattern started with the *need to grow* due to the consolidation wave of the industry urging the family company to merge. The reacquisition triggered the growth spurt of the family company. There was an intrinsic *willingness* to reacquire the shares by the family CEO, intensified by the succession issues (*family driven need*), as it was not clear what the relationship between the future managers would be. The crisis of the industry of the non-family firm offered the *opportunity* to start the reacquisition plans. Although the plans did not work out in the first place, the financial *capabilities* enabled the family to buy the remaining share in a second try.

Why is such a reacquisition seen as a growth spurt? The reacquirer gets the industrial leadership of the company. In addition to the leadership, he gets access to the entire cash flow of the company.

4.5.5 Navigating Management's Willingness

Besides the deployment of capabilities in long-term strategy, the willingness to act plays an important role in formulating the equation of growth to the end. Especially in the cases where the top management team is solely comprised of non-family members the question arises how the family can influence this willingness.

Figure 60 Navigating Management's Willingness



Source: Author's own figure

Having outlined ideas to influence the deployment of capabilities by the family, infusing the willingness of the management is a more difficult task. The willingness is an indispensable prerequisite for decisions. Even if all other dimensions leading to a certain decision are given but there is no internal willingness, the decision will not be executed. In contrast to internal willingness, external willingness is if somebody is forced to execute a decision. The latter case does not apply to any of the researched companies.[141]

The internal willingness can be influenced by social interactions. Goal-oriented engagement with a non-family CEO begins with a careful selection process. The non-family CEO must fit to the conceptions of the family members. During the selection process the principal-agent problem can occur. The CEO potentially has hidden personal intentions which were not anticipated or observable before the recruitment. If these hidden personal intentions are not in line with family conceptions, there are some mechanisms to prevent or limit principal-agent problems. Monetary incentives (e.g. Haubrich, 1994) are one of the most researched solutions to this problem. The principal-agent problem can also occur with family CEOs whose intentions are not in line with the family. To overcome the issue of divergent intentions influencing the willingness to act, the family can establish a supportive culture. Mutual trust and loyalty are among the main characteristics of a functioning ownership-management

[141] External willingness is not discussed within this dissertation, as it was not mentioned by the interview parterns. A point in this case would be the split up of a company following a hostile takeover.

relationship (L. (1) 198-203; L. (1) 273-279; Q. 455-457). Bird and Zellweger (2018) mention that establishing trust can prevent opportunistic behavior (Blatt, 2009). Bird and Zellweger (2018) outline that trust provides the basis for the exchange of sensitive and tactical information. If people in a team trust each other, it is more likely that they will exchange such information with each other (Kale, Singh, & Perlmutter, 2000; Uzzi, 1996). Bird and Zellweger (2018) mention that mutual trust offers a protected space to express different opinions (Dyer & Chu, 2012). Bird and Zellweger (2018) state that the disclosure of these different opinions can serve to formulate a common growth vision for the company (Baum, Locke, & Smith, 2001). Enabling own strategic impetus of the management increases the willingness to reach decisions in line with the superordinate values of the family. The opportunity to introduce personal initiative into strategy is important for family and non-family management. The feeling of personal responsibility and appreciation by the family is essential for the management. Bird and Zellweger (2018) emphasize that the identification with the respective other one is important to share mutual goals (Blatt, 2009; Pratt, 1998) which are useful for the planning of growth (Penrose, 1959). Furthermore, Bird and Zellweger (2018) state that a study by Le Breton-Miller, Miller, and Lester (2011) find that mutual identification leads to alignment of options and priorities which leads to a faster perception and implementation of growth options (Blatt, 2009). Mutual obligations enable a constructive basis for discussing growth options, thus building reliability among the team members (Bird & Zellweger, 2018).

Furthermore, the establishment of a "culture of error"[142] which allows the making of mistakes with no immediate negative consequences by the family can support a positive atmosphere.

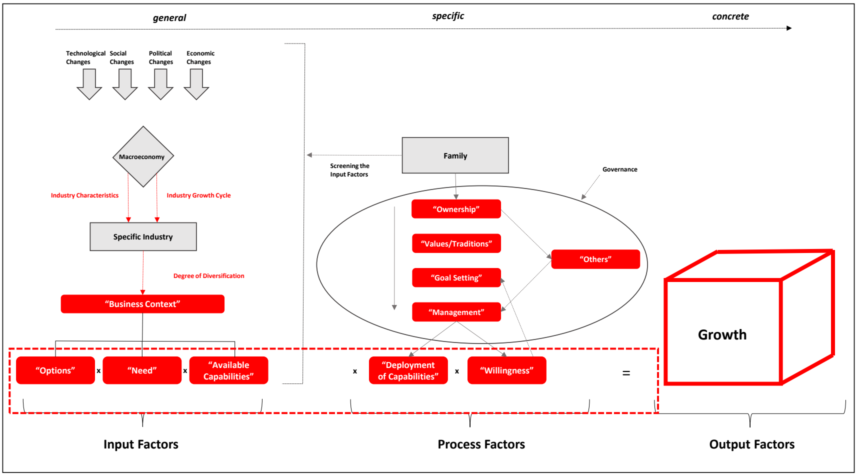
Willingness is named as one of the most important factors for growth, as willingness is necessary to complete the decision to grow (sub-chapter 4.6.5) and to overcome difficulties during the implementation of the decisions and the follow-up. To find ways to shape the willingness of the management, the characteristics of the code family "Willingness" must be better understood. Willingness is comprised of the ability to control and focus on clear goals. Therefore, the formulation of clear goals by the family is important to shape the willingness. Willingness is closely linked to positive feelings. A positive atmosphere, established by the family through loyalty, mutual trust and security, can help to positively influence the willingness. Furthermore, willingness is comprised of self-confidence and assertiveness. Allowing the management to execute decisions by themselves increases the level of self-confidence and assertiveness. Another important factor of willingness is foresighted planning and problem solving. Integration of the management into the future planning and high exchange of information about the future plans of the family can increase the ability of the management to act proactively. The goal-oriented self-discipline is another factor of

[142] Fehlerkultur.

willingness, which is hard to influence. To manage the resistance of the management to short-term distractions and sudden impulses to pursue long-term goals can be done by showing the deeper meaning of the goal by establishing transparency and information exchange between family and management. Establishing transparency and involving the management in the strategic goal formulation support the identification of the management with the goals.

4.6 Growth Equation

Figure 61 Entire Model: Growth Equation



Source: Author's own figure

4.6.1 Multiplicative Linkage

The model suggest a mathematical combination of the derived code families influenced by the "Business Context" and the "Family". This consideration has arisen from the original form of the diamond, in which four code families, "Willingness", "Need", "Capabilities" and "Options" are connected with each other. Although the four code families have evolved into five code families, a connection can still be observed. The code families are indivisibly connected with each other. The multiplicative form of the equation shows that none of the dimensions may become zero. If a dimension became zero, the whole equation would be zero. This means that all five dimensions must be available. However, each dimension in the equation has a different weight. How the respective weight of each dimension differs is explained below. It has to be acknowledged that the weight of "Willingness" is the highest of the different weights (d > a, b, c) and is therefore depicted "squared" to emphasize the relative importance of willingness in the whole equation. Although to ensure growth none of the dimensions should become zero, willingness has the highest potential to cause variations in the growth performance.

Figure 62 Growth Equation

$$f\,(o, n, c, w) = \boxed{a}\ \boxed{\text{“Options”}} \times \boxed{b}\ \boxed{\text{“Need”}} \times \boxed{c}\ \boxed{\text{“Capabilities”}} \times \boxed{d^2}\ \boxed{\text{“Willingness”}} = \boxed{\text{“Growth”}}$$

whereby d > a, b, c

Source: Author’s own figure

“Options”, “Need” and “Available Capabilities”[143] are more objective parts of the equation. Yet, the family driven need has some subjective components. The “Deployment of Capabilities” and the “Willingness” are more subjective parts and are influenced by the family. The two code families of capabilities are summarized in “Capabilities”. The elements of the equation could have a different weighting according to the specific business. Every growth process needs an option to grow, this can be a self-created option (e.g. own innovation) or an outside option (M&A). Without any need no option would be created by the acting people, as this dissertation assumes that options are socially constructed. Having the need and the options to grow, available capabilities and the deployment of these capabilities are needed to realize these options. Furthermore, without the willingness to act no decision to grow will be executed.

4.6.2 Weight of Options

This section is dedictated to the explanation of the weight of “Options” $\boxed{a}$.

As mentioned in sub-chapter 4.4.3 entrepreneurial opportunities must first be existent or be created by individuals to enable entrepreneurial activities. The weight of “Options” depends on the form options. Seibold et al. (2019, p. 60) describe that “a distinction can be made between internal and external opportunities. The internal opportunities to grow could be the innovation potential as well as the amount of and access to financial resources such as reinvestment potential. External growth opportunities arise from changes in the market/product or the macroeconomical cycles and trends. During the last 40 years, German industrial companies have found their growth almost exclusively in export markets (Conrad, 2013). The reduction of the time-to-market process and the contraction of the innovation –substitutions-curve open new growth opportunities. Taking over the market shares of declined firms in the respective industry enables new growth opportunities. Joint ventures, alliances and networks, especially in an international context, yield opportunities for growth” (Seibold et al., p. 60).[144]

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[143] At this stage “Available Capabilities” and “Deployment of Capabilities” are summarized in “Capabilities”.
[144] For the innovation-substitutions-curve, see Gälweiler (1990).

Options are necessary for growth but their weight depends on how much the respective industry is subject to change, as outlined above.

4.6.3 Weight of Need

Having described the weight of options in the growth equations, this section will explain the weight of “Need” $\boxed{b}$.

One could argue that not all businesses have the need to grow. These businesses usually act in niche sectors, have a regional focus, are owner dependent and can raise their sales by increasing their prices (Seibold et al., 2019). Within the interviews, “Need” was a subliminal topic. As it is grounded in psychology, no one wants to talk about what she/he “needs” to do. Analyzing the interviews has revealed that the need is hidden in other things like the wish to achieve a certain size which indeed could be attributed to the need to maintain or expand one’s own market position. So the “Need” maintains a covered phenomenon that comes to the surface in other statements. Adding more psychological knowledge could advance the understanding of the need to grow with in-depth interviews done in further research.

Abstracting the “Need” to a higher level of aggregation it could be argued that each action needs a “reason” to be triggered. The reason for starting an action can arise from different circumstances and actors, such as from business context, from the family or from intrinsic motivation.

Having discussed the weight of need in this equation the weight of “Capabilities” will be discussed.

4.6.4 Weight of Capabilities

The weight of “Capabilities” is depicted by $\boxed{c}$.

The element of “Capabilities” consists of two parts: “Available Capabilities” and “Deployment of Capabilities”. The data suggest this breakdown, as do the ideas of the Dynamic Capabilities approach by Teece et al. (1997) (see sub-chapter 2.10.1.1). “Capabilities”, seen as a joint dimension of available capabilities and deployment of capabilities, seem to be a constant factor in the growth equation. Each interviewee mentioned capabilities as necessary for growth. Capabilities are a fundamental requirement to enable growth. Having the options, the need and the willingness to grow is not sufficient to grow. An example would be a company that has the option to enter a new market and needs this expansion due to industry pressure, and the management is willing to enable this step, but it has no financial and personnel resources to execute the expansion decision – then it will not grow. This example shows the necessity of capabilities in the formulation of the growth equation. Although the interviews intend that “Capabilities” are a constant factor of the equation, “Capabilities” can change over time, as shown by Helfat and Peteraf (2003) in sub-chapter 2.10.1.1.

4.6.5 Weight of Willingness

Having explained the weights of “Options”, “Need” and “Capabiliites”, the relative importance of “Willingness” should be described $\boxed{d^2}$.

