

# What Type of Innovation for the Family Business? Preliminary Considerations on the Intersection of Business Family Identity and Innovation Practices

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**Abstract:** In this paper, we investigate the relationship, until now under-examined, between business family identity (made of claims, values and beliefs as well as identity aspirations), innovation practices and the related innovation outputs. By means of exploratory case-study-based research design, we found that business family identity, which in our cases is one with organizational identity, is deeply intertwined with innovation practices. This intertwining is the key to explain the different innovation histories of the two firms under investigation as well as their different innovation outputs, specifically what we called “on-track” and “off-track” innovations. By “on-track” innovation, we mean a type of innovation that follows the path traced by the previous generations whereas by “off-track” innovation we mean the creation of new businesses. This paper provides both theoretical and practical implications.

## 1 Introduction

In the global competitive arena, firms innovate to survive and to gain economic prosperity but there seems to be no single recipe for success in innovation efforts. While possible innovation strategies, their effectiveness in different contexts and the resulting types of innovation are largely debated issues in the innovation management literature, the same cannot be said for family business literature. In fact, despite the fact that innovation in family businesses as a research field is gaining increasing momentum, a gap seems to exist on what type of innovation family firms do. Several studies have focused on family firm distinctiveness in the innovation process, with respect to non-family firms, and on family related factors that influence, positively or negatively, the innovation process. Frequently these studies distinguish between innovative and non-innovative family firms, rarely do they investigate how they innovate and what the outputs of the innovation process are (for notable exceptions see De Massis et al., 2016). The gap appears quite remarkable as innovation in family firms is deemed even more important than in non-family firms due to their vision for continuity and transgenerational succession (Chua et al., 1999). In addition, the family firm’s distinctiveness in the innovation process is widely recognised in the literature (Rod, 2016), thus making results of innovation management research on non-family firms not easy to apply at family business level.

In this paper we investigate how family firms innovate, focusing on the relationship, previously under-examined, between business family identity, innovation practices and the related innovation outputs<sup>1</sup>. We investigate this relationship by adopting a qualitative research methodology based on two interpretive case studies. Despite business family identity and innovation having been studied extensively by family business scholars, their mutual relationship has scarcely been

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<sup>1</sup>In framing our introduction and the following theoretical background, we have employed the theoretical concepts that actually emerged from our study. In the interpretive research approach used here, the theoretical concepts and framework are grounded in and emerge from the data and analysis (Glaser & Strauss, 1967; Strauss & Corbin, 1990), rather than being derived from prior theory that guided data collection and analysis. We prefer to employ the more traditional presentational strategy of providing a theoretical overview first, to preview the major findings and emergent model, for the sake of clarity. It is important to keep in mind, however, that these concepts actually emerged from the study itself (along with consultations with relevant literature that were guided by the emerging thematic analysis).

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examined up until now. In previous studies, more attention was devoted to other family-related factors to explain innovation, e.g. power and control, but some scholars suggest that they might best be viewed as a “symptom” of identity (cf. Cook & Yanow, 1993; Orlikowski, 2002).

In line with Nag et al. (2007), we observe identity by going beyond a pure cognitivist position to embrace a socio-cognitivist view that is deeply practice-embedded. As we were interested in innovation, we focused on the relationship between business family identity and innovation practices. We found that business family identity, which in our cases is one with organisational identity, is deeply intertwined with innovation practices and this intertwining is the key to explain the different innovation histories of the two firms as well as their different innovation outputs, specifically what we called “on-track” and “off-track” outputs. By “on-track” innovation we mean a type of innovation that follows the path traced by the previous generations whereas by “off-track” innovation we mean the creation of new business.

This study contains theoretical insights that have potential for reaching beyond the specific instance.

The paper proceeds as follows. First, we provide a theoretical background on business family identity and innovation in family firms. Second, we introduce the research context providing two brief vignettes of the cases. Third, we give details of the research methodology. Fourth, we present the emerging findings. Fifth, we discuss results and draw some conclusions.

## 2 Theoretical Background

### 2.1 Business Family Identity

Organisational identity describes how organisational members develop a shared understanding of the inner processes, workings and culture of the organisation and how this understanding affects the behaviour of these individuals and organisational strategy and change (Ravasi & Schultz, 2006).

This argument is particularly applicable to family firms, which develop distinctive organisational identities because of the integration of the various beliefs that originate from the family and the business, often tied to their common history (Zellweger et al., 2010). Current research emphasises that family businesses are hybrid identity organisations (Whetten et al. 2014) which indicates a need to differentiate between a business family identity and a family business identity (Frank et al. 2016, Suess-Reyes, 2017). In the cases under examination, we observed a high level of family identification with the organisation, intended as family members’ “perceived oneness” or “sense of connectedness” with the organisation (Ashforth et al., 2008).

Thus, we focus on the business family identity, which in the cases in examination is one with the organisational identity. In fact, family business research argues that family and organizational identity tend to be overlapping creating a mutually shared understanding of “who we are” and “what we do” in “our family’s business.” (Dyer & Whetten, 2006).

In line with Lerpold et al. (2012), we understand identity as the result of the interplay of three closely connected and sometimes overlapping elements: formal claims; beliefs and aspirations, i.e. a future-oriented, anticipating concept that captures a possible but unrealised future identity. In this paper, in line with Nag et al (2007), we aim to expand our understanding of family business identity by moving beyond the usual cognitive focus and acknowledging a more important role for work practices. This means that in addition to providing a cognitive frame (made of formal claims, beliefs and aspirations) for the work practices in which members engage, family business identity inheres in work practices. In fact, when family members strongly identify with their business, they encourage actions in line with the business family identity (Ashforth and Mael 1989) and as such leverage the “familiness” of the business (Suess-Reyes, 2017).

