

Innovation and Succession Planning

– A case study on family owned businesses –

Research dissertation presented in partial fulfilment of the requirements
for the degree of
MSc in International Business Management

Griffith College Dublin

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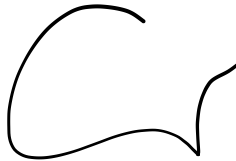
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– A case study on family owned businesses –

submitted for the degree of: MSc in International Business Management is the result of the my own work and that where reference is made to the work of others, due acknowledgment is given.

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Dedication

This thesis is dedicated to my parents and my sister Helen.

Without your constant, unconditional support and love I would not be the person I am today.

Thank you for being my rocks.

Acknowledgements

I would like to thank all the companies and experts who significantly contributed to this thesis. As well as my supervisor who took me on last minute and supported through it all.

Abstract

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Carolin Schneider

In this study, it was shown that the influence of the predecessor, be it formal or informal, on the succeeding generations' ability to conduct business and innovate within the frame of the family owned business can be described as undeniable.

The current status in research regarding family owned businesses suggested a vast knowledge about the aforementioned sector. However, most of the research conducted so far mainly focused on the larger family owned firms, especially their attempts and struggles to balance profit-oriented conduction of business with the perceived responsibilities for their respective employees.

Such struggles also befall medium sized to small family owned businesses in various sectors of the economy. It could also be contested, that while influencing factors such as innovation, succession as well as culture and management had been separately researched thoroughly, the intersections and reciprocal influences of each of these factors have not been the main focus so far. This case study sought to give a first insight into a variety of exemplary companies in various sectors and their respective approaches to such topics as socio-emotional wealth, succession planning and innovation within the company.

This led to the question "How is the innovative capacity in small family owned businesses to be assessed?"

The subject has been approached by conducting an exploratory method which aims to give a broad overview of the subject matter. In reviewing the existing literature with a particular focus on the factors innovation, succession as well as culture and management, a conceptual framework was created to further aid the analysis of the data collected.

A particular focus was the development and conduction of innovation as well as the role each related party in the succession process (predecessors and successors respectively) played.

The results of the data collection were then analysed and summarized in three findings which in turn were put into the context of the aforementioned conceptual framework.

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List of Abbreviations

FF – Family Firms

SEW – Socioemotional Wealth

SME – Small and Medium Sized Enterprises

RBV – Resource-Based View

R&D – Research and Development

1 Introduction

The following paragraphs provide a brief description of the importance of the topic of succession in German family businesses as well as the goals and questions at which this thesis aims and the reasons why this thesis is relevant are presented.

The German labour market and accordingly, the German economy, is facing a major challenge, as the baby-boomer generation will retire in the coming years (Beeger, 2020). According to the Kreditanstalt für Wiederaufbau (KfW) around 500.000 small and medium-sized enterprises (SME) will face serious problems within the next four to five years, due to the fact of business succession (Schwartz, 2019). Those companies are vital for the economy, since they are the backbone of the economies around the world (Rahman *et al.*, 2017) and therefore their continued existence has significant importance. Especially in Germany, where 91% of the SMEs are FF (Statista, 2017; Müller, 2017), the problem of succession planning has a significant value to the economy.

Family owned businesses often have a different dynamic and interests than non-family owned businesses when it comes to succession, innovation and other topics such as culture and management. For family owned businesses, the concept of Socioemotional wealth (SEW) often prevails, which means business decisions are not exclusively based on economic interests. The aim of a family owned business is to succeed over multiple generations therefore innovation is somehow crucial in order to survive and stay competitive or even in a competitive advantage (Cruz *et al.*, 2012).

The research focuses on SME and FF in Germany. The research topic for this dissertation is titled “How is the innovative capacity in small family owned businesses to be assessed?”

This case study seeks to answer the research question by conducting an explanatory research method based on interviews with several exemplary companies. The collected data will be analysed using the conceptual framework developed based on the methodology determined by the analysis of the existing literature. This analysis should provide an adequate number of findings to attempt to answer the research question.

1.1 Overview

The proposed topic deals with the continuation of Family Firms (FF), whereby the areas of innovation and Socioemotional Wealth (SEW) in combination with Succession Planning and Innovation will be examined more closely. Family businesses are the backbone of many economies around the world (Rahman *et al.*, 2017) especially in Germany, where family businesses are an important contributor in the economy (Müller, 2017). Since in Germany in particular, many companies are affected by the problem of the continued existence of small and medium-sized businesses, the research should provide the basis to identify the connection between SEW and Succession Planning and should distinguish whether SEW should be seen as an collective or a collection of independent non-economical goals. Furthermore, it will be examined to what extent the potentially contradictory goals such as economic efficiency versus family interests exist and can be overcome in their complexity (Astrachan and Jaskiewicz, 2008).

Research focuses on small and medium-sized enterprises (SMEs) in Germany the so-called “Mittelstand”, that are family-owned and operate in various sectors and therefore face different challenges. The Mittelstand consists almost exclusively of SMEs (Müller, 2017) which is over 3 million in total, and thusly also accounts for around 60 percent of all jobs and over 80 percent of all apprenticeships (DDW, 2019). There is no universal solution that would apply to all, so different cases and scenarios have to be considered.

1.1 Research Purpose

The intent of conducting research can traditionally be classified into *exploratory*, *descriptive* and *explanatory* research. As their name suggests, *exploratory* studies seek to explore an issue or gain insights about a topic, usually asking ‘what’ or ‘how’-questions. It is especially useful in clarifying the nature of an issue, problem or phenomenon when little is known about it before (Gray, 2017; Marshall and Rossmann, 2015). According to Saunders et al. (2016), there are several ways to conduct an exploratory research, including literature search or interviews which are usually relatively unstructured. The advantage of exploratory research is its flexibility and adaptability to changes: due to appearing data results the direction might change.

The purpose of *descriptive* studies on the other hand are to provide an accurate description of an event, person, situation or phenomenon as it naturally occurs. This may be completely descriptive but can also include a normative approach by contrasting the data

against some standard. A weakness of descriptive studies is that they cannot provide explanations why a phenomenon has taken place.

An *explanatory* study is aimed at explaining descriptive information and mostly asking ‘why’ or ‘how’-questions. Its emphasis is usually on studying a problem or situation in order to discover and explain causal relationships between variables. Because of that, the explanatory approach is especially useful when the research objective is to describe the effects of a variable on another (Gray, 2017; Marshall and Rossmann, 2015; Saunders *et al.*, 2016).

The purpose of this thesis is to understand how the innovation capabilities of small family firms can be assessed by looking at succession planning and innovation itself. Therefore, an *exploratory* research is conducted in this thesis, asking largely ‘how’ and ‘what’-questions.

1.2 Significance of the Study

The work has relevance for different stakeholders and areas. First of all, for the individual companies that participated in the study in order to be able to obtain concrete recommendations for action. The literature, as the field has not yet been fully explored, in an attempt to gain more insight into this area. However, other small family businesses could also benefit from this work, as it may be possible to identify patterns that would allow conclusions to be drawn about potential action. Furthermore, it could be helpful in case of a takeover by an external party and the evaluation of the innovation potential.

1.3 Research Objective

In the interest of the continued existence of small and medium-sized enterprises, which not only have a high economic importance but also social relevance, which was already stated in 2000 by Klein (Klein, 2000) the overall objective is to answer the question on how to assess the innovation capabilities of small family firms in Germany and develop a framework for ‘recommendations for action’. Since the 1980’s Prof. Dr. Simon has been dedicated to the “hidden champions” companies, that are usually medium-sized, operating internationally and having a significant market share, whilst staying outside of the headlines of business journals and press (Simon, 1996). As stated above, these

companies are vital for the economy but face different challenges in their succession and thus represent an overall risk to future economic stability.

The uniqueness of the company and the family makes a standardized succession process nearly impossible, but the first attempts to do so were made by the Wittener Institut für Familienunternehmen (WIFU) such as developing the model of the nine phases of the succession process and claiming that succession should be considered to be a perpetual process (Groth *et al.*, 2013). The nine phases are examined in more detail with regard to the possible interlink to SEW and innovation and their possible relevance for succession planning for FF in Germany. It is suggested that the field of succession planning is widely explored in the literature but is still lacking the needed research in the fields of SEW in combination with innovation as well as succession planning (Calabrò *et al.*, 2018). Since succession planning is usually a multi-year process (Hauck and Prüggl, 2015). Innovation usually leads to a positive development in the field of competitive advantage (Porter, 1990) and does work as a key driver of a family enterprise (Kellermanns *et al.*, 2012). Most of the existing literature is applicable to larger enterprises rather than the really small ones, which are often neglected.

In order to achieve as meaningful a result as possible in the study, the focus is on the region of Germany, and businesses which already started and nearly completed the process of succession in order to make it more comparable. The annual turnover are being in the same range as well as the employee range.

The dissertation aims to achieve the following objectives:

- Assessing the innovation capabilities of small family firms.
- Investigate the predecessor's influence as it affects innovation behaviour and activities in regard to succession planning.
- Identify the problems or opportunities and develop a potential action framework for small German Family Firms.
- Identify possible similarities between businesses, which can lead to a general finding and not only specific to the unique business applicable one/ identify similarity at all and emphasizing the uniqueness of the problem for each business individually.

1.4 Structure of the Study

The focus of this investigation is on the German Family Firms and SMEs and examines the cases of four different family-owned businesses. This focus was preferred because 91 percent of all German firms are family-controlled (Statista, 2017) and therefore offer a reliable population to select potential cases. Moreover, the German economy as well as its supplier industry is recognised for its large amount of hidden champions – firms that are market leader in their particular segment and mostly unknown to public (Simon, 1996). In order to narrow the field of study, the focus was led to manufacturing FF.

Due to the fact that the sampling logic cannot be applied to case study research (Yin, 2014), the thesis' aim goes along with a careful selection of the cases. The general selection was made considering two important facts: firstly, the succession process should be currently on going or finished no longer than 5 years ago and secondly, it should represent the best practice case for their industry. Moreover, also the innovativeness and conflicts arising within the succession process were taken in consideration.

As recommended by Eisenhardt & Graebner (2007), the selection of the cases followed a theoretical sampling strategy in order to develop theory. This approach is a tenet of grounded theory and includes the sampling of people, incidents or events which may help to develop theoretical constructs (Gray, 2017). More precise, it is an iterative data collection process *“for generating theory whereby the analyst jointly collects, codes, and analyses his data and decides what data to collect next and where to find them, in order to develop his theory as it emerges”* (Glaser and Strauss, 2006). Due to the application of a multiple case study with several cases, the case selection is less based on the unique nature of a case and more on its contribution to the development of a theory (Eisenhardt and Graebner, 2007; Gustafsson, 2017).

Because of a limit in time and the most recent global events (COVID-19), only four case studies will be conducted for this thesis. However, this amount should be enough to gain a first insight into the topic and to derive a few conclusions. This is supported by prominent methodologists, arguing that three to five case studies provide enough information to recognise themes of the cases and to conduct a cross-case analysis when there is not the demand for an enormous degree of certainty (Creswell, 2013; Yin, 2014).

2 Literature Review

In the first part of the thesis a short overview of the topic of the work and its relevance has been given. In the following chapter the current literature on the topic is discussed and a theoretical background is given.

2.1 Overview

In the following chapter the background literature for my thesis will be introduced. The models and approaches have a high significance to the research question and examine what was already discovered about this topic and worked on. Furthermore, it is pointed out what gaps still exist, and which areas require further consideration. At the end of this chapter the conceptual framework will be presented and explained.

2.2 Succession

2.2.1 Corporate Form

The multi-year process of succession in complex and needs careful preparation (Fasselt, 1992; Hauck and Prügl, 2015; Wieseahn, 2020). The type of company plays a key role in this respect. Depending on the form, the basic requirements are completely different and must therefore be treated individually. The type of company plays a key role in this respect. Depending on the form, the basic requirements are completely different and must therefore be treated individually. From the different forms, also different power relations can be derived as well as the distribution of ownership (Klein, 2010). Many of the forms can be neglected for my study, since small family businesses, such as the ones I am investigating, usually have the same form of business: limited liability company.

From this, different consequences can be derived from the financial perspective (Rautenstrauch, 2013). This point is only of limited relevance, as the focus of the work is rather on other aspects, but should not be left unmentioned.

2.2.2 Succession Planning

In order to develop my own framework, it is advisable to take the following theories and models as a basis, as these contribute significantly to the research of the topic. Starting with the guide by Groth which can be divided into three parts. The first one is the idea of Groth, that succession is considered to be a perpetual process of nine phases (Groth *et al.*, 2013) showed in the figure below.

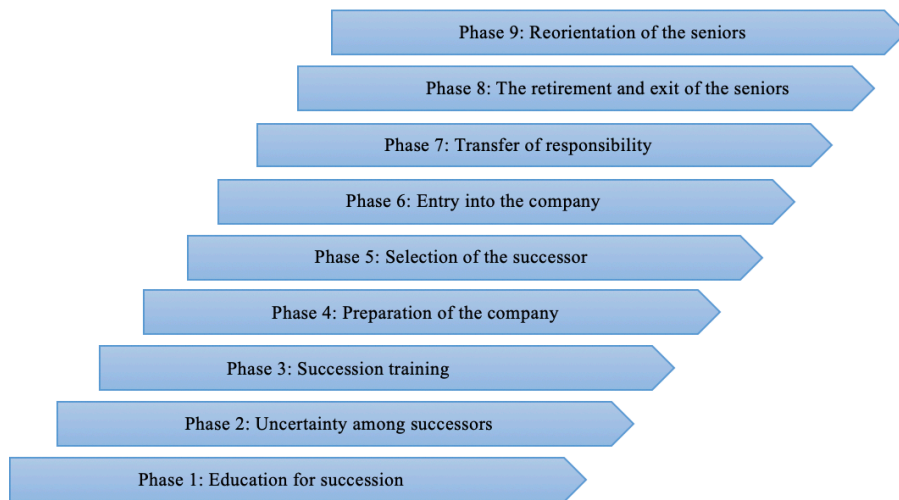


Figure 1: The nine phases of the succession process (according to Groth et al., 2013).

While this model offers a general approach to understanding and subdividing succession arrangements for family businesses, it is very general and therefore of limited value. The nine phases give a good overview of which phases are most likely to be completed and therefore a good basis to understand which starting points can be used to introduce other theories.

The second part is devoted to the typical questions of succession planning and gives ten concise indications that these imply looking at the topic from different perspectives and considering the most diverse influences or, if necessary, allowing them to be included into the decision. The described requests cover pretty much every aspect and are therefore useful to include them in the development of the framework, such as to prioritize the competence as a selection criterion for the successor (Groth *et al.*, 2013).

. The ten steps according to Groth are:

1. Thematiser the succession since this topic is often neglected and therefore can come along with fears of future existence from younger generations as well as fear of uncertainty within the employees.

2. Differentiate between succession on the shareholder and company sides. It is common to think about the process of handing over the operating management but not about the shareholder perspective, which is equally important and therefore needs to be considered as well.
3. Note the financial, tax and inheritance implications because those heavily impact the succession arrangements
4. Think about the company without taking the family in consideration.
5. Think about the family without taking the company in consideration.
6. Prioritise competence as a selection criterion for successor candidates.
7. Successors should be allowed to go their own entrepreneurial way.
8. Don't leave the successors alone and provide guidance as well as support.
9. Consider alternatives to family succession.
10. External consulting is useful, since this usually allows an objective view on the situation.

The third part gives a brief overview within ten steps of how a typical succession process over time could happen and what needs to be prepared and kept in mind while preparing this transition. It is suggested to prepare this transfer by following seven steps such as:

| | |
|----|--|
| 1. | Development of a family strategic understanding of the basic questions of the company (continuation of the company, goals and purposes of entrepreneurship, family values, etc.). |
| 2. | Informally introducing the children to the option of being able to take over a function in the company in the future. |
| 3. | Discussion of possible training paths and study subjects that meet the needs and interests of the successors and meet the requirements of possible management positions in the own company (or at least do not build up the path to succession), if a succession is possible at all. |
| 4. | Bringing the succession generation closer to the shareholder role (independent of the operative succession). |

| | |
|----|---|
| 5. | Preparing the company for succession arrangements, i.e. setting up management structures that make the company independent of the current (family) management. |
| 6. | Drawing up a requirement profile for future successors. |
| 7. | Accompaniment of the successors in the first career steps (within or outside their own company): Development of a personal development programme in the areas of personal, social, professional and entrepreneurial competence. |

Figure 2: Preparation of the succession process/creation of a succession capability in company and family (according to Groth et al., 2013).

