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Responding to Digital Transformation by External Corporate Venturing: An Enterprising Family Identity and Communication Patterns Perspective

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ABSTRACT Digital transformation increasingly requires activities located outside firm boundaries, for example via alliances with start-up companies. Despite this, German *Mittelstand* firms, primarily owned and managed by enterprising families and seen as role models of innovation, appear reluctant to place strategic emphasis on venturing outside the firm's boundaries when it comes to digital transformation. Drawing on the concepts of identity and communication patterns, we theorize on the mechanisms behind this behaviour. Applying structural equation modelling to a sample of 254 members of the next generation in enterprising families from Germany, we find that family communication patterns impact the strategic priority for or against external corporate venturing via identity-related considerations.

Keywords: digital transformation, enterprising families, external corporate venturing, identity, family communication patterns

INTRODUCTION

One of the most critical challenges for established companies is making sense of and responding to disruptive innovations (e.g., Ansari et al., 2016; Kammerlander et al., 2018; Klenner et al., 2013; Yu and Hang, 2010). A current challenge here is digital transformation, which is at the heart a corporate entrepreneurship activity because it involves fundamental transformation in firms' value creation (Keil, 2004; Matt et al., 2015; Sia et al., 2016; Weill and Woerner, 2015). Corporate entrepreneurship includes corporate venturing activities (CV) which are defined as 'entrepreneurial efforts that lead to the

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creation of new business organizations within the corporate organization' (Sharma and Chrisman, 1999, p. 19).

Since breakthroughs tend to originate with new entrants (Cooper and Schendel, 1976; Tushman and Anderson, 1986), alliances with newly created companies are a valuable means through which established firms engage in entrepreneurial activity (Benson and Ziedonis, 2009; Stuart et al., 1999; Wadhwa and Kotha, 2006). Accordingly, and especially true for the digital age, transformation means an increasing focus on activities outside firm boundaries, i.e., external corporate venturing (ECV). ECV is a corporate venturing activity which involves the creation of new business organizations that are located outside the existing organizational domain (Sharma and Chrisman, 1999).

ECV is generally viewed as positive and beneficial to firm success because it enables organizational learning (e.g., Ireland and Webb, 2007; Keil, 2000, 2004; Keil et al., 2008). In spite of this, it remains unclear why some firms tend to avoid ECV. German *Mittelstand* firms for example comprise a subset of primarily family companies who are seen as global innovation role models (De Massis et al., 2018), even though they paradoxically lag behind in digital transformation (e.g., Bertelsmann 2017; Federal Ministry for Economic Affairs and Energy, 2017, 2018; Schröder et al., 2015). In an attempt to understand the mechanisms behind this paradox, we shift attention in the following to the family side of entrepreneurship, combining family theory and organizational behaviour theory. We take these specific steps because we have knowledge indicating that family communication is linked to firm outcomes; organizational identification is related to these as well (Cabrera-Suárez et al., 2014; Jenkins and Delbridge, 2014; Matherne et al., 2017; Sciascia et al., 2013). Doing this allows us to understand how the defining stakeholder group of the family business, i.e., the family, is related to the business, enhancing our knowledge of how identity concerns influence firm level outcomes (Frank et al., 2019; Zellweger et al., 2010). This is particularly relevant in the context of digital transformation because it scrutinizes essential assumptions about identity perceptions (Ashforth and Mael, 1996; Corley and Gioia, 2004; Elsbach and Kramer, 1996; Kammerlander et al., 2018). This can be particularly well observed in enterprising families due to the pronounced role of identity found within them and the strong influence of the family (and thus their communication) on the business (Berrone et al., 2012; Zellweger et al., 2011). Organizational identity and family communication patterns represent promising concepts to help better understand how family firms strategically deal with digital transformation (Altman and Tripsas, 2015; Kammerlander et al., 2018; Tripsas, 2009). In this article, we focus on the influence of the enterprising family on strategic priorities in the business through family identification with the firm, generating the following research question: *How are family communication patterns related to the strategic priority of ECV, and how does the family's identification with the focal firm affect that relationship?*

Investigating a sample of 254 members of the next generation of enterprising families, we found that family identification with the firm mediates the relationship between family communication patterns and the strategic priority of ECV to embrace digital transformation.

