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.

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[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."

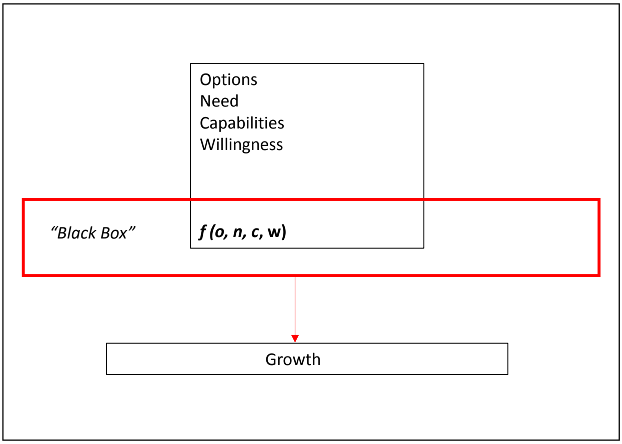
L. K. C. Seibold, *Family Businesses' Growth*, Familienunternehmen und KMU,
https://doi.org/10.1007/978-3-658-29396-3_4

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



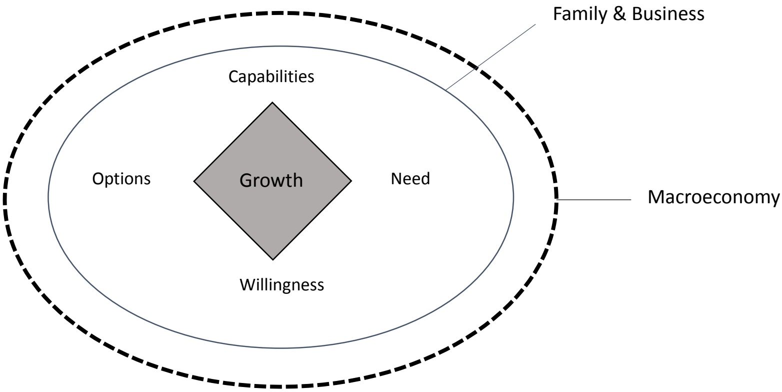
Source: Author's own figure

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

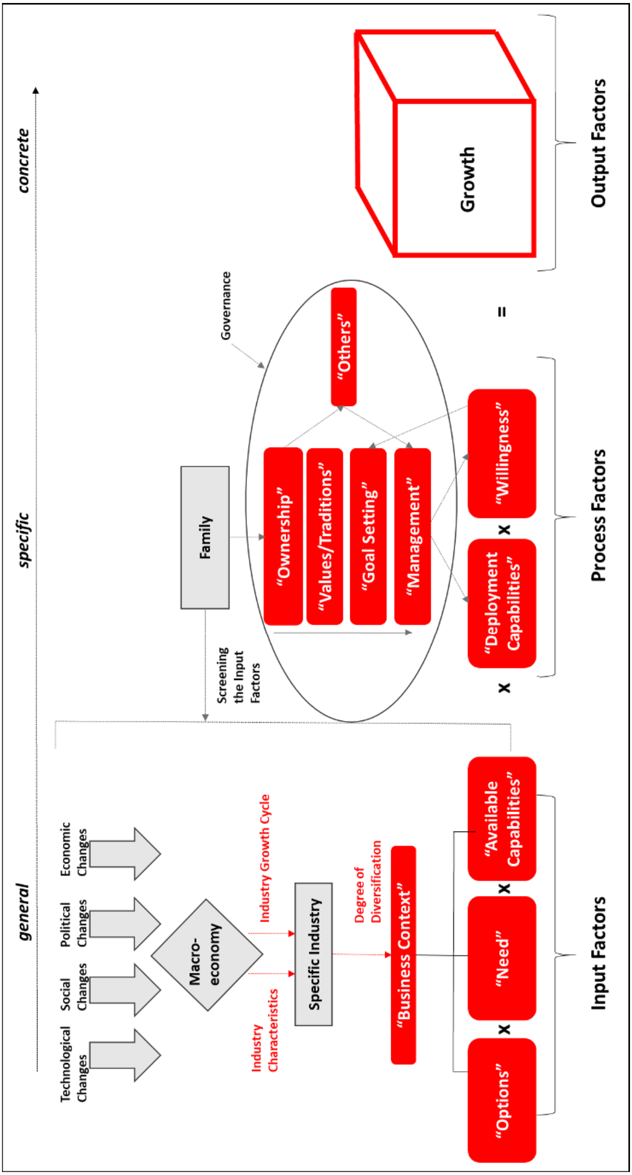
Moving back and forth between the theoretical models of firms' growth and the data,[87] the concept of a system theoretical structuring emerges: Input, process, and output. Recently, these structuring elements have been more frequently used in entrepreneurial research (e.g. Lumpkin et al., 2011; Röd, 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