After going through all the steps above it is suggested to create even more concrete preparations by following the suggested phases:

| | |
|----|--|
| 1. | Analysis of the company with its strategic development perspectives and management challenges. |
| 2. | Potential analysis of "interested" successors also against the background of existing leadership constellations and alternative personnel solutions (family internal vs. family external). |
| 3. | Preparation of the senior entrepreneur for the personal detachment from his previous entrepreneurial tasks. |
| 4. | Selection of the successor according to competence aspects and involvement of third parties. |
| 5. | Development of a roadmap for the further "steps to the top". |
| 6. | Development of management and advisory board structures, suitable or complementary to the new management structure. |
| 7. | Gradual assumption of responsibility mirroring the transfer of responsibility from the previous leadership. |

| | |
|-----|--|
| 8. | Assumption of management and responsibility by the successor. |
| 9. | Retirement of the senior generation from the company management. |
| 10. | Support of the seniors in the assumption of consulting/advisory functions within or outside the company. |

Figure 3: Concrete design of the transfer of responsibility (according to Groth et al., 2013).

Another model which would be helpful as basis for the research is the Resource-based-view (RBV). The resource-based view (RBV) considers firms as a collection of productive resources which differ among firms and which can be a source of sustained competitive advantage or superior performance over time, depending on the way in which the firms acquire, evolve, preserve, bundle and deploy these resources (Wernerfelt, 1984; Barney, 1991; Teece *et al.*, 1997). The strategic resources are not taken into account here but are merely distributed heterogeneously, but can also "not be completely mobile between companies" (Barney, 1991), which in turn leads to permanent heterogeneity.

The approach to take RBV as well as Knowledge-Based-View (KBV) on The Succession Process of the FF was made in 2001 by Cabrera-Suárez (Cabrera-Suárez *et al.*, 2001). This paper presents the integrative model of knowledge transfer and succession development in family enterprises, in which it is proposed, see figure below.

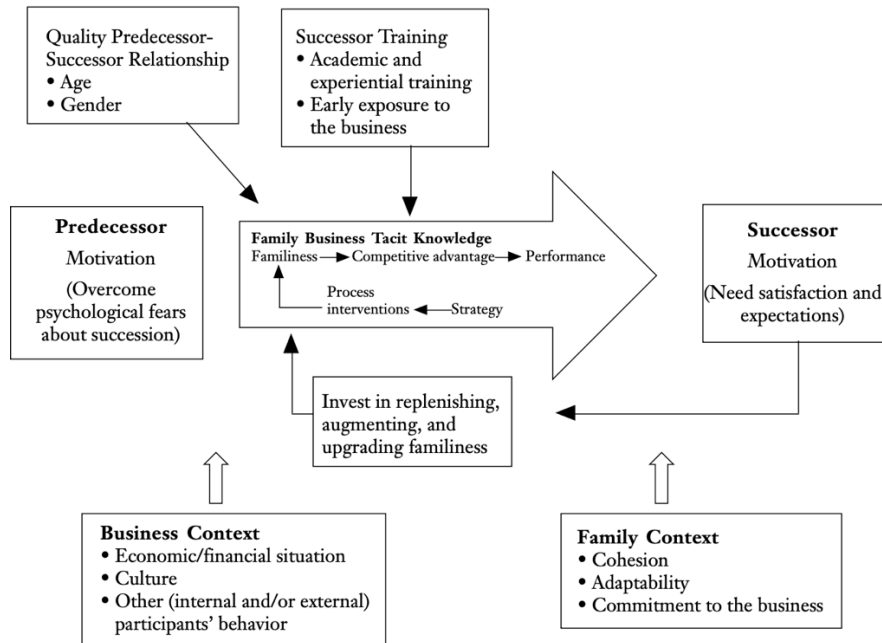


Figure 4: Model of Knowledge Transfer and Successor's (according to Cabrera-Suárez et al., 2001).

While this paper argues that family firms have some distinctive assets (commitment, trust, reputation, know-how, and so on) that can bring them competitive success based on the tacitness of the knowledge embedded in these resources (Cabrera-Suárez *et al.*, 2001) it is lacking the impact of innovation and what relevance it has for the succession planning (Calabrò *et al.*, 2018).

The resource-based view (RBV) considers firms as a collection of productive resources which differ among firms and which can be a source of sustained competitive advantage or superior performance over time, depending on the way in which the firms acquire, evolve, preserve, bundle and deploy these resources (Wernerfelt, 1984; Barney, 1991; Teece *et al.*, 1997).

The approach to take RBV as well as Knowledge-Based-View (KBV) on The Succession Process of the FF was made in 2001 by Cabrera-Suárez (Cabrera-Suárez *et al.*, 2001). This paper presents the integrative model of knowledge transfer and succession development in family enterprises, in which it is proposed, see figure below.

In 2001 Cabrera-Suárez made the approach to take the RBV on the succession process in FF and even including the Knowledge-based-View (KBV) as well. Cabrera-Suárez developed an integrative model of knowledge transfer and succession development in family enterprises. This model is highly relevant to this study since it combines the predecessor's motivation to overcome his fear about the successor (Cabrera-Suárez *et al.*, 2001), (and therefore his perspective of the decision-making process when it comes to knowledge-transfer) this can be applied on the concept of decision making in regard to innovation as well.

Hoffmann et al. took the approach how the RBV can benefit the competitive advantage in the article "Achieving Sustained Competitive Advantage: A Family Capital Theory". It is being claimed that there might be a real and significant advantage that family businesses have over non-family businesses due to the fact that family businesses have the ability to contain the so-called family capital (Hoffman *et al.*, 2006), which will be examined in the further research for the thesis.

The concept of the RBV is very helpful for this study in order to identify if innovation is a valuable resource for the investigated company or what their understanding is of the RBV and in which context they might apply this concept to their business strategy.

2.3 Innovation

2.3.1 Types of Innovation

The topic of innovation is a very interesting field for literature, which has already been researched in many respects, but has not yet been fully explored due to its complexity. A good approach for a basic understanding of innovation and the four different types of innovation that exist is presented by Satell in an article (Satell, 2017b). Although there are also much more detailed approaches for example "Ten steps of innovation" (Keeley *et al.*, 2013) that deal with the topic and thus take a much more specific path, this is more relevant for very large and widely established companies. For the intended study of this thesis, the approach of Sattel is therefore more target-oriented, since the companies investigated are relatively small, and therefore many things cannot be implemented in this way and are structurally non-existent. Furthermore, they are affected by completely

different, but no less important problems, which can be better taken into account with the more general approach.

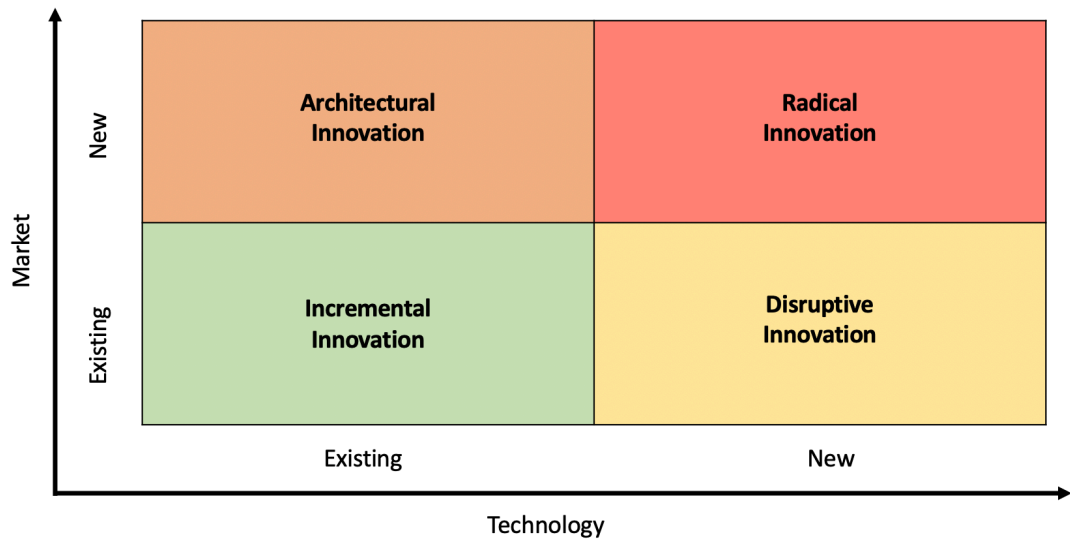


Figure 5: Types of Innovation (according toSatell, 2017b).

The diagram above shows the four different types of innovation based on the two dimensions reflected in the axes. The first is the determinant market and technology and the second is the development status of each. Whether the market is already established or still new; the same applies to technology.

The quadrants that are displayed, show which innovations are possible in the respective field, based on the market or technology ratio.

The green quadrant deals with innovations in an existing market and technologies. This type of innovation is called incremental innovation. This means that things that are already good and exist are improved. It is therefore a further development of what already exists.

Disruptive innovation is very product driven (Christensen *et al.*, 2015) and indicates that a new product is launched in an existing market. It allows the companies to develop things people acutally do not need but insist of having a benefit for the customer, which has not been there before yet (Satell, 2009).

Under the term Architectural Innovation means destroying the usefulness of the architectural knowledge of an enterprise but preserving the useful knowledge of the

respective components of the products. For example, the physically distinguishable part of a product that represents the central design concept and fulfils an efficient function (Henderson and Clark, 1990; Procto, 2019). Henderson and Clark emphasize, that this type of innovation differs from the classic understanding of innovation, which is usual Radical or Incremental Innovation and is harder to correct once it is applied and changes are made (Henderson and Clark, 1990). Another approach is to involve suppliers from as early a stage as possible (Bozdogan *et al.*, 1998), which can provide a certain advantage and new opportunities for innovation by learning from each other but also developing together.

The study by Huang and Kim, conducted in 2013, examined only large corporations in Korea, but nevertheless covered interesting approaches such as the continuous adaptation of HRM practices to the ever-changing business environment (Huang and Kim, 2013), which is a significant influence in the current market situation and will be examined during the data analysis.

A definition of radical innovation provided by the Harvard Business Review suggests that it focuses on long-term impact and potentially involves displacing current products as well as altering the relationship between suppliers, customers and possibly creating completely new product categories (Leifer *et al.*, 2000; Hopp *et al.*, 2018). Radical innovation is probably the riskiest way for companies to gain a competitive advantage (Zhang *et al.*, 2018). There is a high degree of uncertainty on both axes, which makes it impossible to predict the exact chances of success. Radical innovation can also be achieved through intentional cannibalization (Samiee *et al.*, 2020), as one of the most recent studies suggests, meaning that a company consciously decides to undermine itself and then reposition itself in the market with a radical innovation. This approach can be a possibility in the circumstances of competitive pressure, but especially for small family businesses and their financial nature, it is rather an exception to opt for radical innovation, unless it is the only way of survival for the company.

However, there is also another approach that suggests when radical innovation occurs. Under the circumstances, CEOs who have a passion for invention play a significant role in radical innovation and the degree to which members of a company share their vision is positively related to this relationship (Strese *et al.*, 2018). This approach is particularly interesting because it focuses on the role of visionary power and the cohesion of

employees, as well as their attitude towards the company and their motivation. It is precisely these aspects that are important for family businesses and can therefore be relevant for the evaluation of the results.

2.3.2 *Innovation capability*

When you deal with innovation capabilities, you inevitably have to deal with innovation performance and what influence it has on it (Markham, 2013). The literature indicates that several performance measurements can have a substantial influence on the capability of innovation (Nilsson and Ritzén, 2014). To explore their own innovation capabilities, businesses can use Satell's approach the mapping innovation playbook (Satell, 2017a). Within this book the author mentions several terms, which will be explained in the following. First one Skills: these are the concrete skills or resources that enable the organisation to create, to value to be supplied or recorded. These can be, for example, in invoice auditing or in the area of IT security. He also lists the market as a possible field. This is a defined group of customers or competitors. These are usually groupings such as consumer goods, services or similar. Further determinants in his opinion are also the business model, such as the business model canvas, which is a defined strategy for creating, capturing and delivering value. The identification of innovation capabilities is a supporting factor in this process and crucial since it is a very dynamic one (Galunic and Eisenhardt, 2001). The last term mentioned by Satell is organizational structures, i.e. working groups for innovation or similar, which aim to have a defined structure within the organization to fulfil a specific purpose (Satell, 2017a). Although it also provides approaches for processing in the form of worksheets, the business canvas model is not suitable for all companies, and the value proposition model (Satell, 2017a) can lead to confusion if it is not clear how the individual areas are to be delimited. Smaller companies can often be faced with the challenge of not knowing exactly what to do, but they do not necessarily have the time to learn everything in detail. Therefore, this approach is taken into account, but is not considered the perfect way forward, as it has gaps, as mentioned above.

When it comes to analysing and evaluating innovation capabilities, it is important to be clear in advance where possible innovations lie. Innovation comes in many facets and can

be transferred to different areas. The most appropriate areas are operational innovation, product innovation, strategy innovation and, of course, management innovation. Each type contributes its own part to success (Gunduz and Alfar, 2019).

Literature suggests to put these genres into a hierarchy in order to understand the commitment to management innovation (Globerman, 1980; Hamel and Breen, 2007).

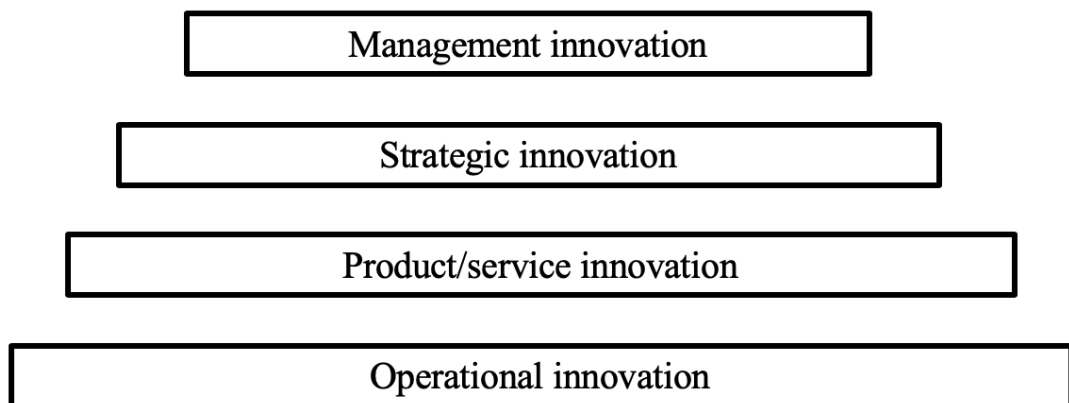


Figure 6: Innovation stack according to Hamel (Hamel and Breen, 2007).

The pyramid assumes a relationship of dependence between the individual levels. The statement is that without the level below, no innovation in the following field can exist, or only with difficulty. In the hyper-competitive world in which we find ourselves today, operational excellence is essential to be able to hold our own. Unfortunately, this field is also very fast moving, which makes a long-term competitive advantage impossible (Hamel and Breen, 2007).

The next level is product innovation, which is an enormously powerful option, but also very risky. Hamel believes that these products can be copied and improved very quickly, which will very quickly destroy the competitive advantage of the pioneer.

Above this is the strategic innovation, which can best be explained with a new business model in an existing, established market.

The top of the pyramid consists of management innovations. Hamel puts forward the thesis that managers do not see any innovation potential in their field because they do not see themselves as inventors (Hamel and Breen, 2007). This in turn is in direct contrast to the aforementioned desire of the CEOs with regard to innovation (Strese *et al.*, 2018).

