Rev Manag Sci (2015) 9:411–429
DOI 10.1007/s11846-014-0163-3

ORIGINAL PAPER

Navigating a family business through a changing environment: findings from a longitudinal study

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Received: 20 January 2013 / Accepted: 26 September 2014 / Published online: 30 December 2014

Abstract In dynamic and highly competitive markets firms need to master qualitative changes effectively and efficiently in order to survive, let alone grow successfully. Drawing on the resource based view and family business research and a longitudinal case study this paper provides insights into how entrepreneurs and managers exploit market potentials, master challenges, and integrate change throughout the organization simultaneously. The results suggest that the ability to act quickly, based on the division of labour and of responsibilities, a shared vision, mutual trust, and veto-power on fundamental issues might represent a dynamic capability which may lead to competitive advantages in dynamic environments. Family-governed firms appear to have advantages in this respect.

Keywords Family business · Qualitative change · Top management · RBV · SME

JEL Classification M10 · M20

1 Introduction

It is widely accepted that it is the responsibility of the leaders of a firm to successfully navigate through changing environments and to master associated qualitative changes. A large body of literature shows the influence of top managers

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and entrepreneurs on strategic choice, firm development and firm performance. While top managers are usually regarded to be the main strategists of a firm, focusing on its performance, entrepreneurs are seen as creators to take up new opportunities (Meyer et al. 2002; Shane 2012). As a consequence, numerous recommendations are provided for firm leaders, essentially to meet demands for product and/or market innovation, while at the same time complying with the demands for cost efficiency and/or quality improvement. This poses a challenge on firm leaders which is met successfully by one person rather rarely (Gupta et al. 2006; Mom et al. 2009; Good and Michel 2013).

The main goal of this paper is to contribute to the understanding of how such contradicting requirements can be met in times of qualitative change and whether "familiness" of firms is an enabling or hindering force in this respect. Previous literature identified as one dominant solution behaviourally integrated diverse teams (Hambrick et al. 1996; Simsek et al. 2005; Carmeli and Schaubroeck 2006; Lubatkin et al. 2006): constructive conflict within a team fosters more comprehensive decision-making based on richer information and different perspectives (Vyakarnam 2005; Schjoedt et al. 2013). However, the required communication, joint decision-making, coordination and integration are rather time-consuming activities (Hambrick et al. 1996; van Doorn et al. 2013) which may hinder a diverse team to act fast enough to explore arising opportunities and to avert potential threats. The present paper aims to go beyond these studies by exploring ways to master both: to meet the above sketched conflicting demands and to act quickly in fast changing environments.

This paper's main theoretical argument rests on the resource-based view of the firm. According to this perspective competitive advantages arise from distinctive resources and the way these resources are employed (Lockett et al. 2009; Barney et al. 2011). With regard to family firms, several unique resources have been identified "*that are broadly referred to as the 'familiness' of the firm*" (Carnes and Ireland 2013, p. 1404). According to Habbershon and Williams (1999, p. 11) familiness emerges from "*systems interaction between the family, its individual members, and the business*". Although family involvement may not always be positive, as research shows (Chrisman et al. 2005; Miller et al. 2013), family-governed firms might have advantages due to specific resources (Arregle et al. 2007; Lumpkin et al. 2011). In principle, the resource-based view permits considering human capital resources of top managers and entrepreneurs as a valuable resource (Castanias and Helfat 2001; Vogel and Güttel 2013). In particular, dynamic managerial capabilities are seen to be essential in fast changing environments (Adner and Helfat 2003; Sirmon and Hitt 2009; Kor and Mesko 2013). Similarly, entrepreneurial capabilities are assessed as being critical in such environments. So far, however, it is unclear how firm leaders can meet all of these requirements at the same time.

In this paper, we address this question with regard to small and medium-sized firms (SMEs). For this, we utilize well-established concepts from the discipline of strategic management to develop a framework as a guideline for qualitative inquiry. We use data from a longitudinal case study of an owner-managed medium-sized family business with production facilities in Upper Austria. The results from the case analysis (including data from 59 events observed during a period of 5 years and 25 in-depth interviews) provide insights in regard to the above described research question. Especially, the case suggests a specific form of division of labour and of responsibilities, a shared vision, veto-power and mutual trust as essential ingredients of leading firms in dynamic environments. Familiness appears as an important enabler for mastering qualitative changes within short time windows. This is particularly evident in the actions and interactions of the two leading mangers which have been married for a long time. As its specific contribution the study explicitly shows how these ingredients interact and it provides novel insights into the specific advantages which may arise from familiness.

The article proceeds with an overview of the relevant literature and a discussion of key studies. After this theoretical part the methodology is explained, followed by presentations of our findings and propositions. The paper concludes with the contributions of this study.

