



# **How do German family firms perceive the role of strategic alliances with start-ups in fostering long-term business growth?**

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## **Abstract**

**Titel:** “How do German family firms perceive the role of strategic alliances with start-ups in fostering long-term business growth”

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Strategic alliances between family firms and start-ups have increased relevance in fostering long-term business growth. This study explores how German family firms perceive and engage in such partnerships, analysing their motivations, challenges, and impact. Expert interviews were conducted using a qualitative research approach to gain insights into the dynamics of these alliances. The findings reveal that family firms seek collaborations to access innovation, expand market reach, and enhance digital transformation while maintaining their core values and long-term stability. However, challenges arise from differences in risk tolerance, decision-making processes, and cultural fit, which can hinder effective cooperation. Trust and governance mechanisms emerge as critical success factors, with family firms favouring phased integration models that balance control with agility. The study further highlights that well-structured alliances drive financial and operational synergies and contribute to family firms organisational transformation by fostering adaptability and knowledge transfer. While strategic partnerships with start-ups provide significant opportunities, their success depends on clear alignment in strategic objectives, mutual trust, and carefully designed governance structures. The study contributes to the existing literature by offering a nuanced understanding of how family firms navigate these partnerships and provides practical recommendations for optimising collaboration models. Future research should explore quantitative validation and cross-industry comparisons to enhance the generalisability of findings.

## **Key Words**

Strategic Alliances, Family Firms, Start-ups, Innovation, Digital Transformation, Trust, Cultural Fit, Long-Term Business Growth

## **Resumo**

**Título:** “Como as empresas familiares alemãs percebem o papel das alianças estratégicas com start-ups na promoção do crescimento empresarial de longo prazo?”

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As alianças estratégicas entre empresas familiares e start-ups têm grande relevância na promoção do crescimento empresarial de longo prazo. Este estudo explora como as empresas familiares alemãs percebem e se envolvem em tais parcerias, analisando suas motivações, desafios e impacto. Foram realizadas entrevistas com especialistas usando uma abordagem de pesquisa qualitativa para obter insights sobre a dinâmica dessas alianças. Os resultados revelam que empresas familiares buscam colaborações para acessar inovação, expandir o mercado e aprimorar a transformação digital, mantendo valores essenciais e estabilidade de longo prazo. No entanto, surgem desafios decorrentes de diferenças na tolerância ao risco, nos processos de tomada de decisão e na adequação cultural, dificultando a cooperação eficaz. A confiança e os mecanismos de governança são fatores críticos de sucesso, com empresas familiares favorecendo modelos de integração em fases que equilibram controle e agilidade. O estudo destaca que alianças bem estruturadas geram sinergias financeiras e operacionais e contribuem para a transformação organizacional das empresas familiares ao promover adaptabilidade e transferência de conhecimento. Embora as parcerias estratégicas com start-ups ofereçam oportunidades significativas, seu sucesso depende do alinhamento claro dos objetivos estratégicos, confiança mútua e governança bem projetada. O estudo contribui para a literatura ao oferecer uma compreensão diferenciada de como empresas familiares lidam com essas parcerias e fornece recomendações para otimizar modelos de colaboração. Pesquisas futuras devem explorar validação quantitativa e comparações setoriais para aumentar a generalização dos resultados.

## **Palavras-chave**

Alianças Estratégicas, Empresas Familiares, Start-ups, Inovação, Transformação Digital, Confiança, Ajuste Cultural, Crescimento Empresarial a Longo Prazo

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## **II. List of Abbreviations**

CSR	Corporate Social Responsibility
CVC	Corporate Venture Capital
VC	Venture Capital
R&D	Research & Development
SEW	Socioemotional Wealth

## **1. Introduction**

Family firms constitute a fundamental pillar of the German economy, contributing significantly to employment and economic growth (Institut der deutschen Wirtschaft Köln, 2021). Defined by a long-term strategic focus, intergenerational leadership, and strong corporate values, these firms are under growing pressure to adapt to fast-changing technological and market dynamics (Wittener Institut für Familienunternehmen [WIFU], 2021). Forming strategic alliances with start-ups has become a promising strategy for driving innovation and securing sustainable growth in an increasingly competitive business landscape (PwC, 2020; WHU, 2019).

Partnerships between family businesses and start-ups create synergies, with start-ups bringing flexibility, innovation, and disruptive ideas, while family firms contribute established market presence, financial security, and industry knowledge (HIIG, 2017; Baumgärtner, Soluk & Kammerlander, 2022). Empirical studies suggest that such alliances can accelerate market expansion and digital transformation, key drivers of long-term success (Institut der deutschen Wirtschaft Köln, 2019; WHU, 2019). However, these partnerships are not without challenges, as cultural differences, decision-making approaches, and risk tolerance can hinder effective collaboration (WIFU, 2021; WHU, 2022). Family firms, often risk-averse and reliant on established strategic planning, may perceive start-ups' experimental approaches as misaligned with their long-term objectives (RKW Kompetenzzentrum, 2020).

### **1.1. Relevance of the Topic**

The increasing pace of technological change and market transformation presents significant challenges for family firms, which must continuously innovate to sustain long-term success (Institut der deutschen Wirtschaft Köln, 2021). Unlike large multinational corporations, family businesses often operate with more conservative risk profiles and traditional business models, making it difficult to adopt new technologies and disruptive innovations effectively (Wittener Institut für Familienunternehmen [WIFU], 2021). Strategic alliances with start-ups are increasingly seen as a means to bridge this gap, allowing family firms to leverage external innovation while maintaining their core business values (Baumgärtner, Soluk & Kammerlander, 2022). The relevance of this topic is underscored by the growing trend of corporate-startup collaborations, particularly in Germany, where family firms have a dominant role in the economy (WHU, 2019). Studies indicate that such partnerships can significantly enhance innovation capabilities, market agility, and competitiveness, making them a key factor in

sustaining long-term business growth (PwC, 2020; HIIG, 2017). Nevertheless, despite their potential, these alliances are often accompanied by cultural and operational challenges, which must be carefully managed to achieve mutual benefits (RKW Kompetenzzentrum, 2020).

Moreover, understanding how family firms perceive and navigate these partnerships is crucial for both theoretical and practical reasons. While existing literature has examined corporate-startup collaborations in general, little research has focused specifically on the family business perspective (Institut der deutschen Wirtschaft Köln, 2019; Kammerlander et al., 2019). This study seeks to fill this gap by exploring the role of strategic alliances with start-ups in fostering long-term business growth within the unique context of German family firms. By doing so, it will contribute to both academic knowledge and practical insights for business leaders seeking to establish effective innovation partnerships.

## **1.2. Problem Statement and Research Question**

In the context of globalization and rapid technological advancements, German family firms face the critical challenge of sustaining long-term growth while preserving their traditional values and structures (Wittener Institut für Familienunternehmen [WIFU], 2021). Strategic alliances with start-ups have emerged as a potential solution, offering access to innovative technologies and new business models (WHU, 2019). However, the effectiveness of these alliances is often hindered by cultural differences, divergent risk appetites, and varying management practices between family firms and start-ups (Löher, Paschke, & Schröder, 2017).

Despite the recognized potential of such collaborations, there is a paucity of research focusing on how German family firms perceive these strategic alliances and their impact on long-term business growth. Existing studies have primarily explored the general benefits and challenges of partnerships between established companies and start-ups but have not delved deeply into the unique perspectives of family-owned businesses in Germany (Felden & Zumholz, 2009).

To address this gap, the present study seeks to explore the following research question:

**How do German family firms perceive the role of strategic alliances with start-ups in fostering long-term business growth?**

By exploring this question, the study seeks to provide insights into the motivations, perceived benefits, and challenges that German family firms encounter when engaging in strategic alliances with start-ups. Understanding these perceptions is crucial for developing frameworks

and strategies that facilitate effective collaborations, thereby enhancing innovation and ensuring long term growth for family-owned businesses in Germany.

### 1.3. Structure of the Thesis

The following structure depicts the structure of the thesis:

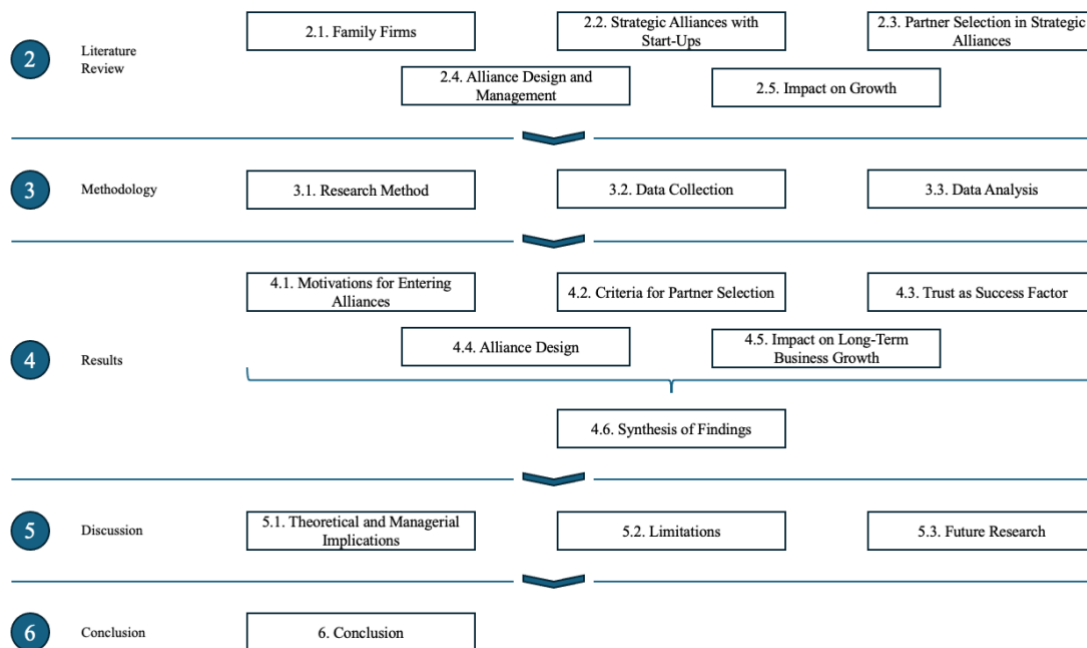


Figure 1: Structure of the thesis (own illustration)

This thesis is structured into six chapters. The introduction outlines the research relevance, problem statement, and research question, establishing the foundation for the study. The second chapter reviews literature on family firms, strategic alliances, partner selection, alliance design, and their impact on business growth, providing a theoretical framework for understanding the dynamics of these collaborations. The third chapter details the qualitative methodology, including data collection and analysis using expert interviews and the Gioia method, explaining the research design and the rationale for using a structured coding approach. The fourth chapter presents empirical findings, structured by alliance formation stages: motivations, partner selection, trust, alliance design, and long-term impact, offering insights into how family firms engage in strategic partnerships with start-ups. The fifth chapter discusses the results in relation to existing literature, highlighting theoretical and managerial implications while critically evaluating the findings and their contribution to both research and practice. Finally, the conclusion summarizes key findings, acknowledges limitations, and suggests areas for future

research, ensuring a logical flow from theory to empirical insights and providing a comprehensive understanding of the topic.

## **2. Literature Review**

The continuously evolving dynamics of global markets and the accelerating pace of technological innovation have compelled family firms to explore new avenues for long-term growth. In this context, strategic alliances with start-ups have become a key approach to accessing external innovation while leveraging internal capabilities (Gómez-Mejía et al., 2007). Family firms, characterized by their socioemotional wealth priorities and multigenerational perspective, offer a distinctive lens for understanding the dynamics of such partnerships (Debicki et al., 2016). These alliances capitalize on the agility and technological expertise of start-ups to facilitate organizational transformation and sustain competitive advantage (Soluk & Kammerlander, 2021). As noted, strategic alliances with start-ups enable these firms to access modern technologies, innovate business models, and adapt to the digital economy (Kammerlander et al., 2021). Yet, their success depends on appropriate partner selection, alliance design, and effective management (Hoffmann, 2007; Dhaundiyal & Coughlan, 2020). While past literature identifies the great potential of these partnerships, much remains to be learned about how family firms strategically approach and make decisions necessary to achieve sustained performance and growth through alliances with start-ups.

This paper focuses on a literature review at the intersection of family firm characteristics and strategic alliances with start-ups, with particular attention to partner selection, alliance design and management, and performance outcomes. By integrating recent findings and theoretical insights, the study aims to develop a comprehensive understanding of how these partnerships can help family enterprises achieve long-term business growth while addressing their unique needs and priorities.

### **2.1. Family Firms**

Family firms are a unique and pivotal component of the global economy, often characterized by their intertwined ownership, governance, and management structures. These firms are defined not only by their economic performance but also by their commitment to socioemotional wealth, a concept that underscores the importance of emotional and relational

value over purely financial outcomes (Berrone, Cruz, & Gomez-Mejia, 2012). Socioemotional wealth shapes the strategic priorities of family firms, influencing decisions around growth, risk-taking, and innovation. This framework of values is particularly relevant in the German Mittelstand, where family-owned businesses dominate the economic landscape, serving as both cultural and economic cornerstones (Groote et al., 2022). A central feature of family firms is their long-term orientation, shaping strategic decisions toward sustainability and stability (Leitner et al., 2019). Unlike publicly traded companies, which focus on short-term performance, family firms prioritize transgenerational continuity (Gómez-Mejía et al., 2007). This perspective fosters risk aversion, as they seek to protect family wealth and legacy (Debicki et al., 2016). However, this cautious approach is balanced by the desire to maintain family control, leading to deliberate strategic choices focused on long-term value creation (Gómez-Mejía et al., 2007; Leitterstorf & Rau, 2014).

Despite their cautious stance, family firms are not static entities. Recent studies illustrate that these businesses can be highly innovative, leveraging their unique resource bases to adapt to changing environments (Soluk & Kammerlander, 2021). Soluk and Kammerlander (2021) argue that the familial nature of these firms allows them to mobilize intangible assets such as trust, relational capital, and embedded networks. These assets not only enhance the firm's capacity to innovate but also position them as reliable partners in strategic alliances. For instance, their deeply rooted local networks often enable them to form partnerships based on mutual trust and shared values, a critical factor in successful alliances with start-ups (Soluk & Kammerlander, 2021).

Another dimension that sets family firms apart is their governance structure, which frequently involves a blend of family members and professional managers. This structure creates a dual-layered decision-making process that integrates emotional considerations with professional expertise (Debicki et al., 2016). While this can complicate strategic decision-making, it also enhances the firm's ability to navigate complex partnerships. Family members, driven by socioemotional wealth considerations, often take a long-term view of alliances, while professional managers provide operational and technical expertise necessary for alliance execution (Soluk et al., 2021). This dynamic is particularly relevant when entering strategic partnerships with start-ups, as these collaborations require balancing the agility and risk tolerance of entrepreneurial firms with the stability and resources of family firms (Duran et al., 2016; Soluk & Kammerlander, 2021).

