



How generational transitions manage digital technology's introduction while balancing tradition and family values in SMEs

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Abstract

Title: How generational transitions manage digital technology's introduction while balancing tradition and family values in SMEs

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Keywords: Family firms, digital knowledge management, generational conflict, risk perception, competitive advantage, succession, tacit knowledge

This dissertation focuses on how family-run small and medium-sized enterprises leverage their unique knowledge resources to sustain their competitive advantage over non-family firms in the face of digital transformation. In addition, this work builds on the Resource-based-view, Stewardship Theory and Paradox Theory, particularly on the concept of innovation through tradition. This study examines how generational transitions balance the preservation of expertise with the introduction of digital knowledge management systems that promote transparency and sharing.

A qualitative study was conducted with 15 interviews with senior and junior executives, including 13 in Austria and 2 in Mexico, in different industries. This approach made it possible to collect a wide range of data to understand digitalization in family businesses. Applying all three theories, these interviews reveal both the facilitators and barriers and how they manage the paradox of maintaining traditional family values while implementing systems that enable knowledge sharing for long-term innovation.

The results show that generational dynamics have a strong influence on digitalization in family businesses and offer both opportunities and challenges. While younger managers emphasize more digital innovation, older generations focus on keeping traditions alive. The transfer of knowledge continues to be primarily through personal experience, shaped by close relationships since childhood and transmitted through a practice of "learning by doing". However, integrating digital tools for process and knowledge documentation is becoming essential. Barriers such as generational risk differences and employee resistance can be overcome through open communication, training and gradual implementation.

Sumário

Título: Como é que a transmissão geracional gere a introdução da tecnologia digital, equilibrando a tradição e os valores familiares nas PME

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Palavras-chave: Empresas familiares, gestão do conhecimento digital, conflito geracional, percepção de risco, vantagem competitiva, sucessão, conhecimento tácito

Esta dissertação centra-se na forma como as pequenas e médias empresas de gestão familiar alavancam os seus recursos de conhecimento únicos para sustentar a sua vantagem competitiva sobre as empresas não familiares face à transformação digital. Para além disso, este trabalho baseia-se na Resource-Based View, na Stewardship Theory e na Paradox Theory,, particularmente no conceito de inovação através da tradição. Este estudo analisa a forma como as transições geracionais equilibram a preservação dos conhecimentos especializados com a introdução de sistemas de gestão do conhecimento digital que promovem a transparência.

Foi realizado um estudo qualitativo com 15 entrevistas a executivos seniores e juniores, 13 dos quais na Áustria e 2 no México, em diferentes sectores. Esta abordagem permitiu recolher uma vasta gama de dados para compreender a digitalização nas empresas familiares. Aplicando as três teorias, as entrevistas revelam os facilitadores, os obstáculos e como gerem o paradoxo entre manter os valores familiares tradicionais e implementar sistemas de partilha de conhecimentos para a inovação a longo prazo.

Os resultados mostram que a dinâmica geracional influencia fortemente a digitalização das empresas familiares, trazendo oportunidades e desafios. Gestores jovens priorizam a inovação digital, enquanto gerações mais velhas preservam tradições. A transferência de conhecimento ocorre, sobretudo, pela experiência pessoal, moldada por relações estreitas e pela prática de “aprender fazendo”. No entanto, a integração de ferramentas digitais para documentar processos e conhecimentos torna-se essencial. Barreiras como diferenças de risco geracionais e resistência dos empregados podem ser superadas com comunicação aberta, formação e implementação gradual.

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I am very grateful to the 15 interview participants who offered generously their time and insights for this research. While they wish to remain anonymous, their contributions were valuable and offered profound perspectives on the dynamics of family businesses, especially in the context of generational transitions. The opportunity to interview two generations within the same company was especially insightful and enriched the findings of this study.

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List of Abbreviations

KMS Knowledge Management Systems

KM Knowledge Management

SMEs Small and Medium-Sized Enterprises

FF Family Firms

CRM Customer Relationship Management

ERP Enterprise Resource Planning

RBV Resource-based-view

CA Competitive Advantage

AI Artificial Intelligence

IS Information System

SAP Systems, Applications, and Products in Data Processing

DT Digital Transformation

HR Human Resource

R&D Research and Development

1 Introduction

“*Knowledge is power*”, a timeless saying by the English philosopher Sir Francis Bacon from 1597, underlines the important role of knowledge as a strategic asset (García, 2001, p. 109; Döring & Witt, 2020). Knowledge refers to skills, experience and accumulated information. It shapes decision-making, drives innovation and increases the resilience of companies (Arzubiaga et al., 2022).

One of the key questions in strategic management is how to achieve and maintain a competitive advantage (CA) (Teece et al., 1997). However, the fast progress of the digital economy has changed global business practices within less than two decades (Basly & Hammouda, 2020; Nieto et al., 2023). It accelerated due to the COVID-19 pandemic, which forced companies to redesign their operations and highlighted the need for digitalization (Zapatu et al., 2023; Chaudhuri et al., 2022). Knowledge management systems (KMS) have become essential for companies, such as cloud computing, Customer Relationship Management (CRM), Systems Applications and Products in Data Processing (SAP) and Enterprise Resource Planning (ERP). These tools enable real-time knowledge exchange within organizations and with external stakeholders, which enhances transparency and decision-making (Wang & Yang, 2016; Hock-Doepgen et al., 2020; Cupiał et al., 2018; Döring & Witt, 2020).

In this context, research on family firms (FF) and small and medium-sized enterprises (SMEs) is of high importance. They form the cornerstone of the global economy, accounting for 80% of all businesses and providing 75% of jobs (De Massis et al., 2022; McKinsey, 2023). Nevertheless, SMEs tend to underperform larger companies when it comes to investing in advanced technologies and training (Cupiał et al., 2018; Cooper et al., 2005). However, their internal dynamism enables them to adapt quickly and develop innovative solutions (Saratchandra & Shrestha, 2022). For FF, knowledge is not just a resource, but more a fundamental pillar of their business. This aligns with the Resource-based-view (RBV), which emphasizes the strategic value of know-how as a unique and inimitable asset (Chua et al., 2003; De Massis et al., 2022). In FF, tacit knowledge - rooted in personal experiences and shared practices – is central to building a CA (Dessi et al., 2014). Effective knowledge management ensures the continuity of a business, especially during succession (Wang & Yang, 2016).

A McKinsey study (2023) predicts that around 100 trillion dollars will be transferred from baby boomers to their successors over the next 25 years. This represents one of the largest wealth

transfers in history (Asaf et al., 2023). Research shows that almost 70% of FF fails to pass to the second generation, with third-generation survival rates decreasing to 15 % and fourth generation to 11 % (Baltazar et al., 2023; Poza, 2014). The intangible nature of tacit knowledge is a key element contributing to this failure (Nieto et al., 2023; Martínez et al., 2016). As they are often undocumented and tied to the founder's expertise, they risk being lost in generational transitions. This highlights the need for KMS to ensure continuity (Cupiál et al., 2018).

FF recognize that digitalization and innovation are their most significant challenges to remain agile (Basly & Hammouda, 2020). Nevertheless, they find it challenging to embrace digital transformation (DT) as they prioritize the retention of socio-emotional wealth and traditional practices (Zahara, 2005; Clauß et al., 2022). Previous research on FF mainly focused on the role of family members, which represent a CA over non-family businesses. However, less attention was given to how these resources can be used to manage digital change in a dynamic environment (Sirmon & Hitt, 2003; Chirico & Nordqvist, 2010).

This dissertation aims to contribute to the understanding of how family-run SMEs navigate the challenges of digitalization by balancing tradition and innovation. To address this, the following research questions are examined:

1. *How do generational differences in risk perception affect the adoption of digital KMS?*
2. *How do family-managed SMEs balance traditional tacit knowledge with innovative digital solutions that promote transparency and sharing?*
3. *What internal drivers and barriers influence the adoption of KMS in family firms?*

By exploring these questions, the study aims to conceptualize KMS in the context of digitalization in family-run SMEs. It emphasizes the role of tacit knowledge and generational dynamics and provides theoretical insights and practical implications for balancing tradition and innovation while maintaining competitiveness.

This study adopts a qualitative methodology and is organized as follows: *Chapter two* systematically reviews the literature on FF, digital knowledge management and the balance of risk and innovation. *Chapter three* outlines the research methods, including data collection and analysis techniques. *Chapter four* presents the findings, highlighting key factors influencing KMS adoption, while *Chapter five* discusses theoretical and managerial contributions. Finally, *Chapter six* concludes a summary of key findings.

2 Literature Review

2.1 Family Businesses and Generations

Family businesses have played an important but often underestimated role in the global economy since 1988 (Rovelli et al., 2021). In 2021, the Family Business Index from Ernst & Young and the University of St. Gallen further underscores that the largest FF are crucial to the health of the global economy. They generate a turnover of 7.28 trillion US dollars and employ 24.1 million people worldwide (Robertsson et al., 2021).

Defined as organizations where strong family influence shapes the business, these firms often focus on long-term goals, trust, values and the preservation of their own identity (Sirmon et al., 2008; Hail & Koraichi, 2024). This emphasis on socio-emotional wealth to achieve non-monetary goals such as family legacy, social ties and emotional attachment separates family from non-family businesses (Döring & Witt, 2020; König et al., 2012). The three circle model of Tagiuri and Davis (1982) is an established framework that illustrates the dynamics within FF, based on the interaction of family, ownership and management (Davis, 2008). Although each area has its own interests, they are often interconnected. Family strengthens the company through values and traditions, whereas ownership provides financial control and long-term security and the management targets operational efficiency (Davis, 2018). This high level of intersection has the potential to create CA, but it also brings challenges, particularly between intergenerational differences. This dynamic is getting even more complex in today's fast-moving world of technological change and globalization (Diaz-Moriana et al., 2018).

2.1.1 Family Business Structure

The structure of FF supports not just financial stability but also the preservation of values across generations by favoring risk avoidance, sparing innovation and capital financing (Moreno-Menéndez et al., 2021; Basly & Hammouda, 2022; Arzubiaga et al., 2022).

The high degree of centralization is a typical feature of family businesses, whereby decision-making power often remains in the hands of the older generation (Bouncken & Schmitt, 2022). On the one hand, this promotes stability but on the other hand, it can limit firm's responsiveness to external influences such as market competition or technological innovation. Consequently, FF are slower to adopt new strategies or technologies since they prefer traditional practices based on proven success (Basly & Hammouda, 2020; König et al., 2012). Despite this conservative approach, studies indicate that FF do have significant innovation potential. This is

due to their strong social capital and sense of responsibility (Nieto et al., 2023; Del Vecchio et al., 2024). Their long-established partnerships with customers and external parties offer valuable market insights that support customer-centric innovation (Hail & Koraichi, 2024). Additionally, their long-term focus on maintaining wealth is linked to sustainable innovation. A strategy often overlooked by non-family businesses, whose focus is on short-term profits (Chirico & Nordqvist, 2010; Meroño-Cerdán et al., 2017). These dynamics can be explained by the "*ability-willingness paradox*", which highlights how FF, despite having resources (ability) to innovate, are often reluctant (willingness) to make risky changes (Ano & Bent, 2021). This is because they want to protect their family traditions and legacies (Chrisman et al., 2015). When the older generation controls decision, this tension between innovation and conservatism becomes apparent. As younger generations take the lead, however, these organizations begin to innovate with new perspectives and a greater openness to change (Casprini et al., 2017; De Massis et al., 2015).

2.1.2 Knowledge Transfer

Studies show that only a third of family enterprises are successfully passed on to the second generation and only 5% survive beyond the third one (Zapata-Cantu et al., 2022; Hiebl, 2014; Baltazar et al., 2023). Knowledge is a core competence and a CA for a company, as it is both intangible and very complex (Arzubiaga et al., 2022). It encompasses a large scope from explicit knowledge that is documented, measurable and accessible to a broad community and tacit knowledge, which is based on personal experiences and difficult to formalize (Saratchandra & Shrestha, 2022; Dessi et al., 2014). An effective transfer of knowledge is therefore essential to assure corporate sustainability as well as a smooth succession plan (Ge & Campopiano, 2021). The lack of organized knowledge management (KM) across generations represents a serious barrier that threatens innovation within the firm.

One significant factor contributing to this failure is the intangible character of implicit knowledge (Nieto et al., 2023; Martínez et al., 2016). Such type of know-how, mostly unwritten, is rooted in the personal brain of the family and determines how day-to-day business is run (Nonaka & Takeuchi, 1995; Martínez-Alonso et al., 2022). Face-to-face meetings, discussions and open communications in a more private setting are fundamental for this type of knowledge exchange, which is often passed on informally through mentoring and practical experience (Zapata-Cantu et al., 2022; Breton-Miller & Miller, 2015). This makes it hard to standardize, codify and document, which limits the transmission to the next generation (Zahra et al., 2007). However, at the same time implicit knowledge also represents a significant CA (Martínez et al.,

2016). Due to the long-standing relationship and interactions with customers, FF can understand and anticipate their needs accurately, which strengthens customer loyalty and trust (Dessi et al., 2014).

Furthermore, in many FF the most valuable knowledge is concentrated among a few key people, and most of the time the founder (Nieto et al., 2023). As the primary source of inspiration, the founder's attachment to the business and practical knowledge is central to succession planning and knowledge sharing (Zapata-Cantu et al., 2022; Nieto et al., 2023). In addition, relatives tend to be unwilling to share their know-how with non-family members and external stakeholders due to concerns about their socio-emotional wealth and a potential loss of control of the family tradition (Arzubiaga et al., 2022). A reliance on these informal practices can result in a bottleneck for both, growth and the efficient transfer of important information (Zapata-Cantu et al., 2022).

2.1.3 Generational Risk Perception

Generations can be described as a group formed by influential experiences. These influences behavior, values and traditions and play a key role in FF (Magrelli et al., 2022). The interaction between different age groups and its impact on corporate culture and decision-making turns risk perception and management - especially in the context of digital technologies - into two fundamental issues (Del Vecchio et al., 2024).

FF tend to adopt a more conservative approach to risk due to their desire to build a legacy (Gomez & Daniel, 2020). The focus goes beyond operational success, but even more on the emotional value associated with maintaining the business over generations, according to the theory of "*Socioemotional Wealth*" (Naldi et al., 2007; Berrone et al., 2012; Soluk & Kammerlander, 2021). This emotive input causes family members to prioritize long-term stability and the maintenance of their identity, which sometimes leads to decisions that protect such values, even when they conflict with financial goals (Bürgel & Hiebl, 2023). However, this attitude towards risk is more rooted in the older generation as a means of maintaining control. For them, DT is more of a facilitator than a strategic priority (Ferraro & Cristiano, 2021). Innovations are associated with high costs, potential disruption of traditional practices and a risk to the human touch that forms their company's identity (Tuncalp, 2024).

In contrast, the younger generation considers technological innovation crucial for maintaining competitiveness and enhancing the growth and resilience of the business (Begnini et al., 2023). This is underlined by a recent Deloitte survey in which 46% of next generation leaders in US

FF see digital transformation as a must for future success (Deloitte, 2024). Junior members are more willing to take risks and invest in dynamic capabilities that describe an organization's ability to integrate, create and refocus internal and external resources to respond to a changing environment (Camisón-Zornoza et al., 2020; Zapata-Cantu et al., 2022; Meroño-Cerdán et al., 2017; Tuncalp, 2024). This proactive approach to modernization, competitive agility and anticipatory market positioning proved successful, especially during the difficult times of the COVID-19 pandemic (Del Vecchio et al., 2024).