2.3.3 *Innovation in Family Firms*

Although the literature of the field of innovation in family firms is expanding, the understanding of what it means is still inconsistent and lacks several aspects and further studies (Globerman, 1980). The primary goal for companies is to ensure the existence in the future (Grant, 1996) which can be achieved by the competitive advantage generated through innovation (Porter, 1990). Studies which underline this theory and therefore imply that innovation is highly important for family firms in order to ensure their existence in the long-term are for example by Bergfeld and Weber (2011) as well as Craig and Moores (2006). In contrast, a study conducted by Dunn (1996) study says that family businesses tend to be conservative and traditionally oriented and by no means see innovation and creativity as their success factors, even for long-term success. Some studies go even further and accuse family businesses of being very reluctant, almost refusing to cooperate and reluctant to open up their boundaries externally

These conflicting results were investigated by De Massis in 2014 and Chrisman and led to the introduction of the “Ability and Willingness Paradox” (De Massis *et al.*, 2014; Chrisman *et al.*, 2015). This Paradox describes that family firms do not innovate as much as their capabilities would allow them to do. Reasons for the willingness or unwillingness to invest in innovation can be found in non-economic factors for example: hesitancy to share control, the commitment to the traditional product or risk aversion (Hauck and Prügl, 2015). A possible solution to the paradox described above was studied by de Massis in 2015, using the Family-Driven Innovation (FDI) approach.

The concept of Family Driven Innovation (FDI), suggests that the internally consistent set of strategic decisions that enable a family business to solve the innovation paradox by ensuring a high degree of consistency between these same decisions and by preserving the specific characteristics of the family business (De Massis *et al.*, 2015). These important non-economic factors are characteristic for Family Firms and usually have their own dynamic, which will be investigated in the following chapters under the term of

Socioemotional Wealth (SEW), since those are highly important and often neglected factors in the literature (Hauck and Prüggl, 2015).

The successful innovation process itself represents a major challenge (Holt and Daspit, 2015).

2.4 Culture and Management

In the following subchapter, the terms culture and management are examined in detail and relevant approaches to the work are explained in more detail. As the study specifically refers to family businesses, a definition must first be given to prevent possible misunderstandings and to have a more precise background for the analysis. Under culture, different dimensions are considered, which in different combinations have different influences on innovation as well as on succession in a company. Since the management and ownership structure are not insignificant in terms of the different interrelationships, these are defined.

2.4.1 Family Firms

Family Firms are extremely important to the economy by representing more than 85% of all enterprises in the OECD countries (Kraus *et al.*, 2016). Referring to the “Hidden champions” (Simon, 2009), underlines the importance of these companies as well as the fact that Family Firms usually differ from the non-family-businesses in their behaviour (Klein, 2010).

Family Firms usually have their own dynamics which are different from non-family businesses (Klein, 2010) which can be seen in the figure below.

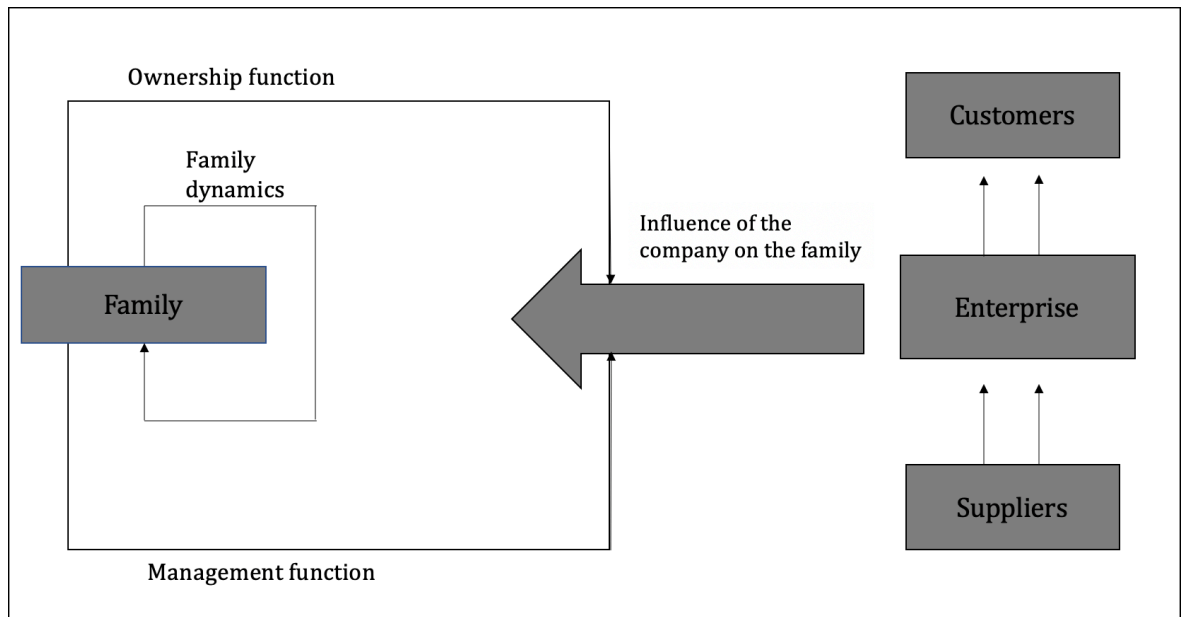


Figure 7: Outlined connection between family and enterprise (according to Klein, 2010).

In the past, there have always been different approaches in the literature to define a family business. This makes researching possible phenomena or comparing literature quite difficult, as one has to take into account that the definition of a family business differs from the one that one actually uses.

Therefore, the following was taken as a basis for this work in order to avoid possible deviations and to provide a population for the following study.

A definition according to Klein (2010): *A family business is a company over which the family exerts significant influence. A significant influence of the family on the company is said to exist when the family completely dominates one of the influencing factors: equity, control or management, or the reduced influence is compensated by corresponding influence in another factor. A participation of the family in the equity capital is assumed as a necessary condition.*

For this study the definition also aligns with the one used in the FPEC-Scale (Astrachan *et al.*, 2002), which will be used during the studies and serves as a basis for classifying and comparing the respective companies.

2.4.2 *Ownership structure*

The ownership structure plays an important role in many respects. (Klein, 2010) Corporate management, succession arrangements, influence of the respective interest holders, etc. are defined or can be derived from them. Ownership structures certainly have an influence on power relations within a company and thus also on its performance (Chung and Chan, 2012; Santos *et al.*, 2014). There are different theories concerning the influence of ownership structure on the performance of the company. One view is that a company is only really successful if it is in free float (i.e. not exclusively family-owned), but this assumption applies to listed companies. Nevertheless, an important point is the active participation of the family in the company, both internally and externally (Klein, 2000; Isakov and Weisskopf, 2014).

The ownership structure and its influence can be determined in various ways. A proven approach is the FPEC scale, which allows to compare different companies from different industries and sizes (Klein *et al.*, 2005).

This scale includes not only the pure power relationship between families and non-family members when it comes to ownership, but also the emotional ties to the company and the personal attitude towards it (Klein *et al.*, 2005).

Especially in difficult times, family ownership is an important vehicle for exerting a positive influence on the company (Björnberg and Nicholson, 2012; Minichilli *et al.*, 2016). This suggests that property is not only to be viewed through the classic separation of ownership on paper, but that psychological and idealistic attitudes can also influence the balance of power and thus decisions. In the following sub-item, these dimensions and their effects are examined in more detail.

2.4.3 *Socioemotional Wealth (SEW)*

Whereas in the past FF was always compared or equated with SEM, newer approaches deal with FF in a more differentiated way, as these are usually much more complex than assumed and can have different dynamics and structures within a company. One of the latest approaches is made by Hauck and Prügl in 2015 by taking an empirical study from

SEW perspective on innovation during an intra-family leadership succession in FF (Holt and Daspit, 2015).

In one of the most recent literature reviews Calabró *et al.* claims that although the field of succession planning is already widely explored (Marler *et al.*, 2017) but also pointed out that there is a lack of research on how innovation is managed during the process of succession planning (Hauck and Prügl, 2015). According to the KBV, the primary goal of companies is to apply existing knowledge to innovations or to improve existing processes so they can guarantee their future existence (Grant, 1996). While this is a well thought-through approach as well, it is still lacking the interlink of the model of SEW, which should be taken in regard as well.

The SEW theory is a relatively new approach and was lacking a clear definition but Berrone defined the most accurate and relevant one for the further research which will be conducted for my thesis. Berrone takes the effects of ownership and management in the SEW of a family firm into consideration (Berrone *et al.*, 2012).

“The intrinsic and inextricable emotional endowment that all family businesses have, i.e. the set of feelings, emotions, relationships and binding ties between members of the business family.” (Berrone *et al.*, 2012)

This definition combines different ones that were made before and includes the concept of emotional endowment and is much closer to a psychological approach (Berrone *et al.*, 2012).

While the outcome of the paper is that SEW differ between ownership and management and suggests that empirical research should be made in order to identify effects on SEW on different combinations of control and management (Berrone *et al.*, 2012).

Those combinations of control and management are developed in the following figure and can be used as a basis for the framework, which should be developed in regard to succession planning.

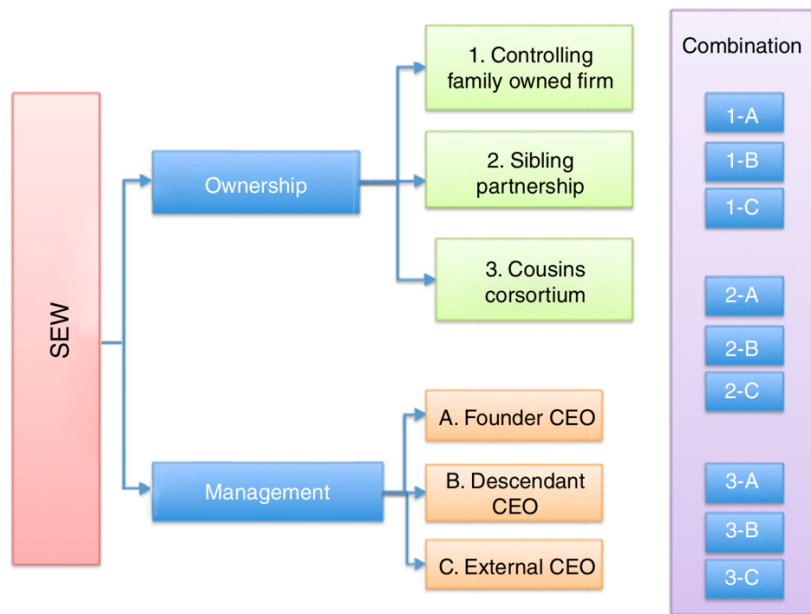


Figure 8: SEW and different combinations of ownership and management (according to Berrone et al., 2012).

A Configuration approach towards SEW was made by Gast *et al.* in 2018 but faced serious problems in order to gain any evidence that the absence of one of these dimensions or of a combination of them leads to innovativeness (Gast *et al.*, 2018). The studies only focused on individual dimensions of SEW on family SME's innovativeness and identification of different casual configurations. Since the studies presented have focused exclusively on family SMEs and therefore do not have any general significance, the influence of the SEW dimensions on innovative capacity in different contexts will have to be compared in future studies, e.g. small and large enterprises (Gast *et al.*, 2018).

As mentioned above, there is a considerable research gap when it comes to empirical research in this area, which requires particular attention, especially in view of the upcoming problem of the retiring baby boomer generation (Calabrò and Valentino, 2019). It is therefore important to investigate this area in more detail and is basis for my studies.

The basic idea of SEW is that decision making in family businesses is determined not only by economic, but especially also by non-economic aspects that correspond to the affective needs of the family. This could be, for example, the maintenance of a strong family reputation of the company or the relationship of family members to the company and thus a stronger bond internally and externally (Berrone *et al.*, 2012). This definition

is one of a few possible ones, since the SEW approach is relatively new and therefore a lack of one universal definition. But the one made by Berrone (2012) is the most applicable to my thesis.

The dimensions of Socioemotional Wealth as Determinants of Family SMEs' Innovativeness are defined by Gast (2018) as the following:

- Family Control and Influence
- Family Members' Identification with the Firm
- Binding Social Ties
- Emotional Attachment
- Renewal of Family Bonds Through Dynastic Succession

Since the SEW is a relatively new approach, therefore the literature available is limited especially in relation to succession planning. In 2018 Gast et al. (Gast *et al.*, 2018) attempt a configuration approach towards SEW but was not as successful as desired due to the fact, that there was no clear evidence found that absence of one of the SEW dimension or a combination of them would lead to innovativeness (Gast *et al.*, 2018). The approach focused only on individual dimensions of SEW on family firms and SME's innovativeness and identification of different casual configurations. The study is limited because of its focus on family SME's excluding small (non-family-owned businesses) or large enterprises (Gast *et al.*, 2018).

Berrone takes a more psychological approach by including the concept of emotional endowment (Berrone *et al.*, 2012). According to Berrone the SEW dimensions differ between ownership and management and concluded them in a model, which allows different combinations of ownership and management and therefore suggests a variety of possible interpretations and importance for SEW in FF, especially during the succession

planning and implementation. Unfortunately there is a lack of empirical research on how SEW effects those different combinations of control and management (Berrone *et al.*, 2012). This approach is still relevant to the study in regard of the predecessor's influence in business decisions.

As mentioned before, the SEW approach is relatively new and does not offer a lot of research material in the literature especially in combination of innovation and succession planning (Hauck and Prügl, 2015; Calabrò *et al.*, 2018), which is as precisely as needed, therefore those approaches are identified as the most important so far and will be taken into consideration for the conceptual framework for this thesis. However, special attention is paid to the dimensions, emotional attachment to the company (i.e. also in how far the owner or founder sees the company as part of himself and identifies with it). In the same way, the successors' own attitude towards the family business must also be considered, and what influence this may have on the succession or in what form they wish to become involved. Although the ownership structure is giving an idea on how the family has control and influence on the company, the SEW model allows the investigator to see it under different perspective and gives a deeper insight what influences certain behaviour. Binding social ties, is interpreted in the context of this work in such a way that there are binding norms in the behaviour towards employees and customers, which are not necessarily recorded in writing, but through the constant living of these, has a high significance with the consequence of adhering to them.

The current literature available at the moment, as mentioned before, does not cover the small businesses and their needs specifically. The approach of entrepreneurial legacy (Jaskiewicz *et al.*, 2015), which is defined as a rhetorical reconstruction of past entrepreneurial achievements or family resilience. Which in turn motivates the incumbent owners and the next generation of owners to engage in strategic activities to create a promote intergenerational entrepreneurship. The entrepreneurial legacy thus contributes to the explanation of transgenerational entrepreneurship and has implications for family business, imprinting and succession research. The term entrepreneurial legacy, under this definition, is therefore a good approach that should be taken into account in the work, since it shows the correlation between the respective individual points and indicates that they are closely interlinked.

2.5 Conceptual Framework

The conceptual framework consists of three key elements, which find their basis in the literature review. The generic terms that are in focus here are innovation, culture and management and succession. In order to answer the research question in the best possible way, it is advisable to consider the three elements not only in isolation from each other, but also to include their interdependence, as this can have a significant influence on the outcome. The individual main topics have sub-topics that can be used as an indication of patterns and common ground. For example, ownership must first be clarified in the paper, as this has a demonstrably strong influence on the company (Rau *et al.*, 2019) and its existence as well as on succession and innovation. As can be seen in the figure below, one of the elements is SEW, which comprises five dimensions, but as mentioned above, only four of these will be the focus of the analysis. One of these is family participation, which is measured using the FPEC scale (Klein, 2010), as this method also allows for the comparison of companies from different sectors. One part of succession is planning and plays a major role in answering the question because it is the basis for identifying succession arrangements and progress. This process can be understood very well through Groth's (Groth *et al.*, 2013) approach and offers a basis that is as far-reaching as possible. Since innovation is complex and can be individual for each industry and especially for each company, a basic understanding of the term should be created (Keeley *et al.*, 2013), which is used to assess how innovation is understood and at what level the company is capable of innovation (Hamel and Breen, 2007; de Wit, 2017). For further understanding, either the FDI approach or the entrepreneurial heritage (Jaskiewicz *et al.*, 2015) are also considered.