Willingness to do something is mentioned as necessary in the interviews. Willingness is the ability to translate intentions, motives, goals, options, need and capabilities into convincing results (successes). This is why it is also referred to as implementation competence. Internal willingness describes the motivation to reach a decision or to execute an action. This definition shows the importance of willingness in decision-making. Without the wish to implement all other dimensions such as need, options and capabilities a decision cannot be reached. The magnitude of the individual willingness depends on the organization of the top management team. Is there a collective opinion formation or does a single individual make decisions? The willingness of a single individual loses importance within a team as voting procedures determine the implementation of a strategic intent.[145]

Furthermore, the central role of intentions in the growth process is known (Geyer, 2016).[146] She attributes the variation in growth processes to the individual characteristics of the CEO and his/her respective social and organizational environment, transmitted through intentions of the individual in charge (Geyer, 2016, p. 294).

4.6.6 Summary of the Weights of all Dimensions

The qualitative and quantitative analyses[147] of the weight of the dimensions support the idea of multiplicative linkage.

Options are necessary for growth but their weight depends on how much the respective industry is subject to change, as outlined above. The weight of “Options” is not that high in stable industries in contrast to volatile industries. The “Options” arising for all industries from megatrends such as automatization and digitalization are not to be disregarded. However, the magnitude of the “Options” provided by the megatrend depends on the industry. For example, technological industries are more vulnerable to changes of the automatization than service based companies. The “Need” is a more covered element of growth. The need to grow is not often mentioned as necessary prerequisite for growth. However, abstracting “Need” to a higher level and formulating it as a “reason” to do something, it has a weight in the growth equation. On a minimum level, at least a reason for acting is needed to enable a decision. Therefore, the weight of “Need” is dependent on the organization and aspirations of the family and the industry characteristics. Considering an example, the rising demands of shareholders drive the need to grow. Additionally, in a consolidating industry it is necessary to grow

145 For a detailed discussion of the challenges of collective decision-making ability, see Kormann (2013b, 2014) and Bazlen (2013).
146 For a detailed overview of Geyer’s (2016) findings, see chapter 2.10.2.2.1.
147 Interviewees were asked to rank the elements of the equation according to their importance for growth.

to prevent becoming a "weak" player in the industry and thus being bought by a competitor. "Capabilities" seem to be a constant factor. Each interviewee named capabilities as necessary for growth. The "Willingness" is the crucial factor in the equation of growth. Each participant named willingness as a prerequisite for growth. The influence of the "Willingness" on growth depends on the organization and the impact of the top management team.

4.7 Evaluation of the Model

4.7.1 Compliance with the Evaluation Criteria of Qualitative Research

The goal of qualitative research is to uncover unknown phenomena or facts and to develop new theories and models. To evaluate qualitative research, some criteria have been presented in sub-chapter 3.3. The following paragraphs are dedicated to a description of what is done to ensure the highest possible quality of the research in this dissertation.

To overcome the subjectivity of coding and to ensure inter-coder reliability, a second coder was invited to code parts of the interviews. A congruity of 92% was found[148]. Furthermore, a member check was done with some available interviewees by presenting and discussing the developed model. Some minor refinements were made after this kind of communicative validation. After performing the interviews, a validation of the interview situation was done by immediately drafting notes on the impression of the interview setting and atmosphere. These notes were supplemented with and compared to the notes drafted during the interview as ad hoc assessments of the interview situation. The evaluation of these combined notes reveals that there is a perceived difference between face-to-face and telephone interviews. The interviews done in person reveal more about the feelings and aspirations of the interviewees. Talking to the interviewees on the phone leads to more fact-based knowledge about the process of growth. To ensure intersubjective traceability, a documentation of the whole research project is provided. This documentation contains the adjustments of the interview guidelines after each interview, supplemented with additional information about each interviewee, the field notes and the ad hoc notes after the interviews, as well as rules of transcription and memos of the coding process (sub-chapter 3.5.4). The memos contain the evaluation criteria, evaluating the data analysis process as suggested by Corbin and Strauss (1990, p. 17) (sub-chapter 3.3). To provide the differentiation between interpretation and literal citations, the information sources are denoted.

To establish multiple accesses to the topic, the interviews were triangulated with the explanations and numbers of the secondary data (e.g. annual reports) provided by the firms. Furthermore, the knowledge of multiple theories such as Resource-Based Theory, Upper Echelon Theory and Dynamic Capabilities was used to develop the

[148] Raupp and Vogelgesang (2009) refer to Neuendorf (2002) stating that a congruity of over 90% is seen as a "very good" congruity.

model. The triangulation of theories broadens the basis to interpret findings (e.g. Denzin, 1978; Steinke, 2017, p. 315).

Having clarified the adherence to the general criteria of qualitative research, the questions to gauge the empirical findings proposed by Corbin and Strauss (1990, pp. 17-19) will be answered in the following paragraph:

*"**Criterion 1**: Are concepts generated?*

A comprehensive model is derived, comprising the categories input, process, and output.

***Criterion 2**: Are the concepts systematically related?*

The categories are systematically related as described in sub-chapters 4.3-4.6.

***Criterion 3**: Are there many conceptual connections and are the categories well developed? Do the categories have conceptual density?*

The density of the categories is explained in detail in sub-chapters 4.3-4.6.

***Criterion 4**: Is there much variation built into the theory?*

The model is designed to capture all different types of family organization. Different constellations of ownership and ownership and management are possible. Furthermore, as described in sub-chapter 6.2, it is possible to substitute the "family" with a group of shareholders. However, the variation of the model caused by this replacement needs more research.

***Criterion 5**: Are the broader conditions that affect the phenomenon under study built into its explanation?"*

The focused code "Business Context" explains the broader conditions which could affect the growth model.

Criterion 6: Has "process" been taken into account?

As described in sub-chapter 3.6 the aim of the dissertation is to explain the process.

Criterion 7: Do the theoretical findings seem significant and to what extent?

There are various theoretical and practical advancements derived from the model building. These advancements are presented in sub-chapter 6.2.

Having discussed the model along the criteria proposed by Corbin and Strauss (1990, pp. 17-19), a content evaluation should take place by testing Theoretical Saturation and the accuracy of the model against further cases.

4.7.2 Validation of Model on a Different Sample of Growing Family Enterprises

The model was developed by interpreting and modelling the reflections of individuals of fast growing companies. Considering only positive cases of development must face the reproach of a selection bias (Berk, 1983). To scrutinize if the model holds for slow-growing companies, three more companies were selected. These companies have been chosen from the same population (list of 100 biggest family firms). Fast growth was defined as CAGR (Sales) > 10%. To identify slow growing firms, the threshold of 5% CAGR is assumed. Applying this threshold, 13 companies of the 100 biggest German family companies show a growth rate of < 5% from 1995-2006. Due to the limited resources of this dissertation, some of these cases had to be selected. Gaining an overview of the 13 slow growing firms, some firms reveal an interesting pattern. Three of the slow growing firms more than doubled their growth rate in the next time period from 2006-2015. By examining the reasons for this change, the derived model could be evaluated. It is supposed that these companies have the same dimensions ("Need", "Willingness", "Capabilities" and "Options") and that one or two dimensions are more pronounced and thus have enabled the change in the growth rate.

In order to find out about these slow-to-fast growing firms, they were contacted with a slightly modified covering letter. Two of the three companies positively responded and the CEO of that time and the chairman of the board who has held this position for more than 20 years were available for a face-to-face interview. The interview guideline was adjusted in order to evaluate the model and find out about the observed change in their growth rate.

Engaging in the interpretation of the results reveals that the model also holds for slow-to-fast- growing companies.

The change in the growth rate can be attributed to a change in willingness. The first interviewed CEO attributed the change to the revival of a product introduced in the 1970s and to the driven internationalization. A non-family CEO of this company resurrected the product introduced in the 1970s. He was so convinced of the benefits of the product that he has driven the development further.

> ***"He bit himself into it like a terrier."149*** (company Y)

This quote describes how the willingness can drive decisions. The spurt of the company was grounded in the belief of this manager. The advancement of the product has been the reason for the growth spurts in sales. Today, this product is the bestselling product of the company. Furthermore, the interviewed former family CEO named the willingness to internationalize as a main driver of the growth spurts.

[149] *„Er hat sich wie ein Terrier festgebissen"* (company y). Only fied notes exist of the two seperate evaluation-interviews.

The second interview also offers insights into the priorization of the dimensions. As a main driver of the growth spurt, the spin-off of a division by applying a Greenfield approach was named. This spin-off was motivated by personal dissatisfaction, macroeconomical and industry specific factors. The concrete trigger of the spin-off was the acquaintance with a key person who seemed to fit in this position.

It is interesting that additional business can achieve such powerfulness. In comparison to non-family businesses, especially to stock-market listed companies, that is possible due to the freedom to diversify the portfolio with remote activities. In stock-market listed companies, such activities are penalized with a diversification discount (Gold & Luchs, 1993; Kormann, 2017a, p. 110; Martin & Sayrak, 2003).

The validation of the model on another sample showed that Theoretical Saturation is reached, as no new insights were gained from the additional interviews.

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5 The Practial Side: Pragmatic-Normative Implications

5.1 Reviewing the Model and the Growth Equation for their Practical Implications

Developing the model and the multiplicative linkage of the growth elements, exploring the weight of these elements and testing the evaluation of the model according to its Theoretical Saturation: All of these reinforce the finding that willingness plays a central role in the paths to growth.

The input elements are basically available in all companies. Although industries are specific, clusters of German industries provide enough room for potential expansion and the sampled firms are export-intensive. Therefore, enough options and capabilities are available for the growth of the sampled companies. The output offers few parameters to be examined. However, the output category shows some family specific features, such as the emphasis on organic growth, the fact that the sampled firms have grown wherever it seemed attractive and that there is no industry-specific booster, as all industries are mature industries. In conclusion, the process is crucial and shows the largest influence of the family. Willingness is the integral aspect of all influences. In willingness there is the greatest range of variation.

5.2 Overview of Chapter

Studying the insights of practitioners allows research to identify and focus on the relevant issues, as the practitioners are the individuals engaged in strategy (Fenton & Langley, 2011; Golsorkhi, Rouleau, Seidl, & Vaara, 2015). Such research, known as Strategy-as-Practice research (Jarzabkowski & Spee, 2009; Johnson, Langley, Melin, & Whittington, 2007), aims to develop theoretical knowledge which has practical relevance for all individuals in charge of organizations. The interviews with practitioners have provided insights to develop the present model, as well as the following implications of the model and its derivations. As they are based on the practical experience of the interviewees, they should be appropriate to serve as sources of information. At first, the implications of the two major findings are presented, followed by some special implications for family members and non-family managers of family firms. The chapter conludes with some verbatim quotes of the interview partners.

5.3 Implications of the Findings Concerning Strategy of Family Enterprises

At first the implications of the two major findings are presented.

5.3.1 The Crucial Role of Willingness and Its Implications

"Will opens the doors to success."[150] (Louis Pasteur 1822-1995)

The findings of this dissertation show that the willingness of the top management team is the crucial factor of family firms' growth.

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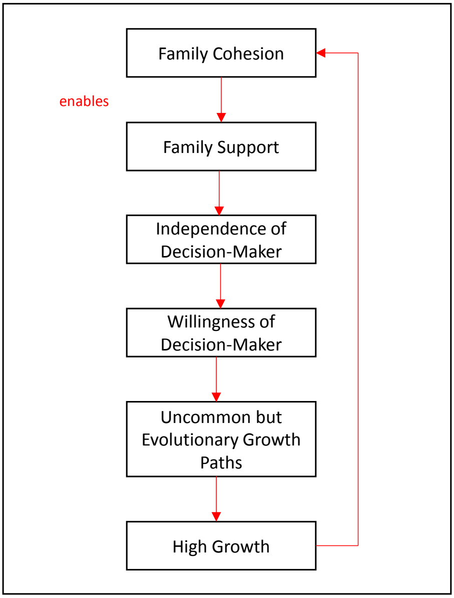
[150] „Der Wille öffnet die Türen zum Erfolg" (Louis Pasteur 1822-1895).

L. K. C. Seibold, *Family Businesses' Growth*, Familienunternehmen und KMU,
https://doi.org/10.1007/978-3-658-29396-3_5

Figure 63 Paths to High Growth



Source: Author's own figure

The family cohesion is the central starting point of the high growth performance. The cohesion enables family support which provides independence to the decision-maker. The independence directly influences the willingness of the decision-maker to follow uncommon but evolutionary growth paths which result in high growth. The high growth performance satisfies the family and therefore strengthens the cohesion.