2.2 Digital Knowledge Management

The concept of KM has grown in importance since the early 1960s, emphasizing continuous learning from best practices and shared experiences (Zapata-Cantu, 2022). It encompasses methods for obtaining, storing and sharing specific knowledge within organizations and with external partners (Arzubiaga et al., 2022; Ge & Campopiano, 2021). In today's digital corporate landscape - driven by big data, automation, artificial intelligence (AI) and cloud computing - KM provides new business opportunities and increases competition (Bürgel & Hiebl, 2023; Liu et al., 2023). It offers significant benefits in optimizing business performance, improving global connectivity and providing time-efficient solutions (Di Vaio et al., 2020; Nieto et al., 2023).

2.2.1 Digital Tools

In this section, ERP, Cloud Computing and CRM systems are analyzed to be key digital tools for effective KM (Del Vecchio et al., 2024; Morawiec & Sołtysik-Piorunkiewicz, 2022; Streicher, 2023). Information systems (IS) play an important part in this integration, as it supports essential processes such as data warehousing, content and document management and decision-making (Saratchandra & Shrestha, 2022; Cupiał et al., 2018).

2.2.1.1 Enterprise Resource Planning

The ERP system is a standard software tool associated with KM (Cupiał et al., 2018). It allows companies to integrate key business areas such as accounting, HR, sales, stock management and production into one system. This enables efficient management of background processes and information across all units within and outside an organization (Heredia-Calzado & Duréndez, 2019; Mahmud et al., 2017). In growing family businesses, ERP systems allow for a detailed view of the status quo through managing raw materials, production tracking, detailed financial reports, etc. (Marco & Giovanni, 2017). Besides creating transparency, such systems provide a basis for quicker data-driven decision-making (Zoubeidi et al., 2020). This is also crucial for the next generation during succession (Marco & Giovanni, 2017). Employee

professionalization is a central aspect of using ERP systems. Education and mentoring are essential to guarantee that employees can use this technology, as the effectiveness of the implementation depends significantly on the willingness and commitment of the staff (Heredia-Calzado & Duréndez, 2019).

2.2.1.2 Cloud Computing

Furthermore, cloud computing is another important form of digital tool for companies (Battleson et al., 2016). It enables access to data and applications via the Internet without the need for local servers. This promotes flexibility and collaboration across different corporate locations (Del Vecchio et al., 2024). In combination with ERP systems, these two digital tools offer significant advantages. Centralized data management in ERP is backed up by the scalability and cost efficiency of the cloud, allowing for faster decisions, lower operating costs and many more (Yathiraju, 2022). For SMEs, this provides a solution that reduces high IT infrastructure requirements and delivers flexible, on-demand resources so that smaller entities can access advanced tools and compete in larger markets without significant upfront costs (Saratchandra & Shrestha, 2022). Despite these benefits, studies show that confidentiality and data security issues are major concerns, as enterprises fear unauthorized data access, possible leaks and limited control over sensitive information in cloud environments (Johansson et al., 2015). Nevertheless, these digital approaches facilitate the transformation of informal into formalized processes and thereby establish company-wide standards that improve performance (Marco & Giovanni, 2017).

2.2.1.3 Customer Relationship Management

In the family business context, clients and their knowledge are key assets for long-term business success (Hail & Koraichi, 2024; Dessi et al., 2014). CRM is essential for increasing the competitiveness of SMEs, due to its intersection among relational marketing, IT systems and corporate strategy management (Hail, 2024). As an IT-based tool, CRM captures customer information, making it accessible across departments and encouraging cross-team collaboration within the company (Dörning & Witt, 2020; Abbas et al., 2022; Hail & Koraichi, 2024). It helps companies to capture comprehensive documentation from the entire customer life cycle, beginning with the first interaction to the conclusion of contracts and service extensions (Arsić et al., 2018). CRM links the company to the client and identifies important relationships. Understanding the participants in the supply chain is valuable knowledge that supports sustained corporate success and increases customer loyalty (Migdadi, 2020). Nowadays, incorporating AI into these systems becomes more important and offers additional potential.

AI-supported CRM systems can process large amounts of data and deliver extensive analyses and predictions (Chaudhuri et al., 2022). These functions simplify business processes and strengthen customer relationships in the long term. By using insights from feedback, process improvements and population segmentation, FF can develop targeted strategies to retain and win back their clients (Chatterjee et al., 2020).

2.2.2 Barriers to Adoption

Despite the benefits of the mentioned tools, there remain several barriers to their adoption. These include the effort involved, the lengthy restructuring process and the associated conversion costs (Mahmud et al., 2017). However, digitalization is not just about new tools, but also the social aspect, in other words ensuring that people in the company embrace these changes (Quarato et al., 2020). Further related challenges will be discussed in more detail below.

2.2.2.1 Paternalism

Senior managers in FF hold on to established, bureaucratic methods and are unwilling to modify this level of formalization (Quarato et al., 2020). Such paternalistic decision-making, in which top management mostly determines strategic decisions, presents a significant barrier (Soluk & Kammerlander, 2021; Clauß et al., 2022). It undermines bottom-up initiatives and prevents lower-level employees from contributing their expertise (Bouncken & Schmitt, 2022). Investments in technological tools are considered questionable as their benefits are difficult to quantify and lack a clear return on investment. This skepticism is compounded by a negative attitude towards IT change, which has led to shutdowns in some companies due to rigid management structures (Streicher, 2023; Mahmud et al., 2017). Nepotism, meaning the prioritization of family members for positions regardless of their qualifications, prevents DT in FF. This approach eliminates external and diverse expertise, which would be essential to promote the delegation of responsibility for this transformation (Lorenzo et al., 2021). In fact, digitization makes it easier to access external knowledge and supports its integration (Quarato et al., 2020).

2.2.2.2 Inconsistent understanding of digital transformation

Furthermore, the understanding of digitalization is not the same in the various departments of a company. Many managers overestimate their ability to lead the business without a clear digital strategy. Simultaneously, they fear increasing external pressure, such as new regulations or advancing digitalization, which makes them reluctant to adopt digital tools entirely (Bouncken

& Schmitt, 2022). Moreover, their complexity is often beyond the capabilities of employees with insufficient digital skills, which further complicates their implementation (Begnini et al., 2023). Consequently, these initiatives are tackled as isolated projects without a centralized direction. This fragmented approach demoralizes employees by creating uncertainty and sends a negative signal to potential partners. They might avoid cooperation without a clear digital strategy (Soluk & Kammerlander, 2021).

2.2.2.3 Employee resistance to change

An additional obstacle lies in the resistance of employees (Begnini et al., 2023; Bornhausen & Wulf, 2023). This results from uncertainty and fear of change due to increased external pressure (Bouncken & Schmitt, 2022). Many are afraid that these tools could endanger their way of working and possibly even their position (Streicher, 2023). The lack of involvement and communication of employees in the processes increases this uncertainty, as it is often not known or tangible how new technologies will affect their working lives (Soluk & Kammerlander, 2021). While research shows that a close bond between FF and employees can mitigate these fears to some extent, long-term employees lack in many cases intrinsic motivation to change (Streicher, 2023; Döring & Witt, 2020). Consequently, the entire digitalization process is constrained, as even the most advanced KMS remains ineffective if it is not used and maintained by employees with data (Döring & Witt, 2020).

2.2.3 Opportunities for Innovation

Although these challenges are persistent, FF benefit from implementing KMS as new innovative ways emerge to stay competitive (Dessi et al., 2014). Effective KM and customer-oriented digital technologies not only facilitate the accessibility of knowledge but promote the quality and flexibility of collaboration within the company (Abbas et al., 2020). This strengthens key competencies and pushes product-, process- and service innovations (Migdadi, 2020; Lissillour & Sahut, 2022). AI-supported CRM systems create new opportunities to react to evolving customer needs at an early stage and develop future-oriented customer understanding (Chatterjee et al., 2020; Hail, 2024; Chaudhuri et al., 2022). In addition, internationalization drives innovation by enabling FF to respond to diverse market needs and offer tailored products. It provides access to knowledge networks and strategic partnerships, which open new perspectives and improve communication (Alayo et al., 2020; Del Vecchio et al., 2024). The creation of digital platforms, such as interactive live webcasts to address customers, has replaced traditional trade fairs and enables traditional companies to respond more flexibly to changes in the market (Soluk et al., 2021). Businesses can enhance

collaboration, streamline processes, and improve innovation through these connected platforms by leveraging international knowledge (Alayo et al., 2020).

The COVID-19 crisis was the climax of a period in which the way we communicate internally and externally changed (Ndlela & Madsbu, 2022). Digital tools for operations such as time recording, managing travel expenses and scheduling time off allowed companies to maintain their productivity. The automation of routine tasks and the support of working remotely allowed companies to continue their work during lockdown (Streicher, 2023; O'Toole et al., 2020). In addition, these KMS enabled the streamlining of workflows for greater efficiency and, above all, real-time data access (Karim et al., 2024)

Finally, systems such as ERP and CRM provide potential for cross-generational business management activities. Through transparent data management and proactive succession planning, knowledge can be effectively passed on between generations, ensuring long-term success (Ren et al., 2023). This shift allows FF to overcome their traditionally conservative image and position themselves as agile and multifaceted organizations on the global market (Streicher, 2023).

2.3 Balancing Risk and Innovation

A balance between risk and innovation in FF means that their individual capabilities must be utilized to promote effective innovation (Magrelli et al., 2022). However, the focus on non-economic goals and a conservative approach can constrain this process since risk is seen as a prior step to innovation (Meroño-Cerdán et al., 2017). The understanding of this interaction and its impact on the rest of the organization is important.

2.3.1 Risk Aversion

Risk aversion has an impact on a range of negative business contexts, including acquisitions, internationalization decisions and the extent of Research and Development (R&D) activities (Kempers et al., 2018; Clauß et al., 2022). This restraint towards external investment is among others due to the company's high concentration of private wealth (Asaf et al., 2023). Consequently, if the company goes bankrupt, it will directly impact the family's personal wealth and causes financial losses (Hiebl, 2014). This tight link between the family's wealth and the business means that FF are hesitant to take risks, in exploring costly new opportunities and foreign markets (Denicolai et al., 2019; Martínez-Alonso et al., 2022). Fundamentally, research shows a negative correlation between risk aversion and sales growth (Meroño-Cerdán et al., 2017). FF often show asymmetrical altruism, in which decisions are made in the interests of the

family instead of increasing the company's assets. Research shows that FF with many owners focus more on improving internal processes, as they are risk-averse and avoid large innovations (Wei & Chen, 2022). This risk aversion leads not only to missed opportunities for value creation, but to the extent that unqualified family managers are hired, and the workforce is limited (Camisón-Zornoza et al., 2020; Muñoz-Bullón & Sanchez-Bueno, 2011). Ultimately, founding members continue to engage after retirement, and their resistance to transferring decision-making to younger generations may further delay progress and constrain innovation (Baltazar et al., 2023). Their usually more authoritarian leadership style impacts the company's adaptability, limiting input from other members, whether family or external advisors (McGinness & Calabrò, 2022).

2.3.2 Risk-Taking

The generational change has an impact, as younger family members generally have a more risk-taking attitude, which is important for promoting innovation (Clauß et al., 2022). Studies indicate a significant positive correlation between risk-taking and performance, especially compared to non-family-owned businesses (Meroño-Cerdán et al., 2017). Junior managers who bring more digital skills, a holistic perspective and a charismatic leadership style can have a more substantial impact on DT (Del Vecchio et al., 2024; Tom McGinness & Andrea Calabrò, 2022). Recognizing the need in digital knowledge sharing, the next generation improves organizational resilience and agility to respond to future market changes (Rondi et al., 2019; Bengini et al., 2023). Juniors establish dynamic capabilities, such as knowledge utilization, risk- and customer relationship management, to drive digital innovation. Simultaneously, they work to maintain traditional customer loyalty, ensuring that new digital initiatives, like tailored automation, align with the firm's core values. This balanced approach allows to combine stability and familiarity with progress and modernization (Soluk, Miroshnychenko, et al., 2021).

Senior managers, however, rely on instinct and avoid formal control systems as well as external monitoring when making risky decisions. While this informal approach allows for quick decisions, it can also overlook exposures and limit different perspectives (Naldi et al., 2007). Nowadays, younger managers recognize these limitations and seek to take more risks while always focusing on a calculated approach. They focus on sustainable innovation, which combines inclusivity and long-term stability (Tom McGinness & Andrea Calabrò, 2022; Clauß et al. 2022).

2.3.3 Resolving the Paradox

Third-party expertise plays a fundamental role in management decisions to mediate these conflicts (König et al., 2012; Zornoza et al., 2020). External consultants provide valuable know-how and new perspectives, which help to reshape risk perceptions. This helps in removing rigid structures and improving adaptability (Denicolai et al., 2019). Furthermore, establishing financial control systems can improve clarity and build trust within the organization (Naldi et al., 2007). Practical training and mentoring for all new tools introduced support effective intergenerational KM and make these systems more convenient for all end users (Mahmud et al., 2017). Finally, change management serves as the key role in aligning the transformation process with the needs of the entire team (Ano & Bent, 2021). The involvement and communication of all employees in the process ensures that resistance is reduced and a shared commitment to the success of the project is encouraged. This structured approach allows FF to integrate their legacy with the needs of modernization (Begnini et al., 2023).

2.4 Theoretical Framework

This chapter examines the theoretical frameworks, with a focus on the Resource-based-view, Stewardship Theory and Paradox Theory. Together, they offer insights into how FF utilize their unique resources and reconcile conflicting priorities.

2.4.1 Resource-based-view vs. Stewardship Theory

The RBV considers the optimal use of resources to achieve a sustainable competitive position in the market (Martínez-Alonso et al., 2022; Habbershon & Williams, 1999). The key question is which resources and competencies a company possesses that are difficult to imitate and therefore ensure a long-term CA. In family contexts, it is the knowledge that plays a key role (Saratchandra & Shrestha, 2022). The knowledge acquired over generations, combined with the family's reputation and socio-emotional capital, provide a unique and intangible resource that sets them apart from non-family businesses (Chua et al., 2003; De Massis et al., 2022).

How these resources are managed changes over time. Younger companies try out new ideas and approaches, while older companies rely on their existing knowledge and prioritize long-term progress (Carnes et al., 2016). FF invest slowly in R&D, with a clear focus on protecting their knowledge and core competencies. This approach minimizes risk and allows them to reinforce the unique position through continuous but controlled innovation (Sciascia et al., 2014).

LEGO demonstrates how FF can leverage its expertise in the context of RBV. By introducing KMS such as SAP, processes were standardized, transparency increased, and resources

optimized. This resulted in an 11% increase in turnover within one year (Andersen & Ross, 2016).

The Stewardship Theory expands the human factor behind resource management. It assumes that managers value the benefit to the organization above their own interests and are driven by a desire for responsibility and trust (Davis et al., 1997). This collective approach sees the success of the company as closely linked to the personal development (De Massis et al., 2022). Decisions are often focused on non-financial goals, including the preservation of the legacy and the continuity of the organization (Welsh et al., 2013; Lee & O'Neill, 2003). FF therefore place great importance on stable relationships with employees and customers as well as long-term planning based on shared values, attitudes and strategies (Chrisman & Patel, 2012).