The literature identifies inherent tensions in family firms regarding innovation and control, as they must balance the need for adaptation with the preservation of established structures and traditions (Gómez-Mejía et al., 2007; Duran et al., 2016). While their conservative nature may create resistance to disruptive changes, their strong governance and cohesive leadership often allow them to implement incremental innovations effectively (Leitner et al., 2019). This incremental approach is particularly evident in how family firms approach alliances with start-ups. Rather than engaging in high-risk, transformational partnerships, they often seek collaborations that align with their existing capabilities and values (Soluk & Kammerlander, 2021). By doing so, family firms can mitigate risks while benefiting from the entrepreneurial spirit and technological advancements that start-ups bring to the table (Groote et al., 2022).

## **2.2. Strategic Alliances with Start-Ups**

Strategic alliances with start-ups have emerged as a crucial pathway for established firms to access innovation, new technologies, and entrepreneurial agility (Kale & Singh, 2009; Spieth et al., 2020). These collaborations are particularly well-suited for family businesses, which often must balance their natural conservatism with the need to be competitive in changing markets (Soluk et al., 2021). Dynamism, new models, and a willingness to experiment are the hallmarks of start-ups, and these provide family businesses with the opportunity to revamp their strategies and expand into new markets without paying the full price or the full risk of innovation (Leitner et al., 2019).

Research highlights the complementary nature of such alliances, as start-ups benefit from the resources, networks, and stability of established firms, while family businesses leverage the entrepreneurial mindset and technological expertise of start-ups (Keil, Autio, & George, 2008). For family firms, these alliances represent not just a strategic move to innovate but also a way to mitigate the challenges of transitioning into digital and knowledge-based economies. By partnering with start-ups, family firms can adopt more experimental approaches to business model innovation while maintaining their core values and long-term focus (Soluk & Kammerlander, 2021).

However, strategic alliances with start-ups are not without challenges. The cultural and operational differences between start-ups and established firms, particularly family businesses, often create tensions that require careful management (Kale & Singh, 2009). Start-ups typically operate with a flat hierarchy, rapid decision-making processes, and a high tolerance for

uncertainty, while family firms tend to emphasize structured governance, risk aversion, and gradual decision-making (Gomez-Mejia et al., 2007). These differences require both parties to invest in relationship-building and alignment of expectations to ensure the alliance's success (Dushnitsky & Lenox, 2005).

One of the key aspects of these alliances is the strategic alignment between the family firm's long-term goals and the start-up's growth trajectory. Family firms often seek alliances that complement their existing capabilities or extend their reach into adjacent markets (Narula, 2004). This alignment is critical, as family firms prioritize partnerships that are not only financially beneficial but also culturally and strategically congruent. For instance, German family firms often engage with start-ups in sectors aligned with their historical expertise, such as manufacturing, engineering, or sustainable technologies, to ensure compatibility and shared vision (Groote et al., 2022).

Another critical factor in strategic alliances is the governance structure that defines the partnership. Family firms typically prefer alliance structures that allow them to retain a level of control and influence, consistent with their emphasis on socioemotional wealth and legacy preservation (Berrone, Cruz, & Gomez-Mejia, 2012). This control, however, must be balanced with the flexibility needed to accommodate the entrepreneurial nature of start-ups. Hoffmann (2007) underscores the importance of creating governance mechanisms that facilitate collaboration while mitigating potential conflicts, such as clearly defined roles, responsibilities, and decision-making processes.

Trust and relational capital also play pivotal roles in these alliances. Family firms, known for their emphasis on building and maintaining trust-based relationships, are well-positioned to form enduring partnerships with start-ups (Dyer & Singh, 1998). The relational view of interorganizational collaborations suggests that trust enhances knowledge sharing, reduces transaction costs, and fosters innovation, all of which are critical in alliances with start-ups that rely on mutual learning and co-creation of value (Grant & Baden-Fuller, 2004).

The benefits of strategic alliances with start-ups are multifaceted, extending beyond immediate financial returns. Such partnerships allow family firms to build absorptive capacity, which refers to their ability to recognize, assimilate, and apply new knowledge from external sources (Lane, Salk, & Lyles, 2001). This skill is particularly important in rapidly developing industries where technological advances can quickly make existing business models redundant (Kale & Singh, 2009). By collaborating with start-ups, family firms can stay ahead of market trends,

adopt new technologies, and integrate innovative practices into their operations (Soluk & Kammerlander, 2021; Groote et al., 2022).

Moreover, these alliances often serve as a platform for family firms to experiment with new business models without significant disruption to their core operations. Start-ups bring fresh perspectives and a willingness to challenge the status quo, enabling family firms to explore unconventional strategies and enter high-growth markets (Wadhwa & Kotha, 2006). This experimentation is particularly valuable in industries undergoing digital transformation, where agility and adaptability are critical to success (Soluk et al., 2021).

In the German context, the collaboration between family firms and start-ups is further shaped by the country's institutional and cultural environment. The German ecosystem, characterized by strong regional clusters and robust support for innovation, provides a conducive environment for such partnerships (Leitner et al., 2019).

### **2.3. Partner Selection in Strategic Alliances**

Partner selection is a critical determinant of success in strategic alliances, particularly for family firms seeking to collaborate with start-ups. The selection process involves identifying partners that align strategically, culturally, and operationally, as these factors profoundly influence the effectiveness and longevity of the alliance (Shah & Swaminathan, 2008; Kale & Singh, 2009). For family firms, the unique interplay of socioemotional wealth priorities and business objectives adds an additional layer of complexity to partner selection, as they prioritize trust, shared values, and long-term relational compatibility over purely economic considerations (Gómez-Mejía et al., 2007; Leitner et al., 2019).

Family firms typically approach partner selection with a strong focus on relational governance, emphasizing trustworthiness and cultural fit. Trust reduces perceived risks and fosters cooperation, particularly in alliances with start-ups, which often operate in environments of uncertainty and rapid change (Das & Teng, 1998; Dyer & Singh, 1998). Shared values and mutual respect are especially significant for family firms, as these attributes help align the strategic objectives of both parties, minimizing conflicts and ensuring a cohesive vision for the alliance (Debicki et al., 2016). In this context, the selection of a start-up partner is not only a strategic decision but also a reflection of the family firm's identity and legacy.

In addition to relational factors, family firms also evaluate the strategic fit of potential partners. Strategic fit encompasses complementary resources, capabilities, and goals, which together create synergistic opportunities for innovation and growth (Shah & Swaminathan, 2008). For instance, start-ups often bring technological expertise, agility, and innovative approaches to the partnership, while family firms contribute industry experience, established networks, and financial stability (Leitterstorf & Kammerlander, 2019). The complementary nature of these resources enables both parties to achieve objectives that may not be feasible independently.

Resource complementarity is particularly important in addressing the innovation needs of family firms. Given their risk-averse nature and long-term orientation, family firms are more likely to engage in alliances with start-ups that can provide cutting-edge solutions to specific challenges while requiring minimal disruption to existing operations (Duran et al., 2016). For example, start-ups with expertise in digital transformation, big data, or artificial intelligence are often attractive partners for family firms looking to modernize their operations and enhance competitiveness (Soluk et al., 2021).

However, partner selection is not without challenges. Differences in organizational culture, risk appetite, and decision-making processes between family firms and start-ups can create potential friction. Start-ups may prioritize rapid growth and experimentation, while family firms often emphasize stability and incremental change (Leitner et al., 2019). To mitigate these challenges, family firms must engage in a rigorous evaluation process that includes due diligence, clear communication of expectations, and the establishment of shared goals and governance mechanisms (Kale & Singh, 2009).

Additionally, the role of intermediaries, such as venture capital firms or innovation brokers, can be instrumental in facilitating the partner selection process. These intermediaries help bridge the gap between family firms and start-ups by providing market insights, screening potential partners, and fostering trust and collaboration (Howells, 2006; Klerkx & Leeuwis, 2009). Their involvement reduces information asymmetry and enhances the likelihood of a successful match.

#### **2.4. Alliance Design and Management**

The design and management of strategic alliances are critical to ensuring their effectiveness and long-term sustainability (Kale & Singh, 2009). This is particularly true for partnerships between family firms and start-ups, as the inherent differences in organizational structures, cultures, and priorities necessitate deliberate planning and governance (Soluk & Kammerlander, 2021).

Effective alliance design involves creating a framework that balances flexibility with control, enabling both partners to achieve their strategic objectives while navigating the complexities of collaboration (Albers et al., 2016; Reuer & Ariño, 2007).

A well-designed alliance begins with the establishment of clear goals, roles, and responsibilities for each partner. For family firms, alliance design often reflects their long-term orientation and commitment to preserving socioemotional wealth. As a result, they prioritize relational governance mechanisms, such as trust-building and informal communication, over formalized contracts and rigid control structures (Gómez-Mejía et al., 2007; Debicki et al., 2016). However, to mitigate risks associated with opportunism or misalignment, alliances with start-ups often incorporate specific contractual provisions, including performance metrics, dispute resolution mechanisms, and exit strategies (Reuer & Ariño, 2007).

Alliance governance plays a pivotal role in ensuring the smooth operation of the partnership (Reuer & Ariño, 2007). Family firms, known for their risk-averse and stability-oriented nature, often prefer governance models that allow for ongoing dialogue and collaborative decision-making (Gómez-Mejía et al., 2007). This approach is particularly beneficial in partnerships with start-ups, which tend to operate in fast-paced, uncertain environments (Soluk & Kammerlander, 2021). Governance mechanisms that enable agility, such as joint steering committees and regular review meetings, help align the interests of both parties and adapt to evolving circumstances (Kale & Singh, 2009; Schreiner et al., 2009).

Trust is a cornerstone of effective alliance management, particularly for family firms that rely heavily on relational governance. Establishing trust requires consistent communication, transparency, and a shared commitment to the alliance's objectives (Das & Teng, 1998). For start-ups, building trust with family firms often involves demonstrating reliability, delivering on promises, and respecting the family firm's values and legacy. Conversely, family firms must recognize and value the innovative capabilities and entrepreneurial mindset that start-ups bring to the partnership (Leitterstorf & Kammerlander, 2019). Depending on the levels of relational and performance risk, control and trust can function independently, complement each other, or serve as substitutes, as illustrated in Figure 2.

Relational Risk	High	<b>Control</b> Control is necessary to manage uncertainty about a partner's intentions, though it remains relevant even in stable business environments.	<b>Trust and Control as Complements</b> A simultaneous application of both control and flexibility is essential in highly demanding environments where uncertainty about the partner's behavior exists.
	Low	<b>Trust or Control as Substitutes</b> Either control or flexibility, or a combination of both, can be employed in less complex and predictable business settings.	<b>Trust</b> Flexibility is crucial for navigating unpredictable environments and can also be effective when a partner's actions are predictable.
		Low	High
Performance Risk			

Figure 2: Control and Trust in alliances facing different risks (De Man & Roijackers, 2009)

Another critical aspect of alliance management is the allocation of resources and responsibilities. Family firms typically provide financial support, industry expertise, and access to established networks, while start-ups contribute innovation, agility, and technical know-how (Soluk et al., 2021). The effective integration of these complementary resources requires careful coordination and the establishment of shared processes, such as knowledge transfer protocols and joint project teams (Dyer & Singh, 1998). This integration is particularly vital in technology-driven alliances, where the rapid pace of innovation demands seamless collaboration.

Conflict management is another important component of alliance management (Reuer & Ariño, 2007). Differences in organizational culture, decision-making speed, and risk tolerance can create friction between family firms and start-ups (Gómez-Mejía et al., 2007; Soluk & Kammerlander, 2021). To address these challenges, alliances benefit from pre-agreed conflict resolution mechanisms, such as mediation or arbitration, and a culture of open communication (Reuer & Ariño, 2007; Kale & Singh, 2009). Additionally, fostering mutual respect and understanding of each partner's unique strengths and limitations can help prevent conflicts from escalating.

Finally, successful alliance management requires ongoing evaluation and adaptation (Kale & Singh, 2009). Periodic reviews of alliance performance, including the achievement of strategic goals and the effectiveness of governance structures, allow for necessary adjustments (Reuer & Ariño, 2007). These reviews are particularly important in alliances involving start-ups, as their

rapid growth and evolving strategies may require recalibration of roles, responsibilities, or objectives (Kale & Singh, 2009; Soluk et al., 2021).

## **2.5. Impact on Growth**

The impact of strategic alliances with start-ups on the performance of family firms is multifaceted, influenced by both tangible and intangible outcomes (Kale & Singh, 2009). These alliances can drive significant improvements in innovation, market expansion, and organizational agility, but they also entail risks and challenges that require effective management (Soluk & Kammerlander, 2021; Reuer & Ariño, 2007). For family firms, whose priorities often extend beyond financial metrics to include socioemotional wealth and long-term sustainability, the performance impact of alliances is evaluated through a broader lens (Berrone, Cruz, & Gomez-Mejia, 2012).

One of the most significant performance benefits of alliances with start-ups is access to innovative technologies and business models (Soluk & Kammerlander, 2021; Duran et al., 2016). Start-ups often bring disruptive ideas and entrepreneurial agility, which can complement the resources and market position of family firms (Leitner et al., 2019; Groote et al., 2022). This synergy facilitates the co-creation of innovative solutions and accelerates the adoption of new technologies within the family firm (Keil, Autio, & George, 2008). Family firms, in turn, provide start-ups with financial stability, operational expertise, and access to established networks, creating a mutually beneficial exchange (Soluk et al., 2021).

Effective knowledge transfer is essential for achieving innovation-driven outcomes. Through strategic alliances, family firms can strengthen their absorptive capacity, enabling them to identify, integrate, and leverage external knowledge more effectively (Lane, Salk, & Lyles, 2001). This capability is particularly valuable in industries undergoing rapid technological change, where the ability to integrate new knowledge can directly impact competitive performance.

Alliances with start-ups can also contribute to improved financial performance, albeit indirectly. By leveraging the innovative potential of start-ups, family firms can create new revenue streams, reduce operational inefficiencies, and enhance their market competitiveness (Wadhwa & Kotha, 2006). Additionally, alliances can lower the costs associated with research and development by sharing resources and risks with start-up partners (Narula, 2004).

However, the financial impact of these alliances is often contingent on the effective management of risks and the alignment of strategic goals. Poorly managed alliances can result

in resource wastage, conflicts, and a dilution of focus, particularly if the start-up's priorities diverge from those of the family firm (Hoffmann, 2007). As such, careful planning and performance monitoring are critical to realizing the financial benefits of these collaborations.

Strategic alliances with start-ups often enable family firms to enter new markets or expand their presence in existing ones. Start-ups typically bring fresh perspectives and niche expertise, which can help family firms identify and capitalize on emerging opportunities (Soluk & Kammerlander, 2021). For example, alliances with tech-focused start-ups can allow family firms to diversify their offerings or adapt to digital transformation trends, enhancing their market relevance and competitive positioning (Groote et al., 2022).

The ability to achieve these outcomes depends on the strategic fit between the family firm and the start-up. Partnerships that align with the family firm's long-term goals and core competencies are more likely to result in sustained competitive advantage (Dyer & Singh, 1998). Conversely, alliances that lack strategic alignment may lead to resource misallocation and reduced effectiveness, undermining the intended performance gains.