> **Implication 1: Willingness is crucial, although it is not reflected in target function.**

None of the sampled family businesses has a precise goal function or strategic plan. Such a plan would comprise numerical targets of growth through diversification or through regional or international expansion.

Having the options, a need/reason and the capabilities are prerequisites for growth, and the willingness to implement formulates the equation of growth to the end. Therefore, the individual in charge plays the central role.

> **Implication 2a: High growth is based on the willingness of the individual in charge.**

The willingness is controlled by the availability of options (2c) on the one hand, and on the other hand the willingness is influenced by the family (2b).

> **Implication 2b: The willingness of the individual in charge is reinforced by trust provided by the family.**

This means the family influence is comprised of the overreaching goal of independence, and the availability of options is determined by an evolutionary path of the family business.

> **Implication 2c: High growth predominantly follows an evolutionary path.**

This evolutionary path is based on an opportunistic approach, which is allowed by independence offered by the family. Therefore, the family influence is important to support willingness and thereby – independence.

> **Implication 3: To achieve high growth uncommon growth projects are needed, which can be defended by a trustful family support.**

For such uncommon paths, effective family influence is of essence, specifically in order to support independence and willingness of the decision-maker, which is necessary to follow uncommon growth paths. In this context, uncommon means contrary to the mainstream, such as re-sourcing of outsourced components. Public companies have to follow common growth paths, as their valuation is tied to their diversification (sub-chapter 4.5.4.5).

> **Implication 4: The necessary family support, which enables evolutionary and uncommen growth paths, requires family cohesion.**

Effectiveness of the family influence can be jeopardized by conflicts or a lack of succession, both of which then lead to restrictions on growth. Therefore, the reinforcement of the family cohesion by special mechanisms (e.g. Pieper, 2007) is the most important aspect to create growth. This is – most likely – the very important impact of family cohesion on any strategy.

Independence

> **Implication 5: Maintaining independence in growth decisions is typically of central importance for large German family enterprises.**

In this context independence should be understood as the freedom to do what one thinks is right and not to be dependent on outside constraints or on requests from other stakeholders. The independence to follow uncommon and evolutionary growth paths drives the will to enable growth. The will to be the “best” in the market, to have the power to act independently, as well as the ability to pursue uncommon opportunities arising from the market attractiveness – all of these drive growth.

Implication 6: The family can provide themselves as a unique resource when they enable the internal and external independence of the family firm.

In addition to the independence from external forces, the second prerequisite of independence is the support of the family in the form of trust and loyalty. This basis is independent from the aspirations of the other family members. If, however, there are different aspirations and those are put forward as “demands”, this can lead to conflicts which affect independence. Aligning the family to the overreaching goal of internal and external independence can be achieved by clarifying the usefulness of this goal and by strengthening the cohesion between the family members.

Implication 7: Growing families require a growing enterprise which again is only possible if the large shareholder group provides support for the independence of the decision-maker.

A rising shareholder base is a large threat to this independence, as the increasing number of shareholders requires cash- outflow in the form of dividends or disbursement. However, one company of the sample is an excellent example of how a company can manage growth with more than 100 shareholders. Trust provided to the managing family member is mentioned as the most important driver for a cohesive, successful shareholder base.

A rising shareholder base can be a threat to growth, yet on the other hand growth is needed to satisfy the demands of the rising shareholder base and to enable trust and loyalty. As mentioned in the interviews, as long as the managing family member or the non-family manager is successful in terms of performance which incorporates growth, trust and loyalty are secured.

Evolutionary Path

Family firms tend to grow with options formed by past experience and products within their traditional product range. This is proven by the growth of company I which is highly diversified due to the willingness to vertically integrate and to take advantage of unusual opportunities in addition to its traditional portfolio. This strategy is based on the strong belief in the personal and company’s capabilities and especially in the capabilities of the employees. The tolerance for failure and the long-term orientation add to this. Although these are risky diversifications, the intent behind them is to pass the company on to the next generation and therefore enable a long-term perspective which makes such undertakings possible. This also shows the central role of the individual in charge; he/she has to emphasize the strengths of his/her own business and has to have the ability to deal with failures and incorporate them into the long-term strategy. Investing in unusual diversification avenues and having the tolerance to accept a longer development of products with all its challenges are possible due to the long tenure of managers in family businesses. Results do not have to be inevitably directly visible. Organic growth takes longer than “acquiring growth” from aquistions of a technology/service etc. As stated in the chapters before, growth is a long term event, once triggered it takes several years to fully develop the capacity of the idea that leads to growth.

> ***"To invest in the future, to have the courage to make quantum leaps. Not so slowly plab plab plab but simply it is enough that I am convinced of it. I was the only one in the company who was convinced of it. But then having the courage to say "I'll do it" could have gone wrong. But otherwise it wouldn't have been a risk."*** (N. 131-136)[151]

Identifying and deploying the core know-how is the prerequisite for such an evolutionary growth path. In order to do so, critical products, capabilities and strategic assets within the firm must be identified and deployed. Having identified those prerequisites, the most enduring growth strategy is to invest in these core businesses and to constantly develop the initial know-how further. Adapting the existent know-how to changing environments enables further growth. Being aware of options which could be conquered with existing or adapted knowledge of the firm is a critical point. Besides being aware of such options, options can be created by the company itself by following this evolutionary path. Constant search for opportunities and the sharpening of the ability to recognize these opportunities is one of the unique resources of a family business. Access to information is a central driver of the recognition of opportunities.

> **Implication 8: Recognizing opportunities is not the crucial factor because family firms tend to follow pragmatic growth strategies.**

The growth strategies are pragmatically oriented and are directed towards opportunities. Pragmatic means "solving problems in a sensible way that suits the conditions that really exist now, rather than obeying fixed theories, ideas, or rules" (Cambridge Dictionary, 2019). Furthermore, pragmatic means "based on practical judgements rather than principles" (Cambridge Dictionary, 2019). Following an evolutionary path offers enough options, even for uncommen growth paths. The options arise from the constant development of the core know-how and the interaction with the clients. If there are uncommon growth opportunities which seem attractive, family enterprises have the ability to take on these opportunities due to their independence in decision-making and their tolerance for ambiguity.

[151] „In die Zukunft zu investieren, den Mut zu haben, Quantensprünge zu machen. Nicht so langsam plab plab plab sondern einfach mal reicht das jetzt, dass ich davon überzeugt bin. Ich war der einzige im Unternehmen, der davon überzeugt war. Dann trotzdem den Mut zu haben, zu sagen ich machs, hätte auch schief gehen können. Aber sonst wäre es kein Risiko gewesen" (N. 131-136).

> **Implication 9: Capabilities are critical but manageable.**

Having identified the opportunities, capabilities are needed to pursue such pragmatic growth strategies. The most critical capabilities are finding human resources to implement growth.

Besides the capability to provide human resources to pursue growth, financial resources seem important to realize growth. However, as a surprising finding, the interviews show the non-crucial role of financing growth.

5.3.2 The Non-Crucial Role of Financing Growth and Its Implications

Financing growth is a widely discussed topic in scientific and practitioners' literature. However, this research has revealed counter-intuitive results about financing. The following implication can be derived:

> **Implication 10: Financing growth is not seen as a critical factor by the owning family.**

The participating family firms state that financial resources were not a constraint factor. The most interesting point is where the stable financials come from. The interviews indicate the following reasons, but the roots of the financials are not examined further. These notes can be used to design further research of the financing mechanisms of family firms.

The equity base seems to play the most important role, as this the most preferred financing mechanism of family firms. This is also true for the participating firms in this study. All interviewed firms state that the aspirations of the shareholders are tolerable for the company as all of the firms have a high retention rate. The explanantion of the non-crucial role of financing growth most likely lies in both; a solid profitability and a high retention rate.

> **Implication 11: The family represents an important financial resource for the growth strategy, insofar as it is modest in its financial claims against the family enterprise and this is reflected in distribution ratios, shareholder loans and an increase in equity ratios.**

The interview partners indicate that they prefer to grow organically and therefore they grow in manageable steps. Growing organically implies that the financial expenses are spread over a longer period of time and are needed gradually. In the case of acquisitions, the total financial resources are mostly needed at a specific given time.[152]

[152] The author is aware of the existence of financing mechanisms of acquisitions where a portion of the purchase price can be paid later, such as earn-out conditions.

Implication 12: Family enterprises usually grow organically.

Following an evolutionary growth path usually involves growing organically, as minor developmental steps are required and possible. Furthermore, organic growth enables the successive adaption of management size and the organization to the growth. The unique capabilities of family firms lie in long-term strategic concepts which incorporate tolerance for the ambiguity of the development of the products/services and the long tenure of CEOs.

Implication 13: The family can have a growth-restricting function if family aspirations are transferred to the company unfiltered. In particular, a lack of succession planning can lead to financial restrictions on growth.

However, the commitment to such a conservative payout policy can be threatened by a rising shareholder base. The interviewees expressed concerns about the future of such agreements, as the aspirations of a cousin consortium or even a bigger shareholder base could be divergent. Besides the potential restricting influence of arising conflicts, a lack of succession planning can constrain growth, as the succession mode and a not optimized inheritance tax can have tremendous influence on the financial capabilities of family firms (sub-chapter 4.5.2.1)

The implications of the findings for the strategy of family businesses involve the influence of the family by means of the goal of independence and the pursuit of an evolutionary path determined by the presence of opportunities.

Financing Growth

Although financing growth is not the crucial topic for family firms, there are different ways to finance growth which will be outlined in this section. There are prevailing myths that different forms of financing are necessary to enable growth. A prevalent attitude is that selling an equity portion to a large public company is a straightforward way to finance one's own growth opportunities.

"Rich" Joint Venture Partners are Not Vital

Selling an equity stake to a large public company is a mistake which sometimes can be reversed.

Approximately 20 cases can be observed where a portion of the shares or even the whole company were sold to a public company: i.e. Bertelsmann, Schloemann Siemag, Dräger, IDS Scheer, Messer, Karlsberg Brewery, Dinkelacker Brewery (Seibold et al., 2019, p. 75). The hope was to secure the prosperous development of the former CEO by bypassing the inherent constraints of a wholly family owned company. In all these cases the anticipated benefits did not materialize. Instead, the family eventually repurchased the previously sold participation as can be seen in the sampled companies of this dissertation. The culture of a family company and of a large group do not match.

Due to their strong connection to the business, the founders show reluctance to share their power with others or to accept ideas and strategies of other managers, which can cause conflicts within a large business group.

Private Equity is Not Long-Term Oriented and Does Not Retain Profits

However, the other alternative to raise equity, by the participation of a private equity fund, also shows limitations. The participation by a private equity fund is limited in time and typically ends with the loss of independence. Theoretically, the family shareholders or the company itself can purchase the shares of the exiting fund. This is only possible if the participation of the fund is not more than approximately one quarter of the total equity. Further, during the period of the fund´s participation or after the repurchase, the majority of the profits needs to be distributed to the acquiring family shareholders to service and amortize the purchase loan financing. This cash outflow reduces the growth potential of the company.

If the family shareholders cannot repurchase the shareholding, the fund exits by selling to a third party or arranging an IPO. The fund needs at least a significant participation or the majority for this sale. By drag-along clauses it can force the family shareholders to provide the required shares from their holding. Either way, the family business cannot remain the independent wholly-owned family business it used to be[153].

IPO is Not a Necessary Instrument for Growth

The IPO does not necessarily improve the performance of the family business. As can be observed when comparing of CAGR for 100 years, 40 years and 20 years, publicly listed family companies do not achieve a higher growth rate (Lantelme, 2017; Seibold et al., 2019; Scherer, Blanc, Kormann, Groth, & Wimmer, 2012).

There is some research on the IPOs of family firms, however, the ex-post examination of family firms is rather rare. A large research project is initated to investigate the motivations for going public and the dilution factors of family firms after an IPO.[154]

Having described some common myths about "necessary" financing mechanisms of growth, this section will end with returning to the goal cascade of family businesses presented at the beginning of chapter 2.