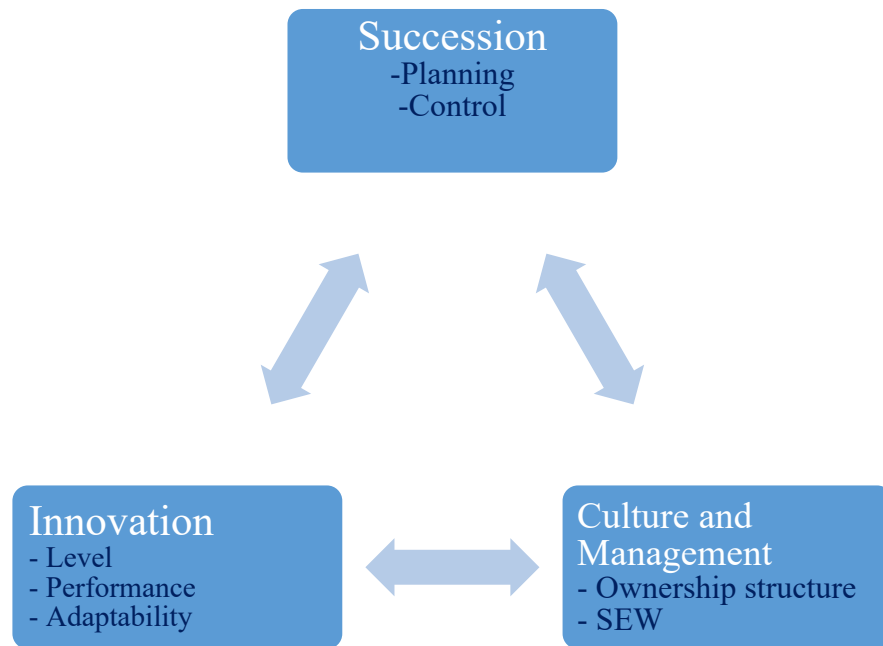


Figure 9: Conceptual Model

2.6 Conclusion

The research topic of this thesis is relatively unexplored as such, but the individual components such as innovation, succession, management and culture are. In the present review of the literature, I found that the sub-themes intersected in many points, which I will try to present in this paper. The focus was to present the most current state of research possible and to base the analysis on this. In this respect it can be said that the research literature as well as the methodology presented in the following will serve as a basis for answering my research question and seems to me to be sufficient. Based on the findings extracted here, the conceptual framework in this chapter was created and plausibilised.

3 Methodology and Research Design

In the previous chapter the theoretical background was explained by the literature necessary to answer the Research Question. Then, the conceptual framework was used to put the most important approaches into a context that is helpful for the later analysis of the data. Based on this, the following chapter will now discuss the methodology and the research design of the work. In the following chapter, we will explain the approach we have chosen for the data collection and subsequent analysis and why.

3.1 Overview

Approaching the topic of methodology and research design at different levels. First of all, the approach of the study was clarified and the philosophy behind it. The decision for the interpretivism approach is explained in the following subchapter and also why other approaches were not chosen. There are different strategies to approach studies: a deductive, inductive or abductive approach. The advantages and disadvantages are weighed up and finally lead to the type of data collection. There are different ways to collect data, but some are excluded or required by the strategy. In the chapter these types of data collection are presented and also the sources from which they are collected. Thus, the type of sources and the possible ethical problems that can arise are also presented. Finally, the question of the analysis of the data is clarified and which way has been chosen to best address the research question.

3.2 Research Philosophy and Approach

In this section, the research approach adopted to fulfil the research purpose of this thesis will be set out. Research can either follow an inductive, deductive or abductive approach. Applying a *deductive* approach, researchers start with a universal view of a situation, working towards the specific (L. Sanders Jones and Linderman, 2014), which means that “*one proceeds from a set of general premises to a more specific conclusion, with the strict condition that the conclusion must follow analytically from the premises*” (Ketokivi and Mantere, 2010). For this, the research involves the development of a theory – a theoretical or conceptual framework, usually based on existing academic literature – whose deduced hypotheses are operationalised and then thoroughly tested through the collection of data.

The results are either accepted or rejected; the latter would entail a modification of the theory, based on the findings (Bryman, 2004; Saunders *et al.*, 2009).

In contrast, *inductive* reasoning works the other way around: it moves from specifics to generalizations – from particulars to a connected view of a situation. When researchers generalise from a (collected) set of data, the inferences are always inductive (Ketokivi and Mantere, 2010; Gray, 2017; Bryman and Bell, 2018). Through the data collection process, the inductive approach seeks to determine emerging patterns or consistencies which indicate relationships between variables. Based on these observations it may be possible for researchers “*to construct generalizations, relationships and even theories*” (Gray, 2017) as the outcome of the research. Using an inductive approach does not imply disregarding existing theory; theory rather supports the formulation of a research question and is also used for the subsequent discussion of the developed theoretical explanations or theories, emerging from data (Bryman and Bell, 2018) in addition, Gray mentions, that, in order to ensure a reasonable level of reliability in inductive reasoning, “*researcher often take multiple cases or instances [...] rather than basing conclusions on one case*” (Gray, 2017). However, the epistemological problem of an induction is that there is always a logical gap between the premises and the conclusions of an inductive argument (or between empirical data and theoretical generalisations, respectively) (Ketokivi and Mantere, 2010).

The deductive and inductive approach should rather be considered as tendencies than distinct categories. As Saunders *et al.* mention, it is possible to combine both within the same research, moving “*back and forth*” (Saunders *et al.*, 2016): from theory to data (deduction) and from data to theory (induction). This can be seen as a third approach to theory development, the so-called *abductive* reasoning.

Abductive reasoning has grown in popularity across several scientific research disciplines and is considered as a way to overcome the limitations, associated with inductive and deductive reasoning (Bryman and Bell, 2018). Abduction usually starts with a ‘surprising fact’ or puzzle – an observed empirical phenomenon that cannot be explained by existing theory – which is seen as the conclusion rather than the premise (Saunders *et al.*, 2016). Abductive reasoning seeks to determine the conditions, a set of possible premises, that are sufficient to describe the conclusion, “*turning the surprising facts into a matter of course*” (Mantere and Ketokivi, 2013; Bryman and Bell, 2018). In doing so, researchers

choose the most suitable explanation from rivaling interpretations or explanations of the data which are subsequently tested through additional data (Bryman and Bell, 2018).

The research approach applied in this thesis is a mixture of inductive and deductive, therefore the *abductive approach* was chosen, as little research has been done concerning the predecessor's influence on innovation behaviour and the effect on succession planning. In order to better understand the strategic decisions, predecessors make in terms of innovation and what investments are made (regarding innovation) and which measurements are taken in order to attract the successor of the firm, the inductive approach seems most appropriate. The already existing patterns identified in the literature will be used to help drawing the connection and help gathering unexplored knowledge. The question on how innovation capability in family firms can be assessed by looking at innovation and succession planning.

3.3 Research Strategy

There are three different research designs for a general direction to conduct the research, namely *qualitative*, *quantitative*, and *mixed methods* research designs. It is useful to differentiate between the research designs but they should not be considered as rigid or distinct categories because they “*are not as discrete as they first appear*” (Creswell, 2013). Qualitative and quantitative research designs should rather be seen as the two ends of a *continuum* which are often mixed in practice; mixed methods research however lies in the middle of the continuum, containing elements of both, qualitative and quantitative research design (Saunders et al., 2016; Creswell, 2013, referring to Newman & Benz, 1998).

A *quantitative* research design is usually emphasizing a deductive approach, focussing on the testing of theories by using (often numeric) data. It contains the norms and practices of the natural scientific model, thus examining the “*relationships between variables, which are measured numerically and analysed using a range of statistical and graphical techniques*” (Saunders et al., 2016). In order to ensure a high degree of generalisability, questions are expressed clearly and probability sampling techniques are applied (Creswell, 2013; Bryman and Bell, 2018).

In contrast, a *qualitative* research design is usually associated with an inductive approach to theory development, emphasizing on the building of theories (or development of a

richer theoretical perspective) and the researcher interpreting the meaning of the data (Creswell, 2013; Bryman and Bell, 2018). It uses several data collection techniques as well as analytical procedures; due to the fact that there is no standardised way of collecting data, questions and procedures “*may alter and emerge during a research process that is both naturalistic and interactive*” (Saunders *et al.*, 2016). However, Yin (Yin, 2014) states that certain qualitative research designs start with a deductive approach, testing existing theory by using qualitative methods. In addition, in practice, also an abductive approach to theory development is used in qualitative research, where conclusions are developed inductively, and deductive ones are tested iteratively throughout the researcher (Saunders *et al.*, 2016).

In case of a *mixed methods* research design, the quantitative and qualitative design are combined, enabling a more complete understanding of a research problem than each design by itself (Creswell, 2013; Bryman and Bell, 2018). It may either use a deductive, inductive or abductive approach to theory development. Qualitative and quantitative techniques can be combined in several ways which results in a number of variations of mixed methods research (Saunders *et al.*, 2016).

In this thesis, a *qualitative* research design is conducted, using open-ended questions and a small sample size in order to achieve an in-depth understanding of a situation (namely the strategic decisions, processors take to manage their power over innovation, investments and succession planning) and therefore their innovation capability.

3.4 Collection Primary Data

The data collection will take place in April and May 2020 and constitutes the basis of the research. For this, about 4 interviews in German language will be conducted which will last around 60 minutes on average. They will all be digitally recorded with the consent of the respective interview partner and subsequently transcribed, mostly within 24 hours of their occurrence. Emphasis was put on producing accurate and reliable transcripts that will be sent to the respective interview partner afterwards to get their final approval for the usage of their statements.

As recommended by Yin (2013), the interview guideline was built on a pilot test in order to refine the data collection plans as well as to develop relevant lines of questions. The cases for the pilot test were selected based on access, convenience and geographic

proximity (Creswell *et al.*, 2007). The semi-structured interviews focussed on themes associated with the research question and were using an interview guide which included open questions in order to realise a certain degree of comparability while ensuring an unobstructed flow of speech (Bryman, 2004).

Before the interview appointment, the respective firms will be thoroughly studied in order to develop a view of its main activities, divisions and key partners. For the case that the conducted interview was a follow-up interview with the same firm, notes from prior interviews (pertaining to the same case) will be reviewed.

3.4.1 *Sources*

In order to gain a deep understanding, to build a comprehensive and holistic picture of the cases as well as to ensure data triangulation, several interrelated primary and secondary data sources were gathered and analysed in this thesis.

According to Yin (2014), there exist multiple sources of evidence for case study research. Especially interviews are a very efficient approach to collect rich empirical data and therefore a commonly applied source (Eisenhardt and Graebner, 2007), which is also used in this thesis in order to gather reliable and valid data, relevant to the research question. While the benefits of this method are its direct focus on the actual research question and the provision of profound insights, the drawbacks are arising biases due to poorly expressed questions or responses as well as the fact that the interview partner might reply in a way the interviewer wants to (Yin, 2014).

Semi-structured interviews are considered to be the most appropriate method, since they allow to explore the view and opinion of the interview partners by providing space for their answers. The interviewer follows a list of themes and questions to be covered (the interview guide) which may vary from interview to interview; some questions can be dropped, some can be asked additionally, or the order might vary, based on the flow of the conversation. Despite this flexibility, the wording of the interview questions is however always similar (Saunders *et al.*, 2016; Gray, 2017). Semi-structured interviews are especially helpful when the objective is to investigate “*subjective meanings that respondents ascribe to concepts or events*” (Gray, 2017). Because of that, the primary source of this case study will be as anticipated 4 semi-structured face to face interviews with top management team members from German manufacturing FF as they have a

profound knowledge regarding the strategic decisions their firms take to manage the succession planning. The target firms selected during the sampling process were either approached by personal letters to the CEO (usually also the owner of the firm) or by the use of a 'gate keeper' (Leblanc and Schwartz, 2007).

Further interview partners in the respective company were selected considering expertise, knowledge or experience on the investigated subjects and were identified through snowball sampling. Within this, the researcher identifies a few people, who, in turn, identify and name others in the population. This technique is especially appropriate when insider knowledge is required to detect respondents for the study (Gray, 2017). In this case, the initial interview partner identified and named at least one other person which also has essential knowledge concerning the topic under investigation and which was then contacted, too. The typical set therefore included the CEO himself (the predecessor) and at least one more senior manager which were keypersons in the investigated process; these were usually the relative or person, which is about to take over the company or just took is over. This procedure is in line with Eisenhardt & Graebner (2007) who mention, using several and highly knowledgeable interview partners ensures limiting bias.

Furthermore, also secondary data sources were used for the multiple case study. These included not only databases (e.g. DAFNE) but also several internet sources (mainly company websites), business publications or other corporate materials as well as newspaper articles. The secondary data was especially useful to provide comprehensive contextual information about the companies' history, its family background, business segments and financial performance. Furthermore, through the use of these multiple sources of evidence, data triangulation was introduced in this case study to ensure the construct validity.

3.4.2 *Access and Ethical Issues*

Typically, a researcher faces several ethical issues across all stages of a research project, mostly during the data collection and data analysis (Creswell, 2013). The main goal of research ethics is always that “*no one is harmed or suffers adverse consequences from research activities*” (Cooper *et al.*, 2014); however, there exists no single approach to (research) ethics. Ethical issues deal mostly with privacy, confidentiality, consent and a possible deception as well as data access and its ownership (Gray, 2017).

In the present multiple case study, which will be conducted for this thesis, managers or owners from five German manufacturing Family Firms or SME's. Concerning the privacy, all interviewees are going to participate on a voluntary basis. Furthermore, the priority will set on their convenience by scheduling the interviews on slots when they have sufficient time to answer the questions in a detailed manner and without a high pressure in time.

Before the interview will be conducted, the interview partners will already be informed about the topic of the interview and had a rough overview about the conversation guideline. This will be fulfilled by attaching the interview guideline to the cover letter.

Furthermore, all interview partners will be informed about the guidelines to maintain their privacy. These included the signing of a non-disclosure agreement (NDA) which assures not only the non-disclosure of their personal identity and company name but also the fact that their given statements will exclusively be used for research purposes.

Finally, before the interview starts, all interviewees will be informed that the interview will be digitally recorded, transcribed and afterwards send to them in order to prevent a deception or possible interpretation errors.

3.5 Approach to Data Analysis

The process of data analysis "*is the heart of building theory from case studies*" (Eisenhardt, 1989) and includes breaking down the data into smaller units to disclose their characteristic structure and elements (Gray, 2017). According to Yin (Yin, 2014), the analysis of case study evidence is problematic due to not well defined techniques. Nevertheless, there exist some key features of data analysis, namely *within-case* analysis and *cross-case* analysis (Eisenhardt, 1989).

There are several content analysis techniques; the most commonly used are content analysis, thematic analysis and grounded theory (Gray, 2017).

"Playing" with the data and therefore building preliminary creations like displays, diagrams, tabulations or memos as a starting point of the analysis in order to search for patterns, insights or concepts (Yin, 2014).

Ozcan/Eisenhardt: "*We began by writing individual case histories including interview, observational, and archival data (Eisenhardt, 1989; Yin, 2014). We triangulated these*

data, emphasizing themes that were supported by different data collection methods and confirmed by several informants. (...) We then began the cross-case analysis, looking for similar constructs and themes in the cases (Eisenhardt and Graebner, 2007). Although we took advantage of opportunities to gain unique data, we began this cross-case analysis after most data had been collected in order to preserve the integrity of replication logic across cases (Eisenhardt, 1989; Yin, 2014). We used tables and other cell designs to compare several possible constructs at once (Miles et al., 2013), numerous case pairings to highlight similarities and differences, and separate and combined comparisons of the two sets of firms.”

As most of the existing quantitative and qualitative studies do not give a unified and consistent picture, we believe that the theory building setting of this article is the most suitable approach to lay the ground for further studies (Eisenhardt and Graebner, 2007).

3.5.1 *Quality of the research*

Yin (2014) proposes four criteria for assessing the quality of research designs: construct validity, internal validity, external validity and reliability.