### 2.2 Innovation in family firms

While the literature on innovation in family firms is developing rapidly, a lack of empirical studies with a specific focus on the impact of family factors on innovation outputs still exists (Rod, 2016). Frequently, studies on the impact of family related factors on innovation outputs are limited to assess their magnitude, e.g. number of patents (Ashwin et al., 2015), number of patent citations (Block et al 2013), incremental/radical innovation (Alberti and Pizzurno, 2013; Kammerlander and Ganter, 2015; Chrisman et al., 2015). Only a few scholars go beyond these measures of magnitude and these basic forms of innovation outputs (Wagner, 2010; De Massis et al., 2016).

Moreover, while the literature is rich in empirical findings on the family firm’s distinctiveness in the innovation process and on the family factors that account for this distinctiveness (frequently compared to non-family firms), only a few scholars have made the effort to unpack family heterogeneity and investigate how family factors may affect innovation practices and outputs (Hall et al., 2001). This is in line with a recent call to focus on differences between families in family business studies and on the different outputs that business families strive for and achieve (Jaskiewicz and Dyer, 2017). Recently research has increasingly been conducted on the level of the business family rather than the family

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business, and a growing number of studies describe bidirectional effects between families and their firms rather than unidirectional effects of how families influence firms (Jaskiewicz et al., 2016; Powell et al., 2018).

We aim to address this call investigating how business family identity affects innovation practices and outputs, and vice-versa, in two empirical cases. Business family identity emerged, during the qualitative analysis, as the main distinctive aspect of the two companies considered, which could explain the emerging differences in innovation practices and outputs.

### 3 Research Context

The findings of this study are best understood in the context of the two companies’ historical evolution. Each study covers a period of more than a century, from the foundation of the two companies at the beginning of the 20<sup>th</sup> century until now, corresponding to 3 generational changes in both cases.

The case vignettes presented below are short extracts of extensive case descriptions. These extracts represent the comprehensive empirical observations that support our interpretation and results.

#### 3.1 Case Vignette Dried Fruit

Dried Fruit (DF) began as a fresh fruit trader in 1908 and started to trade dried fruit in 1914. From the very beginning, the founder, Benedetto, showed a strong vocation for marketing, exceptional care in packaging and presentation of products and attitude for developing a solid network of relationships with both producers and sellers, initially at local but soon extended to national and international level. In 1922 the founder’s son, PLII, at the age of 17, entered the firm and a 23-year-long period started in which father and son worked together under the leadership of the older man, until 1945 when the son took the driving seat of the business. During this time, PLII initially shadowed his father and learnt the rules of the game, gradually identifying his role as a network-man. In fact, father and son soon became interchangeable in managing daily business, but they gradually started to specialise, the founder focused on the production process while the son on development of the network. This period was characterised by intense innovation mainly in the logistics process, with increasing warehouse automation and the design and development of a sort of refrigerated proto-container to transport fresh fruit by train to northern European countries. Also on the side of connections, the network of producers that relied exclusively on DF to sell their products further expanded. When PLII succeeded his father, since the beginning of his time at the head of the firm, he focused on organisational, commercial and financial innovations to allow the company continuous growth. He started collaboration initiatives in Europe, founded commercial organisations in foreign countries to export fresh products and signed the first clearing payment agreements. The organisation became more articulated and complex. The administrative headquarters reached the number of 40 employees, and 12 branches of the company opened in Italy with related warehouses and production centres. At the same time, the company continued innovating production processes, with the introduction of new technology for hot and vacuum processing of dried fruits, under the father’s supervision, who kept working into old age. At the end of the sixties, the third generation entered the firm. First, the three older sons of PLII started to cover positions within the company and then, almost ten years later, the youngest son entered the firm. In 1978, GBIII, who inherited the entrepreneurial spirit of his father and grandfather, took over the firm and soon emerged as the brand-man. In fact, the third generation focused on the creation of a modern brand, with a complete renewal of the image of dried fruit that acquired new meanings and functionalities as a healthy and ready-to-eat snack food, suitable for athletes, vegans, young and, generally, people who wanted to be in shape. During this period, DF strengthened its leadership in the field of dried fruit, with a widespread distribution network at national and international levels. While the new generation focused on brand building and marketing initiatives, the father continued his role in network building and reinforcing. He founded an organisation with four competitors to import fresh fruit from non-European countries and he was head of several national associations of foreign trade. In 2003, MattiaIV, a member of the fourth generation, entered the family business after the untimely death of his father, PLII’s third-born son. MattiaIV was put at the head of a new large high-tech production plant, under the supervision of the then quality manager, a person of his uncles’ choosing, with great experience and competence. The new plant allowed them to produce soft preservative-free dried fruit through a new pasteurisation treatment. The new factory, unique and of worldwide significance, allowed the company to triple its production capacity and to manage R&D in close contact with production. In the meanwhile, in 2005 the first flagship shop was inaugurated in the heart of the town where the founder started the business, to remember PLII, recently passed away. Marina, his first-born daughter, led the project. She created the shop on the same premises where her grandfather had started the firm and looked after every detail starting from the furniture that she recovered and restored from an old bakery, dating back to 1908. After the successful opening of the first shop, the retail project continued with the opening of new stores in Milan and Turin.

The company growth was huge and, after less than 10 years, the factory’s production capacity started to become insufficient to satisfy the needs of a growing market. MattiaIV and his team of collaborators started to plan a new, largely automated production site, designed according to Industry 4.0 principles, intended to become one of the largest and most advanced dried fruit production sites in the world. The investment required huge economic resources, a breakthrough

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innovation like never before in the centenary history of the already innovative family business. MattiaIV really wanted the new factory that doubled the production capacity of the previous productive site, and was highly efficient and environmentally sustainable. The new plant was inaugurated in 2016 and, in the same year, MattiaIV officially took over the company. 2016 closed with a turnover growth of 20% compared to the previous year and of 100% compared to 2011. In addition, the number of employees doubled in 5 years. MattiaIV believes that highly qualified personnel are a fundamental pillar of the company innovation and success and recognises his collaborators' role in the development of the new, futuristic production site. In 2015 another member of the 4<sup>th</sup> generation entered the company, Manuel, Marina's son. Manuel continued the retail project that his mother started and he is in charge of real estate management for the company.