While this theory supports stability and caution, skepticism toward technological change can also discourage innovation (Miller et al., 2007). Nevertheless, when it is aligned with the organization's long-term goals and values, change can be accepted. A positive family dynamic based on trust, teamwork and an altruistic desire to act in the interests of others helps to reduce conflict and strengthen relationships. This enables sustainable growth through cooperation and adaptability (Eddleston & Kellermanns, 2006).

2.4.2 Paradox Theory: Innovation through Tradition

Paradoxes defined as “*contradictory yet interrelated elements that exist simultaneously and persist over time*” (Smith & Lewis, 2011, p. 382) are central to the dynamics of family businesses. Among these, tradition and innovation are characterized as central tensions (Kastanakis et al., 2024). Tradition forms the basis of a family firm's identity, rooted in the values, principles and vision of the founder. However, the need for innovation to adapt to the changing demands of the present and future creates a challenge (Suddaby & Jaskiewicz, 2020). A tension that is often referred to as the “*Paradox Theory*”. While innovation is important for long-term survival, FF prioritize stability, thereby risking inflexibility and over-reliance on established practices (Carnes et al., 2016). Additional areas of conflict arise from the contrast between the founder's control and the desired autonomy of the successor, along with the need to reconcile the family's financial security within the need to grow the business (Ingram et al., 2016).

LEGO provides a notable example of navigating this paradox. By developing products like LEGO Mindstorms, which combine traditional play with robotics and programming, the firm embraced innovation while preserving its core identity (Andersen & Ross, 2016). Similarly,

Barilla, a traditional pasta manufacturer, modernized its production processes using advanced technologies such as automated baking ovens and packaging systems. These innovations increased efficiency without compromising the quality of the traditional recipes (Sargiacomo et al., 2023).

This shows that the paradox presents not an obstacle but rather a strength of FF. Leveraging their common identity and historical continuity alongside forward-looking strategies, they can maintain growth, accommodate changes and remain to be competitive across multiple generations (Erdogan et al., 2019; Smith & Lewis, 2011).

3 Methodology

This dissertation aims to investigate how family-owned SMEs manage the challenges of digitalization during generational transitions, with a focus on different risk perceptions. To ensure a comprehensive examination, the study combines qualitative data from primary and secondary sources. This research approach had two primary reasons. Firstly, new technologies need a deep understanding to comprehend their complex and inter-dimensional effects. Qualitative methods are suitable for analyzing such dynamic and innovative connections (Birkinshaw et al., 2011; Mulisa, 2022). Secondly, semi-structured interviews provide insights into the cause-effect relationships. This offers a more comprehensive exploration of processes instead of focusing only on the results (Mulisa, 2022; Pettigrew, 2012).

Furthermore, by conducting interviews with managers who experienced this tension, personal experiences on DT are captured. To complement these findings, secondary data from databases like Google Scholar and industry reports are used to broaden the context and validate the results. This combined approach allows for a detailed analysis of intergenerational dynamics, risk perceptions and decision-making processes in FF. Keywords such as “*digital knowledge management*”, “*family-owned SMEs*”, “*risk perception by the generation*”, “*barriers to technology adoption*”, “*digitalization enablers*” and “*tacit knowledge*” guide the data collection process and ensure extensive research into the field.

3.1 Sample Strategy

The sample was selected based on a non-probability sampling approach using purposive and random selection strategies. This ensures that participants with relevant experience are included and at the same time guarantees a broader representation within the defined criteria (Palinkas et al., 2013).

The study comprised interviews with senior and junior managers from 15 FF. The participants ranged in age from 19 to 71. The sample consisted of 13 companies based in Austria and 2 in Mexico. Including the two Mexican companies, specifically from Mexico City, demonstrates the country's position as a driver of innovation and digital transformation in Latin America (Goldsmith et al., 2023). This perspective complements the findings from the Austrian companies and increases the comparative value of the thesis. All companies had undergone business succession and had to be under family ownership to reflect the unique characteristics of FF correctly. The questioned businesses, founded between 1960 and 2012, operated in different industries, as well as service and manufacturing companies. This diversified sample gave a nuanced understanding of generational change and digitalization in family businesses.

Figure 1 provides an overview of the sample and uses pseudonyms to ensure the confidentiality of the participating companies.

Company Name	Origin	Foundation	Interview Nr.	Interviewee's Name	Interviewee's Age	Position	Active operational involvement	Generation Nr.	Family Member?	Interview Type	Duration (mins)
A	Austria	1964	1	P1	72	Board Member	no	2nd	Yes	personal	73
B	Austria	1960	2	P2	68	Board Member	no	2nd	Yes	personal	43
C	Austria	1960	3	P3	25	CEO	yes	3rd	Yes	personal	55
D	Austria	1960	4	P4	42	CEO	yes	3rd	Yes	personal	62
E	Austria	1960	5	P5	na	CEO	yes	3rd	Yes	via Zoom	64
F	Austria	2012	6	P6	25	CEO	yes	2nd	Yes	personal	47
G	Austria	2012	7	P7	57	CEO	yes	1st	Yes	personal	42
H	Austria	1988	8	P8	48	CEO	yes	2nd	Yes	personal	59
I	Mexico	2004	9	P9	32	CEO	yes	2nd	Yes	via Zoom	59
J	Austria	1987	10	P10	na	CEO	yes	2nd	Yes	personal	51
K	Austria	1974	11	P11	68	Board Member	no	2nd	Yes	personal	68
L	Austria	1964	12	P12	na	CMO	yes	3rd	Yes	personal	60
M	Austria	1985	13	P13	19	Assistant	yes	3rd	Yes	personal	59
N	Austria	1985	14	P14	57	CEO	yes	2nd	Yes	personal	40
O	Mexico	2004	15	P15	32	CFO	yes	2nd	Yes	via Zoom	69

Figure 1: Overview of Participant Sample

Source: Own illustration based on interview participants

3.2 Data Collection Method

A total of 15 interviews were conducted, 12 of which were face-to-face and 3 via the online conferencing tool Microsoft Teams. Each interview was recorded and then transcribed to ensure accuracy and a thorough analysis of the data. For participants from German-speaking countries, the transcripts were initially prepared in German and later translated into English.

The interviews ranged in duration from 42 to 73 minutes, with an average of 58 minutes, fostering a trusted environment that encouraged open communication between participants and the researcher. All participants had leadership experience in FF, and most had actively collaborated with previous generations. This provided further unique insights into intergenerational dynamics. The interviews followed a structured guideline. (*Appendix A*)

The first part focused on the introduction of the participants to gain insights into their roles, experiences and background within the organization.

The second part examined knowledge exchange practices, exploring both traditional methods and the integration of digital tools. Among others, open-ended questions were used to examine how tacit knowledge is transferred and how digitalization is being integrated.

The third part deals with the risk perceptions of different generations. The focus was placed on the differences between older and younger managers in relation to the introduction of digital technologies and innovations. Participants were asked to reflect on their attitudes towards risk and its impact on digital transformation decision-making.

The fourth part addressed strategies for balancing tradition and innovation. Participants were asked to reflect on how to maintain family values while embracing innovation.

In the final part, they discussed their views regarding the future of DT in family businesses, identifying potential opportunities and challenges.

3.3 Data Analysis

The data analysis was conducted using the Gioia method for qualitative content analysis (Gioia, 2020). The objective was to identify concepts that address the research questions, focusing on the relationship between tradition and innovation and generational dynamics in the adoption of digitalization in FF. The Gioia method is a robust framework that helps to deepen the understanding of organizational dynamics and the influences that shape generational change in family-run SMEs. A key principle of this approach is to first base the findings on the respondent's insights and then link them to the theoretical framework established in the literature review (Gioia, 2020; Magnani & Gioia, 2022). With its roots in the interpretative research, it places the understanding of the participant at the center of the analysis (Gioia, 2020). The method applies a hierarchical structure.

First, the analysis identifies key findings from the interview transcripts in the form of first-order concepts, with the participant's original language retained to ensure authenticity (Gioia, 2020; Gioia et al., 2012). Second, these concepts were then categorized to uncover similarities and differences in perspectives, which led to the identification of second-order concepts. These themes link the data to existing theoretical frameworks through research-based interpretation (Galwa & Vogel, 2021; Gioia, 2020). Finally, they were summarized into aggregated

dimensions to show interdependencies and provide a comprehensive understanding of the results (Gioia et al., 2012).

4 Findings

This qualitative analysis identifies multiple key themes that emerged from the 15 semi-structured interviews, which are structured more in detail in the appendix. (*Appendix B*) Figure 2 presents a compact version of the analysis by visualizing and structuring the data into three hierarchical themes: First-order concepts are displayed through direct quotes from interviewees. Eight second-order themes are identified and summarized into three aggregated dimensions: Sustaining Generational Leadership through Knowledge Preservation, Generational Risk and Innovation Dynamics tied to Tradition and Modernizing Family Businesses through Digital Transformation. These dimensions are analyzed in the following sections to show their relationships and their significance for the research objectives of the study.

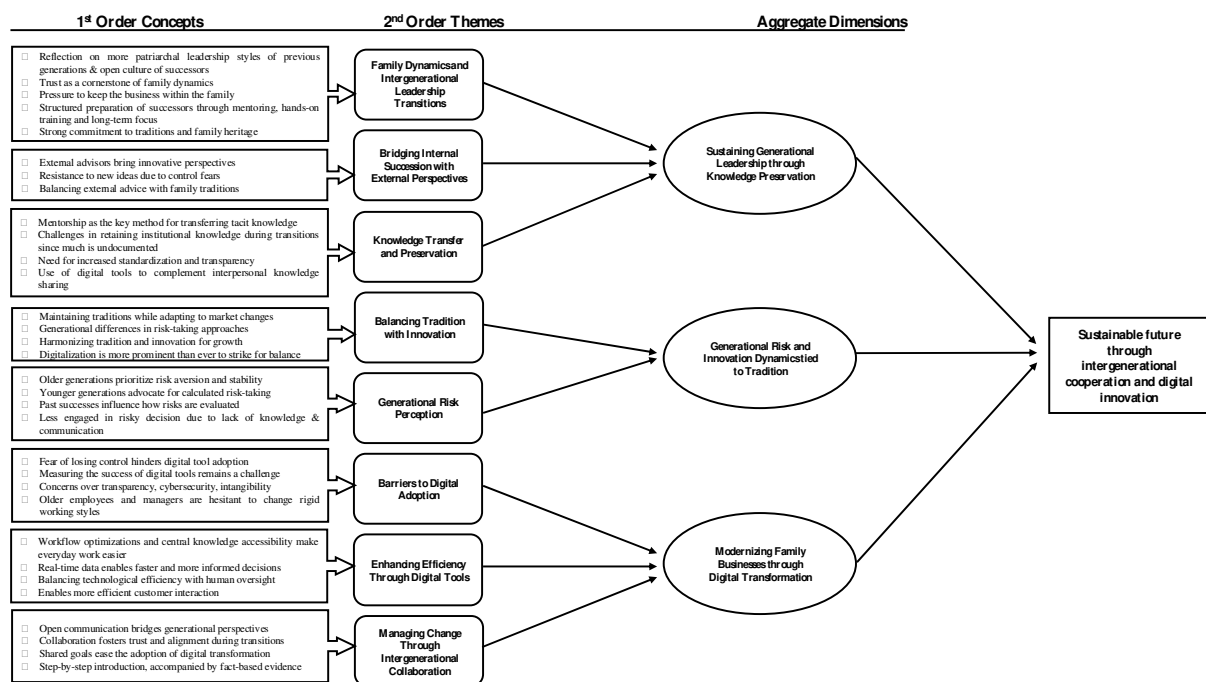


Figure 2: Overview of qualitative content analysis using Gioia's methodology

Source: Own illustration based on qualitative analysis using Gioia's methodology (2013)

4.1 Sustaining Generational Leadership through Knowledge Preservation

Passing on knowledge across generations was emphasized nearly by almost all interviewees as a critical success factor for FF. Knowledge is seen not only as a resource that ensures operational and strategic continuity, but also as an essential part of succession planning to prepare the next

generation for their leadership role. By combining trust and mentorship with standardized digital tools, organizations can preserve their legacy while fostering innovation and growth.

4.1.1 Family Dynamics and Intergenerational Leadership Transition

Family dynamics build the foundation of FF, with trust and emotional ties as key elements. As one participant emphasized, *“I think trust is key in a family business. There has to be a difference from a corporation.”* (P1) Although trust is a reliable basis, the process of generational transition is often complex and depends on the informal transfer of knowledge. This often happens through practical experience and daily interactions, as one participant reported, *“When you grow up in a business that operates out of your home, you always pick up bits and pieces and grow into it.”* (P13) Besides ensuring the continuity of operations, these practices also reflect a deep commitment to the company's legacy. As P5 remarked, *“It’s a huge responsibility to know that my grandfather founded the company and that the next generation ran it successfully. We want to continue running it successfully and pass it on to the next generation.”*

The leadership culture of senior generations prioritized autonomy and task-oriented performance, contrasting to the collaborative styles that emerge with generational change. As P3 described:

“There was trust that I could handle it, but the management style at the time was shaped by the mindset I grew up with: performance equals work per unit of time. No criticism was considered praise enough. That was the leadership culture back then. We learned self-responsibility because we had to.”

While this approach instilled independence, it often lacked the structures to facilitate knowledge exchange and collaborative working.

Earlier leaders tend to rely on intuition, as one executive explains, *“About 51% gut feeling—do I do it or not? And I take responsibility in the end.”* (P2) This approach is gradually being replaced with more integrative practices encouraged by junior managers. One participant noted, *“Nowadays, we think the more employees are informed, the better it is for the company’s success.”* (P5) This shift underscores the growing importance of transparency and knowledge sharing among all engaged stakeholders.

Especially in the context of digitalization, this generation gap becomes more apparent. Younger executives are pushing for the modernization of outdated systems, whereas most of the older

generations tend to stick to traditional methods. One participant emphasized that such systems make tasks such as profit calculation and customer statistics unnecessarily difficult. As another remarked, *“When there’s resistance from the previous generation and employees, then no, you don’t do it. We might try again later when there’s pressure.”* (P4) This tension not only illustrates how difficult it is to balance the family dynamic between tradition and innovation, but also how significant discrepancies can prevent implementation altogether.

4.1.2. Bridging Internal Succession with External Perspectives

Succession planning for FF, in which the focus is on long-term planning, appears to be an issue in which all interviewed executives agree. Here, P5 explained, *“We want to successfully pass on the company to the next generation, so we think very long-term and act cautiously.”* What is central to this approach is the emphasis on clearly defined roles and responsibilities. As the young successor P9 noted at the beginning of his career:

“Institutionalizing the company was crucial. We needed a clear organizational chart so that every position had defined responsibilities and a direct supervisor. [...] It also makes transitions easier. If someone leaves, we don’t lose critical knowledge about what they were responsible for or how they did their job.”

This structure contributes to the rationalization of work processes and prevents knowledge loss during leadership changes or employee turnover.

Despite the emphasis on internal succession, many participants acknowledged the value of external expertise to provide unbiased perspectives. As P1 shared, *“Over the past ten years, my siblings and I have managed this generational transition well, involving external expertise like Professor Wimmer. It was a challenging process but essential.”* Another participant highlighted how hiring non-family members can shift the traditionally conservative views of the older generation, explaining, *“The new commercial director we hired has been incredible, and her success has shown my dad that external expertise can add significant value.”* (P15) However, there is still considerable skepticism towards external consultants, which reflects the belief that outsiders lack a differentiated understanding of the dynamics of FF. One CEO remarked, *“They won’t take an outside advisor seriously. It’s a mentality thing. [...] I wouldn’t listen to an outside advisor,”* (P10) Another added, *“They mocked the workshops and questioned their value, seeing them as a waste of time and money.”* (P3), which illustrates the skepticism towards methods without immediate tangible benefits.