Beyond tangible metrics, alliances with start-ups also provide relational and intangible benefits that are particularly valued by family firms (Berrone et al., 2012; Gómez-Mejía et al., 2007). These include enhanced reputation, improved employee engagement, and stronger stakeholder relationships (Berrone et al., 2012). Family firms, with their emphasis on trust and relational capital, often view these benefits as critical to their long-term success (Berrone et al., 2012). Strategic alliances can also foster a culture of innovation within the family firm, encouraging employees to adopt new ways of thinking and working.

Furthermore, alliances with socially or environmentally conscious start-ups can enhance the family firm's CSR profile. This alignment with societal values not only improves stakeholder perception but also reinforces the firm's socioemotional wealth objectives (Gomez-Mejia et al., 2007). Such benefits, while difficult to quantify, contribute to the overall performance and sustainability of the family firm.

Despite their potential benefits, alliances with start-ups also carry risks that can impact performance (Reuer & Ariño, 2007). These include cultural misalignment, differences in strategic priorities, and operational conflicts (Gómez-Mejía et al., 2007; Dushnitsky & Lenox, 2005). For family firms, whose decision-making is often influenced by legacy and emotional considerations, these risks can pose significant challenges (Soluk et al., 2021). Effective governance, trust-building, and conflict resolution mechanisms are essential to mitigating these

risks and ensuring that the alliance delivers its intended performance outcomes (Hoffmann, 2007).

Another key challenge is the measurement of alliance performance (Reuer & Ariño, 2007). Family firms, with their long-term orientation, may prioritize non-financial metrics such as innovation capacity, relational capital, and alignment with socioemotional wealth goals (Berrone et al., 2012; Gómez-Mejía et al., 2007). Start-ups, on the other hand, often focus on rapid growth and financial returns (Dushnitsky & Lenox, 2005). Aligning these performance metrics requires clear communication, shared objectives, and periodic evaluations to ensure mutual satisfaction (Grant & Baden-Fuller, 2004).

### **3. Methodology**

The methodology of the thesis itself was described in this chapter, together with changes made during the process. First, overarching research methods were considered, based on which one could continue on to the subchapters where data collection and analysis would take place. This thesis was developed with the support of OpenAI's ChatGPT. The AI tool was utilized to enhance the text and offer suggestions regarding structure, grammar, and wording. The author has thoroughly reviewed, verified, and edited all content.

#### **3.1. Research Method**

To investigate the research question and derive new theoretical insights, a qualitative empirical approach was adopted. This method is especially suitable for examining strategic management issues, as it facilitates the recognition of patterns and relationships that support theory development rather than statistical generalization. (Bettis et al., 2014). Furthermore, qualitative research is well-suited for examining the underlying mechanisms of 'how' questions, particularly in emerging research areas (Bettis et al., 2014). Given that the research question explores a relatively new field, an inductive theory-building approach was applied, following Eisenhardt's framework, which emphasizes iterative data collection and comparative case analysis to refine theoretical constructs (Eisenhardt, 1989). This methodological approach has been widely applied in alliance research, including studies on strategic partnerships and entrepreneurial networks (Spieth et al., 2020; De Man & Roijackers, 2009; Davis & Eisenhardt, 2011; Ozcan & Eisenhardt, 2009).

It was initially conceptual to analyse some case studies of alliances between German family firms and start-ups to extract patterns on how these alliances create long-term growth. With the list of initial participants obtained, it then dawned that the detailed alliance information would not be sought, including information regarding the partner selection process and the governance structure. Therefore, the methodology of the investigation had to be adjusted to a focus on expert interviews, with examples, if applicable, anonymized, in order to gain more generalizable knowledge about these alliances.

The approach of an expert-oriented methodology "requires the selection of participants who possess extensive expertise and knowledge regarding the subject matter of the investigation" (Weiss, 1995, p. 17). As Bogner and Menz (2009) highlight, expert interviews can be categorized into exploratory, systematizing, and theory-generating formats. This study adopts the systematizing approach to access specialized knowledge derived from professional practice. This method focuses on experts' actions and experiences, allowing them to articulate their insights based on their professional background (Bogner & Menz, 2009). Given the limited availability of empirical data on strategic alliances between family firms and start-ups, expert perspectives provide valuable insights by complementing existing research and offering context-specific knowledge (Bogner & Menz, 2009). This approach has been widely applied in qualitative management research to explore complex strategic interactions and refine theoretical frameworks (Bogner & Menz, 2009).

The theoretical framework for this study is derived from a review of relevant literature on alliance formation and the structuring of partnerships. Several databases were consulted to identify relevant literature on how to set up strategic alliances. Some initial literature search was conducted via Google Scholar. This serves as the foundation for analysing these processes in the context of German family firms collaborating with start-ups (Dubois & Gadde, 2002). To achieve this, the study applies an abductive approach, commonly referred to as systematic combining, which refines rather than generates entirely new theoretical models (Dubois & Gadde, 2002). This method involves iteratively adjusting the theoretical framework as empirical data is collected and analyzed, allowing for a continuous interplay between theory and observation (Timmermans & Tavory, 2012). Unlike a strictly deductive approach that tests predefined hypotheses or an inductive approach that builds theory solely from data, the abductive method enables researchers to refine existing theoretical constructs through empirical insights (Dubois & Gadde, 2002). This iterative process enhances the understanding of both

conceptual frameworks and empirical findings, ensuring a theoretically grounded analysis of strategic alliances (Timmermans & Tavory, 2012).

The abductive approach enables the refinement of existing theories, facilitating the discovery of new insights through an iterative process (Timmermans & Tavory, 2012). This method is particularly relevant to this study, as it integrates a theoretical foundation on strategic alliances while allowing for the incorporation of empirical findings on family firm and start-up collaborations. Expert interviews follow a structured theoretical framework and a rigorous validation process to ensure the reliability of results (Bogner et al., 2009).

### **3.2. Data Collection**

Data collection through expert interviews followed a structured identification process to ensure the selection of relevant experts from various stakeholder groups. Given the complexity of alliances between start-ups and family firms, incorporating diverse perspectives was essential to capture the different dynamics of these partnerships (Spieth et al., 2020). The selection included representatives from German family firms, start-ups, and external experts with experience in strategic alliances. This approach is consistent with research emphasizing the importance of integrating insights from multiple perspectives to develop a comprehensive understanding of alliance dynamics (Spieth et al., 2020).

The identification process began by compiling a long list of firms involved in alliances, using publicly available information such as press releases and trade publications. Once the firms were identified, personal contacts within professional networks were leveraged to establish connections. Additionally, a search was conducted on LinkedIn to identify potential interviewees, combining company names with job titles such as "strategic partnerships," "alliance manager," and "collaboration manager." Respondents were selected based on their roles, as they possessed "technical, process, and interpretative knowledge relevant to their field of expertise" (Bogner & Menz, 2009, p. 54).

The outreach involved direct communication via LinkedIn, email, and phone calls, as well as exploratory conversations to assess potential participants' suitability. Over 30 professionals were contacted, resulting in 15 initial responses, 2 of which came through LinkedIn. From these, 13 were identified as highly relevant due to their involvement in strategic partnerships. These

experts represented a mix of stakeholders: 7 from family firms, 5 from start-ups, and 1 external specialist. The whole process is shown in the following figure:

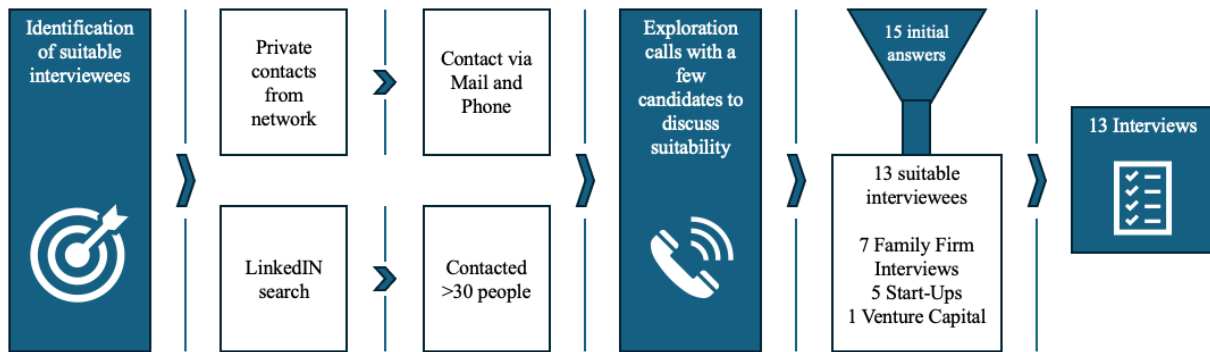


Figure 3: Identification of Interview Partner (own illustration)

The interviews were conducted over a three-month period via phone or video conferencing. As most participants were based in Germany, the interviews were primarily conducted in German and later translated into English using tools such as ChatGPT and DeepL, ensuring efforts to maintain the original meaning of the responses. A semi-structured interview format was employed, allowing for adaptability in questioning while maintaining a structured framework (Adams, 2015). This approach enabled interviewers to explore key areas of inquiry while adjusting to participant responses, fostering more in-depth discussions. The flexibility of this method encouraged participants to elaborate on their experiences, leading to richer insights into strategic alliances (Weiss, 1995).

The semi-structured format involved open-ended questions, enabling participants to express their experiences and perspectives without restrictions (Yin, 2011). This approach facilitated a deeper understanding of the participants' insights and experiences, enriching the research findings.

### 3.3. Data Analysis

Analysis of data in this qualitative interview study incorporated interpretation, summarization, and integration of responses, making use of quotations and illustrative descriptions to contextualize and add depth to findings (Weiss, 1995). Although software such as ChatGPT have been utilized, coding and organization of interview data within this research study were done manually in a structured approach. Transcripts were analysed by means of an Excel sheet in which codes were manually assigned, grouped, and organized into categories for further

analysis. This approach supports the use of qualitative research tools as flexible mechanisms in achieving specific analytical objectives (Gehman et al., 2018).

Initial coding for each interview was conducted to gain a detailed understanding of individual responses. This process follows Eisenhardt's approach to within-case analysis, where deep familiarity with the data facilitates the identification of preliminary insights (Eisenhardt, 1989). In the first stage of coding, interviewees' perspectives were captured in their own words, referred to by Gioia as "first-order accounts" (Bettis et al., 2014). This structured, two-step coding approach aligns with established methods for analysing interview data in the context of strategic alliances (Spieth et al., 2020).

Following the coding of individual interviews, patterns and relationships across the dataset were explored through a cross-case analysis, enabling the researcher to move beyond initial interpretations toward broader patterns of meaning. This is consistent with Gioia's notion of identifying "second-order accounts," where themes, concepts, and theoretical relationships are derived from the data. Through the process, categories were iteratively refined, and recurring themes across interviewees and contexts were identified.

To visualize the relationships between first-order and second-order codes, an organized data structure was developed using Excel. This structure captured the progression from raw interview data to overarching themes and theoretical dimensions. The resulting structure comprised first-order codes, second-order themes, and aggregate dimensions, following the framework outlined by Gioia, Corley, and Hamilton (2012). This manual process ensured a clear connection between the data and the emerging theoretical insights (Gioia et al., 2012).

In the analysis, a differentiation was made regarding which group of interview partners provided specific inputs. For sections such as industry trends and general background, differentiation by group was not necessary. Yet, for analysing motives, inputs were distinguished between family firms, start-ups, and external experts. Similarly, for partner identification and selection, responses were sorted into these groups to represent each group's specific perspective. However, governance and alliance form did not require such differentiation in the analysis, as these topics often involved collaborative discussions among the groups.

## **4. Results**

In the following, the results are structured according to the interview guide to ensure a clear and systematic presentation. The first section explores the role of family firms in strategic alliances with start-ups, focusing on their unique motivations, decision-making approaches, and long-term business strategies. Given their often multi-generational perspective, family businesses tend to emphasize stability, control, and cultural alignment when engaging in partnerships. This section examines how these factors influence their alliance strategies, including the selection of start-up partners and the governance models they prefer. The findings are presented following the structured approach of Gioia, Corley, and Hamilton (2012), highlighting key themes that emerged from the qualitative data.

### **4.1. Motivations for Entering Alliances**

#### **4.1.1. Growth-Oriented vs. Innovation-Oriented Motives**

The motivations driving German family firms to form strategic alliances with start-ups fall into two main categories: growth-oriented and innovation-driven motives (Interview 1, 3, 5). While some firms prioritize market expansion, scalability, and competitive positioning, others focus on gaining access to external technological advancements and fostering process innovations (Interview 5, 12, 13). Many firms perceive these alliances as an opportunity to accelerate digital transformation, reflecting the view that “Startups bring innovative solutions, but without structured implementation, their potential remains untapped” (Interview 10). These motivations are shaped by industry conditions, internal resources, and long-term strategic priorities (Interview 2, 6, 13). For many family firms, strategic alliances provide an opportunity to expand into new customer segments, international markets, or digital distribution channels without requiring large internal investments (Interview 3, 6, 9). The benefits extend beyond financial considerations, as family businesses frequently leverage start-ups for their extensive networks and industry insights. “When startups collaborate with family businesses, they gain credibility in the market. German companies look closely at references, and having a family business as a partner builds trust” (Interview 11).

Additionally, alliances are often seen as a pathway to future acquisitions, allowing family firms to assess compatibility before committing to full integration (Interview 1, 5, 12). Rather than committing immediately, many firms prefer a phased approach to mitigate risks. “Strategic alliances with startups often begin as loose collaborations, but if the startup proves itself, integration into the family business is the logical next step” (Interview 1).

Beyond market expansion, access to innovation is a primary driver for alliances. Many family firms face constraints on internal R&D, slow decision-making processes, and resistance to change, making external collaboration a key strategy for adopting emerging technologies, digital solutions, and disruptive business models (Interview 3, 7, 12). These alliances allow family firms to bypass traditional innovation bottlenecks and incorporate cutting-edge solutions into their operations. “Startups contribute to family businesses by providing technological solutions they wouldn’t be able to develop in-house, increasing efficiency and profitability” (Interview 10). At the same time, family firms seek to balance innovation with stability. Startups operate in a high-risk environment characterized by rapid iteration and uncertainty, whereas family businesses emphasize controlled strategic development and long-term planning (Interview 1, 5, 10). “One of the biggest challenges in working with startups is their speed. They work in short cycles, while family businesses think in long-term stability” (Interview 5). The gradual nature of transformation within family businesses limits their ability to adopt radical changes overnight. “In a family business, transformation is gradual. It’s difficult to find family businesses that really want to be fast and innovative on the side and quickly work together with a startup” (Interview 9).

Additionally, alliances enhance financial sustainability by reducing costs and risks associated with in-house R&D and large-scale market entry (Interview 2, 6, 10). Rather than making heavy investments in untested technologies, family firms can share development efforts and innovation risks with start-ups, ensuring a cost-efficient approach to business transformation (Interview 3, 7, 12). “Risk-sharing in strategic alliances is important, but family businesses prefer working with partners that have a clear financial roadmap” (Interview 1).

#### **4.1.2. Perceived Advantages for Family Firms**

Strategic alliances with start-ups provide innovation, market expansion, and flexibility, helping family firms remain competitive while maintaining a long-term orientation (Interview 1, 4, 2, 6). Many firms recognize that internal R&D limitations and slow decision-making hinder

innovation, making partnerships essential (Interview 2, 6, 9). “Startups contribute to family businesses by providing technological solutions they wouldn’t be able to develop in-house, increasing efficiency and profitability” (Interview 10).

