Socioemotional wealth and the performance of family firms: the role of identification and transgenerational control

D I S S E R T A T I O N

of the University of St. Gallen,
School of Management,
Economics, Law, Social Sciences
and International Affairs
to obtain the title of
Doctor of Philosophy in Management

submitted by

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Dissertation no. 4498

Difo-Druck Gmbh, Bamberg 2016

The University of St. Gallen, School of Management, Economics, Law, Social Sciences and International Affairs hereby consents to the printing of the present dissertation, without hereby expressing any opinion on the views herein expressed.

St. Gallen, November 2, 2015

The President:

Prof. Dr. Thomas Bieger

Acknowledgments

First, my thanks to my dissertation advisor, Prof. Dr. Thomas Zellweger, and my co-advisor, Prof. Dr. Urs Fueglistaller. Both have offered sound, thoughtful feedback. Their guidance proved very professional and enormously helpful.

Second, I am very grateful to Patrick Ohle, who was perfectly supportive and inspiring during this study.

Third, my thanks to all family firms who participated in the survey and made this study possible.

My special thanks to my family and friends who accompanied me along the way.

Zurich, November 2015 Johannes Stankiewicz

Zusammenfassung

Die vorliegende Arbeit untersucht empirisch die Effekte von nicht-finanziellen Zielen von Eigentümern von Familienunternehmen auf die finanzielle Leistung von Familienunternehmen. Um die nicht-finanziellen Ziele abzubilden wurde das Socioemotional Wealth (SEW) Model herangezogen. Während das SEW Model negative Auswirkungen auf die finanzielle Leistung von Familienunternehmen impliziert so zeigen bestehende empirische Untersuchungen kein einheitlich positives oder negatives Bild über die finanzielle Leistung von Familienunternehmen. Diese Arbeit versucht diesen Widerspruch zwischen dem SEW Model und den bisherigen empirischen Ergebnissen zu beleuchten, in dem für einzelne Komponenten des SEW Models mögliche Prozesse eingeführt werden, die zu positiven Auswirkungen auf die finanzielle Leistungsfähigkeit von Familienunternehmen führen können. Diese Prozesse sind Markenstärke und Ambidexterität.

Die empirischen Ergebnisse dieser Arbeit zeigen ein mehrheitlich positives Bild der Wirkungen des SEW Models auf die finanzielle Leistung von Familienunternehmen. SEW als ganzes als auch einzelne Komponenten wie Langfristigkeit und Identifikation weisen einen positiven Effekt auf. Markenstärke und Ambidexterität weisen einen positiven Bezug zur finanziellen Leistungsfähigkeit auf. Zudem erklärt Markenstärke den positiven finanziellen Effekt der Komponenten Langfristigkeit und Identifikation.

Abstract

This text investigates the non-financial goals and utilities of family firm owners and their consequences on family firms' financial performance. The socioemotional wealth model (SEW) was used to represent the non-financial goals and utilities of family firm owners. While the SEW model implies negative associations with financial performance, this empirical study on family firms' financial performance has neither consistently shown superior nor poorer performance. It looks specifically at two of the five components of the SEW model and potential processes through which the SEW model could potentially be beneficial to family firms' financial performance. These facilitating processes have their origins in brand equity and organisational ambidexterity.

The results show a light positive effect of SEW on family firms' financial performance. Both SEW as a blended measure and components such as identification and transgenerational control associate positively with financial performance. Brand equity and organisational ambidexterity support financial performance. Brand equity explains the positive effects of the SEW components identification and transgenerational control.

Keywords: family firm, family business, socioemotional wealth, financial performance, ambidexterity, brand equity

Table of contents

Table of figures

Tables

Abbreviations

Admin.	administration
Ambi.	ambidexterity
BAM	behavioural agency model
BAV	BrandAsset Valuator®
Brand vit.	brand strength/vitality
Brand stat.	brand stature
B2B	business-to-business
CAGR	compounded annual growth rate
Cum.	cumulated
Del.	deleted
EBIT	earnings before interest and taxes
EBITDA	earnings before interest, taxes, depreciation and amortisation
Fin. perf.	financial performance
Incr.	increases
Know.	knowledge
Memb.	membership
Mat.	materials
Max.	maximum
Mgmt.	management

Min.	minimum
NYSE	New York Stock Exchange
OA	organisational ambidexterity
PSE	proactive stakeholder engagement
Prod.	productivity
Prof.	profitable
Rel.	relevance
RBV	resource-based view
ROA	return on assets
ROE	return on equity
ROI	return on investment
SEW	socioemotional wealth
SFI	substantial family influence
TG	transgenerational
TMT	top management team
U.S.	United States
VIF	variance inflation factor
Y&R	Young & Rubicam

1. Introduction

Family firms are very relevant to the world economy and make up on average 30% of the largest firms in 27 leading industrial nations (La Porta et al., 1999). Family control of firms seems to be the norm. In terms of employment, family firms play an important role, as Astrachan and Shanker (2003) show: 57% of employment is owing family firms in the U.S. Percentages vary from region to region. In Asia and the Middle East, family firms make up for ca. 95% of all firms (Kets de Vries, Carlock & Florent-Treacy, 2007).

Research on family firms has advanced rapidly during the past few years (Gomez-Mejia et al., 2011). Entering 'family firm' in Google Scholar leads to 24'500 entries. Literature has emphasised the special character of family firms and the nature of non-economic utilities (Berrone et al., 2010). Family firms are distinctive since they operate between family spheres, business and ownership systems (Gersick et al., 1997). Non-economic goals are the key differentiator of family firms (Gomez-Mejia et al., 2011). These non-economic goals can take a variety of forms, such as having a positive reputation or enjoying prestige in the community. Emotions within the family or the need for control can play important roles in family firms.

Non-financial goals and the utilities of family firms to their owners can be represented by means of the socioemotional wealth (SEW) model (Gomez-Mejia et al., 2007). The SEW model can explain some of the specific behaviours of family firms. However, in times of financial distress, family firms can switch to strict financial goals again. This ambivalent behaviour of family firms makes this piece of research interesting. The SEW model differentiates between five components of non-financial goals. This work will empirically test the SEW model and its consequences on financial performance.

1.1 Problem outline and study objective

This study specifically investigates effects of family firms' non-financial goals and utilities to their owners on a family firm's financial performance. Non-financial goals are represented by the socioemotional wealth (SEW) model (Gomez-Mejia et al., 2007), which reflects gains and value an owner family receives from owning a family firm. Family firm owners are believed to follow SEW as a strategic reference framework when leading their family firms. The preservation of SEW is believed to be a high strategic priority for family firm owners (Gomez-Mejia et al., 2007). Owners obtain utility via controlling a family firm, mutually benefitting from a positive family firm reputation, and preserving the firm as a family firm for future generations. The SEW model consists of five components, which will be introduced in detail (Berrone, Cruz & Gomez-Mejia, 2012).

The SEW model, which has evolved as a framework in family business research, implies that non-financial goals and utilities matter to the owners and thus that family firms may neglect financial performance in order to satisfy their SEW goals. If family firms – according to SEW – were to underperform systematically and over a longer period, family firms would not represent an attractive governance mechanism.

However, looking at the empirical evidence on family firms' financial performance, there is no clear answer to the question whether family firms are financial outperformers or underperformers (Gedajlovic et al., 2012; Zellweger & Astrachan, 2008b; O'Boyle et al., 2011). In reality, many family firms perform very well financially, so there seems to be a contradiction between the implications of the SEW model (i.e. family firms' financial underperformance) and research findings on the aspect of family firms' financial performance – i.e. mixed results.

This study specifically looks at SEW and the processes through which SEW might potentially have a positive effect on family firms' financial performance. I concentrate on two elements of the SEW model and explore processes through which SEW has a potential positive effect on financial performance. These processes are brand equity and organisational ambidexterity. This study tests certain relationships by means of an empirical approach.

1.2 Course of investigation

First, I review literature on family firms' financial performance. Second, I introduce the SEW model, and then the research model as the basis for the empirical analysis. The two subsequent chapters present the processes of brand equity and organisational ambidexterity. These processes, combined with the SEW and the findings on family firms' financial performance serve as foundation for the formulation of hypotheses. Chapter 6 describes the design of the empirical study, specifying variables used, presenting descriptive statistics and testing the data quality. In Chapter 7, I present the empirical findings using regression analysis and discuss the findings. Chapter 8 concludes this study.

2. Family firms' financial performance

This section seeks to shed light on family firms' financial performance. Theory has consummated on both positive and negative effects of family ownership concerning financial performance.

2.1 Positive effects of family firms on financial performance

The positive effects of family firms are derived from agency theory, stewardship theory and the resource-based view.

2.1.1 Agency theory

Concerning agency theory, Jensen and Meckling (1976) deserve a mention. According to them, the agency problem is rooted in the separation of company control and management. The firm is viewed as a set of production factors, of which each is primarily driven by self-interest. The nexus of contracts (unwritten and written) specify the agent's rights, i.e. the management (Jensen & Meckling, 1976). The principal

delegates work to the agent via contracts. The basis of agency problems are differing goals and risk attitudes between the principal and the agent. For instance, management might be more inclined to undertake mergers that form a conglomerate firm structure to reduce and to diversify risk. Equally, management is expected to be less interested in high-risk projects. The agent is considered more risk-averse than the principal. The agent cannot diversify away his or her employment; for instance, costs in this sense are the monitoring cost resulting from this situation. To minimise these costs and to align the interests of the principal and the agent, theory has investigated two approaches, namely behaviour-oriented contracts (salary, hierarchies) and outcome-oriented solutions (stock options, transfer of property rights, market governance). Monitoring management by an independent board of directors, the market for corporate control (to discipline managers) and equity ownership of managers have been approaches to reduce agency costs.

The manager as agent might profit from information asymmetries and might exploit or expropriate business resources. This can happen via the use of firm assets for private use, the coordination of budget/bonus relationships, or bringing into account private expenses as firm expenses. This is called the free-rider problem. The presence of a large shareholder, namely a family, might solve the free-rider problem, might reduce agency costs and might enhance company value (Morck, Shleifer & Vishny, 1988). Owner management is supposed to reduce agency costs and to align the interests of the owner and the manager (Jensen & Meckling, 1976). Owner-managed firms would save costs by not needing control mechanisms to handle management. A long-term relationship between the family and the management will also lead to fewer information asymmetries, because both parties learn about each other over time. Since executives in family firms have longer job tenures (Miller & Le Breton-Miller, 2005) this argument could be specifically relevant to family firms. The close link between the firm and the family's wealth could assure that the family will monitor management and will reduce the free-rider problem (Miller & Le Breton-Miller, 2006a). Furthermore, owner-managers tend to be cost-sensitive (McConaughy, Walker, Henderson & Mishra, 1998), because they operate with their own money. In industries where cost leadership is crucial, this might become a competitive advantage to family firms.

2.1.2 Stewardship theory

Stewardship theory points to certain positive aspects of family-run firms. Stewardship theory is rooted in psychology and sociology (Davis et al., 1997). Stewardship theory concerning family firms argues that family executives are particularly involved and dedicated to their firm. They are seen as highly motivated managers who invest their time to serve the family's pride and later generations (Miller and Le Breton-Miller, 2005). These stewards are not primarily self-serving economic individuals. Stewards are believed to be intrinsically motivated and serve the collective good. These managers particularly identify with the organisation they work for (Miller & Le Breton-Miller, 2006a). Miller and Le Breton-Miller note certain stewardship effects, such as lengthier job tenures of family business leaders compared to public firms. This implies that the managers of family firms view their tasks from a long-term perspective and try to avoid quick-fixes. Instead, they are inclined to undertake farsighted investments. The family firm itself is also believed to show aspects of stewardship. The importance of the long-term survival of the family firm will induce the current family generation to pursue conservative financial strategies in order to help the new generation when they take over. This can take the form of less debt, more liquidity and sounder balance sheets. The current generation will also try to build a strong company reputation, which will give future generations a sound platform to take over from. Such reputation building might take place by means of innovation, R&D or branding activities. Such envisioned stewardship might lead family firms to build long-term alliances with suppliers and major customers.

2.1.3 Resource-based view (RBV)

Third, Habbershon and Williams (1999) build on the resource-based view (RBV) when arguing for the competitive strategic advantages of family firms. The RBV provides them with a model to analyse the connections between competitive advantage, financial performance and firm-specific processes/assets. The RBV has been used to explain long-term differences in financial performance (Habbershon & William, 1999). Barney (1991) has characterised the resources that could lead to competitive advantage: the resource must be valuable, rare, difficult to imitate and non-substitutable. The resources

that are distinct as a result of the nature of family involvement fall under *familiness*. The resources can take the form of physical assets such as plants, raw materials, access to capital or intellectual capital; human resources such as skills, knowledge or relationships; organisational assets such as competencies, controls, policies, culture and information; process resources such as specific skills or leadership functions. Family firms can possess a special brand that stands for cost leadership, such as Aldi in the food retail segment. Technological competencies of family firms can be a source of competitive advantage, as illustrated by the automotive supplier Bosch. Leadership skills such as those of Richard Branson for his group of firms can be an example of a valuable and rare resource. Dyer (2006) lays out potential positive family factors concerning financial performance; these include lower agency costs, human and social capital, family branding and physical/financial capital.

Besides the above three theories, there also seem to be other reasons why family firms might exhibit financially sound performance. Gedajlovic et al. (2012) categorize the literature into two different streams: the *effort school*, which focuses on incentives and compensation, and the *ability school*, which focuses on the specific abilities of family firms. The effort school relates its argument to agency theory, while the ability angle refers to the RBV and social capital. Gedajlovic et al. (2012) have developed a matrix of the positive and negative combinations of both schools.

Longer investment horizons by a family might play to the family firm's advantage (Stein, 1988, 1989). Family firms are thus supposed to suffer less from managerial myopia and still pursue long-term investments even though this might not boost current earnings. James (1999) notes that family firms invest using value-maximising criteria. Zellweger (2007) identifies two generic investment strategies: the perseverance strategy, i.e. pursuing investments with equal risk but lower returns, and the outpacing strategy, i.e. undertaking investments with equal returns but higher risks. In addition, Zahra, Hayton and Salvato (2004) demonstrate that a family-specific culture can have positive effects on innovation, entrepreneurial risk-taking and business opportunity recognition.

2.2 Negative effects of family firms on financial performance

In contrast to the above positive associations of family firms, theory has – similarly – explained major potential family firm issues. Family logic can often be more important than business reason (Kets de Vries, 1993). The negative effects of family firms can also be organised according to agency theory, stewardship theory and the RBV.

In terms of agency theory, certain conditions of Jensen and Meckling (1976) might not be valid for family firms. The assumption of economic rational behaviour might not be valid for family firm owners. The presence of a large shareholder (i.e. a family) might lead to the enhancement of the wealth of the major shareholder, to the detriment of other smaller or minority shareholders (Fama & Jensen, 1985; Lee, 2006). Owner opportunism can lead to the following actions: a large family shareholder might allow excessive pay for family executives, use special dividends to extract company resources, and profit from related-party transactions. A dominant shareholder could also potentially entrench management, leading to fewer efforts and management frustration (Lubatkin, Ling & Schulze, 2007). Furthermore, undisciplined behaviour by family members might arise when there is one dominant shareholder.

Owner-managed firms suffer from the threat of self-control, which leads to potential negative outcomes. Schulze et al. (2001) see family firms exposed to agency hazards. Outside disciplining forces such as the market for corporate control have less weight on private family firms. In terms of the labour market, family firms might not be able to compete with public firms, since attractive compensation packages such as stock options cannot be offered by family firms. Therefore the risk to engage lower-quality agents is higher for family firms. Or attractive internal management positions might be taken by members of the owning family thereby reducing the effect of an efficient labour market to avoid adverse selection. Moreover family members might be in executive positions, while external non-family candidates might be much better suited to leading the firm than unprofessional managers (Gomez-Mejia, Nunez-Nickel & Gutierrez, 2001). This nepotism is believed to have negative consequences for the family firm. As a result the monitoring costs for family firms might be higher since agents do monitor each other less.

The non-alignment of non-economic goals among private owners might further increase agency costs. Conflicting family goals might lead to increased agency costs owing to complicated corporate governance structures and decision processes. A large shareholder might have other priorities such as company growth or technological advances rather than shareholder value. In turn, this could lead to a lower degree of bidding by third parties for shares, i.e. a lower company value (Barclay & Holderness, 1989).

Stewardship theory in the context of family firms can also have negative effects. The dominance of one large shareholder can lead to the entrenchment of management, thereby reducing the positive effects of stewardship. Management could be less involved and dedicated to the firm. Frustrated managers might have shorter tenures at family firms. Additionally the fact of overpaid family executives could demotivate managers and could lower their stewardship behaviour.

As introduced in the previous chapter, the RBV model is built to analyse competitive advantages of family firms. However, these distinct advantages to family firms (familyness) can erode over time. For instance, the firm's founder might die and the subsequent generation is unable to adequately step in. This would leave a family firm with a lack of leadership and could lead to the sale of the entire firm. Conflicts among the family firm owners might lead to slow adaptation to a changing environment, rendering useless once valuable assets such as production facilities.

Furthermore, the literature has found that family firms can potentially be path-dependent and risk-averse (Beck et al. 2011; Carney et al. 2011; Kellermanns et al. 2012; Mazzola, Sciascia & Kellermanns 2012). As a result, family firms might be more focussed on keeping assets and profit from constant dividends (Chirico & Bau, 2014).

Altruism is a trait that links an individual's welfare to the welfare of others, a self-reinforcing concept based on self-interest. Both egoistic and altruistic goals are satisfied. In family firms, altruistic behaviour can lead to considerate behaviour among family members and can create a special bond of culture within the firm. Altruism can promote loyalty and can contribute to a family firm's success. However, once altruistic behaviour is overdone, for instance by unusually generous actions by family members among each other, it can also have negative consequences.

The literature has raised other potential concerns for family firms such as a lack of access to capital markets for family firms (Kets de Vries, 1993). Compared to international and publicly listed companies, family firms might be less able to collect capital on the equity or debt capital markets. This might be owing to non-transparent organisational structures or less professionalised financial reporting systems.

Succession problems is another potential issue for family firms (Kets de Vries, 1993). The succession issue might be aggravated by an owner's death anxiety. A family firm founder might feel a potential loss of power. Moreover, the family firm could serve as a symbol for the founder, who could be concerned about his legacy, giving rise to potential emotionally driven decisions. For the family, discussing succession might be a taboo issue. Rivalries among potential successors and hostile acts can potentially render the succession more difficult.

The two preceding chapters have described the positive and negative effects of family firms on financial performance. For both aspects several arguments exist. The following chapter will look at the empirical evidence of family firms' financial performance.

To summarise, I present a summary table illustrating the potential positive and negative effects of the theories used above, namely agency, stewardship theory and the RBV:

	Positive effects	**Negative effects**
Agency	Fewer agency costs	Large shareholder might disadvantage smaller shareholders
	Fewer information asymmetries between the management and the family	Excessive pay for family members
	Cost-sensitive behaviour of family members	Use of special dividends to exploit the family firm
		Profit from related-party transactions
		Undisciplined behaviour of family members
		Threat of self-control
		Nepotism
		Conflicting goals of the family
Stewardship	Executives dedicated to the firm	Picture of a perfect world
	Motivated managers to serve the family firm	Entrenchment of management via the family shareholder
	Managers identify with the family firm	Succession issues might overrule stewardship effects
	Lengthier job tenures of executives	
	Long-term investments	
RBV	Competitive advantages of family firms	One-sided focus on existing resources; no new development
	Familiness factor	Internal focus
	Strong family brand	Path-dependency
	Unique location of production facilities	
	Strong leadership	

Table 1: Summary of positive and negative effects

Source: Own analysis

2.3 Empirical results of family firms' financial performance

Research on family ownership's effects on company performance has, to date, showed mixed results. This follows the two previous chapters, which have outlined both positive and negative effects for family firms. I summarise some meta-analyses on this aspect as well as some prominent empirical papers.

While there have been several meta-analyses of family firms and financial performance (Gedajlovic et al., 2012; Zellweger & Astrachan, 2008b; O'Boyle et al., 2011), there are no definite answers on the financial performance effect of family involvement. There is no general consensus on the empirical landscape. Miller et al. (2007) find that family firm performance depends on the definition used for family firms and the source(s) of the data.

Concerning the inconsistent findings on the financial performance of family firms, it must be noted that positive findings based on public firms in the U.S. contrasts with other studies using other samples with smaller firms and different contexts (Miller, Minichilli & Corbetta, 2013). For instance, results achieved using a sample of Fortune 1000 firms could not be replicated using a sample of smaller publicly listed firms (Gedajlovic et al., 2012). Second, different definitions of family firms and different research questions explain the empirical confusion. In their meta-analysis, O'Boyle et al. (2011) detect 30 definitions of family involvement. For instance, the influence of pure family ownership has evidenced different results than family control and family management (Gedajlovic et al., 2012). Villalonga and Amit (2006) detect that performance differences are closely related to definitional criteria. Correspondingly, Miller et al. (2007) clarify that the time period, classification issues and the sample used make up for the observed performance differences.

Research has concluded that there seems to be a positive effect on financial performance when a founder remains active in a firm (Morck, Shleifer & Vishny, 1988; McConaughy, Walker, Henderson & Mishra, 1998; Anderson & Reeb, 2003; Adams, Almeida & Ferreira, 2009; Fahlenbrach, 2009; Villalonga & Amit, 2006; Barontini & Caprio, 2006; Dyer, 2006).

Anderson & Reeb (2003) base their analysis on a sample of public U.S. firms (Standard & Poor's 500 firms 1992 to 1999) and conclude on a positive effect of founding family ownership. According to their analysis, founder CEOs positively relate to accounting profitability and market performance measures, and family ownership increases financial performance at first but deteriorates when families have majority control.

Villalonga and Amit (2006) use a sample of all Fortune 500 firms for 1994 to 2000 and conclude that family ownership is advantageous if the founder acts as CEO or Chairman; when family successors become CEOs, the family firm's financial performance deteriorates. This negative effect relates to second-generation family firms. For third-generation family firms, the effect is slightly positive again. Villalonga and Amit define family firms as firms where the founder or family members act in senior management or as a shareholder of more than 5% of outstanding shares. As dependent variable, Tobin's q (the ratio between a firm's market value and the replacement cost of its assets) is used.

Miller, Minichilli and Corbetta (2013) look at family CEO influence and distinguish family company size and concentration of shareholders. They argue that, in smaller firms, a family CEO and concentrated ownership is beneficial to performance, while these are detrimental in larger firms with dispersed ownership. They base their work on a sample of medium-sized and large family-controlled firms in Italy.

Other studies have confirmed the positive qualities of family ownership; these include Maury (2006), who shows that family ownership in well-regulated Western European economies boosts financial performance. A positive influence has also been reported for the U.S. (McConaughy & Phillips, 1999). Martinez et al. (2007) confirm the positive findings of Anderson and Reeb (2003). Their findings are based on a sample of 175 Chilean companies between 1995 and 2004 and involve metrics such as ROA, ROE and Tobin's q. However, Achleitner et al. (2009) could only confirm a very slight outperformance of family firms in their German sample for 1998 to 2008. This holds true for ROA and ROE, but there is no difference to non-family firms concerning Tobin's q. Sacristán-Navarro, Gómez-Ansón and Cabeza-García (2011) conclude that findings on family firms' performance have to date been inconclusive. They look at the difference between family ownership and family control and conclude that family

control has a positive influence on profitability, while sole family ownership does not. Their sample includes 118 Spanish firms from 2002 to 2008. Schulze et al. (2001) see positive impacts of up to about 40% to 50% of family ownership. Morck et al. (1988) have observed that stock market valuations fall after a concentration level of 30% is reached.