Construct validity deals with the identification of accurate operational measures for the studied concepts. This is especially problematic in case study research where researchers tend to make subjective judgments instead of developing an adequate operational set of measures to collect data. By using multiple sources of evidence, data triangulation will be established in this case study to ensure construct validity. For this, several interrelated sources will be gathered and afterwards analysed, namely face-to-face interviews, annual reports, information from company brochures and company websites as well as newspaper articles. Furthermore, a detailed case script which includes the conducted interview, will be sent to the respective participant for review and approval within two weeks after each interview in order to minimise possible interpretational misconceptions.

Internal validity refers to the establishment of a causal relationship, with a researcher seeking to show that certain conditions lead to other conditions. Due to the fact that this is only applied in explanatory or causal research – and this case study is following an exploratory approach – this can be neglected.

External validity is one of the most challenging issues in case study research and refers to the degree to which the findings of a study can be generalised beyond the study itself,

irrespective of the research method used; the problem in here is that the collected data may be not representative for the population as a whole. By choosing a multiple case study approach in this thesis, the analysis of comparative results through within-case as well as cross-case analysis becomes possible, thus utilising a replication logic. Especially due to constraints in time, only four cases will be conducted for this thesis. However, according to Yin (2014), this amount will be enough to gain a first insight into the topic and to derive a few literal replications, particularly when there is not the demand for an immense degree of certainty.

Reliability refers to the degree to which another researcher, conducting the same case study and following the same procedures, can replicate the findings and conclusions. The aim of reliability is to reduce possible errors and biases to a minimum. This is however only possible if the researcher thoroughly documents the procedures through a case study protocol and case study databases. The reliability of this case study will be increased through several procedures during the case-design, -collection and -analysis phase, e.g. comprehensive descriptions of all procedures as well as the collation of all recorded interviews. Furthermore, and as already been mentioned, the transcripts of the conducted interviews will be sent to the respective interview partners in order to verify the received information.

3.6 Conclusion

The methodology and the research design are the cornerstone for data collection and analysis and therefore of utmost importance for the study. In order to achieve the clearest possible result when answering the research question, the approaches chosen were those which, in my opinion, best achieve this goal. In summary, the interpretive approach is the one that fits best to answer the question, because a connection between different elements may have to be established first. Furthermore, the topic was approached both deductively, by using existing patterns as a template, and inductively, by comparing the data sets with each other and deriving new patterns from them, if necessary, and then comparing them with what exists and putting them into a different context. For data analysis, the interviews are transcribed and then evaluated using the procedure described above. This is done in the following chapter.

4 Presentation and Discussion of the Findings

After the theoretical basis was explained in the previous chapters, as well as the approach of data acquisition and its evaluation, the results of the acquired data are presented, explained and then discussed in the following chapter. Finally, they are summarized again to give an overview of the whole. As already described in chapter three, the data analysis was performed from a mixture of inductive and deductive.

4.1 Overview

Before presenting the actual results of the case studies carried out, a brief description of each case is given in the following sections. Due to the guaranteed anonymity of the interviewees, the identity of the respective company as well as detailed information about the company are still only sparsely and partially disclosed. In addition to the following case descriptions, the four providers that are the subject of this investigation are also compared in tabular form (See Appendix E, whereby information about the company (e.g. type, main activity) and that of the interviewee (i.e. position) are compared.

As already described in chapter three, the data analysis was performed from a mixture of inductive and deductive. First, the interviews were transcribed, and the statements were filtered according to the elements of the conceptual framework or attempted to make connections in relation to the Research Question.

In general, the interviews were examined for similarities in order to identify possible patterns that are not necessarily mentioned in the literature in this context. The patterns were then consolidated into my three primary findings, which are: The formal and informal influence of the predecessor has an impact on both the innovative capacity and the succession of the company, the lack of innovation strategy in small family firms and early involvement of the successor in family firms has an impact on the succession process and reciprocal motivational topics.

4.1.1 Company A

Company A is a small family business (100% owned by the family) based in Baden-Württemberg (in southern Germany). It is a contract manufacturing company in the metal industry with a workforce varying from 7-12 employees (6 of which are permanent employees and then supplemented by temporary workers as required). The company is a

machine manufacturer for the areas of food production, canteen kitchens, heating systems, fittings production for industry, therefore they do not develop their own products but rather produce for specific needs of their customers.

The current management is carried out exclusively by the second generation. The family is currently represented by only one person in the company and bears sole responsibility. Even though the company is in a very good financial position and is already established throughout Germany, the question of succession is still unresolved. At present, one of the two daughters can possibly imagine the succession, although the second is still rather reserved, but does not completely rule out her interest.

Both daughters were involved in the company from the very beginning and have seen the possible advantages and disadvantages of self-employment. Even if there is a desire to hand over the company within the family and thus continue to run it, none of the children is pushed or taken into obligation.

Characteristic for this company are the values that are transferred from private to business. The responsibility that an entrepreneur has towards his employees is a top priority and is therefore decisive for the company's continued existence. Close customer relations and work focused on their needs are also indispensable. A close cooperation between generations is desired in order to make the transfer as smooth as possible. This also means, however, that the senior leaves room for the successor to develop and withdraws.

4.1.2 *Company B*

Company B is a hotel and catering business in the Rhineland-Palatinate (in western Germany) and near the Luxembourg border, founded in 1992. The company with 26 permanent employees consists of a hotel as well as two restaurants, one of which is a gourmet restaurant and the other a good plain restaurant. The company is 100% family owned. Apart from the hotel and catering business, hunting is a branch of their business with related tourism in the hiking area.

The family is strongly connected with the company and its employees and the common values are of the highest priority. The company is currently still managed by the first generation, but the next generation is increasingly involved and takes responsibility for the areas they oversee. This responsibility brings with its duties, but also the opportunity

to give free reign to their own creativity. The following generation has grown up with the company from the beginning and has been involved in many things from the very beginning and has learned the important importance of customer orientation. The motivation to want to continue and develop the company comes of its own accord and is not forced on them by their parents, as they have experienced both advantages and disadvantages.

Due to the versatile business areas, the possibilities for development are unlimited. Added to this is the drive and intrinsic motivation to move the company forward. That of the old generation is that the company is handed over in the best possible condition. That of the following generation is to preserve and enhance the legacy of the parents. To realize one's own visions on the basis of what has been created is the goal of the successor.

4.1.3 *Company C*

Company C is a trading company based in Berlin and was founded in 1992. The company is currently still run by the first generation, who owns the entire company, but it is planned that the subsidiary will take over the company and it will then be transferred to the second generation. The company is specialized in trading with all products in the field of rail vehicles and buses. In total the company has six employees including the owner and operates worldwide.

This kind of middleman is not foreseen in theory and as a company concept it is per se a problem to survive in the future. Therefore, long-term customer loyalty and customer orientation are essential. Since they do not produce themselves, the type of innovation is very limited but not completely impossible.

In this case, with regard to succession, the decision of the successor has only recently been finalised to the extent that it is now possible to start the process of taking over the company.

The successor has a quite clear vision for the company and, based on her background knowledge, suggests a completely new direction for the company and recognizes new, necessary development potential.

4.1.4 *Company D*

Company D is a car repair shop that is now in its third generation of CEOs and is still 100% family owned. Since the first generation, the portfolio has expanded from

generation to generation. It started as a car workshop with an attached petrol station and the second one as a more specific workshop and this was directly expanded. In the third generation, a car dealership was added to the garage, which is formally excluded from the main business, but which cooperates contractually. This dealership is managed by one of the sons, which has significantly expanded the product range. The company is still managed by the parents (second generation), but in the day-to-day operations the next son is responsible for the business. The parents limit themselves more to the joint development of strategic plans, customer care and the mother is still fully responsible for the financial area.

Due to the location to the neighbouring country Luxembourg, the company has additional competitive pressure, which is not only limited to the operative business but also the difficulty of recruiting and retaining employees. For this reason, great importance is attached to communication and that the common values are shared. These values are not recorded in writing but are lived every day and are therefore indispensable even without this written form.

4.2 Findings

4.2.1 The formal and informal influence of the predecessor has an impact on both the innovative capacity and the succession of the company.

This means that the predecessor either consciously or unconsciously influences the development of the company. This can be via the classic form of an official position in the company, or via the unofficial authority he or she represents. In terms of innovation the influence of the predecessor can be either through blocking all attempts of innovating wit in the company or through actively aiding the innovation process.

The reasons for this assumption can be demonstrated by analysing and comparing the statements summarized in Appendix E, as well as those following.

It can be observed, that there are two basic types of influence a predecessor can have on the development of the company and the behaviour of the successor going forward: On

the one hand, the predecessor can be quite hands off and leave the decisions to the successor (“I don't want to influence and interfere. He has to do his own thing. I can only be there in an advisory capacity. The new generation has to take over by themselves, you must not interfere, you must only support where necessary.” –Predecessor Company A) and on the other hand, the predecessor is not willing or capable to let the successor be (“I can't list all the examples now, but there are many situations in which it turned out that the predecessor liked to stick to old processes, according to the motto "what was good in the past and worked, why change it" –Successor Company A).

This is also supported either way by the fact, that in most cases, the succession progress is currently underway, if not still being developed. (“There is a precise planning in so far as I am to lead the company later on, there are no further details as such. It is planned that I will take over the company for about ten to 15 years. The fact that I will take over the company is currently the only concrete planning with regard to succession arrangements.” –Successor Company C or “So far there are none, but in the next 1-2 years a regulation has to be found, especially because of my age, you can't hand it over overnight, that's not possible.” –Predecessor Company A).

The lack of a precise date when the hand-off of operational power is to be taking place leads to varying amounts of uncertainty regarding the standing of the succeeding party in the company (“For me personally, the great concern was that there could be conflicts and tensions between the founding generation, i.e. my parents, and myself, which could influence our cooperation. This concern was a fundamental part of our discussions on this topic.” –Successor Company C)

In perceiving the predecessor as the ideal to which the successor seeks to aspire, the pressure on the succeeding party can be quite intense. The emotional influence of the predecessor on the successor will be further investigated under point 4.2.3.

Innovation is accordingly either supported (Company Bs predecessor is often lauded as the “most innovative and creative person” the successor knows and is being named more than once as the primary role-model of the successor, which will be further analysed in point 4.2.3.) or discouraged (“I think we have a low level of process innovation because one half is completely against innovation and considers it unnecessary and the other half does.” – Successor Company C and “My husband was not at all enthusiastic about these things and was also of the opinion that these things were superfluous.” –

Successor/Predecessor Company D). Such circumstances might influence the future decision-making process of the succeeding party.

Existing Literature already acknowledges the fact that succession and its planning can affect the innovation behaviour (Hauck and Prügl, 2015; Fitz-Koch and Nordqvist, 2017) but the focus was mostly on the positive affects this has on innovation (Kellermanns *et al.*, 2012; Rau *et al.*, 2019). The finding here although that this influence can be positive but also negatively connotated, which aligns with the suggestion of Calabrò that there is the research gap in the field of how the predecessor can negatively affect through his behaviour innovation and succession planning (Calabrò *et al.*, 2018). It also helps to gather a better understanding of how to assess the innovation capability of small family firms.

The finding once again underlines the importance of the influence that the characteristics of a family business have on innovation behaviour compared to non-family businesses (Chrisman and Patel, 2012) and thus points once again to the need for further research in this field. To be able to work really efficiently, it is advisable to clearly divide the business areas. In a small company, if you deal too late with the succession and all the hurdles associated with it, you run the risk of no longer being productive and performance suffers. It is therefore advisable to address the issue early on to anticipate possible conflicts (Groth *et al.*, 2013). In order to be able to guarantee a smooth handover, one should determine beforehand what is necessary for the family members for a successful handover (Sharma *et al.*, 2001) and also plan this in a concrete time schedule and record it in writing.

In conclusion, it can be said that the identified patterns have already appeared in the literature, but not yet in this specific context, which is useful to answer the research question.

4.2.2 *There is a lack of innovation strategy in small family firms.*

This means that there is no concrete strategy or corporate business plan detailing the innovation process and capabilities of the company. A concrete plan might entail a specific bullet point list in conjunction with a timetable for innovations or a specific department dedicated to research, development and innovation within the company.

By analysing and comparing the statements summarized in Appendix E, as well as those following, the reasons for this assumption can be demonstrated.

A classic Research and Development Department does not exist within any of the companies that were subjects in this case study, but the inherent nature of such a department is being found in most of them. Company A favours the further education of its employees to developing new products, whereas Company C conducts operational research by searching for new products to distribute. Company B and D are by nature more adherent to innovation since they are also in the service providing sector. They have to constantly innovate and develop new strategies to adapt to everchanging market situation, but do not do this via a separate department (“We are constantly researching and developing. However, there is no separate room for this. (...) There's a “research department” and it consists of me and my father, because things keep coming up.” – Successor Company B and “In any case, if the shop next door is not able to do something like we do, then we have the unique selling point for this part, which we also do in the garage.”- Predecessor/Successor Company D)

Most predecessors see little to no value in innovation since the business model they were conducting business with did not (yet) call for such means. In turn the successors understand the subject of innovation (on more than the developmental plane) to be one of the most important one in their future business conduction. This both leads back to a different mentality (“For example, my husband, who is now 66 years old, has the attitude "I didn't have to do all that before, it all worked out like that”.- Predecessor Company D and “I can't list all the examples now, but there are many situations in which it turned out that the predecessor liked to stick to old processes, according to the motto "what was good in the past and worked, why change it" –Successor Company A).

This coincides with Pisano's observation that most companies have a business strategy, but that this strategy is not consistent with the innovation strategy, if one exists at all (Pisano, 2015). Especially smaller companies lack the means (e.g. time, money, motivation) to exploit the potential, as many of them are already busy with everyday tasks. Even though Pisano's statement that without an innovation strategy there is nearly no possibility in having innovational success, it is in contrast to Sattel's finding, that eventually every innovation strategy fails (Satell, 2017a) This results in two approaches to the predominant innovation possibilities: One is based on one's own creativity and

visionary power. The other is based on the innovations demanded by external parties and influences, on which the company can only have limited or no influence of its own.

This finding may be due to the limited and special selection of companies, but nevertheless suggests that it is a problem which does not only concern one industry but has to be considered across industries. This would also answer one of the research objectives at least partially. Yes, there are certain critical points which do not only affect one industry sector, but quite different ones.

Even if one of the newer research approaches examines the innovative ability of already long-standing family businesses (Rau *et al.*, 2019), the critical size of the companies examined must not be disregarded, and in this respect they are not only financially dependent on capital, but also in terms of human capital (Thrassou *et al.*, 2018).

In order to become aware of its possibilities, it makes sense to follow Hamel's approach of working with worksheets, but not to get bogged down in it and find the optimal future-oriented solution for you and your company, be it through your own familiarisation with the topic, influence of the next generation or external help from consultants.

4.2.3 *Early involvement of the successor in family firms has an impact on the succession process and reciprocal motivational topics.*

This involvement refers to a physical and emotional presence of the successor at the premises of the company grounds as well as to the active participation of the successor (often facilitated by the predecessor) in the day-to-day workings of the company according to the successors age and state of professional knowledge. The potential (self-) identification with the company and its values is also included in this concept of involvement.

Throughout the study (the basis for which were the interviews conducted and summarized in Appendix E) it was observed that the early involvement of children in the family business has a high impact on the succession. This refers to the motivation and also the interest that is awakened when one is involved at an early stage and is allowed to take on responsibility under certain circumstances. For every successor interviewed the company

represented not only an entity their predecessors/parents and or in-laws worked at but was and is regarded more as a part of the identity of their predecessors. The interviewees referred to the family firm as either “our” or “their”, signalling an emotional and possessive connection between both company and they or their predecessors. The successors of companies B, C and D had previously entertained the idea of not taking over the company from their respective parents. Successors B and D however had always planned to stay in the general business sector, whereas successor C had primarily thought about branching out of the primary business sector, ultimately decided against this though. Their education had always been in service of subsequently working the business sector in which their family firm was already established. The formation and apprenticeships were conducted both within (“So my father pulled me from my former apprenticeship, and I had to go home.” –Successor Company B) and outside of the family firm (“My son started the apprenticeship in a BOSCH service which also connected a wholesale trade. (...) The best example is my youngest son, who learned at Audi and had a tough school there, but the experience he gained there was worth its weight in gold. In addition, only insist that he becomes a business economist in the craft, because that is a huge advantage.” –Predecessor Company D).