A key advantage is the ability to modernize operations through start-ups’ expertise in digital solutions and automation (Interview 4, 6, 9). “Startups bring innovative solutions, but without structured implementation, their potential remains untapped” (Interview 10). Alliances also provide market access, enabling firms to expand into new customer segments (Interview 3, 5, 11). “When startups collaborate with family businesses, they gain credibility in the market. German companies look closely at references and having a family business as a partner builds trust” (Interview 11). Beyond innovation, alliances enhance organizational flexibility. Traditionally stability-focused, family firms benefit from start-ups’ agility (Interview 3, 7, 12). However, balancing speed and structure is essential. “The real challenge in these partnerships is speed. Startups must learn patience, and family firms must learn agility” (Interview 10). Partnerships also reduce financial risks by sharing development costs rather than requiring heavy investments (Interview 1, 5, 9). “Risk-sharing in strategic alliances is important, but family businesses prefer working with partners that have a clear financial roadmap” (Interview 1).

Ultimately, alliances help family firms future-proof their business, ensuring resilience in a competitive environment (Interview 4, 8, 11). “Long-term partnerships between start-ups and family firms work best when both sides recognize each other’s strengths—innovation vs. stability” (Interview 7).

## **4.2. Criteria For Partner Selection**

### **4.2.1. Strategic Fit**

Strategic fit is a fundamental criterion for family firms when selecting start-up partners, ensuring that alliances align with their long-term business strategy, market positioning, and operational model (Interview 1, 4, 2, 6). Unlike corporations that may engage in short-term partnerships for quick innovation cycles, family firms prioritize sustainability, compatibility, and shared strategic goals (Interview 2, 6, 9). “For family businesses, aligning strategic goals with a startup is crucial—without this, the collaboration will not work” (Interview 9).

A key aspect of strategic fit is business model alignment, where family firms prefer start-ups whose solutions enhance existing operations rather than introduce radical disruptions (Interview 4, 6, 9). “Business model compatibility is more important than technology. If the core model does not align, integration is difficult” (Interview 12). Effective partnerships allow seamless integration, enabling family firms to leverage innovation without major operational disruptions (Interview 2, 6, 10). Market positioning and industry relevance are equally important. Many family firms operate in niche markets where reputation and deep sector knowledge play a crucial role (Interview 3, 7, 12). “A startup needs industry knowledge to succeed in family business partnerships—deep expertise is a non-negotiable requirement” (Interview 5). Selecting start-ups with prior industry experience helps them integrate more effectively into family firms’ operations (Interview 3, 7, 12).

In addition to operational and market alignment, financial stability is a key factor (Interview 1, 5, 10, 13). “Family businesses assess financial health differently than VCs. They look for long-term sustainability rather than aggressive scaling” (Interview 13). Family firms often assess a start-up’s financial sustainability to gauge long-term viability (Interview 3, 7, 12). Decision-making structures also impact alliance success. “Partnerships fail when decision-making speeds are not aligned. Family firms move carefully, startups act fast” (Interview 9). Long-term planning and structured governance make adaptability a key element for effective integration (Interview 2, 6, 9).

Ultimately, strategic fit ensures alliances create long-term value, allowing family firms to integrate innovation while maintaining financial control and cultural alignment (Interview 1, 4, 2, 6). “A strong strategic fit means both companies share a vision that extends beyond financial returns” (Interview 7).

#### **4.2.2. Cultural and Organizational Fit**

When selecting a start-up partner, German family firms place significant emphasis on cultural and organizational fit to ensure smooth collaboration and long-term alignment (Interview 1, 4, 2, 6). Given their strong corporate values and long-term orientation, family firms seek partners that share similar business ethics and decision-making approaches (Interview 3, 6, 9). “Trust is the foundation of every strategic alliance. If trust is lost, no contract can compensate for it, and the collaboration will fail” (Interview 7). A lack of compatibility can lead to misalignment in expectations, communication barriers, and conflicts in strategic priorities (Interview 2, 5, 11).

A key aspect of cultural fit is leadership style and corporate values. Many family businesses emphasize personalized leadership and stability, while start-ups focus on agility and risk-taking (Interview 3, 6, 9). “In family businesses, leadership is built on continuity and experience, whereas startups thrive on disruption and speed. Finding common ground is key” (Interview 11). Differences in decision-making speed and hierarchical structures can cause friction, making alignment in leadership expectations essential (Interview 3, 7, 11).

Operational compatibility is another critical factor. Family firms often have structured governance, regulatory compliance requirements, and established bureaucratic processes, whereas start-ups favour flexible and informal decision-making (Interview 2, 6, 10). “Family businesses value tradition and process efficiency, but startups can challenge these conventions, pushing them toward necessary change” (Interview 9). Successful collaborations require both sides to adapt and find common ground (Interview 5, 9, 12).

Family firms also assess long-term commitment and stability. Unlike corporations that engage in short-term partnerships, they prefer lasting collaborations where key stakeholders remain involved (Interview 1, 6, 9). “Startups that want to work with family businesses must show commitment. It’s not just about short-term growth but about a sustainable relationship” (Interview 11). High turnover or leadership instability is perceived as a risk, as it disrupts continuity and effectiveness (Interview 3, 5, 10). Cultural and organizational fit is a decisive factor in alliance success. Even if a start-up offers technological or market advantages, a poor cultural fit can lead to inefficiencies and failure. “The most important factor in collaboration is shared values. If you don’t align on a personal level, it is unlikely that the partnership will succeed” (Interview 12).

### **4.3. Trust as a Success Factor**

Trust is consistently identified as one of the most critical success factors in strategic alliances between German family firms and start-ups (Interview 1, 4, 2, 6). Unlike purely transactional business relationships, these partnerships require a high degree of confidence in the partner’s reliability, commitment, and ethical standards to ensure long-term success (Interview 2, 6, 9). “Trust is the key element in strategic alliances. While contracts provide a framework, they cannot replace a solid relationship built on mutual understanding” (Interview 4). One of the primary reasons trust is so crucial in these alliances is the inherent uncertainty associated with working with start-ups. Many start-ups operate in volatile markets, often relying on external

investment and facing unpredictable business cycles (Interview 3, 6, 9). Family firms, in contrast, have conservative risk profiles and long-standing business traditions that emphasize financial prudence (Interview 2, 6, 11). “A good alliance is not about immediate returns. Family firms invest in long-term partnerships with those they trust and respect” (Interview 1).

Beyond financial considerations, trust is also essential in decision-making processes and operational integration. Family firms often function with strong hierarchical structures, whereas start-ups favour rapid decision-making and flexible structures (Interview 1, 6, 10). “Startups must learn to navigate the structured approach of family firms while family firms must embrace the innovation that startups bring” (Interview 5). When a strong foundation of trust exists, both sides are more willing to compromise, adapt, and find mutually beneficial solutions (Interview 3, 5, 9). Trust also plays a crucial role in knowledge exchange and innovation-sharing. Many family firms collaborate in strategic alliances with start-ups to access innovative technologies and expertise, but this requires a willingness to share internal knowledge, resources, and proprietary data (Interview 4, 8, 11). “True collaboration happens when both sides trust each other enough to share expertise without fear of exploitation” (Interview 5). Several interviewees noted that alliances are most successful when trust enables both parties to engage in open discussions, share challenges transparently, and jointly develop solutions without fear of exploitation (Interview 3, 5, 12).

Additionally, trust influences how conflicts and setbacks are managed within the alliance. Business collaborations often face unexpected challenges, such as shifting market conditions, regulatory changes, or unforeseen operational issues (Interview 1, 6, 9). “Family businesses tend to scrutinize startups more than other companies before fully committing. However, once trust is built, they are more loyal than most corporate partners” (Interview 11). Conversely, a lack of trust can lead to rigidity, reluctance to share information, and a higher likelihood of premature alliance termination (Interview 3, 6, 12). Several interviewees emphasized that trust-building is a gradual process that extends beyond initial negotiations and contract agreements (Interview 3, 5, 9). Many family firms prefer to start with smaller, low-risk projects to test compatibility before deepening the collaboration (Interview 2, 6, 12). This phased approach allows both parties to assess reliability, competence, and commitment before making larger investments in the alliance (Interview 4, 7, 11).

Overall, trust serves as the foundation for successful strategic alliances between family firms and start-ups. It reduces risk, enhances collaboration, and enables both partners to navigate

challenges more effectively. Without trust, even alliances with strong strategic and cultural fit may struggle to reach their full potential, making it a decisive factor in the long-term sustainability of these partnerships (Interview 1, 3, 6, 9).

#### **4.4. Alliance Design**

##### **4.4.1. Preferred Structure in Family Firms**

Family firms tend to favour structured yet adaptable frameworks when forming strategic alliances with start-ups, ensuring both control and flexibility to balance long-term stability with innovation-driven collaboration (Interview 1, 4, 2, 6). Unlike large corporations that may engage in highly formalized joint ventures, family firms typically opt for governance structures that preserve decision-making authority while allowing start-ups the operational freedom needed for agility and experimentation (Interview 2, 6, 9, 13). “Many family businesses see working with a startup as an opportunity to make a quantum leap in terms of digital transformation” (Interview 9). A common structural approach is the phased collaboration model, where partnerships begin with limited commitments and clear milestones before progressing into deeper integrations (Interview 4, 6, 9). This allows family firms to gradually build trust and assess strategic fit without exposing themselves to excessive risk (Interview 4, 8, 11). “With family businesses, this first step is perhaps always relatively difficult, but once they commit, they are very loyal and faithful partners” (Interview 9). These alliances often start with pilot projects or minority investments, ensuring that both parties align in expectations before expanding the collaboration (Interview 2, 6, 10).

In terms of equity-based structures, family firms generally exhibit a cautious approach toward direct investments in start-ups (Interview 3, 7, 12). “Strategic alliances with startups often begin as loose collaborations, but if the startup proves itself, integration into the family business is the logical next step” (Interview 1). While some firms are open to minority equity stakes as a means of securing long-term influence and financial returns, they often prefer non-equity strategic partnerships that allow for collaboration without ownership entanglements (Interview 1, 6, 9, 13). The primary concern with equity-based alliances is the potential loss of flexibility and decision-making autonomy, as family businesses tend to avoid scenarios where they must engage in external shareholder management or frequent financial re-evaluations (Interview 3, 6, 12).

When family firms do engage in equity-based alliances, they typically structure them as long-term strategic investments rather than short-term speculative ventures (Interview 2, 5, 9). “In a

family business, transformation is gradual. It's difficult to find family businesses that really want to be fast and innovative on the side and quickly work together with a startup" (Interview 9). Several interviewees noted that family firms prefer gradual investment models, where initial collaborations focus on operational synergies and, only after proven success, evolve into partial acquisitions or majority stakes (Interview 3, 6, 11). In some cases, family firms establish corporate venture arms or investment funds to selectively invest in start-ups while maintaining separation from core business operations (Interview 4, 7, 12).

For non-equity alliances, contractual partnerships, licensing agreements, and joint development projects are common structures (Interview 1, 6, 9). "Startups can struggle with external investors or venture capitalists breathing down their necks with KPI demands. A partnership with a family business can offer more freedom and long-term thinking" (Interview 6). These models provide family firms with access to start-up innovations without requiring long-term financial commitments, allowing for flexibility in scaling or discontinuing partnerships as market conditions evolve (Interview 2, 5, 11). Such agreements also enable start-ups to retain operational independence, which is particularly important in industries where agility and fast decision-making are critical (Interview 3, 8, 10). "One challenge is that before a larger family business buys something, the IT team has to like it, the purchasing team has to like it, and the CEO or the family has to like it" (Interview 5)

#### **4.4.2. Operational Integration and Decision-Making Processes**

Operational integration and decision-making processes in strategic alliances between family firms and start-ups are structured to balance control with agility, ensuring both stability and adaptability (Interview 1, 4, 2, 6). Family businesses typically prefer structured integration models that align with their long-term planning while allowing the start-up the flexibility to innovate in the early stages (Interview 2, 6, 9). "Family businesses take time to decide, but once they commit, they dedicate significant effort to making partnerships work" (Interview 9).

A common approach is the phased integration model, where family firms start with pilot projects or minority investments before gradually increasing their involvement (Interview 3, 6, 9). "Family businesses prefer step-by-step engagement, ensuring compatibility before scaling collaboration" (Interview 11). This allows them to test compatibility, refine processes, and evaluate leadership and cultural alignment before committing to a full acquisition (Interview 2, 6, 10). As alliances progress, many family firms seek to fully integrate the start-up into their

operations, either by acquiring the company or incorporating its product or service into the existing portfolio under the family firm's brand (Interview 1, 6, 9). "Once trust is established, family firms are more willing to fully integrate startups into their operations" (Interview 12). This approach allows family firms to expand their innovation capabilities while maintaining full control over execution, market positioning, and customer relationships (Interview 2, 5, 11).

To ensure a smooth integration process, family firms establish clear governance structures, including joint steering committees and advisory boards to oversee decision-making and resolve potential conflicts (Interview 3, 7, 12). "The decision-making structure in family businesses is clear and streamlined. Once a decision is made, there is little back-and-forth discussion, making processes efficient" (Interview 10). While operational flexibility is granted in the early phases, the final decision-making authority remains centralized within the family firm, particularly regarding financial management, brand positioning, and long-term strategy (Interview 2, 5, 11). Operational integration involves process alignment and knowledge transfer, ensuring that innovations developed by the start-up are effectively incorporated into the family firm's workflows (Interview 2, 5, 10). "Knowledge transfer in alliances is a two-way street—both sides must be willing to learn and adjust" (Interview 11). Many family firms actively support the retention of key start-up employees post-acquisition, recognizing that their expertise is crucial for maintaining the agility and innovation that made the start-up valuable in the first place (Interview 4, 8, 11).

#### **4.5. Impact on Long-Term Business Growth**

Strategic alliances with start-ups have a profound impact on the long-term business growth of family firms by fostering innovation, market expansion, and competitive resilience (Interview 1, 4, 2, 6). These collaborations enable family businesses to remain relevant in rapidly evolving industries while preserving their core values and long-term stability (Interview 2, 6, 9). "Our collaborations with startups are driven primarily by innovation. We work with them to access new technologies that help us expand our market presence" (Interview 2).

A key long-term advantage is the sustained integration of innovation, which allows family firms to modernize without disrupting their existing business structures (Interview 4, 8, 11). "Startups introduce new technologies, but their integration must align with the company's existing structures to be effective" (Interview 5). Start-ups bring new technologies, digital transformation strategies, and agile methodologies, helping family businesses optimize

processes, improve product offerings, and develop new revenue streams (Interview 2, 6, 10). Over time, this infusion of innovation enables family firms to remain competitive by adapting to technological advancements and shifting market demands (Interview 3, 7, 12).