### 3.2 Case Vignette Honey

Honey began as a trade and transportation company in 1918 by means of Domingo Parodi I, son of a fruit and vegetable grower and seller at a local open market. The company trucks were used to transport fruits and vegetables from the countryside to the town and back and to transport bricks to build houses from the town to the countryside. Domingo I then moved on to transporting only building materials made of wood. With the earnings he invested in livestock and milk production that one of his children took care of, petrol concessions (which another child took care of) and strengthening the business of transport of wooden building materials (which he left to a third child, Santiago II). Santiago II consolidated the business started up by the father, without introducing any specific element of newness. On the contrary, Nelson Juan III, son of Santiago II, introduced several changes into the business. Around 1970, he added woodworking to the transportation business by opening a huge, mechanised and high-productivity sawmill which is still active and whose neighbourhood has been named after him. In those days, there were neither roads nor electricity in the area and Nelson Juan III took care of all these activities. Furthermore, he started to export wooden building materials to other countries. His young son, Diego Damian IV, not at all interested in studying, entered the firm at the age of about 20, in the late 1980s. His father challenged him by asking him to find a way to use the many scrap shavings of the wood processing inside the sawmill. His suggestion was to use them to produce beehives, whose production was in those days underdeveloped and without any standards. In 1994, thanks to the intuition of the young Diego, the company traded in the beekeeping sector as a hive manufacturer. A modern, automatic, beekeeping, woodenware-materials production line was developed to manufacture beehives sold all over the world. The versatility of the machinery allowed the company to change its manufacturing models quickly adapting to the great variety of beehives used around the world. The company still produces and provides the standardised production material but that is no longer the core business. Indeed, a few years later, the company entered the honey trade sector and now it purchases and exports honey everywhere. Such a move was suggested to Diego by two main factors. On the one hand, many customers paid for the hives with honey, propolis and other honey-based products. Such payments were accepted willingly because these products were characterised in those days by continuous price growth. On the other hand, beekeepers increasingly asked Diego - who already exported lumber - to export their honey as well. In the 2000s, Diego left the sawmill business to a brother and focused exclusively on the honey trade, also starting to buy honey abroad. It was in these years that a very important non-family member entered the company, Santiago Herrera. He graduated in agronomy with a great interest in beekeeping (he used to raise bees in his garage). He was engaged in organising apiculture seminars at the university and there he met Diego who immediately understood his potential and hired him. In the mid-2000s, he was put in charge of the honey trade in Europe while Diego focused on honey trade in the United States. By selling drums of honey bought around the world to Italian honey brands such as Ambrosoli, which produced blends for companies such as Ferrero, Santiago Herrera perceived the opportunity of producing blends for the confectionery industry. In 2007, the company started bulk honey processing operations, namely homogenisation and pasteurisation. The company delivers homogenised honey to the industry in jars, buckets, drums or tanks and cooperates with clients in order to develop together the formulas and mixtures of honey that better fit different needs and budgets. Recently, due to a sharp decline in the price of raw honey on the market, Diego and Santiago Herrera decided another great change. The company, which has so far sold to large producers, entered the B2C sector. Recently it established the B2C unit for the development of retail products based on honey: La Dolce Vita, Beebad (energy drink sweetened exclusively with honey, without the addition of refined sugars or taurine), Mr. Honey & Mrs. Fruit (spreadable), and Apisalus (medical gauzes). Currently, the fifth generation is already at work, with Diego's son, Santiago, 23 years old, who deals with social media, necessary in the management of a B2C business to create brand awareness, attracting new customers and keeping customers engaged.

## 4 Research approach and methods

Using an exploratory case-study-based research design (Eisenhardt, 1989; Yin, 2003), we adopted a grounded, interpretive approach based on the informants' voice. We, as researchers, further interpreted and structured the positions of the respondents, as well as secondary data, in light of both contextual factors and prior theorising (Strauss & Corbin, 1990) to develop a final emergent model.

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June, 30<sup>th</sup> -July, 4<sup>th</sup>, 2018, Milan, Italy

Over a period of nine months, we conducted in-depth interviews in both companies with several family members currently involved in the management and their closest collaborators. Given that, in both cases, the decisional power is strongly in the hands of the family, we are confident that the interviews well represent the rationale behind innovation decisions. As regards previous generations, we had to rely on secondary data. In the case of DF, we could rely on two valuable secondary source that are that are company anniversary books. The first was written in 1983 by the son of the founder to celebrate the 70th anniversary of the company’s founding. This publication reconstructs in detail the history of the first 70 years of the company through the eyes of a precious informant, who entered the firm at the age of 17 and led it for almost 33 years from the age of 40. The second dates back to 2008 and reports interviews with several family members and their main collaborators as well as pictures that well represent the evolution of the company along 30 years of history. In the case of Honey, we could interview one member of the last generations, the 4th, that currently runs the company and a couple of non-family members that are currently employed in the company. As regards previous generations, we relied on letters, documents and recorded interviews.

Please find in parenthesis the code names of the interviewees that are mentioned in the Findings section.

Table 1. Information sources

	Dried Fruit		Honey	
	Family members	Non-family members	Family members	Non-family members
<b>4th generation interviews</b>	CEO (Mattia IV)	Trade marketing manager	CEO (Diego Damian IV)	Production manager, CEO of European chapter (Matrunita)
<b>secondary data</b>	Company reports, press reviews, recorded interviews on local media		Company reports, press reviews, recorded interviews on local media	
<b>3rd generation interviews</b>	President			
<b>secondary data</b>	Company reports, press reviews, recorded interviews on local media		Nelson III Company reports, press reviews, recorded interviews on media	
<b>2nd and 1st generations secondary data</b>	Publication for the 70th anniversary (by PLII), publication for the 100 anniversary letters, company reports, press reviews		Letters, company reports, press reviews, recorded interviews on local media	

Interviews varied in duration, but they approximately lasted 30 minutes each, and all were recorded and transcribed verbatim.