2 Literature review

In this chapter we discuss basic concepts as they have been advanced already in the strategic management, entrepreneurship and family business literatures. Furthermore we develop a framework as a guideline for qualitative inquiry.

2.1 Strategic management, the resource based view and dynamic capabilities

Dynamic business environments call for competences that allow to build, integrate and reconfigure resources that are simultaneously valuable, rare, imperfectly imitable and imperfectly substitutable to address, and possibly shape, rapidly changing environments (Teece et al. 1997; Ambrosini and Bowman 2009; Vogel and Güttel 2013). The dynamic capability view moves beyond static considerations (Ambrosini and Bowman 2009) which treat company leaders as optimizing algorithms (Lockett et al. 2009, p. 12) within a manageable world. In the dynamic capability view firm leaders are considered to be much more influential in addressing a changing business environment (Kor and Mesko 2013, p. 233). Here, managerial human capital, managerial social capital and managerial cognition—attributes that underpin dynamic managerial capabilities (Adner and Helfat 2003; Kor and Mesko 2013)—are thought to be essential when considering a firm's strategy and performance (Ambrosini and Bowman 2009). Thus, in this view the decisions and activities of firm leaders are linked to their perceptions about their own firm's resources and the external environment (Lockett et al. 2009; Kor and Mesko 2013). However, not every strategy is planned and not all kinds of strategic change are intended (e.g. Mintzberg 1978). In SMEs in particular, strategic changes can be the result of emergent processes. The question of the extent to which management can actually influence the overall firm development is still not finally resolved. Nevertheless, on the basis of the current state of knowledge it can be assumed that firm leaders have substantial options of influencing the overall development of a firm (Hambrick 2007; Escribá-Esteve et al. 2009).

The fundamental idea of accomplishing a balance between apparently contradicting requirements being a criterion for success is not new within the discipline of strategic management. For example, Kaplan and Norton (1996), Cameron and Quinn (1999) propose the balancing or trading-off on two dimensions, which are external versus internal orientation, on the one hand, and stability (efficiency) versus change (flexibility), on the other hand. Currently, the need to manage conflicting imperatives is also addressed by research into ambidexterity within the above described dynamic capability view (Vogel and Güttel 2013; Junni et al. 2013). The conflicting, while often simultaneous demands for exploitation and exploration, pose a burden on firm leaders (Miles and Snow 2003). It seems to be difficult for an individual to balance contradicting requirements alone. Something like “individual ambidexterity” is, if at all, not reached easily (Gupta et al. 2006; Mom et al. 2009; Good and Michel 2013). Reasons for this have been found in Riemann’s often-cited typology of personalities. Following his arguments, it is rather unlikely that the necessary capabilities and competences will be found in one person, because individuals follow four basic impulses (two pairs of conflicting needs) to a different extent (Riemann 1961). This may explain why individuals who focus on creativity and exploration, like entrepreneurs, show different personality attributes than those who focus on management and exploitation (see Fig. 1).

Figure 1 locates five different types of firm leaders in the above outlined framework, which will guide our subsequent study. Type A can be described as the classic entrepreneur with a preference for creating activity, innovation, risk-taking and competition (e.g. Carland et al. 1984; Sadler-Smith et al. 2003). Type B is interested in developing the best products, using the best technologies, hiring the best people available (e.g. Cameron and Quinn 1999). Type C may be called a conservative manager (e.g. Covin and Slevin 1989), focusing on processes and finances. Type D can be described as a market-orientated manager focusing on efficient resource exploitation to fulfil market needs (e.g. Gao and Bradley 2007). A leader of Type E would be capable of responding to simultaneous demands for product-market innovation and cost efficiency—a brilliant entrepreneur and an excellent manager. According to Riemann (1961) Type E does not exist in the real

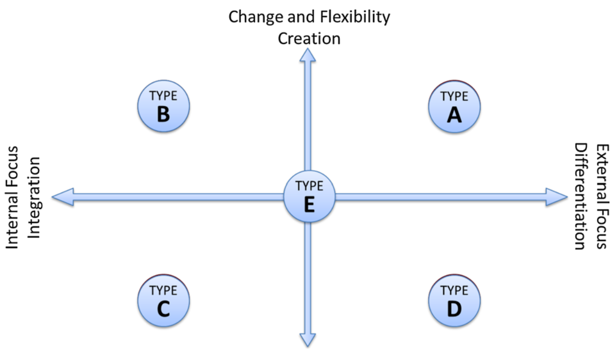

Fig. 1 Balancing apparently contradicting requirements and different types of persons

world. Whether this is indeed the case is still debated in recent research (Mom et al. 2009; Good and Michel 2013).