Mixed results are found by Miralles-Marcelo et al. (2014), who looked at the relationship between family control and firm performance and focused on listed firms in Spain and Portugal. As moderators, they considered company leadership, company age and company size. Results show that family firms at least show the same performance as non-family firms.

Negative empirical results include studies by Cucculelli and Micucci (2008), Holderness and Sheehan (1988), Sciascia and Mazzola (2008), Bennedsen et al. (2007), Bloom Van Reenen (2007), Claessens et al. (2002), and Cronquist and Nilsson (2003).

Cucculelli and Micucci (2008) use an Italian sample of manufacturing firms when looking at how founder succession impacts financial performance. They found that founder succession negatively impacts financial performance. This effect is concentrated among the family firms that outperformed prior to founder succession. This underperformance effect is partly due to the mean-reversion effect.

Sciascia and Mazzola (2008) use data from 620 privately held firms in Italy. They detected no evidence of an effect of family ownership on company performance. However, family involvement in management and company performance share a negative quadratic relationship, i.e. the more family members are active in the management of a family firm, the more financial performance deteriorates.

Bloom Van Reenen (2007) found that family firms with an internal family succession tend to be very badly managed. On the other hand, the combination of family ownership with professional management (i.e. the CEO is not a family member) has a slight positive effect on managerial practices.

Bennedsen et al. (2007), focusing on family successions in Denmark between 1994 and 2002, find a negative impact of the family CEO on performance, while professional, non-family CEOs offer family firms important managerial skills.

Claessens et al. (2002) investigate the incentive and entrenchment effects of large shareholders, using a sample of 1,301 Asian firms that are publicly traded in eight countries. They conclude that there is a positive incentive effect of large shareholders on company performance as long as the large shareholder's control rights do not exceed its cash-flow rights. Once control rights surpass the large shareholder's cash-flow rights, the entrenchment effect leads to financial underperformance.

Cronquist and Nilsson (2003) look at the agency costs of controlling minority shareholders using a sample of 309 listed Swedish firms between 1991 and 1997. They find that family-controlling minority shareholders have the largest discount effect on company value. They complement the earlier findings of Claessens et al. (2002).

Holderness and Sheehan (1988), using 114 NYSE firms as their sample, examine the effects of majority shareholders. They distinguish between individual and corporate majority shareholders. They reveal that firms with an individual majority shareholder underperform firms with widespread shareholders.

In their meta-analysis, O'Boyle et al. (2011) look at 78 different studies and 95 samples. They report no significance of family involvement in their analysis of 78 articles. According to these authors, family involvement is neither a competitive advantage nor disadvantage. In terms of reported measures, ROA was most often used in the studies. In terms of publicly traded family firms, they could not find a more positive effect on company performance. In terms of company size, there was no significant effect either. O'Boyle et al. (2011) suggest looking for additional moderator effects when investigating financial performance effects of family firms. They also call for a different approach to measuring family involvement besides the classical ones (e.g. ownership or board participation), and propose other measurements such as psychometric ones, but provide no detailed explanations. O'Boyle et al. (2011) base their work entirely on agency theory and evolutionary psychology but draw on stewardship and resource-based theory when applicable. Their definition of family involvement is not clear enough. For future research, O'Boyle et al. (2011) hint at potential other moderators between family involvement and financial performance such as altruism, growth orientation or leadership styles. Instead of purely looking at the outcome financial performance they suggest that one first look at the internal management of resources within family firms.

What are family firms doing with the family involvement to potentially reach a competitive advantage? Like other studies, O'Boyle et al.'s (2011) meta-analysis suffers from survivor basis. The information of failed family firms cannot be part of the data samples and could potentially be distorting the results.

Gedajlovic et al. (2012) structure their analysis of the financial performance effect of family firms around the effort and the ability school. They describe the positive and negative effects of family firms. They combine these two characteristics into a 2x2 matrix. Gedajlovic et al. (2012) discuss that empirical results on family firms can be interpreted differently among scholars. Agency theory based perspectives leads to different explanations than behavioural approaches. Empirical studies on family firms and financial performance have partly been mixed together, although a few papers research family control while other papers discuss family management involvement. Gedajlovic et al. (2012) discuss moderation effects such as the institutional environment. Performance differences are thought to be context-dependent. The mixed motives of family owners is an explanatory factor for the performance of family businesses.

In short, there is no one answer to the performance question in family firms. Empirical studies have not concluded to one side or another. The empirical landscape is divergent. The following table provides an overview:

Result	**Sources**
Inconclusive findings	Gedajlovic et al. (2012) O'Boyle et al. (2011)
Performance depends on the definition of family firm and the source(s) of data	Miller et al. (2007); O'Boyle et al. (2011); Villalonga & Amit (2006)
Positive founder effect	Morck, Shleifer & Vishny (1988); McConaughy, Walker, Henderson & Mishra (1998); Anderson & Reeb (2003); Adams, Almeida & Ferreira (2009); Fahlenbrach (2009); Villalonga & Amit (2006); Barontini & Caprio (2006); Dyer (2006)
Positive findings for U.S. samples	Anderson & Reeb (2003)
Negative results for smaller firms and non-U.S. contexts	Miller, Minichilli & Corbetta (2013); Gedajlovic et al. (2012)
Negative effects	Cucculelli & Micucci (2008); Holderness & Sheehan (1988); Sciascia & Mazzola (2008); Bennedsen et al. (2007); Bloom Van Reenen (2007); Claessens et al. (2002); Cronquist & Nilsson (2003)

Table 2: Overview empirical results concerning family firms' financial performance

Source: Own analysis

Since the group *family firms* is very heterogenous, general answers should be viewed with caution. Family firms can be heterogenous in the sense of family involvement and ownership. In an extreme case the family owns 100% of the equity and comprises all members of the supervisory board and the management team. In other cases, the family

might not be involved in the management of the firm at all. Furthermore family firms can be at different stages of development. While in the early stages, the founder will be present in the management of the family firm, at later stages, several generations will likely be responsible.

This chapter has presented the financial performance of family firms. The results show a mixed performance of family firms. The following chapter will turn to the non-financial goals of family firms, which I will represent by means of the SEW model.

3. Socioemotional wealth

This chapter introduces the socioemotional wealth model, representing a frame of non-financial goals and utilities for family firms.

3.1 SEW model

Chapter 2 outlined that there is no answer to the question whether family firms perform better or worse than non-family firms. However, the SEW model would imply potential negative financial performance effects. According to SEW, the owning family would accept below-target financial performance in order to conserve its SEW. The SEW model has, to date, provided indirect evidence of these effects. I extend the research on SEW by doing a direct empirical test on the model. Of particular interest will be the five dimensions of SEW and their impacts on financial performance. Not all dimensions of SEW might have the same effects on financial performance. First, I review the existing literature on SEW and introduce the five components of SEW.

Non-economic goals are the key differentiator of family firms (Gomez-Mejia et al., 2011). This expresses itself in the role of emotions in family firms. Sometimes, the family name and the firm's name are the same, which means that personal pride is closely related to the firm. Schulze et al. (2001) argue that the exercise of control and authority represents an important source of satisfaction for the family. Many emotional

concepts have been proposed in the past, including emotional capital (Sharma, 2004), emotional ownership (Bjornberg & Nicholson, 2007), emotional returns and costs (Astrachan & Jaskiewicz, 2008), or emotional value (Zellweger & Astrachan, 2008). The role of emotions is dominant in influencing a family firm's management. Besides emotions, the preservation of the family firm is very important to the family. Handler (1990) and Casson (1999) note that family values and the family dynasty would be preserved in the family firm. Other authors point out that the culture is very important to the owner family (Astrachan, Klein & Smyrnios, 2002), and that altruism is also supposed to be an important factor.

SEW was introduced by Gomez-Mejia et al. (2007). Gomez-Mejia, Takacs-Haynes, Nunez-Nickel, Jacobson and Moyano-Fuentes (2007) identify the utilities owners derive from the non-economic parts of the firm as *socioemotional wealth* (thus, SEW). Potential gains or losses in SEW serve as a primary reference for the owners when managing. Decisions will be driven by their effects on SEW, which is based on the behavioural theory of the firm (Cyert & March, 1963), prospect theory (Kahneman & Tversky, 1979), and the behavioural agency model (BAM) (Wiseman & Gomez-Mejia, 1998). Behavioural theory postulates that decision-makers do not hold consistent risk preferences. Decision-makers' risk preferences depend on the framing of a problem. Family business owners seeing the threat of losing their family business will take higher risks to avoid the total loss. Problems can be framed as either positive or negative in relation to a reference point. Behavioural theory concludes that decision-makers will prefer to avoid a loss even if this implies taking a higher risk. In other words, if a decision-maker's endowment (i.e. the family firm) is at risk, he or she will undertake whatever decision is necessary to conserve this endowment, neglecting a potentially higher risk. SEW theory contradicts traditional agency theory; the latter would imply that family principals tend to avoid decisions that carry a high risk of financial loss. For family principals, SEW conservation is more important than strictly financial goals. For family firms, SEW differentiates between two risk types: performance hazards and venturing risks. Performance hazards can be divided into potential failure of the firm/threat to survival and below-target performance. SEW suggests that family firms will tolerate a below-target performance so as to preserve their SEW. Concerning the potential failure of the firm, i.e. the total loss of SEW by the family, the family firm will

undertake anything to avoid such loss, which might also mean accepting a high risk (Gomez-Mejia et al., 2007). Family firms are expected to show a lower venturing risk, even when their performance falls below their target aspirations. According to the BAM model, risk bearing is subjective.

SEW has five different dimensions, summarised as FIBER (Berrone, Cruz & Gomez-Mejia, 2012):

***F**amily control and influence*

***I**dentification of family members with the firm*

***B**inding social ties*

***E**motional attachment of family members*

***R**enewal of family bonds to the firm through dynastic succession.*

Family control and influence

Family control and influence are a major component of SEW. The key is that family members have significant control of the firm's strategic direction (Chua et al., 1999; Schulze, Lubatkin & Dino, 2003b). This can happen when family members are formally part of the management or supervisory board. The control can come from a single person or from a dominant family coalition. Family members might play several different roles in the firm in order to enforce formal and informal control (Mustakallio, Autio & Zahra, 2002). It has been shown that control and influence are very important to family members (Zellweger, Kellermanns, et al., 2012). This implies that family members will need to preserve control of the family firm, regardless of financial considerations, in order to retain their SEW. As per the previous chapter, besides the founder effect, there is no definite answer concerning family control and financial performance. The related arguments of agency theory were also illustrated in the previous chapter.

Identification

Identification of family members with the firm constitutes SEW's second dimension. A family firm and a family might have the same name, giving rise to a unique family firm identity (Berrone et al., 2010; Dyer & Whetten, 2006). The family firm can be conceived as the extension of the family. Micelotta and Raynard (2011) found that family members are fairly sensitive about the image they convey to suppliers, customers and other groups. Family firms are therefore eager to maintain a pristine image, so it is unsurprising that they show higher corporate social responsibility and community citizenship (Berrone et al., 2010; Craig & Dibrell, 2006). Others have confirmed that family firms in particular are interested in positive image and reputation (P. Sharma & Manikuti, 2005; Westhead et al., 2001). I will specifically look at this component and its stance on financial performance. In what follows, I will refer to this component as *identification*.

Binding social ties

Binding social ties – as SEW's third dimension – relates to social relationships. Cruz, Justo and De Castro (2012) provide evidence that SEW leads to advantages that are usually associated with closed networks, namely collective social capital and relational trust (Coleman, 1990). Other members might enjoy feelings of being close to each other and might benefit from solidarity among the group (Uzzi, 1997). These ties exist not only internally, but also with external groups such as suppliers or customers (Uhlaner, 2006). A family firm can create a sense of stability and commitment from non-family employees through its own identity (Miller & Le Breton-Miller, 2005). One step further, this translates into good ties between the family firm and the community. Family firms are often deeply connected to communities and sponsor associations (Berrone et al., 2010). Family firms might do this for altruistic reasons and/or for the benefit of recognition for sponsoring local communities (Schulze et al., 2003).

Emotional attachment

Emotional attachment of family members is SEW's fourth component. As Flechter (2000) points out, emotions and affections in family firms are likely to be more complex than in other firms. While emotions are part of every organisation (Ashforth & Humphrey, 1998), they are more pronounced in family firms. The mixture of family emotions and the business is a key differentiating factor of family firms (Eddleston & Kellermanns, 2007; Tagiuri & Davis, 1996). Most often, there are no clear boundaries between decision-making in a family firm and a family's emotions (Baron, 2008). Family emotions can be positive or negative, and often evolve and change along critical events such as succession, divorce, illness and/or economic downturns (Dunn, 1999; Gersick, Davis, Hampton & Lansberg, 1997; Shepherd, Wiklund & Haynie, 2009). The family firm represents the place where the needs for belonging, intimacy and affect are met (Kepner, 1983). The firm is part of the family legacy, and a potential loss would mean a highly emotional situation for most owners (P. Sharma & Manikuti, 2005; Shepherd et al., 2009).

Transgenerational control

The renewal of family bonds to the firm via dynastic succession complements the SEW model. I refer to this point as *transgenerational control*. Some researchers view this component as the most important (Zellweger & Astrachan, 2008a; Zellweger, Kellermanns et al., 2012). The family's longer time horizon compared to other firms has important implications for the decision-making process in the family firm. The family does not consider the firm an asset that can be easily sold (Casson, 1999; Tagiuri & Davis, 1992). The family's key goal is to maintain the business for future generations (Kets de Vries, 1993; Zellweger, Kellermanns et al., 2011). In turn, this can lead to a generational investment strategy or patient capital (Sirmon & Hitt, 2003). The preservation of the dynasty and the continuation of the family's values in the family firm are crucial to the family. I will look at this component of SEW in some detail.

Interrelationships

In terms of interrelationships between the components of SEW, one could expect control and transgenerational control to be connected. For instance, a family that is involved in the top management and the supervisory board in a family firm and that influences its major strategic decisions, is likely to pursue a long-term transgenerational aim. While facing situations of uncertainty, family owners will try to keep their share of control in order to pass them on to the next generation at some point. Control can facilitate the possibilities to integrate the next generation in the family firm by giving them job opportunities within the family firm. Similarly, binding social ties might be a starting point for transgenerational control. Specific and enduring relationships with suppliers, customers, employees and the community could facilitate the transgenerational control aspect by making it easier for future generations to step in and develop the family firm. Third, identification and binding social ties could be related. External and internal stakeholders look at a family firm's reputation, and the family owners' actions to improve the firm's reputation will directly influence binding social ties with customers or suppliers, for instance. A family firm might be highly interested in serving customers very well and offering high-quality products or services in order to build a superior reputation. Cooperation with one of the key suppliers of a family firm might enhance product developments or innovations, translating into a better reputation. Fourth, the components of identification and emotions could be related. The more family members identify with the family firm, the more emotions could potentially develop.

This work will focus on two components of SEW, namely identification and transgenerational control. The intention is to focus the work on two aspects of SEW in order to reach a certain depth and to reduce complexity. The control component is not specifically investigated since research has already looked at these effects. The components emotions and binding social ties would need more breadth to investigate, which cannot be done here. In particular, identification and transgenerational control provide potential positive financial performance effects via other processes, which I will introduce later in this work.

3.2 SEW findings

Literature on SEW has shown several consequences on different fields such as diversification efforts, research and development (R&D), IPO pricing and environmental performance:

SEW and diversification

Gomez-Mejia, Makri and Kintana (2010) have shown that family firms behave differently in their diversification efforts. They use a sample of 360 firms, of which 160 are family-controlled. Their findings indicate that family firms diversify less than non-family firms, both domestically and internationally. Their research also hints at the fact that family firms strive to first enter regions that are culturally close to them. Gomez-Mejia, Makri and Kintana (2010) use the SEW model to explain the specific behaviour of family firms. Family firms are expected to diversify less in order to protect their SEW. Even though diversifying would mean bearing less risk, owners fear the loss of control over operations and thus avoid diversification. The line of argumentation of Gomez-Mejia, Makri and Kintana (2010) is based on the behavioural agency model (BAM) (Wiseman & Gomez-Mejia, 1998), which implies unstable risk preferences on the part of decision-makers. Other arguments that support fewer diversification efforts by family firms are that appointing non-family members to new business units would diminish the family's influence. Further, diversification might need external funding, which – in turn – might dilute the family's shareholding. In contrast, family firms do diversify and act as rational investors once business risk increases, i.e. the family firm performs worse compared to others. Notably, Gomez-Mejia, Makri and Kintana (2010) only consider publicly listed firms; the behaviour of private family firms might thus differ. Second, the SEW model has not been tested empirically but was only used as argumentative support.

SEW and technology

Concerning technology, Gomez-Mejia et al. (2011) note that, technologically, family firms diversify less, for the same reasons cited above. R&D is an important strategic choice for firms in order to build competitive advantage. Economic rationality holds that family firms would be motivated to invest in R&D projects to promote innovation, growth and company survival. Investments might create synergies across the firm and/or might reduce overall risk (Makri, Hitt & Lane, 2010; Makri & Lane, 2008). However, high R&D investments would threaten the family's SEW, for four reasons: First, R&D projects might require help from outside the family, meaning a loss of family influence. Second, a clear step away from practices is needed when undertaking R&D projects. Third, R&D projects show the largest benefits for firms with many different product lines (Nelson, 1959). For these reasons, this is rarely the case in family firms. Four, R&D projects might need external financing, leading to a potential loss of the family shareholding. Overall, family control is linked to low R&D activities as a percentage of sales. This has been confirmed by recent studies (Chen & Hsu, 2009; Munoz-Bullon & Sanchez-Bueno, 2011). Chen and Hsu (2009) use a sample of Taiwanese firms and find a negative relationship between family ownership and R&D investments. Family firms' R&D activities seem to increase with more independent outsiders on the board. Munoz-Bullon and Sanchez-Bueno (2011) use a Canadian sample for 2004 to 2009. The publicly traded family firms in their sample show a lower R&D intensity than non-family firms. Again, it must be noted that family firms' behaviours can change when they face business risks.

SEW and pollution

Berrone et al. (2010) found evidence that family firms pollute less because they want to convey a positive image. While there is no economic benefit associated with polluting less, a family can protect its SEW by doing this. Family firms adjust to environmental pressures and reap rewards for this in terms of their perceived SEW. Berrone et al. (2010) compared the environmental performance of public U.S. firms (family and non-family) between 1998 and 2002, with a sample size of 194. Concerning their research efforts, one must critically consider the fact that Berrone et al. (2010) used only a U.S.

sample of publicly listed firms, as well as a fairly low threshold definition of family firms (i.e. 5% of owning or controlling stock). Furthermore, SEW is not directly measured in this study; it is a line of argumentation but was not tested empirically.

Leitterstorf and Rau (2014) investigated the relationship between family firms' SEW and IPO pricings. They argue that family firms accept higher IPO underpricings in order to preserve or enhance their SEW. SEW-related needs to preserve a family firm's reputation are associated with higher IPO underpricings, which reduce reputational and litigation risks during an IPO process (Leitterstorf & Rau, 2014). In terms of empirical set-up, one must critically remark that SEW is not measured directly. Leitterstorf and Rau's empirical study relies on a sample of 153 German IPOs; their findings indicate that, on average, family firms exhibit 10 percentage points stronger underpricing in IPOs.

SEW's impact on family firms' proactive stakeholder engagement (PSE) is perceived differently by scholars. Cennamo et al. (2012) argue that family firms are more inclined to pursue PSE in order to preserve their SEW. According to Cennamo et al. (2012), the five components of SEW have a positive effect on engagements with internal and/or external stakeholders. Their study conceptualises SEW's impact on PSE, but does not empirically test the hypotheses. In contrast to the positive relationship between SEW and PSE posited by Cennamo et al. (2012), Kellermanns et al. (2012) throw light on potential negative effects of SEW on PSE. Potential family-centric actions could harm PSE by ignoring other stakeholders.

Patel, Dehlen and Zellweger (2013), who investigate how SEW influences family firms' acquisition behaviour, show that SEW's influence on acquisition behaviour varies with different performance levels of family firms, i.e. when family firms have not reached their aspiration levels, their acquisition behaviour changes. Family firms facing economic loss are more likely to acquire, and their acquisition targets are unrelated. In contrast, family firms under slack are associated with buying related targets to bolster their SEW endowments. Similarly to other studies, SEW is not measured directly here.

The empirical findings of Miller et al. (2010) show that family-owned firms engage less in acquisitions. This finding fits the logic of SEW, i.e. that family firms are expected to

be less active in their acquisition behaviour because this would likely dilute their control and would threaten their SEW endowment.

Sciascia et al. (2014) look at family management and the profitability of private firms and combine this with the SEW perspective. They argue that SEW is positively related to financial performance at later generational stages. At later generational stages, the need to preserve SEW needs is diminished and financial goals become more important to family firms' owners (Sciascia et al., 2014). This stands in contrast to the empirical findings on positive financial performance associations of the founder. Further, it is not evident why the emotional attachment of family managers should decrease over time. SEW is not measured empirically but, instead, *generational stage* is used by Sciascia et al. as an approximation of SEW. SEW is used as an explanatory construct. Finally, the response rate of 4.1% appears to be somewhat low.

To sum up, SEW influences family firm behaviour with regards to diversification, R&D, M&A, environmental behaviour, IPO pricings and stakeholder engagement. While SEW matters to family firms, this can change once the family firm enters into financial trouble. As soon as the family firm faces business risks, the goal-setting shifts from pure SEW goals to more rational financial goals. Family firms are believed to have an ambivalent goal corridor. While research on SEW has progressed, to date, there are no clear answers concerning consequences on financial performance. I seek to add value to the academic discussion here by means of the following research model, which will test the SEW model empirically.

3.3 Research gap and research model

This study seeks to enrich the picture of SEW and its influence on financial performance. The starting point is the mixed financial performance of family firms. Second, non-financial goals and utilities for the owners would be negatively associated with financial goals. In this work, non-financial goals of family firms and utilities for the owners are represented by the SEW model. If the SEW model were to hold up and serve as a strategic reference frame for family firms, then a noticeable financial underperformance of family firms should occur. This work will empirically test the SEW model as

aggregate measure as well as its specific components. While the pursuit of non-financial goals and utilities as a whole is expected to have a negative effects on financial performance, certain SEW components might show a different picture. Third, this work will highlight certain effects of the SEW model that could have positive impacts on financial performance. The following research model looks at SEW and the processes through which SEW potentially facilitates financial performance. The SEW model consists of five components (as illustrated in Chapter 3.1). I will empirically test the SEW model and its five components on financial performance effects. On aggregate, the SEW model would have a negative effect on financial performance. While looking at certain processes between SEW and financial performance, certain positive effects of SEW on financial performance are expected.

In the following two chapters, I introduce two mediators that potentially explain the effects between two specific components of SEW and financial performance. I examine and focus on two components of the SEW model: identification and transgenerational control. This will leave space to investigate, in detail, the relationships of these two specific components of the SEW model to mediators and financial performance. The intention is to focus on two aspects of SEW in order to reach a certain depth and to reduce complexity. The control component control has not been specifically investigated, since research has already looked at these effects (as laid out in Chapter 2). The components emotions and binding social ties would need more breadth to investigate, which I cannot do here. Concerning emotions, the SEW model is still unclear which emotions exactly would need to be investigated. Concerning binding social ties, the organisational effects remain somewhat unclear. In short, each of the components provide room for an individual work. However, identification and transgenerational control provide potential positive financial performance effects via other processes, which I will be introduce later. The mediators will explain why there are certain effects between the two components of SEW and financial performance.

