



1 Introduction

1.1 The Phenomenon under Research

“This Business Shall Last Forever” (Leon A. Danco, 2011)²

This is a dream of many founders³ 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 companies⁴ 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 assess 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.

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.

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-fictional world that are relics 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 companies⁶ the Merck KGaA, founded in 1668, is the oldest company.

Seibold (2017a) summarizes that during his education, Heinrich Emmanuel Merck⁷ 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 Morphinum 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 Smith⁸ 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, & Rösen, 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).

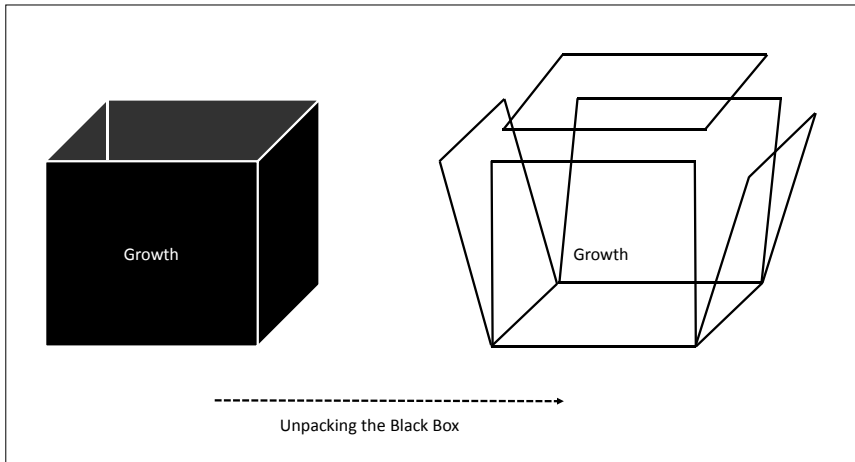
guidance to survival. Therefore, this dissertation analyzes growth performance of large and old family businesses.

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 aims 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 Bosch¹¹. 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.

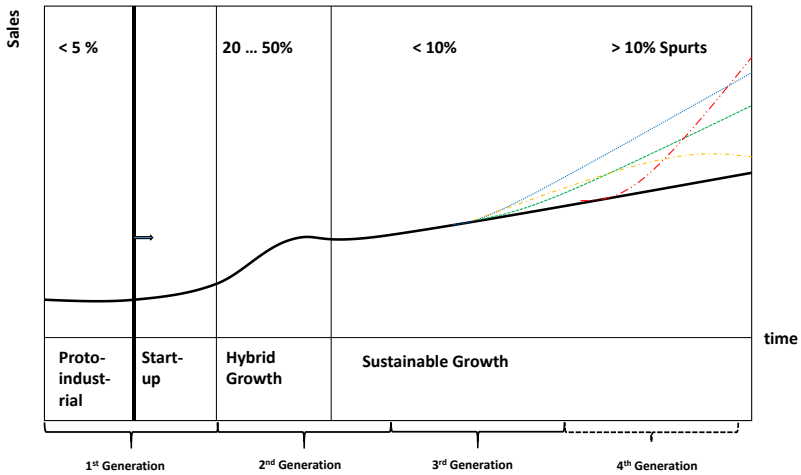
This dissertation is part of a whole research project as will be described in sub-chapter 1.4.

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 model¹² 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 Merck¹³ 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.