Additionally, alliances drive market growth and diversification, allowing family firms to expand into new customer segments, geographic markets, and digital distribution channels (Interview 1, 5, 9). “Strategic alliances with startups offer us a way to enhance our external visibility and position ourselves as an innovative company” (Interview 2). Start-ups often have a strong digital presence and innovative sales strategies, which can complement the traditional business models of family firms (Interview 4, 8, 11). Several interviewees highlighted that alliances provide valuable market intelligence, enabling family businesses to anticipate industry trends and respond proactively rather than reactively (Interview 3, 7, 12). Beyond direct business growth, alliances contribute to organizational transformation by introducing faster decision-making, more flexible corporate structures, and a culture of continuous learning (Interview 3, 7, 12). “Start-ups bring agility and new ways of working into family businesses, which helps them break out of rigid structures” (Interview 12). While family firms are known for their long-term orientation and cautious strategic planning, exposure to start-ups’ agile and experimental approach encourages a more adaptable and innovation-friendly mindset (Interview 1, 5, 9). Over time, this increased agility strengthens the company’s ability to navigate market uncertainties, regulatory changes, and industry disruptions (Interview 4, 8, 11).

Financial sustainability is another long-term benefit, as alliances reduce the risks and costs associated with in-house R&D and large-scale independent market entry (Interview 2, 6, 10). “Family businesses benefit from alliances with startups by accessing new technologies and innovative solutions without taking on the full risk of development themselves” (Interview 1). Instead of making heavy upfront investments in new technologies or market expansion, family firms share development efforts with start-ups, ensuring a cost-efficient growth strategy (Interview 2, 6, 9). Strategic alliances help family firms future-proof their business by ensuring continuous growth, adaptability, and innovation (Interview 1, 5, 9). “Collaborating with startups gives us an edge in the market. Even if a product isn’t immediately profitable, the perception of being innovative adds value to our brand” (Interview 2). By successfully integrating start-up-driven advancements into their long-term strategic planning, family firms secure a sustainable competitive advantage in an increasingly dynamic business environment (Interview 4, 8, 11).

#### 4.6. Synthesis of Findings

The findings reveal that strategic alliances between family firms and start-ups serve as key drivers of long-term growth, innovation, and market expansion (Interview 1, 4, 2, 6). Family firms engage in these partnerships to access external expertise, modernize operations, and expand their reach, while maintaining control and financial stability (Interview 2, 6, 9). “Strategic alliances are a way for family businesses to modernize while preserving their long-term vision” (Interview 9).

A recurring theme is the balance between stability and agility. While family firms prioritize risk minimization, structured governance, and long-term planning, they increasingly recognize the need for flexibility and faster decision-making, which start-ups bring into the partnership (Interview 4, 8, 11). “One of the biggest challenges in working with startups is their speed. They work in short cycles, while family businesses think in long-term stability” (Interview 5). The ability to adapt to changing market conditions, experiment with innovation, and scale efficiently is seen as a long-term benefit of well-structured alliances (Interview 2, 6, 10). However, successful collaboration requires careful alignment in strategic objectives, operational expectations, and cultural values to avoid friction and ensure seamless integration (Interview 3, 7, 12).

Trust emerges as a critical success factor, influencing partner selection, operational integration, and long-term collaboration (Interview 1, 5, 9). “Trust is more important than control in our alliance” (Interview 6). Without mutual trust, knowledge exchange and innovation-sharing can be hindered, limiting the alliance’s impact. Additionally, strategic and cultural fit play essential roles in ensuring that partnerships align with the long-term vision and values of family firms, enabling both sides to leverage their respective strengths while maintaining stability (Interview 2, 6, 11).

Overall, the findings suggest that alliances, when well-structured, enhance business resilience, promote sustainable innovation, and secure long-term growth for family firms (Interview 1, 5, 9). “Alliances enable family firms to remain resilient by integrating new technologies while maintaining their identity” (Interview 11). By successfully integrating start-up-driven advancements into their operations, family firms can future-proof their businesses and maintain a competitive edge in an increasingly dynamic market environment (Interview 3, 7, 10).

## **5. Discussion**

### **5.1. Theoretical and Managerial Implications**

The findings of this study contribute to the academic discourse on strategic alliances between family firms and start-ups by refining theoretical perspectives and offering practical insights for managers. Prior research highlights the potential of such alliances to enhance innovation, market positioning, and organizational agility (Soluk & Kammerlander, 2021; Groote et al., 2022). The empirical results of this study confirm these benefits but also reveal the specific factors that influence how German family firms select and govern their alliances. Trust, strategic fit, and long-term orientation emerge as critical determinants, reinforcing the socioemotional wealth framework as a key explanatory model (Berrone et al., 2012; Gómez-Mejía et al., 2007).

This study advances existing research by providing a deeper understanding of partner selection criteria in alliances between family firms and start-ups. While prior studies emphasize resource complementarity and strategic alignment (Shah & Swaminathan, 2008; Kale & Singh, 2009), the findings indicate that cultural and organizational fit play an equally critical role (Interviews 3, 7, 12). Several interviewees noted that misalignment in decision-making speed, governance structures, and risk tolerance often leads to tension, affecting the alliance's long-term sustainability (Interviews 2, 5, 9). These insights support the findings of Debicki et al. (2016), who suggest that family firms prioritize stability and relational governance over short-term financial benefits.

Furthermore, the study contributes to the understanding of governance structures in family firm alliances by showing that family firms tend to prefer phased integration models, where collaborations begin with pilot projects or non-equity partnerships before evolving into deeper engagements (Interviews 4, 6, 9). This incremental approach is not well documented in the mainstream alliance literature, which largely distinguishes between equity-based and contractual governance models (Reuer & Ariño, 2007; Hoffmann, 2007). The preference for phased integration reflects the risk-mitigating behavior inherent in family businesses and highlights the importance of flexibility and iterative adaptation in alliance structuring (Interviews 3, 8, 10).

Another key theoretical insight is the role of trust as a dynamic success factor in alliances. While previous research emphasizes the importance of trust in interorganizational relationships (Dyer & Singh, 1998; Das & Teng, 1998), this study finds that in family firms, trust-building occurs gradually rather than through immediate commitment (Interviews 2, 6, 12). Several interviewees explained that alliances often begin with smaller, low-risk projects to establish confidence before transitioning to deeper collaboration (Interviews 4, 8, 11). This finding expands the literature on relational governance by illustrating how the cautious approach of family firms shapes their engagement with start-ups (Gómez-Mejía et al., 2007).

From a managerial perspective, the findings highlight the importance of structured yet adaptable governance models. The results indicate that rigid control mechanisms can restrict the entrepreneurial agility of start-ups, whereas excessive flexibility may lead to misalignment of expectations (Interviews 3, 7, 11). Therefore, family firm executives should implement hybrid governance structures that combine formal contractual safeguards with relational mechanisms, such as joint steering committees and regular performance reviews (Kale & Singh, 2009). Several interviewees emphasized that early alignment on governance and decision-making processes significantly improves alliance success (Interviews 2, 5, 9).

Additionally, the study underscores the importance of cultural due diligence in partner selection. Interviewees reported that many alliances fail not because of a lack of resource complementarity, but due to differences in corporate culture, leadership styles, and strategic priorities (Interviews 2, 5, 9). Family firms should incorporate structured cultural assessments and trial collaboration phases before committing to long-term partnerships (Interviews 4, 6, 10). This aligns with research suggesting that successful alliances require both contractual safeguards and relational mechanisms to manage differences in governance expectations (Reuer & Ariño, 2007).

Another significant managerial insight is the need for flexible conflict resolution mechanisms. Given that start-ups operate in highly uncertain environments, family firms must develop strategies to accommodate fluctuations in start-up growth trajectories and business cycles (Interviews 4, 8, 10). Establishing predefined conflict resolution procedures, such as mediation or arbitration, can prevent conflicts from escalating and threatening the partnership (Interviews 3, 7, 12). These findings align with Hoffmann (2007), who suggests that hybrid governance models enhance alliance resilience by providing structured yet adaptable frameworks for managing uncertainty.

Finally, the results indicate that family firms should view alliances not merely as a means of short-term innovation access, but as long-term capability-building opportunities. Interviewees emphasized that the most successful alliances were those in which family firms institutionalized learning mechanisms to absorb the entrepreneurial mindset and technological expertise of start-ups (Interviews 3, 7, 12).

## **5.2. Limitations and Future Research**

While this study provides valuable insights into how German family firms engage in strategic alliances with start-ups, certain limitations must be acknowledged. The primary limitation of this study lies in its qualitative research design, which, while effective in capturing in-depth managerial perspectives, limits the generalizability of findings (Reuer & Ariño, 2007; Interview 3, 7, 10). Since the study relies on expert interviews, responses are inherently shaped by individual experiences and subjective interpretations, which may not fully represent the broader population of family firms engaged in strategic alliances (Berrone et al., 2012; Interview 2, 5, 9). Future research could address this limitation by employing mixed-methods approaches, integrating quantitative surveys with longitudinal case studies to enhance empirical robustness (Shah & Swaminathan, 2008; Interview 1, 4, 12).

Another limitation is the composition of the sample. While efforts were made to include diverse perspectives from family firms, start-ups, and external experts, the findings remain context-specific to the German business environment (Interview 3, 8, 11). Prior research suggests that institutional, cultural, and regulatory environments influence strategic alliances (Gómez-Mejía et al., 2007), which raises the question of whether these findings are transferable to family firms in other geographic regions or industries (Interview 2, 5, 10). Future research could conduct comparative analyses across different legal and economic systems, exploring how family firms structure alliances in varying institutional contexts (Leitner et al., 2019; Interview 1, 6, 12).

A further limitation lies in the retrospective nature of the interviews. Participants provided insights based on past experiences, which introduces the possibility of recall bias (Debicki et al., 2016; Interview 3, 7, 12). While interviewees were encouraged to provide concrete examples, prior studies indicate that hindsight rationalization can influence how individuals frame past decisions, particularly in the context of complex strategic choices (Gómez-Mejía et al., 2007; Interview 2, 6, 10). Future research could complement retrospective accounts with real-time data collection, such as longitudinal case studies or ethnographic observations, to minimize distortions in recollection (Interview 4, 8, 11).

Additionally, while the study includes start-up representatives, it primarily focuses on family firms' perspectives, which results in an asymmetry of viewpoints (Interview 3, 7, 12). Given that successful alliances require mutual adaptation, future research should adopt a dual-lens approach, incorporating equal representation from both start-ups and family firms to better capture the dynamic interplay between corporate stability and entrepreneurial agility (Dushnitsky & Lenox, 2005; Interview 1, 5, 9). Furthermore, prior research highlights the role of external stakeholders, such as CVC firms or industry consortia, in influencing alliance governance (Reuer & Ariño, 2007), an aspect that remains underexplored in this study (Interview 2, 6, 11).

Lastly, the findings may be impacted by ongoing shifts in market dynamics and technological advancements, which could affect the strategic rationale and governance of alliances over time (Berrone et al., 2012; Interview 3, 7, 11). Family firms are known for their long-term planning horizons, yet their approach to innovation partnerships may change in response to economic downturns, regulatory changes, or disruptive technologies (Soluk & Kammerlander, 2021; Interview 2, 6, 12). Future studies could examine how external factors shape family firms' decision-making processes and whether alliances remain viable during periods of macroeconomic volatility (Leitner et al., 2019; Interview 4, 8, 10).

This study provides a foundation for understanding how German family firms engage in strategic alliances with start-ups, but several areas remain open for further research. While prior literature highlights the potential of such alliances to enhance innovation, market positioning, and long-term resilience (Soluk & Kammerlander, 2021; Groote et al., 2022), the empirical findings suggest that the success of these partnerships depends on factors such as governance structures, strategic alignment, and relational trust (Interview 3, 7, 10). However, many of these factors remain underexplored in existing research, particularly in the context of long-term alliance development and performance measurements.

One important avenue for future research is the quantitative validation of these qualitative findings. While this study captures in-depth managerial perspectives, broader empirical validation could be achieved through survey-based analyses or econometric modeling (Kale & Singh, 2009; Reuer & Ariño, 2007). Several interviewees emphasized that their alliance success was tied to specific governance mechanisms and conflict resolution strategies, but the extent to which these factors predict alliance performance across different family firms remains unclear (Interview 2, 5, 9). A mixed-methods approach, integrating interviews, surveys, and archival

data on alliance outcomes, could provide a more comprehensive and generalizable understanding of the factors that drive successful long-term partnerships (Berrone et al., 2012).

Another critical research gap concerns the evolution of governance structures over time. While the literature differentiates between contractual and relational governance models (Reuer & Ariño, 2007; Hoffmann, 2007), the empirical findings suggest that family firms prefer phased integration models, where alliances start as pilot projects and progressively evolve into deeper collaborations (Interview 4, 6, 9). Future research could explore how these governance structures change across different alliance stages, and whether this incremental approach improves alliance stability or merely postpones conflicts (Shah & Swaminathan, 2008; Interview 3, 7, 11). Longitudinal case studies could track how family firms navigate governance adaptations, particularly in response to shifting market conditions or internal leadership transitions (Interview 1, 5, 9).

### **5.3. Discussion**

A central theme emerging from this study is the need for German family firms to balance long-term stability with the agility and risk-taking of start-ups. Research highlights that family firms prioritize socioemotional wealth preservation (Berrone, Cruz, & Gomez-Mejia, 2012) and are cautious in adopting disruptive innovations (Duran et al., 2016). This study extends these insights by demonstrating that structured collaboration models, particularly those starting with pilot projects, enable family firms to engage in innovation while managing risks. This aligns with research on incremental innovation adoption (Leitner et al., 2019) and controlled experimentation (Soluk & Kammerlander, 2021), suggesting that phased collaboration mitigates cultural misalignment and decision-making disparities.

The results highlight that strategic and cultural fit are critical for successful alliances. While strategic fit ensures complementarity between a start-up's business model and the family firm's operations (Kale & Singh, 2009), cultural compatibility plays an equally vital role. This supports findings that trust, shared values, and compatible leadership styles are essential for interorganizational collaboration (Das & Teng, 1998). Family firms particularly emphasize relational governance, where personal relationships and trust-based interactions influence partner selection and long-term performance (Debicki et al., 2016). The study further reinforces the central role of trust in alliances (Dyer & Singh, 1998) and shows that phased collaboration models—starting with small-scale projects—allow confidence to develop before deeper

integration. This advances governance theory (Reuer & Ariño, 2007), illustrating that family firms prefer incremental, deliberate partnerships to ensure long-term stability and minimize risks.

By focusing on German family firms' alliances with start-ups, this study extends the SEW framework (Gómez-Mejía et al., 2007), showing how family firms balance risk aversion with innovation. Unlike publicly listed corporations, which can allocate substantial resources to high-risk investments, family firms adopt a more conservative approach, prioritizing legacy preservation. The findings suggest that phased engagement reconciles cautious long-term planning with the need for agility, refining the understanding of SEW in open innovation contexts.

Existing alliance literature distinguishes between equity-based and contractual collaborations (Hoffmann, 2007), but this study highlights phased integration as a hybrid governance model that gradually evolves from contractual agreements to deeper commitments. This incremental approach allows family firms to de-risk partnerships before increasing financial or operational involvement. Additionally, the study contributes to relational governance theory (Das & Teng, 1998) by demonstrating how family firms use trust-based mechanisms to navigate uncertainty. Rather than relying on rigid contracts, family firms leverage relational norms—such as repeated interactions and shared values—to build long-term partnerships. This suggests that relational governance can be an effective alternative to formalized contract-heavy structures in uncertain environments where long-term collaboration is desired.