I will also discuss the interrelationships between transgenerational control, brand equity, identification and ambidexterity. A consideration of the SEW model's other three components and potential facilitating effects would go beyond the scope of this study.

I view both identification and transgenerational control as potentially having a positive financial performance effect. I will discuss this in some detail in the following chapters. As mediator for identification, I use brand equity, and for transgenerational control, I use ambidexterity. I will explain the theses in some detail in the following chapters. The following figure provides a first illustration of and guide to the research model. On the left, it shows the two components of SEW, namely identification and transgenerational control. In the middle, we find both mediators – i.e. brand equity and ambidexterity. Brand equity will be represented by the BAV, which I will introduce in the next chapter. On the right, the dependent variable financial performance, which is measured of multi-items, appears:

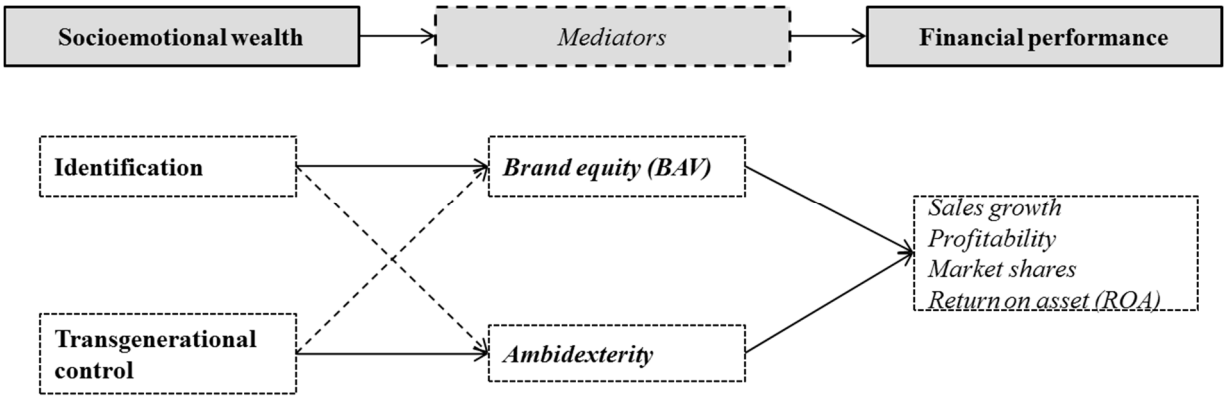

Figure 1: Research model

Source: Own analysis

I argue that stronger SEW identification will lead to higher brand equity in family firms, and that higher brand equity would drive financial performance. Similarly, SEW transgenerational control would drive ambidexterity, and increased ambidexterity would result in better financial performance in family firms.

The research questions deriving from this model are:

1. How does SEW as aggregate measure and its specific components influence family firms' financial performance?
2. Which process potentially facilitates between SEW identification and financial performance in family firms?
3. Which process potentially facilitates between SEW transgenerational control and financial performance in family firms?

Chapter 4 will introduce the potential mediator, brand equity, which would possibly explain a positive financial effect resulting from SEW.

4. Brand equity

4.1 Brand theory

I potentially view brand equity as the process by which SEW could lead to improved financial performance. Brand equity is part of the research model described in the previous chapter, potentially acting as a mediator variable between identification and financial performance. This chapter will introduce brand equity which will be empirically tested using the BrandAsset Valuator® (BAV). BAV is a well-known measure for brand equity (Stahl et al., 2012). BAV seeks to capture brand equity via four different components, which I will introduce in this chapter.

In a first step, I will review what brands are, how they develop, what the characteristics of strong brands are and how they can be measured. I will then highlight the financial performance effects of brands as well as the relationship to family firms. I must note that this empirical study takes place in one industry, the food and beverage industry. The importance of brands for this specific industry can be expected to be very important.

Defining a brand

Kotler (1991, p. 442) defines a brand as "a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors". Elements such as the logo, symbols, packaging and/or a memorable slogan are also part of the brand.

Brands generally fulfil several purposes: For customers, brands can signal quality, reduce risk and encourage trust (Christodoulides & De Chernatony, 2010; Keller & Lehmann, 2006). These arguments are rooted in information economics relating to imperfect and asymmetrical markets (Erdem & Swait, 1998). Brands enable firms to distinguish their offerings. A brand is more than just a name.

Branding has become a main task for top management teams owing to the fact that brands represent very precious intangible assets for companies (Keller, 1993). Interest in this phenomenon started in the 1980s, when off-balance sheet intangible items were considered as a source of tangible wealth (Kerin & Sethuraman, 1998). Historically, this interest was supported by the escalating costs of creating and establishing new brands in the 1990s (Simon & Sullivan, 1993).

Brand building

Building brands demands investment in communication, distribution and other activities by companies (Fischer et al., 2010). Miller & Le Breton-Miller (2005) speak of a strategy of brand building. First, a brand needs to be created that is attractive and special. This goes hand in hand with a unique and high-quality product. Equally, emotional links with customers is important for a strong brand to develop. Market share gains will then lead to a critical mass and economies of scale (Miller & Le Breton-Miller, 2005). This requires investments in mass promotion and broad distribution. Ideally, this is accompanied by unconventional and intensive promotion. As a third step, the brand integrity needs to be protected. This includes constant checks of product features, packaging, distribution and promotion. Correspondingly, the limits and the focus of the brand shall be defined (Miller & Le Breton-Miller, 2005). To complement the strategy, the brand must be leveraged and fully developed. This can mean moving the brand to a new country or the introduction of complementary products.

For strong brands to develop certain antecedents need to be existent. The literature has built on consumer brand relationship constructs such as brand trust (Hess, 1995), brand identification (Escalas & Bettmann, 2003) and brand commitment (Fullerton, 2003). First, customers need to gain trust in a certain brand. Brand trust refers to the extent to which consumers can rely on a brand in risky situations or can perform stated functions (Albert et al., 2013). Trust is a mechanism to absorb uncertainty. Sichtmann (2007) views competence and credibility as antecedents of brand trust. A brand needs to deliver consistent quality to consumers in order for them to trust it. This could potentially be of advantage to family firms who deliver high quality brands and engage in long-term relationships with their customers. Second, consumers need to identify with the brands they buy. Once this happens, the links between customers and the brand become closer. Finally, brand commitment denotes a positive attitude towards a brand and an emotional attachment that influences consumer behaviour, i.e. consumers regularly buy the brand. Further, scholars have noted that is important to keep an eye on the brand communities of consumers (Esch et al., 2006), since views about brands are formed within these communities.

Once a brand has been developed, it is important to keep the most appropriate brand positioning. This process is about creating brand associations for customers to distinguish the brand and to potentially reach competitive advantage (Keller et al., 2002). The decision how to position a brand is an input factor for marketing activities. Concerning brand positioning, it is particularly important to consider the role of brand intangibles. Brand intangibles relate to the aspects of the brand image that are not physical or tangible attributes (Levy, 1999).

Summarising brand building requires investments in multiple aspects such as communication, distribution and product characteristics. For strong brands to develop customers need to gain trust in the product and identify with it. Once a brand is established, constant monitoring of the brand positioning is required.

Strengths of brands

The characteristics of brands can be classified around five main clusters (Aaker, 1997). One of the primary features of a brand can be its sincerity. How genuine, natural or authentic is the brand perceived by customers? Excitement as the potential second

feature refers to how much enthusiasm and pleasure a brand can give its buyers. Competence, as a third component, clearly concerns aspects such as the brand's perceived proficiency, expertise and capabilities. Sophistication as feature of a strong brand relates to the identified superiority of the brand its classiness, refinement and elegance. Ruggedness as the last feature of a brand means how rough, resilient and enduring the brand is perceived to be. The above features have been developed by Aaker (1997) for U.S. brands but can give a first step of analysis for brand characteristics in general. Having said this, a strong brand does not need to score high along all features. Aaker et al. (2001) have proposed potential exchanges of dimensions, such as peacefulness instead of ruggedness or passion, instead of competence. This shows that brand characteristics can take different dimensions and cannot be limited to one single feature. One would envisage family firms scoring high on certain features (as mentioned above), such as sincerity and competence and perhaps lower in excitement.

Keller (2003) explains other characteristics of strong brands. He refers to them as brand elements. These brand elements need to be integrated in order to build a strong brand. A brand characteristic ideally reflects the six criteria mentioned by Keller (2003). First, the brand needs to be memorable to the consumer. Second, the brand should represent a certain meaningfulness to customers. In terms of look, Keller (2003) sees an aesthetic appeal as essential for a strong brand. For a wide presence of the brand, a certain degree of transferability is desirable. A brand that can be extended to other product categories, market segments, other geographies or other cultures is more valuable. Strong brands are flexible and adapt over time to a changing market environment or consumer preferences. Finally, as technical feature, a brand should be legally and competitively protectable, i.e. non-imitable by direct competitors. Relating Keller's characteristics to family firms, one would expect them to perform well in meaningfulness and memorability and to underperform in aspects such as adaptability.

As a third perspective on the characteristics of strong brands, Aaker (2004) deserves mentioning. He refers to the key dimensions and facilitators of a brand. First, the heritage of a brand. A brand can potentially have a long-standing history and roots that are transparent to its customers. Family firms might benefit from this, owing to a special heritage and historic roots. This might be the case for local family breweries, for instance. Secondly, people in the organisation are an important conveyor of brands. This

especially holds in service-intensive industries such as hotels or consulting. Exceptional service or expertise knowledge will benefit consumers, who will remember the brand positively. For family firms with strong personalities such as the active founder, this aspect can be very strong. Consumers then associate the founder's behaviour with the specific brands of the family firm. A firm's citizenship serves as last facilitator of a strong brand. This means that the better the firm treats its environment or its employees, the better the firm's brands will be perceived by its customers.

in short, strong brands must score high on characteristics such as sincerity, competence, excitement, resilience, sophistication and aesthetic look. Strong brands are memorable to customers and provide a special meaning. A strong brand will be extendable to other product categories and will be legally protectable. Finally, factors such as the brand's heritage and employees as conveyors of the brand play key roles in strong brands.

Measurement of brands (brand equity)

Brands are predominantly measured via the construct *brand equity*. In this work brand equity will be measured using the BrandAsset Valuator® (BAV). While there is no concluding and final definition of brand equity (Christodoulides & De Chernatony, 2010), one of the most prominent is that by Aaker, who defines brand equity as "a set of brand assets and liabilities linked to a brand, its name and symbol, that add or subtract from the value provided by a product or service to a firm and/or that firm's customers" (Aaker, 1991, p. 15). Brand equity has received much research attention. It is critical for practitioners and executives to understand how brand equity is composed and what its drivers are. For Aaker (1996), brand equity is measured along criteria such as loyalty measures (i.e. are the consumers who are loyal to the brand satisfied and can the company demand a price premium?). The brand's perceived quality and its potential leadership position is the second set of criteria to evaluate brand equity. Thirdly, associations with the organisation, the brand personality and the perceived value are components of brand equity. Brand awareness is another factor that influenced brand equity. Finally, market behaviour-related measures come into play with the brand's market share, price and distribution indices. Aaker's thoughts illustrate that brand equity is measured via multiple criteria. Similarly, Keller (1993) sees brand equity as composed of brand awareness and brand image.

In general, there are three different perspectives concerning the measurement of brand equity (Keller & Lehmann, 2006): company-based, financially based and customers-based. As Johansson et al. (2012) demonstrate, research results look significantly different depending on the method chosen, i.e. a consumer-based vs. a financial metrics-based valuation of brand equity. Concerning the financial valuation, issues such as choosing the appropriate discount rate or earnings multiple always offer room for interpretation (Kerin & Sethuraman, 1998).

From a company's perspective, brand equity is the added value (discounted cash-flow) derived from the existence of the brand name vs. a non-branded product/service. The company's perspective is strongly linked to the specific product/service market in which the brand is placed. Of particular relevance are price premiums, advertising elasticity, lower sensitivity to competitors' price movements, and the ability to maintain distribution by means of various channels (Hoeffler & Keller, 2003). Research has shown that premium brands can demand large price differences (Agrawal, 1996; Sethuraman, 1996).

The financial perspective is somewhat similar to the company-based view, but is even stricter in viewing the brand as a sole asset that could potentially be bought and sold. Valuation is also based on discounted cash-flow methods. The income-based valuation occurs in two steps. First, cash-flow expectations are formed and the net present values are computed. In a second step, this value is multiplied by a factor called the royalty rate. Alternative ways to determine the brand value are replacement value, i.e. what would it cost to establish the same brand from scratch (Ambler & Barwise, 1998; Feldwick, 1996) and the firm's residual value (Simon & Sullivan, 1993).

The customer-based approach links back to the abovementioned components of brand equity. This measurement process takes place via direct questionnaires with the specific brand's customers. From a practical perspective, a number of consulting firms – namely Interbrand, WPP, Young & Rubicam and Research International – have established their own approaches to brand equity measurement (Christodoulides & De Chernatony, 2010). In short, there is no concluding and final approach to measuring brand equity.

For the purpose of this work, Young & Rubicam's (Y&R) BrandAsset Valuator® (BAV) will be used. The BAV model examines brand strength via four dimensions. The following figure shows the main components of BAV:

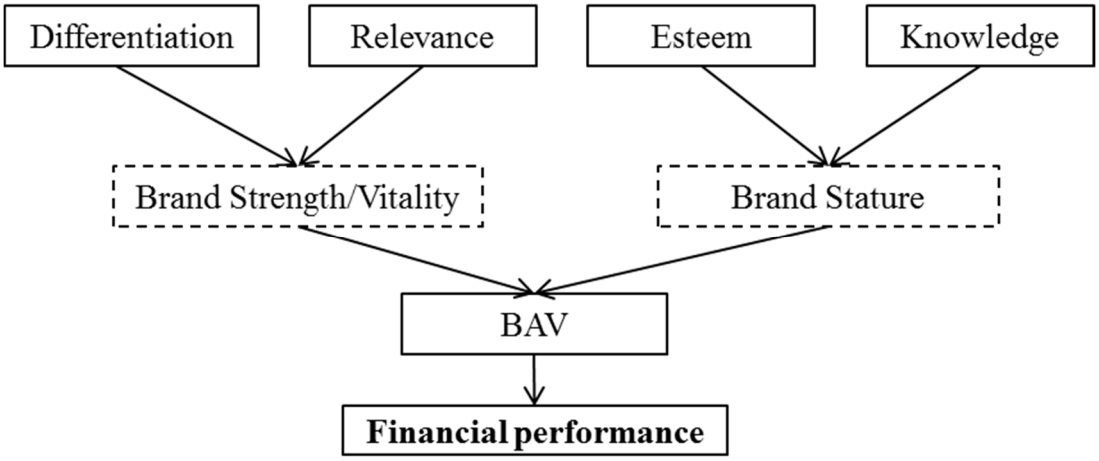

Figure 2: BAV

Source: Own analysis, Young & Rubicam

Differentiation refers to a brand's ability to be unique to customers. This dimension refers to the brand's uniqueness/individuality. How innovative and dynamic the brand is perceived to be also falls into this category. Optimal pricing, ideal distribution channels and brand presence in general are other input factors for the component *differentiation*. Family firms driven by SEW would be uniquely positioned to position their brands in a distinct way, compared to competitors.

Relevance measures how important and appropriate the brand is to its customers. For instance, how important is Google to internet users? Of what relevance is Apple to customers in the mobile phone market?

Esteem touches on a brand's perceived quality and popularity. It measures how close customers are bound to a brand once they have bought it. Furthermore, the brand's reputation is measured. Criteria such as reliability, high quality, progressiveness and cutting-edge technology are included in the element of esteem. SEW would lead family firms to seek to convey a clean and superior image to its customers. For family firms to

be able to present a superior image, they would need to produce outstanding products or services, which then signal quality to buyers and encourage trust for the buyers of family firms' products or services. This could potentially lead family firms to perform well along the esteem criterion.

Knowledge seeks to capture what customers know about a brand and how they understand its identity. For example, how well do internet users understand Google or to what extent know mobile phone user about the brand Apple. SEW would imply that family firms might be very eager to convey accurate knowledge to their customers and lead them to a fine-grained understanding of what the brand is about.

The dimensions *differentiation* and *relevance* are added and result in *brand strength* (also referred to as *brand vitality*). The dimensions *esteem* and *knowledge* add up to *brand stature*. Both *brand strength* and *brand stature* result in BAV. The BAV model can be used to classify brands into different categories, depending on their score of brand vitality and brand stature. Power brands score high on both dimensions. Brands scoring low on both dimensions are either new, unfocussed or unknown. Mass brands or decreasing potential brands score high on brand stature but low on brand vitality. Niche or unused potential brands score high on brand vitality and low on brand stature. The following figure illustrates this categorisation:

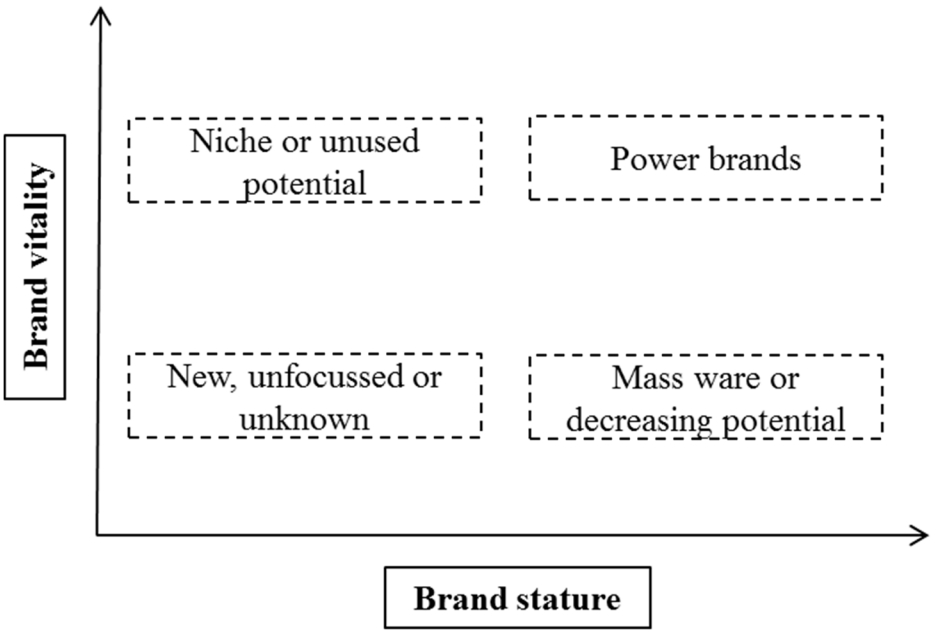

Figure 3: Brand classification according to BAV

Source: Young & Rubicam

4.2 Brands and financial performance

The financial markets can highly value brands, as Simon and Sullivan (1993) demonstrate. They discovered that the brand value can comprise 46% to 61% of total company value, depending on the industry. Similarly, in mergers and acquisitions (M&A), a considerable part of the transaction value can be attributed to brand value. Philip Morris bought Kraft for US$12.9 billion – four times its book value (Bahadir et al., 2008). These aspects show that there are positively associations of company value and strong brands, justifying such valuations.

Literature around brands and financial performance centres on the brand's potential price premium, profitability and customer retention rates. Other works investigate the stock market performance as well as other linked factors such as volatility, risk and development of cash-flows.

In terms of potential price premium, the literature has found a positive effect of strong brands (Albert et al., 2013; Grisaffe & Nguyen, 2011; Kim et al., 2008). Customers of strong brands are loyal customers who, at the same time, might be emotionally attached

to a brand they trust. This can lead to consistent revenue streams for companies and a higher willingness to pay a price premium for the brand. Stahl et al. (2012) show that brand equity positively relates to customer acquisition, customer retention and profitability. Aaker and Jacobson (1994) have empirically shown that product quality as a measure has the same explanatory effect as ROI.

Maden et al. (2006) also note that brand outperformance goes along with less risk. Rego, Billet and Morgan (2009) have found evidence that high brand equity reduces volatility and thus risk. This implies lower risk for debt and equity holders of these firms and, thereby, lower costs of capital for firms with strong brands. Larkin (2013) has found a link between BAV and lower future cash-flow volatility, reducing firm risk and leading to higher credit ratings. Second, Larkin (2013) notes that firms whose brands are perceived as strong have higher leverage.

Furthermore, the literature has shown positive effects between strong brands and subsequent stock market performance (Barth et al., 1998; Madden et al., 2006). De Mortanges and Van Riel (2003) prove a link between brand equity and shareholder value by using the Brand Asset Valuator® (BAV®) model for Dutch brands between 1993 and 1997. Kerin and Sethuraman (1998) find a positive relationship between brand equity and the market-to-book ratio for publicly held consumer goods companies in the U.S. The link between brands and the market performance of listed companies has also been confirmed by other studies (Lindenberg & Ross, 1981). These studies used Tobin's Q (market value of assets divided by their replacement value, i.e. book value) and found evidence that consumer goods companies such as Coca-Cola or Kellogg's show a Tobin's Q > 2. In contrast, companies operating in more commoditised markets such as the paper industry showed a Tobin's Q of around 1.

In short, there seems to be a clear positive relationship between strong brands and financial performance. Strong brands can demand price premiums, show higher customer retention rates and a more stable cash-flow profile, which leads to reduced risk. By being memorable and providing a special meaning to customers, strong brands add financial value. Ideally, brands are extendable to other product categories increasing the potential revenue streams. By legally protecting brands, firms can add security to their market positioning and cash-flow streams. Lastly, the above positive financial

effects of brands are illustrated by respective valuations in the stock market and subsequent stock market performance of firms with strong brands. Next, I turn to brands in the context of family firms.

4.3 Brands and family firms

Research has declared that the brand management in family firms remains a relatively open space and deserves more attention (Fetscherin & Usunier, 2012; Berthon et al., 2008; Spence & Essoussi, 2010; Kashmiri & Mahjan, 2010). In 2011, *Family Business Review* dedicated a special issue to the topic of marketing and family businesses (Reuber & Fischer, 2011).

Looking at brand management from the perspective of family business, research is of interest for several reasons. One is the ongoing complaint by marketing managers that there is a too strong focus on short-term performance (Simon & Sullivan, 1993). In contrast, family firms are believed to manage this conflict better owing to their long-term orientation. Nowadays a few prominent firms such as Henkel or SC Johnson actively promote their family firm characteristic. Miller and Le Breton-Miller (2005), who refer to brand builders such as Esteé Lauder or SC Johnson, see family firms as well placed to develop brands patiently. Craig et al. (2008) outline that a family-based brand identity can positively influence financial performance. Carney (2005) also sees the family brand as a rare resource. According to Dyer (2006), the family brand name can play an important role in creating social capital between the family firm and its stakeholders. The goodwill and unparalelled trustworthiness that family firms potentially enjoy can help create positive perceptions among customers, suppliers and other stakeholders. Craig et al. (2008) explain that family-based brand identity can serve as a competitive advantage. Leaders of family firms can become significant stewards of their family-based brand identity. In addition, branding in family firms should have a special character, because the family brand is often still influenced by the founding entrepreneur (Krake, 2005), who can be the main communicator of the brand. Concerning feedback, family firms might be better able to get closer to their customers and get their views, which can potentially lead to more value-added services and/or products. In this context, Craig et al. (2008) find that family-based brand identity

positively contributes to company performance via customer-centric orientation. However, there was no relationship found via a product-centric orientation. Furthermore family-based brand identity did not have a direct impact on financial performance. The above mentioned research efforts clearly show the relevance of brands to family firms.

