



The willingness-ability paradox in family firms' innovation: an intra-firm systemic perspective

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Abstract

Title: The willingness-ability paradox in family firms' innovation: an intra-firm systemic perspective

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Innovation represents a catalyst that fuels economic progress and enables companies to achieve profitability and gain competitive advantage. Understanding how family firms, come up with innovation represents one of the hardest challenges for innovation and family scholars. Family businesses are often perceived as conservative and traditional, but it is important to note that many of the most innovative firms worldwide are actually family owned. Particularly, according to the existing literature, family firms are affected by the so-called “willingness-ability paradox”, pointing out that family firms have high discretion to innovate but less willingness to do so. While scholars have delved into this phenomenon by focusing on the family firm's involvement toward innovation, the non-family managers' perspective and their interaction with family owners have received only limited attention. Accordingly, and after reviewing and clarifying the main characteristics of innovation, family firms, willingness and ability, the thesis will explore how managers within a family firm navigate and try to overcome the willingness-ability paradox. To answer this question, I use a single qualitative case-study of one of the most renowned Italian companies in the grocery retail sector. Six one-on-one in-depth interviews with senior managers and external consultants were collected. The thesis contributes to the family firm innovation management literature by showing the importance of ties between family owners and non-family members in setting goals and achieving success. Moreover, a need for a general strategic alignment is needed to unlock the family firm's potential, manage the paradoxical behavior, and lead to long-term sustainability.

Resumo

Título: O paradoxo da vontade e da capacidade de inovação das empresas familiares: uma perspectiva sistémica intra-firma

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Palavras-chave: Inovação, Gestão da inovação, Empresas familiares, Capacidade e vontade, Gestores não familiares.

A inovação representa um catalisador que alimenta o progresso económico e permite às empresas alcançarem rentabilidade e vantagem competitiva. Compreender como as empresas familiares inovam representa um dos desafios mais complexos para académicos especializados em inovação e em empresas familiares. Estas últimas são frequentemente percebidas como conservadoras e tradicionais, mas é importante notar que muitas das firmas mais inovadoras a nível mundial são, na realidade, de propriedade familiar. Em particular, segundo a literatura existente, as empresas familiares são afetadas pelo chamado 'paradoxo da vontade-capacidade', indicando que, embora tenham grande discrição para inovar, frequentemente mostram menos vontade de o fazer. Enquanto os académicos investigaram este fenómeno focando-se no envolvimento da empresa familiar em direção à inovação, a perspectiva dos gestores não familiares e a sua interação com os proprietários familiares receberam atenção limitada. Assim, após revisar e esclarecer as principais características da inovação, empresas familiares, vontade e capacidade, esta tese explorará como os gestores dentro de uma empresa familiar navegam e tentam superar o paradoxo da vontade-capacidade. Para responder a esta questão, utilizei um estudo de caso qualitativo único de uma das empresas italianas mais renomadas no setor de retalho alimentar. Foram recolhidas seis entrevistas aprofundadas individuais com gestores seniores e consultores externos. A tese contribui para a literatura de gestão de inovação em empresas familiares, mostrando a importância dos laços entre proprietários e gestão sénior no estabelecimento de objetivos e na obtenção de sucesso. Além disso, a necessidade de um alinhamento geral é crucial para desbloquear o potencial da empresa

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1. Introduction

Family firms are the most prevalent form of business organization worldwide, with important implications for countries' gross-domestic product (La Porta et al., 1999). On the one hand, family firms have often been depicted as conservative, statics, and path-dependent. However, data seems to be showing the opposite, with family firms representing a great amount of the most innovative companies in their industries (Kammerlander & Van Essen 2017). As technology continues to evolve at a rapid pace, innovation has become a key driver for many organizations. Particularly it ensures competitive advantages and sustainability in the long term, making it a vital factor even for family-owned businesses (Röd, 2016).

Starting from Shumpeter's analysis of innovation, where firm size has mostly been compared to market structure (Schumpeter, 1950), a growing body of researchers has focused their attention on family involvement in the innovation decision-making process (Chrisman & Patel, 2012; De Massis et al., 2015; Chrisman et al.2015; Rondi et al., 2019). While family firms are often viewed as risk-averse entities prioritizing controllability due to their emphasis on non-economic objectives like wealth concentration, family harmony, and reputation, which contributes to a low disposition to engage innovation, they simultaneously exhibit greater discretion than non-family firms. This discretion is influenced by factors such as a long-term orientation, the presence of consolidated knowledge, and strong personalized control (De Massis et al., 2014).

Hence, the greater discretion to act embodied by family firms in opposition to their unwillingness to pursue innovation activities leads to what the literature defines the "willingness-ability paradox", with family firms innovating less despite the ability to do more (Chrisman et al., 2015). Within this context, the literature is still considered in its early stage (Duran et al., 2016). Most of the studies conducted have focused on innovation inputs and outputs and innovation activities of family firms without delving into family firms' idiosyncrasies (Kotlar et al., 2014; Rondi et al., 2019). Consequently, in an attempt at a more in-depth analysis of the family, scholars have tried to develop a theory to circumvent the paradox. Firstly, De Massis et al. (2015) developed the concept of "Family-Driven Innovation" described as the set of internal strategic decisions that combine the characteristics of heterogeneous innovation decisions with drivers of family firm heterogeneity. Then, Rondi et al. (2019) by investigating the interaction between the family and the business systems,

unveiled a need for a relationship between the family system dimensions and family business innovation posture led to four different postures family firms are embodied. However, limited attention has been paid to the role of the non-family managers' perspective and their interaction with family owners in the management of the paradox (Broekaert et al., 2018).

Accordingly, this thesis aims to provide a different perspective by focusing on how non-family managers are navigating the paradox and their role within the family system. Managers are an essential variable to be considered in helping family owners in managing the paradox. Particularly, the paradox's effect could be mitigated by defining the extent and the boundaries of goals, and positions and identifying a common pattern among actors.

To answer the research question, this thesis will use a qualitative method by leveraging a longitudinal case study (Yin, 1994) of one of the most renewed Italian companies within the grocery retail industry. Firstly, this thesis provides an examination of the existing literature regarding the family firms realm, how innovation happened within family firms, and what hamper its application leading to the so-called willingness-ability paradox. The third chapter will present the methodology used to collect and analyze the data, justifying the qualitative approach chosen to answer the research question and how the interviews have been structured. Particularly, the interview guide is developed by building upon the notion of willingness and ability provided by the existing literature. Six one-on-ones in-depth interviews with senior managers, external consultants, and a former innovation manager have been conducted. Consequently, the main findings are shown based on the interview results and the literature previously analyzed. In the last two chapters, results will be presented and discussed. Conclusions will follow by pointing out the thesis limitations and recommendations for further research.

2. Literature Review

Innovation has turned into an essential means that enables companies to build their competitive advantage and nurture their economic growth (La Porta et al., 1999). In the dynamic landscape of family businesses, understanding the role of innovation lies as one of the hardest tasks for scholars and researchers, but mostly for family owners and senior managers. Indeed, when it is time to tackle innovation, due to the particularistic behavior of family businesses, a so-called willingness-ability paradox emerges (Chrisman et al., 2015). Starting from a clarification of the real meaning of innovation, the literature review will review extant research of family firm innovation, to then delve into the key components of the willingness and ability paradox.

2.1. Definition of Innovation

In the dynamic and ever-evolving landscape of contemporary business, the ability to innovate has emerged as a critical determinant of a firm's success and resilience (Banbury, & Mitchell, 1995). Organizations are increasingly recognizing the need for innovation to remain responsive to shifting customer demands and evolving lifestyles (De Massis et al., 2013). Innovation serves as an engine of organic growth for firms, as a means to capitalize on the opportunities arising from technological advancements and the changing landscape of markets, corporate structures, and dynamics (Hess and Kazanjian, 2006; Van de Ven, 1986).

In the realm of organizational innovation, a wide spectrum of dimensions come into play encompassing products, services, operations, processes, and the actors behind them. The nowadays rapid pace of technological advancements and global market complexities have intensified the need for firms to embrace innovation as a strategic imperative to create a competitive advantage above their competitors (Banbury & Mitchell, 1995). Moreover, as we navigate the complexities of the 21st century, understanding the multifaceted and transformative role of innovation within firms becomes imperative for scholars and researchers in this field. As a direct consequence, the literature on innovation within firms has expanded significantly in the last decade, offering insights into the different forms, drivers, and outcomes of innovation (De Massis et al. 2013; Röd, 2016).

However, a comprehensive understanding of how innovation permeates various layers of organizational structure, strategy, and performance remains an area ripe for scholarly

investigation. Thereby, the primary objective of this section is to provide a holistic examination of the role of innovation within firms, shedding light on the true comprehension of this sophisticated and crucial term. Considering the multifaceted nature and the broad use of this word in multidisciplinary fields, defining “Innovation” is considered by scholars and researchers as one of the hardest challenges to face before going into a firm’s management structure (Baregheh et al., 2009).