From a managerial perspective, the findings emphasize structured yet flexible onboarding in alliance formation. Family firm managers should prioritize small-scale collaborations before committing to formal joint ventures or acquisitions. This phased approach builds trust and ensures strategic fit, reducing risks of cultural clashes and misaligned incentives. Additionally, cultural due diligence should be formalized, assessing alignment in leadership styles, decision-making speed, and communication norms. Early-stage cultural evaluations can prevent conflicts that often derail alliances. Hybrid governance structures also emerge as a critical managerial implication. Family firms should combine formal contracts—to define financial responsibilities and conflict resolution—with relational governance mechanisms, such as joint committees, to maintain transparency and alignment. Purely contract-based or informal governance models may not effectively balance control and flexibility, making hybrid structures ideal for long-term collaboration.

Another key implication is institutionalizing alliance-based learning. Family firms should develop systematic knowledge transfer processes, such as cross-functional task forces and learning workshops, to absorb start-up capabilities in technology, design thinking, and digital transformation. Beyond immediate financial gains, fostering an entrepreneurial mindset and technical expertise provides family firms with a long-term competitive advantage. By linking empirical findings to established theories—particularly SEW, trust-building, and phased governance—this discussion illustrates how family firms can effectively manage start-up alliances. The theoretical advancements highlight how incremental engagement reconciles family firms’ risk aversion with the dynamic nature of start-ups. From a managerial perspective, the findings stress the importance of cultural due diligence, hybrid governance structures, and structured learning.

## **6. Conclusion**

This study has demonstrated that strategic alliances between German family firms and start-ups play a crucial role in fostering long-term business growth. While family firms are often characterized by a conservative, stability-oriented strategy, partnerships with start-ups offer opportunities to unlock innovation potential, access new markets, and drive digital transformation. The findings highlight that the success of these collaborations depends on striking the right balance between agility and control, trust and strategic alignment, as well as cultural compatibility. A key insight is that family firms often adopt a phased approach to alliances, starting with pilot projects or minority investments to build trust and assess long-term compatibility before moving toward deeper integration. This strategy minimizes risk and allows family firms to experiment with new technologies and business models without disrupting their established structures. At the same time, the study shows that rigid control mechanisms can stifle the innovative potential of start-ups, whereas excessive autonomy may lead to strategic misalignment. Therefore, a hybrid governance model that combines contractual safeguards with a high degree of trust and flexible adaptation mechanisms is essential for the long-term success of these partnerships. Furthermore, the research reveals that alliances not only provide short-term financial and operational benefits but also contribute to broader cultural and strategic transformation within family firms. Collaborating with start-ups not only facilitates the adoption of new technologies but also accelerates decision-making processes, fosters a more experimental corporate culture, and enhances adaptability to market changes. This underscores

the importance of viewing alliances not merely as tools for short-term innovation transfer but as strategic instruments for the long-term evolution of family firms. At the same time, the study highlights open research questions and potential avenues for future investigations. Quantitative analyses could further validate the insights gained from this qualitative study and provide a more nuanced understanding of the factors driving successful alliances. Additionally, an international comparison could offer valuable perspectives on how cultural, regulatory, or market-specific differences influence the formation and success of these partnerships. In conclusion, strategic alliances with start-ups represent a powerful means for family firms to remain competitive in an increasingly dynamic and technology-driven business environment. However, success depends on careful partner selection, well-structured governance, and a clear strategic vision. When these elements are in place, family firms can merge their traditional stability with the innovative impulses of start-ups, thereby not only strengthening their competitive position but also ensuring long-term sustainable business success.

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## 8. List of Interview Partners

#	Group	Company Name	Position	Date	Duration	Language
1	Family Firm	Family Firm 1	Managing Partner	03.11.24	58 min	German
2	Family Firm	Family Firm 2	Managing Partner	18.11.24	40 min	German
3	Family Firm	Family Firm 3	Managing Director	25.11.24	37 min	German
4	Family Firm	Family Firm 4	CTO	26.11.24	60 min	German
5	Family Firm	Family Firm 4	Department Head	23.01.25	76 min	German
6	Family Firm	Family Firm 6	Managing Partner	25.01.25	53 min	German
7	Family Firm	Family Firm 7	Managing Partner / Regional Chairman & Member of the state Board (Die Familienunternehmer E.V.)	07.02.25	44 min	German
8	Family Firm/Start-Up	Family Firm 8	Stakeholder & Founder	31.01.25	45 min	German
9	Start-Up	Start-Up 1	Founder	26.01.25	44 min	German
10	Start-Up	Start-Up 2	Head of Business Development	29.01.25	35 min	German
11	Start-Up	Start-Up 3	Founder	29.01.25	55 min	German
12	Start-Up	Start-Up 4	Founder	05.02.25	44 min	German
13	Start-Up	Venture Capital 1	Vice President at Tier 1 VC	03.02.25	25 min	English

## 9. Attachments

### Interviews:

#### Questionnaire for Family Firms

##### Part 1: Intro

1. Recording Consent: May I please record this interview solely for transcription purposes?
2. Disclosure of Information: What information may I disclose—name, company, and position?
3. Part 1: General Trends in Strategic Alliances
4. Focused Trend Exploration: Could you describe current trends in alliances between family firms and start-ups, particularly focusing on aspects like technology-driven partnerships, regulatory changes, or sector-specific trends?
5. Comparative Role of Alliances: What strategic role do start-up alliances play in German family businesses today compared to five years ago?
6. Specific Types of Alliances: What types of alliances does your company currently have with start-ups? Please share examples if possible.

##### Part 2: Motives for Entering Alliances

7. Primary Motivations: What do you believe are the primary reasons German family firms engage in alliances with start-ups? Are they resource-driven, innovation-driven, or focused on market expansion?
8. Internal Capabilities Influence: How do internal resources and capabilities in your family firm influence the decision to partner with start-ups?
9. Long-term Objectives Beyond Growth: Besides technological advancement, are there other long-term objectives that drive these alliances?

##### Part 3: Partner Selection and Cultural Fit

10. Criteria for Selecting Partners: What criteria are most critical for selecting a start-up partner—such as technology, innovation potential, or cultural alignment?
11. Cultural Fit Consideration: How important is cultural fit when forming alliances with start-ups, and how do family values or generational involvement influence partner selection?

12. Preference for Established vs. Emerging Ventures: Do you find that family firms are more likely to partner with established start-ups, or are there benefits to collaborating with newer, emerging ventures?

#### Part 4: Alliance Design and Management

13. Preferred Collaboration Models: What types of collaboration models—equity-based, non-equity-based, or hybrid—does your firm prefer for working with start-ups?
14. Trust and Control Dynamics: How are trust and control managed in these alliances? Would you say control is more critical initially, or does it evolve over time?
15. Governance and Decision-Making Influences: How does family involvement in governance influence alliance management? Are specific governance models used to navigate family dynamics alongside start-up cultures?

#### Part 5: Impact on Long-term Business Growth

16. Contributions to Long-term Growth: In what ways have these alliances influenced your firm's long-term growth? Consider impacts on organizational change, market expansion, or technology.
17. Measuring Growth and Success: What KPIs or success metrics does your firm use to track the impact of these alliances on long-term growth?
18. Challenges and Risks in Alliances: What are the greatest challenges and risks your firm faces in sustaining alliances with start-ups over the long term?

#### Part 6: Closing

19. Future Role of Alliances: Looking ahead, how do you see the role of start-up alliances evolving in fostering the growth of family firms?
20. Additional Insights: Is there anything else you would like to share that could offer further insights into the role of start-up alliances in the long-term growth of family firms?

### Questionnaire for Start-Ups

#### Part 1: Intro

1. Consent for Recording: May I record this interview solely for transcription purposes?
2. Disclosure of Information: What information may I disclose – name, company, and position?

#### Part 2: General Perception of Family Businesses

1. Role of Family Businesses: How do you perceive family businesses in the German market? What strengths or weaknesses do you generally observe?
2. Experience of Collaboration: Have you worked with family businesses before? If yes, what was your experience like, and what stood out as particularly positive or challenging?

#### Part 3: Motivations for Collaborating with Family Businesses

3. Key Motivations: Why do you think start-ups could benefit from collaborating with family businesses? Are these collaborations driven by innovation, resource-sharing, or market access?
4. Start-up Perspective: What specific advantages do you expect from a partnership with a family business compared to other potential partners (e.g., large corporations or other start-ups)?
5. Legitimacy and Visibility: How do partnerships with established family businesses contribute to the credibility and market reputation of a start-up?

#### Part 4: Selection Criteria and Cultural Fit

6. Choosing a Partner: What criteria would be critical for you when deciding to collaborate with a family business? Think about aspects like shared values, technology, market expertise, or financial support.
7. Cultural Fit: How important is cultural fit when working with family businesses? Do you have examples where this worked particularly well or poorly?
8. Size and Structure of the Partner: Do you prefer larger, established family businesses, or do you see advantages in smaller, more flexible ones?

#### Part 5: Structuring and Managing the Collaboration

9. Collaboration Models: What collaboration models do you consider particularly suitable for start-ups working with family businesses? For example, do you prefer equity-based models, project-based partnerships, or other approaches?

10. Trust and Control: How important are trust and clear agreements in such alliances? Are there typical areas where conflicts arise between start-ups and family businesses?
11. Governance and Decision-Making: To what extent does the often family-oriented decision-making structure of such businesses influence the collaboration?

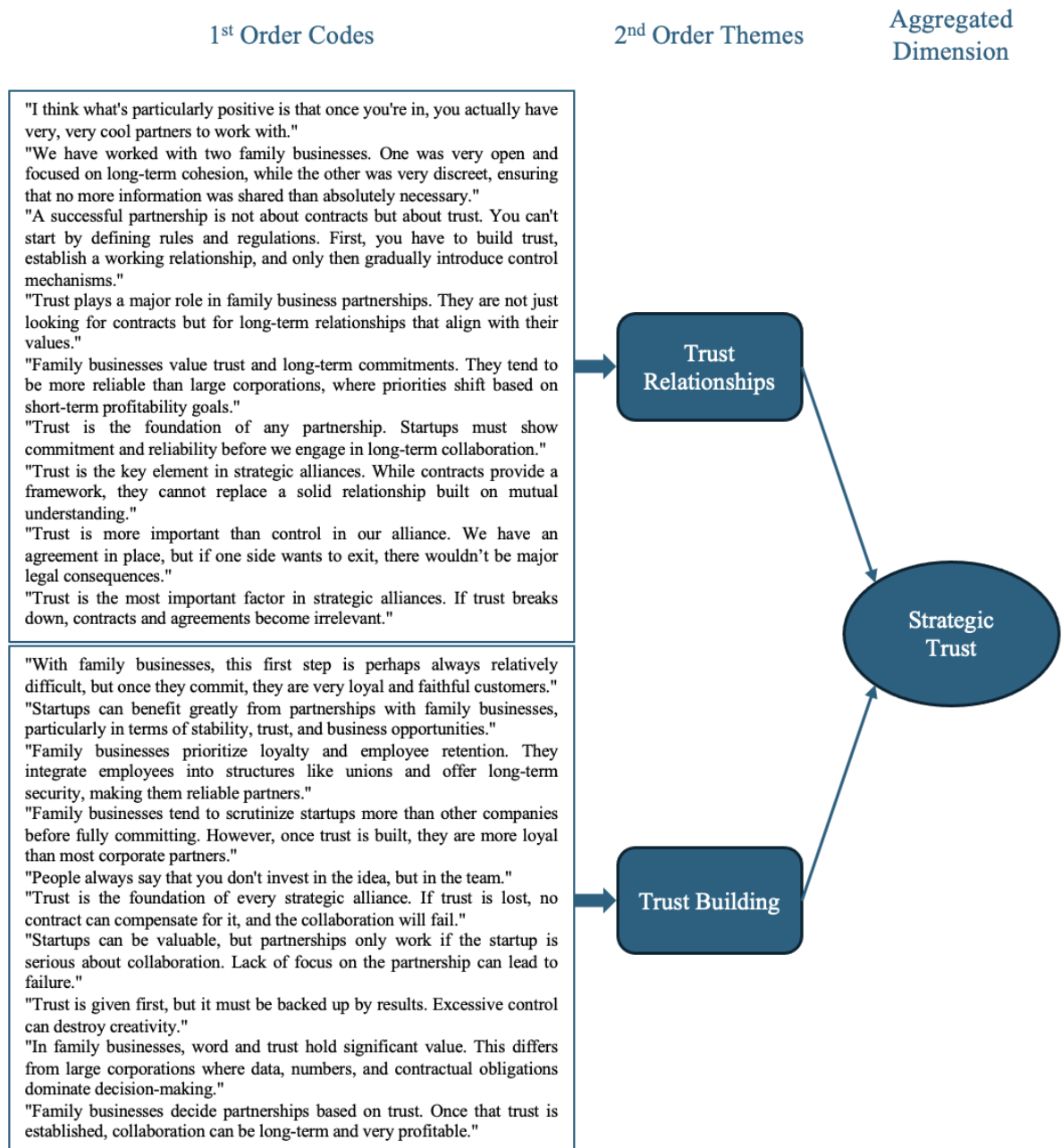
#### Part 6: Long-Term Impacts and Challenges

12. Growth Opportunities: In what ways do you think family businesses can contribute to the long-term success of a start-up and start-ups to the long-term success of family businesses? Consider aspects such as market access, resources, or technological support.
13. Challenges: What specific challenges or risks do you see in collaborating with family businesses, particularly in long-term partnerships?
14. Measuring Success: How would you measure the success of a collaboration with a family business?

#### Part 7: Closing

15. Future Developments: How do you see the future role of family businesses in supporting start-ups? Are there any trends you are observing?
16. Additional Insights: Is there anything else you would like to add that could help us better understand the dynamics between start-ups and family businesses?

## Coding Structure for the Data Structure and Gioia Method



### 1<sup>st</sup> Order Codes

### 2<sup>nd</sup> Order Themes

### Aggregated Dimension

"One challenge is that before a larger family business buys something, the IT team has to like it, the purchasing team has to like it, and the CEO or the family has to like it."  
"One of the biggest advantages of working with family businesses is that once the family decides they want something, the decision stands and is long-term."  
"Decision-making in family businesses is often concentrated in one person – the head of the family. This can make decision processes faster but also more dependent on individuals."  
"Decision-making in family firms is different from startups. We take time to analyze risks, while startups often rush into decisions without fully considering the consequences."

Decision Making

"You actually hope that the family business will be able to make decisions a bit faster. But in reality, it's often the case that family businesses are very cozy. Things often went very well for 10, 20, 30 years, and people aren't really used to changing quickly."  
"Family businesses move faster than large corporations. While large companies have extensive due diligence processes, family businesses are much more flexible in decision-making."  
"The decision-making structure in family businesses is clear and streamlined. Once a decision is made, there is little back-and-forth discussion, making processes efficient."  
"We don't specifically filter cooperation partners based on whether they are a family business. However, once we realize it, we adapt our approach in sales and decision-making processes accordingly."  
"If you have questions, you can do the whole thing much faster. Do you have a contact person? And he can then also make decisions and that's it. So, things move much faster than if you're stuck in a large corporation."  
"The biggest risk in start-up collaborations is that start-ups often don't have the patience for the long decision-making processes in family businesses."