2.2 Family businesses and familiness

Many family businesses are governed by their founders or later generation family executives (Miller et al. 2013) which shape them in their unique fashion (Chrisman et al. 2013). The evidence in regard to the potential benefits and the drawbacks of family involvement is mixed. Economic researchers tend to be more pessimistic, while management researchers seem to be more positive in their assessments, arguing that family involvement may lead to superior results (Schulze and Gedajlovic 2010, p. 195). The latter highlight reduced agency costs, a long-term orientation, strategic commitment, tacit knowledge, identity, an overall aim, trust, and communication among family members as advantages of governance through family members (Sirmon and Hitt 2003; Ensley and Pearson 2005; Arregle et al. 2007; Pearson et al. 2008). They should enjoy competitive advantage due to specific characteristics and resources, which result from the involvement and commitment of the family (Chrisman et al. 2005; Lumpkin et al. 2011).

To resolve some of these controversies, the nominal label family-governance has been supplement through a continuous construct, suggesting varying degrees of family involvement. Habbershon, Williams, and MacMillian suggested the term "familiness" to describe several unique resources and capabilities that emerge from interactions between family members, the family, and the business (Habbershon and Williams 1999; Habbershon et al. 2003). A number of researchers have contributed to this key concept and have broadened our knowledge (Frank et al. 2010; Weismeier-Sammer et al. 2013) with regard to unique behavioural and social resources of families (Pearson et al. 2008), behavioural dynamics of top management teams (Ensley and Pearson 2005), sources and consequences of familiness (Chrisman et al. 2005), resource dimensions of familiness (Irava and Moores 2010), and the emergence of familiness (Chrisman et al. 2005; Frank et al. 2010). While many scholars follow Habbershon and Williams (1999) and base their research within the resource based view, Frank et al. (2010) advocate systems theory as a theoretical perspective on familiness. The authors argue, that "*familiness is the specific result of the structural coupling of family and enterprise*" (Frank et al. 2010, p. 119), which explains differences in familiness because the coupling can take a variety of forms and may differ in regard to intensity and quality (Frank et al. 2010). Another explanation for different levels of familiness is given by Zellweger et al. (2010). These authors take a multi-dimensional view of familiness and propose that those families are most likely to develop familiness which combine the components of involvement, essence and family firm identity. Thus, they create synergies between the family and the business, contributing to family firm performance (Zellweger et al. 2010). Generalizing from this, Arregle et al. (2007, p. 75) suggest that the dynamics of social capital creation in family firms "*can be applied to other types of organizations characterized by a dominant social group—any group possessing its own values and norms of behaviour—especially where this dominant group has a strong commitment to the organization.*" As a consequence, positive and negative effects of familiness (Habbershon et al. 2003; Irava and Moores 2010) can also be found in organizations with similar characteristics (Arregle et al. 2007; Zellweger et al. 2010).

Based on the resource-based view of strategic management Irava and Moores (2010) show that firms need to be able to manage the paradoxical nature of familiness in order to achieve competitive advantages through specific family firm resources and competencies. Consequently, familiness—as an idiosyncratic firm-level bundle of resources and capabilities—seems only be advantageous, if managerial capabilities exist, which allow the firm to build, integrate and reconfigure family firm resources and competencies (Adner and Helfat 2003; Kor and Mesko 2013).

The empirical study described in the next section aims to provide further insights on "familiness" as an enabling or hindering force to resolve, on the one hand, conflicting demands in changing environments and, on the other hand, into how to handle the potentially harmful conflicts due to the presence of different types of personalities in the governance of the family firm.

3 Approach/method

We employ a theory-generating approach (Glaser and Strauss 1967; Yin 2013) to understand the specific role of firm leaders regarding qualitative changes and to derive insights into the management of the above described conflicting demands. For investigating complex situations and processes involving several actors, the case study method has gained acceptance in family business research (de Massis and Kotlar 2014, p. 15), SME and entrepreneurship research (Perren and Ram 2004, p. 83). For the aim of this paper a longitudinal single case study (Pettigrew 1990; Dyer and Wilkins 1991) appeared appropriate.

QMP, a mid-sized producer of precise metal parts in Upper Austria, was selected for the following reasons: First, QMP is still governed by their founders—minimizing agency effects (Blanco-Mazagatos et al. 2007; Pagliarussi and Rapozo 2011). Second, the top management has operated the business successfully in a mature industry where their decisions and their actions are far more crucial to the growth, performance and survival of the firm (Escribá-Esteve et al. 2009). Third, since the beginning in 1987 QMP had undergone significant changes regarding its areas of activities, its operations, as well as its structures and management systems. On the one hand, this was due to changing environments. On the other hand, this could be explained through the growth of the company, producing changes in the scale and scope of the firm's activities. Due to their aim for further growth it could be assumed that QMP would be faced with further changes in the future (Nicholls-Nixon 2005).