The notion of innovation's pivotal role in organizational survival and growth is far from new. It finds roots in the insights of visionaries like Schumpeter (1950), who, as early as 1950, argued that organizations should continually innovate to revamp the value of their assets. Even before Schumpeter's time, although the term 'innovation' might not have been in extensive use, processes intrinsically linked with innovation and the broader realms of economic and technological change were already recognized as fundamentally important. (Baregheh et al., 2009). The dimension of newness and its association with change emerge as critical factors in some definitions. Van de Ven (1986) posits that an idea is considered an innovation as long as it is perceived as new to those involved, even if it may appear as an imitation to external observers. Kimberly (1981) introduces a nuanced perspective by delineating three stages of innovation – as a process, a discrete item (such as products, programs, or services), and an attribute of organizations. Thompson's (1965) seminal work provides an early and succinct definition, encapsulating the essence of innovation as "the generation, acceptance, and implementation of new ideas, processes, products, or services"(p.2). This definition lays the foundation for understanding innovation as a holistic process involving the conception, acceptance, and realization of novelty within a consolidated system. Moreover, Innovation can occur in various social entities and contexts. A more contemporary perspective, analyzed by Wong et al. (2009), characterizes innovation as the "effective application of processes and products new to the organization and designed to benefit it and its stakeholders" (p.2). This definition underscores the pragmatic utility of innovation, emphasizing its role in organizational advancement and stakeholder welfare. Disciplinary perspectives further contribute to the kaleidoscope of definitions. In knowledge management, innovation is viewed as the creation of new knowledge and ideas aimed at enhancing internal processes and structures, as well as generating market-driven products and services (Plessis, 2007). Conversely, in technologically oriented contexts, innovation is often equated with new products emerging from advancements in technology (Nord & Tucker, 1987).

By looking into this wide spectrum of definitions is undeniable that a unique, common, and clear definition is needed, not only from a scholar's perspective but foremost, from the firm one. In this regard, Baregheh et al. (2009) claim that an exhaustive definition of innovation can be identified by taking into consideration six attributes that include nature, stages, social context, means, and aim of innovation. Therefore, they propose one of the most complete definitions of innovation, stating that "Innovation is the multi-stage process whereby organizations transform ideas into new/improved products, services or processes, in order to advance, compete and differentiate themselves successfully in their marketplace." (pg.1334).

2.2. The importance of family firms

Family businesses emerge as not just economic entities but as foundational pillars that significantly shape the international business landscape (European Commission, 2009). Family firm encompasses a diverse spectrum of enterprises across various sectors and sizes. A study conducted by Ernst&Young and the University of St.Gallen, Family Business Index, (2017), argues that "they would be the third largest among the club of 19 " trillion-dollar economies " that exist in the world, after the US and China.". Moreover, according to the latest statistics from the Family Firm Institute, these familial enterprises collectively represent two-thirds of all businesses worldwide. Impressively, they wield a significant economic influence by contributing to a staggering 70-90 percent of the annual global Gross Domestic Product (GDP). Their impact extends beyond a financial perspective, as family firms play a pivotal role in job creation, responsible for generating 50-80 percent of employment opportunities in most countries across the globe. I

n the United States, a substantial portion of S&P 500 firms— one third—are owned, controlled, or managed by founding families. According to Anderson and Reeb (2003) family firms in the U.S. contribute significantly, representing 80-90% of private sector firms, accounting for 64% of GDP, and employing 62% of the total workforce. Likewise, European family businesses stand out as the most prevalent form of business organization, reflecting their widespread presence and significant role in the economic landscape. From individual sole proprietors to expansive international corporations, these businesses collectively constitute over 60% of all companies, playing a crucial role in various European economies. (EFBN, 2009) For instance, in Germany, family businesses constitute approximately 60% of all companies, contributing to 55% of the GDP and accounting for 58% of private employment. The renowned Mittelstand forms the core of the industrial sectors in this context (Klein, 2000). In Spain, the

significance of family businesses is even more pronounced, with their contribution reaching about 70% of the GDP and encompassing over 75% of private employment, as reported by the Institute of Family Business (IEF, 2007). Further, Italy aligns with other major European economies such as France, Germany, Spain, regarding the prevalence of family-owned businesses. AIDAF Italian Family Business report offers a glimpse into the Italian economy, highlighting the crucial role played by family-owned businesses. These businesses, with a turnover exceeding 20 million Euros, constitute 65% of all Italian enterprises, contributing to a total turnover surpassing 730 billion euros including businesses with a turnover below 20 million Euros, the overall percentage of family-owned enterprises is estimated to rise to around 85% (AIDAF).

This data underscores the pervasive and vital role that family businesses play in shaping the economic fabric on a global scale and their outstanding impact on the field of research.

2.3. Innovation within family firms

In nowadays hypercompetitive industries, characterized by shortened product life cycles, innovation plays a crucial role in gaining a competitive advantage and achieving superior performance over competitors (Porter, 2011; De Massis et al.; 2013; Röd, 2016). Considering the ubiquity of the family form of governance, it is of paramount importance to understand how family firms engage in innovation activities by leveraging their resources to transform innovation inputs into innovation outputs. Family firms have frequently been depicted as conventional enterprises that avoid pursuing new opportunities, follow conservative strategies, and, in the end, demonstrate less innovation compared to other organizational types. However, as previously described, family firms represent more than 50% of the most innovative European companies and lie as one of the most relevant forms of business in contributing to job creation, countries' GDP growth, and national economic reputations.

Moreover, if on the one hand, the tendency to innovate within family firms and the benefits that entail are fostered by high-level of personalized control, low formalization, long-term investment horizons, and alignment of interests between owners and managers (Carney, 2005), on the other hand, substantial risks, resource commitments and the consequent lack of skills, time-intensive process for tangible outcomes, hesitancy to share control with non-family members, and a strong desire to minimize reliance on external financing leads to a common belief that family firms are less willing to innovate than their non-family counterpart (Chrisman

and Patel, 2012). Hence, the dual nature that characterizes family firms, and the pivotal importance that the construct of innovation has assumed in the last decade (Chrisman et al., 2005), has driven innovation and family scholars to pay incremental attention on this controversial topic, leading to an incremental number of studies in the management of innovation. The literature on innovation has its origins in the analysis conducted by Schumpeter that has been the underpinning for much work on the topic. (Ahuja et al., 2008). For decades, firm size and market structure were widely analyzed as the main variables in determining innovative behavior (Ahuja et al., 2008)

However, the role of family firms has been neglected by innovation scholars for decades. As a result, family business scholars have shifted their attention to analyzing the previously ignored involvement of the family and its weight in the adoption of innovative activities. (Chrisman et al., 2015). The studies conducted have mainly focused their attention on the effects of the introduction of new products and processes (Page & Schirr, 2008), the extent on transforming innovation inputs into innovation outputs (Röd, 2016; Duran, et al., 2015), and the types innovation activities mostly showing remarkable differences in the way family firms implement such activities and the drivers considered in comparison with their non-family counterparts (Duran et al., 2016).

2.4. The willingness-ability paradox

Recent scholarly research has proposed that innovation in family business contexts faces a challenge known as the willingness-ability paradox. Thus, family firms might be less inclined to embrace innovation (willingness), even though they have higher discretion (ability) to innovate as much or even more than their non-family counterparts (Chrisman et al., 2015; De Massis et al., 2014). Particularly, nowadays, paradox has become a critical theoretical lens for understanding and leading contemporary organizations in the face of globalization, innovation, hyper-competition and a continuous change in consumer demand. (Smith and Lewis, 2011)

2.4.1. What is a Paradox?

Smith & Lewis (2011) define paradox as “contradictory yet interrelated elements that coexist and endure over time. Such elements seem logical when considered in isolation, but irrational, inconsistent, and absurd when juxtaposed.” (pg. 382). A paradox points to elements

or dualities that exhibit opposition to each other, yet concurrently demonstrate synergy and interconnectedness within a broader system (Cameron & Quinn, 1988). Moreover, paradoxes can often be compared with dilemmas, due to a paradoxical component of the latter. Unlike dilemmas, where resolution stems from making choices or tradeoffs, paradoxes persist because of the need for both contradictory perspectives. In essence, the tensions embedded in family business paradoxes are not meant to be resolved but rather managed adeptly (Smith & Lewis, 2011). When is time to tackle a paradox within an organization, Lewis (2000) warned of the pitfalls of myopic responses to paradoxical tensions. In the absence of paradoxical thinking, a narrow focus on only one facet of tension can backfire, intensifying demands for the neglected counterpart. Hence, the repercussions of the paradox effect extend to the realm of decision-making, culminating in a state of paralysis (Smith & Lewis, 2011). The family firm, with its unique and idiosyncratic set of dynamics and non-economic goals, is not exempt from this constraint, on the contrary, their heterogeneity leads to more complex solutions. The Paradox theory, championed by Lewis (2000) and Smith and Lewis (2011), proposes a way forward. Leaders who adopt a paradoxical mindset, those capable of embracing and synthesizing conflicting demands, stand poised to harness the positive potential inherent in paradoxes. This mode of thinking turns into a strategic orientation that equips family leaders with the agility to navigate the key challenges that define family firms behavior. Particularly, De Massis et al. (2014) argued that “ability and willingness are necessary but individually insufficient conditions. Sufficiency requires both, not just one or the other.” (p.345). Therefore, is of paramount importance to solve the paradox by analyzing both sides of the coin: Willingness and Ability.