There have been a few other pioneering research efforts on brands and family firms. Scholars have investigated reputational issues of family firms, how family firms are perceived in the market (Carrigan & Buckley, 2008; Byrom & Lehman, 2009), marketing practices of family firms, and how distinct family brands develop (Parmentier, 2011).

At a company level, the following efforts have been made: The literature has shown evidence that company image is an important factor for family firms' performance (Memili et al., 2010). Memili et al. (2010) have used self-reported measures such as sales growth and market share. Using a sample of 163 Swiss family firms, they found that high family expectations of the CEO positively influence a family firm's image and risk-taking. Family firm image and risk-taking affect financial performance. Zellweger et al. (2012) have confirmed the positive findings of Memili et al. (2010), finding that factors such as pride in the family, community social ties and long-term orientation positively influence company performance. The literature has called for a more active stance by researchers concerning family firm image and SEW (Zellweger, 2012). Kashmiri and Mahjan (2010) analyse differences in family firms' strategic behaviour where there is congruence between the owner family name and the firm name and family firms where this is not the case. Using a multi-industry sample of 130 public U.S. family firms between 2002 and 2006, they conclude that, compared to non-family firms, family firms show higher corporate citizenship and a stronger strategic focus, leading to superior financial performance.

Deephouse and Jaskiewicz (2013) look at reputational differences between family firms and non-family firms. They find that family-named family firms enjoy a better reputation owing to the fact that family members are especially motivated to take care of the firm's reputation. However, family members need organisational power to implement their ideas. Binz et al. (2013), looking at family firm reputation and consumer preferences, propose that consumers prefer family firms based on soft factors such as

family firms being especially trustworthy as well as caring for their employees and the environment.

In terms of specific marketing and branding strategies, I will mention the following literature. It has been shown that *familiness* can relate to stronger market orientation (Teal, Upton & Seman, 2003; Tokarcyk, Hansen, Green & Down, 2007). Micelotta and Raynard (2011) investigate the branding strategies of family firms founded prior to 1800 that are still operational. By analysing website content, they show that certain patterns evolve in family firms' conveying of their brand. They call these patterns family preservation, family enrichment and family subordination. The family preservation strategy is based on the close link between the family and the firm. The family preservation strategy was mostly followed by smaller, locally operating family firms active in low technology intensive industries (Micelotta & Raynard, 2011). The family enrichment strategy uses old elements of the family/firm, but adjusts and adds new elements over time. This is mostly deployed in environments with changeable technologies. The family subordination strategy refers to a situation where the family influence is limited in the branding strategy.

In short, the literature has shown several aspects of brands and family firms. The family brand can be regarded as a rare resource and the family brand in general can play an important role. The trustworthiness of family firms can serve as an advantage. In terms of financial performance effects, several authors have shown positive effects. A family-based brand identity can influence financial performance positively via a customer-centric orientation. Company image and family firm image have shown to be positively associated with the financial performance of family firms. I will now turn to the development of hypotheses regarding SEW, BAV and financial performance.

4.4 Development of hypotheses

I use the Young & Rubicam's (Y&R) BrandAsset Valuator® (BAV) as the mediator between component 2 (identification of family members with the firm) and financial performance. This tool is widely used to evaluate consumer brands (Zaichkowsky, Parlee & Hill, 2010). Research has shown a link between BAV, brand equity and

shareholder value (Pahud de Mortanges & Van Riel, 2003). I therefore envisage a positive link between BAV and financial performance. The following hypotheses emerge:

SEW identification refers to the careful management of a company's reputation by the owning family. Family members have a strong sense of belonging to the family business, and feel that the firm's success is their own success. The family business has a strong personal meaning for family members, and family members are proud to tell others that they are part of the family business. Therefore, the owning family is considered to be very sensitive to the family firm's reputation (Zellweger et al., 2012). Over time, this will lead to behaviour by the family firm that is positively associated with financial performance. The factor identification could be considered as a special family firm resource (RBV theory).

First, an owning family will for instance be interested in leading a family firm that is known for high-quality products and/or services. As outlined in the previous chapters, a high-quality product is an essential component of a strong brand. Building a distinct family firm brand will also be an asset to the family and will benefit their SEW needs. Second, a strong family brand has the opportunity to collect loyal customers who are emotionally attached to the product (Craig, Dibbrell & Davis, 2008). The unique existence of a brand deriving from the business and the family can be especially attractive to customers (Zellweger et al., 2012). Third, this will lead to a stable cash-flow to the family firm, since customers are retained. Fourth, the need of the owning family to build a strong and highly reputable brand can be beneficial in terms of demanding a price premium (Craig, Dibbrell & Davis, 2008). The owning family will also be very careful in their and the firm's interactions with customers, suppliers, local communities and the general public. This is especially true when customers often associate the family name with the firm's products and services. In this way, family members could be interpreted as stewards for the family firm in their behaviour. From an agency view, there is likely to be more presence of the owning family, i.e. facilitating communication between the family firm and its stakeholders. Fifth, a good family firm reputation is likely to attract and retain skilled employees. This leads to a lower employee turnover and keeps valuable knowledge within the firm. Sixth, a high standing reputation of the family firm can positively influence its suppliers in terms of increased

willingness to cooperate. This behaviour is likely to result in a superior reputation for the family firm, which – in turn – will drive financial performance. This leads me to the following hypothesis:

Hypothesis 1:	Identification positively influences financial performance

In short, I see a positive association between BAV and financial performance. The literature has already shown this positive relationship. Family firms with higher BAV values are likely to be in a position to outperform their competitors. Differentiated brands, high-quality products appropriately positioned for relevant customers are potential factors that lift financial performance. Stronger brands translate into pricing power, more suitable distribution channels, loyal customers and higher retention rates. As outlined above, BAV consists of four pillars. *Differentiation* refers to a brand's ability to be unique to customers. Innovative and dynamic products complement the element *differentiation*. Family members acting as stewards will be highly interested in creating innovative and dynamic products for the family firm. This distinct positioning of brands and products will likely result pricing power, loyal customers and superior financial performance of the family firm. *Relevance* measures how important and appropriate the brand is to its customers. Category winners would have a high relevance to their customers. The more relevant a product becomes, the higher the customer retention rate becomes. *Esteem* touches on a brand's perceived quality and popularity. This would ideally signal quality and would encourage trust among the buyers of family brands. Customers become loyal to the brand and repeatedly buy the same products. *Knowledge* seeks to capture what customers know about a brand and how they understand its identity. Since family firms are eager to built strong and long-lasting relationships with their customers, this point of BAV could be well developed for family firms. Family firms might be very eager to convey appropriate communication to their customers and may lead them to a fine-grained understanding of what the brand is about. The presence of a large shareholder (i.e. a family) could help the family firm's communication of its brands. Family members acting in public as stewards of the family firm brand would contribute to the understanding of customers of the family firm brand.

This could be considered as a special resource for family firms in the sense of RBV theory. This leads to the following hypothesis:

Hypothesis 2:	BAV positively influences financial performance

As proposed, SEW identification has a positive effect on financial performance. I see BAV as the mediator between identification and financial performance. In other words, BAV is the process via which SEW identification has a positive impact on financial performance. The family's need to attain and retain a positive reputation for the family firm is likely to lead to a strong BAV profile. Family firms can more patiently invest into reputation and brands than listed companies. This can lead to a high value of the component *differentiation* of the BAV model. This behaviour of family firms could be considered as a unique family firm resource (RBV theory). In cases the founder is closely connected to the firm's reputation and subsequent brand developments. In terms of promotional activities, family firms are expected to invest massively (Miller & Le Breton-Miller, 2005), because they see these investments as paying off in the long term. Miller and Le Breton-Miller (2005) speak of patient perfectionism of the family to build an outstanding reputation and brands. Family firms' customers will therefore understand these family brands very well. This will positively associate the component *knowledge* of the BAV model. The family can be seen as steward of its own brand, for instance, carefully overseeing the brand's development. This can mean carefully checking the development of new products and brands and potentially not stepping into fast-growing segments, because this would not fit the family firm's reputation. This behaviour is likely to have a positive impact on the component *relevance* of the BAV model. Stewardship in this sense can mean that each generation adds positively to a family firm's reputation and brand portfolio. In terms of educating the next generation, the family is likely to engage in long-term conversations and informal training. This involves careful communication of the brand characteristics and subtleties. The next generation needs to understand carefully what the brand is about in order to become a brand ambassador. The family firm can represent a positive reputation and strong brand via physical surroundings, rituals, dresses, norms and ethics (Miller & Le Breton-Miller, 2005). The family managers might often visit store locations, talk to the local sales

employees in order to understand their needs and teach them their mission, and might visit important clients to keep the dialogue ongoing. This will shape the behaviour of the employees and customers and will translate into a strong BAV value. Particularly, the component *esteem* of the BAV model will be affected positively by the above. Concerning employees, family firms will seek to select people who fit the family firm's reputation and brands. Once employees have been onboarded, they will be given intensive training about the family firm's brand. Rewarding and motivating employees with profit-sharing, decent work hours and ample training opportunities will benefit the family firm's reputation and brand building. The special focus of the family firm for reputation and strong brands can also lead to generous behaviour towards the community, i.e. commitment to social programmes. This can enforce the positive picture of the family firm as an honest and caring organisation (Miller & Le Breton-Miller, 2005). All the above effects will positively impact financial performance. This leads to the following hypothesis:

Hypothesis 3:	The positive link between identification and financial performance is mediated by BAV

I now turn to ambidexterity, which will serve as a connector between SEW transgenerational control and financial performance.

5. Organisational ambidexterity

The transgenerational control aspect of SEW implies that families try to maintain a family firm for future generations. To guarantee a family firm's long-term survival, the owning family will want the firm to be competitive. This means that the family will simultaneously focus on cost competitiveness and innovative capabilities. Earlier arguments based on the stewardship of family firms support this view. Family firms can potentially be more patient in terms of payback times for investments – for instance, innovation projects or R&D efforts. At the same time, the current generation will be interested in handing over a family firm that is in a good financial shape. SEW would lead family firms to balance exploitative and explorative measures in order to enable a smooth dynastic succession. The current generation would aim to hand over a family firm that is well positioned in terms of cost structure, efficient production facilities, and reliable products/service offerings. At the same time, the family would like the firm to be innovative, explore new products/services/technologies and/or markets when handing over to the next generation. This is where I see ambidexterity coming in as mediator between transgenerational control and financial performance.

5.1 Ambidexterity theory

Organisational ambidexterity (OA) was first mentioned in 1976 by Duncan. OA is defined as "an organisation's ability to be aligned and efficient in its management of today's business demands while being adaptive to changes in the environment" (Raisch & Birkinshaw, 2008, p. 375). However, March (1991) has been the main reason for interest in this theory. He clearly differentiates between the activities of exploitation and exploration. Exploitation comprises activities such as "refinement, efficiency, selection, and implementation", while exploration means "search, variation, experimentation, and discovery" (March, 1991, p. 102). Exploitation refers to the use of explicit knowledge bases (Nonaka, 1994) and involves learning through a top-down process. Senior managers seek to establish routines to improve efficiencies. On the other hand, exploration uses tacit knowledge to potentially create new technologies and/or markets. Earlier, these two concepts were seen as an either/or trade-off, and some scholars are still of this view (Floyd & Lane, 2000). The claim was that firms should focus either on

exploitation or exploration. In 1991, March suggested that the two activities should be coordinated. Floyd and Lane (2000) consider the two streams as interdependent and call for a combination. O'Reilly and Tushman (2007) see a strategic integration of the two activities as crucial in order for firms to develop OA. Short-term success might unfold by means of an intensive focus on exploitation but, at the same time, a firm might not be able to respond commensurably to external changes (Ahuja & Lampert, 2011; Leonard-Barton, 1992). On the other hand, a bias towards exploitation may result in an unrewarding cycle of searching for new opportunities (Volberda & Lewin, 2003). March (1991) has initiated a general process away from an either/or trade-off to a paradoxical approach that seeks to align apparently adverse goals. The following figure shows the components of organisational ambidexterity and its antecedents:

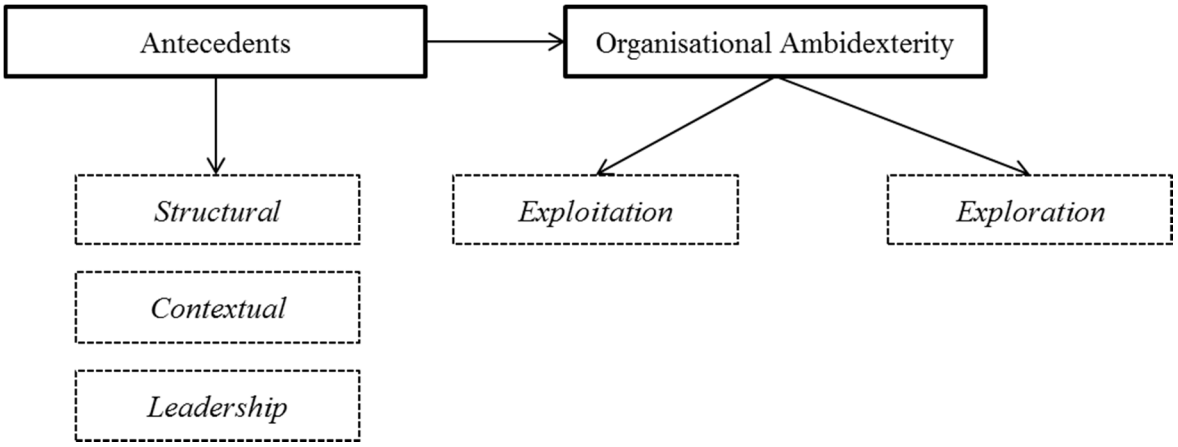

Figure 4: Organisational ambidexterity

Source: March (1991), Gibson & Birkinshaw (2004)

The literature differentiates between three antecedents of OA: structural, contextual and leadership-based processes that foster ambidexterity. First, structural antecedents follow two underlying concepts: spatial separation and parallel structures. Spatial separation calls for separate business units, each of which then undertakes either exploitative or explorative tasks (Duncan, 1976). The separation guarantees that each unit is set up in a different way to meet its requirements (Lawrence & Lorsch, 1967). Exploitative units are assumed to be larger and set up with tight processes (Benner & Tushman, 2003;

Tushman & O'Reilly, 1996). In contrast, explorative units are anticipated to be of smaller as well as decentralised with loose processes. Scholars are unclear about the connections between these two units. Some have argued for a strong buffer between exploitative and explorative units (Levinthal, 1997; Weick, 1976). Christensen (1998) is the most resolute in demanding a complete separation. The other research stream favour an overarching connection between the two units. According to O'Reilly and Tushman (2004), the two units should be separated culturally and physically, with different management teams and incentive systems. The link is established by coordinative efforts by the top management team and a shared and widely lived corporate culture. Other academics in earlier studies preferred parallel structures – the basic function of a unit consisting of routine work streams is to ensure efficiency and stability (Goldstein, 1985; Bushe & Shani, 1991; Zand, 1974). In addition, special project teams might be established to pursue more explorative tasks. This supplemental structure enables ambidexterity to happen within one business unit.

Gibson and Birkinshaw (2004) define contextual ambidexterity as "the behavioural capacity to simultaneously demonstrate alignment and adaptability across an entire business unit" (p. 209). This antecedent focuses on the creation of a supportive business unit context. Ghoshal and Bartlett (1994) identify context with systems, processes and beliefs that influence individuals' behaviour. The optimal design would allow employees to split their time between exploitative and explorative tasks. Practices such as job enrichment (Adler et al., 1999) and the creation of a shared vision (Bartlett & Ghoshal, 1989) help to build the context but are themselves insufficient. Gibson and Birkinshaw (2004) characterise the context by four factors: stretch, discipline, support and trust. The primary challenge for successful organisations is to find the equilibrium between the soft (support and trust) and hard features (discipline and stretch).

Leadership-based antecedents see top management teams playing a crucial role in promoting ambidexterity. This antecedent could play a very important role for family firms. Assuming that the family is active in the firm's management, owners would exert strong vigilance to watch both aspects of ambidexterity. On the one hand, the owners would like to see their firm being innovative and developing new products and services. On the other hand, family managers would be careful to keep costs down. Senior executives are needed to set up the structural and contextual antecedents (Gibson &

Birkinshaw, 2004). Smith and Tushman (2005) note that top management teams have an integrative function that can help overcome the contradictions that occur in ambidextrous processes. Another group of scholars view top management teams as a separate antecedent of ambidexterity. There are different views concerning what aspects are covered by which hierarchical management level. Volberda et al. (2001) and Smith (2006) see top management as active in both exploitative and explorative tasks, by either continually shifting their resources continually between the two or by assisting the units with their competencies. On the other hand, others (Floyd & Lane, 2000) trust operating managers with exploitative measures because they are able to experiment with new approaches. Senior management then takes on the exploitative part by selecting the best alternative. More recent research has looked at the requirements for the TMT to be effective in fostering ambidexterity. Beckman (2006) indicates that founding team composition is crucial. A diverse set of previous experience can lead to higher ambidexterity. Similar, Peretti and Negro (2006) discovered evidence that a mix of *newcomers* and *old-timers* positively affects ambidexterity. Lubatkin et al. (2006) consider behavioural integration of the TMT, which refers to the extent to which a TMT collaborates, exchanges information and jointly makes decisions, to be significant.

5.2 Ambidexterity and financial performance

Concerning performance outcomes, researchers report the *ambidexterity premise*. As noted, a one-sided focus will not give a firm full financial performance benefits (Levinthal & March, 1993). In terms of empirical tests, He and Wong (2004) were the first to look at the ambidexterity-performance relationship at the company level. They report evidence for a positive effect of ambidexterity on sales growth rate. Gibson and Birkinshaw (2004) confirm the positive performance effect at the business unit level. For small and medium-sized enterprises (SMEs), Lubatkin et al. (2006) verify the positive findings. In contrast, Venkatraman et al. (2007) found no empirical evidence for the positive effect of ambidexterity on company performance. However, more interestingly, they showed that temporal cycling between exploitation and exploration results in superior performance. De Clerq et al. (2013) looked at contextual ambidexterity and company performance. Using a Canada-based sample, they looked at

four factors of contextual ambidexterity – informational justice, task conflict, resource competition and reward interdependence – and found that the ambidexterity-performance relationship strengthens under higher informational justice and higher reward interdependence, and weakens with higher task conflict and higher resource competition.

In short, the empirical evidence on the ambidexterity-performance relationship is mostly positive, but negative studies affect the picture. However, to date, studies have not researched the short-term and long-term performance effects. Periods reach from a one-year (Lubatkin et al., 2006) to a three-year period (He & Wong, 2004). What has not been researched is the effect of ambidexterity on a firm's long-term survival.

5.3 Ambidexterity and family firms

To date, research has not focussed on ambidexterity and family firms. Lubatkin et al. (2006) investigate the TMT's role in facilitating ambidexterity in SMEs, which can at least be used as an approximation for family firms. Using a sample of 139 firms, they note a positive influence of TMT on ambidexterity and company performance. SMEs might lack the size of larger firms to put in place structural architecture to promote ambidexterity. Lubatkin et al. (2006) see the TMT as crucial here. Operating managers are closer to their end markets – there is no middle management layer that might hinder knowledge transfer. Chang and Hughes (2012) base their analysis on the different characteristics of SMEs, which might lack human or financial resources, might suffer from limited managerial expertise and might be less bureaucratic, less structured and less diversified. Using a sample of 243 SMEs in Scotland, they find that SMEs can improve their ambidexterity by implementing organisational structures and leadership styles.

5.4 Development of hypotheses

Levinthal and March (1993) note that a firm's long-term survival depends on its simultaneous engagement in exploitation and exploration. It is accepted among scholars that ambidexterity is a key driver of long-term company performance (Floyd & Lane, 2000; Eisenhardt & Martin, 2000). As noted, the SEW component transgenerational control would lead family firms to perform high in ambidexterity, leading to a positive financial impact. This leads me to the following hypotheses:

Transgenerational control for family members means that the firm would be handed over to the next generations. The current owner generation will receive utility, i.e. will increase their SEW endowment from handing over the family firm to the next generation. This implies that a smooth handover is in the foremost interest of the current generation. The current owner generation will be interested in presenting their successors with an attractive family firm to take over. The presence of a large shareholder (i.e. a family) could support the transgenerational process. To ensure their SEW benefit from transgenerational control, the current generation will seek to establish a financially healthy family firm. A financially unhealthy family firm would not likely to be attractive to the next generation, i.e. would decrease the SEW endowment of the current owner generation. A poorly run family firm could be unable to respond to competitive pressures in the years of takeover from the subsequent generation.

The current generation will likely act as steward for the family firm and will seek to educate their successors as family stewards. This could take place via communicating the family firm's vision and strategy but also via living its values in daily life.

The wish for transgenerational control can lead the current owner generation to pursue investments that only pay off in the next generation. These investments could ideally mean that the family firm will sustain market leadership, will explore new markets in the far future, will develop high-quality products or services or will build brands and operational excellence. This behaviour would represent a unique family firm resource. As Miller and Le Breton (2006b) note, family firms' long-term perspective has positive financial performance effects. Family firms are especially suited to develop and sustain competitive advantages and a long-term investment perspective. This long-term approach can be seen where family firms having established fruitful relationships with

customers and suppliers. These relationships can be a valuable source of knowledge and can secure transgenerational control of a family firm. They can also serve as a stabilisor of a firm. In addition, the longer-term tenure of CEOs in family firms will be a valuable asset to follow long-term strategies. I therefore propose the following hypothesis:

Hypothesis 4:	Transgenerational control relates positively to financial performance

As noted, firms that pursue ambidextrous activities are likely to financially outperform. Simultaneous exploration and exploitation can lead to a potential performance effect. Family firms are considered to be especially suited to score high on ambidexterity. Fostering innovation sometimes demands a long-term perspective, which family firms are more willing to adapt than listed companies, which need to report quarterly reporting to their shareholders. A strong family firm shareholder could facilitate explorative and exploitative activities. Family firm owners can act as a driving force behind innovative thinking. This ideally leads to ground-breaking innovations. The independence of family firm leaders can support risk-taking, unorthodox thinking, speed and foresight (Miller & Le Breton, 2005), thereby aiding ambidexterity. Owing to their independence, family firms might be less subject to pressures to conform to industry norms. Equally, one would expect the stewardship of family firm owners to affect process innovations, leading to cost reductions and quality improvements. A systematic monitoring of product performance data can improve product and production quality.

Special stewardship by the family managers concerning their employees can also support ambidexterity. Intensive training can communicate a family firm's strategy and goals. Open communication of the owners and frequent visits to store locations for instance can help employees to deliver their targets and can motivate them better. The sound reputation of a family firm is likely to reduce employee turnover, thereby keeping important knowledge within the firm. A family firm's reputation for its long-term orientation will result in fewer layoffs and a better motivated workforce. These factors are likely to benefit incremental innovations within family firms.

Family firms' close relationships with their customers can lead to higher innovation project success rates. Selecting a lead customer in the first phase of an innovation project can significantly advance the likelihood of project success. This leads me to the following hypothesis:

Hypothesis 5:	Ambidexterity positively relates to financial performance

The positive link between transgenerational control and financial control can be explained by ambidexterity. The family's wish for transgenerational control has several positive aspects for ambidexterity. First, the wish for transgenerational control can lead to a positive impact on explorative items such as the family firm's innovation capabilities. The current owner generation will be interested in developing a family firm that has much innovation potential from which the future generation can profit. Family members could act as stewards for the family firm and the next generation. This could imply that family firms will invest in long-term projects that might only pay off in the next generation. The current generation could be inclined to invest heavily in the existing infrastructure, which will provide a fruitful basis for the next generation and for explorative projects, thus representing a special resource for family firms, giving them a competitive advantage. This will make the family firm more attractive to the next generation.