As we collected the data, we also inductively analysed it, adhering closely to the guidelines specified for naturalistic inquiry (Lincoln & Guba, 1985) and constant comparison techniques (Glaser & Strauss, 1967; Strauss & Corbin, 1990). Through this analytical approach, we finalised a theoretical framework that linked the phenomena that emerged from the data. We checked the interpretive framework with the informants to be sure that it was sensitive to and affirmed by those who lived the phenomena described.

## 5 Emergent Findings

The study of the history of innovation in the two cases involved a number of complex phenomena, but the intersection of business family identity and innovation practices was pivotal in understanding what we observed.

The most prevalent theme in the interviews and secondary data sources, for both companies, is their business family identity, made up of claims, aspirations, values and beliefs.

The two companies’ business family identities that emerged from the data are deeply different from one another, while showing some similarities.

Identity claims are a visible ingredient in the construction of a family identity.

In DF, innovativeness is claimed to be part of the family’s DNA, i.e. a genetic trait that is passed from father to son. Innovativeness is accompanied by a family predisposition towards risk taking and a cautious attitude towards change. GBIII clarified this position, speaking of the investment in the new production site in 2003: “*This huge investment shows the entrepreneurial risk propensity of the family and its strong will to always count again and again on the firm, without giving in to the temptation of so-called diversification*”.

Another aspect of family business identity that curbs change is love for the homeland that appears in each generation, from the first to the last, and represents a clear framing of their investment choices. Attachment to the homeland emerges as a core value of the family from the founder’s words: “*We want to bring everywhere the precious fruit of our beloved*

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*land, the land of our fathers, so generous and kissed by the sun*”. The link to the decision-making process in innovation emerges, e.g. from the words of Mattia IV, speaking of the decision to build the new futuristic plant in his ancestors’ land, not far from the first-ever company headquarters. He said, *“We could have gone abroad, everything would’ve been easier, but we wanted to stay here, near to our roots, in the land that we have loved for generations”*. This choice also reinforced the “glocal” identity of the business family. In fact, this aspect of identity was apparent from the very beginning, as GBIII claims: *“The global dimension of the economy was already clear to my grandfather (the founder, ed.), and it’s what allowed us to become global leader of a niche market, like that of dried fruit, remaining strongly attached to our roots. We have a glocal DNA”*. The mutual relationship between an increasingly aware “glocal” identity and several innovation decisions of the company in this direction gives rise to innovation within the business, far from *“the temptation of so-called diversification”*.

Love for the homeland and innovative DNA are enacted in several innovation practices of DF, such as those connected to new knowledge input. The propensity for localised search, i.e. search for new knowledge near the usual business, and for developing relationships mainly upstream and downstream in the supply chain well represent the striving towards innovation connected to the territory, achieved by employing local resources, local people and contacts near the usual business. Process innovation, which aims to obtain better products, lasting for longer times in perfect conditions, since the early Noughties also organic, soft and preservative-free, derives from the continuous search of the best technology in the food sector. The founder, in his son’s memory: *“(my father) was always curious about new equipment, tools and their practical applications and took part in trade fairs abroad to keep abreast of any technological developments in the field”*. Today, product innovations as well as changes in packaging and packet sizes cannot be separated from an accurate monitoring of data on consumption patterns from the points of sales, but also trends for food consumption at global level, market trends and, of course, the manufacturers sensitivity in the field. Interviewees frequently mention *“coherence”* as a family value that also affects any innovation effort of the company. Moreover, the company’s continuous attempt to nurture long and fruitful relationships with members of the supply chain or even competitors within the industry is part of the above-mentioned localised search activity that aims to foster *“coherent”* innovation. For example, the opportunity to bring DF products to the tables of consumers throughout Europe in the post-WWII period, derive from PLII’s enormous dedication to cultivating relationships with customers and trade organisations in foreign countries, also adopting new commercial and financial solutions for payments (compensating balance agreements<sup>2</sup>, clearing payments<sup>3</sup>). In the same difficult time for trade, PLII promoted a business network with several competitors to import fresh exotic fruit and reinforced the relationships with local farmers. In his words: *“I’ve always strongly believed in structured collaboration. For this reason, I started several initiatives abroad, founding commercial organisations to distribute fresh fruit, I founded the national General Food Company and I have led the local association for foreign trade for several years”*.

Among the beliefs of the business family, those regarding the new generations, in general, and the successor, in particular, deserve special attention as they emerged clearly from the interviews.

It is a shared belief that the right successor is one who inherits the spirit of the entrepreneur and accepts the mission to continue the business family identity. In the words of Mattia IV: *“The biggest error that an entrepreneur can make is to decide to leave the business to his child, regardless of their attitudes. The right successor is one who shares the vision and the mentality of the entrepreneur and consciously accepts the burden”*. As PLII wrote speaking of his father: *“Benedetto (the founder, ed.) was lucky enough to recognise in his son his own talents of character and initiative and the two walked together”*.

The identification and the subsequent training of the successor is achieved through a long mentorship. Each member of the new generation has worked for several years alongside a member of the previous generation before taking the lead of the company. This period of mentorship is described as very important for training new generations and can be viewed as an innovation practice that is aimed at transferring past knowledge of the business. Working together is also a favourable time to share the family mental models that will drive the successors’ future initiatives by providing them with an interpretative framework of the reality that is a direct expression of the business family identity and somehow limits the scope of what is possible, also in the field of innovation. Within this framework, trust and full consideration of the young generation’s perspective emerge as important values for the family. As Mattia IV says, speaking of the project of the new high-tech plant: *“When I submitted the idea to my uncles, it was quite clear that they did not fully understand its potential. Notwithstanding that, they trusted me. I think it is right to consider different perspectives. This year I’m 40 and I realise that someone who is 20 can see things that today I don’t see”*. The uncles’ trust was rightly placed in the young successor, who had been working closely with them for ten years, at that time. The new industry 4.0 factory allowed a substantial increase in the production capacity, a further improvement of product quality and a reduction in environmental impact.

