Rooted in Values, Fueled by Innovation: Driving Financial Performance in Family Firms

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Abstract

Title: Rooted in Values, Fueled by Innovation: Driving Financial Performance in Family Firms

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Certain characteristics and attitudes enable Family firms to gain and maintain a competitive advantage, which can have significant consequences in the global economy (Asaf et al., 2023). With this in mind, this paper examines the mediating role of long-term orientation and innovation in the relationship between concern for organizational values and financial performance of family firms.

The dissertation is based on a quantitative correlational analysis. It was used an online survey to test the established hypothesis. The questionnaire was distributed through my personal and professional networks and was designed to test the variables of this research. The total valid sample size was 112 out of 140 completed surveys. To conduct the analysis, it was used a mediating model which allows to examine a causal relationship between the dependent and independent variables.

The results suggest that aligning human resources with organizational values and traditions promotes greater long-term orientation and innovation outcomes. Both long-term orientation and innovation are positively related to financial performance, which is further enhanced in companies with a strong focus on values. Moreover, innovation acts as a mediator between the emphasis on organizational values and financial performance. This dissertation highlights the critical role of employee commitment to organizational values and innovation, and demonstrates their significant positive impact on financial performance. Future research could be extended by examining different cultural contexts and investigating additional mediators to deepen the understanding on the topic.

Keywords: Concern for organizational values, Innovation, Long-term orientation, Financial Value, Performance, Tradition, Family Firms

Resumo

Título: De Valores Enraizados e Focadas na Inovação: a Performance financeira nas Empresas Familiares

Autor: Maria Veiga

Determinadas características permitem às empresas familiares alcançar e manter uma vantagem competitiva, influenciando significativamente a economia global (Asaf et al., 2023). Este estudo explora o papel mediador da orientação a longo prazo e da inovação na relação entre a preocupação com os valores organizacionais e o desempenho financeiro das empresas familiares.

A dissertação baseia-se numa análise quantitativa de correlação. Foi utilizado um inquérito online para testar as hipóteses estabelecidas, distribuído através das minhas redes pessoais e profissionais e concebido para testar as variáveis desta investigação. O total da amostra válida foi de 112 dos 140 inquéritos preenchidos. Para realizar a análise, foi utilizado um modelo mediador que permite examinar uma relação de causalidade entre as variáveis dependentes e independentes.

Os resultados sugerem que o alinhamento dos recursos humanos com os valores e tradições organizacionais promove uma maior orientação a longo prazo e resultados de inovação. Tanto a orientação a longo prazo como a inovação estão positivamente relacionadas com o desempenho financeiro, o qual é ainda mais reforçado nas empresas com um forte compromisso com os seus valores e tradições. Além disso, a inovação atua como um mediador entre a preocupação pelos valores organizacionais e o desempenho financeiro. Esta dissertação destaca o papel crítico do empenho dos trabalhadores nos valores organizacionais e na inovação, demonstrando o seu impacto positivo e significativo no desempenho financeiro. A investigação futura poderia ser alargada através da análise de diferentes contextos culturais e da investigação de mediadores adicionais para aprofundar o conhecimento sobre o tema.

Palavras-chave: Preocupação com os valores organizacionais, Inovação, Orientação a longo prazo, Valor financeiro, Desempenho, Tradição, Empresas familiares

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I am deeply grateful to my family for their unconditional support during the most challenging moments of this journey. Their encouragement, motivation and unconditional love gave me the strength I needed to achieve this goal. I am particularly grateful to my parents, brothers, grandmother and boyfriend - without your presence and support this achievement would not have been possible.

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As I move into the next phase of my life, I do so enriched by the knowledge, experiences and relationships that have made me a stronger, more resilient person and provided me with the tools to successfully navigate my personal and professional endeavours.

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List of Abbreviations

&	*And*
b	*Regression coefficient*
M	*Mean*
N	*Total number of cases*
p	*p-value*
CI	*Confidence Interval*
β	*Beta*
R 2	*Multiple correlation squared- measure of strength of association*
SD	*Standard deviation*
SE	*Standard error*
RBV	*Resource-Based View*
COV	*Concern for organizational Values and Traditions*
LTO	*Long-term Orientation*
FV	*Financial Value*
I	*Innovativeness*
TENURE	*Period of time of someone in a job position*
WORKERS	*Number of workers*

1. Introduction

"a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families"

Definition of family firm, according to (Chua et al., 1999)

Family enterprises represent the most prevalent type of business organization both nationally and internationally (Marques, 2023), representing a global phenomena of significant practical and theoretical importance (La Porta et al., 1999). Over time, this research has evolved in various dimensions, revealing unique characteristics that differentiate family businesses from other companies (Marques, 2023)- greater resilience and longevity, as they are distinguished by the preservation of values and traditions for future generations, fostering a connection between the enterprise and the family (Marques, 2023).

Rovelli et al. (2022) has demonstrated great progress in the research of family firms, nonetheless, there remains an imperfect understand of the heterogeneity and scope of contrasts among family businesses (Daspit et al., 2021). This underscores the need for additional research to expand our understanding on significant family business concerns, given the scope, diversity, distinctiveness, and development potential of these enterprises globally (Marques, 2023), unifying the research in this field. In developed and emerging economies, family enterprises account for approximately half of the largest corporations (Berrone et al., 2022), playing a major role in the global economy (Asaf et al., 2023). They account for over 70% of all global enterprises, generate an average of 60% of global employment and contribute 67% to the world's gross domestic product (Suwala et al., 2024; Firfiray & Gomez-Mejia, 2021).

With the recent increase in the study of family enterprises (Swab et al., 2020), interest has arisen in explaining their performance (Xi et al., 2015; Kraus et al., 2018). Performance is vital for family enterprises, as their growth and survival are crucial ensuring succession to future generations (Eddleston et al., 2008). In general, family enterprises outperform non-family enterprises, although the degree and determinants of this performance differ significantly (Asaf et al., 2023). The findings in the literature about the relationship between family and performance are inconsistent (Steier et al., 2004) and there are still some levels of disagreement regarding the performance of family and non-family enterprises (Price et al., 2013).

With this in mind, this thesis looks at the mediating role of long-term orientation and innovation in the relationship between concern for organizational values and financial performance of family businesses.

1.1. Relevance of the topic

It is crucial to develop our knowledge of family businesses, as they represent the most pervasive type of business organization in any global economy (Rovelli et al., 2022). Research has been done over the years, but several studies emphasize the need for more to unify and deepen the knowledge base of family businesses (De Massis & Foss, 2018; Holt et al., 2018; Rovelli et al., 2022; Sharma et al., 2012). Over time, the literature has begun to reveal generally agreed-upon unique characteristics of these organizations that set them apart, such as a focus on building their legacy through a strong company culture, a long-term vision prioritizing reinvestment in the enterprise, a conservative approach to financial management and overall resilience (Asaf et al., 2023). Some other topics have been slightly more debated over the years, such as the amount of innovation in family businesses and, in general, family businesses outperforming non-family ones, although the extent and drivers of this outperformance vary greatly (Asaf et al., 2023). Being agreed that certain characteristics and mindsets enable family businesses to gain and maintain a competitive advantage, it is important to study them more deeply since it may have major consequences in the global economy (Asaf et al., 2023). In this sense, understanding the mediating role of long-term orientation and innovation between concern for organizational values and traditions and its financial performance is crucial for the development of research into family businesses.

My research can assist family enterprises in refining their focus on specific attributes, if they have a clear understanding of which attributes are associated with improved financial performance. This has an impact on the entire community due to the size and economic significance of these organizations.

1.2. Problem statement and research question

Recent years have witnessed substantial advancements in the research of family companies (Rovelli et al., 2022; Swab et al., 2020). This interest is particularly strong on family firms' performance (Kraus et al., 2018; Xi et al., 2015), innovation (Calabrò et al., 2021), long-term orientation, with a motivation to leave a legacy (Chua et al., 1999) and impact of family values and culture (Birdthistle & Hales, 2023).

With regard to performance, as it is essential for the survival of the company and for passing it on to the next generations, it became clear the need to study the influence of family participation on the firm's performance (Calabrò et al., 2018; A. De Massis et al., 2018).

Innovation levels have drawn significant attention over the years, as some academics propose that family organizations invest less in innovation, nonetheless, their innovation outputs frequently equal or surpass those of non-family firms (Heider et al., 2022). This debate is highly connected to the paradox of innovation and tradition, suggesting that these firms have difficulty innovating to adapt for the future while keeping a connection to the values of their past (Erdogan et al., 2020). Literature suggests that innovation and tradition can coexist and enhance each other, and family firms can even use innovation not only as a mean of modernization but also as a way to protect and strengthen their heritage, allowing them to remain innovative while upholding their traditional values (Erdogan et al., 2020). The concept illustrating this is "innovation through tradition", which explains family firms leveraging traditional resources (such as family values and signature products) along with innovative assets (such as new technologies and knowledge) to sustain and evolve their legacy (Erdogan et al., 2020). Tradition is highlighted as a distinctive asset in family business innovation, guiding change with purpose and continuity, especially in older, legacy-driven firms (Kammerlander et al., 2015; D. Massis et al., 2016).

Furthermore, one of the key characteristics that distinguishes family firms is their motivation to leave a legacy, which is essential for the firm's long-term survival (Chua et al., 1999; Seyed Kalali, 2022). This legacy is intended to create an enduring impact and to influence and express the values of each generation of the family (Conz et al., 2024; Radu-Lefebvre et al., 2024). Research indicates that taking a long-term perspective in strategic decision-making yields favorable outcomes (Lumpkin & Brigham, 2011), maybe because the executives have the possibility to wait more time to see the results of their investments giving good returns (Seyed Kalali, 2022). The results may include enhanced financial performance and competitive advantages in family businesses, as supported by prior research (Miller & Le Breton-Miller, 2005).

These aspects of family business have been widely studied in recent years, though my dissertation adds to the conflicting results and aims to emphasize what family businesses should focus on in order to improve their financial performance.

RQ: Do long-term orientation and innovation mediate the relation between concern for organizational values and financial performance of family firms? Is there a relationship between concern for organizational values and traditions and the financial performance of family businesses?

1.3. Overview of the dissertation's structure

This thesis follows a standard dissertation structure which includes five chapters. The first chapter introduces the topic, outlines the problem statement and presents the research questions. This is followed by a review of the literature and a summary of the main findings of established researchers on the topics of resource-based view theory, concern for the values and traditions of the organization, long-term orientation, innovation and financial performance in family businesses. The third chapter explains the methodology used in my thesis, with the aim of answering the research questions. This will be followed by an examination of the data collected through online surveys and the resulting findings of this analysis. The concluding chapter discusses the main findings of the data analysis, correlating the results with the existing literature and outlining the academic and management implications, alongside the study's limitations and suggestions for further research.

2. Theoretical background

2.1. Family Firms Overview

Family enterprises constitute the most prevalent type of business organization in global economies (Rovelli et al., 2022), thus representing a worldwide phenomena of significant practical and theoretical importance (La Porta et al., 1999).