Goal Cascade of Family Businesses

Taking up the picture of the beginning, the goal cascade of family firms (fig. 8) (sub-chapter 2.2), and evaluating it with the findings from the interviews, it could be

[153] It is to be noted that the German stock market system does not allow multiple-voting shares for the family shareholders as is the case in the USA.

[154] This research project is done under the supervision of Hermut Kormann with PhD candidates of Zeppelin University and the University of Leipzig.

suspected that the high growth rates were achieved due to the freedom from disturbances in terms of stability and profit.

Implication 14: Ensure stability and profit to enable growth.

Stability can be supported by diversified business areas and an active cohesion of the business family. How to make profit is a difficult question. However, some heuristics could support the gain of profit. Profit is made by not making losses. It is important to calculate with full cost and not contribution margins. Profit cannot be influenced, only the causes can. Putting a special focus on market structure is an important part of making profit. Do not push through the profit target, but motivate the employees with what can be done with profit (Kormann, 2017c)

Besides those implications for the strategy of family businesses, some implications for the members of family firms can be derived. These implications mainly comprise thoughts concerning socialization, succession of the family members and thoughts on the goal of independence.

5.4 Implications of the Findings for Family Members

From the above mentioned implications of the crucial role of willingness, some further implications for family members arise:

1) Watch the family cohesion and 2) make sure that the family is prepared to assume the influencing role. Be aware of 3) socialization and 4) succession. Succession comprises the qualification of the shareholders and the organization of the influence of the family.

The family cohesion and the role of influencing have been discussed before. The following section is dedicated to describe challenges of 3) and 4). Following this, the necessity of the family to provide independence as mentioned in the sections above is formulated as a further implication. Moreover, literature and practitioners emphasize that family members are afraid of growth. Some implications should help the family to overcome these fears.

Socialization

One of the challenges for family members is the socialization of future family shareholders. Depending on the succession mode (sub-chapter 4.5.2.1), the shareholder base increases. Besides the importance to create loyalty and cohesion factors (Pieper, 2007) among the shareholders, the socialization of future family members is important. The parents and the close relatives have to decide whether they attach great importance to the independence and the longevity of the family company or if they treat the company as a tradable asset. Socialization and cohesion factors are of huge importance but there are some indeterminable factors such as the individual personal development of the future family shareholders and the generational influence (e.g. characteristics of generation Y).

Succession

Following the superordinate goal of transmitting the family business to the next generation, the important question of securing the influence of the family arises. Many interviewees stress this question, as it is unclear if their successors are able and willing to serve as a CEO or even if they want to actively participate in the governance of the family business. Therefore, the first question to answer is if there is an appropriate successor for the position of CEO or is becoming a CEO while being a family member generally excluded.

Having decided on the crucial question and there being no potential family successor for the position of the CEO, the family needs to install governance mechanisms to further secure its influence and to navigate the willingness as this is the crucial factor of a growth strategy. If there is a family member to succeed the CEO, it has to be decided whether to have a family committee or not to secure the influence of the family.

In most cases where the CEO is a family member the control and influence mechanisms through the family governance are of limited importance as long as the family CEO is successful, i.e. as long as the performance of the company is satisfactory for the other family member which hold a more passive position.

> ***"And they assumed that their brother or uncle is a successful one, there was always a lot about me in the press. So they said we were on the right ship."*** (Q. 412-415)[155]

As a remarkable finding it should be noted that the success of the company strengthens the cohesion between the family members, but also between the family members and a non-family management.

Considering the case of a non-family management, the governance system is of superior importance to secure the influence of the family. The family has to agree on values and traditions which are characteristic of and important for their family business. Defining those values can comprise traditional "old" values and new, forward-looking values.

Having defined those values and traditions, the goal setting should be aligned to these values and traditions. Although it is observed that in the case of a family CEO the family does not influence the CEO so much in this way, agreeing on mutual values and traditions and formulating joint goals can help to secure the influence of the whole family represented by one family member serving as a CEO. The difficulty within this setting is the problem of not sufficiently qualified family shareholders who try to impose too many of their own expectations on the family business. This could be high

[155] „Und die gingen davon aus ihr Bruder oder ihr Onkel ist ja ein erfolgreicher, über mich stand ja auch immer viel in der Presse. So dass sie sagten, da sitzen wir auf dem richtigen Schiff" (Q. 412-415).

expectations on dividend payouts, a personally motivated strategy that does not fit to the overall strategy, nepotism etc.

The sequence of securing the influence seems suitable for each strategic question, whether it concerns growth or other strategic issues.

The influence of the family on the goal setting is multifaceted and depends on the organization of the family. The different cases of the relationship between ownership and management are discussed in sub-chapter 4.5.2. Kotlar and De Massis (2013) study the goal formulation process and especially how personal goals become organizational goals. They find that discussions concerning goals are more efficient among family members than between family and non-family members. Memili, Welsh, and Luthans (2013), building upon that, find that prioritizing family-centered goals can improve the performance of the firm. Several researchers find that goals vary over generations (e.g. DeTienne & Chirico, 2013; Wiklund, Nordqvist, Hellerstedt, & Bird, 2013) and become an important topic of discussion during critical events (Kotlar & De Massis, 2013) in the development of the company (succession process, strategic decisions etc.). As the excerpts of literature on goals of family firms show, the goals are important for performance, however, they can be very different among family members. Therefore, besides strengthening of cohesion factors, the establishment of formal rules seems to be important to secure the freedom within the family and the value of the family for the family firm. Such formal rules can be written down in family chartas or agendas. Using the instrument of a family charta is not yet widely used but is becoming increasingly important (Hueck, 2017; Schween, Koeberle-Schmid, Bartels, & Hack, 2011; Suess, 2014). The design of such agreements is very diverse among family businesses, however, all of the sampled firms include a conservative financing policy in their chartas.

Providing Internal Independence

The most that family members can provide to the company is independence. Enabling internal independence through trust and loyalty towards the top management team is what families can do for the company. Providing independence to the top management team includes the minimization of one’s own financial demands and the avoidance of passing conflicts unfiltered on to the company. However, if there is a non-family CEO, the family should be able to control the activities of this individual in charge by clarifying the joint goals and values as described in chapter 4.

As an implication it can be derived that:

> **Implication 15: It is important for family members to actively provide support towards independence to the CEO, whether she/he is a family member or not.**

In addition to the implications derived from socialization, succession and independence, there is a myth about the fear of the growing of family firms. The next section is dedicated to provide guidelines to lose the fear of growing.

Fear of Growing

As mentioned in the introduction of this dissertation, there are researchers and more often practitioners who argue that growth and family firms “don’t go together” (Muson, 2002, p. 7). Family firms are usually associated with business conservatism, risk avoidance, the wish to maintain control over the business and traditional strategies. Growth is associated with threats such as high risk, changing of the business model, dilution of control and innovative strategies. However, the sampled family companies are able to develop their own unique growth strategies balancing the threats associated with growth. These family companies are able to use their family as a unique resource to produce growth. Having the goal of independence in both senses, the freedom to act and the full ownership, they prepare their financials for growth by imposing high equity rates while cutting back their own dividend expectation and by following an evolutionary growth path. This evolutionary growth path is characterized by organic growth which is based on the further development of their initial know-how. Thus, they grow from their core along the development of their know-how. Growing in small steps along the long-term development enables the control of the risks. All growth strategies are made on an arm’s length. If a change of the business model is necessary, this is done in adaptive steps. However, new business models do involve know-how from the existent processes. This combination is determined by the independence enabled by the family as a unique resource and the evolutionary path made possible the growth of the sampled firms. Therefore, growth is indeed achievable.

> **Implication 16: Do not be afraid of growth and the financial resources needed to pursue growth. Growth and the required financial resources are manageable.**

In conclusion, it is important for family members to express their support to the CEO, whether she/he is a family member or a non-family member. Communication within the family and with the non-family managers is the key to any successful strategy.

Having clarified the implications for family members in their family business, the next section shall provide some implications for non-family managers in family firms.

5.5 Implications of the Findings for Non-Family Management

Being a non-family CEO in a family firm is a challenging task. Chapter 4 has outlined some family firm specific growth characteristics. One major uniqueness of family firms lies in the confidence in an evolutionary growth path. Following such a path implies a long-term strategy as it involves mainly organic growth. A frequently mentioned quote of the sampled family firms is that they are not interested in short-term profit but in long-term profitability. Having short-term orientation does not fit into the strategy of family firms.

Family firms tend to value the emotional, social characteristics of managers and a trusting relationship. The agreement on the family imposed goals and the formulation of joint goals are an important driver of this trusting relationship.

Non-family managers face different challenges in family firms. Therefore, according to the results of this present study, there is a special implication that can serve as a guideline for non-family managers.

> **Implication 17: Make sure the family supports you. You must try to get a position similar to that of a family CEO. It can be helpful to use the strategies of the previous managing partners as a guide. If you choose a different path than the previous one[156], make sure you have full family support.**

As mentioned earlier in the implications for family members, it is important for the family to provide an active vote of confidence to the non-family manager.

5.6 Summary of the Voices of Strong-Willed Fast-Growing Executives

The highest value of this dissertation lies in the rich and meaningful interview data collected from 15 top family firm leaders of the 21st century. They have achieved extraordinary growth rates and their companies are among the 100 biggest German family businesses. They have experienced turbulent times and struggled with many changes, yet managed to lead their companies into the group of the most successful ones in this century. This dissertation intends to use this privileged access to build theoretical knowledge and to provide these individuals and their families with some reflections in the form of practical implications to serve as guidelines for further generations. Their average tenure is about 30 years. Such a long tenure offers an impressive treasure trove of experiences, insights and knowledge of the overall development of the company. Their treasure trove of knowledge allows for the development of a strategic model of growth, which has the potential to lay the foundation for further strategic models and general strategic behavior patterns. The spontaneity and originality of the statements of the top leaders have been limited in some places in order to generate theoretically substantial knowledge from this

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[156] Prominent examples of non-family CEO's pursuing a different strategy than the previous family member in charge, which were not in the analyzed time frame are Wiedeking and Porsche and Geißinger and Schaeffler. These two non-family managers were very strongly supported by the owning family.

treasure trove. Therefore, the following table shall serve as an overview of the most important citations concerning the key topics. These quotations shall once again strengthen the significance of the developed model and its practical implications and provide the reader with the opportunity to reflect on his or her own strategy.

The following table presents an excerpt of particularly typical quotations of the interview partners. It should be emphasized that no representability is intended here. The original tone has been adapted for ease of reading and to ensure anonymity. The quotations are in their original German language to preserve the spontaneity and originality of these statements.