To gather as much in-depth information as possible, interviews were supplemented through direct observation. This was possible through participating in the strategy work of QMP as well as repeatedly watching the actors in their daily routines over a period of 5 years (2008–2012). The official strategy work included different types of events, most of them lasting 1 day. Four large corporate strategy workshops and eight specific workshops were utilized to formulate strategies and to plan their implementation. Strategy work was organized by top management around 21 strategy meetings with the heads of SBUs and department heads in the respective areas. During 23 strategy reviews the founders reflected on the strategy and the overall strategy process. Further, n three family meetings the top management discussed the strategy work with the grown-up children of the founders. In addition to the official strategy activities, informal meetings and talks during visits to the firms were documented in field notes, providing first hand insights into the firm's procedures.

The choice of using participant and non-participant observation to collect data is justified by the benefits associated with it: it provides a real-time view, it is holistic (gathering information from the various players involved in the strategy process) and it is dynamic because it generates information on the actions and interactions between the various players while providing insights into the sequence of activities and events throughout the process itself (Silva 2004, p. 132 f.). Moreover, the data is collected where it arises, which provides a deeper understanding of the activities observed.

Semi-structured face-to-face interviews with the owners and their management team helped to reflect on the gathered information and to represent their personal point of view. The interviews with the owners (Thomas, the CEO, and Sarah, the CFO) were performed on an annual basis, focused on strategic issues in regard to exploring market opportunities and responding to challenges. In addition, members of the management team were interviewed in order to gain a comprehensive understanding. All 25 interviews lasted between 1 and 3 h. All interviews were documented through protocols. The main topics discussed during the interviews are listed in Table 1.

The observation protocols and the documented interviews represent the main information basis for this study. Further documents (e.g. planning dossiers) of strategic relevance were integrated in the analysis as a supplementary source to observations and interviews.

The analysis of the gathered data followed an iterative process. First, interview protocols, documentations and field notes were read carefully in order to gain an overview of the collected material. Second, categories and constructs were developed by coding, sorting and structuring the available material (Mayring 2010, p. 92 ff.) with reference to previous literature (Yin 2013) to build up a base of key items. The set of key items had to be refined during the analysis to include essential information from the raw material and to label it in a consistent and understandable way. This step allowed the distinguishing of the main actions and interactions of the top managers and their specific characteristics which drive qualitative change.

4 Findings and propositions

The key findings are presented along four dimensions derived from this study: division of labour and of responsibilities, shared vision, veto-power, and mutual

Table 1 Descriptive information about the interviewees

Position	Family member	Years at QMP	Gender	Interviews	Main topic
CEO	Yes	26	Male	5 (each year)	Overall firm development from a strategic perspective
CFO and Head of HR	Yes	26	Female	5 (each year)	
Head of SBU 1	No	25	Male	2 (2009, 2011)	SBU development from a market perspective
Head of SBU 2	No	21	Male	2 (2009, 2011)	
Head of SBU 3	Yes	7	Male	2 (2009, 2011)	Overall firm development from the SBU perspective
Head of SBU 4	No	9	Male	2 (2009, 2011)	
Head of marketing	Yes	3	Female	1 (2010)	Functional strategies and development of the respective area of the firm
Head of production	No	5	Male	1 (2010)	
Head of production development	No	5	Male	1 (2010)	
Head of IT	No	2	Male	1 (2010)	Overall firm development from a functional perspective
Head of QM	No	9	Male	1 (2010)	
Head of purchasing	No	6	Male	1 (2011)	
Project assistant	Yes	1	Female	1 (2012)	Overall firm development

trust. For each of these dimensions, propositions are formulated based on the empirical findings and the reviewed literature.

4.1 Division of labour and of responsibilities

From our first visits we have learned that throughout the history of QMP the overall division of roles between Thomas and Sarah remained more or less unchanged. Thomas, the CEO, is the entrepreneur (Type A) with a continuous urge for coming up with new business ideas, technologies and products while Sarah, today CFO, is managing resources, analysing budgets and questioning expenditures in order to keep the day-to-day business successful (Type C). Both in interviews as well as in observations they appeared to complement each other. This is also evident in their statements regarding their roles in the beginning of QMP.

Thomas recapitulates the first years like this:

> I was absolutely sure I would manage to produce car parts more efficiently and better than it previously could anyone worldwide. For this, I developed a specific machine, and it worked: The customers were convinced by the good quality and the lower price. This was our point of entry. We started with nothing; therefore Sarah took care of the financing, found suitable funds and helped out wherever she was needed. Each of us gave its best and did what each one could do best while being assured of being completed by the other. This worked out for us and so we continued to do so.