As has already been mentioned in preceding paragraphs, the emotional connection and underlying expectation from the predecessor of the successor to follow in their footsteps is also an underlying theme. Successor B mentions on numerous occasions that he considers his predecessor (his father) to be his role-model in many ways. Successor C underlines the fact that her parents never forced or pressured her into taking over from them (“My father always wanted me to succeed him in the company. However, I was never pushed in this direction.”), but she decided to do so, nevertheless. This sentiment is echoed by Predecessor D (“Of course you can move him in that direction and you can show him how nice it is to have your own business with all the advantages and disadvantages, but you cannot force him to do it.”). All successors seek to expand on their predecessor's work and somewhat consider them role-models one way or the other.

This finding is particularly good at placing the non-profit driven motivations of family businesses at the centre of their decisions for action. As already established before, family businesses are not always driven by rational decisions that could be traced back to increased profits. On the contrary, this study shows that the next generation has ideal ones

that they want to hold on to together with their parents and place this above pure profit-maximizing actions. This behavior is best explained by the SEW approach (Cruz *et al.*, 2012; Berrone *et al.*, 2012; Hauck and Prügl, 2015).

But what was made very clear by all participants was that it was extremely important that the successors did their training in another company, despite the previous integration into their own company. This not only sharpens their own perception and enriches their own experience for later comparison and improvement possibilities, but also offers the possibility of further development of the company in a very natural way.

However, when and how the optimal integration of successors into the company should take place, especially in small family businesses, has not yet been researched and therefore offers a new field for further development.

4.3 Discussion

If you look at the results in relation to the research objectives, you can see that they are certainly partly achieved. As a reminder, the research objectives were the following:

- Assessment of the innovative capacity of small family businesses.
- Investigation of the influence of the predecessor on innovation behaviour and activities with regard to succession planning.
- Identify the problems or opportunities and develop a possible framework for action for small German family businesses.
- Identify possible similarities between the companies which may lead to a general and not only company-specific finding which is not only applicable to the individual company /does not show any similarity at all and therefore emphasizes the uniqueness of the problem for each company individually.

The first research objective could be answered to the extent that determinants were identified which contribute to the determination of the innovative ability. In particular, the second finding (see 4.2.2) explains which basic requirements are necessary to identify possible innovations, but also to use them profitably for one's own advantage.

The influence of the predecessor on innovation behaviour is reflected in the first finding. Here the result is unambiguous, that it cannot only have a positive influence as previously assumed in the literature, but also a negative one. This can have different reasons, on the one hand that the predecessor is too closely connected with his own company and sees it as part of his own identity and finds it difficult to allow changes. Or also because the predecessor does not understand that certain changes are necessary to ensure the continuity of the company (since it has worked very well so far).

Clear recommendations for action resulted from the three findings. The first finding clearly focuses on the fact that the predecessor may be involved but must at some point vacate the premises so that the next generation can work independently. This does not rule out the possibility that he may still be available afterwards in an advisory capacity, but that no decision-making power may be granted to him, as otherwise his influence would become too great.

An identified problem is the lack of an innovation strategy, which is of course essential for innovation opportunities. It should be emphasized that especially smaller family businesses often do not know which possibilities they have to act innovatively and subconsciously just do it. The background to this is that innovation is only secondary for the divisions and has not been available as a unique selling proposition up to now and is only a limited part of the corporate strategy, if at all.

For the third finding it should be noted that there is a lot of room for manoeuvre for companies and that it can be used as a very good tool to increase your innovation possibilities. The motivation generated by the children to prove themselves in the company and make a positive contribution is reflected in the fact that they are quite capable of thinking outside the box and see other opportunities for further development, this can be due to their education but also to their age and personal attitude.

In identifying similarities, there were quite a few that are not industry-specific, but which make up the character of the small family businesses in particular. These are characteristics that are not unknown in the literature, but nevertheless stand out because they have a high value of commonality. For example, a special degree of commitment, farsightedness and loyalty was evident in each of these companies, only to give a small insight now. There were also commonalities to be found in relation to the problem of the question and were taken into account in the results.

4.4 Conclusion

In this chapter, the interview data collected was analysed and summarised. The data collected spanned a wide array of additional topics as well as the ones on which the case study was focused. The pertinent information was chosen to be analysed, since an in-depth look at the additional issues would have exceeded the confines of this thesis. This resulted in various similarities between the individual case studies, which were combined in patterns. After a detailed study of the developed patterns, the three findings manifested themselves, which can be used to answer the research question. The results of the described analysis are presented in tabular form and as results in schematic form in Appendices E and D respectively.

5 Concluding Thoughts on the Contribution of this Research, its Limitations and Suggestions for Further Research

After the findings were presented and discussed in the previous chapter, the final overview of their significance for the research question follows. What contribution the work makes to the research and what kind of recommendations can be made for practice. Finally, there is a final summary and consideration of the work.

5.1 Implications of Findings for the Research Questions

The results of this exploratory study also have important implications for the research question. The results explained above and also linked in a model (see Appendix D) imply that the three elements have a significant impact on the question of how to assess the innovation capacities in family firms.

In order to be able to assess innovation capacity, the firm must be aware of what kind of innovation is possible for them or which ones they already unconsciously make quite natural. Furthermore, this process also includes the innovation possibilities that are controlled, strived for or even prevented by the individual generations.

The findings also show that there is no single answer to the question, but that the elements that determine each other can be incorporated in different ways and thus change the result.

5.2 Contributions and Limitations of the Research

This study has a number of methodological and theoretical limitations that may be of interest for future research, and thus offers new areas for further development. First, from a methodological point of view, the present study is limited to only four cases, mainly due to time pressure and the pandemic (COVID-19), which has significantly limited data generation. Although this number of cases already allowed a first insight and the derivation of several proposals, data saturation - the point at which it can be expected that no new information will be collected (Glaser & Strauss, 2006) - was far from being reached. However, the reasons for this may also be related to the relatively unique and complex nature of the issues of succession and innovation itself. It may also be due to the fact that the choice of companies is not limited to one industry.

Secondly, the generalizability of the results for all small family businesses is limited. This again results from the sample, which is not only relatively small but also includes various industries that do not have a high total weight in the group dominance.

Third, the qualitative research design chosen for this case study cannot statistically validate the results obtained, which is a significant limitation. For this reason, the study should be expanded in further research by including quantitative research or a mixed methodological approach (Creswell, 2013). This can probably also provide more insight into aspects that have been neglected in this work so far.

Nevertheless, there was some contribution in that matter that, some basic insight into the topic were gained through this thesis research and paved the way for further research.

5.3 Recommendations for Practice

The resulting recommendations for the practice are clearly to define the succession regulation, but also to transfer it in written form, this practice is common in bigger businesses (Haubrock, 2019) Including all expectations and demands of the predecessor and successor, in order to guarantee an orderly process and to prevent possible misunderstandings that could contribute to the damage of the company. The associated communication is derived from this. It is extremely important to create a relationship of trust in which each party is taken seriously and is valued. This also means a clearly defined period of time, which makes it easier for both predecessors and successors to concretise the planning of the takeover. Furthermore, one should consider to what extent one can integrate the children into the company at an early stage, so that they can build up an emotional bond and can also get involved in strategic areas and decisions.

Likewise, one should also consider one's own innovation possibilities. Just as you deal with the strategy of the company, you should also deal with your own positioning there. In this way you can discover new potentials, create new perspectives but also involve your descendants, especially through their own experience.

5.4 Recommendations for Future Research

As mentioned earlier, the study had some limitations, which of course offers room to build on. On the one hand, not only qualitative data should be collected in the future, as this will provide a statistically more meaningful data set.

Another point to consider is that the study should be limited to one industry in order to achieve a more detailed and specific result. Without the limitation to one industry, one runs the risk of seeing connections that only arise by chance. This brings us to the next point to recommend: a higher number of companies to be examined. Although a small number of companies can also produce a result, in this case it is advantageous to gain more insight to gain an even deeper understanding.

Furthermore, it is recommended to include several generations in the study, as the topic does not only concern one generation but should also be addressed across generations and the different perspectives should not be disregarded.

As already mentioned, the field of research is broad and has not yet been researched in all contexts. Therefore, it is advisable to also address the topics that have been left out of this study so far, such as capital structures and the general financial position of companies especially under unforeseen circumstances like right now in the pandemic.

It might be helpful to use companies that are not fully owned by the family itself, as this brings in another very important determinant of the dynamics of the company, its goals and performance.

5.5 Final Conclusion and Reflections

This work began with the question "How is the innovative capacity in small family businesses to be assessed? The literature research alone quickly made it clear what a complex topic this is when approached through succession, innovation, management and culture. These topics are already very complex on their own and have quite different dynamics when it comes to family businesses.

In this respect, the chosen field of research was not particularly easy, as a lot of literature has already been written about it, but not yet to the extent that it helps smaller companies, especially when one considers the current figures for endangered companies in Germany.

It is therefore still a field that has not been fully researched but requires considerably more time and effort than was possible in this thesis. Nevertheless, the study was able to gain a little more insight into the topic, even though no completely new findings were obtained.

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Appendices

Appendix A – Cover Letter

Carolin Schneider (M.Sc. cand.)

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Request for support for Master thesis: Interview request

Dear Mrs/Mr XXX

I, Carolin Schneider, have been studying at Griffith College Dublin since 2019 and am now working on my master's thesis under Michael Nicell; I would like to ask you for your kind assistance in this, despite the current situation during the Corona crisis.

My thesis deals with succession in family businesses with regard to the influence of the predecessor on innovation. According to recent research, this influence not only determines a possible problem of succession, but can also influence the current success of the company in the future. The research approaches that are also included in the study deal with the socio-emotional wealth and the innovation behaviour of family businesses.

My work, which also contains a research part developed in practice, investigates this connection within German family businesses: It focuses on German family businesses that are in the process of succession or have already completed it. The aim of the study is to survey, evaluate and analyse the (strategic) decision-making behaviour of family businesses with regard to innovation in their company during the succession process. For this purpose I conduct several case studies, within which interviews are an important source of data. I would like to ask you for such an interview of about 60 minutes duration.

In these interviews, I would like to explore and reflect on the interdependency between succession and innovation from your perspective. I would be delighted to receive your valuable insights and experiences. The task of the study will then be to link the evaluated material with more recent theoretical approaches. In doing so, I will work out in detail the dependency relationships and the challenges arising from them. Finally, I will develop as concrete recommendations for action as possible. I would be pleased to offer you the opportunity to work out the results of the study individually for you.

Despite the current circumstances, I would be very pleased to be able to win you as a participant in my study in order to advance research in this area with your help. Your data will of course be treated in strict confidence and will only be used anonymously.

Subject to your consent, I will contact your secretary's office in the next few days to find out whether you are willing to be interviewed and, if so, to arrange an appointment. Enclosed you will find the interview guide and the non-disclosure agreement.

Kind regards,



Carolin Schneider
- Masterand -

INTERVIEW GUIDELINE

1. INTRODUCTORY QUESTIONS

- Please give a brief overview of your company and the business areas.
- What is your personal area of responsibility in the company?
- How is succession regulated in your company?
- Is there a corporate culture or a code of values that is highly valued in your company and therefore indispensable for the company's continued existence?
- Do binding rules exist for succession and innovation?

2. Family Involvement and Governance

- Family is defined as a group of persons including those who are either offspring of a couple (no matter what generation) and their in-laws as well as their legally adopted children.
- Ownership means ownership of stock or company capital. When the percentage of voting rights differs from percentage of ownership, please indicate voting rights.
- Management board refers to the company board that manages or runs an entity(ies).
- Persons named through family members represent the ideas, goals, and values of the family.

Part 1: The Power Subscale

1. Please indicate the proportion of share ownership held by family and nonfamily members:

- (a) Family _____%
- (b) Nonfamily _____ %

2. Are shares held in a holding company or similar entity (e.g., trust)? 1. Yes 2. No
If YES, please indicate the proportion of ownership:

- (a) Main company owned by:
- (i) direct family ownership: ____%
- ii) direct nonfamily: ____% ownership: ____%
- (iii) holding company: ____%

- (b) Holding company owned by:
- (i) family ownership: ____%
- (ii) nonfamily ownership: ____%
- (iii) 2nd holding company: ____%
- (c) 2nd holding company owned by: (i) ____ family ownership: ____%

3. Does the business have a governance board? 1. Yes 2. No

If YES:

- (a) How many board members does it comprise? _____ members
- (b) How many board members are family? _____ family members

(c) How many nonfamily (external) members nominated by the family are on the board? ____ nonfamily members

4. Does the business have a management board? 1. Yes 2. No

If YES:

(a) How many persons does it comprise? _____members

(b) How many management board members are family? _____family members

(c) How many nonfamily board members are chosen through them? ____ nonfamily members

Definitions

- The founding generation is viewed as the first generation.
- Active family members involve those family members who contribute substantially to the business. These individuals might hold official positions in the business as shareholders, board members, or employees.

Part 2: The Experience Subscale

1. Which generation owns the company? _____ generation

2. Which generation(s) manage(s) the company? _____ generation

3. What generation is active on the governance board? _____ generation

4. How many family members participate actively in the business? _____ members

5. How many family members do not participate actively in the business but are interested? _____members

6. How many family members are not (yet) interested at all? _____members

Part 3: The Culture Subscale

Please rate the extent to which:

1. Your family has influence on your business.

Not at all To a large extent

1.....2.....3.....4.....5

2. Your family members share similar values.

Not at all To a large extent

1.....2.....3.....4.....5

3. Your family and business share similar values.

Please rate the extent to which you agree with the following statements:

Not at all To a large extent

1.....2.....3.....4.....5

4. Our family members are willing to put in a great deal of effort beyond that normally expected to help the family business be successful.

Strongly disagree Strongly Agree
1.....2.....3.....4.....5

5. We support the family business in discussions with friends, employees, and other family members.

Strongly disagree Strongly Agree
1.....2.....3.....4.....5

6. We feel loyalty to the family business.

Strongly disagree Strongly Agree
1.....2.....3.....4.....5

7. We find that our values are compatible with those of the business.

Strongly disagree Strongly Agree
1.....2.....3.....4.....5

8. We are proud to tell others that we are part of the family business.

Strongly disagree Strongly Agree
1.....2.....3.....4.....5

9. There is so much to be gained by participating with the family business on a long-term basis.

Strongly disagree Strongly Agree
1.....2.....3.....4.....5

10. We agree with the family business goals, plans, and policies.

Strongly disagree Strongly Agree
1.....2.....3.....4.....5

11. We really care about the fate of the family business.

Strongly disagree Strongly Agree
1.....2.....3.....4.....5

12. Deciding to be involved with the family business has a positive influence on my life.

Strongly disagree Strongly Agree
1.....2.....3.....4.....5

13. I understand and support my family's decisions regarding the future of the family business.

Strongly disagree Strongly Agree
1.....2.....3.....4.....5

3. SUCCESSION PLANNING

- What does the succession arrangement in your company look like? How is it structured? Is there an exact plan?
- In which phase of succession planning are you currently in?
- Has the succession planning/regulation changed?
- What do you pay particular attention to in succession planning?
- Are you/have you been confronted with problems in succession planning/regulation and if so, what do they look like?
- Were there any specific criteria that the successor must meet?
- Does the successor have certain requirements that must be fulfilled in order to take over the company?
- What and how much influence does the predecessor have on the succession process?
- To what extent is innovation valued in the succession process and how does it manifest itself?

4. INNOVATION

- How does the general market environment behave with regard to innovation?
- How important is innovation for your company?
- To what extent is innovation required of you and what usually drives it (internal, external influence, e.g. competition, or government regulations)?
- Is there a separate Research & Development department?
 - If so, how important is it? And how much is invested in it?
- Is investment generally made in R&D?
- How dependent are they on innovation?
- Is innovation part of your corporate strategy?
- How would you assess the influence of the predecessor on innovation behaviour?