2.4.2. Definition of Ability

De Massis et Al. (2014) define ability as the “the discretion of the [involved] family to direct, allocate, add to, or dispose of a firm’s resources. It also includes latitude in selecting the goals of the organization and in choosing among the range of feasible strategic, structural, and tactical decisions.” (p.346). Moreover, ability entails careful consideration in selecting organizational goals and in choosing among a range of feasible strategies and tactical options (Hamblick and Finkelstein, 1987). When is the time to define future strategies family owners must answer the question: How can we go there? What do we need to go there? This concept has been introduced by De Massis et al. (2015), where ability is depicted as the family’s

strategic control based on the power and legitimacy of the family owners. On the other hand, ability entails a resource-based component that refers to the strength of the family's owner in managing the resources and capabilities that a firm needs to employ in order to achieve its goals. Ability within family firms is shaped by the owner's power and legitimacy in the decision-making process due to their strong presence in the firm's ownership and governance. The high discretion that contradistinguished family firms is spurred by a distinctive and personalized level of controllability, a long-term vision in selecting projects and strategies, and the presence of tacit knowledge present in the DNA of these family-run realities. Meanwhile comparing family firms with their non-family counterpart, the low bureaucracy level, capital availability and a strong reluctance in chasing external finances may put them in a favorable disposition (Carney, 2005; Röd, 2016). However, the uncertain outcomes that derive from navigating this new domain and the high level of risk that may ruin the family firm's controllability over the firm could lead to a blockage in the process. (Rondi et al., 2019)

2.4.3. Definition of Willingness

On the other hand, willingness has been described as “the disposition of the family owners to engage in idiosyncratic behavior based on the goals, intentions, and motivations that drive the owners to influence the firm's behavior in directions diverging from those of non-family firms or the institutional norms among family firms” (De Massis et al., p.344). In this case, the construct of willingness incorporates the question “Where do we want to go?”, including the objectives, intentions, and motivations that compel family members involved to shape the behavior of the firm in ways that diverge from those pursued by non-family firms. Moreover, due to their heterogeneity and particularistic component, family firms may be more oriented in chasing non-economic goals such as harmony and status, whereas others may focus on profit maximization (Miller & Le Breton-Miller, 2005; Chrisman et al., 2012).

The component of willingness is highly influenced by family ownership, particularly by their strong need to preserve control within the system and consequently not exceed their boundaries (Gómez-Mejía, et al., 2007). Moreover, innovation activities involve the demand for certain skills, that in combination with the demanding time to reach valuable outputs enhance the unwillingness behavior of family firms (Chrisman et al., 2015).

2.4.4. Types of willingness-ability paradox

Since innovation within family firms is driven by input and process that lead to the creation of outputs, family scholars have identified practical examples of the willingness and ability paradox.

While analyzing innovation inputs, scholars have pointed to a negative correlation in allocated firm resources in R&D activities (Chrisman & Patel, 2012). Indeed, despite a greater owners' power and legitimacy in the allocation process, the high concern for current control over the company, combined with the need for high performance and a large amount of human and financial resources (Garcia and Calantone, 2003), lead family firms to invest less in R&D than non-family firms (Chrisman & Patel, 2012). However, when is time to transform innovation input into innovation output, family members presence in top management position seems to guarantee a higher conversion rate. On the other hand, when the CEO is also the founder the results are the opposite, pointing for a negative correlation. (Chrisman & Patel, 2012).

Shedding light on innovation activities, family firms are perceived as highly reluctant in engaging open innovation due to their strong commitment to controllability (Chiaroni et al., 2011) Indeed, sharing control outside their boundaries implicates a lower control over the firm (Kotlar et al., 2014). Consequently, family owners tend to assume an inclination to not rely upon third parties despite a superior ability to identify opportunities and acquire knowledge from outside their boundaries thanks to their focus on non-economic goals, such as emotional attachment, identity, reputation, and social ties (Berrone et al., 2012).

Finally, scholars have found that innovation outputs are directly correlated to the family governance dimension (Chrisman & Patel, 2012). Focusing on disruptive technology acquisition, family firms tend to express a strong preference for reliable performance over exceptional performance. As a consequence, they take longer time in the decision process due to the high level of uncertainty that the employment of such novelty entails. However, evidence showed that thanks to a higher degree of flexibility (De Massis & Kotlar, 2013) and strong efficiency in transforming innovation inputs into innovation outputs, they are faster in the implementation phase in comparison with their non-family counterpart firms (König et al., 2013).

2.5. Focus on the intra-organizational structure

Innovation management scholars have largely focused on firm-level drivers of innovation, starting from the Schumpeterian tradition where firm size and market structure had been prioritized (Ahuja et al., 2008). Moreover, in family business innovation research, there has been a predominant emphasis on exploring the firm's perspective, with innovation scholars that have mostly ignored family as the core distinctive variable. (De Massis et al., 2015).

Within this literature research, driven by a call to solve the paradox, has tried to provide solutions by emphasizing the role of the family. On the one hand, De Massis et al., (2015) developed the concept of “Family-Driven Innovation” described as the set of internal strategic decisions that combine the characteristics of heterogeneous innovation decisions with drivers of family firm heterogeneity. Particularly, they argued that “Creating fit among these contingency factors is of pivotal importance to resolving the paradox in family firm innovation, unlocking the innovation potential of family firms, and allowing them to build competitive advantage.” (pg. 12)

On the other hand, Rondi et al. (2019) by investigating the interaction between the family and the business systems, have unveiled a need for a relationship between the family system dimensions, respectively based on family cohesion and goal diversity, and family business innovation posture, compounded by different combination of risk-taking propensity and tradition attachment that led to four different posture family firms are embodied.

However, the current literature is calling for more insights regarding the non-family member's position within the family systems (Sharma, 2004; Yu et al., 2012). Indeed, the non-family managers' perspective and in particular their interaction with family owners have received only limited attention (Broekaert et al., 2018). As previously stated, the family owners showed a higher concern for control. Ownership gives them the power and legitimacy to design the route of the firm's goal and tactical strategies. Focusing on the inner-strategic relationship within the family system, it seems like family owners want managers to take more risks than managers are willing to take. However, when is time to invest in innovation, the inherent unpredictability of innovation outcomes prevails in influencing managers' behavior, since their rewards are linked with final results. Therefore, it is crucial to establish effective relationships

and goal-setting between family and non-family members to determine the appropriate incentives for investing in innovation (Ahuja et al, 2008).

Accordingly, given the limited research around synergies between owners and managers, this thesis will provide an intra-firm perspective on how non-family managers navigate the willingness-ability paradox within the family system. Shedding light on the role of non-family managers and their interaction with the family firm's top management will provide a better understanding of family firms' needs in engaging innovation and how the available resources and mechanisms within the firm could be better managed in order to reduce the paradoxical effect and foster innovation progress.

3. Methodology

3.1. Qualitative approach

In order to understand how senior managers could internally help in managing the paradox, a qualitative approach has been chosen. The qualitative approach has been recognized as a valuable tool to describe complex phenomena (Spencer et al., 2014) and it was largely used by family firms' scholars in previous studies. More specifically, semi-structured interviews have been used as primary qualitative data to build a longitudinal single case study (Yin, 1994) of one of the most renowned Italian companies within the grocery retail sector¹. However, previous literature has mainly focused on the firm-level (products, processes, innovation input and output) and family members' roles within the family firm structure. Considering the preliminary findings and unsatisfactory implications, this thesis aims to expand by pointing out non-family managers' perspectives, their interaction with family owners and how they can effectively manage the paradoxical behavior.

3.2. Case selection

As this thesis was looking for revelatory cases, I purposefully selected an Italian family firm¹, within the grocery retail industry, that I knew was facing the family innovation paradox and looking for solutions on how to overcome it (Fletcher & Plakoyiannaki, 2011). The

¹ For privacy reasons the name of the company is removed.

selection and access to the case were facilitated by an ongoing internship experience within the company.

3.3. Data Collection

For the case study, I rely on semi-structured interviews that allow for adaptability in questioning, enabling exploration and ensuring that participants feel comfortable elaborating on their experiences (Creswell et al., 2006). Moreover, the choice of gathering primary data through interviews was in line with the subject at hand, which specifically requires insight into the motivation and decision processes of the people involved (Yeo et al., 2014).