In developed and emergent economies, family firms represent nearly half of the largest firms (Berrone et al., 2022), playing an outsize role in the global economy, which is often underestimated (Asaf et al., 2023). Their contributions to the global gross domestic product amounts to an impressive 67% and they represent more than 70% of all firms globally, generating an average of 60% of employment (Asaf et al., 2023; Firfiray & Gomez-Mejia, 2021; Suwala et al., 2024), with annual turnovers between $60 and $70 trillion (Asaf et al., 2023). In addition to economic metrics, family enterprises significantly contribute to education, healthcare, and infrastructure development, hence enhancing communities globally (Asaf et al., 2023).

There are numerous definitions of family enterprises that differ among them (Chua et al., 1999a; De Massis et al., 2012). The absence of a universally accepted definition has resulted in the use of varied interpretations and criteria by various writers and researchers in the field (Birdthistle & Hales, 2024). According to Chua et al. (1999), a family firm can be defined as a business governed and/or managed to realize the vision held by a dominant coalition comprised of members from the same family or a limited number of families, with the potential for sustainability across generations. A family firm can be defined as one in which the owner family intends to convey its vision across generations (Chua et al., 1999) and engages the next generation in the enterprise (Salvato et al., 2019). As observed in a meta-review conducted by Diaz-Moriana et al. (2019), according to 82 empirical studies, the majority of definitions on family enterprises include ownership criteria (66%), followed by management (39%), control (38%), and generation (17%), with the least represented category being the perception of being recognized as a family business (5%). The numerous categories underscore the difficulty of precisely defining family businesses due to their heterogeneous characteristics and the absence of a widely recognized set of criteria (Birdthistle & Hales, 2023). According to a meta-analysis conducted by Calabrò et al. (2019) and the sampled articles used in their study, 68% of articles in research use the ownership criteria to assess whether a company is classified as family-owned, by asking the CEO and/or other members of the top management team if more than half of the vote rights in their company are held by one family (Sharma et al., 1997) and 13% employ the self-definition criteria, which involves inquiring with the CEO and/or other members of the top management team whether they perceive the firm to be a family-owned enterprise (Westhead & Cowling, 1998), which was the method I used in my study. Due to the absence of a standardized definition of family business in the official statistical surveys of numerous nations (Diaz-Moriana et al., 2019), the economic impact and prevalence of family business activities in both emerging and established nations are significantly influenced by the definition applied (Westhead & Cowling, 1997). The absence of consensus raises concerns as it may potentially affect the outcomes of research in this domain (Birdthistle & Hales, 2023).

The research on family businesses has evolved along several dimensions, revealing unique characteristics that distinguish them apart. For instance, family businesses are recognized for their active familial participation in the enterprise, substantial family ownership (Birdthistle & Hales, 2023) distinct succession intentions (e.g., Fiegener, 1996) ensuring seamless transitions of leadership and ownership across generations (Birdthistle & Hales, 2023), emphasis on nonfinancial goals (e.g., Gomez-Mejia et al., 2007) requently prioritizing relationships with employees and customers, cultivating loyalty and trust (Birdthistle & Hales, 2023) specific governance structures (e.g., Steier et al., 2004), long-term orientation valuing legacy and continuity, alongside the impact of familial values and culture (Birdthistle & Hales, 2023) and unique performance outcomes (e.g., Anderson & Reeb, 2003), when compared to their non-family counterparts (Daspit et al., 2021).

Despite significant progress in recent years concerning the distinctions among family firms, as evidenced by the bibliometric analysis conducted by Rovelli et al. (2022), which examined 1381 works from FBR, JFBS, and JFBM spanning the years 1988-2020 - who demonstrated the growing prominence of family firms journals and the increasing citation impact of the field (with minimal influence from authors' self-citations) - perceptions of family business heterogeneity remains fragmented. A semantic analysis by Daspit et al. (2021) indicates that this fragmentation partially stems from a restricted understanding of the diversity and range of differences among family enterprises, underscoring the necessity for additional research to strengthen and expand the field's knowledge base. The semantic analysis of Daspit et al. (2021) also suggests that research has advanced beyond merely comparing family and non-family businesses, now concentrating on examining the variability inside these enterprises , which reflects a growing recognition of the diverse characteristics that define them (Chua et al., 2012; Wright et al., 2014). However, although the number of studies on the heterogeneity of family businesses is steadily increasing, the knowledge acquired has not kept pace (Daspit et al., 2021). This gap is partially attributed to the fragmented nature of the literature and the imprecise interpretations of the results (Daspit et al., 2021). These challenges emphasize the continued need for further exploration and refinement in this field to complement and develop existing research (Daspit et al., 2021).

A particularly interesting topic to develop is the performance of family businesses, as these organizations generally outperform non-family ones, but the extent and factors that determine this performance vary widely (Asaf et al., 2023). Research indicates that family enterprises has distinct traits that differentiate them and enhance their performance - adaptability, resilience and significant impact - enabling them to gain and maintain a competitive advantage (Asaf et al., 2023) . In addition to these characteristics, there is a focus on purpose beyond profits, to build a legacy through reputation, culture, customer value and community impact, ensuring employees are aligned with their purpose and prioritize social responsibility and sustainability, a long-term perspective with a focus on reinvesting in itself and making strategic, patient decisions that focus on sustainable growth and a conservative and cautious approach to financial management, investing in areas with growth potential and avoid risk, helping the business to remain resilient (Asaf et al., 2023).

2.1.1. Family Firms & Resource-Based View Theory

The distinguishing characteristics of family enterprises will be examined through the lens of Resource-Based View (RBV) theory. This concept is highly influential in strategic management, attaining significant prominence in academic research and business education (Davis & DeWitt, 2021). This theory centers on understanding how unique and immobile resources within a company can create and sustain competitive advantage (Habbershon & Williams, 1999). As outlined in Barney’s seminal 1991 paper, which formally introduced the Resource-Based View Theory, organizational success depends on exploiting capabilities and resources that have specific qualities -value, rarity, inimitability and non-substitutability. These resources can include tangible assets, organizational processes, firm knowledge and company-specific attributes that enable companies to implement effective and efficient strategies (Barney, 1995). The Resource-Based View (RBV) highlights the unique attributes of a company, making it especially pertinent to the examination of family business uniqueness (Habbershon & Williams, 1999). As suggested by Habbershon & Williams (1999), although analyzing the "average" behavior of firms from extensive data sets may appear simpler, it is crucial for researchers to examine firm uniqueness to comprehend the elements of competitive advantage and how to establish it sustainably in dynamic environments (Barney, 1995). RBV theory underscores the significance of distinctive talents, offering a robust framework for explaining enduring disparities in corporate performance that cannot be exclusively ascribed to industry or economic factors (Habbershon & Williams, 1999).

This theory has garnered considerable attention from scholars in business and strategic management (insert khan 2022). RBV theory has applied to tangible resources, such financial access, with an emphasis on organizational performance (Khan et al., 2021). Furthermore, according to (Heider et al., 2022) this theory elucidates that the primary factors contributing to variations in firm performance, the establishment of a competitive advantage, and entrepreneurial outcomes, including innovation, are resources and capabilities (Barney, 1991; B Wernerfelt, 1984; Penrose ET., 1959). As a result of the family's ongoing involvement in the business, family businesses create distinctive resource bundles (Habbershon & Williams, 1999; W. Gibb Dyer, 2003) that can lead to innovation (Bammens et al., 2015; Spriggs et al., 2013) and competitive advantage (Cabrera-Suárez et al., 2001). The RBV offers an approach for connecting company-level factors to performance results, highlighting the significance of a company's uncommon, distinctive, and inimitable resources as a competitive advantage that enables superior performance (Khan et al., 2021). In line with this, Ferreira & Fernandes (2017) argued that effective business strategies must comprehend rare, distinctive and immutable resources and skills to achieve outstanding performance.

According to a systematic review of Bargoni et al. (2023) , RBV makes a distinction between the nature, traits, and potential of a company's distinct internal processes and assets, such as the values, beliefs, symbols, and interpersonal ties that individuals or groups hold (Irava & Moores 2010). The theory emphasizes that family enterprises have distinctive resources, including the participation of family members and the legacy of the entrepreneurial family, which are entirely inimitable resources (Chrisman et al., 2005). Craig et al. (2008) examined the influence of family-based brand identity on competitive orientation and company performance, in accordance with this idea. According to a meta-review done by (Jahmurataj et al., 2023) the management of the family firm is supported by a team of committed employees, many of whom have been with the company from its very beginning, demonstrating a profound sense of enduring connection with the founder (Nave, 2022). The integrity of the family enterprise is sustained by familial connections and traditions (Jahmurataj et al., 2023; Smajić et al., 2023).

Over time, the definition of Resource-Based View has evolved to indicate that the fundamental resources and capabilities that enhance organizational performance are not solely the primary sources of competitive advantage (rare, unique, and inimitable resources), but also include strategic orientations such as innovation, proactiveness, and risk-taking, along with the generation and dissemination of knowledge (Khan et al., 2022).

The RBV theory provides a framework for analyzing organizations' strategic activities and decisions, claiming that sustained competitive advantage can be attained by creating, using, and protecting distinctive resources and capabilities that create value and enable difference from rivals (Alipour et al., 2024; Barney, 1991; B Wernerfelt, 1984). Consequently, emphasizing organizational values and traditions, a long-term orientation and innovation can enhance a firm's capacity to leverage and sustain a competitive advantage over time.

2.1.2. Family Firms & Long-Term Orientation

Long-term orientation (LTO) is defined by three dimensions: futurity, continuity, and perseverance and it is considered a superior guiding concept for the decisions and actions of family enterprises (Lumpkin & Brigham, 2011). It is both linked with economic goals and non-economic ones (Chrisman et al., 2010), that have gained relevance recently.

Research indicates that the behavior of family enterprises is frequently driven by non-economic objectives, including the aspiration to preserve the family's identity and transmit it to subsequent generations (Gomez-Mejia et al., 2018) or intergenerational succession planning. A meta-analysis by Chrisman et al. (2010) indicates that attaining these objectives requires a long-term perspective in family enterprises. Fortunately, because family businesses are typically run by dominant groups that have the authority and legitimacy to uphold the family's beliefs and objectives, they are uniquely positioned to pursue long-term objectives (Chrisman et al., 2010). Along these lines, the research posits that a long-term orientation leads to a more risk-averse (Seyed Kalali, 2022) and conservative posture among family firms about investments in uncertain opportunities, aiming to preserve their image (Zahra, 2018). This fosters a culture of connection and continuity that prioritizes the collective benefits of the family over individual interests (Seyed Kalali, 2022). As a result, family business managers avoid taking bold steps or uncertain risks to ensure the long-term survival of these companies (Seyed Kalali, 2022).

The aspiration for long-term survival is an essential attribute that differentiates family enterprises from other organizational forms, driven by the ambition to establish a legacy, referred to as "dynastic motives” (Chua et al., 1999). Legacy is frequently perceived as a lasting impact of historical factors on the current state of the organization (Dawson, 2016), playing as an invisible force within the family business that connects the past with the present and future across temporal dimensions (Radu-Lefebvre et al., 2024). Ultimately, being a family entails the co-creation of legacies (Radu-Lefebvre et al., 2024). Its study is crucial for comprehending how the past affects individuals in achieving future achievement and how a legacy established today can shape and foster future accomplishments (Radu-Lefebvre et al., 2024).