Despite reservations, some participants acknowledged that external expertise could offer fresh perspectives and help bridge generational divides. As P15 noted, *“It’s essential to bring in outside perspectives, especially as we grow. With so many family members involved, external expertise can provide a fresh, unbiased approach to managing the business.”* while another emphasized, *“External expertise can help resolve generational conflicts. It’s not always about generations, though—it’s often just about finding the best approach.”* (P8)

Finally, stepping back and empowering the next generation was identified as a key factor in bridging succession. Several participants emphasized how important it is for the older generation to give up control so that the next generation can take the lead. As one senior admitted, *“In this regard, our generation should stay out of it. Those who understand the needs of tomorrow should take the lead, and I hope they’re fresh-minded enough to do so.”* (P1) This is crucial to ensure the autonomy of the following generation but also for fostering innovation.

4.1.3. Knowledge Transfer and Preservation

The fact that knowledge transfer in FF is strongly based on personal interactions and informal practices was also reflected in the data collection as P8 noted: *“Personal communication is the primary way we transfer knowledge.”* This process is often organic and unstructured. In some cases, there is little to no formal knowledge transfer, as the know-how is embedded in intuition. As P14 noted, *“That’s the funny thing. It really wasn’t transferred at all, my father just said, ‘You’ll figure it out yourself.’”* Another participant described his step-by-step learning experience: *“I would say it happened continuously, working at home during summer vacations. It was fluid, there wasn’t a clear start where I’d say, ‘You begin today.’ I learned through doing, through helping out—it was a gradual process.”* (P13)

This reliance has both strengths and limitations. Some participants highlighted the enduring role of trust networks in preserving institutional knowledge. One respondent remarked, *“We had what I jokingly call a ‘mafia’ in our company, in a positive sense. We had a close circle of trusted friends in key roles who worked together daily for over 30 years.”* (P1) However, this informal character often leads to important knowledge being isolated or lost when key personnel leave. As P13 pointed out: *“It’s a hassle to figure out the specific information [...] Communication becomes very drawn-out because you can only check it personally at home. This lack of immediate access really bothers me.”*

Generational dynamics further complicate knowledge transfer, particularly in balancing the preservation of tacit knowledge with the need for structured systems. Younger leaders often

recognize the limitations of informal practices, particularly as businesses expand. One participant explained: *“I feel like the knowledge of the business [...] there’s not a lot of information outside of my parents’ brains. So the way the business works and the way people do things and communicate [...]”* (P15). Another elaborated, *“The accumulation of knowledge is happening so quickly that you can’t just rely on keeping it in your head. You don’t need to know everything; you just need to know where to find the information.”* (P3) On the other hand, older generations often view existing methods as sufficient. One interviewee reflected, *“No, it’s more that I don’t see a significant need because things are running smoothly with emails. [...] A little, yes. I do think we might be lagging behind in some areas”* (P14), illustrating how complacency with traditional systems can delay necessary improvements.

This dynamic is further underlined by the perception of knowledge as a source of power. As P10 explained, *“Information that’s meant for me will remain with me because that’s what makes me irreplaceable.”* Such attitudes create barriers to open collaboration, emphasizing the need to foster trust for effective knowledge-sharing practices.

Efforts to formalize knowledge transfer are often met with resistance, however structured training programs are gradually emerging. One participant shared, *“We created a sort of ‘Connect University’ for new employees. During the first two weeks, they go through training on all our tools and software, so they’re prepared when they go out into the field.”* (P9) The move towards such structured programs shows that sustainable solutions arise from the combination of relationships and formal approaches, which allows FF to preserve knowledge and build a sustainable future.

4.2 Generational Risk and Innovation Dynamics tied to Tradition

The challenge for FF is to establish a balance between tradition and the ongoing need to adapt to technological progress. Indeed, the risk perception of different generations influences this trade-off. However, the results show that by using their unique assets, FF can combine tradition and innovation to ensure sustainable development.

4.2.1 Balancing Tradition with Innovation

The results of the interviews reveal a recurring challenge in family businesses: the balance between tradition and innovation. As one interviewee reflected:

“You can’t just change everything as if it’s a completely new company. If you do that, you risk losing the mindset, ethics, and culture that the company was built on. [...] Values and foundation need to remain intact even as we innovate.” (P9)

Another interviewee noted, *“The basic values were instilled: that you serve customers, be honest, and so on.” (P11)* At the same time, innovation is not only seen as a tool for growth but as a necessity for long-term survival. A younger leader expressed this tension clearly: *“Both are very important to me. I value tradition a lot—understanding how my grandfather and father worked is something I find fascinating. [...] But I also know that we can’t survive long-term if we don’t innovate.” (P13)*

Digitalization emerged as a central theme in the pursuit of innovation. One leader explained:

“To be honest, digital tools will be our main focus for the next year. I feel like integrating digital tools into the company’s operations will make us scalable, efficient, and more productive. [...] Right now, the company is doing well, but if 100 new clients came in tomorrow, the current structure wouldn’t hold up—we’d break apart. [...] This includes streamlining processes, automating tasks, and ensuring that all operational knowledge is captured and accessible. It’s about building a foundation that allows us to grow without being overly dependent on any one person or manual processes.” (P15)

Even though digitalization is key to sustainability, generational differences influence its acceptance: younger leaders drive innovation, while a big part of older generations remain hesitant for concern of disrupting proven practices. As one senior executive explained, *“It’s about interpersonal relationships. Despite all the digitalization or technology, people always need to be the priority.” (P10)* Nevertheless, the inevitability of this trend is generally recognized, as the younger executives noted, *“Digitalization—it’s here to stay. We have to live with it, no question.” (P2)*

4.2.2. Generational Risk Perception

In terms of risk acceptance, investments in digitalization generally diverge between generations. However, it became apparent during the interviews that the founding generation, which is often characterized by its entrepreneurial mindset, considers risks necessary for the company’s development and growth. One participant recalled, *“In the past, as a managing director, I was certainly risk-taking. [...] We made investments worth millions and were anxious about whether they would pay off, but it’s also why we are where we are today.” (P2)* This willingness to take risks built the foundation of many FF.

In contrast, the immediate successors take a more reserved approach, shaped by personal interests and past challenges. One respondent reflected, *“My father, for example, was marked by nearly going bankrupt. He wouldn’t take that risk again because he’d be too afraid.”* (P4) As for the financial responsibility and protection of the family legacy, the interviewee further stressed the magnitude: *“It’s about my money, my assets. There are other shareholders and their families who are also involved.”*

This risk aversion is often given priority over financial independence, as one interviewee noted: *“We have always tried to avoid debt and remain independent of banks.”* (P5) Such conservative attitudes however, slow down progress, as another admitted: *“Sometimes small decisions are postponed or dropped because I didn’t want to risk disagreements.”* (P6) It has become evident from these perspectives how closely financial responsibility and the protecting of family values shape decision-making in family businesses.

Looking at the younger generations, while impacted by the more conservative approach of their previous counterparts, often adopt a more dynamic approach to risk as their confidence and experience grows. One participant shared, *“Watching my dad’s approach has pushed me to embrace risk when it’s calculated and backed by data.”* (P15) This willingness to engage in innovative solutions is evident, as another commented: *“Taking risks and trying out new approaches. Sometimes you just have to ‘do it’ and experiment.”* (P3) Nevertheless, there is always a continued focus on maintaining controlled and calculated risks to mitigate any potential downside.

Ultimately the interview reveals that the ability to take risks is not just a challenge but rather a strategic necessity. As one participant stated, *“I look at the long term. I want my business to still be around in 10 years.”* (P10) Despite different degrees of risk tolerance, most respondents agreed that digital tools will have a profound impact on the future of companies, and it is therefore indispensable to keep up to date with new technologies.

4.3 Modernizing Family Businesses through Digital Transformation

The data analysis results show that FF experience both barriers and opportunities in terms of digitalization. While generational conflicts need to be overcome, there is great potential for digital tools to optimize processes, promote collaboration and facilitate data-based decisions.

4.3.1 Barriers to Digital Adoption

According to a large proportion of the older generation, the barriers towards the introduction of digitalization in FF are closely linked to traditional work processes and financial considerations. As the respondent P3 explained, *“They often didn’t see the value because it wasn’t tangible. A machine has a physical presence and perceived value, but digitalization doesn’t—it’s not something you can see.”* This reflects a preference for investments with immediate and measurable returns, which aligns with their experience in managing long-term stability. In addition, their skepticism is reinforced by their rigid attachment to established work processes, as another interviewee noted, *“The mindset is: it’s worked fine for the last 30 years, so why change it now? They don’t see it as immediately necessary because it’s still working, even if not perfectly.”* (P13).

Generational differences further intensify resistance to change. Older employees were concerned about mastering the new tools and younger employees feared greater supervision. As one participant noted, *“Older employees are more hesitant because they fear they won’t be able to master the new tools. For younger employees, the resistance stems more from concerns about being monitored.”* (P3). In some instances, this resistance escalates to active opposition. One respondent shared a particularly telling example:

“Part of the new system required creating client proposals with standardized pricing. One employee deliberately entered outrageous prices—like listing a cable at €50,000 instead of €6. This would obviously scare off clients and lead them to reject our proposals. It was clear that this person was actively trying to sabotage the system, and they didn’t align with the company’s values. So, they had to go” (P15).

Beyond this, the interviews revealed that time constraints and the perceived complexity of implementation add to these obstacles. One participant highlighted, *“The main resistance comes from my father, mainly because it’s such a huge task. Implementing something like this would require a lot of time and effort.”* (P13) Similarly, another participant, representing the older generation, shared their hesitancy: *“I have my sales folder, where everything is written down. Switching to an iPad seemed too complicated and error-prone with our inventory system, so we decided against it.”* (P14)

Lastly, the lack of awareness and understanding was a recurring issue across the interviews. As P13 explained, *“A lot of the resistance comes from not knowing how things work or being afraid*

of the unknown.” This uncertainty leads to significant reluctance, as both managers and employees do not use or adapt to these tools to their full extent.

4.3.2 Enhancing Efficiency Through Digital Tools

Although the participants described their concerns, most of them recognized the potential for increasing efficiency. As one executive emphasized:

"It's not just about the product anymore, processes and customer service are just as important. We aim to provide a complete 'worry-free package' for our customers, solving their problems seamlessly. Digital tools play a significant role in making this happen."
(P3)

Tools such as CRM, Microsoft and cloud computing proved to be the most widely used solutions and changed the corporate landscape: *"Nowadays, it's different. We have process descriptions, quality management systems, ERP systems, intranets, and documentation systems."* (P3)

Regular evaluations and streamlined HR processes, once manual and time-intensive, have been digitized. A young successor (P9) gave valuable insight in this regard: *Every three months, we conduct evaluations for employees*” and further elaborated, *“In HR, if you wanted to take a vacation, you had to fill out a paper form. [...] I created a digital form, built an intranet for the company, and made several processes digital.”* In addition, the interviewee mentioned the result in greater transparency and accountability as he mentioned: *“We use Microsoft 365 and the CRM. If something isn't recorded in one of these systems, it's not considered official.”* This standardization proves to be crucial for efficient work processes.

To effectively establish a well-structured knowledge exchange, it is crucial as P9 mentioned *“Capturing and documenting all the knowledge isn't just important for the founder's role-it's crucial for every employee.”* This is also evident in efforts to facilitate better exchange and collaboration within the company. As one interviewee noted: *“We introduced Core, a communication platform for employees, because there was a problem with communication in the company.”* (P5) It is vital to ensure this standardized knowledge given the increasing importance of remote working since the pandemic.

Efficiency improvements were a repeated theme, particularly in processes such as order management. As P10 explained:

„If we look at SAP, [...]it certainly contributes to staying competitive, yes. Simply because it's continuous... The error rate, for example, from order entry to invoicing is completely different. Someone manually enters an order, and the person invoicing forgets two items, yes. Or... enters an incorrect quantity. This leads to complaints, yes. Complaints cost money again, you have to re-book everything. So the digitized process would be more efficient and financially beneficial as well. “

Despite the advancements, participants acknowledged challenges in measuring the success of these tools, mainly due to their intangible benefits. To address this, younger executives emphasized the importance of data-driven metrics. P9 noted: *"We now have KPIs to track performance. Every three months, we conduct evaluations for employees."*

Looking to the future, the interviews revealed that the focus is on further integration of automation and AI-driven tools to open new avenues for innovation and efficiency. As one participant shared: *"Especially in the area of customer relations. CRM, a knowledge database with AI support—that's currently being worked on."* (P4)

4.3.3 Managing Change Through Intergenerational Collaboration

Interview findings reveal that overcoming conflict in FF is dependent on addressing organizational change through intergenerational collaboration. Gradual implementation emerged as a key strategy to reduce resistance and enable smoother transitions. One participant explained, *"By starting small. We begin in one department, let three or four employees use the tool as a test, and then we gradually expand it to other departments."* (P4) or as P13 mentioned, *"Changes need to be gradual, over time, to avoid unsettling long-term customers."*

Inclusive engagement with the senior generation also plays a crucial role. Keeping them informed and involving them in major decisions increases trust and acceptance. As one interviewee shared, *"We try to bring the older generation on board by explaining our reasoning. When they understand why we're doing something, they can accept it to a certain extent."* (P5) Bridging the gap between traditional skepticism and modern innovation requires building mutual respect and getting everyone to understand the "why" behind decisions. As P8 admitted: *"I think the challenge is really in the communication process—taking time to talk with the team, giving people time to develop and adapt to digitalization."*

One of the most important strategies adopted by entrepreneurs, was the practical demonstrations and evidence-based approaches that support the successful implementation of change. P3 highlighted the power of prototypes, saying, *"We managed to set up a field test, build a*

prototype, and demonstrate that it could work. After seeing the results, the older generation approved the investment.”

Finally, all participants acknowledged that effective communication is the basis for intergenerational collaboration. Open dialog and personal engagement provide ways to address concerns and promote generational coordination. One participant emphasized, “Ultimately, it’s about open communication. You need to engage directly, explain the purpose behind the tools, and help them understand why they’re necessary.” (P5) Structured workshops and training sessions further enhance understanding, offering employees the chance to see how changes will positively impact their work. As P4 mentioned: “We have these day-long training sessions or workshops where employees are gathered in a room, and we explain why we’re implementing this—not for surveillance or control, but to help them understand how it will work.” All these factors combined help FF to deal with resistance and create a shared perspective between the generations.

Below, Figure 2 shows these findings and highlights the interaction between tradition and innovation in FF. It highlights how they can overcome the challenges of adopting digital tools by implementing success factors such as stakeholder alignment, skills development, external expertise and fostering incremental collaboration. All these components contribute to bridging the generation gap, overcoming resistance to change and incorporating digital tools without neglecting core family values. This implementation aligns tradition and innovation in the long term and leads to improved knowledge sharing and standardization of processes.