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<sup>2</sup> Compensating balance agreements: bilateral trade agreements to regulate the exchange of goods between two countries. A company could sell its products in a foreign country receiving in payment goods of an approximately equal value to be sold in the country of origin. It was a sort of return to barter to overcome problems connected to a highly fluctuating exchange rate due to growing inflation. They were soon replaced by an intra-European clearing payment system.

<sup>3</sup> Clearing payments: intra-European payments scheme settled in the second post war period, based on a clearing mechanism, so that each country would be expected to seek a balance with all members of the Union as a whole, thus minimising the need for dollars to settle imbalances.

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Mutual respect and consideration for each other's opinions are basic values of the family that also characterise the relationships between members of the same generation and with members of the previous generation who normally stay in the company long after succession. These values underpin a participative process of decision and strategy making that the interviewees describe with reference to important innovations in the company history. For example, GBIII recalls a critical moment in the history of DF at the end of the '70s when the difficult international situation forced the company to change its export policy towards Arab countries that in recent times had become an important part of the business. In his words: *“In that decisive moment the whole family (the 4 siblings of the 3<sup>rd</sup> generation, ed.) became one with the firm and we took courageous decisions that changed our destiny”*. Specifically, they decided, through a participative decisional process based on a frank and open discussion, to focus on the internal market and to make a great creative effort to innovate the meanings associated with the product. GBIII, speaking of that time: *“The effort to innovate products at the end of '70s involved all the senior management. We discussed and analysed all aspect of the products, names, packet shapes and colours, by means of an intense teamwork that used the creativity of us all, from the older generation to the most recent arrivals (the old father PLII, the three elder siblings who had entered almost 10 years earlier, and the youngest brother who had just arrived, ed.)”*. The innovation process also took advantage of the relationships with distributors, in the words of GBIII: *“We consolidated the relationship of trust with distributors to change the product image and seasonally adjust it. Gradually shops and supermarkets, that used to return unsold goods after Christmas time, started to keep them on shelves throughout the year”*. The product innovation process, that started at the end of the '70s and reached full completion almost ten years later, had an impact on the company identity by enriching it with new connotations while not distorting it. As GBIII claims: *“By working together, we deeply renewed the company image without losing our identity”*. Later in the '90s the company makes a firm commitment to invest in organic production and to reduce waste and pollution, thus reinforcing its identity as an environmental and health conscious company. Environment awareness and attention to health and well-being are traits of the business family identity that have characterised the company choices since the beginning. As GBIII says, *“We have always been health-conscious, also through hard choices. Like when, during the '70s, my father (PLII, ed.), who personally appreciated grapefruit because of its nutritional value, was among the first to import it from Israel. Grapefruit, a then unknown fruit in Italy, is very healthy but also sour and bitter, not easy to appreciate for most”*. Health- and environment-conscious DNA emerges in several important investments in the process innovation of the company. The construction of new, technologically advanced, factories, first at the beginning of the Noughties and then only 15 years later, goes in the direction of innovating production processes to make them even cleaner and to provide consumers with natural, good and healthy products to enjoy at any time of the day. The latest high-tech plant allows them to obtain crispy, naturally coloured, sugar and preservative-free fruit chips, by means of a very innovative process. Recently the company also decided to apply this process to vegetables. The result is a brand-new line of crispy vegetables, e.g. carrots, broccoli, courgettes, tomatoes and beet, in single-dose packages to enjoy any time of the day as healthy snacks and for happy hours. This choice aims to expand the sets of consumption opportunities of the company products, further confirming the company's innovativeness. Another important belief of the family regards its feeling towards employees, who have always been considered as a great value for the company. Indeed, the consideration of non-family members within the company has evolved since the first generations to the present day, when they are recognised as important vehicles of new knowledge for innovation. As Mattia IV admits: *“The recruitment of a number of young collaborators, highly skilled and motivated, allowed us to work properly on the innovation of the production processes and, now, we have the most advanced plant worldwide”*. The previous generation too recognised the importance of some non-family figures who contributed with their expert skills and experience to innovation, for example in the brand development in the '80s or in the design of the new packaging. As regards the first generations, the consideration of non-family members within the company has always been positive and the relationship with them described as of mutual trust and respect. The founder and his son were grateful to their collaborators who *“have always given us an inestimable support for growth, with mutual respect of rights and obligations”*, as PLII wrote in the acknowledgments at the beginning of the 75<sup>th</sup> anniversary publication. In short, feelings towards non-family members have always been positive and, in recent times, some family members have admitted that they significantly contributed to innovation. Notwithstanding that, a clear dividing line seems to exist between family and non-family members within the company, with the decisional power and senior management positions strongly in the hands of the family. This has ensured continuity and preservation of business family identity in innovation.

In Honey, self-descriptions of interviewees emphasise the fact that they are a family of traders, with a strong trading orientation, inherited through the generations. The focus on trading rather than production is reflected in the fact that manufacturing activities are delegated either to co-producers (such as, for example, in the outsourcing of energy drinks) or to non-family members, hired for their competencies in manufacturing (such as, for example, in the case of the Director of the processing plant preparing industrial blends). In addition, localisation choices confirm such a trader identity: *“Our main plant in Europe is strategically located within a port area from where we can reach all the main cities in Europe and Northern Africa. By coincidence it is located near the homeland of our ancestors but the choice has nothing to do with nostalgia for origins: it is simply convenient to distribute our products!”*. Compared to a more manufacturing-oriented culture, the family's trading orientation allows them not to become trapped in a specific business but rather to explore new ones. As Diego IV declared: *“Since the beginning of our entrepreneurial endeavour, we have expanded in every sector that could allow us a good profit by investing our revenues. We changed our business when needed, without regrets. If we spent our time in a plant to optimise the production processes, we could not catch opportunities for new business”*.