Second, the goal of transgenerational control would imply that the current owner generation is interested in having a financially healthy family firm. This would benefit exploitative behaviour. The current generation would be interested in the careful and efficient management of operations. Equally, the current owner generation could ensure that operations are very efficient based on automation and integration. Efficient behaviour in the family firm might be supported by family members acting as stewards in the firm – stewards in the sense of carefully managing financial resources or spartan personal behaviour. The longer terms of CEOs at family firms could strengthen efficient management. Having the same management team in place will give more time to leverage the business and to improve processes and systems. This will lead to a healthy family firm that is ready for the next generation to take it over, i.e. increasing the current owner generation's SEW endowment. This leads me to the following hypothesis:

Hypothesis 6:	The positive link between transgenerational control and financial performance is mediated by ambidexterity

5.4.1 Diagonal effects

Before explaining the diagonal effects, I again present the research model:

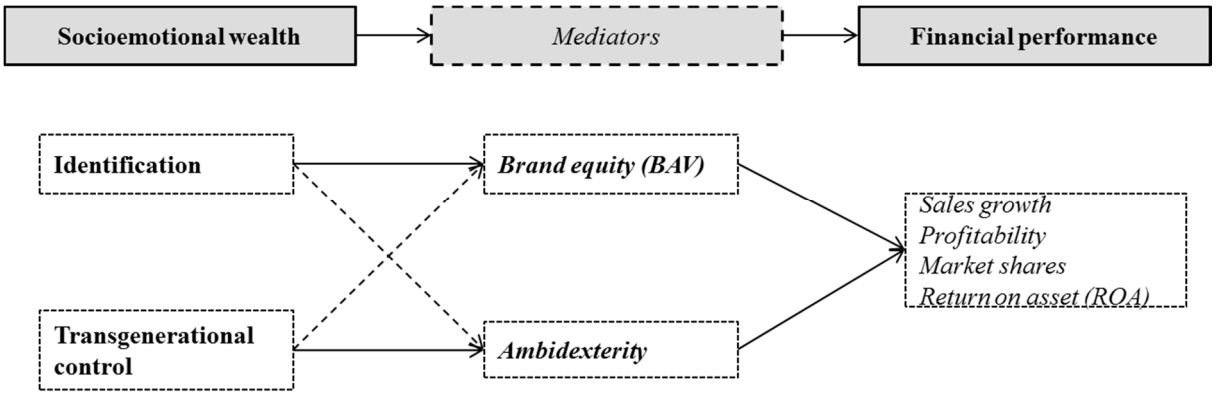

Figure 5: Research model

Source: Own analysis

The factor transgenerational control of SEW could have several positive associations with BAV. Family members interested in keeping a family firm in family hands for several generations will also be eager to lead a firm that can survive in the near-term competitive environment. The owning family, acting as principal, will seek to undertake all possible efforts to present a well-run family firm to the next generation. One of the positive contributors to near-term family firm survival might be a differentiated brand strategy or the offering of high-quality products. Because these factors are part of the BAV model, a positive relationship between transgenerational control and BAV is therefore expected. A family's readiness to think in the long term will enable the firm to make significant investments that might pay off in decades. This could also involve investing in brands. Investments can relate to product development, promotional activities or the building up of distribution channels. Promotional activities can sometimes take years to pay off for a firm.

The wish for transgenerational control will lead family firms to engage into long-term relationships with their top management team, employees and customers. These three factors can positively influence BAV. A top management team that has a longer-than-average tenure will get to know and shape the family firm's mission and long-term strategy. This includes diligent oversight and monitoring of a family firm's brands. The

management team will also be more interested in developing the family brands over the long term. A family firm's good relationships with its employees will benefit its brands and the BAV. In this sense, this could represent a unique family firm resource. A clear mission for the family firm, frequent training and the family playing a stewardship role in promoting its brands will motivate family firm employees and will make them understand the firm's brands and communicate this to customers. Long-terms relationships with customers is another supportive factor of BAV. Customer loyalty and a family firm's closeness will help sustain this advantage in terms of new product developments or promotional activities. In short, the need for transgenerational control will have positive effects on BAV:

Hypothesis 7:	Transgenerational control relates positively to BAV

The family's wish for transgenerational control has several positive associations with BAV and financial performance. The goal to hand over the family firm to the next generations will make the family firm more likely to build long-lasting and differentiated brands from which future generations can also profit. The family firm will seek to offer innovative and dynamic products in order to differentiate itself in the market. Customers will appreciate the brand presence, which will also benefit recurring sales and future generations. The above effects will have positive effects on the component BAV model *differentiation*. A family firm that is interested in transgenerational control will also try to offer its customers brands that are very relevant and important. If not, a family firm's products would be exchangeable over time. This behaviour will have a direct positive effect on the component BAV model *relevance*. A family firm's current owner generation will be interested in providing products that create loyal customers and have a strong reputation. Combined with high-quality, reliable products, this will give the family firm pricing power that will ideally also endure into the subsequent generation. This could be considered a unique family firm resource. The above will positively affect the component BAV model *esteem*. The factor *knowledge* of the BAV model will also be positively influenced by transgenerational control. Current owners acting as stewards for a family firm will look after their brands intensively, either by being the brand's communicator or via communicating with

employees in order for them to fully understand the brand's core and convey this message to customers. BAV has several positive impacts on financial performance. High-quality products, pricing power and loyal customers are beneficial factors for financial performance. BAV can be considered as the process between transgenerational control and financial performance. As noted, a family firm's transgenerational focus will positively affect its BAV. This leads me to the following hypothesis:

Hypothesis 8:	The positive link between transgenerational control and financial performance is mediated by BAV

Further, I hypothesise that SEW identification will positively influence ambidexterity. A family's wish for a positive family firm reputation will have positive consequences for ambidexterity. Family firm owners would need an ambidextrous-oriented firm in order to benefit from a positive reputation, i.e. would receive their SEW identification endowments. A firm that is good at simultaneous exploration and exploitation is likely to be successful in its markets. For family members, this will be a key for the firm to attain a good reputation. They want to build a firm that is successful in the market. This requires outstanding products and a cost-efficient company structure. Positive recognition of a family firm occurs via its products and services. The family as a steward will be very interested in providing high-quality products or services to the market, because this will translate into a positive company reputation. A family firm owners' eagerness to persistently improve product quality will benefit ambidexterity. A spartan culture in the family firm will ensure cost-efficient business models. Investments in infrastructure will put the family firm reputation and internal processes ahead of its competitors. A family's wish to sustain a positive reputation can result in long-term investments spurring innovation, thereby positively influencing ambidexterity. This leads me to the following hypothesis:

Hypothesis 9:	Identification relates positively to ambidexterity

First, identification requires family members to have a strong sense of belonging to the family business. The more successful a family firm (i.e. its offering high-quality

products with efficient processes), the more likely it is that family members will have this sense of belonging. Therefore, identification should positively influence ambidexterity. Second, identification needs family members who feel that the firm's success is their own success. This will be much more likely if the firm performs well on the ambidexterity scale, with innovative products and cost-efficient processes. Third, identification will increase the stronger the personal meaning of the family business is for family members. A family firm with higher ambidexterity characteristics will be a place of strong personal meaning, in contrast to an unsuccessful family firm. Fourth, if customers often associate the family name with the firm's products and services, the more likely the owners are to invest in the family firm in order to increase ambidexterity. The positive financial performance effect of ambidexterity has been noted. In the context of identification and financial performance, I see ambidexterity as the process via which the positive financial performance effect takes place. This leads me to the following hypothesis:

Hypothesis 10:	The positive link between identification and financial performance is mediated by ambidexterity

6. Design and description of the empirical study

I will now discuss the conception and description of the empirical study. First, I will explain the design of the empirical study. Second, I will convert the variables from the theoretical stance into operational measures. I will then present the key descriptive statistics of the sample and will do several data quality tests.

6.1 Survey design and sample

6.1.1 Survey design

The questionnaire for the empirical study was developed throughout 2013. A pre-test of the online questionnaire was done in October and November 2013 among selected family firms, as recommended for empirical studies by the literature (Corbin & Strauss, 1990; Campion, Cheraskin & Stevens, 1994). The participants were asked to complete the survey and to comment on problematic issues and the survey's general practicality. The pre-test sought to ensure that questions were clear and understandable and that the proposed survey completion timeframe was acceptable. Hints from the pre-test were collected and incorporated into the questionnaire. A copy of the final questionnaire is included in the Appendix. The survey started in early December 2013 and January 2014. Participants were afforded time until the end of January 2014 to complete the survey, which was conducted via an online system (unipark) from which data can feed directly into SPSS. The online survey approach is in line with other family business research (Eddleston et al., 2008; Schulze et al., 2003). The targeted respondent was ideally one of the owning family or a TMT member, since only these potential respondents have specific knowledge of the firm, the owning family and the financials. Furthermore, I strove for multiple responses from each family firm in order to validate the answers. Selective reminder emails were sent to increase the survey response rate.

Respondents to the online survey were guaranteed confidentiality and anonymity. Certain answers could potentially be traced back with checks concerning company age, business segment and sales. In total, 33 double-counts could be detected from 11

different companies. The term double-counts implies that either two or more answers were given for one company; for instance, for one company there were two answers while for another company there were four answers. On average, three double-counts for these 11 companies could be found. I used the mean of the double-count answers in SPSS and deleted the remaining double-count answers for each company, i.e. the n = 33 answers reduced to n = 11 after the double-count answers were included as a mean for the 11 companies.

The research sample was based on a sample from Capital IQ of 2,888 private firms in Germany with a food and beverage industry focus. The food and beverage industry was selected to minimise industry effects, and this industry was believed to be homogenous in terms of company behaviour. The industry recorded sales of €175bn for 2013 (Lehmann, 2015). It represents the fourth largest industry in Germany and is characterised by many smaller firms (Lehmann, 2015). Screening criteria for the sample included:

- Private firm
- Primarily business activity in Germany
- No subsidiary
- Total revenues > €2 million
- Primary industry: beverages or food products or food and staples retailing

The capital IQ database ranked the private firms according to size in terms of € million in sales. For each firm, I looked up the imprint on its homepage, searching for the board members. It was a time-intensive trial-and-error process to find each potential respondent's correct email address. In addition, career network sites such as Xing were used to identify potential respondents from the sample of family firms. I also contacted personal contacts among the sample firms and contacts via the HSG Almuni database. Each respondent received a personal email with his or her name and a link to the online survey.

The online survey consisted of 88 questions, of which 65 were compulsory. The online survey was divided into five-question blocks:

Page	No. of questions	Compulsory
Page 1: General questions	17	10 compulsory
Page 2: Ambidexterity	14	All compulsory
Page 3: Brand value	11	All compulsory
Page 4: SEW	25	22 compulsory
Page 5: Financial performance	21	8 compulsory

Table 3: Survey overview

Source: Own analysis

6.1.2 Response rates

From the total sample of 2,888 firms, 2,030 were randomly selected, of which 449 firms were excluded because they did not fulfil the criteria for a family firm (e.g. cooperatives or firms owned by private equity firms). Potential double-counts of family firms owing to different legal names and structures were also excluded from the sample (as explained in Chapter 6.1.1). Furthermore, family firms active in business fields such as animal foods or farming were not considered. The clean sample amounted to 1,581 firms. In total, 3,287 emails were sent out (implying 2.1 emails per firm). Overall, 217 completed questionnaires were collected – a 6.6% response rate, which appears reasonable if related to Sciascia et al. (2014), who reached a response rate of 4.1% among a survey of Italian CEOs. However, other studies targeting top management and managers in SMEs have had response rates in the range of 10% to 12% (Geletkanycz, 1998; Koch & McGrath, 1996; MacDougall & Robinson, 1990). Nevertheless, the special circumstances of the empirical setting, such as sampling family firms operating in a conservative industry (food and beverage), targeting owners and top managers, and the delicacy of financial performance questions can partly explain the lower response rate. Considering these unique circumstances, the response rate is still considered satisfactory.

The response rate by page is illustrated below. The response rate drops most on page 5 (questions about financial performance figures):

Page	Participants	Response rate
Advanced until page 1	870	26.5%
Advanced until page 2	359	10.9%
Advanced until page 3	323	9.8%
Advanced until page 4	296	9.0%
Advanced until page 5	271	8.2%
Completed	217	6.6%

Table 4: Response rates by page

Source: Own analysis

From the total of 217 questionnaires, 15 were excluded from the analysis as these 15 answered *No* to the question whether their business was a family business. Thirty-three double-counts could be detected this the analysis was based on 182 questionnaires. The answers of the double-counts were added and divided again to have one average answer (as explained in Chapter 6.1.1).

The average survey completion time was 15 minutes and 52 seconds, and the median completion time was 11 minutes and 46 seconds.

6.1.3 The respondents

Of the 182 respondents, 142 (78%) were male. The empirical survey was targeted at TMT members or supervisory board members. As the following table shows, 50.5% of the respondents fulfilled these criteria. Of the respondents, 51 were a member of the controlling family (28.0% of the total sample). Of the respondents, 65 indicated that they own equity in the family firm. Another 48 disclosed their exact equity stake in the firm; only 40 of these answers were usable.

The table below provides an overview:

Respondent's gender	78% Male	22% Female
Respondent's position	51% Member of the TMT	
Member of the controlling family	28% of the respondents	

Table 5: Respondents

Source: Own analysis

In short, it seems promising that the respondents were proficient enough to answer the questionnaire, either because they were a TMT member or a supervisory board member. In addition, some of the respondents were part of the controlling family, and 65 of the respondents held equity in the family firm.

6.1.4 Companies in the sample

Of the 217 completed questionnaires, 202 answered *Yes* to the question whether their firm was a family firm. The majority of firms are active in the food and snack segment, followed by the beverages industry and retail. Firms in the breweries and meat processing industry complete the picture. According to the respondents, the industry is characterised by high competition, as indicated by an average value of 5.9 on the Likert scale. The danger of insolvency was estimated to be somewhat lower (at an average score of 3.8):

The oldest firm in the sample was founded in 1469, and the youngest in 2011. On average, the sample family firms were founded in 1892 and had an average age of 121 years. The median founding year value was 1912 and the median company age was 102; these are higher owing to the distortion as a result of the family firms having been founded prior to the 19th century. A concentration of the firms' founding could be found in three periods:

- the second half of the 19th century, which is characterised by industrialisation and the unification of Germany prior to the existence of dispersed principalities
- the years prior to WWI and the flourishing 1920s
- the post-war boom (ca. 1945 to 1970).

The substantial family influence (SFI) (Klein & Atrachan, 2005) combines the above three measures into one measure; it combines:

1. The percentage the family holds in equity
2. The percentage of members in the management board with family background
3. The percentage of members in the supervisory board with family background.

A substantial family influence is given once one of these three criteria is 100% valid. The sum of all three components must > 1. Further, criterion 1 cannot be 0%, i.e. the family must hold a certain portion of the equity. The SFI shows the following evidence (n = 94).

The following table provided an overview of companies in the sample:

	N	Min.	Max.	Mean	Median	SD
Company age	182	3	545	121	102,00	93
Generation number	181	1	20	3,76	3,00	2,58
Family stirps	139	1	12	2,00	2,00	5,61
Degree of competition	182	0	7	5,93	6,00	1,60
Danger of insolvency	182	0	7	3,85	4,00	1,85
Industry breakdown	45% food & snack					
	23% beverages					
	10% retail					
	7% breweries					
	6% meat processing					
	9% other					
Employees	99	4	270.000	4.820	380	27.822
SFI	94	0	3	1,75	1,67	0,82
Revenues 2010 (€ m)	130	0,35	67.000	1.589	173	8.340
Sales CAGR 2010-2013	130	-15,0%	26,0%	3,9%	2,0%	5,6%
ROA 2010	52	0	25,0%	3,3%	4,8%	1,7%
ROA 2013	40	0	40,0%	2,6%	6,0%	2,2%
Equity ratio 2010	40	0	100%	33%	34%	33%
EBIT margin 2013	51	-6,3%	83,3%	7,1%	4,0%	12,7%
EBITDA margin 2013	46	0,0%	75,0%	9,3%	7,2%	12,0%

Table 6: Companies in the sample

Source: Own analysis

The above date compares well to external data for firms in the food and beverage industry (Riemann & Motyka, 2014). The CAGR growth rate relates well to external data (Targett, Ryan & Trotter, 2013; Lehmann, 2015).

6.2 Measures

This part deals with the operationalisation of the variables from the theoretical perspective into operational measures for the survey. Unless stated otherwise, all items are measured using a 7-point Likert scale (anchored by 1 = *strongly disagree* and 7 = *strongly agree*).

6.2.1 Independent variable: Socioemotional wealth

SEW is measured along its five dimensions – family control and influence, family members' identification with the firm, binding social ties, family members' emotional attachment, and transgenerational control – based on the items proposed by Berrone, Cruz and Gomez-Mejia (2012). All items are measured using a 7-point Likert scale (anchored by 1 = *strongly disagree* and 7 = *strongly agree*). The answers were added and divided by the number of questions to get an average value. Questions related to SEW were following:

SEW control:

Does your family control the company's strategic direction?
Are non-family managers appointed by family members?
Are retaining control of the family business and the company's independence important goals to your family?
Which percentage of the management board are family members?
Which percentage of the board of directors are family members?
Which percentage of the total equity belongs to your family?

Table 7: SEW control items

Source: Berrone, Cruz & Gomez-Mejia, 2012

SEW identification:

Do the family members have a strong sense of belonging to your family business?
Do family members feel that the firm's success is their own success?
Does the family business hold much personal meaning for family members?
Are family members proud to tell others that they are part of your family business?
Do customers often associate the family name with your family firm's products and services?

Table 8: SEW identification items

Source: Berrone, Cruz & Gomez-Mejia, 2012

SEW binding social ties:

Is your family business very active in promoting social activities at the community level?
Are non-family employees treated as part of the family?
Are contractual relationships mainly based on trust and norms of reciprocity?
Is building strong relationships with other institutions (i.e. other companies, professional associations, government agents, etc.) important to your family business?
Are contracts with suppliers based on enduring long-term relationships?

Table 9: SEW binding social ties items

Source: Berrone, Cruz & Gomez-Mejia, 2012

SEW emotions:

Do emotions and sentiments often affect decision-making processes in your family business?
Is protecting the welfare of family members critical?
Are the emotional bonds between family members very strong?
Are affective considerations often as important as economic considerations in your family firm?
Do strong emotional ties among family members help them to maintain a positive self-concept?

Table 10: SEW emotion items

Source: Berrone, Cruz & Gomez-Mejia, 2012

SEW long-term:

Is continuing your family legacy and tradition an important goal for the family business?
Are family members less likely to evaluate their investment on a short-term basis?
Would family members be unlikely to consider selling your family business?
Is successful transfer of the business to the next generation an important goal for the family members?

Table 11: SEW long-term items

Source: Berrone, Cruz & Gomez-Mejia, 2012

Key metrics on the five SEW components can be seen below:

SEW	**N**	**Min.**	**Max.**	**Mean**	**SD**	**α**
Control	182	1	7	6,06	1,11	0,663
Identification	182	1	7	5,79	1,14	0,824
Binding ties	182	1,8	7	5,17	1,07	0,812
Emotions	182	1,2	7	4,58	1,28	0,853
Transgenerational control	182	1,25	7	5,73	1,23	0,815

Table 12: Key metrics on the SEW components

Source: Own analysis

6.2.2 Mediator variable: Organisational ambidexterity

I contemplate two mediator variables: organisational ambidexterity and brand equity. Along with Baron and Kenny (1986), I view a mediator variable as a generative mechanism that explains why and how certain effects occur. In contrast, a moderator variable specifies when certain effects exist. Ideally, a moderator variable is uncorrelated to both the predictor variable and the outcome variable. The moderator and the predictor variable act at the same level, i.e. there is no antecedent effect, as is the case with the mediator variable. A mediator variable needs to meet certain criteria (Baron & Kenny, 1986): First, differences in the independent variable explain changes in the mediator. Second, differences in the mediator variable explain changes in the outcome variable. Third, once the first two relationships are controlled for, a formerly significant relationship between the independent and outcome variable no longer exists. Typically, mediator variables are used if there is a strong relationship between the predictor and the outcome variable (Baron & Kenny, 1986). Moderator variables are useful when there is an inconsistent relationship between the predictor and the outcome variable.

Organisational ambidexterity refers to the coexistence of exploitative and explorative activities within the same company. Exploitative and explorative activities are separate exercises. Exploitation includes pursuits such as increasing efficiency and product or service enhancements, while exploration refers to activities related to significant technological advances in products, services or processes in the firm. Exploration can also involve entering a new market.

Researchers usually combined the dimensions of exploitation and exploration in order to have one measure for the firm's ambidextrous orientation. He and Wong (2004) state that a firm needs to score high on both exploitation and exploration or needs to show a minor difference between the two dimensions, denoting a balanced state between exploitative and explorative pursuits. There are thus three options to measure organisational ambidexterity:

- Adding exploitation to exploration (Lubatkin et al., 2006)
- Multiplying exploitation and exploration (Gibson & Birkinshaw, 2004)

- Subtracting exploitation from exploration (He & Wong, 2004).

Two of these methods have certain limitations:

The additive approach (Lubatkin et al., 2006) has shortcomings because a firm scoring high on one dimension and low on the other can still show an average ambidexterity score. However, the discrepancy between the two scores is defined as the reverse of organisational ambidexterity.

Subtracting exploration from exploitation can lead to disagreeable outcomes, such as firms being considered ambidextrous although they score low on both exploitation and exploration.

Multiplying exploitation and exploration does not have the abovementioned disadvantages. Multiplying two low values will always lead to a low final result. Firms that are strong in one dimension will never reach the high score of firms that simultaneously pursue exploitative and explorative actions.

I selected the multiplication of exploitation and exploration as the principal analysis. The additive method was used as a robustness check. Because the additive method only shows negligible differences, the results are not shown in the following regression analysis.

Lubatkin et al. (2006) combine the efforts of He and Wong (2004) as well as Benner and Tushman (2003). Lubatkin et al. (2006) developed seven items to test the exploitative focus, and seven items to validate the explorative dimension. Second, a research panel was asked to validate the 14 items, of which 12 items were consistently ranked according to the respective dimension. I therefore measure ambidexterity along 14 items based on prior research (Lubatkin et al., 2006).

All items are measured using a 7-point Likert scale (anchored by 1 = *strongly disagree* and 7 = *strongly agree*). The questions concerning exploration are:

Is your company actively looking for new ideas and/or technologies?
Does your company base its success on its ability to explore new technologies?
Does your company create products or services that are innovative?
Does your company look for creative ways to satisfy its customers' needs?
Does your company aggressively venture into new market segments?
Does your company actively target new customer groups?
Compared to your competitors, does your company perform better along the six abovementioned points?

Table 13: Exploration items

Source: Lubatkin et al., 2006

The questions concerning exploitation are:

Is your company committed to improving quality and lowering the costs of its products and services?
Is your company continuously looking for ways to reduce material expenses?
Is your company increasing automation levels in its operations?
Does your company constantly survey the satisfaction of existing customers?
Does your company fine-tune its products and service offerings in order to keep current customers satisfied?
Is your company penetrating its existing customer base more deeply?
Compared to your competitors, does your company perform better concerning to the six abovementioned points?