Family firms are characterized by the ability from family members to create a meaningful lasting impact, to influence and express the values of each generation of the family, with direct implications to choices within the firm (Jaskiewicz et al., 2015). The current generations managing the family enterprise, by emphasizing their values and legacies, establish a need for their successor to perpetuate them (Jaskiewicz et al., 2015). A particular type of intended legacy, the entrepreneurial legacy, can be achieved through preserving the ideals inherent in the family business (Jaskiewicz et al., 2015), or by establishing a new enterprise that embodies those same values (Combs et al., 2023). (Jaskiewicz et al., 2015). According to research by Jaskiewicz et al. (2015), while family firms typically exhibit risk aversion, it is crucial to consider the potential of embracing risk to uphold values, Integrating the endeavors of successor generations and the narratives that demonstrate how these efforts bolster family values, therefore guaranteeing their perpetuation within both the family and the enterprise across generations.

So, given the evidence that family businesses have a motivation to leave a family legacy and that executives have the legitimacy to carry out the family's goals and values, as well as the fact that the generations at the head of the company, by following family values and legacies, create the need for subsequent generations to pass them on, I predict that:

Hypothesis 1a: In family firms, the concern for organizational values and traditions is positively related to the long-term orientation of the company.

Although it is suggested that family firms exhibit diminished entrepreneurial activity over time, (Block, 2008) literature reveals that firms where family members have rhetorically redefined historical narratives of entrepreneurship and resilience continue to innovate, penetrate new markets, and embrace new technologies at elevated rates (Jaskiewicz et al., 2015). Furthermore, companies characterized by high levels of participative governance and a long-term orientation demonstrate enhanced corporate entrepreneurship (Zellweger et al., 2010). Lumpkin & Brigham (2011) propose that having a long-term perspective in strategic decision-making yields good returns, applicable to both family enterprises with an established long-term focus and non-family firms. The findings may include enhanced financial performance and competitive benefits in family enterprises, as evidenced by prior research (Miller & Le Breton-Miller, 2005). In line with this, Seyed Kalali (2022) posits that the long-term orientation of family enterprises constitutes a competitive advantage, as executives can afford to wait longer to realize the benefits on their investments. As a result, family enterprises tend to engage in long-term investments in research and development, branding, and human resource advancement (Miller & Le Breton-Miller, 2006).

Thus, given the evidence that long-term orientation can lead to higher levels of corporate entrepreneurship and higher returns if strategic choices are made with this orientation in mind, I predict that:

Hypothesis 1b: Family firm’s long-term orientation is positively related to its financial value.

Hypothesis 1c: Long-term orientation mediates the relationship between concern for organizational values and traditions and financial value in family firms.

2.2. Family Firms & Innovation

Since the seminal work of Schumpeter JA. (1934), experts have recognized innovation as a crucial factor in a firm's long-term performance in the contemporary competitive landscape (Diaz-Moriana et al., 2020). The innovation process is characterized as the generation and adoption of novel or enhanced products, processes, policies, structures, or administrative systems (Chaganti & Damanpour, 1991). Consequently, innovativeness reflects a propensity to endorse new ideas, novelty, experimentation, and creative endeavors, thereby diverging from conventional practices and technologies (Lumpkin & Dess, 1996). In order to face competition, it is essential for enterprises to adopt these practices, innovating their products and production methods (Erdogan et al., 2020) to achieve a competitive edge (Yin et al., 2023).

This topic is especially pertinent to family enterprises, which represent the most prevalent form of company organization globally, and attitudes on it diverge (Calabrò et al., 2019; Hu & Hughes, 2020). Despite criticisms regarding their investment in innovation, these organizations usually generate innovation outputs that, depending on their diversity, often equal or surpass those of established corporations (Heider et al., 2022). Research indicates that family-owned enterprises has a notable capacity to engage in various research and innovation endeavors (Yin et al., 2023). Conversely, there are results indicating that family businesses, in contrast to non-family enterprises, exhibit reduced innovation initiatives, demonstrate a lesser inclination towards external technical collaboration, and are more prone to pursue incremental rather than radical innovations (Nieto et al., 2015). The findings about the level of innovation in family enterprises are inconsistent and have confused scholars in entrepreneurship and innovation over the years (Heider et al., 2022). Although opinions on the subject are paradoxical, one thing is certain, the capacity for innovation in family businesses represents life or death for these companies, (Baltazar et al., 2023) which increases the importance of studying it in family businesses.

This topic is especially important due to the importance attached to these companies remaining prosperous throughout the generations (Jaskiewicz et al., 2015) and obtaining their desirable future results and long-term objectives (Diaz-Moriana et al., 2019). In order to achieve this, the management of financial resources is unique (Gallo & Vilaseca, 1996; Sharma et al., 1997), as families strive to secure the sustainability of the enterprise throughout generations and safeguard the long-term financial stability of the original generation (W. Gibb Dyer, 2003). Research on family firms has advanced significantly in recent years, enhancing knowledge regarding innovation (Calabrò et al., 2021), however, according to the meta-review implications of Yin et al. (2023), there remains a need to further elucidate this topic and to formulate policies that bolster family firms in enhancing their innovative performance, particularly considering the critical role these organizations play in economic development. These policies must guarantee the inclusion, representation, and awareness of family companies regarding all accessible research and innovation support (Yin et al., 2023).

A prominent study by Brüderl & Preisendörfer (1998) suggests that innovation is a critical factor in predicting company growth in small businesses. In line with this conclusion, Spriggs et al. (2013) found a general link between the innovativeness of a family business and small business performance. Lichtenthaler & Muethel (2012) suggested in their study that performance in smaller family firms may be explained by innovation. In 2013, Price et al., suggested that innovation enhances organizational performance in both family-owned and non-family enterprises, so, while cultivating an inventive corporate culture may be complex, it can provide advantages for the organization. In the early stages of innovation research, this concept was already associated with the distinctiveness, growth and profitability of family businesses (Eddleston et al., 2008; Zahra et al., 2004), as well as stronger performance results when orientated by long-term perspectives (Kellermanns et al., 2008). Researchers suggested that family enterprises allocating resources to innovation are more likely to enhance firm performance and growth (Eddleston et al., 2008; McCann et al., 2001).

Therefore, considering the evidence highlighting the importance of innovation for sustainable competitive advantage in family businesses and its potential to boost financial performance in these companies, I predict that:

Hypothesis 2a: The pursue of innovation in family businesses is positively related to financial value.

An increasingly important issue in family business innovation is its relationship to tradition, suggesting that these types of organizations have difficulty innovating to adapt and prepare for the future while maintaining a connection to the values of their past (Erdogan et al., 2020). This is a complex issue, with some debating whether tradition is a constraint or a resource (Dacin et al., 2019) for innovation (Erdogan et al., 2020). According to (Erdogan et al., 2020), family organizations need to innovate in order to become and remain competitive, but at the same time maintain a connection to their tradition. This tension between the two variables creates a paradox in which family businesses cannot strengthen one without compromising the other (Erdogan et al., 2020).

Studies indicate that innovation and tradition can indeed coexist and enhance each other, particularly within family businesses (Gil et al., 2024; D. Massis et al., 2016). Research shows that family firms can use innovation not only as a means of modernization but also as a way to protect and strengthen their heritage, allowing them to remain innovative while upholding their traditional values (Erdogan et al., 2020). Tradition is highlighted as a distinctive asset in family business innovation, guiding change with purpose and continuity, especially in older, legacy-driven firms (D. Massis et al., 2016). The concept of "innovation through tradition" illustrates that family firms leverage traditional resources (such as family values and signature products) along with innovative assets (such as new technologies and knowledge) to sustain and evolve their legacy (D. Massis et al., 2016). Innovation, therefore, can serve to preserve and even amplify tradition (Erdogan et al., 2020). Tradition and innovation, rather than being contradictory, are demonstrated to be mutually supportive—a vital dynamic for family enterprises seeking to prosper over generations (Lumpkin et al., 2010). Research indicates that family enterprises thrive through a dual approach, integrating both tradition and innovation, rather than opting for one over the other (Collins & Porras, 1994). By strategically managing this paradox, family firms maintain competitiveness without sacrificing their core identity, achieving a balance that allows innovation to coexist with tradition (Erdogan et al., 2020).

Family businesses have a distinct ability to transfer knowledge from founders to successors - a critical factor in the succession process (Baltazar et al., 2023) - preserving historical resources that allow them to keep a link with the past (D. Massis et al., 2016). Their past knowledge constitutes a significant competitive advantage for successful innovation (Capaldo et al., 2013; Messeni Petruzzelli et al., 2018). For example, De Massis et al. (2016) characterize tradition as the historical knowledge, competencies, resources, manufacturing methods, symbols, values, and beliefs pertaining to the past and suggest that it can provide a significant advantage in fostering innovation, depending upon how firms use this historical knowledge through recombination and reinterpretation (Gurteen, 1998). Although family businesses are defined by their built legacy, they must balance the preservation of this heritage with the need to learn, adapt and innovate to ensure longevity and continued success (Ahmad et al., 2021; Le Breton-Miller & Miller, 2006). Fox et al. (2024) emphasize the need of investigating how and when families utilize their enterprises to transmit resources or ideals to subsequent generations, along with the implications for outcomes such as innovation in family businesses.

So, given the evidence that the use of past information can be beneficial to the company and that innovation can benefit from tradition, I predict that:

Hypothesis 2b: Concern for organizational values and traditions of the family firm is positively related to innovation output.

Hypothesis 2c: Pursuing innovation mediates the relationship between concern for organizational values and traditions and financial value in family firms.

2.3. Family Firms & Financial Performance

With the increased study of family firms in recent years (Swab et al., 2020), an interest arose in explaining its performance (Kraus et al., 2018; Xi et al., 2015). Performance is vital for family enterprises, as their growth and sustainability are crucial for succession to future generations (Eddleston et al., 2008). One important aspect to study is the influence of family's participation in the performance of the firm (Calabrò et al., 2018; A. De Massis et al., 2018), since family involvement affects activities and processes differently, which impacts performance (Miller & Le Breton-Miller, 2006).

Family firm performance can be categorized into three domains: entrepreneurial, financial, and social (Basco et al., 2019). According to Zellweger et al. (2012), entrepreneurial performance is measured by the firm's market penetration and share in relation to direct competitors. Financial performance is linked to business-related accomplishments in terms of economic and financial well-being (Raymond et al., 2013). When it comes to environmental concerns, social performance is defined as how well businesses fulfill and surpass societal expectations (Jr. & J. Douglas, 1998).

Different ways of measuring this variable are used depending on the category of performance intended to address in each study. In articles on financial performance, certain authors have employed financial or accounting indicators, market valuation, economic value (Chua et al., 2003), business growth, profitability and share price (Manzano-García & Ayala-Calvo, 2020). Recently, performance measurement has become a more subjective measure based on the perception of satisfaction with achieving those financial indicators (Lian & Yen, 2017).