In Sarah’s view it was like this:

> Most of the time Thomas favoured one of his many ideas to exploit market opportunities—and generally this went hand in hand with the necessity to invest in new production facilities—so I calculated if we could afford to realise his idea; if so, I found the adequate sources of capital to fund it, and acquired the best people to realise it. At this point in time Thomas had already lost interest and was looking for new ideas, leaving the realisation to be done by others.

Thomas sees himself as the driver of growth and development. Sarah's task is to manage and integrate growth. During the company's development from a microenterprise to a medium-sized producer of precise metal parts Thomas and Sarah balanced contradicting requirements by perceiving conditions, requirements and needs from a different point of view and doing whatever needed to be done in order to survive and grow. This is evident from the observed actions during the strategy process and confirmed in the statements shown in Table 2:

Looking at the strategic relevance of Thomas and Sarah's actions and interactions in the first years, it can be assumed that his ideas to solve problems and serve markets effectively in combination with her ability to organise and administrate resources efficiently have primarily contributed to the success of QMP. Hereby Thomas and Sarah's ability to respect each other's capabilities and to use them in the interest of the firm was crucial for QMP's development. The entrepreneur (Type A) had started his business together with a Type C-manager. Thus, a key requirement for successful growth was met (Nicholls-Nixon 2005). Most important, however, both, Type A and Type C, concentrated on their own role and left the other tasks to the other. Thus, even at the beginning of the enterprise, and in contrast to many firms at this stage in which "everybody does everything" and which is frequently considered as an advantage of small firms and of family businesses, a clear division of labour, more concretely of responsibilities, was already present. This set the stage for increasing specialisation of functions, which is necessary as the firm grows.

Table 2 Further quotes from interviews

Head of SBU 1	Thomas always has an open ear for new ideas; he likes to try new things. Sarah on the other hand provides stability and structured processes
Head of SBU 2	Sarah ensures orderly processing; she makes sure that we have enough resources. She is the heart and soul of the company. Thomas, however, is always on the go, always looking for the next ground-breaking idea
Head of SBU 3	For the company it is very good that Sarah and Thomas work on opposite sides—otherwise it would not work
Head of marketing	It is good that Sarah does not get involved in marketing, otherwise we would never come to a decision
Head of production	Thomas has laid the foundation for our complex production. However, when it comes to problems with people, we need Sarah to intervene; Thomas has not enough patience

Proposition 1 Division of labour and of responsibilities at early stages of the firm facilitates later firm growth and change.

4.2 Shared vision

Divided labour has to be integrated to contribute to the final end of the firm: to build a successful family business for themselves and their children, to earn money, and at the same time to contribute to the community by creating a valuable workplace for many people. In 2008, Thomas and Sarah decided to hire a consultant. He should assist them to manage the development of a medium-sized firm to a large company. They wanted to find a way to achieve their overall aim. Sarah's explains it as follows:

> We have a common vision; we want to build a successful family business. So far, we have done well, now we need support. For me personally it does not matter with what we accomplish our goal, whether with car parts, medical parts or hosting guests. As long as we establish and manage a profitable family business which we can be proud of, I am just fine.

The vision of Thomas is more concrete:

> My personal goal is to build a successful enterprise which will employ about 1,000 people at the time I will retire. And I am certain that we will achieve our goal with developing, producing and selling precise car parts. This is what we can do best.

Thomas and Sarah, as the main representatives of the family system, included their most important managers in the strategy work. During the strategy workshops Thomas was inspiring, creative, infectious, full of ideas, painting a colourful future for their company. Sarah on the other hand was rather quiet; one could see her mind searching for security, when she made a quick mental calculation of all the strategic options discussed. The final strategy statement with ambitious growth strategies accompanied by solid funding strategies and conservative earning targets represented both the overall common goal and the divided responsibilities. Thomas and Sarah were convinced that they could count on their key managers to implement the jointly developed strategy. Hereby, they could rely on the corporate culture based on shared values, including high commitment, hard work, reliability and fairness. This is demonstrated by exemplary statements presented in Table 3 and leads to the following proposition:

Proposition 2 A shared vision, based on strong common values and goals, enables integration of divided tasks and responsibilities and thereby moderates the relationship between division of labour and fast change and growth (Proposition 1).