The interview protocol is mostly standardized on the key challenges captured from the existing literature on the paradoxical behavior that family firms are used to assume (Wilson, 2014). Particularly, it is comprised of a set of open questions ranging from non-family managers' and external consultants' perspectives of innovation within and outside the family structure, their disposition and discretion to engage in innovative behavior, what could hamper the adoption of innovation activities and how they perceive their role within the family system. The interview ended with a conversation about what is missing and their opinion of how the paradox could be solved, as detailed in Appendix B. Particularly, six participants, comprising three senior managers, a former innovation manager, and two external consultants, have been selected for their significant roles in the family firm analyzed and their expertise in the innovation field, since they possessed first-hand knowledge of the processes under investigation. As active participants in decisions regarding innovation activities, these managers represent key informants who have important insight into an organization's identity (see Appendix A) (Davis & Meyer, 2004). This intentional diversity in participant selection enriches the data collection process, capturing a range of perspectives. Moreover, the possibility of interviewing people internal to the company, external, and additionally the former innovation manager with both perspectives, has been revealed to be fundamental in conducting a triangulation of the observed data from the various interviews. Typically interviews lasted approximately 1 hour but some occasionally extended to almost twice that duration. Follow-up emails were sometimes used to clarify issues or points of information. In order to ensure that the responses were unbiased, the interviewees did not have prior access to the questionnaire (Rugg & Petre, 2006). The one-on-one interview allows the interviewer to explore social and personal issues in depth (DiCicco-Bloom & Crabtree, 2006). It is precisely this ability to adapt

the interview to the situation that gives it an advantage over more standardized methods of survey research (Wilson, 2014). Prior to each interview, participants were provided with general information about the study's purpose, confidentiality measures, and their right to withdraw at any stage. Informed consent was obtained from each participant. All interviews were audio-recorded with the participant's consent. The recordings served as a crucial resource for ensuring accuracy during subsequent transcriptions and for capturing shades in participants' responses. All the interview recordings were transcribed into a document ready for analysis, to ensure accuracy and consistency.

3.4 Data Analysis

With the research question in mind, a thematic analysis has been used since it is considered as the best approach in identifying the patterns of how participants respond to a question, allowing for great flexibility through the analysis of data and in the identification of patterns (Nowell et al., 2017). I used the literature review to first identify a list of first-order codes comprising the main concept that shaped willingness and ability within family firms, and consequently their strategy in engaging innovation. I then began the analysis with an open coding phase where I went through the interview transcripts multiple times. The sections of particular interest were labeled and added to the existing list of codes. Particularly, the use of the so-called “in vivo coding” enables the creation of specific codes from the participant's own words, preserving the authenticity and richness of their expressions (Bingham A., 2022). Appendix C presents an example of how the interview transcripts were initially analyzed. Then, the code patterns identified that showed similarities were summarized into first-order categories. In the second step, we collapsed the related first-order categories into more abstract second-order themes to establish connections and linkages between concepts. This led to the creation of six second-order themes namely the importance of people, strong alignment, commitment to tradition, department hierarchy, family firm approval, and economic limitation themes (see Appendix D). When additional information or clarification was needed, the full interview transcript was revisited. Both the first and second-level codes helped identify commonalities and differences and aided in structuring the findings. Finally, I linked the second-order themes to the aggregate dimensions, obtaining the final data structure, illustrated in Figure 1.

4. Findings

The findings presented in this chapter are intended to highlight the characteristics of the key challenges that affect family firms in adopting innovative behavior. Hence, the following sections aim to explain the second-order concepts extrapolated from 6 semi-structured interviews with senior management and external consultants, with the final purpose of understanding not only the owners' perspective but also explaining the way directors and external consultants perceive those constraints by taking into consideration the extent of the family influence.

4.1. Willingness

4.1.1. Individual Characteristics

In investigating the real definition of innovation and what hampers the adoption of innovation activities within the family firms, respondents have underlined the imperative importance of people. Managers could be described as “innovation ambassadors”, fundamental in shaping companies' strategy and driving changes.

“What makes the difference is the people you work with. People makes the change companies need.” (Respondent 5, External consultant)

“I think that family firms need to make a big effort to get the right people involved.” (Respondent 3, CFO)

“Yes, managers are essential, absolutely fundamental, absolutely fundamental. They become the innovation ambassadors. (Respondent 6, External consultant)

Moreover, adopting innovation entails that managers must embrace a precise mentality, with a certain degree of openness and propensity to navigate in domains with a high level of uncertainty. Interviewers have highlighted the importance of a change that must be adopted by all the people involved in the system. Indeed, if only some of the directors were moving forward in a certain direction, the changing process would be hindered. Hence, before taking into consideration the adoption of new activities, a general change of mentality is needed.

“Innovation is a concept [...] further a change of mentality. Before taking in consideration adopting a new action, a change of mentality is needed from all the actors within the system.” (Respondent 1, Head of Innovation)

“Innovation is undermined by people's mindset. Yes, I would say that it's more related to the mindset, we have to look at what is people's mindset, the managers, how you work in your daily life.” (Respondent 2, CIO)

“There is a physiological aversion to change. The newness is frightening. [...] In my opinion, a person is not old for his anagraphic, but when he gives up on experiencing the new. This is true for companies, but it is also true for people. Remember that companies are collections of people. So, the goal is to understand what prevents you from moving smoothly towards innovation. [...] the person makes the context. It depends on your openness level, and how curious you are. But if the context was oppressive, even an open-minded person would be oppressed. (Respondent 3, CFO)

Behaving idiosyncratically is what contradistinguished family firms from their non-family counterpart. Hence, within a company, not only do family owners tend to be influenced by motivation and intention, but managers are impacted as well. Particularly, different personalities could prevail within the structure since their behavior is highly committed to the family structure and how they perceive the extent of change. Directors have emphasized the need for more flexibility, where individuals who are willing to embrace change should be the ones leading management.

“In every company, there are different relationships because of different mentalities. I would divide them into three categories: the skeptics, the antagonists, and the super collaborators. With the latter showing a propensity to adopt and explore the newness and the previous more attached to the status quo. While the skeptic remains in the middle between possibility and uncertainty” (Respondent 4, Former Innovation Manager)

“A lot depends, then, on the people. So, if you manage to maintain a “refreshed” management level, it is clear that you may stimulate acceptance of new things. On the other hand, in these companies, you also find more established, conservative managers who are hardly inclined to change because change or innovation is a risk. A person who has been doing the same thing for years is improbable to take risks. The young person, or in any case the fresher mind, is willing to take risks because they have a more flexible mentality, so they are not afraid of making mistakes”. (Respondent 2, CIO)

4.1.2. Department Strategic Inclination

Directors can be seen as a fundamental resource in setting the course to be followed. In this respect, all interviewees agreed that a strong need for alignment between departments, dictated by a sort of internal education, is crucial to accelerate the process.

“In my opinion, education is fundamental, it means explaining, and it means making sure that all colleagues and the ownership are aware of what is happening outside, and what the trends are. It is therefore very important to create synergies, to bring these various figures together and align.” (Respondent 1, Head of Innovation)

“We need a general change of mentality that involves all departments, not only the Innovation Intelligence, figures who do not think only of their own garden and therefore of their own department, but figures inclined to change.” (Respondent 4, Former Innovation Manager)

However, achieving a consistent level of alignment between departments is still seen as one of the most difficult tasks to integrate into the family system. Indeed, due to the imprinted method that the founder transmits to senior managers and the new degree of freedom offered by the new ownership have led to the emergence of controversial beliefs. On the one hand, some managers perceive a new high level of cohesion with a propensity to behave in a more altruistic way.

“I see a lot more sharing, [...] there is a propensity for a more altruistic attitude, to achieve greater success.” (Respondent 2, CIO)

“However, at the same time, there is a propensity for a more altruistic attitude.” (Respondent 3, CFO)

“Fundamental, in this perspective, has been the generational change within the management, particularly with the birth of a task force dedicated to innovation. This will certainly lead to greater alignment in the decision-making process for new projects.” (Respondent 4, Former Innovation Manager)

On the other hand, despite the environmental change within the company, directors feel a component of obstructionism. Particularly, when is the time to present or adopt innovation activities, individualism among specific departments tends to prevail, with managers that seem to be influenced by the imprint of the past. The founder's centralization of power facilitated a faster and smoother decision-making process. However, some managers view the need for cohesion as a potential conflict, as a single 'No' can impede an entire project's realization.

“What I see is that there is still enough closure on average [...]there is still some residue of the previous imprint where people think of their own garden.” (Respondent 1, Head of Innovation)

“At the moment there is perhaps a lack of alignment. [...] There is an alignment between the different historical directions such as between sales and buyers, between IT and technical management.” (Respondent 3, CFO)

“If someone has an opposing view, they generate blockages and slowdowns. With the founder, it went much faster, whereas today there are many situations of obstructionism, where a 'No' is enough to slow down the company's activity. You are not only eroding group cohesion, but you are slowing down business choices and that is the worst thing that can happen to a company.” (Respondent 2, CIO)

Essential in fostering, both discretion and disposition, alignment between owners and managers is of undeniable importance in tracing a common route. Both managers and consultants are pointing out the necessity for a direct alignment that must be done from the top otherwise, the changing process would grind to a halt.

“Especially in a family business, collaboration and sharing similar ideas are crucial. It is not enough just to have an innovation manager, but you need total sharing, starting from the ownership, through the general manager, the HR manager and so on.” (Respondent 5, External consultant)

“Ownership must absolutely drive change, otherwise there is no other solution. There has to be a very strong endorsement from above, and a push from above as well as a desire to believe in it. We are talking about a family business based on the entrepreneur, based on a very precise recipe, so the family, the owner, has to lead the way. It is impossible if, on the other hand, the entrepreneur does not believe in it and does not want to experiment.” (Respondent 1, Head of Innovation)

Following the intra-family succession, the new ownership appears to have higher expectations from directors. Specifically, senior managers have been granted greater autonomy and are expected to take a decisive stance when presenting new projects. Particularly, the establishment of a department fully dedicated to innovation projects has established a sort of “break with the past”. Decisions should be made based on strong synergies among departments to avoid the risk of making decisions solely based on the power and might of new technologies, without considering the true needs of each department and streamlining operations.