Research on family businesses has long been controversial on the performance disparities between family and non-family enterprises (Wagner et al., 2015), with renewed scholarly interest stemming from numerous studies asserting that family firms surpass their non-family counterparts (Allouche et al., n.d.; Hansen & Block, 2020; Saito, 2008; Sharma, 2004; Srivastava & Bhatia, 2022), while others do not support this argument (Filatotchev et al., 2005; Miller et al., 2007; Yoshikawa & Rasheed, 2010). The results in the literature remain controversial (Price et al., 2013), just as the relationship between family and performance (Chrisman et al., 2005). Zellweger et al. (2010) propose that family enterprises may exert both beneficial and detrimental effects on organizational performance.

In an effort to reconcile these contradictory findings, O'Boyle et al. (2012) performed a meta-analysis examining the performance disparities between family and non-family enterprises, revealing a minor although statistically insignificant positive impact of family engagement on business performance. In line with this search, Blanco-Mazagatos et al. (2018) suggested that family ownership positively affects the performance of Spanish enterprises in the second and subsequent generations. Family-owned firms within the S&P 500 also show superior performance compared to non-family firms (Anderson & Reeb, 2003). In the Japanese setting, Chen et al., (2005) discovered evidence indicating a beneficial impact of family ownership on company performance, whereas Koji et al. (2020) suggest that family firms surpass non-family firms in performance within this environment. Furthermore, Razzaque et al., (2020) and Badrul et al., (2014) suggest that family ownership positively influences the performance of manufacturing enterprises in Bangladesh. The meta-analysis by Wagner et al. (2015) revealed a positive correlation between a company's financial performance and its status as a family business upon examining numerous studies.

Researchers have presented both favorable and contrary arguments regarding the superior performance of family businesses, with some studies highlighting the benefits of family involvement, while others point to potential disadvantages that can harm performance (Machek et al., 2013). Among the arguments against, the literature suggests a negative effect of being a family business on performance among studies that refer to family altruism and proponents of family nepotism (Pérez-González et al., 2002) and those that focus on family businesses that generally hire executives from close relatives, neglecting external talent, leading to sub-optimal financial performance (Anderson & Reeb, 2003). Within the arguments in favor, the literature suggests that family businesses positively influence performance, particularly in studies emphasizing long-term orientation and reduced owner-manager agency costs (Audretsch et al., 2013; Miller & Le Breton-Miller, 2005). Additionally, it posits that founders or family members who own and control enterprises possess a heightened motivation to generate wealth for successors, leading them to adopt long-term investment perspectives (Koji et al., 2020). This discourages them from assuming elevated risks, resulting in steady returns for shareholders (Koji et al., 2020) and enhanced investment efficiency (Badrul et al., 2014), as they aim to maintain the company’s value for future generations (Achleitner et al., 2014). The emphasis of family firms on sustainable growth might result from their desire to transfer wealth to future generations rather than on short-term shareholder satisfaction (Koji et al., 2020). The literature has also focused on examining values as essential elements for enhancing the competitiveness and sustainability of family enterprises (De-la-Garza-Carranza et al., 2011) and, more recently, on socio-emotional wealth (SEW) as a performance determinant (Dyer, 2018; Gomez-Mejia et al., 2018).

In line with the tendency for companies classified as family businesses to have higher performance levels and with the beneficial and negative aspects for the performance of family businesses developed in the literature, in an attempt to understand the reasons for these companies having higher performance levels than non-family ones, I predict that:

Hypothesis 3: Concern for organizational values and traditions of the family firm is positively related to performance output.

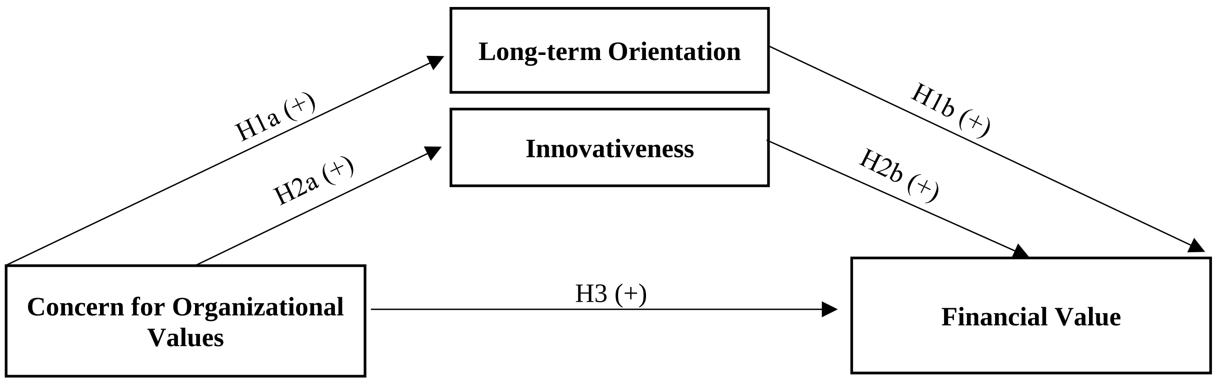

Figure 1: *Conceptual model, with the hypothesis of this study*

3. Methodology

This section delineates the research methodology, beginning with an overview of the research design, then diving into details of the participants and the survey procedure. Finally, it will delineate the measurement procedure of the variables used in this study (independent, dependent, mediators and control variables, in that sequence).

3.1 Research Design

The purpose of my research is to understand how employees' concerns about organizational values influence the long-term orientation and innovation and, consequently, the financial performance of family businesses. In order to investigate the relationships between the variables and test my hypothesis, I will conduct a quantitative analysis.

The study was conducted through a widely recognized survey platform called Qualtrics, to build an online questionnaire (Kavous et al., 2024). This platform was chosen for its structured format, which guarantees consistency and facilitates the analysis of responses (Kavous et al., 2024). The survey included a section to collect information about the companies in which the participants worked, another one intended to investigate the variables of my research, including independent, dependent and mediating ones and a third one for demographic data.

3.2. Participants

The survey was distributed on social media platforms, mainly through WhatsApp groups, to reach my personal network, and LinkedIn, to reach the professional side of my network. As my aim was to collect responses from employees of family businesses, I decided to target the survey mainly at people who fit this requirement. Participants were only eligible to complete the full survey if they worked in a family business. The participation in the survey was voluntary and anonymous. At first, to ensure the internal validity of the survey and enhance the clarity of the questions, I conducted a pre-test with a small cohort (N = 10) consisting of family and friends prior to disseminating the survey on social media pages. The online survey received 140 answers between October 17 and November 10. The total valid sample size comprised 112 out of 140 filled surveys. The 28 omitted surveys were disregarded due to a negative response to the question, “Do you work in a family business?”, hence invalidating the feasibility of completing the entire survey.

3.3. Procedure

Firstly, the participants had to read a welcome text and a consent form and could only go ahead if they agreed. After that, they were presented with a block with a question about whether they worked in a family business, which was done to directly exclude those who didn't fit my initial target. Later, for the participants who worked in a family business, they were presented with some questions about the characteristics of the company, so that I could understand the population of respondents and its heterogeneity. Next, the participants were asked different questions to measure the independent variable of my study, then a block to measure the two mediators and finally a block to measure the dependent variable. At the end, there were some basic demographic questions. The survey ended with a text thanking the participants for their help.

3.4. Variable Measurement

This section aims to explain each variable studied, with a brief description of them and their respective measures.

3.4.1. Independent Variable

The only independent variable employed is *Concern for organizational values*, which is a scale variable and serves as a proxy for family values and traditions. To analyze it, I relied on a scale retrieved from an article of Brinkerink & Bammens (2018)- based on Denison et al., (2004), Hall et al., (2001) and Koiranen (2002). The scale consists of three items that measure interest in the values and traditions of the company where the respondents work. Each item is evaluated using a 7-point Likert scale (1 = Strongly disagree; 7 = Strongly agree). One of the items reads "Maintaining company historical values and traditions is an important goal of this company.".

3.4.2. Dependent Variables

The only dependent variable in my study is *Financial Value*, which is also a scale variable and represents a company's financial performance. I relied on a scale retrieved from an article of (López-Pérez et al., 2018) - adapted from Torugsa et al., (2012) and Lai et al., (2010). The scale is made up of three items that measure the company's financial metrics when compared to its competitors. Each item is evaluated using a 7-point Likert scale (1 = Strongly disagree; 7 = Strongly agree). One of the items is: "We have increased sales, in comparison to our competitors.".

3.4.3. Mediators

I used two mediators in my study. The first one is *Long-term orientation*, a scale variable. It represents a central characteristic of family businesses that prefer to wait longer to see results, even when it comes to investments, since their aim is to leave the company to future generations. I relied on a scale retrieved from an article of Memili et al., (2018)- adapted from Zellweger et al., (2012). The scale comprises four items that assess the accuracy of this trait in the organization. Each item is evaluated using a 7-point Likert scale (1 = Strongly disagree; 7 = Strongly agree). For instance, one of the items states "The family firm seizes investment projects that are less profitable than the ones of competitors, since our shareholders are less demanding in terms of financial return in the short-run.". Since in my statistical analysis the Cronbach's alpha was less than 0.7, I had to disregard this item to reach a value of 0.699 and proceed with a valid statistical analysis of this variable.

The second mediator is *Innovativeness*, also a scale variable. It represents the overall importance and practice of innovation in the company. I relied on a scale retrieved from an article of (Memili et al., 2018). The scale is made up of four items that measure the value given to innovation and the level at which it has been adopted. Each item is evaluated using a 7-point Likert scale (1 = Strongly disagree; 7 = Strongly agree). The items were adapted to fit the general industrial context, and one of them is: "In general, the top managers of my firm favor a strong emphasis on R&D, technological leadership, and innovations.".

3.4.4. Control Variables

I incorporated several control variables to achieve a more accurate assessment and findings from the analysis. I used socio-demographic information as a control variable in my study, incorporating the following elements: gender, age, nationality, and education. Since these variables showed no significant connections with others, I included them solely for descriptive purposes to enhance comprehension of the population and improve transparency regarding its composition (Becker, 2005; Spector, 2021). They were not included in the statistical model. In addition, I considered some control variables about the organization to which the participants belonged, due to the recognition of heterogeneity in family businesses (Rovelli et al., 2022), to allow for the generalization of the results across various organizational types (including generational influence, size, and sector).

Participants were asked to indicate their *gender* according to four options. *Age* was requested in a seven-choice question, as was *educational background* and *role* in the organization. The *nationality* was queried by a blank field. In terms of whether the participants work in a family business, there are only two options: "yes" and "no", as in the question about whether they belong to the family responsible for the business. The *tenure* in the organization is a five-choice question, covering different time spans, as was the *generation* responsible for the firm. The *sector* of the organization is a question with seven possible answers with the option to respond in a blank field. The *size* of the organization, defined by the number of employees and annual turnover, is categorized into four options, following the criteria established in the European Commission's Recommendation 2003/361/EC for the classification of company sizes.

4. Results

This section offers an overview of the descriptive statistics, examines the reliability of the scales and presents the hypothesis testing, including the model specification and its results.