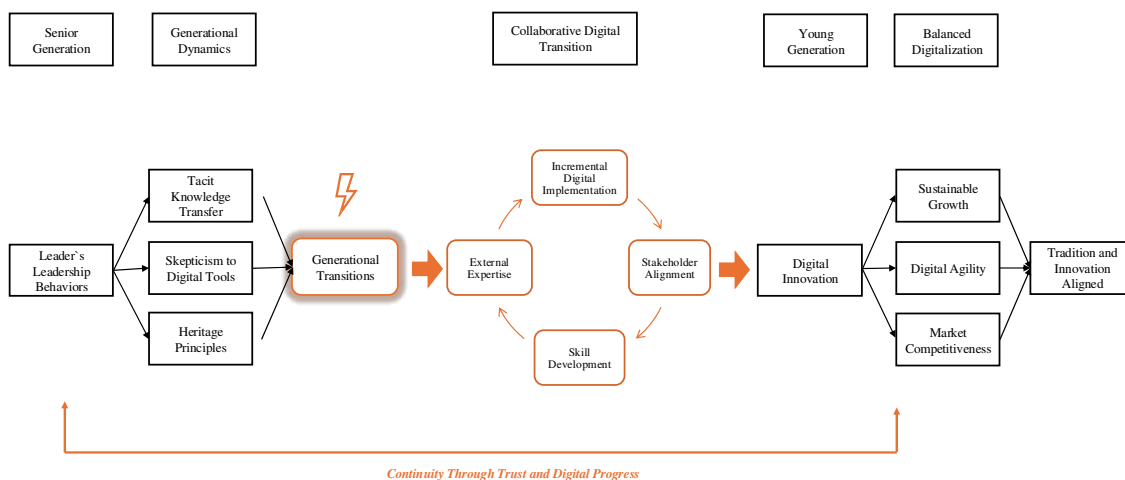


Figure 2: Bridging Generations in Digital Adoption
Source: Own illustration based on interview findings

5 Discussion

5.1 Summary of Research Findings

The 15 interviews provide detailed insights into how generational change in family-owned SMEs manages the introduction of digital tools to promote knowledge sharing and transparency while balancing tradition and family values.

RQ1 How do generational differences in risk perception affect the adoption of digital KMS?

As Figure 2 shows, there are significant generational differences in the perception of the risks associated with digitalization. The cautious and risk-averse attitude of the older generation, which focuses on stability and keeping uncertainty to a minimum., is particularly evident. This skepticism towards digital tools leads them to maintain established workflows and rely on familiar but often less effective systems. These findings are consistent with the supporting literature, which shows that managers act as stewards, emphasizing long-term success and retention over short-term gains (Eddleston & Kellermanns, 2006). Despite acknowledging the potential benefits of digital innovation, leaders often delegate responsibility for its implementation to the younger generation. However, they primarily retain the final decision-making power, which is a bottleneck that slows down progress as they often fall back into traditional patterns and resist change. Consequently, many innovations are postponed or fail to be implemented.

Interestingly, the founder generation has a higher risk tolerance than successive managers, which aligns with findings in the literature (Lumpkin & Dess, 1996). It emphasized the entrepreneurial orientation of founders in FF, which was crucial to the formation of the company and the initial success (Chua et al., 2003b). Over time, however, this risk-taking mindset has shifted in later generations to a focus on preserving the businesses values and ensuring the family legacy. It reflects a prioritization of stability and an aversion to actions that could jeopardize socio-emotional well-being or even more, involve the family in financial risk in the form of loans and debts.

In contrast, the younger leaders adopt a more forward-thinking and professional approach as it became clear during the interview process. For them, digitalization is not just an option, but a requirement to ensure the long-term competitiveness of the company. However, even younger

managers are sometimes conservative, characterized by their experiences with older generations and the desire to protect the achievements of earlier pioneers (Gomez & Daniel, 2020; Berrone et al., 2012.) Nevertheless, by remaining open to innovation and taking strategic risks, they push digital realignment and combine calculated risks with long-term sustainability.

RQ2 How do family-managed SMEs balance traditional tacit knowledge with innovative digital solutions that promote transparency and sharing?

Both the literature and the underlying interviews show that tacit knowledge is a fundamental element of FF. Unlike in non-family businesses, this knowledge is intrinsically linked to the values, relationships and traditions that have been passed down through generations (Saratchandra & Shrestha, 2022). Successors have often adopted this knowledge unconsciously from a young age through family interactions, which creates a profound understanding that digital tools could never replicate fully. This is in line with the findings of Arzubiaga, De Massis, Kammerlander and Hoy (2022), who emphasize the crucial role of tacit knowledge, which represents a unique competitive advantage that distinguishes family businesses from others.

Nonetheless, as these interviewed organizations grow and cope with generational change, integrating innovative digital tools to build on and preserve this knowledge becomes essential. Younger leaders are recognizing the potential of systems such as ERP, CRM as well as cloud computing etc. to formalize key processes, improve scalability and promote cross-departmental knowledge sharing. This change is even more important in larger FF, where growth and complexity often extend beyond the capabilities of informal practices.

The results show that FF can innovate through tradition by taking advantage of their most valuable resource - their corporate identity and historical continuity - alongside future-oriented strategies (Erdogan et al., 2019; Smith & Lewis, 2011). As indicated in Figure 2, achieving this balance depends on a collaborative digital transition that includes dimensions such as gradual digital implementation, stakeholder alignment, skills development and external expertise. By focusing on these success factors, FF better balance traditional tacit knowledge and innovative digital solutions.

Furthermore, clear communication between all stakeholders turns out to be a key strategy for overcoming resistance. This approach ensures that digital solutions do not undermine trust and traditions but rather promote transparency, scalability and collaboration.

RQ3: What internal drivers and barriers influence the adoption of KMS in family firms?

The introduction of KMS in FF is affected by several internal barriers rooted in generational dynamics and family business culture. One of the obstacles is that the older generations, often seen as the patriarchs and authoritarians, are inclined to favor established and traditional working methods (Soluk & Kammerlander, 2021; Clauß et al., 2022). They are skeptical of the intangible value of digital tools and are concerned about the cost, complexity and time required to implement. However, the empirical findings further highlighted concerns not only about the introduction of these systems, but especially about their subsequent maintenance. Installation is one challenge, but the ongoing maintenance, e.g. data management and administration, is time-consuming and requires the development of new procedures. Cybersecurity doubts add to their reluctance, including fears of being hacked or monitored. However, in terms of surveillance concerns, both generations, senior and junior, feel controlled and vulnerable in their working practices. Furthermore, since knowledge is often considered a source of power and privilege, older managers may see digital tools as a threat to their control and authority. This aligns with the RBV, as knowledge is seen as a core resource for FF (Chua et al., 2023).

In the view of drivers, especially younger successors are committed to supporting digitalization and modernization as they recognize the potential to increase efficiency. KMS are an important factor in streamlining workflows, improving collaboration across departments and achieving scalability. Having a centralized cloud to store all project information from customers, suppliers, employees, etc. allows the involved people to access, share and build on knowledge (Abbas et al., 2020). This not only eliminates duplication of work, but also improves formal communication. As it was pointed out by a participant, an SAP system is especially valuable for warehouse management by providing instant visibility of inventory and operational efficiency. Likewise, CRM systems are proven to be helpful in interviews as they offer a holistic view of customer relationships. This is a key benefit as long-standing customers are some of the most valuable assets in FF. It became evident from the junior executives that instead of losing control, these digital solutions help an organization to gain a broader view and manage the excessive amounts of information in the current fast-paced environment.

In conclusion, the need to adapt to external pressures, such as market competition and the increase in teleworking and employee benefits, is driving the rollout of digitalization. The findings highlight the importance of the continuity of the above-mentioned strategies through

trust and digital progress, which is critical to achieving a balanced digitalization. This approach not only supports the long-term growth of the company, but also promotes digital agility and increases market competitiveness. Additionally, it enables FF to align its core values with innovation, creating the opportunity to ensure sustainable success in a dynamic environment.

5.2 Academic and Managerial Implications

The results of this thesis provide some important implications for how FF manage generational transition and the introduction of digital tools. It provides a basis for understanding the interplay between tradition and innovation when implementing KMS, both in terms of academic research and practical applications.

From an academic perspective, this thesis adds to the literature and theoretical discussion on how to navigate generational change in the context of digitalization. By applying the Paradox Theory, this thesis identifies how these organizations use tacit knowledge as a competitive advantage while recognizing the limitations of it in the process of scaling and digitalization (Martínez et al., 2016; Carnes et al., 2016). While Nonaka and Takeuchi (1995) describe tacit knowledge as a key resource, the interview results highlight its complexity in a digitalization context. In addition, the results are in line with the Stewardship Theory. It indicates how a trust-based managerial approach can foster loyalty and a long-term commitment of employees, often considered part of the larger family (Chrisman & Patel, 2012). Although this strong integrated culture is an asset, it does present a challenge when looking at the implementation of software's etc. This is simply because many employees do not have the digital skills required for effective utilization and are used to sticking to the old way of doing things (Streicher, 2023; Döring & Witt, 2020). Nevertheless, during the interviews, the study underlines the human-centered nature of digitalization and shows that technology can complement, but never has the potential to replace, interpersonal relationships and trust. Although KMS are useful and increase corporate efficiency, people will need to come first.

In addition to its academic contributions, this research provides practicable insights for the management of FF. The key implications for action relate to the main barriers to adopting digital tools. Educational investments should address both managers and employees with tailored training and mentoring programs (Mahmud et al., 2017). In this context, the interviews emphasized, how important it is to encourage employee participation in the decision-making process to increase acceptance, reduce resistance and promote overall coordination. Clearly defined roles and responsibilities are essential for the efficient allocation of resources. In

addition, the acquisition of external expertise can be a valuable resource in overcoming internal obstacles and mediating intergenerational conflicts during the transformation process (König et al., 2012; Zornoza et al., 2020). Above all, the surveyed CEOs emphasized transparent communication and gradual implementation as key to ensuring that FF can benefit from the advantages of KMS.

Implementing these success factors allows executives to navigate the complexity of digitalization and ensure the sustainable competitiveness of their organizations (Begnini et al., 2023; Mahmud et al., 2017).

5.3 Limitations and Future Research

Although this study provides meaningful results, several limitations must be acknowledged, which also offer opportunities for future research.

On the one side, the use of semi-structured interviews allowed for a deep understanding of intergenerational dynamics in FF and offers high levels of internal validity. Nonetheless, on the other side, they are limited by the non-probabilistic sampling methodology. This reduces the ability to generalize the findings (Seale, 2007). While qualitative methods offer rich situational insights, they are vulnerable to both participant and researcher bias. Even with the iterative approach to analysis and the use of the Gioia method, potential biases could not be eliminated (Gioia et al., 2013). To address this, future research could expand the research by applying quantitative methods such as surveys or experiments to validate the results in a larger sample. This could also measure the impact of KMS implementation on organizational performance, employee satisfaction or operational scalability.

Moreover, the analysis of the study focuses on FF from different industries, such as architecture, real estate and industrial production. All of them operate in different markets, ranging from more resilient to very dynamic corporate environments. Therefore, the results may not be translatable to non-family businesses or organizations in other branches. In the future, it would be insightful to research the difference between the digitalization strategies of service providers and manufacturing companies. Thereby, a better understanding of industry-specific approaches is possible.

Finally, it should be noted that digitalization is an evolving process that is characterized by constant new developments in technology, especially AI. Systems such as CRM, ERP and SAP are continuing to evolve, at the same time AI is enabling more opportunities for automation, data-driven decision making and knowledge sharing. This research presents insights into the

current state of digitalization and the intergenerational dimensions of family-owned SMEs in 2024. However, as market trends change, new technologies emerge and innovations transform, these findings might become less relevant over time. Therefore, a comparative long-term study could potentially be conducted to reflect these developments. This can track how digitalization and its acceptance develop over time as part of generational dynamics.

6 Conclusion

Family businesses have an important impact worldwide and contribute significantly to employment and economic growth. Despite common challenges such as conservatism, traditional rigidity and aversion to change, research has shown that FF have the potential to outperform non-family businesses economically. Indeed, it is their inimitable combination of family values and entrepreneurial spirit that creates a strong CA, even if they face some challenges.

Especially in the current fast-moving and digitalized world, FF face difficulties in adapting to the needs of the future while preserving their traditions. This study contributes to the growing body of research about DT of family-run SMEs, especially during generational transitions. Transitions often involve conflicts between the older and younger generations, different risk perspectives and the urge to find a balance between tradition and modern demands.

This study applies qualitative methods, including 15 semi-structured interviews, to gain insights into how family-run SMEs deal with digitalization. The results show that while technological tools increase efficiency, there is no substitute for the fundamental interpersonal interactions of FF. In the context of succession, knowledge is still mainly exchanged through informal word-of-mouth communication and not through standardized knowledge management systems. Nevertheless, the research underlines the importance of introducing such systems. Not only for future employees, but for current ones as well, to enable faster and more efficient internal and external communication. Software tools such as ERP systems, cloud-based platforms, CRM and the growing use of AI provide significant opportunities to more systematically track, manage and transfer knowledge. These open new ways to streamline processes and improve decision-making, while positioning FF as a more innovative player in the market.

Additionally, this research emphasizes the growing role of modern workplace trends such as remote working and work-life balance, which has been prominent during the COVID-19

pandemic. Such trends make digital agility and scalability almost essential for organizations that want to remain competitive.

Despite these advantages, FF face several obstacles. Generational differences, a general lack of digital awareness, resistance to change, fear of surveillance and cost and time factors are among the biggest. Resistance not only affects the management level, but also employees. They often refuse to engage with digital tools as this is how things have been done for decades. In some cases, as the interviews show, the unwillingness to adapt can even lead to drastic measures such as dismissals. Furthermore, especially senior generations view these tools as intangible and prefer to invest in physical machines that actively generate money. There is also the fact that although seniors recognize the need for digitalization, they tend to delegate responsibility to others and avoid direct involvement, leading to delays or redundancies.

To overcome these obstacles, this study identifies the various success factors. Gradual implementation as well as clear and transparent communication are essential. In addition, continuous training and the integration of external professional expertise have a key role to play. These objective perspectives can bring digital initiatives in line with family values and create trust and collaboration.

In conclusion, family firms can successfully navigate the complexity of digital transformation by overcoming these challenges. This would enable these organizations to protect their identity and ensure a sustainable competitive advantage in the future.

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8 Appendix

Appendix A: Interview Guide

Introduction and Role in the Business (3 Min.)

Hello - thank you for taking the time to participate. Let us start by discussing your background and your role within the family business.

- Could you tell me a bit about yourself, such as your field of work, your educational background and your position in the company?

Follow – up:

- Can you briefly describe your role in the family business and how long have you been involved in its management?
- What generational role do you play within the business? When was the business founded? (founder, second-generation, third generation etc.)

Perception of Digital Knowledge Management (10 Min.)

Nowadays, knowledge management is an important aspect of how companies store, share and use information to stay competitive over multiple generations. Traditionally, family businesses tend to rely on personal interactions and tacit knowledge. With the rise of digital tools like knowledge management systems (Confluence, SAP, Notion, cloud computing CRM etc.), firms

have the possibility to capture this knowledge more efficiently. Despite the benefits, companies often face resistance to adopting digital tools.

- What methods have you traditionally used to share knowledge between generations?
And how effective are they?

For non-founders:

- How was knowledge passed down to you in the beginning of your involvement with the business?
- Were you exposed to the company as a child or in informal roles (e.g., summer internships, at home, family events etc.)?
- What worked well and what could have been improved for the future if you imagine passing on knowledge to the next generation?
- How do you want to integrate new technologies into this process?
- What do you understand by tacit knowledge? Please provide me concrete examples of your understanding
- How important is it, in your opinion, to capture this type of knowledge of the older/founder generation in your family business?
- How does your company share information across departments (e.g., management, marketing, sales etc.)?
- Do you rely on specific systems or platforms for formal knowledge sharing (e.g., Confluence, Microsoft Teams, Salesforce), or are informal methods like WhatsApp and emails more common?
- For shareholders not involved in day-to-day operations, how is information communicated between them and the top management team? Can you give an example of how this process works?
- What approaches or systems have worked best for your organization in sharing information? Could you also give examples of what has not worked?
- What kinds of digital knowledge management systems have you adopted recently in your business?