5. PERSONAL KNOWLEDGE & EXPERIENCE

- In your opinion, what are the biggest challenges in succession?
 - How do you deal with these challenges?
 - If you had to name three 'ingredients' for successful dependency reduction, what would they be?
 - Which three things should a company avoid as far as possible?
 - If you had the chance to go back in time, what steps would you take differently today?
-

INTERVIEW GUIDELINE – CASE C

1. INTRODUCTORY QUESTIONS

- Please give a brief overview of your company and the business areas.

The company in itself is a trading company, a trading and distribution company, which means that we rarely produce ourselves, but that we buy things and then sell them again, which means that we only deal in products. These are rather small things, for example windscreen wipers for the suburban railway, or ashtrays for the regional railway in Switzerland. All things around rails, that is, in rails, on rails, on the train, inside, around. As long as it has something to do with it, and sometimes also other smaller things, such as windscreen wipers for buses. But in itself it remains more on the rails.

- What is your personal area of responsibility in the company?

At the moment my area of responsibility covers a rather smaller scope, which is more characterized by observing and learning. I help to optimise processes, for example filing and storage systems, but I also do translation work and smaller marketing jobs such as brochures, advertising films or visits to trade fairs. This is more of a selective involvement, which is more project-related, such as the creation of marketing materials for a specific purpose, for which I am then given full responsibility. In summary, my field of activity can be described as project and process support.

- When was the company founded and how many employees do you have in your company?

The company was founded at the end of the 90's, in 1992, and now has a total of six employees and owner.

- What is the corporate form of your company?

Limited Liability Company

- Is there a corporate culture or a code of values that is highly valued in your company and therefore indispensable for the company's continued existence?

There is no written corporate culture or code of values, but the company lives from personal contacts and a good network of family and friendships. We feel committed to these contacts and connections even without a written description.

- Do binding rules exist for succession and innovation?

The binding succession regulation has only been established as such since my decision to take over. For me, this decision was tied to personal reasons. Until my decision, there was no regulation that allowed any employee to become part of the management. A family solution was always preferred, but the final decision was actually mine.

2. Family Involvement and Governance

- Family is defined as a group of persons including those who are either offspring of a couple (no matter what generation) and their in-laws as well as their legally adopted children.
- Ownership means ownership of stock or company capital. When the percentage of voting rights differs from percentage of ownership, please indicate voting rights.
- Management board refers to the company board that manages or runs an entity(ies).
Persons named through family members represent the ideas, goals, and values of the family.

Part 1: The Power Subscale

1. Please indicate the proportion of share ownership held by family and nonfamily members:

(a) Family 100%

(b) Nonfamily 0%

2. Are shares held in a holding company or similar entity (e.g., trust)? 1. Yes 2. **No**

If YES, please indicate the proportion of ownership:

(a) Main company owned by:

(i) direct family ownership: _____%

ii) direct nonfamily: _____%ownership: _____%

(iii) holding company: _____%

(b) Holding company owned by:

(i) family ownership: _____%

(ii) nonfamily ownership: __%

(iii) 2nd holding company: __%

(c) 2nd holding company owned by: (i) _____ family ownership: _____%

3. Does the business have a governance board? 1. Yes 2. **No**

If YES:

(a) How many board members does it comprise? _____ members

(b) How many board members are family? _____ family members

(c) How many nonfamily (external) members nominated by the family are on the board? _____ nonfamily members

4. Does the business have a management board? 1. Yes 2. **No**

If YES:

Strongly disagree Strongly Agree

1.....2.....3.....4.....5

5. We support the family business in discussions with friends, employees, and other family members.

Strongly disagree Strongly Agree

1.....2.....3.....4.....5

6. We feel loyalty to the family business.

Strongly disagree Strongly Agree

1.....2.....3.....4.....5

7. We find that our values are compatible with those of the business.

Strongly disagree Strongly Agree

1.....2.....3.....4.....5

8. We are proud to tell others that we are part of the family business.

Strongly disagree Strongly Agree

1.....2.....3.....4.....5

9. There is so much to be gained by participating with the family business on a long-term basis.

Strongly disagree Strongly Agree

1.....2.....3.....4.....5

10. We agree with the family business goals, plans, and policies.

Strongly disagree Strongly Agree

1.....2.....3.....4.....5

11. We really care about the fate of the family business.

Strongly disagree Strongly Agree

1.....2.....3.....4.....5

12. Deciding to be involved with the family business has a positive influence on my life.

Strongly disagree Strongly Agree

1.....2.....3.....4.....5

- What do you pay particular attention to in succession planning?
- Are you/have you been confronted with problems in succession planning/regulation and if so, what do they look like?

Here there were more personal problems. On a professional level, I saw and still see rather little potential for conflict there, as I had already chosen the economic direction during my studies. For me personally, the great concern was that there could be conflicts and tensions between the founding generation, i.e. my parents, and myself, which could influence our cooperation. This concern was a fundamental part of our discussions on this topic.

- Were there any specific criteria that the successor must meet?

For my parents, the founding generation, above all the willingness and the will to fulfil the task was fundamental. They kept telling me not to do it unless I really wanted to. As already mentioned, the course of study, a commercial, most economical education, is also an important foundation. The academic knowledge in these subjects is an important criterion.

- Does the successor have certain requirements that must be fulfilled in order to take over the company?

For me it was especially important to have a free hand in the management of the company, so to run this company independently of the founding generation was definitely a condition for me. This is a rather general condition, but for me personally it was also very important that I completed my studies in this direction so that I would not enter the company in a different way. In summary, the points of personal professional competence and the guarantee of independence in decisions are the important conditions for me.

- What and how much influence does the predecessor have on the succession process?

The influence is 100% for me, because there must be an agreement from the side of the predecessors. Personally, I would only inherit the company if the company was still family-owned. Until this is the case, the influence of the predecessors remains at 100%.

- To what extent is innovation valued in the succession process and how does it manifest itself?

Innovation in the sense of developing something new is not given in a trading company. For me, innovation is also what you can offer, what no one else can offer, what you differentiate yourself from. In this case, innovation is something new, something that has never been seen before. In our case it consists in the fact that you can restore old parts and procure those parts that no one else can offer because they would otherwise be discarded. For example, there are still trains in Switzerland today that need a particular coffee machine because no other machine can be fitted and we are the only ones who can supply them at present because we can restore them to the old model.

If you treat innovation strictly by definition, it is a very difficult term to apply in our case.

4. INNOVATION

- What is innovation for your company?

For our company, this means in concrete terms that we are able to offer things that no one else can offer. This applies both to the special coffee machines, for example, which we can supply,

and to our ability to fall back on our stocks in times like the COVID- 19, a special feature that all competitors in our field have.

- How does the general market environment behave with regard to innovation?

There are many innovations in the field of rail transport. However, if you go into more detail, for example by looking at windscreen wipers, ashtrays and brake hoses, you will see only a creeping process of innovation. That is why our small parts are usually very durable and resistant.

- Do you have a vision for the company? What measures do you aim to take for the company under your leadership?

The basic idea at the time of the company's foundation was to close or at least fill gaps in the market. These were aimed at both the product range and the number of items. Thus, we tend to order smaller quantities, which are not possible at all with companies like Siemens, because they fall below the minimum number of 100,000, whereas with us an order quantity of 5 pieces or more is possible.

My vision is that sustainability is at the forefront, and in the long term I believe that public transportation is one of the cornerstones of sustainability. More and more people will become dependent on public transport in the future. If these means of transport are no longer operational because the smallest parts are missing or defective, this will affect many people in the medium to long term. In this respect, our company, which covers the niche needs, can support the big issue of sustainability in the long term.

- How important is innovation for your company?

I think that there will be a radical change there, because at the moment the company lives from the fact that not everything is focused on innovation. At the moment, the focus is still on keeping old, rare parts, making them available or even manufacturing them. In the long term, however, these parts will also become obsolete because the trains in which they are (or will be) installed will be discarded. In this respect it is a balancing act, on the one hand not to allow innovation by keeping the old parts, on the other hand innovation has to be taken into account, then if you shut yourself away too long, you will become obsolete. The nice thing about small businesses is that innovation can then go in all directions. For example, it is also possible to offer some kind of coaching for other small business companies in the middle class, which they are small, and to support them in questions of durability, product development, manufacturing vs. purchasing. That's why I also think that process innovation will play a greater role in the future than product innovation per se.

- Is Innovation a competitive advantage in your industry?

I would describe innovation as an aspect rather than a part of the corporate strategy.

- Is innovation part of your corporate strategy?

Concerning new products as already mentioned rather not, we notice again and again that old, stable products are missing.

- To what extent is innovation required of you and what usually drives it (internal, external influence, e.g. competition, or government regulations)?

There are no state regulations that require innovation. For the company itself, I see less need for innovation, but I find myself under strong pressure to innovate. Given the expected development that our market niche could become obsolete in the future, it is up to me to reposition the company and adapt it to the new circumstances. My previous knowledge in coaching, strategic business planning and other further training should be integrated in this case. So for me, the innovation here lies in the balance between preserving the old corporate philosophy and adapting to the new circumstances.

- Is there a separate Research & Development department?
→ If so, how important is it? And how much is invested in it?

No.

- Is investment generally made in R&D?

N/A

- How dependent are they on innovation?

Research in our case is rather operational research. We are looking for product alternatives, which are not developed by ourselves. If, for example, we find another material for the corresponding product, which gives us a higher profit without loss of quality, the invested time and work will have paid off.

- How would you assess the influence of the predecessor on innovation behaviour?

Especially high, in the sense that there was none. It's a little hard to generalize, because the management is split in two and has very different views, especially when it comes to innovation. I think we have a low level of process innovation because one half is completely against innovation and considers it unnecessary and the other half does.

- Were there differences of opinion between predecessor and successor regarding the innovation behaviour?

100%. For me personally, innovation is much higher on the list of z points to consider, whereas my father strictly rejects innovation as such.

5. PERSONAL KNOWLEDGE & EXPERIENCE

- In your opinion, what are the biggest challenges in succession?

For me as a woman, there are other challenges in addition to the difficulty of holding my own in a higher position. On the one hand, to assert oneself in an extremely sedate male domain and, in addition, not to have learned the trade as such, such as locksmith or welder or to have learned business administration at a higher level and, on the other hand, to work out and supervise the reorientation of the company. A balance must also be found between the values and vision of the current company and the values and vision that will be created by the new management and other framework conditions.

- How do you deal with these challenges?

I believe that because I only made the decision to take over a year ago, I had the opportunity to learn about other aspects of the business world through my studies. This made me realise that competences from other fields can also be an advantage in the future and I am determined to

further promote the basic vision of the company, that of filling the gap in the market, in many ways. For example, I intend to develop processes that do not yet exist in academic textbooks. Most textbooks focus on larger companies, but small companies usually get a raw deal here.

- If you had to name three 'ingredients' for successful succession in combination with innovation, what would they be?

Assertiveness, consistency and adaptability.

- Which three things should a company avoid as far as possible?

In my opinion, it would be extremely harmful not to adapt to the market conditions and not to be informed about important developments in the market.

The personal relationship within the company but also between suppliers, customers, etc. should not be underestimated. This is where consistency and reliability pay off and are also rewarded. A long-standing relationship with customers, suppliers, etc. pays off in the long run, to take such connections for granted or not to appreciate them at all would be fatal. This need not be at the expense of new customer acquisition, but existing customers should still be a priority.

One should not be too open with business partners regarding prices, customers and supply chains, as the business model is quite simple (as a trading company we are the middleman for exceptionally small orders). If we don't want our business to collapse because someone else baits our suppliers or customers with lower prices, we have to maintain our network permanently and shield it from outsiders.

- If you had the chance to go back in time, what steps would you take differently today?

I would want to go into early childhood in order to get to know the company from a different perspective earlier. However, I do not regret that the decision to take over the company was made relatively late, as this allowed me to make the decision on my own free will.

- How long have you been part of the company? How long have you been actively involved in the company (as an employee or similar)?

I have actually always had an emotional and implicit involvement in the company, after all, I quasi grew up with them. I have been actively involved since about 2014-2015. My first fields of work without specific know-how were sorting files, or creating logical concepts for storage and filing, as well as designing flyers and other marketing materials. In the course of time, my field of work expanded to include translation work, light customer contact and the like, with more and more personal responsibility.

Appendix D – Result

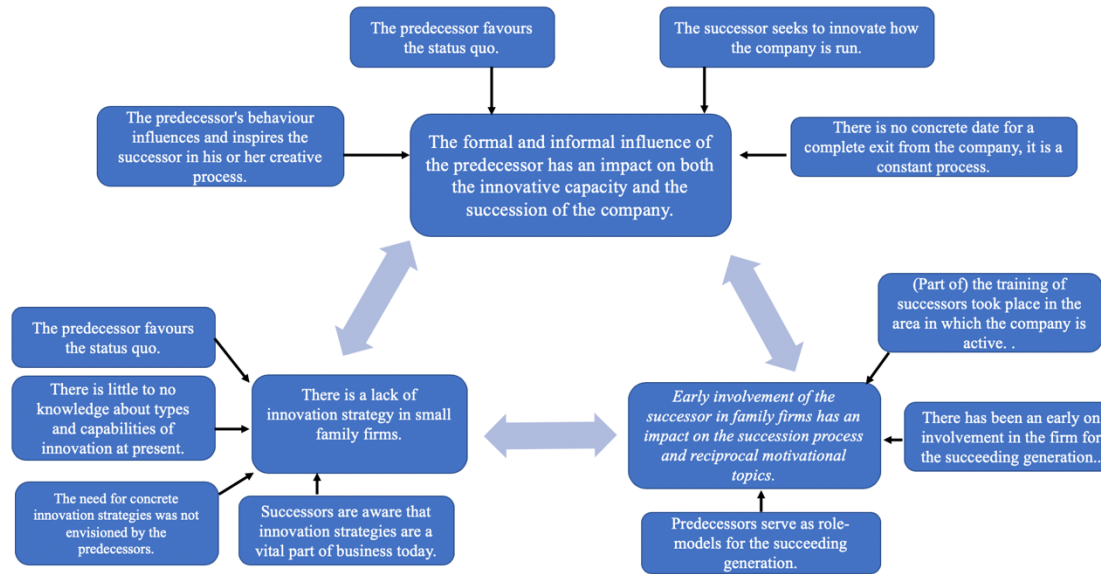


Figure 10: Visualisation of result

Appendix E – Analysis

| | Firm structure | Main sector | Founding ye | Employees | Annual turnover (Mio €) | Ownership structure | Generation | Active sector | Interview patners |
|-----------|---------------------------|----------------------|-------------|-----------|-------------------------|---------------------|------------|------------------------|------------------------------------|
| Company A | Registered merchant | Metal industry | 1969 | 6 | 1.5-1.8 | 100% family owned | 2 | contract manufacturing | Owner 2nd Generation and successor |
| Company B | limited liability company | Gastronomy and Hotel | 1992 | 26 | 3 | 100% family owned | 2 | service | Successor 2nd Generation |
| Company C | limited liability company | Rails | 1992 | 7 | 1.7-1.8 | 100% family owned | 1 | intermediary trade | Successor 2nd Generation |
| Company D | limited liability company | Automotive | 1964 | 25 | 2.7-2.8 | 100% family owned | 2 + 3 | maintenance repair | CEO 2nd Generation |

Table 1: Overview of cases

| Exemplary Quotes | Pattern | Finding |
|--|--|---|
| <p>“100%. For me personally, innovation is much higher on the list of points to consider, whereas my father strictly rejects innovation as such.” –Successor Company C</p> <p>“I can't list all the examples now, but there are many situations in which it turned out that the predecessor liked to stick to old processes, according to the motto "what was good in the past and worked, why change it" –Successor Company A</p> <p>“For example, my husband, who is now 66 years old, has the attitude "I didn't have to do all that before, it all worked out like that”. My husband was not at all enthusiastic about these things and was also of the opinion that these things were superfluous.” – Successor/Predecessor Company D</p> | <p>The predecessor favours the status quo.</p> | <p><i>The formal and informal influence of the predecessor has an impact on both the innovative capacity and the succession of the company.</i></p> |
| <p>“From the 1st to the 2nd generation: employee management, what younger people see as different from the old in general.</p> <p>In any case, it is important to come up with new ideas, this can be due to the training, after all, you get to know completely new technical</p> | <p>The successor seeks to innovate how the company is run.</p> | |