Our study aims to contribute in the following ways: First, we offer an alternative theoretical perspective of ECV, an organizational identity perspective. In doing so we aim to explain why ECV, contrary to predictions from an organizational learning perspective,

is not seen as a strategic priority. In addition, as identification is a core facet of socio-emotional wealth (SEW), and applying the frequently-called-for direct measurement approach of SEW (Debicki et al., 2016; Hauck et al., 2016), we further investigate the origin of SEW, taking an important step forward for SEW theory (Berrone et al., 2012; Gómez-Mejía et al., 2011; Miller and Le Breton-Miller, 2014; Schulze and Kellermanns, 2015; Sharma, 2004).

Second, we combine organizational identity and family communication patterns theory. This is in line with the call for more research on the combination of organizational and family theories (Frank et al., 2019; Jaskiewicz et al., 2017). In doing this, we advance our understanding of how the family and the firm interact by uncovering the direct and indirect relationship(s) between communication patterns in the family context, organizational identity, and strategic priorities in the company, most notably for activities outside firm boundaries (ECV) (Astrachan, 2010; Bertrand and Schoar, 2006; Cabrera-Suárez et al., 2014; Carmon and Pearson, 2013; Jaskiewicz et al., 2017; Nordqvist and Melin, 2010; Uhlaner et al., 2012; Zellweger et al., 2010).

We finally draw attention to the next generation of enterprising families (Wooldridge et al., 2008), to date an under-researched stakeholder group of the family and firm in entrepreneurship and management research (Sharma, 2004; Sharma and Irving, 2005). This will further our understanding of the influence of the family on the firm. On the one hand, we can understand how the family influences the next generation's identification with the firm. On the other hand, we assess a stakeholder group of the firm that is strongly inclined towards it, but at the same time is not fully influenced by the daily operations in the business when it comes to their decisions and identity perceptions. This is particularly interesting because it is primarily the next generation in family businesses that will make the decisions about digital transformation. Accordingly, understanding their attitude towards digital transformation makes this study relevant for the German Mittelstand in the coming years. Also, it offers the opportunity to better understand the family end of things in entrepreneurship and management (Holt et al., 2017).

THEORY AND HYPOTHESES

Digital Transformation as an ECV Activity

Value creation in digital settings is increasingly occurring in alliance with multiple players (Keen and Williams, 2013). This shifts the focus on value creation from predominantly internal corporate entrepreneurship to activities outside firm boundaries (ECV) (Sharma and Chrisman, 1999). ECV involves the formation of entities located outside the existing organizational domain (Sharma and Chrisman, 1999) such as corporate venture capital investments, acquisitions, or alliances (Keil, 2000). This makes digital transformation primarily an ECV activity where digital solutions are co-created by a series of partnerships in a value network in which different stakeholders join forces (Evens, 2010) to adapt to changing environments and ensure firm survival in the digital age (Keil, 2004).

Digital transformation involves entrepreneurial processes in markets and firms associated with digital technologies. It changes a firm's business model, products, and

organizational structures (Hess et al., 2016). Benson and Ziedonis (2009) highlight how ECV involves a particularly promising type of cooperative connection in times of technological transformations, i.e., with people and companies operating between established firms and new ventures. Since breakthroughs in technology-intensive industries tend to originate with new entrants (Cooper and Schendel, 1976; Tushman and Anderson, 1986), alliances with newly created companies are a valuable means through which established firms engage in entrepreneurial activity (Basu et al., 2016; Stuart et al., 1999; Wadhwa and Kotha, 2006).

While ECV is increasingly becoming a strategic imperative for value creation in the context of digital transformation, it has received less attention in the general corporate entrepreneurship and family business literature (Calabrò et al., 2016). The existing ECV literature focuses on search and integration efforts to achieve formative principles of external ventures (Basu et al., 2016; Chesbrough and Rosenbloom, 2002; Dushnitsky and Lenox, 2005; Hill and Birkinshaw, 2014) and ECV outcomes such as organizational learning (e.g., Ireland and Webb, 2007; Keil, 2000, 2004; Keil et al., 2008). Nevertheless, identity issues regarding ECV, especially in the formation stage (Das and Teng, 2002) which represents the focus of this article, have largely been neglected in past research despite the role of identity as a potential inhibitor of change (Altman and Tripsas, 2015; Ashforth and Mael, 1996; Burgelman, 1994; Dutton et al., 1994; Kammerlander et al., 2018; Tripsas, 2009).