“The family expects a much more important role from the managers. What the family expects is that they make decisions, clearly shared. Furthermore, these decisions must be shared with the group, not by the individual. There is an expectation of cohesion among the managers, and dialogue is needed. Before you get in front of the ownership, everyone has to agree. But the way must be dictated from the top.” (Respondent 1, Head of Innovation)

“For me, there must be clear ideas. If there are no ideas, it's not technology or the power of new tools that will provide the answers. You have to prioritize, set a clear course and understand how to harness the potential of these innovations to create value.” (Respondent 3, CFO)

Additionally, managers strongly believe in the need for people with a strong leadership component in shaping the deployment of new solutions within a system highly committed to traditional product lines. People who are still aligned with the usance of the past may represent obstacles in the making-decision process.

“This new generation needs someone who can focus on efficiency, who can create new value by following the vision of the company itself.” (Respondent 3, CFO)

“You must understand the new idea, and understand what it is, and what really means, understand the idea in depth, make it your own, and then implementing it.” ((Respondent 1, Head of Innovation)

4.1.3. Commitment to Tradition

Practices of the past could hamper the adoption of new technologies. Indeed, family firms, are strongly penalized by longer decision processes than their non-family counterpart. People may exhibit reluctance to embrace change due to uncertainty regarding the outcomes and a preference for the status quo. Family businesses differ from non-family businesses in their strong need for controllability, which defines the feasibility and efficiency of undertaking such actions. In particular, all senior managers have repeatedly emphasized the need to preserve the company's core business, which is mainly based on operations along the supply chain.

“The goal is to move from effectiveness to efficiency without distorting the company's tradition. [...]the company wants to continue to be a retailer and do its core business.” (Respondent 3,CFO)

“Safeguarding the operations department and involving all departments.” (Respondent 1, Head of Innovation)

“Directors of the departments, we have to identify projects and ideas that are closely related to the reality in which we find ourselves, in which the company finds itself, means always taking into account the elements of history, the economic limits, the needs of the company, the needs of customers [...]we are talking about a family that has inherited what the founder built.” (Respondent 2,CIO)

The external consultants also stressed the concept. When it was time to start a new project and define the goals, particular attention was given to the preservation of operations.

“Since the firm is really focused on the operational side, what represents something new, in terms of products, processes, technologies, etc. needs to be implemented without hampering its proper functioning.” (Respondent 5, External consultant)

“When we started a new project, we conducted an initial evaluation with other figures outside the innovation intelligence, mainly related to operations.” (Respondent 6, External consultant)

Due to their strong commitment to non-economic goals, family firms exhibit a strong need for control over the firm. Moreover, both managers and consultants have remarked on the attention to every detail and high level of quality in the final results, with a long history to protect. Preserving the core business therefore leads to a careful selection of projects and new strategies, with a focus on results and not on appearances. Additionally, the Chief of Innovation Intelligence emphasized the importance of actively pursuing customized projects. This involves a strategic approach of identifying and collaborating with the most suitable partners to deliver optimal solutions tailored specifically to the unique needs and challenges faced by the company. By engaging in tailored projects and forming partnerships strategically, the organization aims to enhance its innovation capabilities and ensure that the solutions developed align seamlessly with its objectives and operational context.

“The company externally is perceived like a “Swiss watch”, you must deliver projects that have a precise roadmap, guaranteeing quality.” (Respondent 4, Former Innovation Manager)

“Is a highly efficient machine, super organized with a strong commitment to pursuing quality” (Respondent 2, CIO)

“The first is the fact that you come from a success story or at least you expect great attention to detail and great quality, almost perfection.” (Respondent 3, CFO)

“We want to deal with much tailored projects, in terms of capabilities and size [...] The goal is to identify the right partners and people with whom to discuss within the company, the real end customer. [...] You do not have to be risk-averse when you want to innovate and, at the same time, you have to understand whether a certain innovation can have a fit with the business or whether it is a waste of time, let's say. So, it is crucial to identify the right innovation for your business.” (Respondent 1, Head of Innovation Intelligence)

Moreover, the owners, in line with the Innovation team, in order to preserve both the core business and achieve a high-level of quality have identified the necessity to separate innovation

activities from daily operations. An interesting perspective has been given by the former innovation manager, responsible for the creation of a safe harbor:

“The owner realized that the innovation department had to be separated from operations. Operations would have slowed down, and then the strategic decision was to put a person outside the company operations, in charge of the innovation department. [...] That is how the concept of the safe harbor was born, pursuing preservation and quality.” (Respondent 4, Former Innovation Manager)

Preserving the core business entails a low-risk propensity in their day-to-day decisions. Indeed, risk is the first variable that has been taken into consideration in defining the unwillingness components that family owners adopt in their day-to-day operations. Adopting innovation entails managers must navigate in domains where uncertainty and significant levels of risk prevail. Due to the governance structure, family owners are primarily responsible for the risk and person outside the system would think that managers are entirely free and ready to adopt a risk-propensity attitude. Conversely, to perverse the perfect operations' flow within daily activities, they tend to assume a zero-risk profile, pursuing efficacy rather than efficiency. In this regard, interviewers state that managers are more inclined to habitual actions, dictated by the status quo of the system, rather than seeking greater level of profitability by reducing costs and increasing revenue numbers, which entails navigate new domains with higher risk.

“[...]it is a company with a zero-risk profile. All the risk is on the shoulders of the entrepreneur. Everyone else, on the other hand, navigates the system with the aim of having no issues, always looking for effectiveness rather than efficiency.” (Respondent 3, CFO)

“Everyone strives for effectiveness by doing what they do best. If the owner tells me to do it, I do it, whatever it takes.” (Respondent 2, CIO)

4.2. Ability

4.2.1. Department hierarchy

When is the time to allocate, add, and dispose firm's resources, power and legitimacy prevail in selecting goals and feasible strategies. Within the company, department hierarchy is very important. Indeed, the weight of departments within the company is different because of their predominance among operations within the company as stated by directors.

“The company works a bit “on floors”. On each floor, there are different departments with different weights.”
(Respondent 3, CFO)

“The weight they have is crucial. The innovation intelligence department, in terms of its consideration and strength within this orchestration, was high. There was a very high level of energy and strength in decision-making, as well for other directors, who are able to influence the system.” (Respondent 4, Former Innovation Manager)

Within this manifold orchestration of departments, the majority doesn't always have the strength required to push new projects and receive the free vial of the property.

“It is not necessarily those who prevail in numerical terms who have the greatest decision-making power. Very often it was enough to have a few in opposition and not to move forward.” (Respondent 4, Former Innovation Manager)

When it is the time to present something new, that usually has to receive a check from the ownership, interviewers have remarked on the power to influence of certain directors, Moreover, past successes achieved by senior managers in the company are fundamental since they are perceived as a boost in fostering innovation activities. Considering the innovation outputs of family firms, where the decision stage takes longer time than the implementation phase, pointing to managers' weight could be a solution to solving the paradoxical behaviors.

“When you have to sell a project, that is part of your department, you have to pay attention to what the budget is, as each department within the company has its own budget. Secondly, you then have to go and convince the owner. Usually, we start with a figure, a director with a certain weight.” (Respondent 1, Head of Innovation Intelligence)

“The weight they have is primarily mental, they have the power to influence. It depends a lot on the scope of the decision to be made, if a technological decision is to be made, the IT director is given a lot of leverage for example [...] So, depending on the area, there is always an opinion that is worth more or at least weighs more. If a manager in his past has already brought certain goals home, he clearly has more authority then in the discussion.”
(Respondent 2, CIO)

4.2.2. Family firm approval

Family firms' need for personalized control, long-term vision and straightforward availability of capital are the main features that guarantee a high level of discretion when is time to allocate family resources. However, a strong commitment to preserving control could

curb firms' propensity to engage an innovative behavior. Over time, the family firm has gained outstanding public recognition. Precisely, the company encompasses 70 years of history, leading the Italian grocery industry with an unreachable level of quality and precision.

The owner's imprint is everywhere and the value he assigned to the company was passed down to the next generation. Moreover, he was the entity in charge of every decision, no matter the importance.

"You used to have an owner who managed everything from office space to suppliers' selection." (Respondent3, CFO)

"The company has elements of culture that it needs to preserve." (Respondent 6, external consultant)

"It must be made clear that the founder was the one who built everything down to the smallest detail. For almost 70 years. He had a clear modus operandi, and he was the one who always made the final decision, with a strong commitment to quality and precision." (Respondent 3, CFO)

Consequently, those characteristics have led to an enormous level of controllability, strongly perceived by directors, who also felt to have the freedom to explore but not to decide because, in the end, the final decision belonged to the founder.

"I had to abide by the rules of the house, maximum pragmatism." (Respondent 4, Former Innovation Manager)

"Little, little freedom of decision, total freedom to explore, but after the final decision it is always up to the top management of the company." (Respondent 1, Head of Innovation Intelligence)

"Especially the directors of the departments, we have to identify projects and ideas that are closely related to the reality in which we find ourselves, in which the company finds itself, means always taking into account the elements of history, the economic limits, the needs of the company, the needs of customers." (Respondent 2, CIO)

The need for controllability has also been perceived by external consultants, especially in the decisional stage where fundamental considerations must be taken for the evolution of the project itself. From the beginning of the projects, managers have a high degree of freedom but when is time to decide either to continue or to stop, the ownership involvement always prevails.