4.3 Veto-power

As the whole economy, QMP was hit by the financial crisis (2009). Automotive suppliers cancelled their orders and QMP had to adjust its operations, cut down

Table 3 Further quotes from interviews

Head of SBU 1	Sarah and Thomas expect performance and 100 % commitment. They are fair and value hard work
Head of SBU 2	We believe in innovation and best product solutions, competence and hard work. We respect each other and help each other if needed. We are one big family
Head of SBU 3	We want to achieve further growth and a good performance. My team will work hard to achieve this goal
Head of marketing	Here I can express myself, good ideas and good performances are awarded
Head of production	The people and their work are respected and they are treated fairly

production and lay-off some of their workers—the exact opposite of growth. In addition to the overall crises QMP had the problem that it was a development-focused and production-focused company; none of their managers and employees had ever learned to sell something to someone. Thomas' explanation is brief and simple: "*In the history of QMP it has never been necessary to sell anything. QMP was known for high quality and innovative problem solving and there were more requests than we could handle.*" QMP had been privileged by a secure market position. This had changed and Thomas and Sarah had to transform their company in order to meet altered market requirements. They reorganised the whole company and made their managers responsible for sales. However, regardless of how hard they worked, they were not able to increase sales. The balance sheets showed red figures, caused by reduced production efficiency during the restructuring process, reduced turnovers and increased costs for marketing and sales activities. Thomas and Sarah had to admit that the existence of the co-constructed business was endangered. They had to find other ways to safeguard their life's work. From Thomas perspective, the solution could be found in new technologies and superior products related to cars:

> Mobility will always be important and people will buy cars and drive cars. We are the specialists for the production of high-quality car parts and we must concentrate on our core competences. We need to find new product solutions by employing new technologies and better machines. This is the only way we can compete successfully. Furthermore we need to find new customers for our products. If people do not buy new cars they will repair them, we have to sell our products directly to those in need for spare car parts.

Sarah evaluated the situation from her perspective:

> We currently have no money and no staff who can operate new machines. Until new product solutions result in sales and in earnings, we will no longer exist, if we do not find other solutions allowing us to sell the products we can produce now with the resources we already have employed. We have to earn money; otherwise we will not be able to invest in new technologies, production facilities or in the development of new product solutions.

Sarah used her veto-power based on her position in the company (CFO) and in the family. In her view, it would have been irresponsible to make further investments and jeopardize the solid financial base of the company. As a consequence, Thomas and Sarah had to find another way to overcome the crises. They decided to sell one of the business units. This step allowed them to achieve three advantages: (1) strengthen their main portfolio, (2) gain some money for the implementation of the overall strategy, (3) and safeguard their life's work. In this situation it became apparent how valuable veto-power is. It allowed them to reduce lengthy discussions and time-consuming decision-making processes to a minimum while fulfilling contradicting requirements. Thus they achieved advantages of speed—they were able to act and react in time, to use short-lived windows of opportunities, and to ward off immediately dangers inherent to dynamic business environments. Thomas recapitulates mastering the crisis as follows: "*We had to decide fast and we acted immediately where it was needed. Of course, in retrospect, not all decisions were correct and we have lost some money. But on the other side if we would not have answered quickly enough we would have lost even more money and maybe even our existence.*" Their mutual veto-rights allowed each of them to concentrate on his area of responsibility and to act in her domain completely freely. So they could meet external requirements and internal necessities simultaneously. Hereby both of them were sure to act in the sense of the other, as long as the other did not use his or her veto-power.

Veto-power, as we have identified in the QMP case has two aspects. First, it allows quick reaction and implementation of decision if no veto is issued and, second, no defending argumentation is necessary if a veto is issued. Instead, the search for alternative measures is started immediately.

Proposition 3 Veto-power (in the sense described above) facilitates fast firm change.

4.4 Mutual trust

The strategic focus of QMP had changed from innovative product solutions and new technologies towards specific market requirements and customer needs. For this it was necessary to adapt structures, systems and procedures. Thomas by himself would not have been able to accomplish this. His basic impulses to answer life's challenges have not changed: he believed in his entrepreneurial capabilities. At the same time he accepted and respected the managerial skills of Sarah. He trusted that she used her abilities for the benefit of their firm. Together, Thomas and Sarah were able to balance apparently contradicting requirements and to overcome the crisis. They worked intensely with their employees, helping them to adjust to the new world within QMP, in which market requirements became more important than the newest technologies. This is reflected in a new structure, new management procedures, refined competitive strategies and increased market activities. In addition, strategic planning and strict performance control were introduced, accompanied by a new mission statement and team building events to adapt the organization's culture. Based on their enhanced market knowledge they started to build up new technological competences. To accomplish all this simultaneously, Sarah and Thomas had to trust each other that each of them would fulfil their duties and responsibilities in the best possible way and to use his or her veto-power if necessary.