Table 10 Summary of the Voices of Interview Partners

Willingness
„Wille! Es gibt natürlich viele Leute die wollen, kriegen es aber nicht hin. Die haben einfach zu wenige Fähigkeiten. Sie werden Erfolg immer nur aus der Kombination haben und ganz selten aus einem Fakt. Wenn sie keinen Willen zum Wachstum haben, dann können Sie alles haben und sie werden nicht wachsen. Aber sie brauchen mindestens zwei oder drei Faktoren in der Kombination sonst klappt es auch nicht.“   *„Neben dem Willen für Wachstum, haben wir die Kompetenz Produkte auf den Markt zu bringen, die dem Anspruch, den der Markt gestellt hat, gerecht werden oder besser sind als der Anspruch den der Markt gestellt hat. Das heißt, wir sind Trendsetter. Das ist mindestens das Zweite neben dem Willen. Das Dritte ist der Wille zur Alleinstellung. Das würde ich sagen reicht schon. Wir haben sicher noch eine Kombination, weil wir gesagt haben: Wenn wir was entwickeln, dann produzieren wir auch selber, denn wir wollen die durchgängige Wertschöpfungskette haben, damit wir im internationalen Wettbewerb die Alleinstellung haben und wir selber bestimmen, welche Wertschöpfung mit welchem Ergebnis, auch wirtschaftlichem Ergebnis, wir erzielen können.“*   *„Wissen Sie, ich bin richtige Nachkriegs-Generation, die erste Generation. Wir waren hungrig, nicht nur im physischen Sinn, sondern in jeder Hinsicht. Es war anders. Das können Sie sich nicht vorstellen, wenn ich zum Studium gefahren bin, sind wir am Zeppelin Hotel vorbei gekommen und da standen die Autos der Amerikaner, die hatten englische Sportwagen, da dachte ich, wenn ich sowas mal haben könnte, das wäre was. Der Impetus etwas zu werden und zu machen, das war im Privaten und natürlich auch im geschäftlichen Bereich. Ich glaube es ist viel, was wir wollten, auch situation- und generationsbedingt. Das wollte ich loswerden. Natürlich war mein Elternhaus ein Geschäftshaus und das prägt einen, die Firma sitzt immer am Tisch. Das ist halt so. Und aus dem Drang, wir wollen erstklassige Produkte bauen und nicht*

so einen Quatsch den ich damals vorgefunden habe. Das waren sehr einfache Produkte. Was wollte ich? Ich wollte, dass wir auf Messen beachtet werden, ich wollte, dass wir wissenschaftlich beachtet werden, in Stuttgart, Aachen oder wo auch immer Produktforschung eine Rolle spielt, Hannover, München. Ich wollte dass bei Symposien auch unsere Technik behandelt wird. Und das hat dann eigentlich das Wachstum ausgelöst, der Drang nach vorne zu kommen, in die erste Reihe zu kommen, im technischen Ansehen. Das war mir immer wichtig, technisch, wissenschaftliches Ansehen. Das ist bis heute so.“
Wieso geht man so ein hohes Risiko ein? „Weil ich gedacht habe, wir schaffen das. Meine Frau hält mich für einen krankhaften Optimisten. Ich habe immer gedacht, das kriege ich hin. Das bring ich fertig. Das ist natürlich ein Gottes Geschenk, wenn sie so ein Selbstvertrauen haben. Ich hab gewusst um unsere Produkte zu entwickeln, da fehlen mir die Kenntnisse vielleicht sogar der Verstand um die Physik richtig zu verstehen. Ich hab gedacht, das kriegen wir dennoch hin. Man muss dann Verbündete suchen. Das habe ich jetzt auch als roten Faden versucht aufzuzeigen. Es ist immer wieder gelungen intern und auch extern Menschen zu gewinnen, die wichtige Beiträge geleistet haben. Das ist bei einer Wachstumsstrategie wichtig, müssen sie wissen, dass man nicht alles selber machen kann. Man braucht Verbündete mit Talent und Fantasie. Ich behaupte die wichtigste Eigenschaft für einen Unternehmer ist Fantasie. Und die Zweite ist der Wille es umzusetzen. Die Familie muss mitmachen, da muss man sich unterordnen.“

„Wir haben uns alles zugetraut, wir glaubten wir sind die Allergrößten. Und das war so der Beginn, die Kunden suchten jemand, wir waren bereit das Risiko einzugehen. Wir waren bereit zu investieren. Wir haben aber zum damaligen Zeitpunkt keine sonderlichen Wachstumsziele gehabt oder sowas. Da war ich manchmal selber überrascht, als wir dann gesehen haben, dass wir 50% gewachsen sind. Es ist eigentlich ganz wichtig, dass die Mitarbeiter irgendwann lernen, das Wachstum zu managen ist, sonst glaubt jeder, das geht nicht und nach einer Weile merken sie, dass sich auch das Management dran gewöhnt, zweistellig wachsen zu können. Früher hieß es immer konsolidieren. Ich habe dann gesagt konsolidieren machen wir später, wir wachsen jetzt. Und das eben in die Köpfe ihrer Mitarbeiter zu bringen, wie das Unternehmen wächst."

„Wir arbeiten auch überhaupt nicht mit dem klassischen Sharholder Value Gedanken. Sondern eher mit der Maxime von Peter Drucker, den Kunden in den Mittelpunkt zu stellen. Qualität und das Wachstum haben wir benötigt, damit wir qualitativ gute Dienstleistungen erbringen können. Das ist das, was uns eigentlich getrieben hat. Und dadurch, dass wir so nah am Kunden waren, ist auch eben das Wachstum gekommen. Wir mussten nicht sagen, wie können wir selbst wachsen, sondern das Geschäftsmodell als solches treibt eigentlich schon das Wachstum.

Wir haben auf der anderen Seite schon auch Wachstumsbarrieren nach unten eingebaut und haben gesagt, wir dürfen auf keinen Fall weniger schnell wachsen als der Markt, dann würden wir Marktanteile verlieren. Also das war klar. Es gibt deshalb so ein Ziel bei uns, dass wir doppelt so schnell wachsen wollen, als die Konjunktur im jeweiligen Land, bzw. in Europa ist. Das hat sich auch als eine sehr robuste Kennzahl erwiesen.
Das setzt man als unteres Ziel, aber mit diesem Ziel machen wir nichts. Das wird lediglich einmal im Jahr kontrolliert, ob wir da drin lagen oder nicht. Aber es gibt kein regelrechtes Wachstumsziel."

„Also das Thema heißt nicht „Wachstum" sondern; profitabel wachsen.
Profitables Wachstum, ich nenne mal das was gleichrangig ist, ist die Innovation und die technische Seite. Wachstum lässt sich ja auch nur generieren, mit technischer Performance. Da geht es jetzt nicht nur um Qualität und Lieferbereitschaft, es geht auch darum, ob sie wirklich Innovationsführer sind.
Wenn sie so ein breit angelegtes Konzept über Jahrzehnte hinweg verfolgen, eine weltweite Position zu besetzen, dann scheitern sie entweder oder sie erfahren dann über die Zeitachse manchmal auch eine überraschend positive Entwicklung. Aber das ist alles die Konsequenz von harter, zielgerichteter und sehr erfolgreicher Tätigkeit."

„Also Wachstumsziele, da würde ich sie gleich irgendwie enttäuschen wollen. Sind meiner Meinung nach nicht wirklich wichtig. Weil ich glaube das Wachstum kein Ziel ist, sondern ein Resultat ist. Und Resultat von guten Entscheidungen, von Produkten, von einer guten regionalen Aufstellung, von guten Mitarbeitern, im Prinzip der richtigen und guten Unternehmensführung. Und dann ist es ein Ergebnis. Wir haben zwar auch Wachstumsziele definiert. Haben Korridore definiert. In dem wir sagen, das ist das was wir an Wachstum erwarten. Einfach auch um die Mannschaft zu motivieren, sich Gedanken zu machen, nicht in Stillstand zu geraten. Sondern wir wollen im Prinzip das Unternehmen, besser wachsen lassen als der Markt. Marktposition weiter verbessern.
Und dazu braucht man eben diese Ingredienz, die ich gerade umrissen habe.
Das allerwichtigste ist der Wille, wenn der Wille nicht da ist, da nützen Ihnen die Fähigkeiten auch nichts. Wollen ist wichtiger als Können. Erst mal was will ich, welche Rolle soll unser Unternehmen in dieser Welt spielen. Was ist unsere Lebensberechtigung.
(...) das Wachstum eher eine Resultierende ist, nicht ein primäres Ziel."

„Mein Vater hat mich immer motiviert und ermutigt. Auch als er dann im Aufsichtsrat war, habe ich Ihm immer alles erzählt und er hat immer gesagt weiter so. Das ist auch ein Teil der Wachstumsstory- das er kein Bremser war und aber sehr sparsam war."

„Also das kam eher immer aus dem Anspruch der Beste zu sein. Auf dem jeweiligen Geschäftsgebiet, durch Kompetenz, Performance und auch Wettbewerbsfähigkeit mit Blick auf Kosten zu überzeugen. Die Größe ergab sich von ganz alleine. Aber die zweite Facette, da bin ich schon bei Ihnen, den Anspruch haben zu wachsen und nicht zu schrumpfen ist ein Überlebensmodus aus meiner Sicht in der Branche.
Wir haben das immer so formuliert: Wir wollen der Beste sein. Wir wollen durch Leistung überzeugen, dann generiert das ganz automatisch Wachstum.
Also Wachstum nie als Selbstzweck. Sondern immer besser werden. Der Beste sein. Dieser Anspruch ist der dominierende und das heißt natürlich übersetzt, auch gewinnen zu wollen.“

Independence

„Unabhängigkeit ist ein ganz großes Thema. Will ich unabhängig sein, oder will man das nicht, sie haben ja mal nach Joint Venture etc. gefragt. Da ist die Frage will man das selber, oder will man das nicht. Sieht man in strategischen Joint Venture einen effizienteren Weg als im Alleingang. Das kann man auch nicht so pauschal beantwortet, das ist von Branche zu Branche unterschiedlich. Wenn ich kleine Marktanteile habe und will schnell wachsen, dann kann es sein, dass ein Joint Venture für mich genau der richtige Weg ist um schnell in einen Markt zu gehen. Oder sie sagen, ich nehme mir die Zeit, aber bin unabhängig dabei. Das heißt was ist mehr wert, die Unabhängigkeit oder das schnelle Wachstum. Und das ist branchenmäßig sicher sehr unterschiedlich.“

"Und wir haben uns eigentlich so als Start-up verstanden, das gab es damals in dem Sinne noch nicht. Und jeder betrachtete uns als die dahinten, mal gucken, was da draus wird. Also wir hatten alle unternehmerischen Freiheiten, natürlich auch mit mir als Namensträger an der Spitze war das einfach.
Der Vorstandsvorsitzende kann natürlich im Wesentlichen irgendwelche Ziele setzen, Vorgaben machen und seinen Leuten den Rücken freihalten. Ich hab natürlich schon gute Leute gehabt, gute Mannschaft, die das in eigener Verantwortung gemacht haben. Wir haben dann angefangen die Gruppe umzuorganisieren, das war ein wesentlicher Schritt, früher war alles unter einem Dach. Da war alles in der AG, da war ein Vorstand der bestimmte alles. Deswegen haben wir gesagt, wir ändern das und machen oben eine Holding. Wir machen die selbständigen, eigenständigen Geschäftsbereiche auch juristisch eigenständig. Und darunter haben wir nochmal Untergruppen gebildet. (…) Und dadurch haben wir eine Selbständigkeit kreiert. Die dazu geführt hat, dass die Leute mehr ins Geschäft kamen, das war ein ganz wesentlicher Schritt. Also dadurch haben wir auch eine Mannschaft gekriegt, sie kriegen plötzlich einen Geschäftsführer und nicht nur irgendeinen Direktor, das ist sehr viel attraktiver für die Leute. Wir haben eine eigene Geschäftsführung gehabt. Und die haben ihr Geschäft selbständig vorangetrieben.“

„Weil wir eben in der Lage waren den Kunden als allererstes vorn dran zu stellen und danach die ganzen Strategien auszurichten. Und dann nie gefordert waren, die guten Stories zu schreiben, die man nur an der Börse versteht."

„Also zu Gewinnmaximierung. Das ist glaube ich nicht der Fall.
Ich meine dieses absolute Commitment der Familie, drückt sich ja auch darin aus, dass die Familie das erwirtschaftete im Unternehmen belässt und damit die Wachstumsoptionen erhält. Wenn die Familie jetzt in andere Felder investiert und jetzt Gewinne hier rausnimmt, dann würde sie dieses Geschäft schwächen. Und das sieht die Familie ganz klar, so dass das hier die Nummer eins ist. Ich meine die Dividendenzahlung die wir leisten jedes Jahr, die sind so am unteren Minimum, so dass die ihre Steuern bezahlen können und so weiter. Das ist schon ok denke ich. Das wird alles reinvestiert ins Unternehmen. Das bleibt alles im Unternehmen."

„Wir in Mitteleuropa, wir können nicht billige Produkte oder auch technologisch niederwertige Produkte herstellen, da sind wir viel zu teuer. Das können andere besser. Wir müssen technologisch hochwertige Produkte herstellen. Nur das können wir. Das müssen wir schauen, dass wir es gut entwickeln, günstig herstellen. Nur dann haben wir eine Chance im Markt. Wir sind eher im Hochpreissegment unterwegs. Da muss was dahinter sein, nur teuer geht nicht. Das ist der Antrieb.
Dann war für uns immer die Forderung: Wir wollen das in eigener Hand haben. Das war der Antrieb: Wenn möglich in eigener Hand. Früher war das vielleicht noch etwas anderes. Die Zulieferer waren früher noch etwas stabiler und man konnte mit ihnen langfristig was machen. Die sind aber immer etwas schwieriger geworden. Wenn sie auf unsere Wünsche eingehen sollten, da hat es dann geheißen, das kostet dann entsprechend.
Dann haben wir gesagt, die Unabhängigkeit zu bewahren, unsere technologische Roadmap fahren zu können, ist immer besser. Wir haben die Haupttechnologien in eigener Hand. Das war der Antrieb. Das hat man über die Jahre schön weiter vertieft und entwickelt. Und ich sag heute sind wir froh, dass wir so weit sind. Hätten wir das heute alles nicht selber, sondern müssten alles noch kaufen, wären viele Dinge gar nicht möglich, die wir jetzt machen, zumindest nicht in dieser Qualität."