"The decision of the family was essential for the project's evolution, when there were decision gates. For example, let's go ahead or not, let's go deeper or not." (Respondent 5, External consultant)

However, consultants have remarked that despite the evident family willingness to preserve control, the freedom that managers hold during the project evolution was higher than other family firm realities, highlighting the idiosyncratic behavior that family firms tend to assume in defining goals and tactical strategies.

*“The level of freedom that managers had during our collaboration was higher than other realities”
(Respondent 5, External consultant)*

The fact that family firms are perceived as “laggards” in adopting a new technology in comparison with their non-family counterpart is clearly a consequence of the needs for controllability. Both directors and external consultants, due to a higher pace of change, have pointed out the necessity to reduce the decisional process time in order to stay competitive ahead of their competitors.

4.2.3. Economic limitations

Despite a higher decisional power, that still is perceived to be restricted, senior directors have underlined the importance that budgeting assumes within the company. Particularly, as mentioned in the previous chapter, the departments’ hierarchy, based on the contribution to operations, along with the director's successes is of pivotal importance in defining the extent of resources allocation for each division. The company comprises multiple departments, and each department head has the freedom to manage their budget. It is important to note that internal politics can arise due to resource allocation, which can lead to project management delays.

“The real constraint is represented by the budgeting, particularly the extent of how to share internal resources in light of new projects” (Respondent 1, Head of Innovation Intelligence)

“When you have to sell a project, that is part of your department, you have to pay attention to what the budget is, as each department within the company has its own budget.” (Respondent 2, CIO)

“In our governance, each department has its own budget. There is a lot of freedom to decide how to spend your budget. The difficulty is to put them together and then understand how to allocate those resources.” (Respondent 3, CFO)

Innovation is always correlated with risk because companies are approaching new methods, activities and ways of thinking that entail losing the variable of controllability. However, external consultants, in line with senior managers, have stressed the concept of exploration. This behavior does not guarantee a certain ROI, but it accelerates the process of deploying new projects pointing to a need for a high level of risk. Moreover, as stated by the CIO, the company has been the result of a lot of failures, that have been understood and fixed through the years leading to today's results. Consequently, the solution is to navigate the uncertainty by seeking a compromise between the payoffs and what an innovation may entail. Family firm's owners firm should review its past by recalling the path that has led to today's success.

“The risk-propensity is an essential condition while innovating, even though it does not guarantee a certain ROI. [...] Family owners need to relinquish control and attention to profit maximization and start to exceed their boundaries” (Respondent 6, External consultant)

“Innovation also involves making mistakes. The company itself acknowledges this; the result you see today of Esselunga is the product of many mistakes, which were subsequently rectified until the value was created, hence profit. We must not be afraid to make mistakes. However, on the other hand, you must be able to deliver results. Therefore, the key lies in making mistakes, discerning where you went wrong, and endeavoring again.” (Respondent 2, CIO)

5. Discussion

This chapter will discuss the findings obtained from the six one-on-one in-depth interviews and highlight the contribution to the existing literature. The latter has so far focused solely on the impact of family involvement on innovation inputs, activities, and outputs, neglecting the significance of non-family managers within the system and the benefits that family owners could accomplish through profitable synergies. In this regard, Broekaert et al. (2018) state that “the non-family managers’ perspective on delegation of control by the family and the related interaction between them and the family owners has received relatively little attention.” (p.197).

What emerges from the findings is the significance of non-family individuals within a family firm. Particularly, the results demonstrate a requirement for specific managers who possess a fresh, open-minded approach and are willing to explore uncertain domains that are inherent in the definition of innovation. This requires non-family members with a strong leadership component and a clear idea of how to operate within the system. Moreover, senior managers agreed that the necessity of “a clear route” must be traced from the top, with a common set of instructions coming directly from the owners. Indeed, the study conducted by Matzler & Veider (2013) shows the importance of supervision and the presence of family members. Particularly, family firms are very effective in their innovation efforts if family members are actively engaged in managing and supervising the firm.

Focusing on controllability, although previous literature pointed to the attention of family members’ strong commitment to control over their firm (Gomez-Mejía et al., 2007; Berrone et al., 2012), the interviewees have revealed that the new owners’ generation has higher expectations from senior managers, who have been granted greater decision-making power.

If on the one hand the founder's strong attachment to the company's legacy and the imprint he left ensures the continuity of tradition and the preservation of the firm’s core business, on the other hand, it also persuades non-family members to adopt a conservative behavior, leading to a low level of risk propensity. Thus, the founder’s imprint seems to clash with the different visions of the new generation, leading to a paradox that encompasses both family owners and non-family members.

Overall, the interviews have confirmed a strong need for a general alignment among all departments and the family owners. While in the past, the concentration of power in the founder’s hands resulted in a more flexible decision-making and operational process, since the risk was intentionally placed on him. Now, despite the perception of a more collaborative attitude among departments dictated by the above-mentioned willingness of the new owner’s generation, there is still a component of obstructionism. Particularly, the blockage is caused by the senior managers themselves. The strength of certain managers, acquired through previous successes, and the weight of their departments, which is also linked to the firm’s tradition of focusing on the operational side of the business, have led to internal inequalities and friction in the decision-making process. Especially, when is time to tackle the evaluation of disruptive technologies, a mismatch between different senior managers’ perspectives can result in significant slowdowns. This contributes to what has been repeatedly stressed by the family firm literature, namely that family firms take longer time than their non-family counterpart to adopt

discontinuous technologies (König et al., 2013) despite having capabilities for higher effectiveness in converting innovation inputs into innovation outputs (Carney, 2005).

Understanding the rapid pace of change of nowadays economies and the need for tailored projects, keeping the flow of operations intact, the family owners have decided to establish an internal department fully dedicated to innovation projects. Although it was initially perceived as a clear direction to reduce the family's control on behalf of non-family managers, there is a clear risk that the new department could have been perceived as a liability instead of an asset. Indeed, in answering to the question about the level of decision-making freedom, the actual Head of Innovation Intelligence stated:

“Little, little freedom of decision, total freedom to explore, but after the final decision it is always up to the top management of the company. So, the real decision-making freedom I have is to decide which project to focus on and then sell it internally.” (Respondent 1, Head of Inn.Int)

Hence, it is clear that the predominance of sense of control is still hampering the willingness component of the family firms, leading to the paradox's persistence.

Finally, in evaluating family economic goals, from all the interviews it was clear that managers must guarantee a certain ROI from a new project. The needs to protect the cash flows of the firm entails a low propensity to pursuit risky opportunities. Investing in innovation activities involves the navigation of uncertainty where the payoffs are difficult to predict (Morck & Yeung, 2003). According to external consultants and the former Innovation manager, failure is a necessary condition for progress. The company itself is the result of past failures that have been improved and have led to current high levels of profitability. Hence it is vital to explore and rely on external resources beyond the company's barriers, leveraging the strong knowledge that the company has acquired through its own history.

6. Conclusion, limitations, and future research

6.1. Conclusion

Innovation is of paramount importance for the firm's survival and in gaining competitive advantage. However, understanding how innovation should be managed within family firms has turned into one of the most controversial processes to manage (Duran et al., 2016). Chrisman et. al (2015) have pointed out that family firms suffer from a "willingness-ability paradox" where despite having higher ability, intended as the disposition to allocate, add and dispose firm's resources, family businesses are less inclined to do so, due to a lower willingness than their non-family counterpart.

While scholars have delved into this phenomenon by focusing on the family firm's involvement toward innovation (De Massis et al., 2015; Chrisman et al.2015; Rondi et al., 2019), the non-family managers' perspective and their interaction with family managers have received very limited attention (Broekaert et al., 2018). With such purpose in mind, a qualitative method alongside a case study of one of the most renowned Italian family firms within the grocery retail industry has been used to address the literature gap. Particularly, six one-on-one in-depth semi-structured interviews with three senior managers, two external consultants, and a former innovation manager have been conducted. The possibility to interview people within and outside the company, due to their strong and profound knowledge of the company itself, has provided a deeper understanding of how non-family members interact with family owners and what they perceive as real constraints that are limiting the willingness of the firm to adopt an innovative behavior leading to a paradoxical immobilization.

The main findings have highlighted the importance that intra-generational succession has led, both in terms of social-emotional attachment and the predominance of the status quo that the imprint of the founder has left, and how the new family owners are trying to move toward a more innovative direction. All the interviewees agreed on the company's need for a general alignment, not only among departments but mostly among family owners and non-family members. In this regard, the department hierarchy still leads to a disequilibrium that needs to be balanced by a clear strategy from the top. The overall picture design a situation of uncertainty in what are the limits that managers could navigate and where the family owners prevail. However, the number of tangible and human resources and, the high attention to quality and

efficiency are perceived as a great incentive to prosper in the future and to stay at the forefront of the industry.