Family firms have a unique identity shaped by the beliefs and values of the enterprising family (O'Malley, 1991; Zellweger et al., 2010). Zellweger et al. (2010) argue that organizational identity theory is appropriate for capturing the identification of family members with the firm because it reflects how the family defines and views it. This also suggests that when researching family businesses and their identity, the origin of identity formation (the family) must be considered. We do this by not only considering ECV from an organizational identity theory perspective, but from family communication patterns theory as well. Here we account for the family side in entrepreneurship, because in family firms we need to understand family functioning to understand firm outcomes (e.g., Jaskiewicz et al., 2017). Sciascia et al. (2013) suggest that communication patterns theory offers a valuable means through which the entrepreneurial behaviour of the firm can be assessed by focusing on family communication, because this is after all a determinant of family functioning that leads to the development of behaviour (LaRossa and Reitzes, 2004; Smith et al., 2009). It is thus the families' characteristics such as family communication that explain the firm's behaviour such as ECV (Garcia-Morales et al., 2011; Sciascia et al., 2013). Previous research has furthermore shown that communication patterns are an antecedent of organizational identification (e.g., Yoon et al., 1994).

Digital transformation is ultimately a future-oriented topic in firms. Consequently, it is the next generation, not the current one, that will have to make decisions about digital transformation in the future. This makes understanding the attitude of the next generation towards digital transformation essential. Even if family members do not hold an official position in the family firm (organization), they strongly influence the organizational identity through a strong sense of belonging, especially when they are dedicated and contributing to the firm (Cabrera-Suarez et al., 2001). As such, the next generation

as a particularly important but infrequently studied group of family members strongly influences transgenerational orientation, wealth creation, and thus firm decisions. These are the individuals who grew up with the business, heard stories about it, and encounter firm-related identity indicators (Deephouse and Jaskiewicz, 2013). In other words: the firm becomes an integral part of their personal biography, history, and identity (Dyer and Whetten, 2006; Zellweger et al., 2011). Focusing on the next generation, we expect that we can better assess the influence of the family on the firm in terms of the strategic priority of ECV, and the relevance of the family when it comes to firm identification. This is because the next generation, although inclined towards the firm, is at the same time not fully influenced by the daily operations in the business in their decisions.

Family Communication Patterns and the Strategic Priority of ECV

Previous findings show that the family influences workplace outcomes (Carmon and Pearson, 2013; Jaskiewicz et al., 2017; Sciascia et al., 2013). Based on family communication patterns theory, Sciascia et al. (2013) theorize that family communication patterns are directly associated with corporate entrepreneurship activities (Sharma and Chrisman, 1999) such as ECV. We argue that the variation in ECV activities in family firms is not necessarily influenced through family involvement, but rather by the source of influence that varies depending on the characteristics of the family involved in the business (Sciascia et al., 2013).

Family communication patterns theory explains the communicational functioning of the family through relationship building (Fitzpatrick and Ritchie, 1994). According to it, the family has internal working models (schemata) of family communication. Each family has its own set of beliefs, attitudes, and philosophies about family life. Family life is characterized by specific communication behaviours, which in turn influence attention to and perception of topics in the firm (Fitzpatrick and Ritchie, 1994; Koerner and Fitzpatrick, 1997). Family communication patterns theory incorporates two fundamental dimensions of communicative behaviour: *conformity* and *conversation orientation* (Fitzpatrick, 2004).

Conformity orientation refers to ‘the degree to which families create a climate that stresses homogeneity of attitudes, values, and beliefs’ (Fitzpatrick, 2004, p. 173). We expect high conformity orientation to have a negative influence on the strategic priority of ECV for the next generation, because it strongly ‘reduces cognitive heterogeneity and cognitive conflicts’ (Sciascia et al., 2013, p. 433).