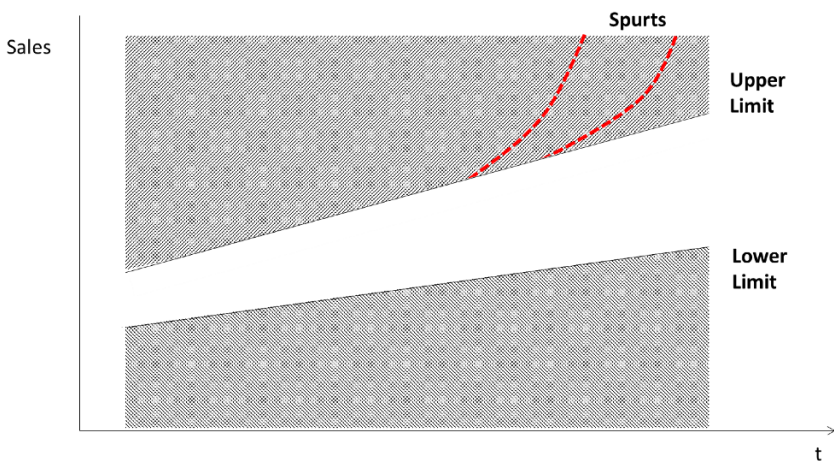
The Merck Story is the narrative of a nearly 350-year-old German family-owned business. There are several more old companies that can look back on a colorful past, starting with a small craftsman shop, a pharmacy or as a self-employed merchant. All of these stories have one thing in common, they all 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.

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 survival.

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.

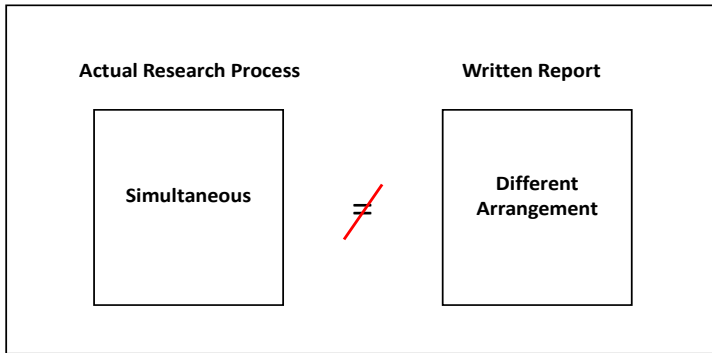
Engaging further in the research on growths stages of family firms, an interesting phenomenon appears (Seibold et al., 2019). From prior research (Ward, 2011) it is known that only 15% pass through the third generation. However, calculating growth rates of second and onward generations shows that there 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 performance¹⁶. 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.

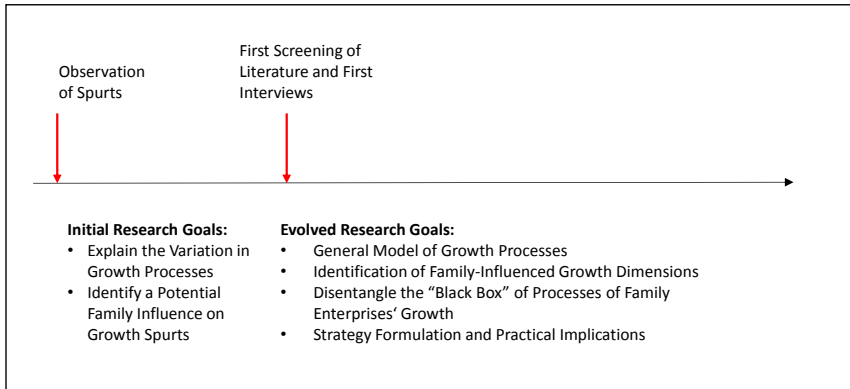
This work is intended to serve various aims. Comparing and evaluating views of successful leaders enables the development of a theoretical model and practical implications at the same time. The development of the theoretical model aims to enhance the theoretical perspectives on growth and to offer a 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

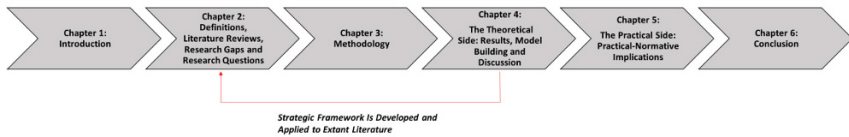
1.7 Structure of the Dissertation

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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