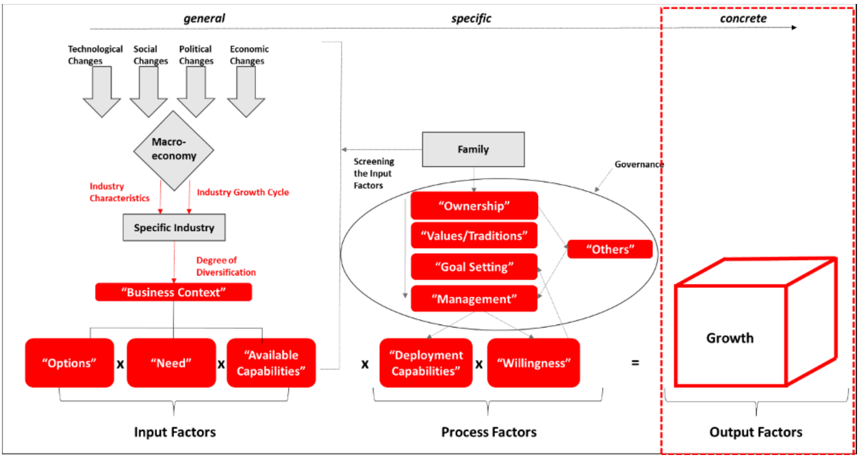
Source: Author's own figure

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:

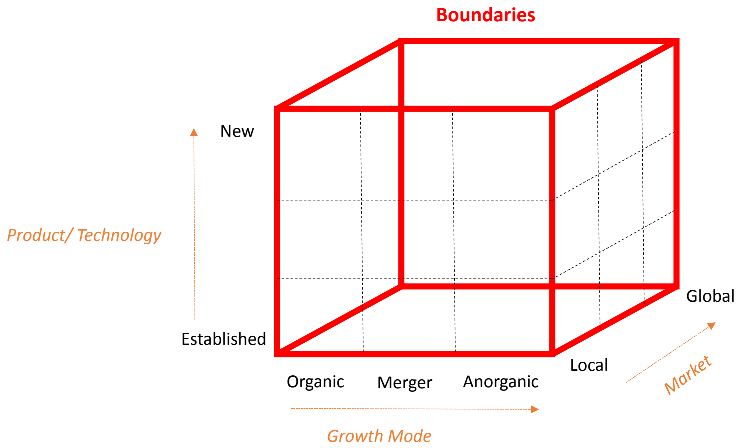
- The superior growth rate (no public company achieved the same rates without a major and large merger)[88]
- Emphasis on organic growth
- The sampled firms grew wherever it seemed attractive, but along their evolutionary path
- There is no industry-specific booster, as all industries are mature industries

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

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[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).