Follow – up:

- Which systems were well-received by employees and the family, which faced resistance?
- Why do you think some systems were more successful than others?

- Do you think that knowledge management tools have the potential to enhance your business effectiveness in operations? Please elaborate in detail in what way
- What kind of benefit were you expecting from the adoption of these tools and what kind of gain did you get?
- How do you measure this success as well as for non-successful tools? Please provide concrete examples

For older generations:

- How do you make sure that despite technology, the family values are transmitted and preserved throughout the organization?
- How do you make sure that the new generation is aligned with your vision?
- Has it been difficult? If yes – why and what are the major lessons learned?

For younger generations:

- How essential do you think digital tools are for the company's competitiveness in today's market?
- How do you reassure the senior generation, that despite technology, the family values are transmitted and preserved throughout the organization?
- How do you show that you are aligned and committed to the family's values and vision for the business?
- Has it been difficult? If yes – why and what are the major lessons learned?

Generational Differences in Risk Perception (15 Min.)

Moving further now to your approach towards risk.

- How would you describe your approach to risk in business decisions? Are you more of a risk-taker or risk-averse, and can you share an example of a situation where this was evident?
- How do you deal with risks compared to other generations in your family? Do you think that older generations are more or less risk-averse than younger generations? And why?
- What are your primary concerns about adopting digital technologies?

Family firms are known for a close relationship with employees that are many times the extended family.

- Did you have any concerns that technology might affect personal connections in the business? If yes - how did you address those concerns?
- Were there other concerns or risks when adopting digital tools, like financial cost, disruption or employee resistance? If yes - how did you manage them?

Balancing Risk and Innovation (10 Min.)

While we have now discussed generational differences in risk perception, it is also important to find a balance between maintaining family traditions and fostering innovation.

- How important is it and how do you manage the balance between the need for innovation while respecting the company's traditional values?
- Can you name an example where you had to make such a trade-off?

For older generations:

- Do you feel that the introduction of digital tools could compromise the family legacy and could impact negatively the maintenance of control?

For younger generations:

- Do you believe that digital innovation is needed to remain competitive in the market? If yes - how do you address the potential concerns from the older generation?

Resolving the Risk Paradox (5 Min.)

- In your opinion, what strategies have proved successful in achieving a balance between the risk aversion of older generations and the risk taking of younger generations?

Decision-Making Process (5 Min.)

- Could you describe a recent decision related to technology adoption where generational differences influenced the outcome?
- How are these new decisions made in your business? Is there a formal process or does it happen informally within the family?
- Do you think that decisions are influenced more by family dynamics or by business strategies within family firms?

External Support (5 Min.)

- Have you ever considered involving non-family members in decision-making processes related to technology adoption? Why or why not?
- Do you believe that external expertise could resolve generational conflicts on risk and innovation?
- Did you have any personal experiences, positive or negative, with external advisors in the past? If yes - how did it impact the family's decision-making dynamic?

Future Directions: (5 Min.)

- Looking ahead, how do you see digital tools like knowledge management evolving in your company over the next 5-10 years?

- How prepared do you feel your business is to face these technological changes?
- What role will this play in the business's long-term strategy?
- How do you think these trends will impact barriers faced by different generations within the family firm?
- What further steps or measures would you consider encouraging digital transformation and more effectively manage generational differences?
- What advice would you give to other family businesses that are dealing with these challenges regarding technology adoption and generational transitions?

For older generations:

Do you believe that the company will continue to embrace more digital tools as part of its long-term strategy?

For younger generations:

What role do you think digital transformation will play in securing the future of the business?

Closing:

- Is there anything else you would like to add about how your family manages risk and digital transformation?

If not, I would like to thank you for sharing your insights today. Your perspectives will help me to further understand how family firms navigate digital transformation and general dynamics. If you have any further thoughts or ideas, please do not hesitate to reach out.

Appendix B: Interview Summary

First-Order Concepts	Quotes	Second-Order Themes	Definition of Theme	Aggregated Dimensions	Definition
Trust as a Cornerstone of Family Businesses	"I think trust is key in a family business. There has to be a difference from a corporation."	Family Dynamics and Intergenerational Leadership Transitions	In family organizations, leadership transformations are linked to emotional dynamics, power structures and a shared long-term orientation within the family. Generational interactions are unique, reflecting the older generation's commitment to maintaining traditional values, authority and heritage, while younger generations contribute modern perspectives, innovative ideas and a desire for change. The decision-making process is often influenced by strong family ties, emotional connections and the need to maintain trust and cohesion within the family. The succession planning becomes a critical challenge as families need to manage these generational differences to ensure a smooth leadership transition that protects the values of the business while enabling it to adapt to future demands.		
	"There's an emotional attachment to the family business and a sense of responsibility."				
	"Well, you have to grow together personally, you can't do that digitally. I think if you trust a person, the empathy between two people has to be right. You can't digitalize that."				
	"It's a huge responsibility to know that my grandfather founded the company and that the next generation ran it successfully. We took over a good company, and we want to continue running it successfully and pass it on to the next generation."				
Emotional Dynamics in Family Interactions	"Family dynamics definitely play a role. There are times when I think, 'Okay, I'll let it go because he's my dad.'"				
	"Since it's your father, you're inclined to agree with him more readily, even if you think otherwise."				
	"One advantage was that I used to live at home, so we would often talk about things over dinner or in the mornings."				
	"There's an emotional attachment to the business because it's my father's life's work. He's poured everything into it, and that creates a strong emotional bond. That can make it harder to take risks or make changes because it's more personal than just a job."				
Patriarchal Decision-Making	"As the so-called patriarch, I ultimately made the decisions after a discussion."				
	"Informal, and then someone has to decide, and that was usually me."				
	"I don't think I'm patriarchal. But somehow, maybe I am in some ways."				
Balancing Facts with Emotional Attachment in Decision-Making	"Previously, family decisions were often quite contentious. Now, by preparing thoroughly and documenting projects and investments properly—showing their purpose, benefits, and payback period—we can make decisions based on facts rather than emotions or old experiences."				
	"My approach is to present clear data and examples of what's possible—showing numbers, case studies, or examples from competitors. I think it's important to highlight the opportunities and demonstrate that the risks can be managed."				
Value of Long-Term Perspective in Family Businesses	"Having strong-willed entrepreneurs in the family is valuable because they have opinions and ideas about how things should be done. It's part of what makes family businesses unique. Decisions often take the long-term perspective into account, which might not make immediate financial sense but is still the right choice for the future."				
Navigating Generational Differences in Leadership Transitions	"The founders have always had this close connection with everyone in the company. They grew it from the ground up, and they know everyone personally [...] when I took over, [...] I didn't have that same level of personal touch of everyone."				
	Konrad sometimes says, 'Mom, why do it this way? There's a better way now. [...] No, I actually don't feel it's necessary anymore. I'll leave that to the younger ones.'"				
	"I think older generations sometimes worry about losing that sense of connection if people work remotely. It's a real concern."				
	"For example, when it comes to SAP systems, we already experience some conflicts because we have a somewhat outdated system, in my opinion. It creates many problems or inconveniences in daily operations. For instance, generating statistics about customers at the end of the year is very cumbersome. A major problem also arises when calculating orders—it's very unclear how much profit you're actually making because we don't have a fixed cost allocation to show the true profit of an order. That's an issue."				
Transforming Leadership Styles Through Generational Shifts	"The earlier generation was more controlling, but nowadays, it's impossible to run a business without delegating control."				
	"My dad knew we needed digital transformation, but he simply didn't have the time and energy to implement it himself. He was fully supportive of me pushing these changes."				
	"My father knew this change was essential. He was the one who started implementing the CRM. [...] He knew that if we didn't adapt, we'd fall behind other companies. So, he initiated this shift, knowing that I had the skills to push it forward."				
	"If Michael thinks it's necessary, I support it. No potential for conflict. Digitalization always pays off. Maybe not in the short term, but in the long term, digitalization always pays off."				
Generational Gaps in Responsibility	"[...] different management style. They believed there should be a single leader who dictates the path, and everyone else should follow without needing to know everything. Nowadays, we think the more employees are informed, the better it is for the company's success."				
	"I think that all comes down to the employees. Right now, we've identified in the team two groups—those who are part of the 'first generation' within the company, so employees who've been here six years or more, and the 'newer generation' of employees who joined later. When we introduced these systems and tools, the older employees who were accustomed to my parents' way of doing things were hesitant and sometimes resistant."				
Succession Planning for the Next Generation	"I believe new technologies are definitely important, but I'm not the one to implement them anymore. That's something for the next generation. Still, modernization is necessary."				
	"Right now, our focus is on succession planning and bringing more young employees into the company."				
	"Whether the successors are family members or external, we've set things up in the corporate contract so external successors are also a possibility."				
Skepticism against External Counselors	"If Michael wants to write it down and document it, that's great. I mean, it's good if this knowledge is preserved somewhere."				
	"Not much. And if so, they weren't very good consultants."				
	"They mocked the workshops and questioned their value, seeing them as a waste of time and money."				
	"[...] if a consultant looks at my company, there's a fundamental question of whether they understand it. They have no idea what I do. They could analyze administration, but for production, it makes no sense. Production automation is common in family businesses, and that's where digitalization plays a role."				
Utilizing External Expertise in Succession Planning	"Because the manager didn't consider the outcome, whereas the family-owned business did."				
	"For example, the new commercial director we hired has been incredible, and her success has shown my dad that external expertise can add significant value. I think this experience has helped change his perspective."				
Creating Structured Roles and Frameworks for Succession and Leadership Clarity	"We brought in a sales director for the areas he used to handle. My father initially took on the sales role, but it was too much, so we brought in someone dedicated to it. Now, he mentors her [...] I needed someone to provide regular reports on how sales is doing, which wasn't something he did."				
	"Now all seven of my children are co-owners. This means we need a formal and structured process to ensure the supervisory board and the executives can fulfill their roles without interference from multiple sides."				
	"It's essential that everyone has their area of responsibility and that there are few overlaps, otherwise, conflicts are inevitable."				
	"What we're trying to implement now is a framework where we've identified 7 to 10 key processes that drive the company. While there are countless processes in any business, we're focusing on the critical ones that ensure smooth operations. For each of these key processes, we've assigned a specific leader or person responsible. In the past, the lack of accountability created communication issues between teams."				

<p>"Another issue is resource allocation. My dad likes me to be involved in whatever he's doing. [...], like writing emails. I have my own tasks to complete, and sometimes it's not the best use of my time to sit alongside him for that."</p> <p>"Some roles had previously been floating without clear boundaries, and people were doing a mix of tasks without clear accountability."</p>				
<p>Stepping Back to Empower Generational Leadership</p> <p>"I always told my own kids, 'Do whatever makes you happy.'"</p> <p>"Handing over the business means truly stepping back and letting the next generation lead."</p> <p>"Younger generations must have the freedom to develop themselves. Otherwise, the old structures only become more entrenched."</p> <p>"In 1986, I told my grandmother—since I had been working since 1979—that either she completely transferred ownership to me (the company was essentially worthless due to massive debts) or I would leave."</p> <p>"My parents did a great job of stepping back when my brother became the director. They acted more as counselors, providing opinions and advice while letting him implement his vision for the company through procedures, automation, and manuals."</p> <p>"There will always be stubborn views on both sides. If I'm expected to take over, I need to feel that I'm in agreement with the approach. Otherwise, I may have to walk away."</p>	<p>Bridging Internal Succession with External Perspectives</p>	<p>This topic examines how family businesses can successfully manage the succession process between generations by incorporating external perspectives without jeopardizing the family legacy. The focus is on creating clear structures and responsibilities to ensure long-term stability and on using external expertise to bring new impulses and objective perspectives into the company. At the same time, the existing skepticism towards external consultants is addressed. However, involving external perspectives can not only help companies resolve generational conflicts, but also strengthen their strategic direction and ensure their long-term competitiveness in the market.</p>	<p>Sustaining Generational Leadership through Knowledge Preservation</p>	<p>reflects the importance of sustaining and passing on important knowledge in family businesses to ensure continuity in leadership and operational efficiency across generations. It reflects the reliance on tacit knowledge, interpersonal trust and mentorship as primary means of knowledge sharing, while acknowledging the challenges of transitioning to more standardized and digitized systems. Knowledge is not only seen as a resource that ensures operational and strategic continuity, but also as a key part of succession planning to prepare the next generation for their leadership role. The dimension also includes the potential integration of external expertise to increase the effectiveness and bring in fresh perspectives and strengthen competitiveness without jeopardizing the traditional values of the family business. By balancing traditional methods of knowledge sharing with modern approaches, companies can not only preserve their heritage, but also promote future growth and innovation. It is comprised of (i) the preservation of tacit knowledge through interpersonal trust and mentorship and (ii) the implementation of standardized digital tools to ensure the accessibility and transferability of knowledge across generations and employees.</p>
<p>Benefits of External Support and Non-Family Members</p> <p>We consciously brought in a woman to the supervisory board four years ago—she's focused on digitalization throughout her career. This way, we ensure that digital knowledge and ideas are brought into the company, helping us to keep pace."</p> <p>"Many people told me during my career that I brought in too much external input. But I've always welcomed it because I saw it as a source of inspiration and a way to learn from different viewpoints."</p> <p>"The value of external expertise is significant to me because they aren't 'process-blind' within the company."</p> <p>"We also work with a tax advisor who can provide input. They can help lend credibility to ideas when presenting them to my father."</p> <p>"Yes, it brings in fresh views. But these supervisory board members don't share the family traditions that people like Michael have absorbed since childhood. They've only been with us as board members for two or three years, so we need to strike a balance between the external perspective and our family values. This creates a level of tension on the top level that I've never experienced before and that we'll need to handle differently."</p> <p>"I even think it's a good idea. [...] they offer a different perspective. Within the family, it's often difficult to push your own viewpoint. I think it's always good when an external person provides their opinions or ideas."</p> <p>"We've always been somewhat resistant to outside advice. It's still the case. We welcome technical expertise, but when it comes to shaping our culture, style, or climate, we prefer to do it ourselves without external input."</p> <p>"However, in theory, the right advisor could really help us make better decisions."</p> <p>"But the external support helped us restructure the company, distribute responsibilities more broadly, and define processes, which improved the flow of information."</p> <p>"We've introduced an advisory board structure, including external advisors, so decisions can be democratically reached."</p> <p>"When there's a strong disagreement, an outside person with no family ties can look at things objectively and assess the issue without bias."</p> <p>"I'm open to non-family members who align with the way things are done today. It helps resolve potential generational conflicts while bringing in fresh perspectives."</p>				
<p>Knowledge Transfer Through Trust and Relationships</p> <p>"So, in this respect, it was actually the personal exchange with the people who are there, where we also saw that generational transitions are coming our way."</p> <p>"Having double staffing allows for the opportunity to transfer knowledge when a long-term knowledge holder leaves."</p> <p>"Actually, personal exchange is still the best way to transfer this knowledge."</p> <p>"I'd say it didn't work seamlessly and wasn't very straightforward. [...] have been a bit clearer and more structured. If you're already explaining and teaching certain topics, you might as well cover an entire subject area comprehensively. Otherwise, you're just jumping from one small subtopic to another—it's inefficient and disorganized knowledge transfer."</p> <p>"Yeah, so I basically learned through my own mistakes and by doing. That's how I acquired the necessary knowledge and passed it on. But of course, some knowledge about wine and customers was shared verbally. Not digitally, and not even in writing."</p> <p>"The knowledge transfer mainly came from my parents and my brother. Initially, there wasn't much documentation like manuals or standard operating procedures. Everything relied on my parents doing things and passing on their knowledge directly through conversations."</p> <p>"Trust in employees. That's, I think, a very crucial aspect where you have to give a leap of faith."</p> <p>"My parents' way of doing things relied heavily on trust. They didn't document processes but passed on knowledge verbally or through example."</p> <p>"It's about interpersonal relationships."</p>				
<p>Knowledge is a Source of Power</p> <p>"Knowledge was power, and young people were expected to figure things out themselves."</p> <p>"When the 'young boss' comes along, people often hold back knowledge to test what he knows."</p> <p>"Differences in knowledge and power dynamics. Some people fear losing their power when they share their knowledge."</p> <p>"There are certainly topics he holds dear, where he doesn't want to relinquish control."</p> <p>"Internally, there were definitely trust issues. My parents didn't feel comfortable sharing certain sensitive information with anyone outside themselves."</p> <p>"They're afraid of losing control—of where information is stored, who knows it, using password managers, or ordering online on Amazon."</p>				
<p>Traditional and Analog Knowledge Sharing</p> <p>"Analog, personally. I'm still not digital today."</p> <p>"Nothing was documented or written down, it was all just through experience and personal interaction."</p> <p>"It's mostly verbal, as far as I know. There isn't anything where the marketing department, for example, can go online somewhere to access everything digitally stored."</p> <p>"It's not the status quo yet, not at all; it's still largely oral."</p> <p>"Definitely not through digital systems, but, of course, in the family, there's already a certain level of connection, I would say, to topics that are essential."</p> <p>"Most of the knowledge isn't codified—it's what you pick up along the way."</p> <p>"My father wasn't interested in it anymore, and when I asked him if he could just show me how he did things."</p> <p>"Yes, I think the main barrier of transferring knowledge in an informal way, just sitting in front of each other and talking, is that not everything gets communicated effectively."</p> <p>"I'd say it's because people out in the field can't always know what's happening here. We're not interconnected. But they come back every day and can check things, so it works out."</p> <p>"[...] when selling directly to customers while out of the office. Let's say you're using a price list to pitch products, and you're trying to sell a particular wine. But then you're unsure—do we even have that wine in stock? It's a hassle to figure it out on the spot. Communication becomes very drawn-out because you can only check the stock levels when you're back home. This lack of immediate access really bothers me." [...] He</p>				