4.1. Descriptive statistics

I got 140 surveys answered but had to exclude some of them (N=28) because the answer to the question “Do you work in a family business?” was negative, thus eliminating the possibility to complete the entire survey. After this exclusion, 112 surveys remained to be analyzed. Since some of the surveys were not fully completed (N=36), I decided to conduct an ANOVA to determine if there were significant differences among the means of fully completed and incomplete answers. Due to the absence of statistically significant differences among the groups, the entire database (comprising both complete and incomplete responses) could be used.

From the 112 answers, all of the respondents work in a family firm. The surveys revealed that 55,8% (N=43) were male, 42,9% (N=33) were female and 1,3% (N=1) preferred not to state their gender. The total range of ages goes from 18 to 64, with most being aged from 25 to 34, followed by a larger response from the 35 to 54 age groups. The majority of the answers come from Portuguese people and only one answer from an Italian. The majority of the participants have a master degree (38,2%), followed by 30,3% with an undergraduate and 11 respondents with a PhD or MBA. The majority of the respondents are already working in the organization for more than 6 years (44,1%) and do not belong to the family owning the firm (78,4%). Regarding the generations of the firms, for the respondents belonging to the family owing the firm, the majority are in the first (43,5%) and third generation (30,4%) and for the ones not belonging to the family, the majority of companies are in the second (29,4%) or third generations (40%). The manufacturing/production sector leads the answers (N=26), followed by the industry services (14,3%) and retail (12,4%). The questions about the number of employees in the organization and the annual turnover had averages of 3.2 and 3.06 respectively (with a range from 1 to 4), therefore we can conclude that the majority of participants work in large organizations (according to European Commission's Recommendation 2003/361/EC). Lastly, the roles in the organization are rather dispersed, with the main percentages coming from managers (26%), directors (25%) and assistants (21,9%).

4.2. Scale reliability

Even though the reliability analysis had already been carried out in previous studies, I examined each construct's reliability to determine Cronbach's alpha, an internal consistency metric that evaluates how closely linked items are to one another on a scale or questionnaire (Izah et al., 2024). Before conducting the analysis, all the scales were checked for reverse-coded items and none of the variables presented this type of item.

The dependent and independent variables, together with the mediators, were assessed using a multi-item scale. The Long-term orientation scale originally had four components. The reliability analysis conducted with the initial four items yielded a Cronbach's value of 0.633. This suggested that the four-item scale lacked reliability (as Cronbach's alpha was less than 0.7). Consequently, I omitted Item 3 from the scale due to the inter-item correlation matrix indicating a weak correlation with the other items. Upon the removal of Item 3, Cronbach's alpha rose to 0.699, indicating sufficient reliability, hence, this scale may be considered reliable.

The *Concern for organizational values* scale provided a Cronbach's alpha of 0.678, which is a reasonable value (Izah et al., 2024). The *Financial value* a Cronbach's alpha of 0.797 and the *Innovativeness* a Cronbach's alpha of 0.760. This indicates a significant degree of internal consistency among the items on each scale, therefore confirming their high reliability.

Then, I conducted a Bivariate Spearman Correlation analysis (see ***Table 1***) to investigate the correlations among the main variables within the study.

As illustrated in ***Table 1***, *Long-term orientation* is significantly correlated to concern for organizational values at a level of 0.05, *Financial Value* is correlated to concern for organizational values and long-term orientation at a significance of 0.01 and *Innovativeness* is significantly correlated to concern for organizational values, long-term orientation and financial Value at a level of 0.01.

	1.	2.	3.	4.	5.	6.	7.	8.
1. COV	--							
2. LTO	,252*	--						
3. FV	,301**	,411**	--					
4. I	,311**	,422**	,513**	--				
5. TENURE	,132	,160	-,042	,182	--			
6. GENERATION	,123	,104	,114	,162	,120	--		
7. WORKERS	,034	,153	,214	,125	-,018	,173	--	
8. ROLE	,037	,009	,057	,053	,358**	,284*	,039	--

* The correlation is significant at the 0.05 level (2 ends).

** The correlation is significant at the 0.01 level (2 ends).

Table 1: *Bivariate Spearman correlation*

4.3. Hypothesis testing

In this section, I will test the hypothesis specified earlier in my study.

4.3.1. Model specification

To conduct my Conditional Process Analysis, I relied on the PROCESS macro of SPSS, developed by Andrew F. Hayes. To test all the Hypothesis, I used model 4, which enables me to do a mediation analysis and look at a causal relationship between dependent and independent variables. This model analyzes the indirect effect of X (independent variable) on Y (dependent variable), mediated by M1 and M2 (mediators).

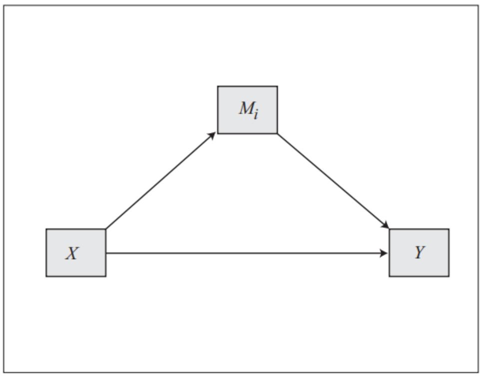

Figure 2: *Model 4 of Hayes PROCESS macro* **(Hayes, 2013)**

In this study, the dependent variable Y has been changed to Financial Value, while X stands for Concern for Organizational Values. Additionally, the mediator M1 is symbolized by *Long-term Orientation*, while the mediator M2 is represented by *Innovativeness*.

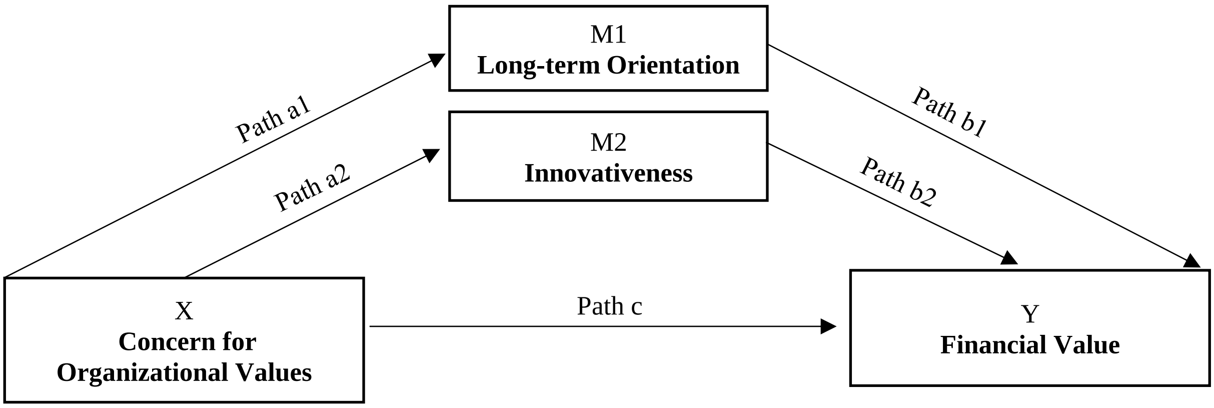

Figure 3: *Adopted Model 4 with the variables of the study*

4.3.2. Model results

Initially, I conducted an analysis of the impact of X on M1, which regarded the Long-term Orientation as the outcome variable. The findings indicated that Concern for Organizational Values is positively correlated with Long-term Orientation: b = 0.2884, SE = 0.1334, p = 0.0337. It means that family firms with human resources concerned with the organizational values and, consequently, the family values, present a major orientation towards the future. I subsequently examined the impact of X on M2, considering Innovativeness as the dependent variable. The findings indicated that Concern for Organizational Values is substantially associated with Innovativeness, demonstrating a positive correlation: $b = 0.3651$, $SE = 0.1535$, $p = 0.0199$. It means that family firms with human resources concerned with the organizational values and, consequently, the family values, tend to present higher innovation concerns and outputs.

Secondly, I examined the impact of Long-term Orientation on Financial Value and the influence of Innovation on Financial Value. The Long-term Orientation is strongly and positively correlated with financial performance: $b = 0.2869$, $SE = 0.1112$, $p = 0.0119$. This means that companies with a long-term perspective typically exhibit superior financial performance. The correlation between Innovativeness and Financial Value is significant and positive: $b = 0.3587$, $SE = 0.0967$, $p = 0.0004$, indicating that companies exhibiting greater innovativeness typically have superior financial performance.

Thirdly, the indirect effect of X and Y mediated by M1 and M2 must be taken into account in order to assess the mediating role of Long-term Orientation and Innovativeness in connecting Concern for Organizational Values with Financial Value. The model shows that Long-term Orientation does not have a mediating role between both variables (X and Y): $b = 0.0828$, $SE = 0.0606$, 95% CI = [-0.0090; 0.2230]. This suggests that Long-term Orientation doesn’t serve as a significant mechanism through which the commitment to core values of the organization improves its financial output, in case of family firms. Regarding Innovativeness, the model shows that Innovation has a mediating role between both variables (X and Y): $b = 0.1310$, $SE = 0.0839$, 95% CI = [0.0050; 0.3225]. This means that Innovativeness serves as a meaningful mechanism through which the commitment to core values of the organization improves its financial output, in case of family firms.

Lastly, as anticipated, the study showed a considerable relationship between concern for organizational values and financial value ($\beta = 0.319$; $p < 0.01$), explaining 10,1% of its variance. This means that an important factor predicting financial results in family firms is the concern with its own values inside the organization (See ***Appendix 6***).

In conclusion, it is acknowledged that if human resources align with the company's values and, in the context of family companies, with the values of the families involved, the company tends to have a greater orientation towards the future (as expected) and innovation results (as expected), confirming **H1a** and **H2b**. In addition, the financial performance of companies in which values are of great importance tends to be higher, thus confirming **H3**. Long-term orientation also has a positive relation to the company's financial performance (as expected) because families want to leave a good wealth and legacy for the next generation and innovation also has a positive relation with the company's financial performance (as expected) because innovation is fundamental for companies in this highly competitive market to remain competitive, confirming **H1b** and **H2a**. As anticipated, innovation can explain the connection between between concern for organizational values and financial performance, validating **H2c**, but, contrary to expectations, long-term orientation can't, invalidating **H1c**.