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| <p>possibilities. So innovative ideas have to be given, you always and constantly have to adapt to the conditions on the market, so products or processes have to be adapted. Innovation is an ongoing process.”– Successor Company A</p> <p>“It's our turn to adapt our innovations. (...) Innovation is also to recognize the ravages of time and act accordingly.” –Successor Company B</p> <p>“My vision is that sustainability is at the forefront, and in the long term I believe that public transportation is one of the cornerstones of sustainability. I think that there will be a radical change there, because at the moment the company lives from the fact that not everything is focused on innovation. At the moment, the focus is still on keeping old, rare parts, making them available or even manufacturing them. In the long term, however, these parts will also become obsolete because the trains in which they are (or will be) installed will be discarded. In this respect it is a balancing act, on the one hand not to allow innovation by keeping the old parts, on the other hand innovation has to be taken into account, then if you shut yourself away too long, you will become obsolete. The nice thing about small businesses is that innovation can then go in all directions.” Successor Company C</p> <p>“In this respect, our son is now on the strategy committee of BOSCH, where new technologies are discussed and of course we use this to keep up to date, because otherwise you cannot compete on the market.” –Predecessor Company D</p> | | |
| <p>“(…) you can't hand it over overnight, that's not possible” – Predecessor Company A</p> <p>“He withdraws more and more bit by bit, but always stands by in an advisory capacity, exactly the way I would like it to be.” –Successor Company B</p> | <p>There is no concrete date for a complete exit from the company, it is a constant process.</p> | |

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| <p>“There is a precise planning in so far as I am to lead the company later on, there are no further details as such. It is planned that I will take over the company for about ten to 15 years. The fact that I will take over the company is currently the only concrete planning with regard to succession arrangements.” –Successor Company C</p> <p>“There is a precise planning, which has now become concrete in the last few months. Our handover is planned until the middle to the end of the year and we hope that it will work despite Corona, because the appointment with the notary public should be attended by all children in the best possible way, but our daughter has to fly in from the USA first.” -Predecessor Company D</p> | | |
| <p>“I don't want to influence and interfere. He has to do his own thing. I can only be there in an advisory capacity. The new generation has to take over by themselves, you must not interfere, you must only support where necessary.” –Predecessor Company A</p> <p>“Because there he has, without wanting to connote it negatively, set a negative example for me, where I simply say that I want to make it better without telling him that he has done it badly” –Successor Company B</p> <p>“On the other hand, the company had to approach the topic of innovation differently. The issue of certifications, which are now being pursued more closely so that the company would not fall asleep when my parents retired, is particularly relevant here. Therefore, planning is now more future-oriented and long-term.” -Successor Company C</p> <p>“Only that he partly does not see the necessity and is therefore rather reluctant or negative towards the ideas.” -Successor Company D</p> | <p>The predecessor's behaviour influences and inspires the successor in his or her creative process.</p> | |

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| <p>“We do not have the classical R&D. There is only contract manufacturing for others, so there is no own product, it is only manufacturing for others, so there is no own department.” –Successor Company A</p> <p>“We are constantly researching and developing. However, there is no separate room for this. New house cocktails are developed at the bar, new dishes are developed in the kitchen. But when we think of developing a new gin, it happens at the burner. There's a “research department” and it consists of me and my father, because things keep coming up.” –Successor Company B</p> <p>“Research in our case is rather operational research. We are looking for product alternatives, which are not developed by ourselves. If, for example, we find another material for the corresponding product, which gives us a higher profit without loss of quality, the invested time and work will have paid off.” –Successor Company C</p> | <p>There are no R&D departments</p> | <p><i>There is a lack of innovation strategy in small family firms.</i></p> |
| <p>“This is very important, because for us, too, standstill is backlog, so it is often the case that we spend too much when it comes to maintenance (which is not absolutely necessary, but only corresponds to our personal feeling for aesthetics). Others might see it differently, but with us it is the other way round. We then sit down together, put our heads together and come up with an innovation that is tailored to our special circumstances and is ahead of other colleagues” –Successor Company B</p> <p>“I think we have a low level of process innovation because one half is completely against innovation and considers it unnecessary and the other half does.” –Successor Company C</p> | <p>There is little to no knowledge about types and capabilities of innovation at present.</p> | |

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| <p>“Little to practically inexistent, because certain innovations were automatic.” –Successor Company A</p> <p>“For me personally, innovation is much higher on the list of z points to consider, whereas my father strictly rejects innovation as such.” – Successor Company C</p> <p>“That's what I previously mentioned, Marc is the one who is more interested in it and also brings in since my husband can't get anything out of it and it has worked before quite well.” –Successor/Predecessor Company D</p> | <p>The need for concrete innovation strategies was not envisioned by the predecessors.</p> | |
| <p>“(I think it is important to have) Flexibility, leadership, being able to respond well to customers, having a good balance between authority and laissez faire, (adapting to the culture) having a view of the future-> Being innovative, always investing, standing still is not an option.” – Successor Company A</p> <p>“It therefore involves a certain amount of foresight, self-initiative and the will to learn new things and to develop further. It is very important to give it our own signature in everything we do and to hit the nerve of the people who like it” –Successor Company B</p> <p>“I had the opportunity to learn about other aspects of the business world through my studies. This made me realise that competences from other fields can also be an advantage in the future and I am determined to further promote the basic vision of the company, that of filling the gap in the market, in many ways. For example, I intend to develop processes that do not yet exist in academic textbooks. Most textbooks focus on</p> | <p>Successors are aware that innovation strategies are a vital part of business today.</p> | |

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| <p>larger companies, but small companies usually get a raw deal here.” – Successor Company C</p> <p>“In this respect, our son is now on the strategy committee of BOSCH, where new technologies are discussed and of course we use this to keep up to date, because otherwise you cannot compete on the market.”- Predecessor Company D</p> | | |
| <p>“I took the attitude from my father: A small business requires very close cooperation so that's a very important point, also that you work as a team. These attributes are extremely important in competition so that you can keep up with others.” –Successor Company A</p> <p>“I was able to get an insight into the finances at a very early stage (already through involvement in the company during childhood) In our company, the idea is that I will gradually grow more into it, have more to say and manage more on my own, so that my father can withdraw more and more and concentrate more on his leisure activities, be it hunting or going on holiday.” –Successor Company B</p> <p>“I have actually always had an emotional and implicit involvement in the company, after all, I quasi grew up with them. I have been actively involved since about 2014-2015. My first fields of work without specific know-how were sorting files, or creating logical concepts for storage and filing, as well as designing flyers and other marketing materials. In the course of time, my field of work expanded to include translation work, light customer contact and the like, with more and more personal responsibility.” –Successor Company C</p> <p>“He was of the opinion that our oldest son Marc, who is now 36 years old, should also do the training with us (...) of course you can move him in that direction and you can show him how nice it is to have your own business with all the advantages and disadvantages, but you cannot force him to do it.</p> <p>“From the second to the third generation, it was clear to see and feel</p> | <p>There has been an early on involvement in the firm for the succeeding generation.</p> | <p><i>Early involvement of the successor in family firms has an impact on the succession process and reciprocal motivational topics.</i></p> |

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| <p>how the father exemplifies and teaches his son certain things, that the desire for succession was awakened, but also made easier by involving and preparing him at an early stage.” –Predecessor Company D</p> | | |
| <p>“Of course, the rule was that in the beginning, from our education, we took this path, which we certainly did. I am a pastry chef, cook and chef de cuisine, so now I would be able to take over this business if it were so abruptly, but at some point we had the situation (about the end of my apprenticeship) when about 4 employees left us at the same time to start their own business. So my father pulled me from my former apprenticeship, and I had to go home.” –Successor Company B</p> <p>“I had the opportunity to learn about other aspects of the business world through my studies. This made me realise that competences from other fields can also be an advantage in the future and I am determined to further promote the basic vision of the company, that of filling the gap in the market, in many ways. For example, I intend to develop processes that do not yet exist in academic textbooks. Most textbooks focus on larger companies, but small companies usually get a raw deal here.”- Successor Company C</p> <p>“The children do not receive the training in the own enterprise under any circumstances, that was not given with my parents-in-law at first at all and Werner (my husband) has gone back to his own company, although he had been in another company for 9 months before. My son started the apprenticeship in a BOSCH service which also connected a wholesale trade. Unfortunately, the company was not doing so well economically at some point, whereupon he changed companies and moved to Gerolstein (about 35-40km away per trip). He also has the secondary school leaving certificate, but nevertheless a training period of at least 3.5 years is planned in our area. This is the way he finally went and registered at the master school in Ulm. I had the hope that he would then go out into the big wide world, because BOSCH is located all over the world. In terms of development and procedure, I will under all circumstances let my successor do the training in another company and then work in other companies so that I can gain my own wealth of</p> | <p>(Part of) the training of successors took place in the area in which the company is active.</p> | |

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| <p>experience. The best example is my youngest son, who learned at Audi and had a tough school there, but the experience he gained there was worth its weight in gold. In addition, only insist that he becomes a business economist in the craft, because that is a huge advantage. - Predecessor Company D</p> | | |
| <p>“I took the attitude from my father: A small business requires very close cooperation so that's a very important point, also that you work as a team.” –Successor Company A</p> <p>“In this case, the predecessor is also my father and thus one of the greatest role models in my life. But he is not only a role model in the positive sense, but also in the negative sense, that I say there are things I would call his weaknesses and I try to make them better.” –Successor Company B</p> <p>“My father always wanted me to succeed him in the company. However, I was never pushed in this direction. My education, whether it be a degree or a high school diploma, was never selected and supported with any particular focus on business. But it is in the nature of a family business that you feel you are part of the family, even if you are not per se.” –Successor Company C</p> <p>“From the second to the third generation, it was clear to see and feel how the father exemplifies and teaches his son certain things, that the desire for succession was awakened, but also made easier by involving and preparing him at an early stage.” –Predecessor Company D</p> | <p>Predecessors serve as role-models for the succeeding generation.</p> | |

Table 2: Data Set and Exemplary Quotes

Appendix F- Signed Informed Consent Forms



**Griffith College GBS
Informed Consent Form**

I. Research Study Title

Research Study Title: Succession planning - How the predecessors' formal and informal influence on innovation behaviour and activities in German Family Firms?

University: *Griffith College Dublin, S Circular Rd, Merchants Quay, Dublin 8, D08 V04N, Ireland*

Principal Investigator: Michael Nicell

Email: michael.nicell@griffith.ie

II. Clarification of the purpose of the research

The aim of this research is to understand How the predecessors' formal and informal influence on innovation behaviour and activities in German Family Firms.

III. Confirmation of particular requirements as highlighted in the Plain Language Statement

This project involves taking part in semi-structured interviews and or completion of a survey. These interviews will be audio taped and seek to gather information on your experience of Succession Planning process in Family Firms in Germany. Questions will be directed towards your thoughts on the current operation of the process and how you believe it could be improved to better match the needs of the organization and staff. It is estimated that these interviews will take no longer than 60 minutes to complete. Participants will be offered a copy of their interview transcripts for validation purposes.

Every attempt will be made not to interfere with normal business operations, as such interviews and or surveys will not be conducted at month or quarter end, if possible.

Participant – please complete the following (Circle Yes or No for each question)

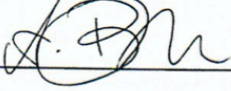
- | | |
|--|---|
| <i>I have read the Plain Language Statement (or had it read to me)</i> | <input checked="" type="radio"/> Yes/No |
| <i>I understand the information provided</i> | <input checked="" type="radio"/> Yes/No |
| <i>I have had an opportunity to ask questions and discuss this study</i> | <input checked="" type="radio"/> Yes/No |
| <i>I have received satisfactory answers to all my questions</i> | <input checked="" type="radio"/> Yes/No |
| <i>I am aware that my interview will be audiotaped</i> | <input checked="" type="radio"/> Yes/No |

V. Ratschläge zu Vorkehrungen, die zum Schutz der Vertraulichkeit von Daten zu treffen sind, einschließlich der Tatsache, dass die Vertraulichkeit der bereitgestellten Informationen rechtlichen Beschränkungen unterliegt

Es werden alle Anstrengungen unternommen, um die Vertraulichkeit der Teilnehmer zu gewährleisten. Die Namen der Teilnehmer müssen nicht aufgezeichnet werden, da allen Teilnehmern auf Wunsch ein Code zugewiesen werden kann. Die aufgezeichneten Interviews werden auf einen kennwortgeschützten Computer heruntergeladen, und die maschinengeschriebenen Abschriften werden in kennwortgeschützten Dokumenten aufbewahrt. Audiokassetten und Ausdrücke der Transkriptionen werden in einem verschlossenen Aktenschrank aufbewahrt. Wenn Teilnehmer unwissentlich andere Mitarbeiter namentlich erwähnen, werden diese Namen im Abschlussbericht bei Bedarf durch einen fiktiven Namen ersetzt.

VI. Unterschrift:

Ich habe die Informationen in diesem Formular gelesen und verstanden. Meine Fragen und Bedenken wurden von den Forschern beantwortet, und ich habe eine Kopie dieser Einverständniserklärung. Deshalb stimme ich der Teilnahme an diesem Forschungsprojekt zu.

Unterschrift der Teilnehmer: 

Name in Druckbuchstaben: Ann-Sophie Brown

Zeuge: 

Datum: 28.5.2020



GRIFFITH COLLEGE DUBLIN

**Griffith College GBS
Informed Consent Form**

I. Research Study Title

Research Study Title: Succession planning - How the predecessors' formal and informal influence on innovation behaviour and activities in German Family Firms?

University: *Griffith College Dublin, S Circular Rd, Merchants Quay, Dublin 8, D08 V04N, Ireland*

Principal Investigator: Michael Nicell

Email: michael.nicell@griffith.ie

II. Clarification of the purpose of the research

The aim of this research is to understand How the predecessors' formal and informal influence on innovation behaviour and activities in German Family Firms.

III. Confirmation of particular requirements as highlighted in the Plain Language Statement

This project involves taking part in semi-structured interviews and or completion of a survey. These interviews will be audio taped and seek to gather information on your experience of Succession Planning process in Family Firms in Germany. Questions will be directed towards your thoughts on the current operation of the process and how you believe it could be improved to better match the needs of the organization and staff. It is estimated that these interviews will take no longer than 60 minutes to complete. Participants will be offered a copy of their interview transcripts for validation purposes.

Every attempt will be made not to interfere with normal business operations, as such interviews and or surveys will not be conducted at month or quarter end, if possible.

Participant – please complete the following (Circle Yes or No for each question)

I have read the Plain Language Statement (or had it read to me) Yes/No

I understand the information provided Yes/No

I have had an opportunity to ask questions and discuss this study Yes/No

I have received satisfactory answers to all my questions Yes/No

I am aware that my interview will be audiotaped Yes/No

IV. Confirmation that involvement in the Research Study is voluntary

My involvement in this Research Study is voluntary. My relationship with the company taking part in the case study will not be affected in any way should I decide not to take part. I can withdraw from the Research Study at any point. There will be no penalty for withdrawing before all stages of the Research Study have been completed.

V. Advice as to arrangements to be made to protect confidentiality of data, including that confidentiality of information provided is subject to legal limitations

Every effort will be made to ensure confidentiality of participants. Participant names do not have to be recorded, as all participants can be assigned a code if wished so. The taped interviews will be downloaded to a password controlled computer, and typed transcripts will be held within password controlled documents. Audio tapes and hard copies of transcripts will be held in a locked filing cabinet. If participants unwittingly make mention of other staff by name, such names will be substituted for a fictitious name in the final report if required.

VI. Signature:

I have read and understood the information in this form. My questions and concerns have been answered by the researchers, and I have a copy of this consent form. Therefore, I consent to take part in this research project

Participants Signature: 

Name in Block Capitals: HUBER HEIDI

Witness: 

Date: 27.05.2020



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- | | |
|--|--|
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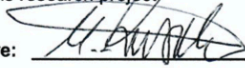
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Participants Signature: _____



Name in Block Capitals: _____

RUESSEL Maximilian

Witness: _____



Date: _____

26/05/2020



GRIFFITH COLLEGE DUBLIN

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