	<p>check the stock levels when you're back home. This lack of immediate access really bothers me." [...] He managed it through phone calls after customer meetings, which was often too late. If a product wasn't available or listed as in stock but wasn't actually there, it created problems."</p>			
Understanding of Tacit Knowledge	<p>"Implicit knowledge, to me, means knowing how to do something but either not sharing it or being unable to share it."</p> <p>"Implicit knowledge is essentially what people naturally carry within them but may not be consciously aware of."</p>			
Stability Reduces Knowledge Transfer Urgency	<p>"Employees know where to find contacts [...] but I wouldn't say there is a shared understanding of everything."</p> <p>"We had so many senior employees who were with us for 30, 40 years, that passing on knowledge was never an issue - they had been with us as long as we had."</p>			
Need for Standardization in Knowledge Transfer	<p>"Because I believe it's essential to keep up and not miss the train."</p> <p>"Processes also have to be formalized."</p> <p>"It would be better if things were more standardized and easier to find. For instance, in other offices in London, where I worked, the first thing an employee gets is an office manual."</p> <p>"Now, we recognize that maintaining these self-built systems is challenging. It's more reasonable to transition to SAP, even though we'll lose some of our tailored elements in favor of a general system."</p> <p>"Unlike when you have a handover phase of six to twelve months. Well, now we're taking steps to address this, not just for this reason but also by formalizing processes through SAP."</p> <p>"I am the third generation [...] I took on the role [...] focusing on the advancement of production methods and adopting new technologies like robotics and automation."</p> <p>"I would definitely opt for a more user-friendly SAP system. [...] creating a small guide about how to describe and sell wines. It would include hard facts and some phrases that can be used on the phone. That way, people aren't just thrown into the deep end."</p> <p>"We aim to reduce inefficiencies in non-value-added processes like excessive emails, unnecessary meetings, and informal chats."</p>			
Preserving Values and Tradition in a Changing World	<p>"We have the same values as our parents because we grew up with them, and we're a very close-knit family. So we're running the company with those same values. For example, we put employees first, not the company's top executives. Our decision-making is like a triangle: first are the employees, then the subcontractors, then the government, and only at the end, the directors."</p> <p>"Tradition can't be forced; it's ingrained in us."</p> <p>"Retaining those traditions, which many people still appreciate, is something I fully support."</p> <p>"Listening to the older generation is invaluable, but translating that knowledge into actionable insights is key. What worked in the past may not necessarily work in the future, so it's about finding the right balance."</p> <p>"They must know how it was built, recognize the success, and assess whether it's still effective with today's tools."</p> <p>"For me, it's about ensuring that innovation supports and enhances those values rather than undermining them."</p> <p>"There are things I uphold, especially when dealing with clients or people we work with. Those traditional values are important to me, too."</p>			
Driving Innovation While Honoring Tradition	<p>"I think the balance is maintained naturally because I bring in the innovation, and he brings in the tradition."</p> <p>"Even if I'm responsible for innovation, it requires input from others for it to work effectively."</p> <p>"We try to improve ourselves regularly, but there's still room for improvement, I have to say."</p> <p>"And yes, you need to develop these USPs further, but you also have to maintain your strengths. That's the constant balance it's all about: strengthening strengths while reinventing yourself."</p> <p>"Our ambition is to be a technology leader in our industry. That means constantly engaging with new developments and abstracting what they mean for us."</p> <p>"You can retain technical knowledge, but if you want to shape the market, you can't cling to old processes. You have to reinvent."</p> <p>"Provide your knowledge as advice, not as orders. What worked in the past may not necessarily work in the future, so it's about finding the right balance."</p> <p>"Innovation and tradition are opposites. You have to be innovative today. You have to keep developing."</p> <p>"Not everything my father valued is still relevant."</p> <p>"If we don't innovate, we'll be pushed out of the market."</p> <p>"Our tradition is innovation itself. We try to continually improve."</p> <p>"The question seems to exclude one or the other? I don't believe it does. If I live by family values, then I can also be fully digitalized. How does one exclude the other? I don't think it does."</p>	Balancing Tradition with Innovation	<p>The paradox of traditional values and innovation is often faced by family-run SMEs. Particularly in today's markets where technologies are changing at a rapid pace, the ability to combine corporate consistency with technological agility is becoming a critical success factor. This theme highlights the issues and strategies by which companies are trying to preserve their heritage while driving innovative processes and digital transformation.</p> <p>With their often long-term perspective and strong foundation of values, family-run companies have the ability to create a powerful link between established traditions and the demands of digital transformation and to innovate through tradition. Companies must take a strategically innovative approach to integrating new technologies and responding to the challenges of a rapidly changing business world without compromising their core values, which often play a central role in the corporate culture. The introduction of digital knowledge management systems highlights how innovative technologies can bridge the gap between traditional ways of working and modern, technology-driven solutions. These systems not only enable the preservation of invaluable tacit and explicit knowledge but also ensure its accessibility for future generations. By providing a structured, centralized platform for knowledge sharing, digital tools create a sustainable link that integrates historical practices with the demands of an increasingly fast-paced, digitalized business environment.</p>	
Driving Innovation Through Digital Transformation	<p>"If you want to be an innovator rather than a follower, you must actively use all available methods."</p> <p>"It's not just potential—it's a matter of survival."</p> <p>"Trends are moving fast. We're seeing big advancements in software and artificial intelligence."</p> <p>"AI, for instance, could handle large portions of our appraisals by processing the data we provide."</p> <p>"[...] our warehouse is essentially chaotic in its organization. Wherever there's space, that's where items go. I've thought a lot about introducing a proper system with designated shelf and hall locations, each clearly numbered. With such a system, you could look up in SAP, for example, and see that a certain wine is in Hall 1, left side, third shelf, section B. This would save a lot of time and make things much more efficient."</p>			
Balancing Digital and Traditional Approaches	<p>"I think it's about balance: Do we know we need more of it? Yes. But not digitalization for the sake of digitalization. Not everything that can be digitized needs to be digitized, in terms of efficiency. It's about making our core processes faster, cheaper, and better."</p> <p>"Face-to-face communication is still more valuable than just receiving an email. After the third sentence, I usually lose interest in reading, but when I'm in the meeting, it's different. You can also ask better follow-up questions. If you didn't fully understand something, you can clarify immediately. You don't get that in an email. I still pick up the phone more often because you can clarify things more directly."</p>			
Shifting Work Regulations and Employee Expectations Across Generations	<p>"The older generation believes an office building doesn't add value in terms of profit. They see it as a 'nice to have' but prioritize machines and equipment over office space."</p> <p>"In our generation, we talk about work-life balance, knowing we need to take care of ourselves to be productive. The previous generation, however, expects complete dedication to the company."</p> <p>"Getting good employees is increasingly difficult, and companies need to offer something to attract them."</p> <p>"Communication has become a challenge, partly due to our reduced working hours compared to some other countries. We work around 40 hours, ideally less, and the trend seems to be moving toward even fewer hours."</p>			
				<p>investigates how family businesses manage the tension between holding on to traditional values and embracing innovation. It examines the dual challenge of preserving family legacy while responding to technological advances and changing market demands. However, tradition and innovation do not necessarily have to contradict each other, but rather companies can innovate by using their tradition to build a bridge between the past and the future.</p> <p>Older generations often value stability, risk aversion and the preservation of family wealth and see change as a potential threat to the company's identity. In contrast, younger generations increasingly see risk-taking as a key driver of growth and competitiveness in a dynamic global environment.</p> <p>The role of innovative technologies, such as AI-driven solutions, advanced digital tools and knowledge management systems, is emphasized as a vital link to modernity. These technologies facilitate tacit knowledge preservation and codification while introducing new methods to improve adaptability and maintain long-term competitiveness.</p>

<p>Balancing Digital and Interpersonal Relationships</p>	<p>"I see the potential, but it can only be part of the solution for sharing knowledge. I still think personal meetings are essential for people to connect and maintain personal contacts."</p> <p>"It's about interpersonal relationships. Despite all the digitalization or technology, people always need to be the priority."</p> <p>"The human must always be the overriding authority."</p>			
<p>Risk Aversion Rooted in Past Experiences</p>	<p>"My father was cautious and controlled."</p> <p>"The risks they faced were different. Earlier generations had a more comprehensive understanding of every aspect of the business because things moved at a slower pace. Nowadays, everything happens so quickly that it's impossible to have the same level of oversight."</p> <p>"No, I'm not really risk-tolerant, to be honest, but that has a simple reason. The older generation made plans for 14 years. Today, you don't even know what next year will bring."</p>	<p>Generational Risk Perception</p>	<p>Differences in risk perceptions between different generations present challenges when adopting new technologies and strategies. The older generations often emphasize stability and the protection of family legacy and are risk averse, while younger generations see risk as an opportunity and a "must-have" for growth and competitiveness. This topic examines how the different views of risk influence decision-making processes, particularly in relation to the adoption of digital tools.</p>	
<p>Cautious Risk Aversion of Older Generations</p>	<p>"It's my money, my assets that are at stake. There are other shareholders and their families connected to this as well."</p> <p>"Not really, we're not that risk-taking in those areas. [...] Honestly, I believe we're already doing quite well. I don't really see a compelling need because things are fine as they are."</p>			
<p>Risk Aversion in the Younger Generation due to Lack of Experience</p>	<p>"For me, I feel my risk aversion is partly because I'm still new to leading the company. With more experience, I think I'll become less risk-averse over time."</p>			
<p>Risk-Seeking Aspirations of Younger Generations</p>	<p>"The next generation can take the next steps and be a bit more risk-taking because they'll have more opportunities and freedoms."</p> <p>"Being risk-tolerant here requires a lot of background or a lot of money saved up to handle a potential downturn."</p> <p>"I'm more willing to take risks. But if something goes wrong, it should never threaten the company."</p> <p>"Risk can mean taking on large projects without knowing if you can handle them 100%. But you see it as a big opportunity you can't pass up."</p>			
<p>Risk as a Strategic Investment</p>	<p>"So risk is also time investment? [...] Yes, definitely."</p> <p>"So, while I start off risk-averse, my approach changes when I have enough data to justify the decision."</p>			
<p>Difficulties in Measuring the Success of Digital Tools</p>	<p>"Measuring success is tricky. It's challenging to quantify the benefits of digital tools because you can't always determine how things would have gone without them."</p>			
<p>Resistance to Change</p>	<p>"The CRM covered all areas of the company, but since the processes had been done the same way for 15 years, people were resistant to change."</p> <p>"Initially, there was resistance because many field staff had been doing things the old way for years, and it took a lot of time for them to adjust."</p> <p>"The initial reaction was, of course, 'Change—well, that's always a bit negative.'"</p> <p>"But there's a lot of resistance to implementing something like that, even though I think it's absolutely necessary. The current system wastes a lot of time with people searching for bottles and fixing errors."</p> <p>"It has been tough. With some of the older employees, we had to make cuts. We had to fire people who not only resisted the new systems but actively sabotaged them."</p> <p>"It has been tough. With some of the older employees, we had to make cuts. We had to fire people who not only resisted the new systems but actively sabotaged them."</p> <p>"The old structures are like, 'We've always done it this way, and it has always worked, so we'll keep doing it this way!'"</p> <p>"It's difficult to change something that's been the way it is for so long in the company and has been set up by my father."</p>			
<p>Fear of Monitoring and Data Privacy Concerns</p>	<p>"Resistance from employees is a big issue with CORE, mainly because it feels like everyone can see what they're doing, and they worry about being monitored and controlled."</p> <p>"People are increasingly being monitored and fully surveilled. I don't want to live in a surveillance state."</p> <p>"We don't give away our company data by putting it on the internet or in the cloud; we keep it on the central server. I have too many fears about that."</p> <p>"Data loss is a potential risk."</p> <p>"How do you convince 22,000 people to participate in joint data management when they resist sharing customer data?"</p> <p>"Cybercrime is a big concern, and it seems everyone gets hacked at some point."</p>	<p>Barriers to Digital Adoption</p>	<p>The introduction of digital technologies commonly encounters resistance due to deep-rooted traditions, generational differences and concerns about change. Additional barriers to adoption include skepticism towards external consultants, attachment to traditional workflows, perceived high costs and lack of tangible digital benefits. This topic highlights the challenges that family businesses face and the extent to which taking risks also creates new opportunities.</p>	
<p>Lack of Training and Awareness</p>	<p>"I think it's more about the attitude of 'Is this really necessary?' or 'Do people even want this? There's a lack of understanding about why structured communication could be beneficial.'"</p> <p>"For the employees directly involved, yes. They're trained to master the tools. Additionally, it's about showing the benefits: How do you, even indirectly, benefit from the data you've provided? It's a feedback process. And I believe that's an area where we still need to improve in demonstrating the benefit."</p> <p>"I think the challenge is really in the communication process—taking time to talk with the team, giving people time to develop and adapt to digitalization."</p> <p>"The resistance was so great that I chose to focus on other, more profitable things rather than trying to integrate tools with older employees and previous generations that are destined to fail."</p>			
<p>Attachment to Traditional and Rigid Workflows</p>	<p>"He tells me to visit the old customers, to talk to the top manager, but he doesn't realize our product portfolio has completely changed."</p> <p>"He would just get in the car and drive to the customer to acquire them and talk. That still happens in the B2B sector. But with the younger generation, that's not the case anymore."</p> <p>"The mindset is: it's worked fine for the last 30 years, so why change it now? Why overhaul everything at this moment? The idea is that in 10 years, we might need to make these changes, but why now? They don't see it as immediately necessary because it's still working, even if not perfectly."</p> <p>"They didn't like it because, to them, it was a waste of time to stop and take pictures or document the work. They would say, 'Let me just do what I've always done—install the cables and move on.'"</p>			
<p>Cost and Tangibility Concerns</p>	<p>"Why are we investing money in this nonsense? Spend it on machines and sales activities instead of something to inform the employees!"</p> <p>"They often viewed it as too expensive. Any IT system—whether a server room or ERP software—was just seen as a cost."</p> <p>"It cost millions but didn't work as expected; it was too complex and poorly utilized."</p> <p>"They often didn't see the value because it wasn't tangible. A machine has a physical presence and perceived value, but digitalization doesn't—it's not something you can see."</p>			
<p>Time Constraint</p>	<p>"[...] no one takes the time to do it. [...] a time issue. And because there are always other tasks to do. Nobody prioritizes it."</p>			