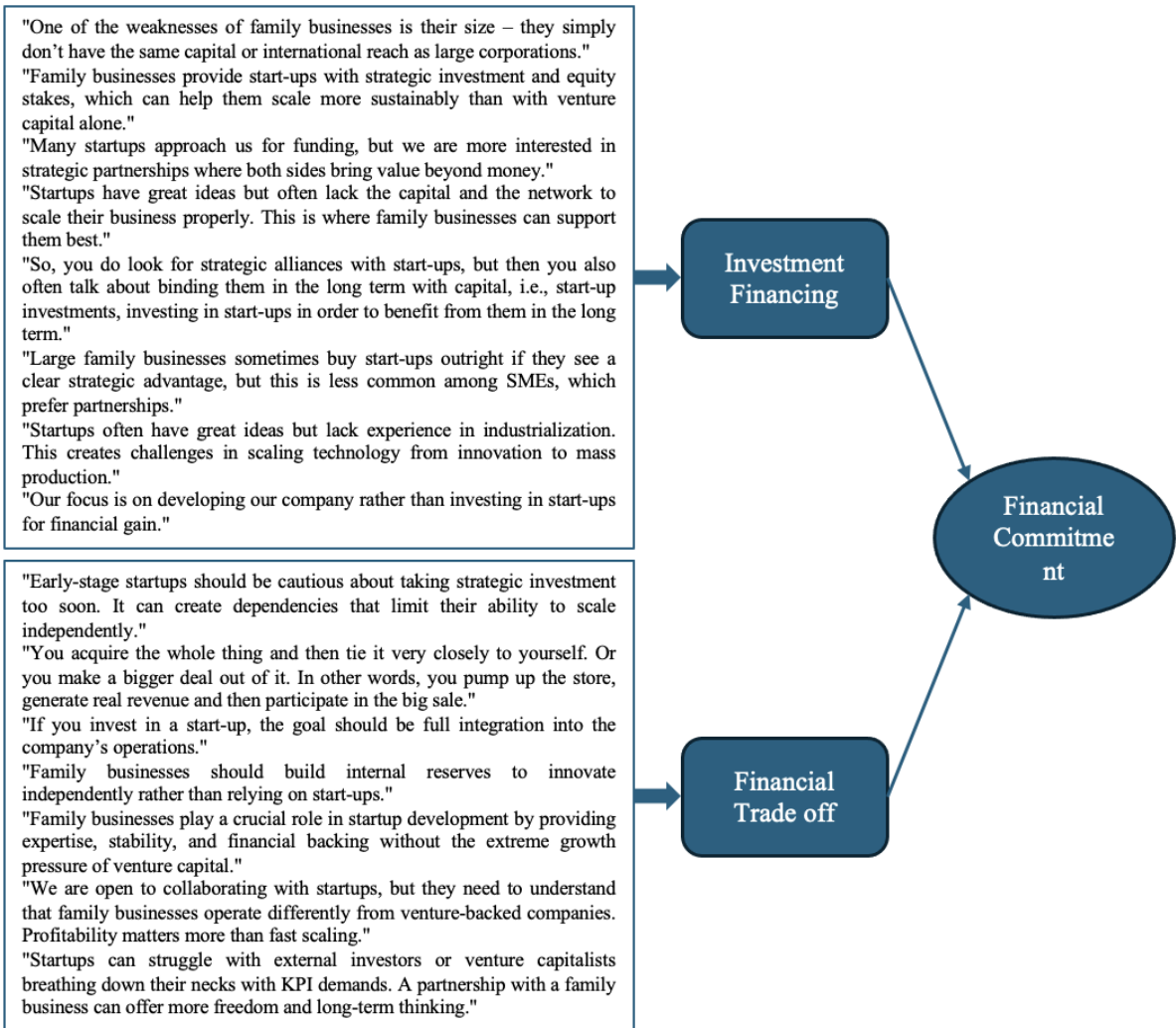
Decision Speed Bureaucracy

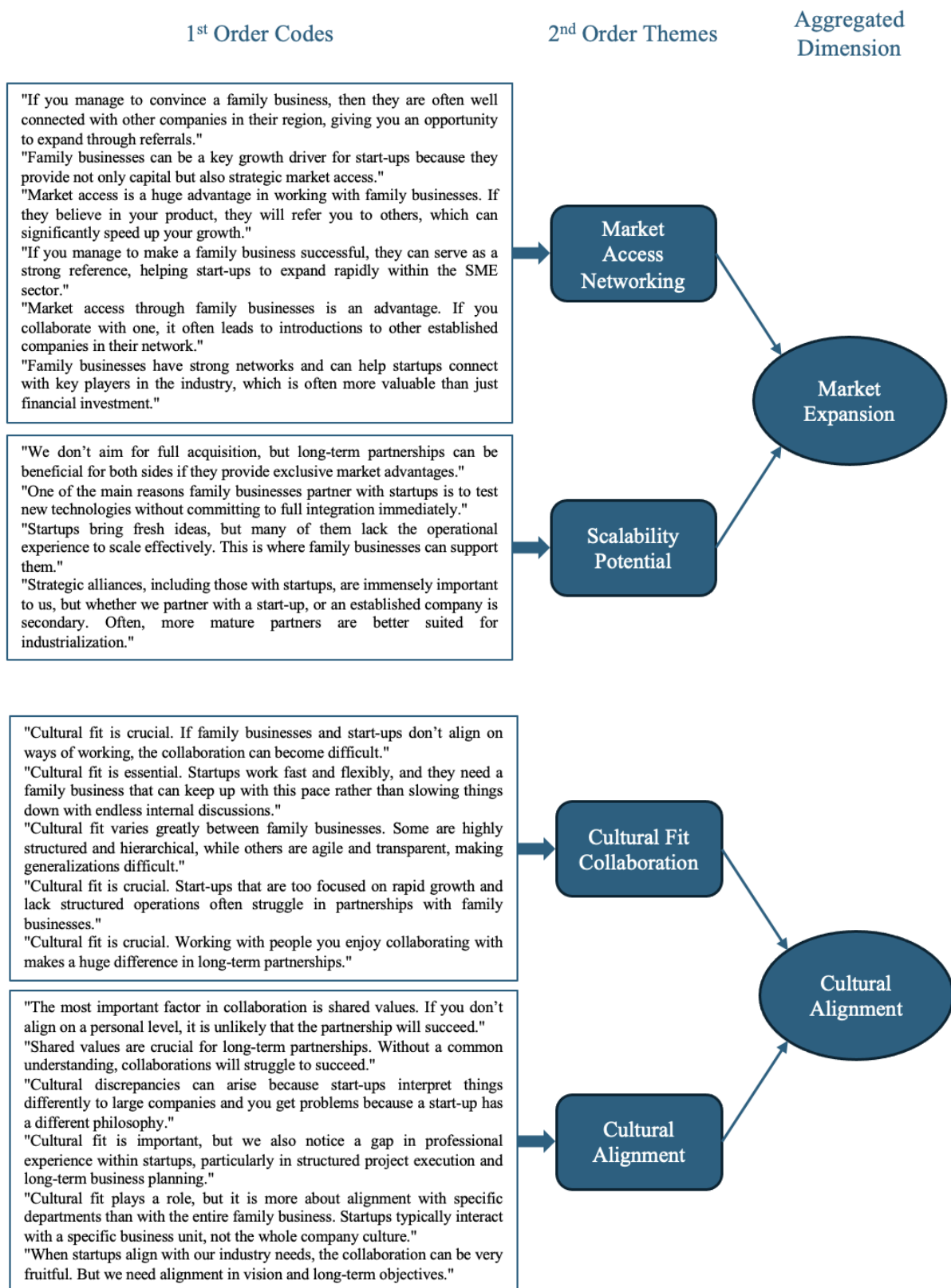
Decision Complexity

### 1<sup>st</sup> Order Codes

### 2<sup>nd</sup> Order Themes

### Aggregated Dimension





1<sup>st</sup> Order Codes

2<sup>nd</sup> Order Themes

Aggregated Dimension

"One risk in working with family businesses is that they may be reluctant to change or invest when facing structural challenges, such as regulatory issues or a shortage of skilled workers."  
"Security is the main reason we prefer working with family businesses over startups. Startups come with risks, while family businesses provide a stable and reliable collaboration."  
"Risk aversion is deeply embedded in family businesses. They tend to stick with established suppliers because choosing an unknown partner could be seen as too risky."  
"A startup needs to be viable. If they fail, it directly affects our supply chain and could damage relationships with our customers in retail."  
"The biggest risk in strategic alliances is ensuring that the startup survives long enough to make the partnership worthwhile."  
"Established start-ups are more attractive than emerging ones, as they provide more stability and a proven product."  
"Startups often underestimate the importance of structured processes and stable revenue streams. Family businesses prefer to work with startups that have already passed the early unstable phase."

"The risk with startups is their financial instability. Family businesses need reliable partners, and many startups fail before they even reach a stable phase."  
"Family businesses prefer working with start-ups that offer ready-made solutions rather than investing in start-ups themselves, as the risks are too high for SMEs."  
"Start-ups bring great innovation, but they often struggle with regulatory barriers that prevent them from scaling quickly in industries like tax consulting and auditing."  
"We often prefer partnerships with startups in emerging fields where regulations are still unclear. These collaborations allow us to adapt quickly to potential future standards."  
"I question whether alliances with start-ups will become more important. In my view, they highlight the weaknesses of SMEs in adapting to change."

Risk Management  
Uncertainty

Operational  
Uncertainty

Risk Awareness

1<sup>st</sup> Order Codes

2<sup>nd</sup> Order Themes

Aggregated Dimension

"Start-ups are often used as external professionals by family businesses to drive innovation and optimize processes that they struggle to do internally."  
"For us, startups are an opportunity to bring in innovation, but we approach them cautiously. We need clear proof that they can deliver results before engaging fully."  
"Family businesses benefit from alliances with startups by accessing new technologies and innovative solutions without taking on the full risk of development themselves."  
"We look for technological partners who can bring innovation and strengthen our own capabilities. Often, we find them by chance through industry connections."  
"The startup's innovation potential was a key selection criterion. Beyond that, the chemistry between us and the founders played an important role."  
"Our motivation for collaborating is both innovation-driven and resource-driven. Cocoa is becoming more scarce, and alternative ingredients can provide cost and sustainability advantages."

"If you see an opportunity or say, 'Hey, this could disrupt my entire market,' then seize the opportunity and work with the startup."  
"Our approach to partnerships is purely technological—we don't invest in startups but collaborate to bring new solutions to market through joint development."  
"The first version of their product was not market-ready—it tasted far from chocolate. However, through iterations and refinements, they significantly improved the quality."  
"We prioritize technical compatibility when selecting partners. Values become important in long-term collaborations but are secondary in initial pilot projects."  
"If you look at how start-ups work, you can perhaps integrate new ways of working and, for example, innovatively set up a new CRM tool like HubSpot and automate processes that you hadn't even thought about."  
"Many family businesses see working with a startup as an opportunity to make a quantum leap in terms of digital transformation."  
"If I see digitalization as a trend, we establish our own digital unit. If AI is a trend, we tackle it internally at all levels. We don't rely on start-ups for such transformations."