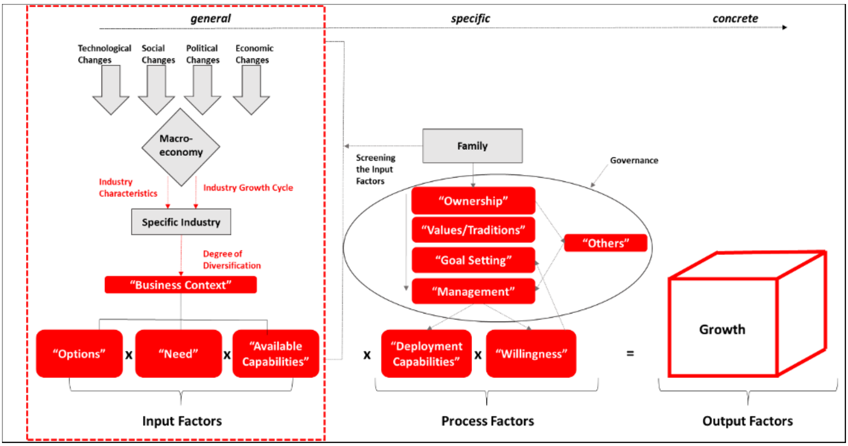
merger) and the emphasis on organic growth. There is no industry-specific booster, as all industries are mature industries.

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

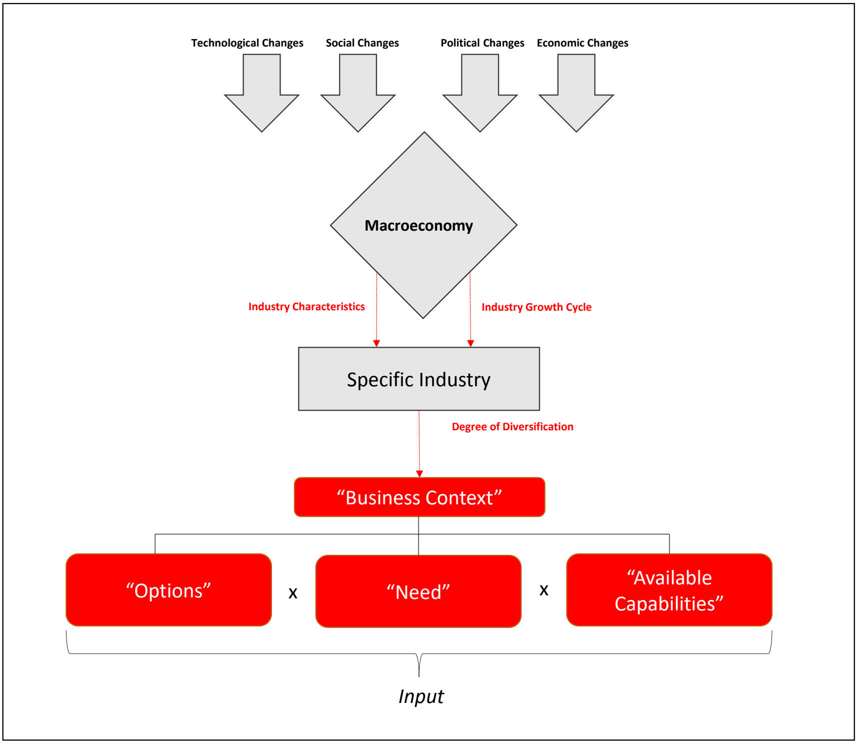


Source: Author's own figure

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).

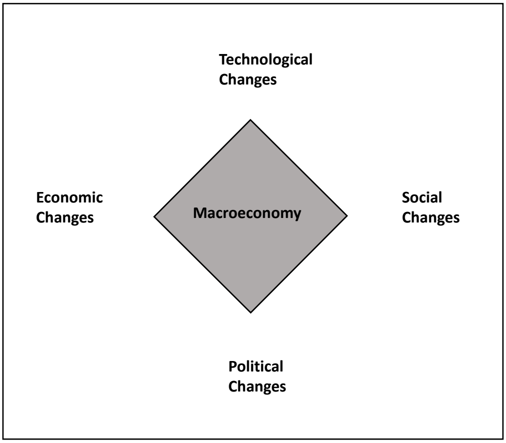
Economic Changes

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.

[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).