Customer-Centricity and Direct Interaction	<p>"For us, the most important aspect remains the interaction with the end consumer."</p> <p>"If the consumer doesn't know why a product is special, it's a missed opportunity for us. We need to leverage all the tools available today—digital, media, internet, and otherwise—to share our expertise and passion directly with the end customer."</p> <p>"I think the information that connects you to the customer is extremely important. And I try to bring my company or the customers into my family, so to speak. That's my success."</p> <p>"We can talk about time because if the customer calls and I don't know the background, I'm starting from scratch, which is time-consuming. This way, I pick up right where I left off last time. And the customer feels comfortable. They know you're familiar with them."</p>		
Streamlined Knowledge Management through Digital Tools	<p>"We have a server-based system where all projects are stored."</p> <p>"Currently, we're just using Google Drive, in that sense cloud computing, if you can call it that, where the files are accessible to everyone."</p> <p>"We're leveraging Microsoft 365 because it has, you know, forms like forums to ask for things and to request days off to request any specific type of issues. You know, we do quarterly reviews now. The way it was done in the past is that there were no regular, you know, reviews of people's work or performance reviews or bonuses even."</p> <p>"For instance, we also adopted CAD systems—design and drafting systems—and stored the drawings in the CRM system, ensuring the data wasn't just on paper or in hand-drawn sketches."</p>		
Integration of Digital Workflow Tools	<p>"In HR, if you wanted to take a vacation, you had to fill out a paper form. [...] I created a digital form, built an intranet for the company, and made several processes digital."</p> <p>"SAP or things like that make sense to me if I say I go from order entry in a manufacturing company. [...] That means the order comes in, you enter it in this tool, and everything flows through to the delivery note and invoice."</p> <p>"I developed an app called FSM, or Field Service Management. [...] This app gave us a much better overview of field activities."</p> <p>"We introduced Core, a communication platform for employees, because there was a problem with communication in the company."</p>		
Customer Communication and Interaction through Digital Tools	<p>"Salesforce, yes. We use it for our travelers and opticians."</p> <p>"A more innovative approach would be using a CRM system where you could save details about clients, like their birthdays, and automatically send a greeting at holidays or a gift basket at Christmas."</p> <p>"[...] it was well received because, at that moment, when they're on the phone with the customer, they open the customer file, they see the contacts, they see what machinery they have, and they see the reports on file."</p> <p>"One is Access, our customer database. [...] After each phone call and each visit, I write a report."</p> <p>"I think the information that connects you to the customer is extremely important."</p>		
Performance Tracking and Measurement	<p>"The crucial thing is that the strategy fits and that the essential metrics of a company fit on one sheet of paper. That's decisive. And as a technician, that's how you measure productivity, efficiency."</p> <p>"I think measuring the results of the company is the best way to ensure the company's success because each specific person's KPIs can be translated into the company's success."</p> <p>"For instance, we've recently introduced an employee satisfaction survey, which we plan to conduct annually."</p> <p>"For us, the most important aspect remains the interaction with the end consumer."</p> <p>"If the consumer doesn't know why a product is special, it's a missed opportunity for us. We need to leverage all the tools available today—digital, media, internet, and otherwise—to share our expertise and passion directly with the end customer."</p>	<p>The integration of digital tools provides family businesses with a variety of new opportunities to optimise workflows and improve decision-making processes. By centralising and providing quick access to knowledge, digital solutions reduce the inefficiencies and promote collaboration across departments and generations. In particular, tools such as CRM systems.</p>	<p>analyzes how family businesses are responding to the challenges and opportunities of digital transformation. It emphasizes barriers faced during this process, including resistance to change, lack of training and awareness, privacy concerns and attachment to rigid workflows. Despite these</p>
Customer-Centricity and Direct Interaction	<p>"I think the information that connects you to the customer is extremely important. And I try to bring my company or the customers into my family, so to speak. That's my success."</p> <p>"We can talk about time because if the customer calls and I don't know the background, I'm starting from scratch, which is time-consuming. This way, I pick up right where I left off last time. And the customer feels comfortable. They know you're familiar with them."</p>		
Streamlined Knowledge Management through Digital Tools	<p>"We have a server-based system where all projects are stored."</p> <p>"Currently, we're just using Google Drive, in that sense cloud computing, if you can call it that, where the files are accessible to everyone."</p> <p>"We're leveraging Microsoft 365 because it has, you know, forms like forums to ask for things and to request days off to request any specific type of issues. You know, we do quarterly reviews now. The way it was done in the past is that there were no regular, you know, reviews of people's work or performance reviews or bonuses even."</p> <p>"For instance, we also adopted CAD systems—design and drafting systems—and stored the drawings in the CRM system, ensuring the data wasn't just on paper or in hand-drawn sketches."</p>		
Integration of Digital Workflow Tools	<p>"In HR, if you wanted to take a vacation, you had to fill out a paper form. [...] I created a digital form, built an intranet for the company, and made several processes digital."</p> <p>"SAP or things like that make sense to me if I say I go from order entry in a manufacturing company. [...] That means the order comes in, you enter it in this tool, and everything flows through to the delivery note and invoice."</p> <p>"I developed an app called FSM, or Field Service Management. [...] This app gave us a much better overview of field activities."</p> <p>"We introduced Core, a communication platform for employees, because there was a problem with communication in the company."</p>		
Customer Communication and Interaction through Digital Tools	<p>"Salesforce, yes. We use it for our travelers and opticians."</p> <p>"A more innovative approach would be using a CRM system where you could save details about clients, like their birthdays, and automatically send a greeting at holidays or a gift basket at Christmas."</p> <p>"[...] it was well received because, at that moment, when they're on the phone with the customer, they open the customer file, they see the contacts, they see what machinery they have, and they see the reports on file."</p> <p>"One is Access, our customer database. [...] After each phone call and each visit, I write a report."</p> <p>"I think the information that connects you to the customer is extremely important."</p>		
Performance Tracking and Measurement	<p>"The crucial thing is that the strategy fits and that the essential metrics of a company fit on one sheet of paper. That's decisive. And as a technician, that's how you measure productivity, efficiency."</p> <p>"I think measuring the results of the company is the best way to ensure the company's success because each specific person's KPIs can be translated into the company's success."</p> <p>"For instance, we've recently introduced an employee satisfaction survey, which we plan to conduct annually."</p>	<p>The integration of digital tools provides family businesses with a variety of new opportunities to optimise workflows and improve decision-making processes. By centralising and providing quick access to knowledge, digital solutions reduce the inefficiencies and promote collaboration across departments and generations. In particular, tools such as CRM systems, cloud technologies and ERP platforms make it possible to</p>	<p>analyzes how family businesses are responding to the challenges and opportunities of digital transformation. It emphasizes barriers faced during this process, including resistance to change, lack of training and awareness, privacy concerns and attachment to rigid workflows. Despite these</p>

<p>New Opportunities and Roles through Digital Tools</p>	<p>"Capturing and documenting all the knowledge isn't just important for the founder's role—it's crucial for every employee."</p> <p>"For example, they were worried that automating certain processes, like performance reviews, might mean losing control over how employees are managed. But I've explained to them that by using data to track performance and results, we're not losing control—we're gaining better insights." (P15)</p> <p>"Digital transformation will definitely help us improve in areas like presenting ideas, communicating with clients, and using tools like AI. People will have more skills and tools to communicate more effectively."</p> <p>"The digital transformation is more about streamlining our internal processes to make things more efficient."</p>	<p>Enhancing Efficiency Through Digital Tools</p>	<p>cloud technologies and ERP platforms make it possible to seamlessly integrate knowledge and processes, therefore increasing the quality of internal and external communication. These technologies not only facilitate faster communication and more effective customer relationship management, but also ensure consistent and transparent processes. In a rapidly changing environment, they are crucial to remaining competitive. By saving time, reducing errors and making decision-making processes more agile, organisations can adapt to new market demands while ensuring long-term sustainability and efficiency.</p>	<p>Modernizing Family Businesses through Digital Transformation</p> <p>challenges, the implementation of modern digital tools - such as CRM systems, AI-powered platforms and ERP solutions - enables significant advances in operational efficiency, knowledge management and customer relationship management. It streamlines processes, promotes cross-departmental collaboration and improves decision-making through centralized and accessible data systems.</p> <p>This dimension consists of (i) overcoming resistance and barriers to the adoption of digital technologies and (ii) using digital tools to improve efficiency, transparency and sustainability in family businesses. This balance allows family businesses to digitize and modernize while preserving their family values.</p>
<p>Time and Performance Efficiency due to Digital Tools</p>	<p>"It's ultimately about productivity and the quality of performance, and digitalization plays a big role in that."</p> <p>"[...] it was well received because, at that moment, when they're on the phone with the customer, they open the customer file, they see the contacts, they see what machinery they have, and they see the reports on file. You quickly read through the last report to get up-to-date and can start right away with the customer."</p> <p>"And it certainly contributes to staying competitive, yes. Simply because it's continuous... The error rate, for example, from order entry to invoicing is completely different. Someone enters an order, and the person invoicing forgets two items, yes. Or... enters an incorrect quantity. This leads to complaints, yes. Complaints cost money again, you have to re-book everything. So the process is more efficient and financially beneficial as well, yes."</p> <p>"For example, in sales. You can offer and sell products in a completely different way than you could 20 years ago."</p> <p>"Because these tools also make processes faster, you have faster information, you have a tremendous amount of information, etc. But it also has to be financially viable."</p> <p>"Time efficiency. I don't need to come into the office to access a file. [...] If I am in an appointment, I can quickly look something up [...] It's all there on the cloud for easy reference."</p> <p>"This would eliminate double work."</p> <p>"Time efficiency goes up, and I can respond to customer inquiries faster."</p> <p>"Speed—you can respond quickly."</p> <p>"[...] improve efficiency and streamline our process."</p>			
<p>Accessibility and Knowledge Management</p>	<p>"Having centralized access to stored knowledge and data is absolutely important, no question."</p> <p>"Initially, I thought, 'Why do we need this?' But it turns out to be very useful since we can access all files."</p> <p>"[...] ChatGPT, which I think can act as a kind of digital assistant."</p> <p>"Maybe we need to reflect on what we do with job changers within the company, whether the onboarding process should be adjusted again in the sense that you've already been in the company for two years, take on a different role, and perhaps miss something in the onboarding plan that's needed for the second role."</p>			
<p>Gradual and Strategic Change Implementation</p>	<p>"By starting small. We begin in one department, let three or four employees use the tool as a test, and then we gradually expand it to other departments."</p> <p>"Everything we're doing is incremental, so he can still live with it well."</p> <p>"We make small adjustments over time to minimize disruptions while still implementing necessary changes."</p> <p>"I think it's incredibly important—crucially important. There's an existing customer base that has been buying from us for decades, and if you make drastic changes all of a sudden, it might not sit well with them. I think changes need to be gradual, over time, and the knowledge transfer is essential for that." (P13)</p> <p>"One key strategy was involving them in creating the new systems. Instead of saying, 'Here's the new system, use it,' we asked, 'What kind of system would work for you?' and built the tools around their input. By involving everyone in the creation process, they felt ownership over the systems." (P15)</p> <p>"Now, after 60 years, we're finally implementing SAP."</p> <p>"Not always jumping on board immediately, but also not rejecting everything outright."</p>			
<p>Inclusive Engagement with Older Generations</p>	<p>"Keeping the older generation regularly informed and involving them in major decisions can help."</p> <p>"We try to bring the older generation on board by explaining our reasoning. When they understand why we're doing something, they can accept it to a certain extent."</p> <p>"Generational differences by letting go. I won't manage anything. If I hand over the business, it's theirs to bring in new ideas. It's their responsibility to make the best of it, as I tried to do. I won't interfere."</p> <p>"You need to get both sides to deeply engage with each other's perspectives. If you can't do that, there won't be acceptance."</p> <p>"I bring him into the loop a bit, explaining that we're developing the company in this direction [...] His heart is still in the business. You can't ignore him; he needs to be superficially informed."</p>	<p>Managing Change Through Intergenerational Collaboration</p>	<p>This theme captures the dynamics of organizational change in family businesses through multi-generational collaboration. It underscores the importance of gradual implementation, collaborative decision-making and strong communication to minimize resistance and encourage adoption. By involving both older and younger generations in the process, companies can bridge the gap between traditional practices and modern needs, therefore ensuring sustainable transitions. Hands-on demonstrations, open dialog and targeted training are highlighted as important tools for overcoming resistance and building intergenerational alignment.</p>	
<p>Use of Practical Demonstrations and Evidence</p>	<p>"We managed to set up a field test, build a prototype, and demonstrate that it could work. After seeing the results, the older generation approved the investment."</p> <p>"We put together a presentation to explain why we were doing this. We argued that the information and knowledge among employees in different departments were vastly inconsistent."</p> <p>"You have to avoid clinging to old processes."</p> <p>"Discussions around the table, I think, are the best way to resolve it."</p> <p>"I think good conversations and open exchange play a crucial role in deciding how digitalization is integrated."</p>			

Effective Communication as a Foundation for Change	<p>"Ultimately, it's about open communication."</p>				
	<p>"Communication is key. But it's also about showing him the product, what it does, and how it benefits us."</p>				
	<p>"Communication is definitely one of our weak points. [...] We communicate in a very disorganized way, without a clear structure. Everyone has their own tasks, which they've learned over time, but responsibilities aren't clearly defined. This creates confusion and inefficiency." (P13)</p>				
	<p>"You need to engage with people directly, explain the purpose behind the tools, and help them understand why they're necessary. This personal interaction is irreplaceable."</p>				
	<p>"The training, awareness-building, and explaining the 'why' behind the tools are the biggest hurdles. If this isn't done properly, the tools won't be used—or worse, actively resisted."</p>				
	<p>"Yes, we have these day-long training sessions or workshops where employees are gathered in a room, and we explain why we're implementing this—not for surveillance or control, but to help them understand how it will work."</p>				