Table 14: Exploitation items

Source: Lubatkin et al., 2006

Key metrics for ambidexterity can be seen below:

Ambidexterity	**N**	**Min.**	**Max.**	**Mean**	**SD**	**α**
Exploration	182	1,4	6,4	4,5	1,1	0,853
Exploitation	182	1,7	6,9	5,0	0,9	0,798

Table 15: Key metrics ambidexterity

Source: Own analysis

6.2.3 Mediator variable: Brand equity

In terms of measurement, I rely on Y&R's BAV construct. The questions are organised along the four pillars of the BAV namely *differentiation*, *relevance*, *esteem* and *knowledge*. All items are measured using a 7-point Likert scale (anchored by 1 = *strongly disagree* and 7 = *strongly agree*). BAV is usually an existing database developed by Y&R via data from customers of certain brands. BAV is one of the best-known brand equity measures (Stahl et al., 2012). I use the four components of BAV in the questionnaire in order to get an estimate of each family firm's brand assets. The BAV estimate can relate to several single brands of a family firm or, in the case of a single-product brand, to the company brand. The questions are based on the perceptual metrics of the four BAV components mentioned in Stahl et al. (2012). Since many of the family firms in the survey are very small companies, one cannot rely on the standard Y&R databases, which usually cover only larger and public firms.

The questions related to BAV were:

Differentiation	Are your brands viewed as unique, individual and significantly distinct from those of your competitors?
	Are your brands viewed as innovative and dynamic?
	Does your distinct brand presence enable the company to earn superior returns?
	Do customers view your brands as optimally priced and can they reach your products or services via the most relevant distribution channels in the market?
	Do your customers appreciate your brand presence and do your brands target your customer preferences well?
Relevance	Are your brands very relevant to your customers?
Esteem	Once customers decide to buy your brand, are they strongly bound to your brand?
	Do your brands have a strong reputation among your customers?
	Are your brands viewed as progressive and as associated with cutting-edge technology?
	Are your brands known for high quality and reliability?
Knowledge	Do your customers know and understand your brands very well?

Table 16: BAV items

Source: Stahl et al., 2012

Key metrics on this variable can be seen below:

BAV	**N**	**Min.**	**Max.**	**Mean**	**SD**	**α**
Differentiation	182	1	7	4,9	1,1	0,859
Relevance	182	1	7	5,1	1,6	n.a.
Esteem	182	1	7	5,1	1,1	0,784
Knowledge	182	1	7	5,2	1,3	n.a.

Table 17: Key metrics BAV

Source: Own analysis

6.2.4 Dependent variable: Company performance

Measuring company performance is critical here. Multiple performance dimensions are used in order to avoid biased estimations. Based on measures of Dess and Robinson (1984) as well as Eddleston, Kellermanns and Sarathy (2008), I implemented the notion of multiple company performance. Zellweger et al. (2012) point out that outperforming competitors can be considered a reliable indicator of growth and sustainability. Participants were therefore asked to rate their company's performance on sales growth, market shares, profitability, ROA and organic growth potential – compared to their competitors. All items are measured using a 7-point Likert scale (anchored by 1 = *strongly disagree* and 7 = *strongly agree*). These questions were categorised into current performance and company performance over the past three years. The performance variable used in this work represents the current firm's performance and its performance over the past three years along items such as sales growth, market share, profitability, return on assets and organic growth capability.

The questions concerning the multi-item performance were:

How do you rank your firm's performance compared to that of your competitors? Development of sales – current performance
How do you rank your firm's performance compared to that of your competitors? Development of sales – past three years
How do you rank your firm's performance compared to that of your competitors? Development of market share – current performance
How do you rank your firm's performance compared to that your competitors? Development of market share – past three years
How do you rank your firm's performance compared to that of your competitors? Development of profitability – current performance
How do you rank your firm's performance compared to that of your competitors? Development of profitability – past three years
How do you rank your firm's performance compared to that of your competitors? Return on assets – current performance
How do you rank your firm's performance compared to that of your competitors? Return on assets – past three years
How do you rank your firm's performance compared to that of your competitors? Organic growth capability – current performance
How do you rank your firm's performance compared to that of your competitors? Organic growth capability – past three years

Table 18: Questions for the multi-item firm performance

Sources: Zellweger et al., 2012; Eddleston, Kellermanns and Sarathy, 2008

Key metrics on this variable can be seen below:

Company performance	**N**	**Min.**	**Max.**	**Mean**	**SD**	**α**
Sales – current	182	3,0	7,0	5,5	1,0	0,868
Sales – past three years	182	2,0	7,0	5,3	1,1	
Market share – current	182	0,0	7,0	4,7	1,9	0,907
Market – past three years	182	0,0	7,0	4,4	2,1	
Profitability – current	182	1,0	7,0	5,0	1,2	0,920
Profitability – past three years	182	1,0	7,0	4,9	1,2	
Return on assets – current	182	1,0	7,0	4,9	1,2	0,962
Return on assets – past three years	182	1,0	7,0	4,8	1,3	
Organic growth capability – current	182	0,0	7,0	5,0	1,4	0,856
Organic growth capability – past three years	182	0,0	7,0	5,0	1,4	
Financial performance	**182**	**2,1**	**7**	**5,0**	**1,0**	**0,901**

Table 19: Key metrics financial performance

Source: Own analysis

6.2.5 Control variables

I used several control variables in order to exclude alternative explanations other than those mentioned in the previous chapter. I will now outline the control variables.

Founder active

As noted, the founder effect on financial performance can be significant Morck, (Shleifer & Vishny, 1988; McConaughy, Walker, Henderson & Mishra, 1998; Anderson & Reeb, 2003; Adams, Almeida & Ferreira, 2009; Fahlenbrach, 2009; Villalonga & Amit, 2006). I therefore used this as a control variable for this study.

Sub-industry

I empirically concentrated on the food and beverage industry, which is not completely homogenous. Sub-industries include:

- snack industry
- breweries
- soft-drinks industry
- meat processing firms
- food retailers
- milk industry.

The sub-industries were recoded in SPSS. Because competitive pressures, financial performance and growth prospects might differ significantly among these sub-industries, I controlled for the sub-industry.

Company age

Older firms might benefit from strong brands that have been developed over time and are well known to the general public. Younger firms might still be in the process of building strong brands, and could be more motivated to engage in innovative activities in order to present their customers with superior products compared to their competitors. I therefore use company age as a control variable.

Company size (sales)

Larger firms potentially behave differently concerning organisational ambidexterity and brand-related activities. Larger firms might benefit from their capacity to spend money on marketing, while smaller firms might take advantage of their role as niche player, translating this into a very specific and well-regarded brand. I therefore controlled for these effects via the variable company size (measured in € million sales).

Respondent's family membership

The owner's family membership might lead to different behavioural consequences. I therefore controlled for this variable. A member of the owner family might have different views of the family firm's brand strength or financial performance, potentially distorting the answers.

Respondent's equity share

As ownership in a firm increases, owners are said to become more risk-averse (Zajac & Westphal, 1994). Higher financial ownership suggests higher potential failure. Based on this logic, Welsh and Zellweger (2010) outline that firms with a high equity stake by a single person or a single family show more risk-averse behaviour. This might affect certain decisions concerning brand management or innovation activities. I therefore use the respondent's equity share as a control variable.

Generation number

Family firms' behaviour can depend on which generation is leading the firm. I therefore use the family generation number as a dummy variable.

Number of stirps

The number of stirps (family parties) can play a role in family firms' behaviour. The higher the number of stirps is, the less possible interest in pursuing long-term innovation projects; the lower the number of stirps is, the more possible attention to strong company reputation and brand management. I therefore use the number of stirps as a control variable.

Respondent's gender

A possible influence of the respondent's gender on the study was controlled for via gender as a control variable. Answers concerning brand strength or transgenerational control might depend on the respondent's gender.

6.2.6 General measures

In addition to the above questions, the questionnaire contained several other – more general – relating to aspects such as:

- Number of employees in 2010 and 2013
- Number of employees from the family in 2010 and 2013

- Sales area (Germany, Other Europe, North America, South America, Asia & Australia, Africa)
- Congruence between company name and the owner family name
- Number of shareholders
- Listed on the stock exchange
- Founder still active in the firm
- Whether the respondent is a member of the management team or the supervisory board
- Extent of competition in the industry
- Frequency of insolvencies in the industry.

The questionnaire concluded with two open questions related to potential starting points to improving family firms' financial performance and to advancing the firm's brand strength and innovation capabilities.

6.3 Data quality

To assure quality in the study, I performed several statistical tests in order to validate the answers and to ensure that the data is suitable for regression analysis.

Non-response bias

Empirical research's explanatory power can be negatively influenced by non-response bias. Answers from non-respondents might significantly differ from the received answers in the sample. Research has found that answers from late respondents are similar to non-respondents (Armstrong & Overton, 1977; Oppenheim, 1966). Based on this, the non-response bias was tested by comparing late respondents' answers with early respondents' answers using analysis of variance (ANOVA) for the key variables (see Appendix 3). For this purpose, the first 90 answers were assigned to the early respondents group, while the other answers were assigned to the late respondents group. The major results show no statistically significant differences in the mean scores of the variables, mitigating non-response bias concerns.

Common method bias

Common method bias might potentially be a concern in this study. Common method bias arises when a single common factor explains most of the variance. To alleviate this issue, a factor analysis was conducted (see Appendix 4). Although Harman's single-factor test (1967) has its limitations (Podsakoff & Organ, 1986), it remains one of the most common methods to control for common method variance (Podsakoff et al., 2003). Subsequently, all variables from controlling, independent, mediator and dependent were entered in a factor analysis. A five-factor solution emerged that accounted for 69% of the total variance. The first factor explained 25% of the variance, which indicates that common method bias was not a key problem, because no single factor accounted for most of the variance.

The following table shows the result:

Com-ponent	Initial Eigenvalues			Sums of squared factor loadings for extraction			Rotated sums of squared factor loadings		
	Total	% of variance	Cum. %	Total	% of variance	Cum. %	Total	% of variance	Cum. %
1	4,59	25,48	25,48	4,59	25,48	25,48	4,31	23,92	23,92
2	2,60	14,44	39,92	2,60	14,44	39,92	2,32	12,86	36,78
3	2,32	12,89	52,81	2,32	12,89	52,81	2,29	12,71	49,50
4	1,76	9,77	62,58	1,76	9,77	62,58	2,28	12,69	62,18
5	1,16	6,43	69,01	1,16	6,43	69,01	1,23	6,83	69,01
6	0,88	4,86	73,87						
7	0,84	4,66	78,53						
8	0,75	4,15	82,68						
9	0,63	3,49	86,17						
10	0,52	2,92	89,09						
11	0,43	2,37	91,45						
12	0,40	2,22	93,67						
13	0,35	1,94	95,61						
14	0,30	1,66	97,27						
15	0,23	1,27	98,54						
16	0,15	0,85	99,40						
17	0,10	0,54	99,94						
18	0,01	0,06	100,00						

Extraction method: rotaract varimax

Table 20: Exploratory factor analysis

Source: Own analysis

The transformation matrix of the five components is shown below:

Component	1	2	3	4	5
1	,948	-,082	,237	,192	,024
2	-,074	,756	,071	,619	-,185
3	-,079	,321	,811	-,481	,041
4	,285	,564	-,526	-,542	,176
5	-,086	,030	,069	,232	,966

Extraction method: main-component analysis
Rotation method: Varimax with Kaiser normalisation

Table 21: Transformation matrix

Source: Own analysis

The above analysis was repeated for factors influencing the SEW variable. This includes the control variables and the five components of SEW. The results show a four-factor solution emerging, with the first factor explaining 25% of the total variance. The results are illustrated in the following table:

Com-ponent	Initial Eigenvalues			Sums of squared factor loadings for extraction			Rotated sums of squared factor loadings		
	Total	% of variance	Cum. %	Total	% of variance	Cum. %	Total	% of variance	Cum. %
1	3,56	25,42	25,42	3,56	25,42	25,42	3,29	23,51	23,51
2	2,42	17,30	42,72	2,42	17,30	42,72	2,30	16,42	39,93
3	1,93	13,79	56,51	1,93	13,79	56,51	2,29	16,33	56,26
4	1,16	8,31	64,83	1,16	8,31	64,83	1,20	8,57	64,83
5	0,90	6,40	71,23						
6	0,84	5,98	77,21						
7	0,74	5,30	82,50						
8	0,62	4,39	86,90						
9	0,46	3,28	90,18						
10	0,40	2,87	93,05						
11	0,33	2,36	95,41						
12	0,27	1,92	97,34						
13	0,22	1,60	98,94						
14	0,15	1,06	100,00						

Table 22: Exploratory factor analysis SEW

Source: Own analysis

The transformation matrix of the four components is shown below:

Component	1	2	3	4
1	,915	-,160	,354	,109
2	-,065	,824	,560	-,057
3	,390	,534	-,748	-,064
4	-,079	,100	-,055	,990

Extraction method: main-component analysis
Rotation method: Varimax with Kaiser normalisation

Table 23: Transformation matrix SEW

Source: Own analysis

Construct validity

To test the consistency of the multiple-item constructs used, I examined Cronbach's alpha (α), which is a common method to test this purpose (Cronbach, 1951; 1987). Overall α values can range from negative infinity to 1. Increasing correlations among items will increase the α values. Reliability values of 0.60 or higher are recommended by the literature (Nunnally & Bernstein, 1994). The results are summarised below:

Construct	**Alpha**
Exploitation	0.798
Exploration	0.853
BAV	0.928
SEW	
Control	0.663
Identification	0.824
Binding social ties	0.812
Emotions	0.853
Long-term	0.815
Financial performance	0.901

Table 24: Scale items and reliabilities

Source: Own analysis

Multicollinearity

If two or more variables in a regression model are closely linearly related, multicollinearity exists. While mild multicollinearity is not perceived as an issue, high correlations can distort the regression analysis via high standard errors of the beta coefficients (Field, 2009). In the extreme case of a predictor being 100% replaceable by another predictor, there is no mathematical solution to the regression analysis (Grimm & Yarnold, 2008). Furthermore, the factor analysis is aggravated.

The variance inflation factor (VIF) can be used as a statistical tool in SPSS to detect potential problems of multicollinearity. The VIF measures whether one variable has a strong linear relationship with another variable. VIF values > 5 and tolerance values < 0.1 are generally seen as unsuitable and suggest multicollinearity (Field, 2009; Backhaus, Erichson, Plinke & Weiber, 2003). Here, the VIF values range from 1.1 to 3.5 and the tolerance values between 0.3 and 0.9, which indicate that multicollinearity is not a concern in this study.

Another criteria for a regression analysis is the independence of cases, i.e. auto-correlation. Since this study operates on a cross-sectional design and not a time series, this is not expected to be an issue. The Durbin-Watson test with a value of 1.73 shows that auto-correlation is not a concern here. The value of 1.73 is close to the approved level of 2.

Furthermore, regression analysis requires residual scores to be normally distributed and homoscedastic, i.e. to show equal variances in the independent variables (Pedhazur, 1982). The Kolmogorov-Smirnov test can be applied to test the normal distribution level. This test, which is illustrated in the following figure, shows that the residuals do not significantly deviate from normal levels (Sig. = 0.87).

		Standardised residual
n		71
Parameter of normal distribution (a, b)	Mean	,0000000
	Standard deviation	,89442719
Extreme differences	Absolute	,07
	Positive	,05
	Negative	-,07
Kolmogorov-Smirnov Z		,60
Asymptotic significance (two-tailed)		,87

a. The tested distribution is normally distributed.
b. Calculated from data.

Table 25: Kolmogorov-Smirnov test on the distribution of residuals

Source: Own analysis

Issues of heteroscedasticty are usually graphically examined. As the following figure illustrates, no clear form is derived from the standardised residuals of the regression (Y-axis) and the predicted values (X-axis). The values are positioned relatively on a horizontal band. The condition of homescedasticity can be said to be achieved, but not to perfection.

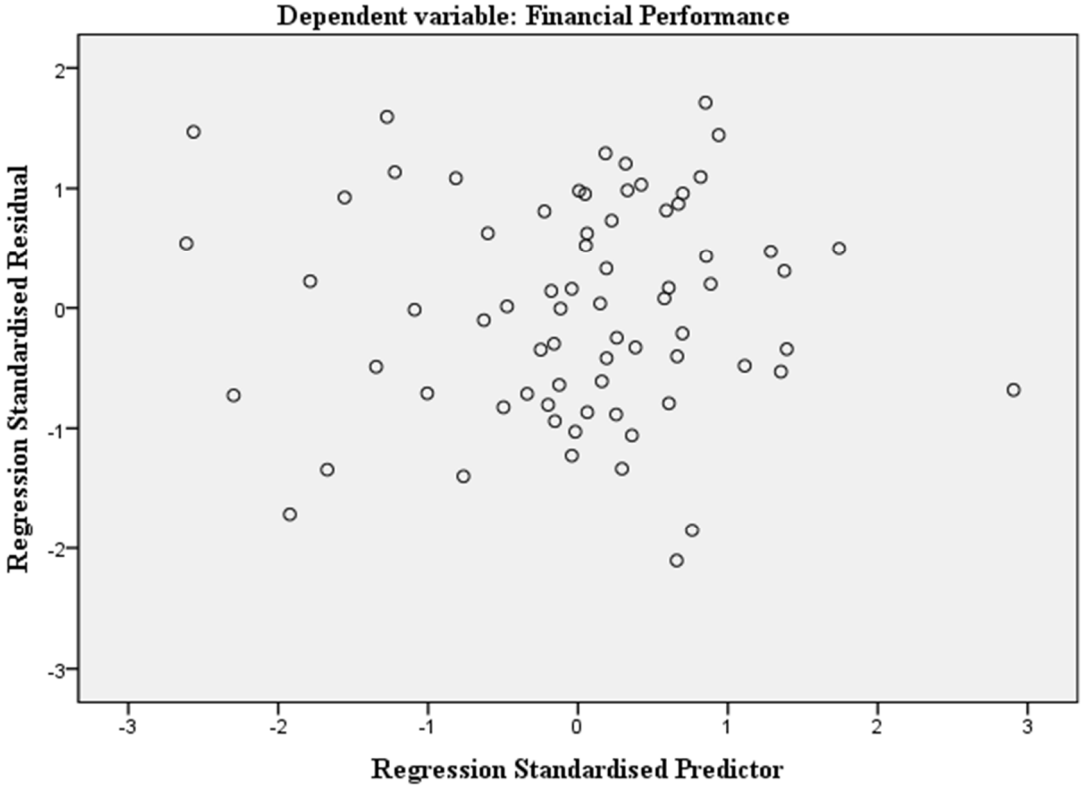

Figure 6: Graphical test to assess homoscedasticity

Source: Own analysis

Sample representativeness

To evaluate the sample representativeness, certain key parameters can be contrasted with other national surveys. As noted, statistical information and financial data on family firms in German-speaking areas exists in theory, but is partially not totally transparent. However, it is possible to benchmark the study sample against other sources

concerning criteria such as size and age. Concerning size, Klein (2000), for instance, reveals that 99% of German family firms have sales of less than €20 million. In this study sample, 16% of firms have revenues of less than €20 million. Concerning company age, Dyer's (2006) study, which can be considered a benchmark, sees family firms as having a life-span of 24 years. In the present study, family firms are 102 years old (median based). The difference is explained by a most firms having being founded in the 19th century.

7. Presentation and discussion of empirical results

Resulting from the literature reviews and the development of hypotheses in Chapters 2 to 5, the operationalisation, design and description of the empirical study, I now use regression and correlation analysis to test the hypothesised relationships. The analysis starts with results for the whole sample.

7.1 Presentation of results

The means, standard deviation and Pearson correlations are presented in the following table:

	Variables	Mean	SD	N	1.	2.	3.	4.	5.	6.	7.
1.	Industry	2,70	1,75	177							
2.	Company age	120,75	92,94	182	-,034						
3.	Sales (ln)	4,89	2,23	130	-,073	-,022					
4.	Family membership	1,54	0,64	182	-,040	-,022	,293**				
5.	Respondent's equity share	1,66	0,47	182	-,006	-,058	,415**	,586**			
6.	Generation number	3,76	2,58	181	-,108	,652**	-,090	-,006	-,069		
7.	Family stirps	0,50	8,61	139	,113	-,009	-,144	-,034	-,106	,070	
8.	Respondent's gender	1,22	0,41	182	-,128	-,046	-,030	,158*	,194**	,096	,034
9.	Owner active	1,68	0,46	182	-,104	,313**	-,094	-,001	-,033	,296**	-,022
10.	Control	6,06	1,11	182	,050	,061	-,454**	-,370**	-,373**	,115	-,016
11.	Identification	5,79	1,14	182	,041	,058	-,205*	-,115	-,141	,110	,041
12.	Transgenerational control	5,73	1,23	182	,068	,208**	-,145	-,014	-,031	,208**	-,001
13.	Emotions	4,58	1,28	182	,035	,046	-,207*	-,043	-,197**	,055	,048
14.	Social ties	5,17	1,07	182	,129	,101	-,221*	-,140	-,174*	,086	,018
15.	Ambidexterity	22,73	2,00	182	,038	-,030	,088	,143	,157*	-,135	-,013
16.	BAV	5,02	1,08	182	-,069	,089	,057	,110	-,019	,043	-,141

Notes: n = 202, * $p < 0.05$ (two-sided), ** $p < 0.01$ (two-sided).

Table 26: Means, standard deviations and Pearson correlations

Source: Own analysis

	Variables	Mean	SD	8.	9.	10.	11.	12.	13.	14.	15.
1.	Industry	2,70	1,75								
2.	Company age	120,75	92,94								
3.	Sales (ln)	4,89	2,23								
4.	Family membership	1,54	0,64								
5.	Respondent's equity share	1,66	0,47								
6.	Generation number	3,76	2,58								
7.	Family stirps	0,50	8,61								
8.	Respondent's gender	1,22	0,41								
9.	Owner active	1,68	0,46	,054							
10.	Control	6,06	1,11	,039	-,019						
11.	Identification	5,79	1,14	,033	-,019	,613**					
12.	Transgenerational control	5,73	1,23	,107	,042	,526**	,677**				
13.	Emotions	4,58	1,28	,160*	,000	,453**	,579**	,449**			
14.	Binding social ties	5,17	1,07	,131	,019	,404**	,526**	,529**	,500**		
15.	Ambidexterity	22,73	2,00	-,070	-,068	-,151	,157*	,159*	,022	,267**	
16.	BAV	5,02	1,08	,021	-,019	,112	,256**	,251**	,132	,252**	,311**

Notes: n = 182, * p < 0.05 (two-sided), ** p < 0.01 (two-sided)

Table 27: Means, standard deviations and Pearson correlations (continued)

Source: Own analysis

The high correlations among the SEW components and, to a lesser extent, between ambidexterity and BAV are noticeable. Transgenerational control is positively related to both company age and family generation number. BAV is more positively associated with identification and transgenerational control than ambidexterity with the two SEW components.

The regression analysis results are reported in the following tables.

SEW blended and financial performance

The following table focuses on SEW as a blended measure composed of its five constituents and its impact on financial performance:

	Model 1	**Model 2**	**Model 3**	**Model 4**
Dependent variable	Fin. perf.	Fin. perf.	Mar. share	ROA
Control variables				
Sub-industry	-0,034	-0,041	-0,036	-0,056
Family company age	0,004**	0,004*	0,004	0,005**
Family company size (sales)	-0,024	-0,002	0,066	-0,014
Respondent's family membership	0,089	0,091	0,370	0,012
Respondent's equity share	-0,083	-0,100	0,143	0,070
Generation number	-0,128**	-0,125**	-0,108	-0,204**
Family stirps	-0,001	-0,001	0,012	-0,006
Respondent's gender	-0,197	-0,301	-0,214	-0,264
Founder active	-0,308	-0,282	-0,613†	0,020
Independent variable				
SEW		0,051†	0,100*	0,057†
R^2	0,119	0,153	0,183	0,165
Adjusted $R2^2$	0,038	0,066	0,099	0,079
F	1,473	1,754†	2,175*	1,915†
	N = 182	N = 182	N = 182	N = 182

† $p < 0.1$
* $p < 0.05$
** $p < 0.01$

Table 28: Regression analysis SEW blended

Model 1 represents the control model, showing a positive influence of family company age and a negative association with the family generation number. In model 2, SEW as a blended measure of its five components is added as independent variable. SEW has a slight significant positive effect ($ß = 0.051$, $p < 0.1$) on the blended financial performance metric.