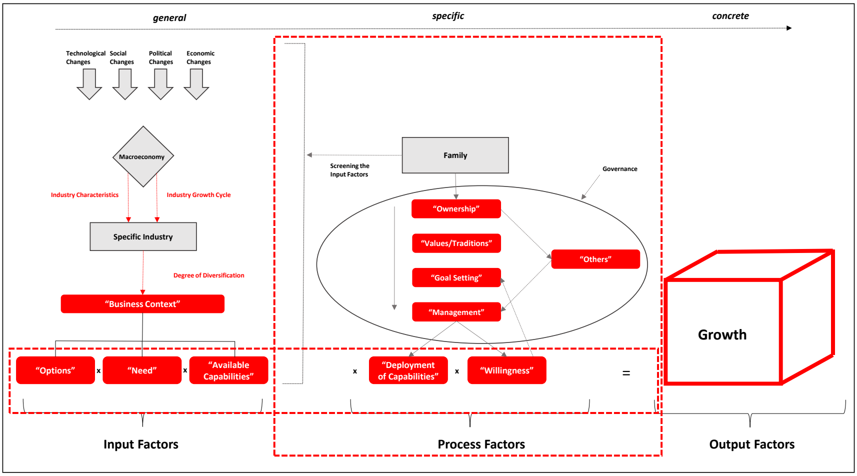
Technological capabilities play an important role in manufacturing companies. For example, the technological readiness level is an important indicator as a signal to customers (I. (1) 520-522).

[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.

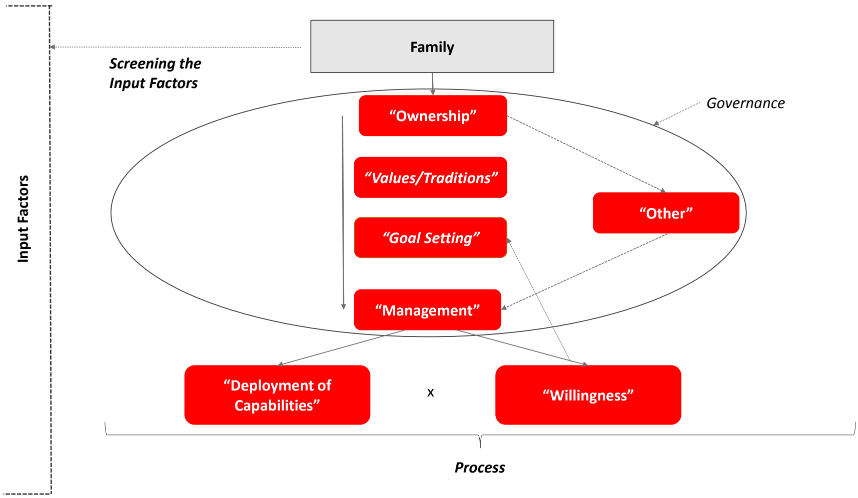
Figure 54 Entire Model: Process Factors



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.

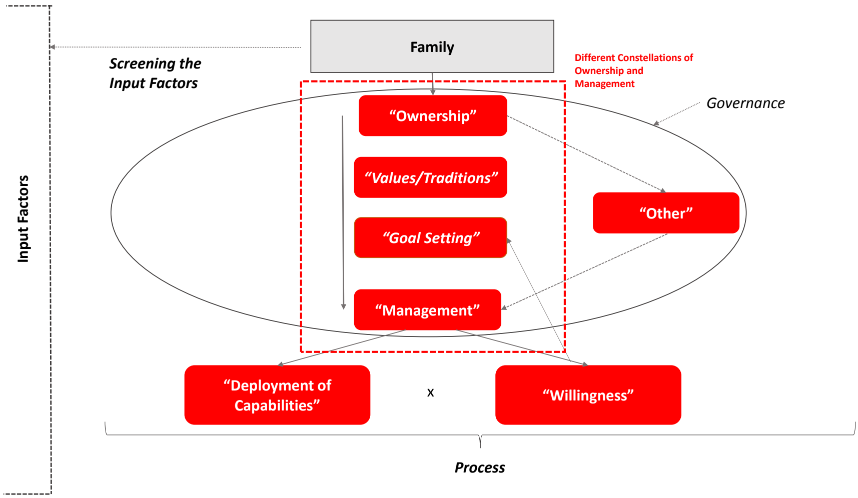
The influence of the management on the deployment of capabilities and therefore on long-term strategic components is very well researched. Literature on areas of growth, such as diversification, innovation or the modes of growth, such as organic and anorganic, as well as financing growth, is large. However, 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.