Evolutionary Path

Einstieg in ein neues Geschäftsgebiet:
„Sie machen das auch nur, wenn sie Spaß an neuen Technologien haben. Wenn sie Angst vor neuen Themen haben, dann machen sie das nicht und Wachstum setzt nun mal in der Regel voraus, dass sie Mut haben. Wenn sie keinen Mut haben, können sie auch nicht wachsen. Wenn sie Mut haben, dann entwickeln sie Produkte die keine Garantien haben, dass sie im Markt erfolgreich sind. Sie akquirieren Unternehmen

wo sie nicht ganz sicher sind, ob das zum Erfolg wird. Das ist die große Stärke der Familienunternehmen, dass sie eben, im Rahmen ihrer Spielmöglichkeiten, Risiken eingehen, die in einer Kapitalgesellschaft, nicht einfach so möglich sind, weil sie einen viel längeren Atem haben, auch aus der Berichterstattung heraus, als in einem Konzernunternehmen."

„Dann haben wir überlegt, was können wir mit dem Ausgangsmaterial machen, wie kann man es weiter verarbeiten, die Wertschöpfung erhöhen. Wir sind dann ganz andere Schritte gegangen, wie kann man eine ganze Komponente bauen. Wie kann man eben auch andere Teile machen. Das hat sicherlich gedauert, bis sich das etabliert hat. Sie müssen auch Investitionen vornehmen. So 10 Jahre, dann sind sie wirklich etabliert am Markt. Das war eigentlich die spannende Zeit und danach ging dann auch die Internationalisierung los. Das war dann der zweite Wachstumsschub durch die Internationalisierung. Das erste haben wir gemacht, Ende der 70 iger Jahre, da haben wir mit Europa angefangen. Und ging es auch relativ schnell nach Amerika. Das wächst natürlich. Sie haben nicht am Anfang den Masterplan, wo sie sagen, ich will jetzt also bis zum fertigen Modul gehen, das ist immer nur die nächste Stufe (…)."

„Und dann auch mal Zeiten zu überbrücken, wo man nicht in der Lage ist, die Strategie so schnell umgesetzt zu bekommen. Und nicht panisch zu werden, sondern sein Ding, wirklich festzuhalten; das zeichnet das Familienunternehmen aus. Wir brauchen keine Story, dass wir unbedingt wachsen müssen.
Das Image für das wir stehen, das Geschäftsmodell, sich klar und bewusst zu machen. Und darüber ständig und ständig weiter reden. Und nie aufhören weiterzuentwickeln. Das ist uns auch bewusst geworden, so groß wie wir sind kann das Unternehmen auch ganz schön behäbig und selbstzufrieden werden. Es gibt nichts was kritischer ist für den weiteren Erfolg als der Erfolg selbst. Wie man damit umgeht und wie man immer wieder zu neuen Ideen kommt."

„Wir sind glaub ich xxx, wir könnten aber auch A- sein, wenn wir nicht so diversifiziert wären. Sie meinen, dann versteht ja keiner richtig das Geschäft. Das mag auch richtig sein. Wenn man an der Börse ist und dann muss es möglichst einfach sein. Die Analysten können eine komplexe Struktur gar nicht beschreiben. Wir haben gesagt bei einem 6 Zylinder kann einer ausfallen und das Auto fährt immer noch. Wir sind bis dahin sehr gut damit gefahren. Wir haben uns natürlich auch beschränkt. Aber durch unsere Diversifikation können wir alle Themen die gerade modern sind mit einem kleinen Teil abdecken."

„Unsere Maxime heißt, die Haupt-Technologie, mit denen wir in den Endprodukten arbeiten, müssen wir im eigenen Haus haben.
So tut sich die Schere immer weiter auf, dass wir diese oder jene Anwendung machen wollen, so wird unsere Basis immer breiter. Es gibt Andere, die da gespart haben und

gesagt haben, man kann alles outsourcen, das muss man nicht mehr selber machen. Da schlafen wir heute sehr gut.
Unser Ziel ist nicht Millionen Stück und billig und einfach, sondern kundenspezifisch und mit hohen Anforderungen. Das ist unsere Stärke."

„Wir sind Opportunisten. Wir empfinden das nicht als böses Wort, sondern, das ist tatsächlich unsere Unternehmensphilosophie. Wir glauben nicht an Strategie. Wir glauben nicht an geplante gezielte Abläufe, sondern wir glauben an Marktopportunitäten. Wir versuchen uns so als Familien und Unternehmen aufzustellen, dass wir in der Lage sind Opportunitäten zu identifizieren und zu realisieren."

„Da kann ich nur gut sein, wenn ich mir ein schmales Gebiet aussuche, in dem ich der Weltmarktführer bin. Was heute in aller Munde ist: Die weltmarktführenden Mittelständler, darüber hat damals noch keiner geredet. Es war damals meine Idee, zu sagen: Ich muss die Nische so klein machen, dass ich in der Nische Weltmarktführer sein kann, also das Geschäft weltweit betreiben kann. Und wenn ich mich spezialisiere auf eine schmale Nische, wo ich abhängig von zwei oder drei Kundenbranchen bin, dann muss ich zumindest weltweit tätig sein, um zumindest das geographische Risiko zu steuern. Früher war es ja so, dass es keine Weltkonjunktur gab. Die Konjunkturlagen waren regional unterschiedlich."

Reasons for Spurts

„Die zwei Erfolgsfaktoren sind einfach zu definieren, Innovation und Internationalisierung."

„Ich denke jetzt kommt auch nochmal ein Wachstumssprung durch die Konsolidierung. Der Schub kommt mit neuen Leuten, mit der Organisation und Innovation."

„Wir waren einfach besser in der Forschung und Entwicklung als andere Unternehmen, und wahrscheinlich waren wir besser, weil wir stabiler waren. Wir haben nicht dauernd die Teams umgebaut. Sie durften eine Idee bis zum Produkt durcharbeiten ohne allzu viel Störung."

„Das eigentliche Wachstum auf der Zeitachse worüber wir sprechen, war eigentlich nur sehr eingeschränkt organisches Wachstum. Die großen Sprünge begründen sich insbesondre aus Zukäufen."

„Der Hauptschub war durch die Übernahme YY. Das war ein schockartiger Wachstumsschub. Ansonsten waren wir sehr erfolgreich in China, wir haben in den Jahren 1990 bis 2010 25-30% unseres Geschäftes in China erzielt.“

Size

„Sie müssen dann irgendwann mal eine Größe definieren, die sie dann mal erreichen müssen, um überhaupt in der Lage zu sein, diese Strukturkosten bezahlen zu können.“

„Also die schiere Größe war nie unser Ziel. Sondern es war immer die Kompetenz, die Qualität und die Performance.“

Additional Topics

„Wir haben auch schon öfter mal die Divise rausgegeben, weniger schnell zu wachsen. Weil wir dann einfach gemerkt haben, dass es mit der Qualität und Personal nicht hinter hergekommen sind. Es gibt einen relativ klaren Wachstumskorridor, den wollen wir auch nicht überschreiten, weil wir sonst ein Problem haben mit Überhitzung und dann ganz schnell das Vertrauen der Kunden verlieren. Wenn man alle drei Dimensionen beherrscht, die das Wachstum, ausmachen. Neben dem was sie gesagt haben, brauch ich eben auch diese Fähigkeit Menschen im Netz begeistern und steuern zu können. Das geht allerdings nur, wenn ich mir nicht jedes Jahr eine neue Strategie einfallen lasse und alle fünf Jahre der CEO wechselt, der sich ja beweisen muss.“

„Was ich immer gemacht habe, ist sehr viel Freiheit gegeben, als Unternehmer im Unternehmen. Das hat natürlich den Nachteil, dass es ein Mangel an Konzentration ist. Da hat sich auch einiges verselbständigt, da waren die Einzelnen zufrieden damit wenn es 4 Millionen Umsatz gibt im Jahr. Mehr kann er vielleicht nicht. Das war zwar für den Einzelnen gut, aber man hat viele Marktchancen verpasst. Manche Bereiche hätten unter einer anderen Führung auch drei Mal so groß werden können. Für mich war Wachstum nicht so das Entscheidende.
Wachstum hin oder her, ob meine Gesellschaft unter den 100 größten ist, ist mir relativ egal.“

„Habe ich am Ende Leute die begeistert sind für das was das Unternehmen macht? Ja, hier ist die riesen Chance eines Familienunternehmens, das diejenigen die das Unternehmen haben, das gleiche wollen wie ihre Mitarbeiter. Wenn ich eine Aktie kaufe, das ist mir egal was die produzieren, da frage ich mich nur bekomme ich in ein zwei Jahren meine Dividende oder ob der Kurs sich entsprechend entwickelt, und dann verkaufe ich die auch wieder, weil ich habe ja null Interesse an sich habe. Und

daher auch der Druck immer kurzfristig zu liefern. Weil sonst mein Investor ja abspringt und sagt ich kann ja auch wo anders hingehen. Also wir haben da ein Leitbild stehen, wir wollen Produkte haben, die Menschen helfen und das ist ja eigentlich das wovon die Mitarbeiter ja auch träumen. Und das ist dieser Bond, der dadurch entsteht, in dem man sagt, das ist eine gemeinsame Reise. Wir schaffen euch eine solide und verlässliche Plattform, wenn ihr euer Bestes gebt, dann geht das. Das hilft sicherlich in der Rekrutierung von Mitarbeiter. Mitarbeiter mögen die Stabilität und wir mögen ihre Verlässlichkeit."

„Es gibt ja immer mehrere Stellgrößen, wie sie Wachstum natürlich auch steuern können. Zum einen über die Profitabilität. Je stärker sie wachsen desto stärker strapazieren sie ihre Finanzmittel, desto stärker strapazieren sie ihre Organisation im Sinne von Vorleistungen. Dann strapazieren sie am Ende auch ein stückweit die Rendite durch diese Vorleistungen. Wenn sie irgendwann keine Vorleistung mehr treffen, können sie irgendwann nicht mehr wachsen. Das limitiert sich ja. Das ist immer so ein Stück weit auch ein Regler, wie schnell sie wachsen können, die Profitabilität. Wenn sie hohe Profitabilität-Maßstäbe haben, dann sind auch ihre Wachstumsziele ein Stückweit limitiert. Das ist natürlich eine Diskussion die ich mit der Familie immer wieder hatte, wie schnell können wir wachsen oder was müssen wir uns an strategischen Vorleistungen leisten."

„Es gibt den Willen, es gibt aber auch ein emotionales Wissen. Wachstumsstrategien oder auch Konzepte, in dieser ganzen Sache fehlt das Thema Emotionalität. Familienunternehmen haben nicht nur ein faktischen Wissen, sondern haben eine emotional ausgeprägte Basis für Ihr Tun. Jetzt ist das gerade für das mittelständische Unternehmen, das was den Unternehmer stark macht, nämlich emotional die Freude nach vorne, wie die Angst vorm Versagen. Das ist es, was ihn letztlich zum Handeln treibt. Er hat, weil er Eigentümer ist, die Angst vorm Versagen, unternehmerischen Versagen und das ist ein Treiber. Die zweite Seite ist, dass er vielleicht an Technologien interessiert ist, an Märkten interessiert ist, Produkt und Markt führen mag, was auch immer es sein mag. Das ist sicherlich im Nachhinein mit Fakten belegbar, aber es ist die ursprüngliche Emotion es tun zu wollen. Ich glaube es gibt viele Gründer, die sagen ich gründe ein Unternehmen, weil ich mehr Geld verdienen will. Aber ich glaube, wenn er es getan hat und er sitzt in dem Boot, dann entwickelt er eine Emotionalität zu seinem Unternehmen, zu den Menschen, die sein Unternehme ausmachen. Das eine ist die Willensbildung, das andere ist Kombination aus emotionalem Handeln und aus dem Willen, (…). Unternehmer sind Menschen, mit allen Vor- und Nachteilen, entscheidend ist dieser Mut, der Ehrgeiz, ja der Willen, (…) Und sie gehen dann auch höhere Risiken ein. Sie sind risikofreudiger in der Regel. Klar muss ich die Fähigkeiten haben und wenn ich sie nicht selber habe, muss ich sie einkaufen.