Models 3 and 4 investigate SEW's effect on specific financial performance metrics, such as the current market share or the ROA over the past three years. For both measures, SEW has a significantly positive impact ($ß = 0.100$, $p < 0.05$; $ß = 0.057$, $p < 0.1$). For all other specific financial performance metrics such as sales growth, there was no significant relationship with SEW.

Components of SEW and financial performance

The following table focuses on the effect of the SEW components on financial performance:

	Model 1	**Model 2**	**Model 3**	**Model 4**
Dependent variable	Fin. perf.	Fin. perf.	Fin. perf.	Fin. perf.
Control variables				
Sub-industry	-0,034	-0,039	-0,057	-0,045
Family company age	0,004**	0,004**	0,003*	0,003*
Family company size (sales)	-0,024	-0,008	-0,003	-0,002
Respondent's family membership	0,089	0,109	0,062	0,109
Respondent's equity share	-0,083	-0,137	-0,144	-0,049
Generation number	-0,128**	-0,130**	-0,129**	-0,115*
Family stirps	-0,001	-0,002	-0,001	0,000
Respondent's gender	-0,197	-0,238	-0,297	-0,366
Founder active	-0,308	-0,297	-0,298	-0,270
Independent variable				
Identification		0,030†		
TG control			0,057**	
Binding social ties				0,041*
R^2	0,119	0,147	0,193	0,165
Adjusted $R2^2$	0,038	0,059	0,110	0,079
F	1,473	1,667†	2,234*	1,916†
	N = 182	N = 182	N = 182	N = 182

† $p < 0.1$
* $p < 0.05$
** $p < 0.01$

Table 29: Regression analysis components of SEW

In model 1, only the control variables are entered. While company age has a slight positive impact (ß = 0.003, $p < 0.01$) on company performance, generation number has a negative effect (ß = -0.128, $p < 0.01$), i.e. family firms led by later family generations underperform financially.

In model 2, identification is an independent variable. The results show a positive effect of identification on financial performance (ß = 0.030, $p < 0.1$), thereby confirming hypothesis 1.

In model 3, transgenerational control is an independent variable. The results show a positive effect of transgenerational control on financial performance (ß = 0.057, $p < 0.01$), thereby confirming hypothesis 4.

In model 4, binding social ties is an independent variable. The results show a positive effect of identification on financial performance (ß = 0.041, $p < 0.05$). The SEW components control and emotions did not have any significant impacts on financial performance.

BAV and financial performance

The effect of BAV on financial performance is investigated in the below table:

	Model 1	**Model 2**	**Model 3**	**Model 4**
Dependent variable	Fin. perf.	Fin. perf.	Fin. perf.	Fin. perf.
Control variables				
Sub-industry	-0,034	-0,010	0,004	-0,009
Family company age	0,004**	0,003*	0,003*	0,003**
Family company size (sales)	-0,024	-0,030	-0,029	-0,040
Respondent's family membership	0,089	-0,123	-0,039	-0,152
Respondent's equity share	-0,083	0,152	0,060	0,117
Generation number	-0,128**	-0,129**	-0,127**	-0,138**
Family stirps	-0,001	0,006	0,006	0,008
Respondent's gender	-0,197	-0,116	-0,103	-0,098
Founder active	-0,308	-0,294	-0,283	-0,300
Independent variable				
BAV		0,030**		
Brand strength			0,034**	
Brand stature				0,043**
R^2	0,119	0,264	0,283	0,322
Adjusted $R2^2$	0,038	0,188	0,209	0,252
F	1,473	3,484**	3,819**	4,612**
	N = 182	N = 182	N = 182	N = 182

† p < 0.1
* p < 0.05
** p < 0.01

Table 30: Regression result BAV

Model 1 constitutes the control model. Model 2 shows a positive effect of BAV on financial performance (ß = 0.030, p < 0.01), confirming hypothesis 2. This effect is

confirmed while looking at the results of models 3 and 4, where the subcomponents of the BAV model are brand strength and brand stature. Both variables also have a positive association with financial performance ($ß = 0.034$, $p < 0.01$; $ß = 0.043$, $p < 0.01$). Brand stature shows a stronger connection with financial performance than brand strength.

Components of BAV and financial performance

The following table investigates the four components of BAV and their influence on financial performance:

	Model 1	**Model 2**	**Model 3**	**Model 4**
Dependent variable	Fin. perf.	Fin. perf.	Fin. perf.	Fin. perf.
Control variables				
Sub-industry	-0,018	-0,003	-0,007	-0,026
Family company age	0,004*	0,003*	0,004**	0,003*
Family company size (sales)	-0,017	-0,040	-0,041	-0,033
Respondent's family membership	-0,055	-0,059	-0,163	-0,095
Respondent's equity share	0,070	0,105	0,216	0,062
Generation number	-0,124**	-0,131**	-0,131**	-0,142**
Family stirps	0,004	0,004	0,005	0,006
Respondent's gender	-0,118	-0,164	-0,127	-0,121
Founder active	-0,318	-0,238	-0,290	-0,282
Independent variable				
Differentation	0,280**			
Relevance		0,212**		
Esteem			0,334**	
Knowledge				0,269**
R^2	0,234	0,234	0,257	0,259
Adjusted $R2^2$	0,155	0,155	0,180	0,183
F	2,970**	2,968**	3,356**	3,396**
	N = 182	N = 182	N = 182	N = 182

† p < 0.1
* p < 0.05
** p < 0.01

Table 31: BAV components and financial performance

Models 1 to 4 show the components of BAV, namely differentiation, relevance, esteem and knowledge. They all have a positive effect on financial performance. Esteem has the strongest impact on financial performance, while knowledge has the weakest impact. The above results confirm hypothesis 2.

Test of mediation identification, BAV and financial performance

The following table reports the results of the mediation analysis of identification, BAV and financial performance:

	Model 1	**Model 2**	**Model 3**	**Model 4**
Dependent variable	Fin. perf.	BAV	Fin. perf.	Fin. perf.
Control variables				
Sub-industry	-0,039	-0,887	-0,010	-0,014
Family company age	0,004**	0,015	0,003*	0,003*
Family company size (sales)	-0,008	0,493	-0,030	-0,023
Respondent's family membership	0,109	7,353**	-0,123	-0,104
Respondent's equity share	-0,137	-8,787*	0,152	0,117
Generation number	-0,130**	-0,007	-0,129**	-0,130**
Family stirps	-0,002	-0,233*	0,006	0,005
Respondent's gender	-0,238	-3,453	-0,116	-0,138
Founder active	-0,297	-0,234	-0,294	-0,290
Independent variable				
Identification	0,030†	0,575*		0,013
BAV			0,030**	0,029**
R^2	0,147	0,198	0,264	0,269
Adjusted $R2^2$	0,059	0,115	0,188	0,186
F	1,667†	2,389*	3,484**	3,217**
	N = 182	N = 182	N = 182	N = 182

† p < 0.1
* p < 0.05
** p < 0.01

Table 32: Mediation analysis I

For mediation, four conditions must be met (Baron & Kenny, 1986). First, the independent variable must affect the dependent variable, i.e. identification must

influence financial performance. This is shown in model 1 above (ß = 0.030, $p < 0.1$). Second, the independent variable must affect the mediator, i.e. identification must impact BAV. This is confirmed in model 2 above (ß = 0.575, $p < 0.05$). Third, the mediator must affect the independent variable, i.e. BAV must influence financial performance. This is shown in model 3 above (ß = 0.030, $p < 0.01$). Finally, when observing the effects of the independent variable and the mediator on the dependent variable, the mediator's effect must be significant, i.e. when identification and BAV are put together, the effect of the latter must be significant while the effect of identification must be non-existent. This is shown in model 4 above. Therefore, hypothesis 3 can be confirmed. BAV acts as a mediator variable between identification and financial performance.

Ambidexterity and financial performance

The following table shows the relationship between ambidexterity and financial performance:

	Model 1	**Model 2**
Dependent variable	Fin. perf.	Fin. perf.
Control variables		
Sub-industry	-0,034	-0,043
Family company age	0,004**	0,003*
Family company size (sales)	-0,024	-0,022
Respondent's family membership	0,089	-0,003
Respondent's equity share	-0,083	-0,171
Generation number	-0,128**	-0,089*
Family stirps	-0,001	-0,002
Respondent's gender	-0,197	-0,122
Founder active	-0,308	-0,204
Independent variable		
Ambidexterity		0,001**
R^2	0,119	0,370
Adjusted $R2^2$	0,038	0,305
F	1,473	5,699**
	N = 182	N = 182

† p < 0.1
* p < 0.05
** p < 0.01

Table 33: Ambidexterity and financial performance

Model 1 constitutes the control model. Model 2 shows a significant positive impact of ambidexterity on financial performance (ß = 0.001, $p < 0.01$). This confirms hypothesis 5.

Test of mediation transgenerational control, ambidexterity and financial performance

The following table shows the mediation analysis for transgenerational control, ambidexterity and financial performance:

	Model 1	**Model 2**	**Model 3**	**Model 4**
Dependent variable	Fin. perf.	Ambi.	Fin. perf.	Fin. perf.
Control variables				
Sub-industry	-0,057	-0,747	-0,043	-0,056
Family company age	0,004*	0,503	0,003*	0,003*
Family company size (sales)	-0,003	5,798	-0,022	-0,010
Respondent's family membership	0,062	62,557	-0,003	-0,012
Respondent's equity share	-0,144	48,338	-0,171	-0,201
Generation number	-0,129**	-30,495	-0,089*	-0,093*
Family stirps	0,001	0,823	-0,002	-0,001
Respondent's gender	-0,297	-92,019	-0,122	-0,188
Founder active	-0,298	-77,238	-0,204	-0,206
Independent variable				
TG control	0,057**	19,080*		0,001**
Ambidexterity			0,001**	0,034*
R^2	0,193	0,128	0,370	0,395
Adjusted $R2^2$	0,110	0,038	0,305	0,326
F	2,324*	1,426	5,699**	5,709**
	N = 182	N = 182	N = 182	N = 182

† p < 0.1
* p < 0.05
** p < 0.01

Table 34: Mediation analysis II

Model 1 shows the relationship between transgenerational control and financial performance. There is a positive association between the independent variable (transgenerational control) and dependent variable (financial performance) ($ß = 0.057$, $p < 0.01$). Thus, condition 1 for a mediation effect to be valid can be confirmed. Model 2 depicts the relationship between transgenerational control and the potential mediator variable ambidexterity. The model for this is not significant, although the single variable shows significant values. Condition 2 for mediation (i.e. a significant relationship between the independent and the mediator variable) cannot be found. Model 3 investigates the relationship between ambidexterity and financial performance. Model 2 shows a positive financial performance effect of ambidexterity ($ß = 0.001$, $p < 0.01$). Condition 3 of mediation is therefore confirmed. Model 4 shows the combined effects of the independent and mediator variable on financial performance. The mediator variable is more significant than the independent variable. However, the independent variable transgenerational control is still significant. Therefore, condition 4 for mediation is only partly met. In sum, I cannot detect a mediation effect of ambidexterity for transgenerational control on financial performance, since condition 2 for mediation is violated. Therefore, hypothesis 6 must be rejected.

7.1.1 Test of diagonal effects

Transgenerational control and BAV

The following table illustrates the relationship between transgenerational control and BAV:

	Model 1	**Model 2**
Dependent variable	BAV	BAV
Control variables		
Sub-industry	-0,777	-0,984
Family company age	0,017	0,010
Family company size (Sales)	0,193	0,381
Respondent's family membership	6,972**	6,734**
Respondent's equity share	-7,743*	-8,281*
Generation number	0,033	0,019
Family stirps	-0,229*	-0,217*
Respondent's gender	-2,663	-3,557
Founder active	-0,453	-0,362
Independent variable		
TG control		0,504*
R^2	0,142	0,174
Adjusted $R2^2$	0,063	0,089
F	1,802*	2,041*
	N = 182	N = 182

† p < 0.1
* p < 0.05
** p < 0.01

Table 35: Transgenerational control and BAV

Model 1 represents the control model with BAV as dependent variable. The respondent's family membership shows the most significant positive impact (ß = 6.972, $p < 0.01$). The respondent's equity share and the number of family stirps are negatively associated with BAV (ß = -7.743, $p < 0.05$; ß = -0.229, $p < 0.05$). In model 2, transgenerational control is added as independent variable. Model 2 shows a positive effect of transgenerational control on BAV (ß = 0.504, $p < 0.05$). Thus, hypothesis 7 can be confirmed.

Test of mediation transgenerational control, BAV and financial performance

The below table shows the mediation analysis for transgenerational control, BAV and financial performance:

	Model 1	**Model 2**	**Model 3**	**Model 4**
Dependent variable	Fin. perf.	BAV	Fin. perf.	Fin. perf.
Control variables				
Sub-industry	-0,057	-0,984	-0,010	-0,030
Family company age	0,004*	0,010	0,003*	0,003*
Family company size (sales)	-0,003	0,381	-0,030	-0,013
Respondent's family membership	0,062	6,734**	-0,123	-0,121
Respondent's equity share	-0,144	-8,281*	0,152	0,082
Generation number	-0,129**	0,019	-0,129**	-0,130**
Family stirps	0,001	-0,217*	0,006	0,006
Respondent's gender	-0,297	-3,557	-0,116	-0,201
Founder active	-0,298	-0,362	-0,294	-0,288
Independent variable				
TG control	0,057**	0,504*		0,043*
BAV			0,030**	0,027**
R^2	0,193	0,174	0,264	0,305
Adjusted $R2^2$	0,110	0,089	0,188	0,226
F	2,324*	2,041*	3,484**	3,836**
	N = 182	N = 182	N = 182	N = 182

† p < 0.1
* p < 0.05
** p < 0.01

Table 36: Mediation analysis III

Model 1 shows the positive association between transgenerational control and financial performance (ß = 0.057, p < 0.01). Condition 1 for mediation can be confirmed by model

1. Model 2 illustrates the relationship between transgenerational control and BAV. As just shown, this is also positive (ß = 0.504, $p < 0.05$), establishing condition 2 for mediation to occur. Model 3 investigates the effect of BAV on financial performance. As noted earlier this effect is positive (ß = 0.030, $p < 0.01$), thereby confirming condition 3 of mediation. Model 4 looks at the effect of both BAV and transgenerational control. Condition 4 is partly met, since the effect of transgenerational control is now weaker (ß = 0.043, $p < 0.05$) but is still significant. Partial mediation can be found here. In sum, I can confirm hypothesis 8, which implies that the positive link between transgenerational control and financial performance is mediated by BAV.

Identification and ambidexterity

The following table illustrates the effects of identification on ambidexterity as well as a mediation analysis:

	Model 1	**Model 2**	**Model 3**	**Model 4**
Dependent variable	Fin. perf.	Ambi.	Fin. perf.	Fin. perf.
Control variables				
Sub-industry	-0,039	4,225	-0,043	-0,045
Family company age	0,004**	0,706	0,003*	0,003*
Family company size (sales)	-0,008	6,478	-0,022	-0,016
Respondent's family membership	0,109	81,461	-0,003	0,007
Respondent's equity share	-0,137	41,603	-0,171	-0,189
Generation number	-0,130**	-31,007	-0,089*	-0,091*
Family stirps	-0,002	0,277	-0,002	-0,002
Respondent's gender	-0,238	-78,693	-0,122	-0,139
Founder active	-0,297	-75,010	-0,204	-0,203
Independent variable				
Identification	0,030†	14,928*		0,011
Ambidexterity			0,001**	0,001**
R^2	0,147	0,119	0,370	0,374
Adjusted $R2^2$	0,059	0,028	0,305	0,302
F	1,667†	1,312	5,699**	5,209**
	N = 182	N = 182	N = 182	N = 182

† $p < 0.1$
* $p < 0.05$
** $p < 0.01$

Table 37: Identification and ambidexterity

Model 1 shows the positive effect of identification on financial performance (ß = 0.030, $p < 0.1$). Model 2 investigates the relationship between identification and ambidexterity. Model 2 as a whole is not significant. Therefore, hypothesis 9 must be rejected. Model 3 shows the positive impact of ambidexterity on financial performance (ß = 0.001, $p < 0.01$). Model 4 highlights the effects of both ambidexterity and identification effects on financial performance. Ambidexterity shows significant positive values (ß = 0.001, $p < 0.01$), while the results for identification are not significant. Since model 2 did not show a significant effect of identification on ambidexterity, thereby not fulfilling condition 2 for mediation to occur, I must reject hypothesis 10. The positive effect of identification on financial performance is not mediated by ambidexterity.

7.2 Summary of results

The following table summarises the results:

Number	Hypothesis	Result
1	Identification positively influences financial performance	Confirmed
2	BAV positively influences financial performance	Confirmed
3	The positive link between identification and financial performance is mediated by BAV	Confirmed
4	Transgenerational control relates positively to financial performance	Confirmed
5	Ambidexterity positively relates to financial performance	Confirmed
6	The positive link between transgenerational control and financial performance is mediated by ambidexterity	Rejected
7	Transgenerational control relates positively to BAV	Confirmed
8	The positive link between transgenerational control and financial performance is mediated by BAV	Confirmed
9	Identification relates positively to ambidexterity	Rejected
10	The positive link between identification and financial performance is mediated by ambidexterity	Rejected

Table 38: Summary of results

Source: Own analysis

SEW as a blended measure was found to have a light positive effect on financial performance. Furthermore, SEW positively impacted ROA and market share of family firms.

In terms of components of SEW identification, transgenerational control and binding social ties had positive impacts on financial performance. Control and emotions were not found to affect financial performance.

BAV's impact on financial performance was found to be positive. Splitting the BAV analysis, this positive effect held for both subcomponents, namely *brand strength* and *brand stature* of BAV and all four single features of BAV, namely *differentiation*, *relevance*, *esteem* and *knowledge*. Moreover, BAV was found to act as mediator

variable between identification and financial performance. Identification positively influenced BAV. When both variables were present in the model, only BAV showed significant values while identification were no longer present.

Transgenerational control and ambidexterity were also found to positively influence financial performance. Ambidexterity's role as a mediator variable between transgenerational control and financial performance could not be confirmed. There was no relationship found between transgenerational control and ambidexterity.

In terms of cross-relationships, transgenerational control positively impacted BAV. Equally, BAV was found to act as a mediator variable between transgenerational control and financial performance.

On the other hand, no relationship was found between identification and ambidexterity. Ambidexterity was not able to function as a mediator variable between identification and financial performance.

8. Discussion, limitations and future research avenues

This study investigated family firms' behaviours through the lens of the SEW model. By means of an empirical analysis, it enriched the research stream and understanding of SEW. Further empirical tests are needed to validate the findings.

8.1 Discussion of findings

The starting point of this work was family firms' financial performance. As shown, there are mixed results about family firms' financial performance. Second, the role of non-financial goals for family firms was introduced. Non-financial goals should not have a positive effect on financial performance. In this work, the non-financial goals were represented by the SEW model. To concentrate and focus the work, I looked at two

components of the SEW model and their potential impacts on financial performance. The research questions for this work were:

1. How does SEW as aggregate measure and its specific components influence family firms' financial performance?
2. Which process potentially facilitates between SEW identification and financial performance in family firms?
3. Which process potentially facilitates between SEW transgenerational control and financial performance in family firms?

The results show that SEW as a blended measure is positively related to financial performance. In terms of components, both identification and transgenerational control positively impacted financial performance. Thus, one of the key results of this work is that family firms' non-financial goals can have a positive association with financial performance. Higher SEW endowments are seemingly positively related to company performance.

To explain the potential positive financial performance impact, I introduced processes and facilitators such as brand equity and organisational ambidexterity. Both BAV and ambidexterity were positively related to financial performance. This confirms prior research findings, although this has been shown to be valid for family firms as well. This work has provided a first explanation for why SEW potentially has positive effects on financial performance. It has illustrated that BAV acts as a mediator between identification and financial performance. Concerning transgenerational control, ambidexterity could not fulfil a role as a mediator variable.

The cross-relationships showed a positive link between transgenerational control and BAV. Moreover, BAV was able to act as a mediator between transgenerational control and financial performance.

In terms of learning, one can potentially rethink the logic of non-financial goals. Non-financial goals do not necessarily negatively impact financial performance. This work

has shown that the pursuit of non-financial goals by family firms can have positive financial performance effects. SEW as primary reference frame for family firms does not automatically imply financial underperformance. Second, BAV and ambidexterity have been shown to be positively associated with family firms' financial performance. Third, BAV has played a significant role as a mediator between identification and financial performance as well as transgenerational control and financial performance.

8.2 Study limitations

Bias

Despite the satisfying results for non-response bias and common method bias, these concerns cannot definitively be ruled out.

Cultural bias

This study focussed on one country – Germany. The context of studies can have great importance (Johns, 2006). It might be that the specific setting of the German *Mittelstand* has influenced the results and makes them less generalizable to other regions, such as Asia and the U.S. Despite cultural differences, global business practices are becoming increasingly aligned (Carr, 2005). It is therefore unlikely that context has had a major effect on this study.

Control variables

I selected the chosen control variables based on the existing literature and complemented these by variables used in comparable studies. However, it cannot be guaranteed that all variables unrelated to SEW have been considered.

Measurements

Although the reliance on self-assessed survey items is a common approach in family business research, this might potentially affect the consistency of the answers in this

study. Owing to the anonymous answers, it was very difficult to trace the identities of the respondent and corresponding family firm.

Alternative measurements of company performance such as data envelope analysis (DEA) (Durand & Vargas, 2003) were not used in this study. DEA seeks to measure productive efficiency from data points such as total fixed assets, R&D or marketing expenditures.

The origination of the brand equity via the questionnaire is an estimate. An alternative research method would assess brand equity for each family firm via customer questionnaires. This would potentially involve 200,000 questionnaires solely for brand asset value (n = 200 firms x 1,000 customers per family firm).

The cross-sectional data is not suited for a long-term analysis. As the empirical results of this study hint at, certain effects only take effect over time; I therefore call on future researchers to adopt a long-term approach concerning the major measures – especially activities related to brand strength and exploration.

Causality

Causality is a potential issue in this study. While the direction of effects are backed by theory, the cross-sectional data design does not allow for definite conclusions.

8.3 Implications for practice

The study results increase awareness for practise. For the owners and managers of family firms, this involves awareness of certain positive and negative effects of family firm behaviours.

First, an awareness of the positive financial performance effects of the owner family's transgenerational control goals can enrich internal strategic discussions about a family firm's transgenerational control perspective. The utilities family owners derive from the transgenerational control perspective are also beneficial in terms of financial performance. This result should encourage family firm owners to make the transgenerational control item an even more important point of discussion within the

owning family but also within the family firm sphere. Discussions about market entries, new technologies, investments in production facilities should be seen in connection with the transgenerational control perspective.