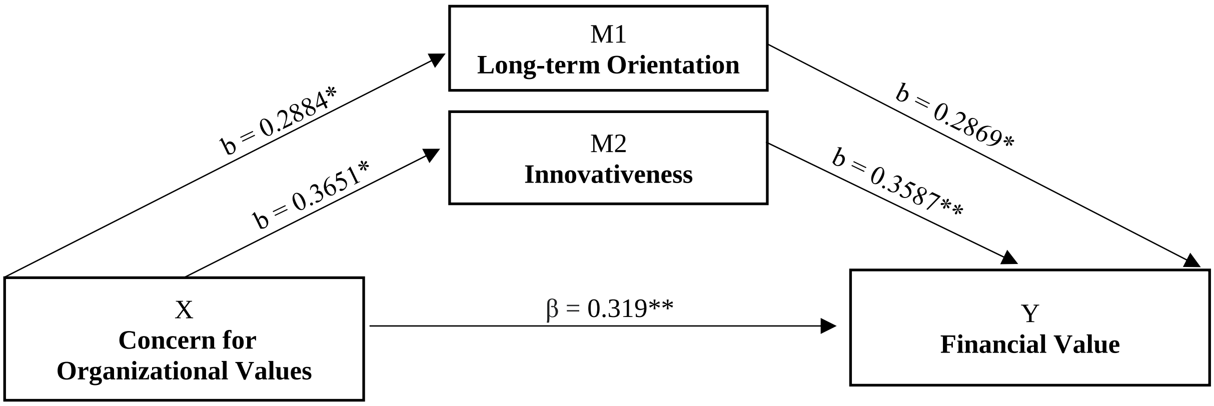

Figure 4: *Adopted Model 4, with variables and correlation significance*

5. Discussion

Following the analysis, I will provide a brief explanation and discussion of the statistical models' findings. Additionally, this chapter will discuss limitations, possible future research, as well as academic and managerial consequences.

5.1. Results Overview

The field of family businesses has raised an interested in researchers, having experienced a significant progress (Rovelli et al., 2022; Swab et al., 2020). This interest is particularly significant in topics like performance (Kraus et al., 2018; Xi et al., 2015), innovation (Calabrò et al., 2021), long-term orientation (Chua et al., 1999) and the impact of family values and culture inside the organization (Birdthistle & Hales, 2023).

Prior research has examined the performance differences between family and non-family enterprises (Wagner et al., 2015) suggesting a tendency for a positive correlation between a firm's classification as a family business with its financial performance (Wagner et al., 2015). Numerous factors that positively affect this relationship have been examined, including long-term orientation (Audretsch et al., 2013; Miller & Le Breton-Miller, 2005), heightened motivation among family members to generate wealth for heirs, the adoption of long-term perspectives in investment strategies (Koji et al., 2020), enhanced investment efficiency (Badrul et al., 2014) aimed at preserving firm value for future generations (Achleitner et al., 2014) and the evaluation of values as critical elements in enhancing the competitiveness and survival of family enterprises (De-la-Garza-Carranza et al., 2011).

With this in mind, the aim of my thesis is to clarify previous findings on the subject, since the results of the literature on the relationship between family and performance are inconclusive (Chrisman et al., 2005). The primary objective, according to the Resource-Based View (RBV), is to identify the firm's capabilities and resources that are valuable, rare, inimitable, and non-substitutable, in order to establish the unique identity of the family business and ensure a sustainable competitive advantage (Habbershon & Williams, 1999), while also clarifying long-term differences in company performance that cannot be exclusively ascribed to industry or economic factors (Habbershon & Williams, 1999).

This motivated the formulation of seven hypotheses, subsequently examined through a quantitative correlation approach.

In order to answer my established hypothesis, I aimed to understand the mediating role of family businesses' long-term orientation and innovativeness through a mediation model. The model's results indicated that a greater emphasis on organizational values and traditions correlates positively with a long-term perspective. This is in accordance with previous results suggesting that the motivation from family members to leave a legacy, by following family values, create a need for subsequent generations to pass them onto the next generations, leading to an orientation towards the future (Chua et al., 1999; Jaskiewicz et al., 2015; Seyed Kalali, 2022). In addition, concern for organizational values and innovation are also in accordance to previous research, since the results showed an increased innovation related to a higher concern for organization values and traditions, as Erdogan et al., (2020) observed in previous studies. Moreover, the study showed that companies with a long-term orientation tend to have better financial results, which aligns with the previous literature of Zellweger et al., (2010), Lumpkin & Brigham, (2011) and Seyed Kalali, (2022) that points to the possibility to wait more to see the results of investments giving good returns. In addition, results showed that companies with higher levels of innovation tend to have better financial results, which is aligned with previous literature of Price et al., (2013). Finally, the results showed that concern for organizational values was significantly related to financial value, meaning it is an important factor predicting high financial results in family firms, as expected from previous literature of De-la-Garza-Carranza et al. (2011).

I predicted in **H1a** that concern for organizational values and traditions would have a positive relation with the long-term orientation of the firm, which in turn would be positively related to financial value (**H1b**). The study supported both hypotheses. Furthermore, the mediation possibility suggested in **Hypothesis 1c** was reasoned based on a study of Seyed Kalali., (2022) , which suggests that a culture of connectedness and continuity leads family members to avoid taking bold steps in order to ensure the longer survival of these firms. Contrary to expectations, my study found that there is a positive but insignificant mediating role of this variable. Therefore, the study did not support **H1c**.

Based on previous studies, I predicted in **H2a** that concern for organizational values and traditions is positively related to greater innovation results, which in turn positively affects financial value (**H2b**). Both hypotheses were supported by the study. Furthermore, in **Hypothesis 2c**, I proposed a mediation possibility that, in line with my expectations, resulted in my study finding a positive and significant mediating role of innovation between concern for organizational values and traditions and financial value. This result is consistent with a previous study by Erdogan et al. (2020), which points out that strategically managing the paradox of innovation and tradition allows family businesses to maintain competitiveness without sacrificing their core identity, achieving a balance that allows innovation to coexist with tradition. Therefore, **H2c** was supported by the study.

Finally, I analyzed the direct relationship between concern for the family business's organizational values and traditions and its financial performance to assess my third hypothesis, which predicted a positive relationship between the two variables. This association is derived from a study by De-la-Garza-Carranza et al. (2011) that examined values as essential elements in improving the competitiveness and survival of family businesses, and my analysis revealed a positive correlation. Therefore, the study also supported **H3**.

This study clarifies the mixed findings of previous research on performance, innovation and tradition in family firms. It reaffirms previous evidence indicating that factors such as innovation, long-term orientation and commitment to organizational values and traditions significantly contribute to a superior financial performance in family firms. In addition, it advances the literature on the paradox of innovation and tradition, which suggests that family firms often struggle to innovate for future adaptation while remaining connected to their historical values (Erdogan et al., 2020). This study shows that innovation and tradition are positively correlated, confirming the suggestion made by Lumpkin & Brigham (2011), stating that innovation and tradition are mutually reinforcing rather than contradictory. By strategically managing this paradox, family firms can maintain their financial competitiveness while preserving their core identity, achieving a seamless balance in which tradition and innovation can prosper together. The study further highlights that a strong emphasis on organizational and family values -a distinctive trait of family firms (Kammerlander et al., 2015)- is closely associated to improved financial performance.

5.2. Academic and managerial implications

The findings of my study offer significant insights from both theoretical and practical standpoints.

<u>Academic implications</u>

The study of Family Business has experienced a huge growth, pointing to several paradoxes to be clarified and themes to be explored (Daspit et al., 2021; Rovelli et al., 2022). My thesis aims to understand the main drivers of financial performance in family firms, trying to fill the gap that explains why so many family businesses outperform other incumbent firms (Asaf et al., 2023), what assets make these organizations unique and distinct (Marques, 2023), which creates its sustainable competitive advantage (Habbershon & Williams, 1999). The influence of concern for organizational values and traditions, long-term orientation and innovativeness were tested to find out whether family firms incorporating these characteristics present higher levels of financial performance. The research findings showed that all these characteristics isolated are related to a higher financial performance, therefore supports the results of previous studies. These results extend the theoretical debate and contribute to existing literature by adding to the conflicting results on the paradox of innovation and tradition (Erdogan et al., 2020), tradition as a source of competitive advantage (D. Massis et al., 2016) and the paradox of performance in family firms (Price et al., 2013; Wagner et al., 2015). This dissertation enhances the literature and theoretical debate in the domains of family enterprises, strategic management, entrepreneurship and innovation.

Managerial Implications

This study has managerial consequences in addition to theoretical ones, particularly for family firms looking to optimize their financial performance. Firstly, the lack of a mediating role of long-term orientation between concern for organizational values and company performance challenges researchers for future work on the subject, trying to understand which factors can significantly explain the organizational values-performance relationship. In addition, the significant finding is the mediating role of innovation, where concern for organizational values is positively related to innovation output, which in turn is positively related to financial performance. Beyond this, the positive relation between concern for organizational values and traditions and company's financial performance is also to note. Family firms should leverage this information by focusing on organizational values and traditions and innovation (combined with a commitment to organization values and traditions) as a strategy for enhancing financial performance. The experimental sample of this research consisted of employees from different family firms who play a key role in the functioning of the organization and have a direct impact on its results, since companies are made up of people who work together in a common direction. Having this in mind, companies could create initiatives for their employees to reinforce its values and traditions, showing what has been done in the past and how it was relevant at the time, how they can capitalize on ideas and examples from the past of the company to innovate, whether in its offerings or production processes, understanding what is already at its optimum level and what can still be improved. Family businesses should take advantage of the fact that they have a story to tell, which makes them unique and distinct. They should let their employees know they belong to a company that will leave a legacy for future generations and is committed to a sustainable growth to ensure the welfare of future generations.

5.3. Limitations

Besides the valuable insights of this research, it is also important to address its revealed limitations.

The first limitation, which results from time constraints, concerns the sample size and response variety. In terms of size, the sample is limited. The sample itself was primarily composed of Portuguese respondents, which restricts the results' applicability to other cultural situations because it is not representative of the entire world's population. All of these factors constrained the depth of data collecting and influenced the dissertation's outcomes.

As a second limitation, the survey only captured one snapshot in the limited period of time covered by it. Since it only captures one moment, the respondents may give biased answers due to their particular disposition at that specific moment. If they had experienced a problem at work recently, this would probably lead to more negative responses, and vice versa.

Ultimately, it is crucial to consider the measurement of the variables, as the responses may not accurately reflect reality due to the inaccessibility of some information. For example, the long-term orientation measure required respondents to have information on the investments made by the company, while the innovativeness variable required information on the type and level of innovation in the organization and in comparison with competitors. The financial performance variable required that respondents evaluate sales, market share, and return on investment in comparison to their competitors. This information may be less straightforward for people at younger levels or with less time and experience in the organization, so the answers may not correspond to reality.

5.4. Future research

As was indicated in the previous section, this study has certain limitations that should be overcome in subsequent research on the subject. Firstly, my suggestion is to expand the sample size and its diversity. Future study could benefit from examining if these results would vary with a bigger sample that includes a more wide array of respondents from different cultural backgrounds. This would increase the validity and robustness of the results, ensuring their generalizability and adaptability to a more representative global population. In order to get more accurate responses and lessen the bias of only recording a little window of time when respondents might not be in their right mind, it would also be interesting to conduct longitudinal research on the topic. In addition, I suggest expanding the study in the future, using more mediators, to better understand the causal relationship between concern for organizational values and traditions and financial performance, as a proper use of this information by family businesses could lead to increases in financial performance that would have an impact on the world economy. Lastly, I recommend that future scholars look at this relationship outside of the context of family companies.