6.2. Limitations and future research

The findings of this research may be limited due to the type of analysis conducted and the specificity of this case study. Indeed, the results of this research may not be applicable to other family firms due to manifold differences regarding strategies, governance structures, size, and goals. However, the use of in-depth interviews and the leverage of descriptions of the company context can increase the external validity of the study (Yin, 1994). This can help scholars to use the present study as comparison. The internal validity of the results was supported by leveraging interviews with internal actors from different departments, and external actors from different institutions (Wilson, 2014). Another limitation is characterized by the number of participants, future research may consider increasing the number of interviewees to gather a more consistent set of data. Moreover, the absence of the family owner's perspective, considering the impossibility of including them in the interview process. Indeed, it is of undeniable importance to add the family owner's point of view in future research to better understand what hampers innovation and how they perceive their relationship with senior managers. Only achieving and understanding both perspectives may lead to substantial results in solving the existing literature gap. Moreover, their contribution would have been of pivotal importance in gaining additional insights on the role of the succession process relative to the family-related dimensions. Time is another limitation variable of this research. Indeed, the results of the observed phenomenon were limited by the four-month research period. To ensure consistency and gain more insights into the company's future operations, extending the observation period is of pivotal importance. Another limiting factor could be represented by the risk of bias, since some of the actors involved worked for the greater part of their career within the company analyzed. These limits could be overcome by conducting a multiple case study, with different family firms involved encompassing a broad perspective analysis. Consequently, future researchers could address the neglected position of non-family members within family firms and incorporate a wider range of family firms to obtain diverse perspectives. Additionally, future studies could focus on developing strategies to unlock the paradox within family firms and create value for both non-family managers and owners.

7. Appendices

Appendix A: Overview of respondent

Respondent nr.	Interviewer	Geographic	Location	Lenght
1	Head of Innovation Intelligence	Italy	In person	1hr and 30 min
2	CIO	Italy	In person	1hr
3	CFO	Italy	In person	1hr and 10 min
4	Former Innovation Manager	Italy	Teams	1hr and 45 min
5	External Consultant	Italy	Teams	1 hr
6	External Consultant	Italy	Teams	1 hr and 30 min

Appendix B: Questions to managers and consultants

Innovation picture	1.	What does Innovation mean for you?
	2.	How do you perceive Innovation within your company? How was it in the past? Does it change?
	3.	What hamper the adoption of an innovative behavior?
Ability-Discretion	4.	How do you act within the family firm?
	5.	How long have you been working in this position?
	6.	What is the level of freedom you have in making decisions?
Willingness-Disposition	7.	What is the risk-taking propensity you adopt?
	8.	Does a socio-emotional constraint exist in making decisions?
Manager dimension	9.	How could managers influence decisions within the family firm?
	10.	How does the family structure influence your decisions?
	11.	Does a general alignment among departments exist?
	12.	What is the focus of your department?
	13.	Do you perceive altruistic or individualist behavior among departments?
Future Innovation	14.	What could accelerate the adoption of innovation in the future

Appendix C: Transcript Example

RESPONDENT 1: Head of Innovation Intelligence

Interviewer: Okay, let's start with the first question. What does Innovation mean for you?

R1: Innovation for me is a concept: rethink what already exists. Not only from the perspective of new products, processes, technologies, or business models, further a change of mentality. Before taking into consideration to adopt a new action, a change of mentality is needed from all the actors within the system. -->MENTALITY

I: Okay. And how do you perceive Innovation within your company? Can you describe it now and in the past? Does it change?

R1: So, you know, innovation is like a journey, a long road trip, made of ups and downs. For innovation is not something new, indeed is something that the company is born with, and it already has in its DNA. Because it is an innovative reality, it has always innovated--> INNOVATION PERSPECTIVE. There is the willingness to innovate, the openness to innovate but since the firm is really focused on the operational side, what represents something new, in terms of products, processes, technologies, etc. needs to be implemented without hampering its proper functioning, which makes implementation more difficult, we cannot afford to block or slow down operations.-->PRESERVING OPERATION

was already born as an innovative reality since it is the first supermarket on the Italian territory. has always had to deal with innovation, just think about the stores' format, loyalty cards, how products are displayed, the e-commerce--> HISTORY COMPONENT. It has always been the will of the management, let's say, to follow what are the market trends and to be the first to arrive on the market by anticipating the competition. So it is clear that at the time there was already this desire to innovate. Obviously the world has changed, especially after the pandemic, the pace at which our customers and the world is going has accelerated tremendously and therefore requires a great deal of effort on the part of the company to remain competitive. If once innovations occurred every 3, 4, 5 years, today the change happens in months, so there is a need for more flexibility. In particular, there is a need for faster approval times to be able to implement new ideas and projects -->INNOVATION DEMAND.

I: What hamper the adoption of an innovative behavior within the firm?

R1: Really good question. I would say the fear of the unknown, of change-->FEAR OF CHANGE.

You have to understand the new idea, and understand what it is, what really means, understanding the idea in depth, making it your own, and then implementing it. This is the first phase: let's call it inception. This is the most difficult phase because you have to be able to communicate it to the other actors and departments, and then to the top management. -->IDEA Then follows a second phase: the implementation of the idea. In the project management phase, there is always a difficulty, because the human being does not want to change, change would create a risk, being a family business, we are not inclined to risk, and

making a decision takes time. Today we don't have the time anymore, we have to speed up the pace.--> **RISK-AVERSITY**

I: How do you act within the firm?

R1: I talk, I listen, I try to sell new ideas internally, convincing the characters within the company. These are the actions I do. I am an educator. In my opinion, education is fundamental, it means explaining, it means making sure that colleagues and management are aware of what is happening outside, what the trends are. It is therefore very important to create synergies, to almost bring these various figures together.--> **EDUCATION**

I: Could you describe your role within the firm in few words?

R1: A bridge, a point of connection between ideas and people, between the outside and the inside, between the top and the bottom.

I: Okay. How long have you been working in this position? Can you describe your department's history?

R1: I have been in this position for two years. The department was born from a concrete idea of how innovation could be implemented within the company, confronting the realities of the times, the market, the company and people. Obviously, the focus of this direction has changed, it has changed because if we wanted to do something much bigger before, we realized that it was perhaps not the purpose of this direction, to work at 360 grades, instead we want to deal with much tailored projects. The goal is to identify the right partners and people with whom to discuss within the company, the real end customer.--> **TAILORED PROJECTS** In two years, the world has changed, consequently the company has changed and this direction has also changed.

I: What level of decision-making freedom do you think you have within the company?

R1: Little, little freedom of decision, total freedom to explore, but after the final decision it is always up to the top management of the company.--> **Freedom** So, the real decision-making freedom I have is to decide which project to focus on and then sell it internally.

I: What risk-taking propensity do you adopt in your decisions?

R1: There is always a desire to protect the core business, so there is always a part of risk in every decision--> **CORE BUSINESS PROTECTION**. When you work with open innovation, you rely on an external body that obviously through contracts, and partnerships, would like to be regulated. This leads to a very high risk, as you are going beyond your borders. Nowadays, if you want to innovate, there is always a part of risk because you work with technologies, processes, ideas that are not always mature and need time.--> **RISK**

I: Does a socio-emotional constraint exist in making decisions?

R1: Yes, as a manager I perceived socio-emotional constraints. This company is characterized by a strong history and tradition. The owners are the holders of the keys and therefore the heritage of family's history. In the same way, even for the direction of innovation, you perceive to be influenced, you have to respect in a certain way the history of the company and therefore the decisions made by the owners over the years.--> **TRADITION**

Especially the directors of the departments, we have to identify projects and ideas that are closely related to the reality in which we find ourselves, in which the company finds itself -->**CLOSE TO REALITY**. means always taking into account the elements of history, the economic limits, the needs of the company, the needs of customers-->**HISTORY**.

I: How could managers influence decisions within the family firm?

R1: Directors can influence the decisions within the company, going precisely to tie themselves to the history and tradition of the firm, maintaining a line, a path already drawn in the 70 years of history, radical changes do not work in this reality-->**RADICAL CHANGE**.

I: What kind of attitude do you perceive among directors?

R1: Altruistic, even if at the beginning of a new project you always start with an individual component, a moment where you have to sell the idea to a few people. Once a project goes ahead and begins to materialize, it becomes much more of a team effort, where it requires the participation of many people. -->**ALTRUISTIC COMPONENT**

I: What do you mean by a few people?

R1: When you have to sell a project, that is part of your department, you have to pay attention to what the budget is--> **BUDGET**, as each department within the company has its own budget. Secondly, you then have to go and convince the owner.-->**OWNERS CONTROL** Usually, we start with a figure, a director with a certain weight, who decides to pay individually and therefore takes a risk, as he is bringing something new, adding an activity to an already consolidated reality--> **DIRECTOR WEIGHT**.

I: Do you think there is an alignment between the various departments?

R1: At the moment there is perhaps a lack of alignment, I think this alignment will take place with the business plan that always helps to give a common direction to everyone -->**LACK OF ALIGNMENT**. There is an alignment between the different historical directions such as between sales and buyers, between IT and technical management, etc. Fundamental, in this perspective, has been the generational change within the management, particularly with the birth of a task force dedicated to innovation. This will certainly lead to greater alignment in the decision-making process for new projects. The real constraint is represented by the budgeting, particularly the extent of how to share internal resources in light of new projects--> **BUDGETING**.