Second, BAV's positive financial performance effects should encourage practitioners to advance their family firms' BAV in order to advance performance. Linked to this point is an awareness that an owner family's identification needs positively relate to that family firm's BAV. The components of BAV can substantiate the direction for practitioners. Family firm owners should actively think how they can advance their family firm in terms of brand strength. First, the element differentiation of BAV should motivate owners to think about how unique, how individual, how innovative and how dynamic the family firm's brands are, or what steps are necessary to develop the brands in the right direction. Second, the component esteem of the BAV model should inspire family firm owners to critically reflect on their brands in terms of perceived quality and popularity. Reliable, high-quality, technologically appropriate products would advance a family firm's brand strength. Third, family firm owners can actively tackle the element knowledge of the BAV model by acting as a steward for the family brands and by communicating the essence of the family firm's brands internally (i.e. to employees) and externally (to the public, customers and suppliers).

Three, along the organisational ambidexterity perspective, family firms should take note of the positive financial performance effects and strive for an optimal configuration of exploitative and explorative activities. Family firm owners should understand that ambidexterity is a key driver of long-term company performance. First, the family firm should be viewed critically in terms of exploitative behaviour: *How efficiently are the production facilities set up? How efficiently does sales and marketing work? Are the overhead costs in line with that of competitors?* Second, concerning the family firm's explorative behaviour, the owners should reflect on the following items: *How well does the family firm perform on innovation and new market entries?*

Furthermore, family firm owners are encouraged to think about the appropriate organisational set-up for the family firm in order to maximise ambidextrous behaviour. This could imply setting up special units or time-slots to stimulate innovative ideas.

Family members should provide leadership concerning all aspects of ambidexterity within the family firm.

8.4 Future research

This study has empirically tested the SEW model and its impact on family firms' financial performance via processes such as BAV and ambidexterity. While this study has looked closely at two pillars of the SEW model – identification and transgenerational control –there remains room for further analysis concerning the other components of SEW, for instance, emotions and binding social ties. This could further enrich understandings of SEW's effects by linking these two components with other variables as process-related or antecedental factors. For instance, binding social ties may well flow into strategic alliances; SEW control and potential effects on strategic planning, strategic decision-making, and the roles of organisational decision-makers could supplement the understanding of family firms' behaviours.

Two, the SEW model calls for more empirical tests to verify the measurements and to potentially rethink and develop the SEW model as a whole. I strongly recommend that researchers critically engage in discussions on whether the SEW model does imperatively consist of five components that are highly correlated – as this study has shown. Potentially, combining the different pillars into four pillars, three pillars or a hierarchical order within the SEW model lies open for discussion. Furthermore, future research should discuss whether all SEW components have equal weight.

Three, a longitudinal approach to illuminate potential long-term effects between SEW, ambidexterity and BAV could enrich understanding. First empirical results in this study have hinted at the fact that potential more significant effects of SEW take place over longer periods.

Four, expanding the analysis to different geographies such as other European countries, Asia, Africa or North America could enhance understandings of SEW and its relationships to financial performance, ambidexterity and BAV.

Finally, this work has looked at non-financial goals/utilities of family firm owners and family firm performance. In connection with agency theory, stewardship theory and the RBV, it showed certain positive relationships between non-financial goals/utilities and financial performance. For future research, it could be interesting to investigate if SEW is stable over time or primarily depends on the specific family firm situation, for instance: *What impacts do financial distress or restructuring efforts have on SEW?*

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10. Appendix

Fragebogen

Sehr herzlich bedanke ich mich hiermit fuer Ihre Teilnahme an der Umfrage zur Doktorarbeit.

Der erste Teil der Umfrage dreht sich um allgemeine Fragen zu Ihrem Unternehmen:

Allgemein:

Seit wann gibt es Ihr Unternehmen?

Jahr:

Der Hauptsitz Ihres Unternehmens liegt in?

Deutschland / Schweiz / Österreich / Anderes Land

Würden Sie Ihr Unternehmen als Familienunternehmen bezeichnen?

In welchen Gebieten erzielt Ihr Unternehmen die meisten Umsaetze?
(optional)

Bitte von groesstem Umsatzbeitrag zu kleinstem sortieren. Die Markierungen mit der Maustaste nach rechts rueberziehen.

Deutschland / Restliches Europa / Nordamerika / Südamerika / Asien & Australien / Afrika

Ihr Geschlecht?

Männlich / Weiblich

Sind Unternehmensname und Name der Eigentuemerfamilie bei Ihrem Unternehmen identisch?

Ja / Nein

Seit wie vielen Generationen ist die Familie im Besitz dieses Unternehmens?

Generation:

Wie viele Zweige / Parteien der Familie halten zurzeit Eigentum am Unternehmen?
(optional)

Parteien:

Wie viele Aktionäre/Eigentümer hat das Unternehmen?
(optional)

Wie viele der Eigentümer sind Familienmitglieder?
(optional)

Ist Ihr Unternehmen an einer Börse notiert?

Ja / Nein

Sind Sie Mitglied der Geschäftsführung oder des Aufsichtsrates?

Ja / Nein

Ist der Firmengründer noch aktiv im Familienunternehmen?

Ja / Nein

Halten Sie persönlich Eigentumsanteile am Familienunternehmen?

Ja / Nein

Falls Ja, wie viel % des gesamten Eigenkapitals des Unternehmens sind in Ihrem persönlichem Besitz?
(optional)

Kein % Zeichen im Feld hinterlassen

Sind Sie Mitglied der Familie, welche das Unternehmen kontrolliert?
(optional)

Ja / Nein

In welcher Branche ist Ihre Firma tätig? *(optional)*

Getränkeindustrie / Lebensmittel/Süsswarenindustrie / Brauereiwesen / Fleischverarbeitende Industrie / Handel, Grosshandel / Milchindustrie / Sonstige

In diesem Teil der Umfrage geht es um die Innovationsfaehigkeit und Kostenbewusstsein Ihres Unternehmens:

Exploration:

Ihr Unternehmen schaut stark nach neuen Ideen/Technologien?

1 = stimme gar nicht zu 7 = stimme voll zu

Der Erfolg Ihres Unternehmens basiert auf der Faehigkeit, neue Technologien/Ideen zu entwickeln?

Ihr Unternehmen entwickelt Produkte/Services, die innovativ sind?

Ihr Unternehmen sucht nach kreativen Loesungen, um Kundenbeduerfnisse zu befriedigen?

Ihr Unternehmen steigt aggressiv in neue Maerkte/Marktsegmente ein?

Ihre Firma spricht aktiv neue Kundengruppen an?

Im Vergleich zu Ihren Wettbewerbern schneidet Ihr Unternehmen besser ab bzgl. der obigen sechs Punkte?

Exploitation:

Ihr Unternehmen ist sehr stark bemueht, Kosten zu senken und die Produkt/Servicequalitaet zu verbessern?

Ihr Unternehmen bemueht sich kontinuierlich, den Materialeinsatz zu reduzieren/effizienter zu gestalten?

Ihr Unternehmen sucht nach effizienzsteigernden Automatisierungen in der Produktion/im Tagesgeschaeft?

Ihr Unternehmen fuehrt kontinuierlich Umfragen zur Kundenzufriedenheit durch?

Ihr Unternehmen fuehrt kleinere Produkt/Serviceanderungen durch, um die Kundenzufriedenheit zu gewaehrleisten?

Ihr Unternehmen versucht existierende Kundengruppen staerker zu bearbeiten?

Im Vergleich zu Ihren Wettbewerbern schneidet Ihr Unternehmen besser ab bzgl. der obigen sechs Punkte?

Die folgenden Fragen drehen sich um die **Markenstärke** (Brands):

Differenzierung:

Ihre Kunden nehmen Ihre Marken als einzigartig, individuell und stark vom Wettbewerb differenziert wahr?

1 = stimme gar nicht zu 7 = stimme voll zu

Ihre Marken werden als innovativ und dynamisch betrachtet aus Sicht ihrer Kunden?

Der differenzierte Markenauftritt ermoeglicht ihrem Unternehmen eine hoehere Marge zu erwirtschaften?

Aus Kundensicht sind Ihre Marken optimal gepreist und an den wichtigsten Distributionskanälen vorhanden?

Aus Kundensicht wird der Auftritt Ihrer Marken als angemessen betrachtet und Ihre Marken treffen den Geschmack der Zielgruppen?

Relevanz:

Ihre Marken sind sehr relevant fuer ihre Kunden?

Esteem:

Ihre Kunden sind stark an ihre Marken gebunden, wenn sie sich einmal fuer den Kauf entschieden haben?

Ihre Marken geniessen ein hohes Ansehen bei ihren Kunden?

Ihre Marken werden als progressiv und fuehrend hinsichtlich Innovation betrachtet?

Ihre Marken sind bekannt fuer ihre hohe Qualitaet und Zuverlaessigkeit bei ihren Kunden?

Knowledge:

Ihre Kunden verstehen Ihre Marke sehr gut?

Die kommenden Fragen fokussieren auf die Rolle der Familie und die Ziele der Familie:

Control:

Die Familie kontrolliert die strategische Ausrichtung des Unternehmens?

1 = stimme gar nicht zu 7 = stimme voll zu

Nicht-Familien Manager werden von Familienmitgliedern berufen/eingestellt?

Die Wahrung der Kontrolle ueber das Unternehmen und die Unabhaengigkeit sind wichtige Ziele der Familie?

Welchen prozentualen Anteil machen Familienmitglieder in der Geschäftsleitung aus? *(optional)*

Kein % Zeichen im Feld hinterlassen

Welchen prozentualen Anteil machen Familienmitglieder im Aufsichrat aus? *(optional)*

Kein % Zeichen im Feld hinterlassen

Welcher Anteil des gesamten Eigenkapitals ist in Familienbesitz? *(optional)*

Kein % Zeichen im Feld hinterlassen

Identification:

Familienmitglieder haben ein ausgepraegtes Zugehoerigkeitsgefuehl zum Familienunternehmen?

Familienmitglieder fuehlen, dass der Erfolg des Familienunternehmens ihr eigener ist?

Das Familienunternehmen hat eine grosse persoenliche Bedeutung fuer die Familienmitglieder?

Familienmitglieder sind stolz darauf zu berichten, dass sie Teil des Familienunternehmens sind?

Kunden verbinden oft den Familiennamen mit den Produkten/Services des Familienunternehmens?

Social Binding Ties:

Ihr Familienunternehmen ist sehr sozial engagiert?

Mitarbeiter, die nicht Mitglieder der Familie sind, werden dennoch als Teil der Familie betrachtet?

In Ihrem Unternehmen basieren vertragliche Vereinbarungen stark auf Vertrauen und Gegenseitigkeit?

Fuer Ihr Unternehmen ist es wichtig, starke Beziehungen aufzubauen zu anderen Institutionen (bspw. anderen Firmen, Verbaenden, Regierungen)?

Ihre Vertraege mit Zulieferen basieren auf langfristigen Beziehungen?

Emotions:

Emotionen und Gefuehlslagen beeinflussen oft die Entscheidungsprozesse in Ihrem Unternehmen?

Die Sicherstellung des Wohlergehens von Familienmitgliedern ist ein wichtiges Ziel?

In Ihrem Unternehmen sind die emotionalen Verbindungen innerhalb der Familienmitglieder sehr stark ausgepraegt?

In Ihrem Unternehmen sind emotionale Ueberlegungen genau so wichtig wie finanzielle?

Starke emotionale Beziehungen der Familienmitglieder untereinander helfen einem positiven Selbstverstaendnis insgesamt?

Long-Term:

Die Fortfuehrung des Familienvermaechtnis und der Familientradition sind wichtige Ziele fuer Ihr Unternehmen?

Die Familienmitglieder wuerden ihr Investment in Ihr Unternehmen kaum auf einer kurzfristigen Zeitachse beurteilen?

Es ist unwahrscheinlich, dass Familienmitglieder in Erwaegung ziehen, Anteile an Ihrem Unternehmen extern zu verkaufen?

Eine erfolgreiche Uebergabe des Unternehmens an die nachfolgende Generation ist ein wichtiges Ziel fuer die Familienmitglieder?

Der letzte Themenkomplex behandelt die **Financial Performance** Ihres Unternehmens:

Der Wettbewerb in Ihrer Industrie ist stark ausgepraegt? *(optional)*

1 = stimme gar nicht zu 7 = stimme voll zu

Insolvenzen kommen in Ihrer Industrie oft vor? *(optional)*

Wie würden Sie die Leistung Ihrer Firma im Vergleich zu Ihren Mitbewerbern bewerten? Entwicklung der Verkäufe - aktuelle Leistung

1 = schlechter 7 = besser

Wie würden Sie die Leistung Ihrer Firma im Vergleich zu Ihren Mitbewerbern bewerten? Entwicklung der Verkäufe - letzte drei Jahre

Wie würden Sie die Leistung Ihrer Firma im Vergleich zu Ihren Mitbewerbern bewerten? Entwicklung der Marktanteile - aktuelle Leistung *(optional)*

Wie würden Sie die Leistung Ihrer Firma im Vergleich zu Ihren Mitbewerbern bewerten? Entwicklung der Marktanteile - letzte drei Jahre *(optional)*

Wie würden Sie die Leistung Ihrer Firma im Vergleich zu Ihren Mitbewerbern bewerten? Entwicklung der Profitabilität - aktuelle Leistung

Wie würden Sie die Leistung Ihrer Firma im Vergleich zu Ihren Mitbewerbern bewerten? Entwicklung der Profitabilität - letzte drei Jahre

Wie würden Sie die Leistung Ihrer Firma im Vergleich zu Ihren Mitbewerbern bewerten? Gesamtkapitalrendite - aktuelle Leistung

Wie würden Sie die Leistung Ihrer Firma im Vergleich zu Ihren Mitbewerbern bewerten? Gesamtkapitalrendite - letzte drei Jahre

Wie würden Sie die Leistung Ihrer Firma im Vergleich zu Ihren Mitbewerbern bewerten? Fähigkeit zu organischem Wachstum - aktuelle Leistung

Wie würden Sie die Leistung Ihrer Firma im Vergleich zu Ihren Mitbewerbern bewerten? Fähigkeit zu organischem Wachstum - letzte drei Jahre

Bitte geben Sie den geschaetzten Jahresumsatz an (in Mio. €):

2010:

2013:

Bitte geben Sie das geschaetzte EBIT an (in Mio. €):

2010:

2013:

Bitte geben Sie das geschaetzte EBITDA an (in Mio. €):

2010:

2013:

Bitte geben Sie die geschaetzte Gesamtkapitalrendite (Return-on-assets) an:

ROA in % (kein % Zeichen im Feld hinterlassen bitte)

2010:

2013:

Bitte geben Sie den Eigenkapitalanteil an der Bilanzsumme an:
(optional)

in % (kein % Zeichen im Feld hinterlassen)

Bitte geben Sie die geschaetzte Mitarbeiteranzahl an:
(optional)

2010:

2013:

Bitte geben Sie die Anzahl Mitarbeiter (nur Familienmitglieder) an:
(optional)

2010:

2013:

Was sind aus Ihrer Sicht die wichtigsten Ansatzpunkte, um die Financial Performance in Ihrem Familienunternehmen zu verbessern? *(optional)*

Was sind aus Ihrer Sicht die wichtigsten Ansatzpunkte, um die Innovationsfähigkeit und den Markenwert Ihres Familienunternehmens zu verbessern? *(optional)*

Appendix 1: Questionnaire (German)

Questionnaire

Thank you very much for your participation in this survey.

The first part deals with general questions about your firm:

General

When was your firm founded?

Year:

Where is your firm's headquarters?

Germany / Switzerland / Austria / Other country

Do you consider your firm to be a family firm?

In which areas does your firm generate most sales?
(optional)

Please rank accordingly

Germany / Other Europe / North America / South America / Asia & Australia / Africa

What is your gender?

Male / Female

Is your firm name the same as the family name?

Yes / No

For how many generations has the family owned the firm?

Generation number:

How many different parties hold equity in the firm at present? *(optional)*

Parties:

How many shareholders are there? *(optional)*

How many of the shareholders are family members? *(optional)*

Is your firm listed on a stock exchange?

Yes / No

Are you a member of the management team or the supervisory board?

Yes / No

Is the founder still active in the firm?

Yes / No

Do you hold equity in the firm?

Yes / No

If *Yes*, what percentage of equity do you hold? *(optional)*

Are you a member of the family that controls the firm? *(optional)*

Yes / No

In which industry is your firm active? *(optional)*

Drinks industry / Food and confectionary / Brewing / Meat processing industry / Food retail or wholesale / Milk industry / Other industry

The following part of the survey deals with the firm's innovation capabilities and cost discipline:

Exploration

Does your company actively search for new ideas/technologies?

1 = *strongly disagree,* 7 = *strongly agree*

Does your company base its success on its ability to explore new technologies?

Does your company create products or services that are innovative?

Does your company look for creative ways to satisfy its customers' needs?

Does your company aggressively venture into new market segments?

Does your company actively target new customer groups?

Compared to your competitors, does your company perform better concerning the above six points?

Exploitation

Is your company committed to improving quality and lowering the costs of its products and services?

Does your company continuously look for ways to reduce material expenses?

Is your company increasing the automation levels in its operations?

Does your company constantly survey the satisfaction of existing customers?

Does your company fine-tune its products and service offerings in order to keep current customers satisfied?

Is your company penetrating its existing customer base more deeply?

Compared to your competitors, does your company perform better concerning the above six points?

The following questions relate to **brand equity**:

Differentiation

Are your brands viewed as unique, individual and significantly differentiated from those of your competitors?

1 = *strongly disagree*, 7 = *strongly agree*

Are your brands viewed as innovative and dynamic?

Does its differentiated brand presence enable your company to earn superior returns?

Do your customers view your brands as optimally priced and do your products or services use the most relevant distribution channels in the market?

Do your customers appreciate your brand presence and do your brands target customer preferences well?

Relevance

Are your brands very relevant to your customers?

Esteem

Once customers decide to buy your brand, are they strongly bound to your brand?

Do your brands have a strong reputation among your customers?

Are your brands viewed as progressive and as associated with cutting-edge technology?

Are your brands known for high quality and reliability?

Knowledge

Do your customers know and understand your brands very well?

The following questions relate to the **family role and goals**:

Control

Does the family control the company's strategic direction?

1 = *strongly disagree*, 7 = *strongly agree*

Are non-family managers appointed by family members?

Are retaining control of the family business and the firm's independence important goals to the family?

Which percentage of the management board are family members *(optional)*?

Which percentage of the board of directors are family members *(optional)*?

Which percentage of total equity belongs to the family *(optional)*?

Identification

Do family members have a strong sense of belonging to the family business?

Do family members feel that the firm's success is their own success?

Does the family business have strong personal meaning for family members?

Are family members proud to tell others that they are part of the family business?

Do customers often associate the family name with the firm's products and services?

Binding social ties

Is the family business very active in promoting social activities in the community?

Are non-family employees treated as part of the family?

Are contractual relationships mainly based on trust and norms of reciprocity?

Is building strong relationships with other institutions (i.e. other companies, professional associations, government agents, etc.) important to the firm?

Are contracts with suppliers based on enduring long-term relationships?

Emotions

Do emotions and sentiments often affect decision-making processes in the family business?

Is protecting family members' welfare critical?

Are the emotional bonds between family members very strong?

Are affective considerations often as important as economic considerations in the firm?

Do strong emotional ties among family members help them maintain a positive self-concept?

Long-term

Is continuing the family legacy and tradition an important goal for the firm?

Are family members less likely to evaluate their investment on a short-term basis?

Would family members be unlikely to consider selling the family business?

Is successful business transfer to the next generation an important goal for family members?

The final part of the survey deals with your firm's **financial performance**:

Is the extent of competition in your industry strong? *(optional)*

1 = *strongly disagree*, 7 = *strongly agree*

Do insolvencies occur very often in your industry? *(optional)*

How do you rank your firm's performance compared to that of your competitors? Development of sales – current performance

1 = *worse*, 7 = *better*

How do you rank your firm's performance compared to that of your competitors? Development of sales – past three years

How do you rank your firm's performance compared to that of your competitors? Development of market share – current performance *(optional)*

How do you rank your firm's performance compared to that your competitors? Development of market share – past three years *(optional)*

How do you rank your firm's performance compared to that of your competitors? Development of profitability – current performance

How do you rank your firm's performance compared to that of your competitors? Development of profitability – past three years

How do you rank your firm's performance compared to that of your competitors? Return on assets – current performance

How do you rank your firm's performance compared to that of your competitors? Return on assets – past three years

How do you rank your firm's performance compared to that of your competitors? Organic growth capability – current performance

How do you rank your firm's performance compared to that of your competitors? Organic growth capability – past three years

Please enter the sales figure in € million:

2010:

2013:

Please enter the EBIT in € million:

2010:

2013:

Please enter the EBITDA in € million:

2010:

2013:

Please enter the return on assets (ROA):

2010:

2013:

Please enter the equity ratio: *(optional)*

Please enter the number of employees: *(optional)*

2010:

2013:

Please enter the number of employees (family members only): *(optional)*

2010:

2013:

What are the most important starting points, from your perspective, to improving the firm's financial performance? *(optional)*

What are the most important starting points, from your perspective, to improving the firm's innovation capabilities and brand equity? *(optional)*

Appendix 2: Questionnaire (English)

		Sum of squares	df	Mean of squares	F	Sig.
Financial performance	Between-group	,358	1	,358	,316	,574
	Within-group	226,112	200	1,131		
	Total	226,469	201			
Control	Between-group	3,639	1	3,639	6,409	,013
	Within-group	54,505	96	,568		
	Total	58,143	97			
Identification	Between-group	194,079	1	194,079	6,291	,013
	Within-group	6170,040	200	30,850		
	Total	6364,119	201			
Long-term	Between-group	329,525	1	329,525	15,284	,000
	Within-group	4312,158	200	21,561		
	Total	4641,683	201			
Emotions	Between-group	149,881	1	149,881	3,736	,055
	Within-group	8022,713	200	40,114		
	Total	8172,594	201			
Binding ties	Between-group	136,416	1	136,416	4,736	,031
	Within-group	5761,208	200	28,806		
	Total	5897,624	201			
Ambidexterity	Between-group	516,480	1	516,480	,003	,956
	Within-group	33379821,426	200	166899,107		
	Total	33380337,906	201			
BAV	Between-group	32,480	1	32,480	,236	,628
	Within-group	27568,673	200	137,843		
	Total	27601,153	201			

Appendix 3: One-way ANOVA testing for non-response bias

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PROFESSIONAL EXPERIENCE

Since 07/2015	**Senior Finance Manager, Chocolat Frey/Delica (Migros-Industrie)** – Switzerland
01/2012 to 06/2015	**Group Manager Controlling, Hipp Group** – Switzerland
09/2010 to 12/2011	**Associate, Deutsche Bank, M&A, Industrials Team** – London
07/2008 to 07/2010	**Analyst Goldman Sachs, M&A, Industrials Team** – London

EDUCATION

Since 02/2012	**University of St. Gallen** – PhD Programme in Management
07/2011 to 08/2011	**Columbia University, New York** – Executive Program
10/2006 to 06/2008	**University of St. Gallen** – St. Gallen, Switzerland
01/2007 to 06/2007	**Exchange semester: ESADE** – Barcelona, Spain
10/2002 to 09/2005	**University of St. Gallen** – St. Gallen, Switzerland
09/2004 to 12/2004	**Schulich School of Business** – Toronto, Canada
08/1993 to 06/2002	**Archiepiscopal Gymnasium Liebfrauenschule** – Cologne
09/1999 to 06/2000	**Harrow School** – London, UK

MILITARY SERVICE

07/2002 to 03/2003	**German Federal Armed Forces** – Cologne Germany

LANGUAGES & SKILLS

English, German:	Fluent
Spanish, French:	Basic knowledge
Computer skills:	Strong working knowledge of MS Excel, Word, PowerPoint and research tools