[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.

[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.

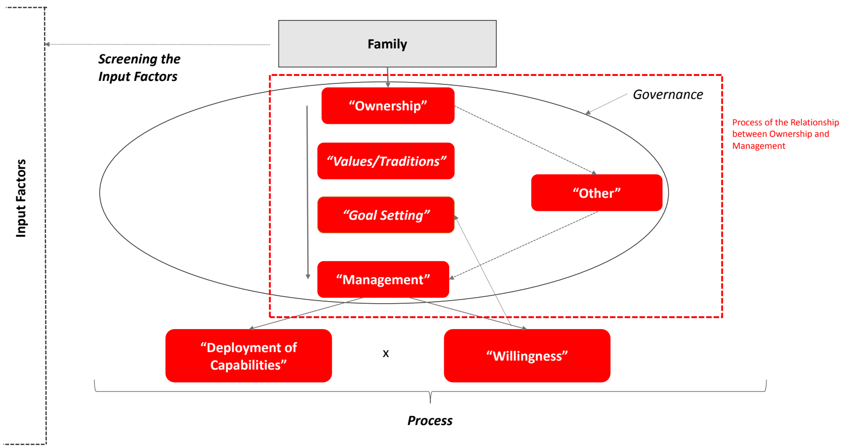
> ***"We are extremely close with each other, we talk a lot with each other, we coordinate with each other with the greatest familiarity."***[111] (L. (1) 184-185)

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

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[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).

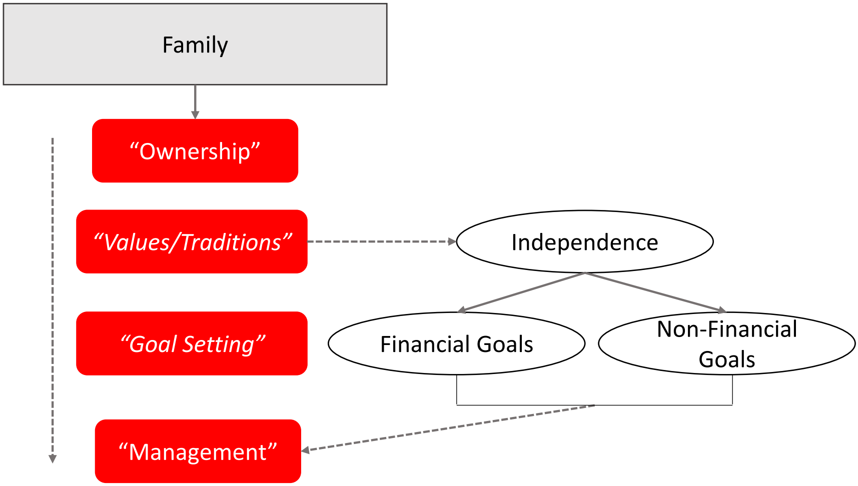
The successors see it as an opportunity but also as a challenge to enter the company. On the one hand, the company has survived for decades and the successor does not want to be the first to make a far-reaching wrong decision. On the other hand, the longevity of the company gives the successor the opportunity 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).

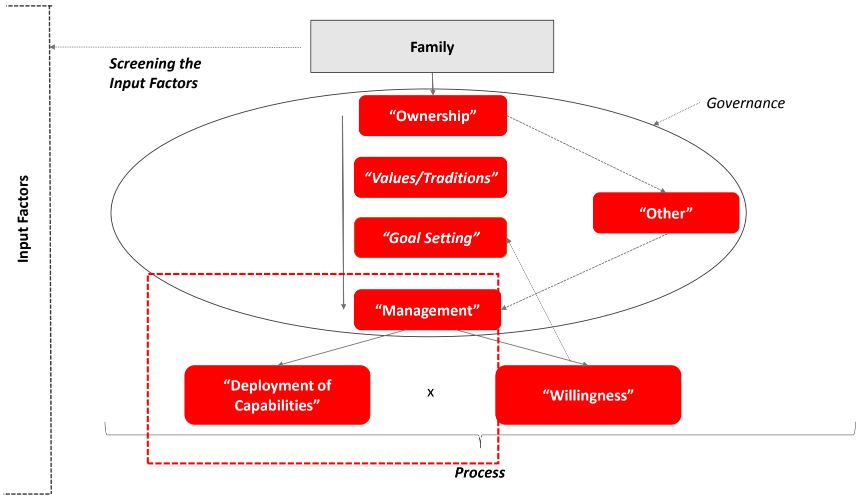
Non-financial goals include goals such as preserving harmony (Sharma & Manikutty, 2005), loyalty (Sorenson, 1999), maintaining social statues and linking the family image with the business (Sorenson, 1999).