Paper submitted to:

R&D Management Conference 2018 *“R&Designing Innovation: Transformational Challenges for Organizations and Society”*

June, 30<sup>th</sup> -July, 4<sup>th</sup>, 2018, Milan, Italy

Such an explorative identity (both Diego and his father define the family as a “family of explorers”) is confirmed by the narratives shared by the family members. All the family members interviewed and documents reporting excerpts of previous generations tell the story of the ancestor, who *“left Italy at the end of the 19<sup>th</sup> century and emigrated to the New World with nothing but himself and his adventurous spirit”*.

Such a collective sense of self (*“we are traders and explorers”*) not surprisingly affects both the search for new knowledge and how the family members interpret such new knowledge. It seems to be the driving force behind the many network relationships developed by the family members throughout the business life cycle. Such relationships have been very influential in undertaking new business paths. For example, the trade of honey was “suggested” by the hive buyers and the production of honey blends for the food industry was an outcome of continuous relationships between the family members and their customers as well as the customers of their customers (forward integration strategy).

In Honey, family values are often expressed by means of the bee metaphor, though the family entered the beekeeping sector only with Diego Damian IV. Despite that, the bee is used as a representation of the central character of the family. In the words of Nelson III: *“We choose the bee to represent our family because it gathers many of the values and ideals in which we believe. We love its industriousness and its social behaviour without conflicts”*.

On the same line, Diego Damian IV expresses a kind of profession of faith, opening and closing with a reference to bees: *“We believe in the nobility of bees. We believe in the family as a social unit and refuge for the human being. We believe that work gives dignity to man. We believe that life should be the centre of true progress. We believe in the bee as a sentinel of ecology”*.

Such a recurrent reference to bees and hives and to what they symbolise is constantly enacted in decision making (both related to innovation practices and not) and ongoing dynamics within the family firm.

Indeed, well defined roles and structure, typical of a hive, imply that the decision maker in the company is always the member in charge, possibly after having listened to other family members, in line with a consultative decision making i.e. one person rules and decides with advice from the others. As noted by Diego IV: *“My father was always listening to me but while he was in charge he had the last word. This was the way to make decisions in our family”*. Nelson adds: *“Our decision making is quick and informal (sometimes over the phone). If we do not reach consensus, we know that it is the member in charge who has the burden of the decision making”*. For example, when in 1994 a hive structure was obtained as functional as possible, a divergent opinion between Diego IV and Nelson III emerged as regards the ISO certification. Nelson III, in charge in those days, opted for creating (for the first time) a standard for the hives rather than adopting a tailor-made approach and started to sell them all over the world.

Furthermore, in the hive there is no room for more than one Queen Bee. Similarly, also in Honey, there is no room for brothers, sisters, cousins or other relatives. Brothers of the N+1 generation start up different enterprises. For example, the three sons of the founder took on different businesses: livestock and milk production the first, petrol concessions the second and only the third continued in the business of transport of wooden building materials.

The choice of partners to be involved in family innovation efforts also seems to be influenced by the dominant mental model (i.e. the bee): *“We chose XX (a famous football team) as a partner of our marketing campaign because we share a common identity. We found an analogy between the team-work of this football club and the one of the bees, who always work as a team, achieving concrete results thanks to a tireless work of defence, attack and construction”*.

Another belief which serves as the backbone of innovation practices enacted by Honey is synthesised in the following excerpt: *“We are firmly convinced that our positive results in the generational transition are due to the fact that every generation works hard until the last day, yielding however the power still at a young age to the new generation”*. This facilitates the introduction of new ideas and perspectives - brought by the youngest generation - that might be conducive to new businesses (as indeed happened in every generational change, with only the exception of the second). Connected to this, there is the belief that the goal of the family member in charge should not be to create a successor in his own image but rather to develop his/her autonomy and ability to create new opportunities for the family business. It is worth noting that the only member of the family (Santiago II) who carried on business “as usual”, without any change, was never mentioned by the other family members during the interviews. It is not surprising that Honey does not adopt long mentorship programmes to shape the new generations but rather identifies self-contained, low risk tasks to assign to the youngest in order to develop his/her abilities and intuition/creativity. As Diego says: *“My father decided to find a way to make money out of the wood pieces that came from the woodwork and he assigned that task to me. He set the problem but he did not help in solving it!”*

Another important belief shared by the family under investigation is the importance of being open towards non-family members. In the words of Diego IV: *“Our staff is our most valued asset. The company hires whoever shares our values and is committed to our project. Our family is an enlarged family!”* It is worth noting that, in Honey, non-family members also sit in top-management positions (see for example the CEO of the European sector of the company), bringing in their knowledge and competencies.

Current identity claims and current beliefs and values, however, are not the only identity-related frames affecting behaviours, including the innovation practices in focus here. Identity aspirations i.e. “what we want to become” also have an impact.

In DF, family members place great emphasis on the concept of continuity intended as preservation and perpetuation of their fathers’ endeavours. As PLII wrote: *“The entrepreneurship and the hard work of a man and his continuators live in the tradition of a firm”* and *“I hope that my sons, like-minded and industrious, could continue to improve and make progress in the same tradition as always, working more and more and better and better”*. The father’s aspiration is



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June, 30<sup>th</sup> -July, 4<sup>th</sup>, 2018, Milan, Italy

echoed in the words of the son, *“Anyone who works in DF, from the top manager to the last worker, knows that the family’s greatest satisfaction is, above all, continuity and more work, conceived as “viaticum” for life, stronger than all inevitable disappointments and bitterness”*.

In the case of Honey too, family members refer to continuity and endurance of their entrepreneurial endeavour, as nicely underlined by the words of Nelson III: *“I look forward to seeing the new generation at work. We want to give continuity to the life project that our ancestors have designed. The projects for the future will be brought by our sons, with the vision of the new generation that will renew the company. Our task will be to provide new projects with a focus and to provide the youngest with advice, based on the experience gained over many years”*.