Und die Freude am Gestalten, warum bin ich Unternehmer, weil ich Freunde habe am Gestalten. Gestalten von Arbeitsplätzen, Technologien, Einfluss in Branchen. Diese

positive Seite, die kommt zu wenig vor. Lieben sie ihren Job? Wenn sie ihren Job lieben, machen sie immer mehr wie andere. Unternehmer sein ist sicher stark Fakten gebunden, aber es kommt eine riesen Emotionalität dazu. Sie ist der Humus. Ich setzte voraus, dass einer was will, dass einer was kann. Ich setzte voraus, dass einer eine Strategie oder Konzept hat, aber der Humus, dass das zur Tat wird, das ist eine spannende Aufgabe, der Reiz, auszutesten was man kann, wie man Dinge verändern kann, und daraus entsteht die Freunde für die nächste Tat. Das was sie im Kreis haben, kann ich mir alles besorgen und alles kaufen. Die Frage ist, welche Einstellung habe ich, was treibt mich.“

Source: Author’s own table

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6 Conclusion

Having outlined the summarized key quotations of the interview partners; this concluding chapter is designed to acknowledge the limitations of the study, to note the theoretical and practical advancements and to open avenues for further research. Furthermore, this chapter provides the consolidated answers to the research questions and an overall summary of the dissertation.

6.1 Limitations of the Study

6.1.1 General Limitations of Grounded Theory

The decision in favor of the research perspective of Grounded Theory goes hand in hand with a research focus that refers to the connection between theory and empiricism, as well as to processual developments. The consistent combination of theory and empiricism with regard to structures and processuality leads to a stronger degree of abstraction in research, which, however, has been grounded in the empirical evidence. This qualitative research perspective must face up to the accusation of subjectivity. The amount of subjectivity has been limited by abiding to the quality criteria outlined in sub-chapters 3.3 and 4.7.1.

A practical challenge of using Grounded Theory methodologies is that this type of research produces a large amount of data. Within Grounded Theory, multiple sources of knowledge are used to generate data and therefore the large amount of data becomes difficult to handle. A computer-assisted program can support the storage and the management of the vast variety of data.

Engaging in Grounded Theory requires a skillful researcher who is familiar with the different streams of Grounded Theory and their fields of application, as there is no standard rule-guided process to derive the categories and their interdependencies. Therefore, it is important for the researcher to become familiar with the different streams and their particularities to find the suitable approach of Grounded Theory for the respective study. Furthermore, it is important to properly use Grounded Theory and to refrain from an "anything goes"-mentality (Jones & Noble, 2007, p. 100). Therefore, it is important to document the way how the new knowledge is achieved

This research work has been carried out taking the specific individual perspectives of the interviewees into consideration. This has been done in order to follow the research philosophy of interpretivism and the research strategy of contructivistic Grounded Theory (Charmaz, 2014). The fact that this work is based on constructivistic thoughts leads to the reflexivity of the researcher (sub-chapter 3.7.2.3). The researcher and the audience must be aware that the model is based on a socially constructed reality between the researcher and the interviewee. However, to explore processual developments within companies, especially decision-making processes, in-depth interviews are a useful tool to break up unconscious processes. To enable this break up a trustworthy basis between the researcher and the interviewee is needed.

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Another limitation associated with Grounded Theory research is the presentation of the results in a written report. This is a difficult undertaking due to the simultaneity of the research process as mentioned before in this dissertation. Generating and analyzing data and engaging in extant literature are all done at the same time. The challenge is to make such a research process comprehensible to a reader. This requires a high degree of accuracy, reflexivity of the researcher and many additional descriptions in the individual chapters.

In addition to the general limitations associated with Grounded Theory, there are some special limitations concerning the group of respondents and the analyzed time frame.

6.1.2 Limitations of the Group of Respondents and Analyzed Time Frame

It would have been desirable to include more members of one family in the interviews to capture more viewpoints.[157] However, it has been achieved that non-family managers took part in the study, too. Their viewpoints have enhanced the theory building by adding a non-family perspective.

One could argue that a small number of interviewees cannot be generalized. However, this is exactly not the goal of Grounded Theory - to generalize observations. Grounded Theory aims to account for the idiosyncrasies of each case, and the comparison and connection with extant theory tries to depict processes. Further quantitative research could prove the relationship between the dimensions and variables provided by the derived model.

The sampled firms and therefore the interview partners are German. Hence, the findings display a special German cultural background. However, this is mitigated by the fact that the companies are multinational. Including cases from other cultural backgrounds could enrich the theory building in further research. However, researchers conducting studies on growth across different cultures have to account for the differences in macroeconomical growth, as noted in sub-chapter 3.7.1.1.

Growth is a time-dependent phenomenon. The researched period of 11 years gives suitable insights into growth processes, but addressing the long-term focus of family businesses, a longer time period would be desirable for further research (20-30 years). The long tenure of the interview partners mitigate the effect of the short observation period, as they offer a comprehensive overview of the whole growth history of the company.

However, not only further quantitative research could enhance the theory but also other qualitative methods such as longitudinal case studies could expand the insights. A longitudinal case study would be very helpful to include the perspectives of different family and non-family members.

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[157] In two companies, one additional family member was available for an interview.

6.2 Theoretical and Practical Advancements and Avenues for Further Research

6.2.1 Theoretical Advancements

This thesis contributes to the general growth theory by describing how growth processes take place in a special type of business. Abstracting from this special type of organizations, the derived behavior pattern introducing “Options”, “Need”, “Capabilities” and “Willingness” can be seen as a supportive tool to detect, design and implement general strategic decisions.

The openness of the Grounded Theory methodology has enabled the contribution to different theoretical lenses. Upper Echelon Theory seems suitable to explain strategic behavior patterns. The Resource-based View, in combination with thoughts of Dynamic Capabilities, has enabled a comprehensive model of growth processes in family firms and a potential abstraction to a general strategic behavior pattern.

The sequence of decisions in family firms is advanced by finding out that the values of the family impact the goal setting and these goals influence the management.

The multidimensionality model of growth of family firms developed here describes how growth processes in large and mature family firms evolve. “Willingness” is found to be the trigger of variations in growth. High growth can be attributed to a strong “Willingness”, having the “Capabilities”, the “Options” and the “Need” to grow. So far, research has only developed general models of growth which only answer different and partial questions. Research on family firms has made tremendous efforts in researching the components of growth, however, the insights in the underlying processes of growth are rather rare. The model developed in this dissertation offers theoretical insights describing comprehensive processes of growth accounting for the family influence.

6.2.2 Practical Advancements

Beyond the mentioned theoretical model and its theoretical advancements, this dissertation offers relevant guidelines for practitioners. The initial starting point of this dissertation was the observation of growth spurts, leading to the discussion of the Law of Three Generations. Although survival of family firms is a well researched topic, the mortality of family firms is under-researched (Stamm & Lubinski, 2011). The generally known Law of Three Generations is mostly based on anecdotal evidence and, as Stamm and Lubinsik (2011) state, only few empirical studies exist (Beckhard & Dyer, 1983a, 1983b; Ward, 1987, 2011). Therefore, this dissertation sheds some light onto the validation of the Law of Three Generations by disclosing root causes of growth in later generations of family firms, which could support their survival.

As outlined in the introduction, the studies by Ward (2011) and Beckhard and Dyer (1983a, 1983b) on shrinking survival rates in later generations and on the Law of Three Generations could cause families to fear the decline of their firms. This dissertation suggests growth as a tool to avoid the downfall of the family company. However, growth itself can cause fear to the family firm (sub-chapter 5.4). The implications derived in this dissertation should help family firms to overcome this fear, by showing that surviving with growth is an achievable path to longevity. No abnormal capabilities or options are needed to enable growth. The core of growth lies in the interactions of the dimensions, with a strong emphasis on willingness.

The different viewpoints of the interview partners, such as family members and non-family executives, offers the potential to develop practical insights for family members as well as for non-family managers. The two major results of this study which have tremendous implications for practicioners are the important role of willingness in the growth strategy on the one hand and – surprisingly – the not that important role of financing, as this is apparently not felt as a generally limiting factor, on the other hand. This work makes the claim to derive practically implementable guidelines which both, family members and non-family executives, can use to build their own strategy.

Another special and important feature of this work is that it summarizes the most important quotes of the top managers on the identified core topics.

6.2.3 Avenues for Further Research

Having outlined the limitations of this study and the theoretical and practical advancements achieved by this dissertation, the results and the research process itself open avenues for further research.

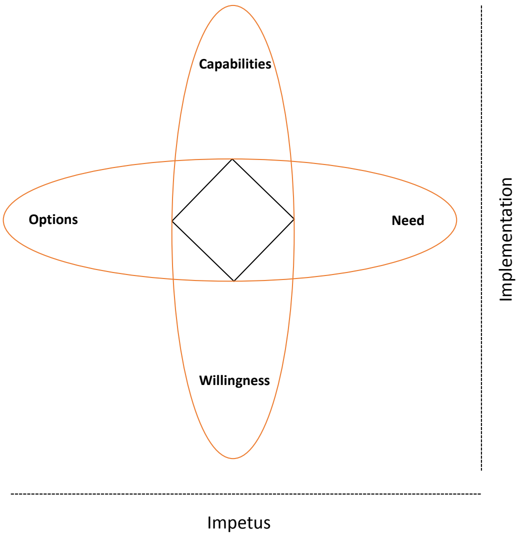
Model Based Further Research

The multiplicative nature of the derived growth equation could serve as further object of research. This multiplicative linkage could be quantitatively validated by studies based on larger samples. Further qualitative research could shed more light onto the weight of the different parts of the equations. Especially more interdisciplinary research with a psychological focus on the need to grow could be interesting, as suggested in the paragraph on the weight of "Need".

General Behavior Pattern

The derived model consists of the four dimensions which potentially seem to provide a more general model of action. Considering the multiplicative nature of the four dimensions, almost all strategic questions of acting could potentially be approached. The equation is condensed to four main dimensions: "Options", "Need", "Capabilities" and "Willingness". The dimension "Capabilities" consists of two sub-dimensions "Available Capabilities" and "Deployment of Capabilities", aggregated to "Capabilities" for reasons of simplification.

Figure 64 General Behavior Pattern



Source: Author's own figure

The four dimensions seem to depict a general behavior pattern. At the beginning of every action there is an impetus. This impetus can arise from "Options" or "Need". Screening the options and the need of the company is the first steps to initiate an action. The impetus to act can be seen as the reason to enable a process. Having identified the reason to act, the "Capabilities" must be checked according to their availability and suitability to fulfill the "Option" or the "Need". "Willingness" is concerned with the implementation of the "Capabilities" and the control of the entire process.

The example of innovation as a goal illustrates the theoretical generalizability. To trigger innovation activities, the impetus can arise from "Options" or "Need". "Options" are for example technological changes and arising opportunities to find new implementations for them. A "Need" could be the market demand for new products (e.g. new pharmaceuticals). Triggered by a "Need" or an "Option", the management has to clarify if suitable capabilities (personnel, capital, physical etc.) are available. Additionally, the management must be convinced that this is the right way to innovate ("Willingness").

The example of the strategic topics of growth and innovation show the general character of the derived model. These two strategic topics are components of the longevity of a firm. Therefore, the question arises if the construct of longevity can be further approached with this model? Further elaborations on the suitability and adaptability to new strategic questions are tasks for further qualitative and quantitative research.