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]

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[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).

[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.

[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

[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]

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[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).

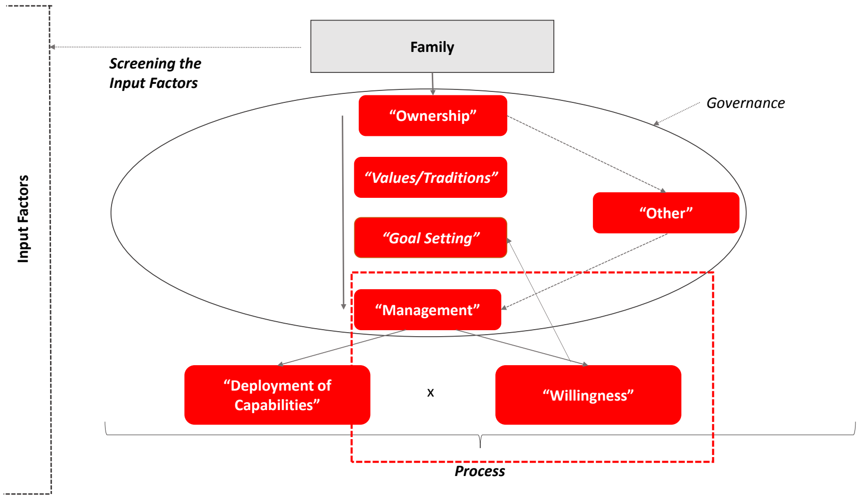
This case illustrates that growth spurts can be attributed to acquisitions. The pattern started with the *need to grow* due to the consolidation wave of the industry urging the family company to merge. The reacquisition triggered the growth spurt of the family company. There was an intrinsic *willingness* 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.

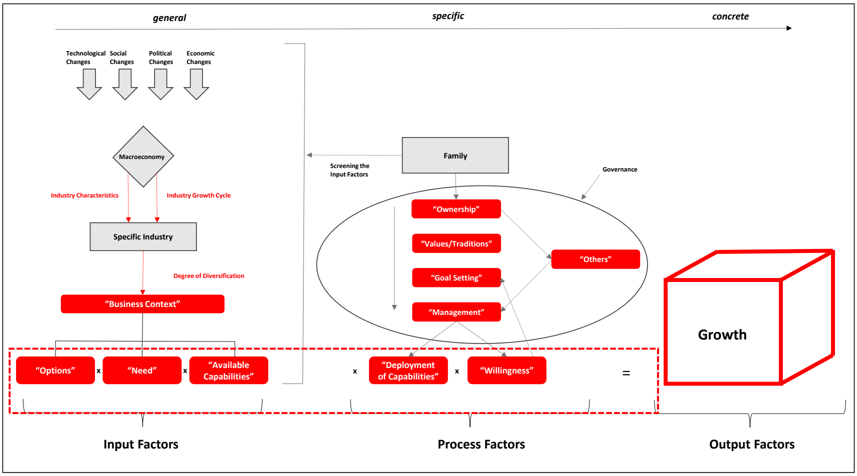
Willingness is named as one of the most important factors for growth, as willingness is necessary to complete the decision to grow (sub-chapter 4.6.5) and to overcome difficulties during the implementation of the decisions and the follow-up. To find ways to shape the willingness of the management, the 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 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

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[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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