However, as the previous excerpt testifies, in the case of Honey, the concept of continuity has a different meaning than the one attached to DF identity aspirations. The perceived responsibility felt by Honey family members is not to guarantee the continuity of a specific business but rather to guarantee the success of the family business, whatever it is. Such a different meaning allows the family not to be anchored to past activities but focused on new entrepreneurial endeavours.

## 6 Discussion

An overarching revelation of our study is the importance of recursive interrelationships between business family identity, and innovation practices: the innovation practices adopted by the two companies studied here affected and were affected by their business family identities, made of claims, aspirations, values and beliefs. This study also suggests that the intersections between these major concepts have theoretical and empirical implications for how scholars think about business family identity, account for established innovation practices and, consequently, understand and study different types of innovation outputs in different family firms. Overall, the study confirms that the concept of continuity, which has been widely studied in the family business literature and generally considered as a pillar of family firms’ success (e.g. Lumpkin and Brigham, 2011), is not a monolithic one (e.g. Salvato et al. 2010). In fact, it is an important part of the business family identity and, as such, it may show huge differences between firms, as indeed happens in the cases examined.

Another aspect that emerges as a discriminating factor in the cases we studied is the two companies’ risk taking and change orientation. The prevalent notion in the literature is that family owned firms are more risk- and change-averse than publicly owned firms (Cabrera-Suárez et al., 2001; Gersick et al., 1997; Kellermanns and Eddleston, 2006). This seems quite reasonable as families of family firms often stake their entire human capital and financial capital on their enterprises, which might lead to the adoption of firm policies that are risk-averse in nature (LaPorta et al. (1999) and Morck and Yeung (2003)). However, a debate is emerging on whether family firms take on higher or lower risk. Overall, some scholars have started to ask which kinds of family firms take more or less risk and found important relationships with family values and beliefs, which are basic elements of business family identity.

We found that different concepts of continuity in family identities and different risk taking/change orientation, deriving from different family identities, gave rise to different types of innovation outputs in the cases examined. Specifically, innovation in DF follows the path traced by the previous generations which is what we have called “on-track” innovation. New products, new meanings and functionalities associated with products, new processes, new markets help to continue the business concept of the founder, investing - thus putting at risk - a huge amount of money in the enterprise without diverging from the path. On the contrary, the type of innovation pursued by Honey is what we have called “off-track” innovation. Breaking new paths characterises this kind of innovation, which allows the creation of new businesses whenever better opportunities come, by initially investing a small amount of money - thus limited risk - and having no hesitation in leaving the usual business to start something new.

In the following sections, we elaborate on these and other insights available from the study.

As regards continuity, it is a multi-faceted construct, the meaning of which is open to sense making, and therefore different business families interpret it differently (Drozdow, 1998; Gioia and Chittipeddi, 1991; Gioia, Schultz and Corley, 2000). As observed by scholars such as Drozdow (1998) and Kaye (1996), family business literature seems to have an implicit bias in favour of continuity interpreted as persistence in the founder’s business. Nevertheless, as already noticed by the above-mentioned authors as well as by Salvato et al. (2010), continuity can have a much broader meaning. Continuity could be related to the preservation of a specific mission, to the preservation of family values and beliefs, and so forth. The two cases under investigation are a clear example of two different interpretations of continuity, though the topic is very relevant for both of them.

While in the case of DF, continuity is interpreted according to the dominant interpretation (continuity of the founder’s business), in the case of Honey, continuity is continuity of the entrepreneurial spirit of the family and its value orientation (Salvato et al., 2010; Naldi et al., 2007). Continuity as perceived by Honey allows it not to become trapped in an industry-specific definition of continuity (Lambrecht and Lievens, 2008). Such an interpretation is and was shared among all the family members and through the different generations thus allowing the family to experiment in different sectors, from transportation to building-material production, from beehive production to honey trade, from B2B to B2C honey productions. Differently from what is reported elsewhere (e.g. Salvato et al 2010), this interpretation is not peculiar to only one exceptional member but a common approach shared among generations.

What emerges from the cases is that what the two families desire to preserve has an impact on what it is possible to change and therefore implies rather different innovation practices and, in the last instance, innovation outputs.

Preserving continuity and organisational identity while changing is not an easy task (Burgelman, 1994; Gioia et al., 2000) and in Honey this was made possible by reducing family complexity (i.e. number of family members involved), which, on the contrary, tends to increase with each succeeding generation (Gimeno Sandig et al., 2006). As we described in the findings section, the degree of consanguinity between family members in Honey and DF is very different. In Honey, in line with the uniqueness principle of the Queen Bee, there is no room for cousins and other relatives in the family business. This allows a faster decision-making process in general and specifically in terms of business-opportunity evaluation. On the contrary, in DF several siblings and cousins are involved in the business thus making a participative-decision making mandatory in order to keep harmony in the family. Nevertheless, such an approach may risk that important/difficult unfamiliar decisions (such as those related to off-track innovations) are never presented in order not to create conflicts (Alderson, 2009).

As regards risk taking and change orientation, the literature agrees that they appear to be substantial in organisational contexts characterised by innovativeness (Naldi et al, 2007). Risk-taking and change orientation are recognised as separate dimensions of family firms’ behaviour that positively affects innovativeness. In family firms, they are recognised as behavioural aspects deriving from values and beliefs of the relative business families (Jiang et al., 2015). Coming to the cases examined, as both of them show a multigenerational history of innovations, we assume they both have positive risk taking and change orientation, to a certain degree. However, the two cases show important differences in the respective levels of risk taking and change orientation characterising their innovation practices, which can be traced back to different beliefs and values of the relative families. In assessing the companies’ risk taking, we devote special attention to the way they invest money. In fact, risk propensity/aversion is normally measured by means of the level of investments in fixed assets (Hilary and Hui, 2009). Moreover, as Nippert-Eng (1996, p. 63) argues, money is a “direct extension of one’s self” and, therefore, its handling reveals important aspects of individual identity. DF takes huge risks, as it invests large amounts of money in fixed assets to innovate production facilities and technologies. At the same time, DF shows limited change orientation. Of course, changes inevitably follow innovation efforts, but the driver of change is the commitment to establish an advanced, hi-tech production facility. This choice derives from the basic values of the family that, generation after generation, result in “on-track” innovation, compared to the path defined by predecessors. In addition, the willingness to invest in production facilities and technologies reveals a “manufacturer-DNA” of the DF family, more than a “trader-DNA”, which is the identity claimed with greater emphasis by Honey. In fact, Honey makes investment choices that, at least at the beginning, involve limited amounts of money, thus limited risk taking. On the contrary, Honey shows strong change orientation in innovation choices resulting in systematic “off-track” innovation.