6. Conclusion

There is increasing interest in the examination of family enterprises, particularly about the potential characteristics that enhance their financial performance, as these organizations significantly influence the global economy (Rovelli et al., 2022). My study focused on the influence of specific traits—long-term orientation, commitment to organizational values and traditions, and innovation—on the financial performance of family businesses. The findings indicated valuable conclusions, in particular the mediating role of innovation, whereby concern for organizational values correlates positively with innovation outcomes, which in turn positively influences financial performance, as well as a positive correlation between concern for organizational values and traditions and the company's financial performance. This implies that in order to remain competitive without compromising their essential identity, family firms that aim to optimize their earnings must effectively handle the paradox of innovation and tradition (Erdogan et al., 2020) and, furthermore, to focus their attention on the values and traditions embedded in the organization (Marques, 2023). Nevertheless, the study's limitations underscore the need for additional research on this subject. Mitigating the identified limitations to enhance the generalizability of the results and the robustness of the findings, while potentially incorporating additional mediators, may offer greater insights into the factors positively correlated with the financial performance of family businesses worldwide.

This thesis has been developed with the assistance of artificial intelligence (AI) tools to enhance the clarity and quality of the writing. These tools were utilized to refine grammar, structure and coherence while ensuring that the intellectual content, ideas and analyses presented remain entirely my own. All efforts have been made to ensure the authenticity and originality of the work, and any reliance on AI does not compromise the academic integrity or originality of this thesis.

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Appendix

1. Research Survey

Consent Form:

Pedido de colaboração para uma tese de mestrado orientada pela Professora Liliana Dinis na Universidade Católica

Valores familiares e inovação: Impacto no Desempenho a Longo Prazo em Empresas Familiares

Convidamo-lo(a) a participar num estudo de investigação conduzido por Maria Veiga, cujo objetivo é explorar os valores e estratégias de inovação em empresas familiares. A sua participação é anónima e consistirá no preenchimento de um breve questionário, que dura cerca de 4 minutos.
Garantimos que todas as informações fornecidas serão tratadas com confidencialidade e a sua identidade não será divulgada em nenhuma publicação resultante desta investigação.
A sua participação é inteiramente voluntária. Tem a liberdade de não participar ou de retirar o seu consentimento a qualquer momento, sem qualquer consequência.
Caso tenha dúvidas, preocupações ou necessite de mais informações, não hesite em contactar Maria Veiga através do email: maria.veiga101@gmail.com.

Q1: Declaro que li e compreendi este formulário de consentimento e que tive a oportunidade de esclarecer quaisquer questões. Deste modo, dou o meu consentimento livre e informado para participar neste estudo.

- Sim
- Não

Q2: Trabalha numa empresa familiar?

- Sim
- Não

If condition = Yes

Q3: Há quanto tempo trabalha nesta organização?

- Menos de 6 meses (≤6 meses)
- Entre 6 meses e 1 ano (>6 e ≤1 ano)
- Entre 1 e 3 anos (>1 e ≤3 anos)
- Entre 3 e 6 anos (>3 e ≤6 anos)
- Mais de 6 anos (>6 anos)

Q4: É um membro da família?

- Sim
- Não

If condition = Yes

Q5a: Considerando a geração fundadora como a primeira. A que geração pertence?

- Primeira
- Segunda
- Terceira

- Quarta
- Quinta ou mais

If condition = No

Q5b: Considerando a geração fundadora como a primeira. Em que geração se encontra a organização?

- Primeira
- Segunda (descendentes diretos do fundador são os responsáveis)
- Terceira (netos do fundador são os responsáveis)
- Quarta
- Quinta ou mais

Q6: Em que setor opera a organização? (Selecione a opção mais próxima):

- Fabrico/ Produção
- Retalho
- Indústria de serviços
- Agricultura
- Construção
- Tecnologia
- Outros (por favor, especifique)

Q7: Quantos trabalhadores tem a empresa onde trabalha?

- Menos de 10 (<10)
- Entre 10 e 49 (>=10 e <=49)
- Entre 50 e 249 (>=50 e <=249)
- Mais de 250 (>250)

Q8: Qual é o volume de negócios anual da empresa onde trabalha?

- Menos de 2 milhões de euros (< 2M euros)
- Entre 2 e 10 milhões de euros (>2 e <= 10M euros)
- Entre 10 e 50 milhões de euros (>10 e <= 50M euros)
- Mais de 50 milhões de euros (>50M euros)

Q9: Qual é o seu tipo de função na empresa?

- CEO
- Presidente
- Diretor
- Manager
- Coordenador/Supervisor
- Analista
- Assistente

Q10: Para cada uma das afirmações que se seguem, indique em que medida concorda ou discorda, selecionando um número de 1 a 7, em que 1 = Discordo totalmente e 7 = Concordo totalmente.

	1 = Discordo Totalmente	2	3	4	5	6	7 = Concordo Totalmente
A manutenção dos valores e tradições que fazem parte da história da empresa é um objetivo fundamental nesta organização.	○	○	○	○	○	○	○
Nesta empresa, orgulhamo-nos da cultura organizacional.	○	○	○	○	○	○	○
O respeito pelos valores e tradições é muito importante nesta empresa.	○	○	○	○	○	○	○

Q11: **Para cada uma das afirmações que se seguem, indique em que medida concorda ou discorda, selecionando um número de 1 a 7, em que 1 = Discordo totalmente e 7 = Concordo totalmente.**

	1 = Discordo Totalmente	2	3	4	5	6	7 = Concordo Totalmente
A empresa tem a possibilidade de aproveitar os projetos de investimento que demoram mais tempo a rentabilizar.	○	○	○	○	○	○	○
A empresa assume projetos de investimento que apresentam maior risco em comparação com os dos seus concorrentes.	○	○	○	○	○	○	○
A empresa aproveita projetos de investimento menos rentáveis do que os dos seus concorrentes, uma vez que os acionistas são menos exigentes quanto ao retorno financeiro a curto prazo.	○	○	○	○	○	○	○
A empresa tem a capacidade de assumir mais projetos de investimento e acompanhar a sua evolução ao longo do tempo.	○	○	○	○	○	○	○

Q12: Para cada uma das afirmações que se seguem, indique em que medida concorda ou discorda, selecionando um número de 1 a 7, em que 1 = Discordo totalmente e 7 = Concordo totalmente.

	1 = Discordo Totalmente	2	3	4	5	6	7 = Concordo Totalmente
Em geral, os gestores de topo desta empresa privilegiam uma forte ênfase no R&D, na liderança tecnológica e nas inovações.	○	○	○	○	○	○	○
As mudanças nas linhas de produtos ou serviços foram drásticas.	○	○	○	○	○	○	○
Esta empresa está interessada em formas inovadoras de prestar serviços.	○	○	○	○	○	○	○
Esta empresa está a prestar serviços únicos, que não são oferecidos pelos seus concorrentes.	○	○	○	○	○	○	○

Q13: Para cada uma das afirmações que se seguem, indique em que medida concorda ou discorda, selecionando um número de 1 a 7, em que 1 = Discordo totalmente e 7 = Concordo totalmente.

	1 = Discordo Totalmente	2	3	4	5	6	7 = Concordo Totalmente
Aumentámos as vendas, em comparação com os nossos concorrentes.	○	○	○	○	○	○	○
Aumentámos a nossa quota de mercado, em comparação com os nossos concorrentes.	○	○	○	○	○	○	○
Obtemos um bom retorno do nosso investimento, em comparação com os nossos concorrentes.	○	○	○	○	○	○	○

Q14: Qual é o seu género?

- ○ Masculino
- ○ Feminino
- ○ Não binário
- ○ Prefiro não dizer

Q15: Qual é a sua idade?

- <18
- 18-24
- 25-34
- 35-44
- 45-54
- 55-64
- >64

Q16: Qual é a sua nacionalidade?

Q17: Qual é o seu nível de escolaridade?

- 4º ano
- 9º ano
- Ensino Secundário
- Frequência da universidade
- Licenciatura
- Mestrado
- PhD ou MBA

Fim do inquérito

Agradecemos o tempo despendido neste inquérito.

A sua resposta foi registada.

2. Sample Descriptive Statistics

Do you work in a family firm?

		Frequência	Porcentagem	Porcentagem válida	Porcentagem acumulativa
Válido	Sim	112	100,0	100,0	100,0

For how long have you been working for this organization?

		Frequência	Porcentagem	Porcentagem válida	Porcentagem acumulativa
Válido	Menos de 6 meses (≤6 meses)	13	11,6	11,7	11,7
	Entre 6 meses e 1 ano (>6 e ≤1 ano)	13	11,6	11,7	23,4
	Entre 1 e 3 anos (>1 e ≤3 anos)	27	24,1	24,3	47,7
	Entre 3 e 6 anos (>3 e ≤6 anos)	9	8,0	8,1	55,9
	Mais de 6 anos (>6 anos)	49	43,8	44,1	100,0
	Total	111	99,1	100,0	
Omisso	Sistema	1	,9		
Total		112	100,0		

Are you a family member?

		Frequência	Porcentagem	Porcentagem válida	Porcentagem acumulativa
Válido	Sim	24	21,4	21,6	21,6
	Não	87	77,7	78,4	100,0
	Total	111	99,1	100,0	
Omisso	Sistema	1	,9		
Total		112	100,0		

Considering the founding generation as the first. Which generation do you belong to?

		Frequência	Porcentagem	Porcentagem válida	Porcentagem acumulativa
Válido	Primeira	10	8,9	43,5	43,5
	Segunda	5	4,5	21,7	65,2
	Terceira	7	6,3	30,4	95,7
	Quarta	1	,9	4,3	100,0
	Total	23	20,5	100,0	
Omisso	Sistema	89	79,5		
Total		112	100,0		

Considering the founding generation as the first. Which generation is the organization in?

		Frequência	Porcentagem	Porcentagem válida	Porcentagem acumulativa
Válido	Primeira	12	10,7	14,1	14,1
	Segunda (descendentes diretos do fundador são os responsáveis)	25	22,3	29,4	43,5
	Terceira (netos do fundador são os responsáveis)	34	30,4	40,0	83,5
	Quarta	6	5,4	7,1	90,6
	Quinta ou mais	8	7,1	9,4	100,0
	Total	85	75,9	100,0	
Omisso	Sistema	27	24,1		
Total		112	100,0		

In which sector does the organization operate? (Select the closest option):

		Frequência	Porcentagem	Porcentagem válida	Porcentagem acumulativa
Válido	Fabrico/ Produção	26	23,2	24,8	24,8
	Retalho	13	11,6	12,4	37,1
	Indústria de serviços	15	13,4	14,3	51,4
	Agricultura	6	5,4	5,7	57,1
	Construção	9	8,0	8,6	65,7
	Outros (por favor, especifique)	36	32,1	34,3	100,0
	Total	105	93,8	100,0	
Omisso	Sistema	7	6,3		
Total		112	100,0		

How many employees does the company you work in has?

		Frequência	Porcentagem	Porcentagem válida	Porcentagem acumulativa
Válido	Menos de 10 (<10)	9	8,0	8,7	8,7
	Entre 10 e 49 (>=10 e <=49)	20	17,9	19,4	28,2
	Entre 50 e 249 (>=50 e <=249)	15	13,4	14,6	42,7
	Mais de 250 (>250)	59	52,7	57,3	100,0
	Total	103	92,0	100,0	
Omisso	Sistema	9	8,0		
Total		112	100,0		

What is the annual turnover of the company you work for?