Innovation Technology

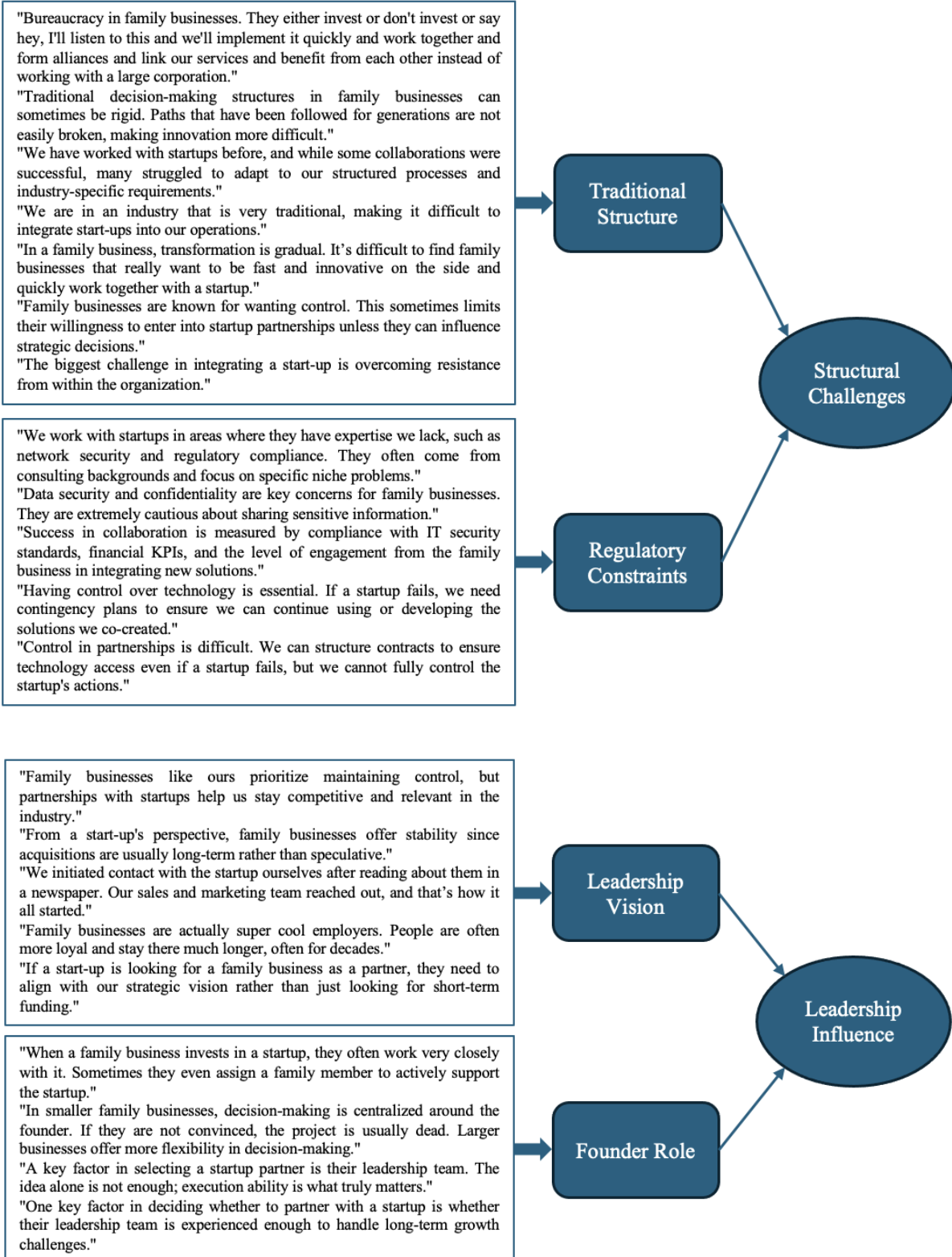
Innovation Cycles

Innovation Dynamics

1<sup>st</sup> Order Codes

2<sup>nd</sup> Order Themes

Aggregated Dimension



1<sup>st</sup> Order Codes

2<sup>nd</sup> Order Themes

Aggregated Dimension

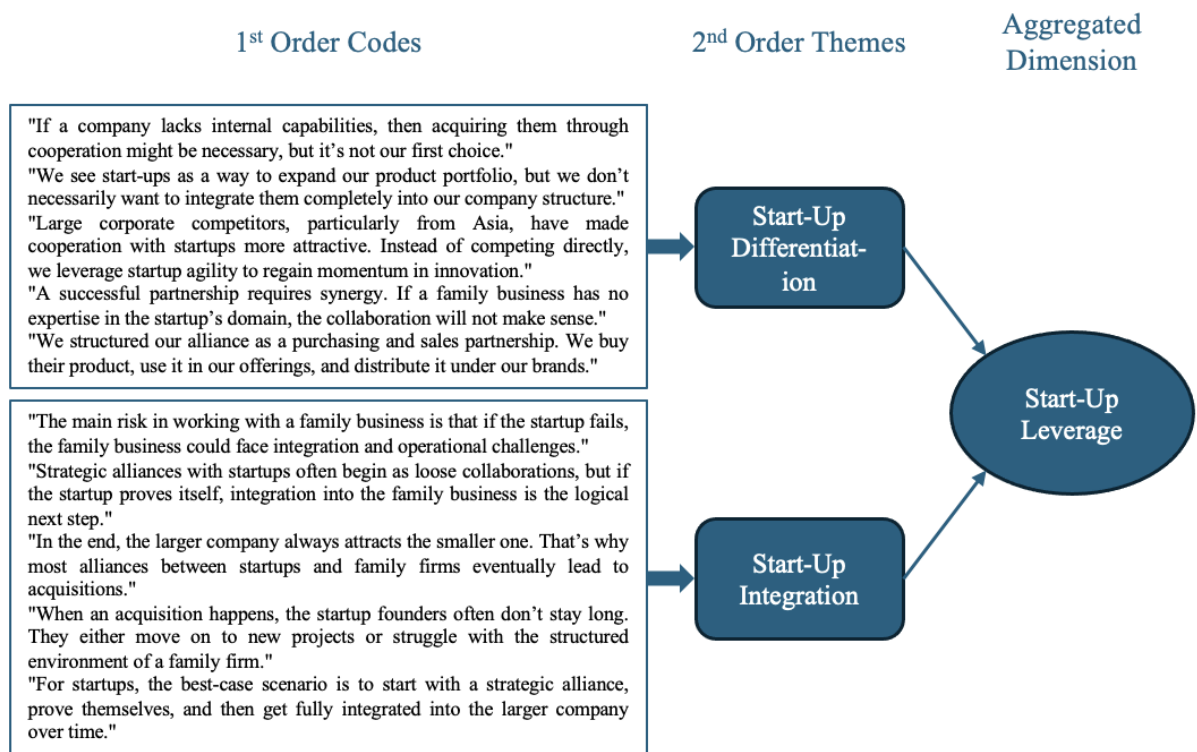
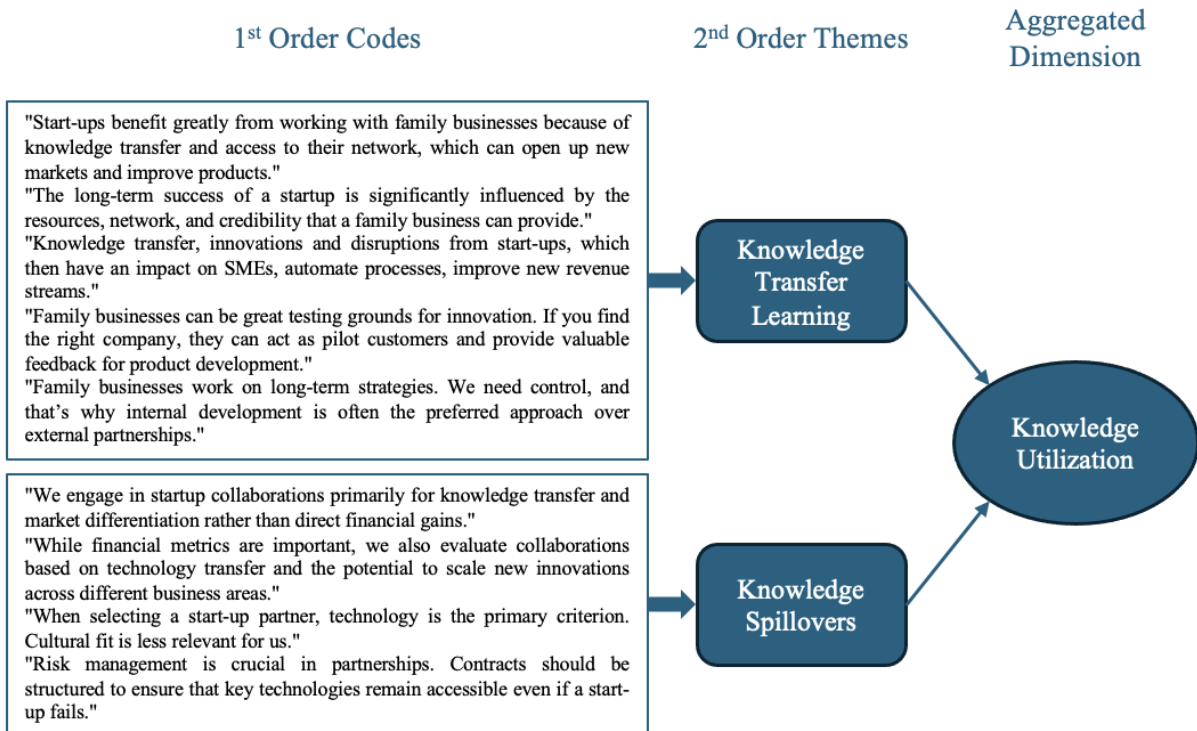
"Our collaborations with startups are driven primarily by innovation. We work with them to access new technologies that help us expand our market presence."  
"Startups are growing in Europe, and family businesses would be foolish not to explore partnerships with them. The trend is moving towards more collaborations, not fewer."  
"We look at start-ups as an opportunity to complement our business rather than disrupt it. Start-ups that understand this are more likely to succeed in partnerships with us."  
"Start-ups need to understand that family businesses focus on diversification and long-term value rather than fast exits and aggressive scaling strategies."  
"There are a lot of companies that are looking for their salvation in start-ups. I see it fundamentally differently. If we as a family business have to team up with a start-up to drive a trend, then we've already missed it."

Strategy Competition

"When selecting family businesses, it is crucial to find those that are professional enough to work effectively with a startup and have a clear need for innovation."  
"For us, the most exciting customers are large family businesses with 500 million to 1 billion in revenue, as they tend to have a certain level of professionalism and structure."  
"Startups and family businesses often don't match at first because startup founders have big plans and expectations, whereas family firms focus on profitability and structured growth."  
"Strategic alliances with startups offer us a way to enhance our external visibility and position ourselves as an innovative company."  
"Having a family business as a customer is a seal of quality for a startup. It builds credibility and makes it easier to gain the trust of other partners."  
"Reputation is a key factor in startup success. If a startup successfully partners with a well-known family business, it can use that credibility to win more clients in the same industry."  
"Startups that work with family businesses gain credibility. A partnership with a long-established company can open many doors for them."  
"The biggest advantage startups get from working with family businesses is credibility. Once they partner with an established company, gaining more clients becomes much easier."  
"Collaborating with startups gives us an edge in the market. Even if a product isn't immediately profitable, the perception of being innovative adds value to our brand."

Competitive Positioning

Strategic Positioning



1<sup>st</sup> Order Codes

2<sup>nd</sup> Order Themes

Aggregated Dimension

"This is not an exclusive partnership. We have exclusivity for certain product categories, but the startup can work with others in different segments."  
"We often see startups with great technology but without a clear market entry strategy. They lack industry knowledge, which we can provide."  
"Everything is moving so fast, you have to invest in startups, work with startups, stay on the ball, because otherwise you'll be out of the market so quickly that you can't even see it anymore."  
"Startups contribute to family businesses by providing technological solutions they wouldn't be able to develop in-house, increasing efficiency and profitability."  
"For a startup to become a strong partner, they must show not just innovation but also operational maturity. That's when we see them as real assets."

Market Adaption Expansion

"Family businesses have a high level of expertise in their field and a strong network. Many companies are extremely well connected in their industry."  
"Family businesses have strong networks. If you build a strong relationship with one, it can open many doors in the industry."  
"When startups collaborate with family businesses, they gain credibility in the market. German companies look closely at references, and having a family business as a partner builds trust."  
"A successful partnership happens when the startup gains access to a strong distribution network, and the family business integrates innovative products into its portfolio."  
"As a startup, I can also agree that you can come together better with small and medium-sized companies and work together better in the long term than with a large corporation."  
"Startups working with family businesses should focus on building relationships rather than just selling a product. Long-term engagement is key to these partnerships."  
"Family businesses could improve their startup engagement by appointing dedicated startup managers to facilitate cooperation and innovation."  
"If a start-up is integrated into the company, an integration manager is necessary to bridge the gap between structures."  
"Startups view family businesses as valuable customers because they tend to have larger budgets and long-term commitments compared to other types of clients."  
"Legacy systems and long-term supplier relationships can be obstacles to integrating new technology within family businesses."

Market Influence

Market Responsive-ness

1<sup>st</sup> Order Codes

2<sup>nd</sup> Order Themes

Aggregated Dimension

"Family businesses are often more solvent, they don't negotiate as much or haggle over prices, and they frequently pay in advance, which is rare in other industries."  
"The success of an alliance must ultimately be measured financially. Sales and profitability are the only real indicators."  
"Success in collaboration is measured by financial KPIs, customer satisfaction, and how efficiently projects are implemented."  
"This is always KPI driven. How much turnover do you generate? How many partners do you have? Are you bringing in? Does the startup bring you new customers as an SME?"  
"We measure success in strategic alliances based on increased revenue and improved profitability over time. If nothing comes from it, the partnership will naturally end."



"The cooperation process with family businesses takes longer, but once they commit, their level of engagement and investment is significantly higher compared to larger corporations."  
"Startups tend to underestimate the complexity of real-world business operations. They focus on agility but often struggle with execution in regulated industries."  
"Short decision-making processes allow us to be flexible and respond quickly, but we have limited resources to fully engage in partnerships without specific project teams."  
"Speed is a crucial advantage of working with a startup. Larger companies have longer processes, whereas startups are more agile and simply move forward with ideas."  
"Unlike a large corporate, we did not require extensive reports, KPIs, or SWOT analyses before making a decision. We saw the potential and decided to try it pragmatically."



1<sup>st</sup> Order Codes

2<sup>nd</sup> Order Themes

Aggregated Dimension

"Equity stakes make the most sense for collaboration because they foster long-term commitment and alignment of interests between the startup and the family business."  
"We prefer partnerships on a project basis rather than equity-based investments because we want to keep full decision-making power in-house."  
"Startups need to be careful when partnering with family businesses. If they become too dependent on one company, they risk being seen as just an internal innovation unit rather than an independent entity."  
"There are different layers to startup-family business collaboration: product design support, financial investment, and referrals. Each has its own challenges and benefits."  
"Our preferred collaboration model is a strategic alliance that starts with a pilot phase and evolves into a long-term partnership, integrating our technology into the family business's operations."  
"When we work with startups, we prefer structured partnerships. Loose collaborations often lead to misunderstandings about goals and expectations."  
"I definitely think that alliances are used and that we start-ups benefit considerably from them."  
"Equity-based partnerships with family businesses can be risky for startups. If they receive investment from a single company, it may limit their ability to sell to competitors."  
"The selection of a start-up partner is highly individual and cannot follow a one-size-fits-all approach—every partnership is unique and depends on specific needs."  
"Strategic alliances with startups have become more relevant over time, especially with the rise of Industry 4.0. However, they are not a new concept and have evolved over the last two decades."



"Family businesses plan partnerships very carefully because they think long-term and don't enter into short-term collaborations lightly."  
"Family businesses prefer strategic alliances before fully committing to an acquisition. They use partnerships as a testing phase to see if the startup and its product fit their needs."  
"The trend is shifting towards acquiring startups rather than just forming alliances. Once a startup proves its market value, it often gets integrated into the larger organization."  
"Strategic alliances first with universities without money, with money? Yes, that's exactly the game."  
"The decision to form strategic alliances depends largely on the industry. Some sectors naturally favor collaboration with start-ups, while others find it too risky."  
"Future partnerships will focus on integrating startups into our business ecosystem strategically—ensuring that we balance innovation with sustainable operations."  
"The cooperation model should be flexible. Equity-based alliances ensure longevity, but they are not always the best solution."  
"Unlike venture capital firms, family businesses don't just invest for financial returns. They look for strategic fit and long-term value in partnerships with startups."

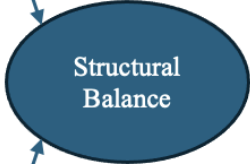


1<sup>st</sup> Order Codes

2<sup>nd</sup> Order Themes

Aggregated Dimension

"Family businesses are one of the most flexible customer groups. When they take on a project, they invest time in it and help with the innovation of the product."  
"Start-ups bring agility and new ways of working into family businesses, which helps them break out of rigid structures."  
"Family businesses are often more agile than large corporations but still provide the financial security startups need."  
"One of the biggest challenges in working with startups is their speed. They work in short cycles, while family businesses think in long-term stability."  
"Long-term partnerships between start-ups and family firms work best when both sides recognize each other's strengths—innovation vs. stability."  
"Family businesses are like any other businesses. The key difference is that larger companies must acquire agility, while we believe in developing it internally."  
"Start-ups benefit from the long-term stability of family businesses. Even when things don't go well, family businesses are more likely to stick to commitments than large corporations."  
"Family businesses bring stability to a startup ecosystem, providing long-term growth opportunities that are different from the high-risk, high-reward venture capital model."  
"I believe that if SMEs take the risk and give the startup a leap of faith with, 'Hey, we'll work with you, give you the time or you'll also get resources from us,' then that's the way to go."  
"The biggest challenge in working with startups is the lack of structured processes. We often need to guide them in project management to bring ideas to a market-ready stage."  
"Working with startups allows us to stay closer to new technologies and be more open to experimentation, serving as an external extension of our product development."



"We do not aim for acquisition by a family business. Instead, we focus on independent growth while maintaining a strategic alliance with them."  
"Many family businesses prefer to acquire know-how from start-ups rather than fully integrating them, as merging different corporate cultures is difficult."  
"Mergers between family businesses and start-ups often fail because of conflicting corporate philosophies. Keeping them separate but aligned is often the better strategy."  
"Many startups want to maintain independence, which can conflict with the family business's preference for majority ownership in long-term collaborations."  
"Cultural differences cause many tensions. Startup founders are used to autonomy, but when they are acquired by a structured business, they struggle with established company processes."  
"In strategic alliances, branding is always a source of conflict. Startups want to keep their brand identity, while family businesses prefer full integration."

1<sup>st</sup> Order Codes

2<sup>nd</sup> Order Themes

Aggregated Dimension