Table 2 compares innovation practices in DF and Honey, showing the connections with families’ identity elements that emerged from the case analysis.

Table 2: Families’ identity elements and innovation practices

<b>Honey identity elements</b>	<b>Honey innovation practices</b>	<b>DF innovation practices</b>	<b>DF Identity elements</b>
Family of traders and explorers	Few investments in fixed assets, chance to explore new business opportunities without being trapped in the previous one;	Huge investments in fixed assets (new production technologies and facilities); high risk-taking	Family of producers
Change orientation	Enlarged network of relationships; distant knowledge search	Localised search, development of upstream and downstream relationships	Continuity and coherence
Bees and hive as a metaphor of the family	Fast consultative decision and strategy making allowed by well defined roles and structures	Participative decision and strategy making in innovation	Mutual respect and consideration for each other’s opinions within the family
Importance of having an autonomous and creative successor and generational transition at a young age	No mentorship; empowerment of the young on self-contained, low risk tasks; Introduction of new ideas and perspectives by the younger generation	Long mentorship, past knowledge transfer, sharing of family mental models	Right successor as one who shares the vision and the mentality of the entrepreneur and consciously accepts the burden
Continuity of the entrepreneurial spirit of the family and its value orientation	Extra industry opportunity recognition, not anchored to past activities	Intra industry opportunity recognition	Preservation and continuation of fathers’ endeavours; trust in the new generation

Full openness and trust towards non-family members	Access to external knowledge and competencies by hiring non-family members also in top management positions	Non-family members’ contribution to the family’s development and innovation plan, maintaining decisional power and top management positions in the family’s hands	Appreciation of employees’ devotion and commitment
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## 7 Conclusions and Limitations

At one level, we have conducted a study of innovation practices in family firms. Yet, to understand innovation practices, we needed to understand how they were recursively involved with business family identity. Subsequently, it became apparent that this intertwined relationship gave rise to peculiar innovation outputs. Understanding the complex interplay of business family identity and innovation practices provides a basis for a better theoretical understanding of innovation processes in family firms and, specifically, of the different types of innovation outputs. Although the literature on innovation in family firms is growing fast, a thorough investigation of what type of innovation family business do and, mostly, what the main reasons are why they address a specific type of innovation and not another is still lacking. This paper aims to fill this gap by suggesting a connection between the type of innovation output and the complex interaction between business family identities and innovation practices. Empirical study of the intertwining of these concepts yields a new theoretical understanding of innovation processes and outputs, one that emphasises the essential role of the families of family businesses and what they define as possible, i.e. what is consistent with business family identities, thus framing innovation practices. This business family identity can be regarded as a sense-making tool (Fiol, 1991; Weick, 1995) that, provides “the context within which members interpret and assign profound meaning to surface-level behaviour” (Ravasi & Schultz, 2006: p. 437). In addition to sense making, business identity shows a sense-giving function that guides “how members of an organisation should behave and how other organisations should relate to them” (Ravasi & Schultz, 2006: p. 435). We have investigated the intersection of business family identities and innovation practices in two success cases of family firms that are highly innovative, but follow very different innovation paths, i.e. on-track and off-track. It would be more interesting to investigate the relationship between innovation practices and business family identities in failure cases, i.e. where family firms do not succeed in their innovation efforts, and this will be the subject of further study. In these cases, analysis of the deep reasons for the failure should not overlook the interaction of the family identity and the innovation practices as the former defines the space of possible actions and choices, as stated above. The importance of internal factors in understanding the firms’ innovative behaviour and outputs is well known in innovation management literature (Galende and De la Fuente, 2003, Triguero and Córcoles, 2013) since they have been put in focus by the resource-based view of the firm (Wernerfelt, 1984; Barney, 1991). In the family business literature, the internal approach to innovation analysis is predominant (Rod, 2016) and, specifically, the impact of internal conflicts on innovation efforts is widely recognised (Kellerman et al, 2012; De Clercq, D., & Belausteguigoitia, 2015). Focusing on the business family identity, we mean to investigate the root cause of other family-related factors, including functional/dysfunctional relationships between the family members, which may help to explain different innovation behaviours and results in different family firms. Diagnosing the possible causes is only the first step towards the search for possible solutions to situations where intersection between family identity and innovation practices results in unsatisfactory outputs. A major effort is needed to understand dysfunctional aspects of identity and how to intervene “enacting doubt” (Weick, 2010, p. 547) and undermine well-established belief systems (Steinbruner, 1974).

No empirical study is free of limitations, and our effort to understand and conceptualise the DF and Honey cases is no exception.

A major limitation is that we studied only two successful cases. More research is needed to further examine and test the results presented in this paper, also including failure cases. A second limitation concerns the timing of our study and the information sources, which have necessarily not been homogeneous. In fact, we conducted the interviews over a period of six months, where we had the opportunity to speak to all the members of the third and the fourth generations that were still alive and actively involved in the companies. Thus, we could observe directly only what happened during this period. We instead had to rely on retrospective data about the long previous history of innovation of the two companies. Nonetheless, drawing on suggestions of Miller, Cardinal and Glick (1997), we took steps to mitigate this limitation by interviewing multiple respondents on the same issues and using additional data sources (e.g. archives, presentations and intranet exchanges). Moreover, as members of the first and the second generations were already dead at the time of the interviews, we had to rely on secondary data.

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