		Frequência	Porcentagem	Porcentagem válida	Porcentagem acumulativa
Válido	Menos de 2 milhões de euros (< 2M euros)	15	13,4	15,3	15,3
	Entre 2 e 10 milhões de euros (>2 e <= 10M euros)	14	12,5	14,3	29,6
	Entre 10 e 50 milhões de euros (>10 e <= 50M euros)	19	17,0	19,4	49,0
	Mais de 50 milhões de euros (>50M euros)	50	44,6	51,0	100,0
	Total	98	87,5	100,0	
Omisso	Sistema	14	12,5		
Total		112	100,0		

What is your kind of role in the company?

		Frequência	Porcentagem	Porcentagem válida	Porcentagem acumulativa
Válido	Assistente	21	18,8	21,9	21,9
	Analista	12	10,7	12,5	34,4
	Coordenador/Supervisor	8	7,1	8,3	42,7
	Manager	25	22,3	26,0	68,8
	Diretor	24	21,4	25,0	93,8
	Presidente	1	,9	1,0	94,8
	CEO	5	4,5	5,2	100,0
	Total	96	85,7	100,0	
Omisso	Sistema	16	14,3		
Total		112	100,0		

What is your gender?

		Frequência	Porcentagem	Porcentagem válida	Porcentagem acumulativa
Válido	Masculino	43	38,4	55,8	55,8
	Feminino	33	29,5	42,9	98,7
	Prefiro não dizer	1	,9	1,3	100,0
	Total	77	68,8	100,0	
Omisso	Sistema	35	31,3		
Total		112	100,0		

What is your age?

		Frequência	Porcentagem	Porcentagem válida	Porcentagem acumulativa
Válido	18-24	10	8,9	13,0	13,0
	25-34	24	21,4	31,2	44,2
	35-44	16	14,3	20,8	64,9
	45-54	19	17,0	24,7	89,6
	55-64	8	7,1	10,4	100,0
	Total	77	68,8	100,0	
Omisso	Sistema	35	31,3		
Total		112	100,0		

What is your nationality?

		Frequência	Porcentagem	Porcentagem válida	Porcentagem acumulativa
Válido	Portuguesa	75	67,0	98,7	98,7
	Italiana	1	,9	1,3	100,0
	Total	76	67,9	100,0	
Omisso	Sistema	36	32,1		
Total		112	100,0		

What is your education level?

		Frequência	Porcentagem	Porcentagem válida	Porcentagem acumulativa
Válido	9º ano	1	,9	1,3	1,3
	Ensino secundário	5	4,5	6,6	7,9
	Frequência da universidade	7	6,3	9,2	17,1
	Licenciatura	23	20,5	30,3	47,4
	Mestrado	29	25,9	38,2	85,5
	PhD ou MBA	11	9,8	14,5	100,0
	Total	76	67,9	100,0	
Omisso	Sistema	36	32,1		
Total		112	100,0		

Descriptive statistics:

	N	Mínimo	Máximo	Média	Desvio padrão
FC: Do you work in a family company?	112	1	1	1,00	,000
TIO: For how long have have you been working for this organization?	111	1	5	3,61	1,441
FM: Are you a family member?	111	1	2	1,78	,414
FM1: Considering the founding generation as the first. Which generation do you belong to?	23	1	4	1,96	,976
FM2: Considering the founding generation as the first. Which generation is the organization in?	85	1	5	2,68	1,104
SECTOR: In which sector does the organization operate? (Select the closest option):	105	1	7	3,98	2,469
NRWORKERS: How many employees does the company you work in has?	103	1	4	3,20	1,042
TURNOVER: What is the annual turnover of the company you work for?	98	1	4	3,06	1,129
ROLE: What is your kind of role in the company?	96	1	7	3,44	1,740
Qual é o seu género?	77	1	4	1,47	,575
Qual é a sua idade?	77	2	6	3,88	1,224
Qual é a sua nacionalidade?	76	1	2	1,01	,115
EDUCATION	76	2	7	5,41	1,133
N válido (de lista)	0				

3. Scale Reliability

As indicated in the main text, I employed Cronbach's alpha to assess the scale reliability for concern for organizational values and traditions, long-term orientation, innovativeness and financial value.

Concern for organizational values and traditions:

Alfa de Cronbach	N de itens
,678	3

Financial Value:

Alfa de Cronbach	N de itens
,797	3

Innovativeness:

Alfa de Cronbach	N de itens
,760	4

Long-term orientation:

Alfa de Cronbach	N de itens
,633	4

The long-term orientation scale was first deemed unreliable, as seen by the table below. Upon examining the inter-item correlation matrix, I eliminated item 3 because of its weak association with all factors.

	Média de escala se o item for excluído	Variância de escala se o item for excluído	Correlação de item total corrigida	Alfa de Cronbach se o item for excluído
LTO.1: The family firm has the possibility to seize investment projects that take a longer time until pay back.	13,4500	10,377	,526	,503
LTO.2: The family firm seizes investment projects that are riskier than the ones of competitors.	14,4625	9,113	,417	,566
LTO.3: The family firm seizes investment projects that are less profitable than the ones of competitors, since our shareholders are less demanding in terms of financial return in the short-run.	15,4500	10,681	,242	,699
LTO.4: The family firm has the possibility to seize more investment projects and wait to see how they evolve over time.	13,8250	9,868	,544	,482

After doing it, I got a different Cronbach's alpha for long-term orientation scale, already reliable.

Alfa de Cronbach	N de itens
,699	3

4. Check for normal distribution

As stated before, I examined the four distinct variables (COV, LTO, I, FV) for normal distribution.

For the variables to exhibit a normal distribution, both the Skewness and Kurtosis statistics must suggest normality. In a perfectly normally distributed variable, skewness and kurtosis would equal zero, however, the values of the examined variables deviate from zero. Consequently, it can be inferred that the variables do not follow a normal distribution.

Descriptive Statistics

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
LTO	80	-,306	,269	-,185	,532
FV	79	-,169	,271	-,443	,535
I	77	-,209	,274	-,125	,541
COV	92	-,585	,251	-,166	,498
Valid N (listwise)	77				

I additionally evaluated the normal distribution using the Kolmogorov-Smirnov and Shapiro-Wilk tests. Both of them evaluate the null hypothesis stating the existence of a normal distribution (H0). The variables have a normal distribution if the significance level exceeds 0.05 ($p > 0.05$). The table below indicates that all variable values are below .05, with the exception of LTO and I, as per the Shapiro-Wilk test, revealing some variations between the two. When joining all of the information (with both descriptive and tests) it is more accurate to use the Spearman Correlation since the variables are not perfectly normally distributed.

Normality Tests:

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Estatística	gl	Sig.	Estatística	gl	Sig.
LTO	,106	77	,032	,972	77	,087
FV	,082	77	,200	,963	77	,024
I	,084	77	,200	,989	77	,729
COV	,113	77	,016	,928	77	<,001

a. Correlação de Significância de Lilliefors

5. Testing Hypothesis 1 (a,b,c) & 2 (a,b,c) with Hayes PROCESS macro (Model 4)

```
Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 4.2 ****************

          Written by Andrew F. Hayes, Ph.D.       www.afhayes.com
    Documentation available in Hayes (2022). www.guilford.com/p/hayes3

**************************************************************************
Model  : 4
    Y  : FV
    X  : COV
   M1  : LTO
   M2  : I

Sample
Size:  77

**************************************************************************
OUTCOME VARIABLE:
 LTO

Model Summary
          R       R-sq        MSE          F        df1        df2
p
      ,2423      ,0587     1,1146     4,6777     1,0000    75,0000
,0337

Model
              coeff         se          t          p       LLCI       ULCI
```

```
constant     3,4746      ,7926     4,3840      ,0000     1,8957     5,0534
COV           ,2884      ,1334     2,1628      ,0337      ,0228      ,5541

**************************************************************************
OUTCOME VARIABLE:
 I

Model Summary
          R       R-sq        MSE          F        df1        df2
p
      ,2649      ,0702     1,4761     5,6612     1,0000    75,0000
,0199

Model
              coeff         se          t          p       LLCI       ULCI
constant     2,1018      ,9121     2,3043      ,0240      ,2848     3,9187
COV           ,3651      ,1535     2,3793      ,0199      ,0594      ,6709

**************************************************************************
OUTCOME VARIABLE:
 FV

Model Summary
          R       R-sq        MSE          F        df1        df2
p
      ,6076      ,3692      ,8893    14,2435     3,0000    73,0000
,0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     1,0490      ,7957     1,3185      ,1915     -,5367     2,6348
COV           ,1748      ,1250     1,3987      ,1661     -,0743      ,4238
LTO           ,2869      ,1112     2,5795      ,0119      ,0652      ,5086
I             ,3587      ,0967     3,7107      ,0004      ,1660      ,5513


***************** DIRECT AND INDIRECT EFFECTS OF X ON Y ****************

Direct effect of X on Y
     Effect         se          t          p       LLCI       ULCI
      ,1748      ,1250     1,3987      ,1661     -,0743      ,4238

Indirect effect(s) of X on Y:
          Effect     BootSE   BootLLCI   BootULCI
TOTAL      ,2137      ,1155      ,0171      ,4665
LTO        ,0828      ,0606     -,0090      ,2230
I          ,1310      ,0839      ,0050      ,3225

********************** ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
  95,0000

Number of bootstrap samples for percentile bootstrap confidence intervals:
  5000

------ END MATRIX -----
```

6. Testing Hypothesis 3 with Linear Regression

Descriptive Statistic:

	Média	Erro Desvio	N
FV	5,0127	1,22932	79
COV	5,8608	,90678	79

Correlations:

		FV	COV
Correlação de Pearson	FV	1,000	,319
	COV	,319	1,000
Sig. (1 extremidade)	FV	.	,002
	COV	,002	.
N	FV	79	79
	COV	79	79

Variables Inserted/Removed[a]:

Modelo	Variáveis inseridas	Variáveis removidas	Método
1	COV[b]	.	Inserir

a. Variável Dependente: FV

b. Todas as variáveis solicitadas inseridas.

Summary of the model:

					Estatísticas de mudança				
Modelo	R	R quadrado	R quadrado ajustado	Erro padrão da estimativa	Mudança de R quadrado	Mudança F	df1	df2	Sig. Mudança F
1	,319[a]	,101	,090	1,17284	,101	8,694	1	77	,004

a. Preditores: (Constante), COV

ANOVA[a]:

Modelo		Soma dos Quadrados	df	Quadrado Médio	F	Sig.
1	Regressão	11,959	1	11,959	8,694	,004[b]
	Resíduo	105,917	77	1,376		
	Total	117,876	78			

a. Variável Dependente: FV

b. Preditores: (Constante), COV

Coefficients[a]:

Modelo		Coeficientes não padronizados		Coeficientes padronizados		
		B	Erro Erro	Beta	t	Sig.
1	(Constante)	2,482	,868		2,858	,005
	COV	,432	,146	,319	2,949	,004

a. Variável Dependente: FV