I: What is the focus of your department?

R1: I want to summarize it. Our focus is helping the company to keep up with the times, protecting and developing its core business.

I: Perfect. We are in the end, last question. What level of innovation do you see within [redacted]? What could accelerate the adoption of innovation in the future?

R1: Okay, I hope to answer exhaustively. At the moment it really depends on the point of view, i.e. who we use as a benchmark. I would say that we have always innovated and will continue to do so. So I would say a medium level. If we wanted to get to a high level, we

	<p>INN.</p>	<p><i>“Innovation is undermined by people's mindset. Yes, I would say that it's more related to the mindset, we have to look at what is people's mindset, the managers, how you work in your daily life.” (Respondent 2, CIO)</i></p> <p><i>“There is a physiological aversion to change. The newness is frightening. [...] In my opinion, a person is not old for his anagraphic, but when he gives up on experiencing the new. This is true for companies, but it is also true for people. Remember that companies are collections of people. So, the goal is to understand what prevents you from moving smoothly towards innovation. [...] the person makes the context. It depends on your openness level, and how curious you are. But if the context was oppressive, even an open-minded person would be oppressed. (Respondent 3, CFO)</i></p> <p><i>“In every company, there are different relationships because of different mentalities. I would divide them into three categories: the skeptics, the antagonists, and the super collaborators. With the latter showing a propensity to adopt and explore the newness and the previous more attached to the status quo. While the skeptic remains in the middle between possibility and uncertainty” (Respondent 4, Former Innovation Manager)</i></p> <p><i>“A lot depends, then, on the people. So, if you manage to maintain a “refreshed” management level, it is clear that you may stimulate acceptance of new things. On the other hand, in these companies, you also find more established, conservative managers who are hardly inclined to change because change or innovation is a risk. A person who has been doing the same thing for years is improbable to take risks. The young person, or in any case the</i></p>
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		<p><i>imprint where people think of their own garden.”</i> (Respondent 1, Head of Innovation)</p> <p><i>“At the moment there is perhaps a lack of alignment. [...] There is an alignment between the different historical directions such as between sales and buyers, between IT and technical management.”</i> (Respondent 3, CFO)</p> <p><i>“If someone has an opposing view, they generate blockages and slowdowns. With the founder, it went much faster, whereas today there are many situations of obstructionism, where a 'No' is enough to slow down the company's activity. You are not only eroding group cohesion, but you are slowing down business choices and that is the worst thing that can happen to a company.”</i> (Respondent 2, CIO)</p> <p><i>“Especially in a family business, collaboration and sharing similar ideas are crucial. It is not enough just to have an innovation manager, but you need total sharing, starting from the ownership, through the general manager, the HR manager and so on.”</i> (Respondent 5, External consultant)</p> <p><i>“Ownership must absolutely drive change, otherwise there is no other solution. There has to be a very strong endorsement from above, and a push from above as well as a desire to believe in it. We are talking about a family business based on the entrepreneur, based on a very precise recipe, so the family, the owner, has to lead the way. It is impossible if, on the other hand, the entrepreneur does not believe in it and does not want to experiment.”</i> (Respondent 1, Head of Innovation)</p> <p><i>“The family expects a much more important role from the managers. What the family expects is that they make decisions, clearly shared. Furthermore, these decisions must be shared with the group, not by</i></p>
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<p>Commitment to tradition</p>	<p>Preserving the core business</p>	<p><i>the individual. There is an expectation of cohesion among the managers, and dialogue is needed. Before you get in front of the ownership, everyone has to agree. But the way must be dictated from the top.” (Respondent 1, Head of Innovation)</i></p> <p><i>“For me, there must be clear ideas. If there are no ideas, it's not technology or the power of new tools that will provide the answers. You have to prioritize, set a clear course and understand how to harness the potential of these innovations to create value.” (Respondent 3,CFO)</i></p> <p><i>“The goal is to move from effectiveness to efficiency without distorting the company's tradition. the company wants to continue to be a retailer and do its core business.” (Respondent 3,CFO)</i></p> <p><i>“Safeguarding the operations department and involving all departments.” (Respondent 1, Head of Innovation)</i></p> <p><i>“Directors of the departments, we have to identify projects and ideas that are closely related to the reality in which we find ourselves, in which the company finds itself, means always taking into account the elements of history, the economic limits, the needs of the company, the needs of customers [...]we are talking about a family that has inherited what the founder built.” (Respondent 2,CIO)</i></p> <p><i>“Since the firm is really focused on the operational side, what represents something new, in terms of products, processes, technologies, etc. needs to be implemented without hampering its proper functioning.” (Respondent 5, External consultant)</i></p>
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	<p>Pursuing quality and reliability</p>	<p><i>“When we started a new project, we conducted an initial evaluation with other figures outside the innovation intelligence, mainly related to operations.” (Respondent 6, External consultant)</i></p> <p><i>“The company externally is perceived like a “Swiss watch”, you must deliver projects that have a precise roadmap, guaranteeing quality.” (Respondent 4, Former Innovation Manager)</i></p> <p><i>“Is a highly efficient machine, super organized with a strong commitment to pursuing quality” (Respondent 2, CIO)</i></p> <p><i>“The first is the fact that you come from a success story or at least you expect great attention to detail and great quality, almost perfection.” (Respondent 3, CFO)</i></p> <p><i>“We want to deal with much tailored projects, in terms of capabilities and size [...] The goal is to identify the right partners and people with whom to discuss within the company, the real end customer. [...] you don't have to be risk-averse when you want to innovate and, at the same time, you have to understand whether a certain innovation can have a fit with the business or whether it is a waste of time, let's say. So, it is crucial to identify the right innovation for your business.” (Respondent 1, Head of Innovation Intelligenece)</i></p> <p><i>“The owner realized that the innovation department had to be separated from operations. Operations would have slowed down, and then the strategic decision was to put a person outside the company operations, in charge of the innovation department. [...] That is how the concept of the</i></p>
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<p>AGGREGATE DIMENSION: ABILITY</p>	<p><i>Risk-aversity</i></p>	<p><i>safe harbor was born, pursuing preservation and quality.” (Respondent 4, Former Innovation Manager)</i></p> <p><i>“[...]it is a company with a zero-risk profile. All the risk is on the shoulders of the entrepreneur. Everyone else, on the other hand, navigates the system with the aim of having no issues, always looking for effectiveness rather than efficiency.” (Respondent 3, CFO)</i></p> <p><i>“Everyone strives for effectiveness by doing what they do best. If the owner tells me to do it, I do it, whatever it takes.” (Respondent 2, CIO)</i></p>
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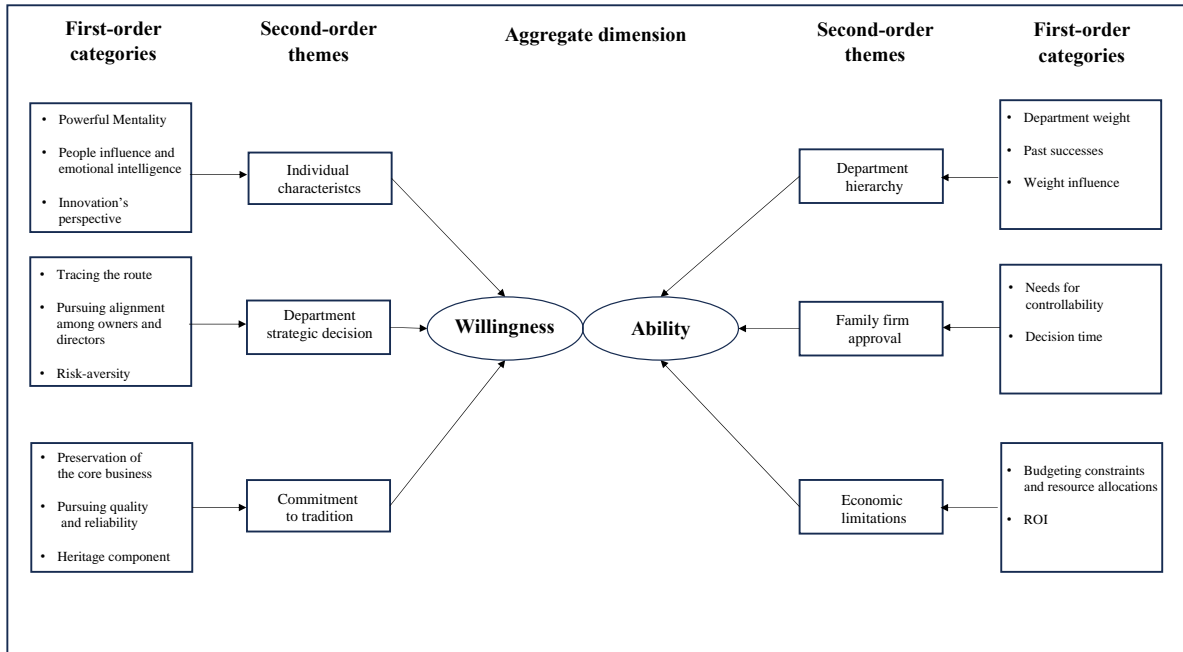


Figure 1. Final Data Structure

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