Sarah's and Thomas' confidence in each other is primarily based on familiarity. As partners they have known each other for many years. During the development of QMP they could experience each other and deepen their knowledge of each other. Sarah and Thomas had to master a wide variety of challenges (e.g. increased competition, rapid fluctuation in demand). Both maintained their fundamental positions at opposite (complementary) sides. Accepting this tension, trusting each other's decisions and actions has allowed them to rely on a clear division of labour and responsibilities and, thereby, to balance contradicting challenges. This enhanced their trust in each other as their statements indicate:

> Thomas: "Sarah has no idea about car parts, but she knows all about finances and people. I trust her judgement, whether it comes to financing a new plant, or the assessment of new employees."
> Sarah: "I am interested neither in new technologies, new product solutions nor changes in our target markets. In this respect I rely completely on Thomas and his team. It is their duty to recognize opportunities and threats in time and act adequately."

Proposition 4 Mutual trust permits a clear division of labour and of responsibilities.

One important basis for the mutual trust of Thomas and Sarah lies in their motives to operate QMP. They both strive for status and recognition and they both want to be proud of their own performance. On the one hand, such common motives contribute to a shared vision which has been highlighted already above. On the other hand, two agents striving for power and control within the top management might also lead to power struggles. However, as it can be seen throughout the case history and as it has been represented through the above interview quotes, the familiness of this firm assured that such conflicts not even where thought of. Instead, family bonds among the two partners provided for the necessary mutual trust.

Proposition 5 Familiness increases the likelihood of mutual trust and shared vision.

5 Discussion and conclusion

Figure 2 illustrates and summarizes the propositions derived from this study. It aimed at understanding how company leaders can meet contradicting requirements in order to navigate through fast changing environments successfully. The simultaneous utilization of entrepreneurial capabilities and managerial skills surfaced as a crucial resource. In the case of QMP this was realized through a Type A personality as entrepreneur and his wife, who represented the managerial skills, associated with Type C personalities. While such a clear functional

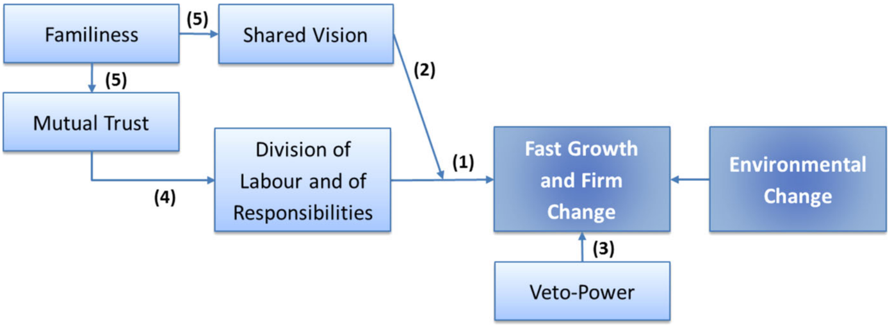

Fig. 2 Family business changes in dynamic environments (numbers in *parentheses* represent propositions in the text)

specialisation is rather the exemption in small entrepreneurial firms, it is not restricted to family businesses. In contrast, further critical characteristics found in this firm, which are a shared vision, veto-power on fundamental issues, and mutual trust, appeared closely connected through its nature as a family firm. As its specific contribution the study explicitly shows how these ingredients interact. Furthermore it provides novel insights into the specific advantages which may arise from familiness as an enabler for mastering qualitative changes within short time windows. This is particularly evident in the actions and interactions of the two leading mangers which have been married for a long time.

First, a well-balanced mix of entrepreneurial capabilities and managerial skills appears to be especially critical for SMEs. Entrepreneurial capabilities are considered to be essential for a firm's growth and survival in a complex and dynamic environment (Wood and Michalisin 2010), whereas managerial skills seem to be needed for the achievement of corporate performance through the exploitation of existing resources (Meyer et al. 2002). In order to survive, let alone grow successfully in a highly dynamic environment, both competences are essential (Lubatkin et al. 2006; Hitt et al. 2011; Voss and Voss 2013). Since something like "individual ambidexterity" is, if at all, not reached easily (Gupta et al. 2006; Mom et al. 2009; Good and Michel 2013), it requires different individuals (entrepreneurs and managers) in the leadership of a firm. One explanation for these results can be found in dialectical approaches. Garud and Van de Ven (2006) show that diverse perspectives may lead to conflict and disagreement in organizations—a basis for innovation, change and renewal. Furthermore, the consideration of multiple perspectives is a critical requirement for effective decision-making (Garud and van de Ven 2006; Schjoedt and Kraus 2009; Wood and Michalisin 2010; Eisenhardt 2013). The case of QMP shows that multiple perspectives are best utilized through a clear division of labour and of responsibilities and that this was a requirement for later growth—something which many entrepreneurial firms fail to manage.