Research on the Law of Three Generations

The dissertation started with the observation of growth spurts in later generations of family firms which contradict the Law of Three Generations. The present study has approached the question of why family firms survive the third and onward generation by using growth as a sign of longevity. The results of the studies, and especially the derived practical implications, can help subsequent generations to create a strategy to survive through growth. However, the research focus has shifted to propose a more general model of family firms' growth, as usually happens in Grounded Theory. Therefore, some further research on the Law of Three Generations must be carried out. So far, it has been determined that the myth of the demise within three generations is not only a problem of family businesses, it is a general risk better managed by families than by anybody else.

The risk that the exit rate of family business is high – some 70% in the first generation – is repeated again and again. These statements confuse the liability of newness and the liability of smallness, which are the reasons for these premature exits, with the criteria of family businesses. Lantelme (2017) compares the rates of forced exits (liquidation, distressed sale) of family businesses of a size similar to that of public companies over periods of 20 years, 40 years and more than 100 years. In all periods of comparison, the exit rate of non-family companies is significantly higher. This means: Being in business is a risky business, to minimize this risk one needs a special orientation on the business strategy first. Family firms have – according to what can be derived from the empirical evidence – a better orientation towards long-term sustainability. There are some indications that family companies having attained the third generation and a size of more than EUR 1 billion have almost reached a stage of "guaranteed" sustainability (Seibold, 2017a), while the large public companies continue to show their normal but high exit rates, which seems to be a normal phenomenon (Frericks, 2019). From 1991 to 2011 just one of the large industrial family companies disappeared, namely Krupp, through the integration into Thyssen-Krupp (Scherer, Blanc, Kormann, Groth, & Wimmer, 2005).

6.3 Answering the Research Questions

This sub-chapter is dedicated to answer the research question raised at the beginning of this dissertation.

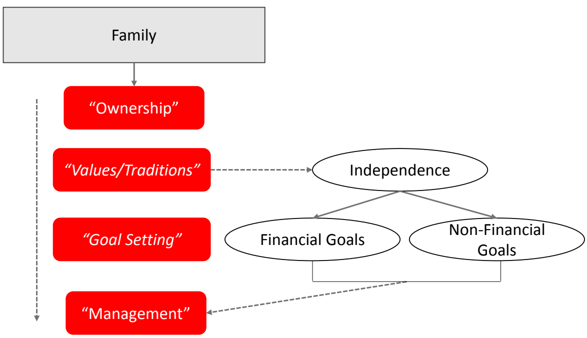
Q 1: How do growth processes of family enterprises evolve?

The goal of this research has been to build a theoretical model of growth which accounts for the family specificness. Engaging in existing literature and interview data, a theoretical model of growth processes of family firms has been built. This model consists of different categories (input, process, and output). These categories are comprised of code families. These code families are “Options”, “Need”, “Available Capabilities”, “Deployment of Capabilities” and “Willingness”. The interplay between the different code families is described as a multiplicative linkage. Each code family has a different weight within this equation. As the multiplicative nature requires, no component of the growth equation can be zero, otherwise, the whole equation would be zero in value. This theoretical linkage implies that the companies have to have all prerequisites, in fact “Options”, “Need”, “Capabilities” and “Willingness”. All of them must be used in order to achieve growth. However, there is one component of the growth equation which is of particular weight for growth: The “Willingness”. “Willingness” is the ability to translate intentions, motives, goals, options, need and capabilities into convincing results (successes). The importance of “Willingness” was described and emphasized by the interview partners.

Q 2: Which are the family-influenced components?

The input category does not show a specific family influence. “Options”, business driven “Need”, and “Available Capabilities” are generally available to all types of companies. Merely family driven “Need” depends on specific characteristics of family firms, such as the succession principle. The output category shows some family specific features, such as the emphasis on organic growth, the fact that the sampled firms have grown wherever it seemed attractive and that there is no industry-specific booster, as all industries are mature industries. The process in-between is influenced by the family. This process starts with the screening of the available “Options”, the “Need” and “Available Capabilities”. “Deploying” these resources and the “Willingness” to do so are influenced by the family through their values, traditions and goal setting.

Figure 65 Multigenerational Mindset



Source: Author’s own figure

Q 3: How are these components shaped by the family?

The overriding goal of the family is to achieve and maintain independence of the family firm. All goals, decisions and actions are aligned to this goal. Financial and non-finical goals of the family influence the actions of the management. In addition, the willingness of the individual in charge, whether she/he is a family member or not, can be navigated by the values communicated by the family. As outlined before, the willingness plays the crucial role in the growth equation and provides the greatest variations. Therefore, the variation in willingness provides one potential cause of the heterogeneity of family firms. As growth is one strategic component, the derived model could potentially explain other strategic components such as internationalization etc. If the further development of the model were able to refine it to a general strategic behavior pattern model for family firms, the explanatory power of willingness in explaining the heterogeneity of family firms would increase.

Q 4: Which practical-normative implications can be derived?

The objective of this study has been to build a comprehensive theoretical model of growth processes of family firms and to derive practical-normative implications for practitioners. Using qualitative research methods based on interviews with individuals in charge is predestined to serve as a foundation to derive practical implications. The interviews contain rich information on practical insights as studying the insights of practitioners allows to identify and focus on the relevant issues, as the practitioners are the individuals engaged in strategy. The practical implications derived are presented in chapter 5.

Q 5: To what extent can a Grounded Theory Approach be used to explain the phenomenon of growth?

Studies on growth are mainly associated with quantitative research designs. There is an overwhelming amount of literature concerning growth, so that deriving hypotheses from existing knowledge seems obvious. Furthermore, growth is a phenomenon that can be well described mathematically, therefore, quantitative approaches are used. This mathematical descriptiveness also explains the wealth of theories on growth in which individual, measurable variables are brought together into a mathematically describable connection. However, it is difficult to explain in-depth the “how” and “why” of growth by these quantitative methodologies. The use of a Grounded Theory method allows both an approach to the question of causality: "How" and "why" a company grows, and an approach to the question of the intensity of growth. The Grounded Theory approach has proven to be good because research on the family's influence on growth is rather limited. Many studies on the components of growth, such as diversification and innovation, or on personal attributes of the CEO exists. Furthermore, there is a larger stream of research on the growth of small family firms, however, this dissertation is interested in large family firms, as the strategy differs according to size.

The use of Grounded Theory methodology has enabled the use of previous qualitative studies and large quantitative approaches. Previous studies focus on specific attributes of growth and therefore provide a partial picture of growth processes of family firms. Grounded Theory provides the opportunity to use a huge variety of material and to create a bigger picture of family firm's growth.

A usually neglected reason for choosing a specific method is the availability of data. The author of this dissertation has had the privilege to be provided with access to the top management level of German family firms. Having the opportunity to interview this kind of decision-makers is rather rare. The access to these individuals has influenced the choice of methodology. Only personal qualitative inquiry was possible with these top managers, as they were not willing to engage in standardized questionnaires. Furthermore, the opportunity to get insights and to generate data from this management level should not be restricted by deductively derived hypotheses. Deductive research has the potential to overlook what the narrators consider important, as deductive research follows a predetermined pattern of questions. However, whatever is considered important concerning the specific topic mentioned by the interviewees has the greatest potential to create new knowledge. The special group of interviewees has also raised the need to use a method where the researcher has the opportunity to engage in reflexivity, as the experience and age gap have been rather large in this setting.

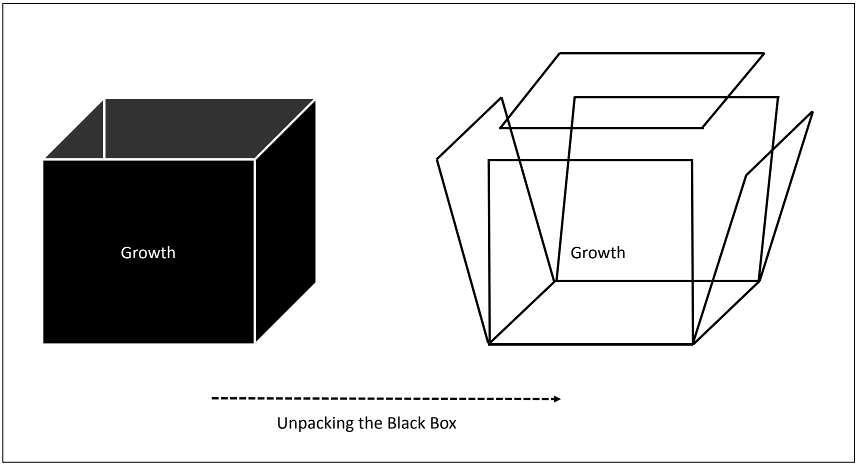
In retrospect, the interviews were conducted with admirable openness of the interviewees. Grounded Theory enables this openness to be transformed into theoretical knowledge, because the method itself approaches the question with the greatest possible openness.

Grounded Theory seems a suitable method to build a comprehensive model of growth of family firms, as this methodology allows putting together the puzzle pieces of previous research on this topic and using the treasure trove of insights of the top management level of large German family firms.

6.4 Concluding Summary

As the title of this dissertation promises: "*Family Businesses' Growth: Unpacking the Black Box*", this work endeavors to shed light into to this black box by slowly unwrapping the phenomena of growth.

Figure 66 Unpacking the Black Box



Source: Author's own figure

Observations of growth spurts in later generations of family firms have initiated this research. Engaging in the life cycle of family firms reveals the observation of the Law of Three Generations. However, the observed firms showing growth spurts represent the opposite to this law, as they show growth spurts in later generations of the life cycle. This has led to the question of "Who survives and why"? Engaging more and more in life cycle theory and the observed variations in the growth of family firms, growth seems to be a crucial path to survival. Therefore, the questions of the roots of the observed growth have become central for this dissertation.

Literature has been screened in order to find explanations for the spurts. Simultaneously to this, interviews with the top leaders of the biggest German family firms have been conducted. These first steps of research have offered a broader research focus: **The development of a comprehensive theoretical model of growth of family firms which aims to explain the observed variations in growth.**

The synthesis of existing literature and theoretical models, as well as the insights from the large amount of data produced by the interviews and secondary sources, have led to the derivation of a comprehensive theoretical model of family firms' growth. This model offers insights into the input, process and output factors of family firms' growth. Especially the process reveals a strong family influence. Willingness of the managers in charge has been found to be the core factor in the process of growth and therefore, the explanation of the variations in the growth performance and thus the explanation of the growth spurts. The developed model shows a multiplicative linkage of dimensions of growth: "Options", "Need", "Capabilities" and "Willingness". This multiplicative composition implies that if one of the dimensions becomes zero, the whole equation and therefore the growth becomes zero. Thus, all dimensions are needed to create growth. However, willingness has the most crucial role in the equation of growth.

In addition to the finding of the central role of willingness, the non-crucial role of financing growth should be acknowledged. This is a counter-intuitive finding, as the literature and the prevailing opinion attribute financing a central role in growth. However, through their values and traditions, the families offer conservative financing to the family company. The values and traditions influence the whole growth strategy, as the overriding goal is to maintain independence and therefore the growth strategy is adjusted. The sampled family firms tend to grow organically to spread the needed resources over a period of time. This is also a counter-intuitive finding, as growth spurts are mainly associated with large acquisitions. Growing organically is accompanied by an opportunistic strategy to grow wherever it seems attractive, but along the developed core competencies of the family firm.

In addition to this, as this has been another important research goal, practical implications have been derived for family members and non-family executives to provide them with guidelines to ensure survival and longevity through growth.

For the family the essence of the findings is: **The family should get involved in the search for growth in order to encourage the management.** And for the family CEO as well as for the non-family management this also means: **Get the family involved to assure the shareholders´ support for growth projects.** As the examples show: **Growth is not a blessing or a miracle, it is the result of options which are captured with willingness to deploy sufficient capabilities.**

This dissertation has started with the tragedies of some industrial families, such as the Rockefellers, the Guggenheims or the Trottas, who became victims of the curse of the third generation. However, although the insights gained in this dissertation can no longer help the past victims of the third generation curse, they can serve the still living family businesses as the cornerstones of a forward-looking strategy to ensure survival.

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