Though heterogeneity increases strategic decision effectiveness it can reduce the efficiency of strategy processes. Schjoedt and Kraus (2009) argue that heterogeneity leads to conflict and that conflict consumes time, which renders top management slower and less efficient (Hambrick et al. 1996) This may result in a major problem for firms competing in dynamic markets (Eisenhardt 1989; van Doorn et al. 2013; Eisenhardt 2013). Looking at QMP's history, in some situations timing was essential; there was no time for long discussions or joint decision-making processes—Thomas and Sarah had to act in order to ensure the company's survival. It was important that they were able to reduce the time they needed for information exchange and decision-making. In the case of QMP the firm leaders substituted intensive discussions with a shared vision to build a strong family business. Further, trust and respect for each other as well as veto-power on critical and fundamental issues allowed Thomas and Sarah to use all of their distinct resources and capabilities simultaneously. While the differences regarding their capabilities and skills have helped Thomas and Sarah to determine their roles within the firm and have enhanced the quality of their work, it is the nature of their relationship—built on an overall aim, shared values and mutual trust—that enhanced their efficiency. With respect to the latter, it can be argued that family-governed firms have advantages (Pearson et al. 2008; Cruz et al. 2013; Schjoedt et al. 2013), more specifically, teams composed of couples like Thomas and Sarah (Brannon et al. 2013). Beyond that, if an autonomous family business system is established (Frank et al. 2010), as we have described it for this case, the firm is likely less vulnerable to potential problems arising from the family system (Ensley and Pearson 2005).

The results of this study suggest an advantage of familiness and therefore inform family business research through suggesting that the ability to act quickly, based on a shared vision and mutual trust might represent a dynamic capability which arises most likely in family-governed firms. The family provides both a common cultural background and a common motivation, which might substitute time consuming strategic discussions. In the case of QMP the common family background was the foundation for exploiting the mix of entrepreneurial capabilities and managerial skills which allowed them to exploit market opportunities and to integrate change throughout the organization simultaneously. Despite extensive research on the performance consequences of family involvement (Sharma et al. 2012), "*results to date have been mixed and conflicting*" (Miller et al. 2013, p. 554). This study provides differentiated insights in this regard. The case of QMP shows that family-governed firms may achieve competitive advantages in dynamic environments in regard of timing. This can be explained through effective behavioural dynamics of the top management based on a higher level of familiness (Ensley and Pearson 2005). In contrast to the findings of Ensley and Pearson (2005), the results from our study indicate that, both, entrepreneurs and managers are needed to master challenges associated with dynamic environments. As Nordqvist (2005, p. 287) argues: "*the proper level of homogeneity and heterogeneity is related to how stable or dynamic the environment is*". The case of QMP suggests that in a dynamic environment familiness can be a valuable, distinctive resource allowing the leaders of the firm to act in time for meeting challenges simultaneously. Such advantages based on familiness might be found also in dominant top management teams in other firms, if they share values and norms of behaviour, have mutual trust, and a strong commitment to the firm (Arregle et al. 2007; Schjoedt et al. 2013).

Finally, this study contributes to research on top management teams by deepening our understanding of those aspects that make heterogeneous teams in dynamic business environments successful. The literature review revealed as a prerequisite that the team acts in a behaviourally integrated way (Hambrick et al. 1996; Simsek et al. 2005; Carmeli and Schaubroeck 2006; Lubatkin et al. 2006). The insights from this study helped us to understand that a heterogeneous team can act highly efficient if the team members have a shared vision, mutual trust, and respect for opposite orientations and different roles within the firm. Furthermore, the case of QMP suggests that veto-power allows the members of the top management team to focus on their own area of activities. Lengthy discussions and time-consuming decision-making processes are reduced to a minimum. However, this positive effect of veto-power seems to be possible if the top management team shares a vision based on common goals and values. Otherwise the positive effects could turn into the opposite and paralyze the top management team (Eisenhardt 1989, p. 1988; Dessein 2002). The latter may explain the sometimes negative results in regard to dual leadership (separation of executive leadership and director of the board) in larger corporations (see for an overview: Iyengar and Zampelli 2009), where neither shared vision nor mutual trust is present. Avoiding inefficient discussions and decision-making processes is especially relevant for those firms that compete in dynamic markets (Eisenhardt 1989, 2013). Summarizing, the results of the study both challenge and add to our previous knowledge on family based SMEs. They challenge the traditional wisdom of high integration of tasks in small family businesses, by emphasizing the importance of a clear division of labour and responsibilities. It adds to current knowledge and introduces a novel concept into this line of research by highlighting veto-power to be assigned on the top-level of management and to be clearly distinguished from other functions. Thus, the paper opens a new perspective on the way familiness may be of advantage, especially in situations where fast decisions and changes are required. It contributes to the stock of knowledge on structural mechanisms in firms and, more specifically, within top management teams, which allow for fast acting in highly dynamic environments.

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