First, high conformity orientation leads to a lower exchange of ideas, experience, and knowledge and thus less cognitive diversity within the family and the next generation that is needed to consider different entrepreneurial alternatives (Bantel and Jackson, 1989; Sciascia et al., 2013; Wiersema and Bantel, 1992). This decreases the possibility that riskier decisions such as ECV are made.

Second, next generation members from families with high conformity orientation experience a high level of pressure to show mutual agreement and compliance in an effort to maintain a homogenous family culture. This means there are expectations of obedience and control from the family (Barbato et al., 2003; Fitzpatrick, 2004; Koerner and Fitzpatrick, 1997). The possibility of cognitive conflict is thus reduced, leading to a lack

of productive influence coming from cognitive conflicts that would otherwise spur a consideration of alternative entrepreneurial options. Bold and innovative strategic ideas are inhibited as a result (Kellermanns and Eddleston, 2004; Sciscia et al., 2013). In this kind of family environment, the next generation will refrain from riskier decisions such as making ECV a strategic priority. This is because family firms are more sceptical towards external sources e.g., when acquiring external technology (e.g., Chrisman et al., 2015; König et al., 2013; Kotlar et al., 2013).

Third, families displaying high conformity work to maintain existing power structures (Fitzpatrick, 2004). This means that the enterprising family along with the conforming next generation will typically not (or will not be allowed to) consider the importance of ECV for the firm when it comes to digital transformation.

Fourth, families with a high conformity orientation will also remain largely unchallenged (Fitzpatrick, 2004). Previous research has shown that authoritarian leadership motivates follower conformity through promises, praise, and/or rewards. So families with a high conformity orientation typically see the next generation adapting the viewpoints of the senior generation. Put another way: the propensity of the senior generation to underestimate the pace and transformative power of digital technologies will in some cases dominate or overshadow the viewpoint of the next generation.

Finally, it is believed that high conformity orientation leads to a stronger internal than external influence (Fitzpatrick, 2004), meaning that ECV as a strategic priority will have comparably lower importance in the eyes of the next generation. In this case, the next generation has learned from parents to focus internally rather than externally. We state as a result:

Hypothesis 1: Next generation members from enterprising families perceiving a high conformity orientation in family communication show a low strategic priority of ECV.

Conversation orientation is defined as ‘the degree to which families create a climate where all family members are encouraged to participate freely in communication about a wide array of topics’ (Fitzpatrick, 2004, p. 173). We expect a high level of perceived conversation orientation from the next generation to have a positive influence on the strategic priority placed on ECV. If conversation and thus participation among the next generation and the family is encouraged, and includes openly discussed alternatives, riskier strategic decisions may emerge (e.g., Chirico et al., 2011; Jehn, 1995; Sciascia et al., 2013).

First, families with a high conversation orientation have an integrative understanding of change in the family system in relation to its outer and inner environment, leading to more efficient problem solving. This means that the family is more flexible and adaptive in how it deals with difficulties (Björnberg and Nicholson, 2007; Fitzpatrick, 2004; Koerner and Fitzpatrick, 1997). Open discussion exists about entrepreneurial challenges and success between the generations of the enterprising family (Sciascia et al., 2013), leading to a stronger likelihood for the next generation to see ECV as an attractive strategic option in the context of digital transformation. This is because high adaptability and flexibility lead to a better response to environmental challenges such as digital transformation, as well as towards outside options like ECV.

Second, families with a high conversation orientation show greater interest in new ideas (Fitzpatrick, 2004), which creates an entrepreneurial spirit within the family, leading to a high propensity towards exploring new business territory. One example here includes cooperation with knowledgeable new entrants to the industry like start-up firms. The next generation here is encouraged to freely state their ideas and opinions on ECV because they 'are evaluated based on their merits rather than on the status of the family member proposing it' (Sciascia et al., 2013, p. 434).

Third, families with low conversation orientation are characterized by uninvolved interactions among family members (Fitzpatrick, 2004). Loose ties between them lead to a lack of intra-family conversation, generating fewer open discussions between generations about strategic options like ECV in reaction to digital transformation. We therefore argue:

Hypothesis 2: Next generation members from enterprising families perceiving a high conversation orientation in family communication show a high strategic priority of ECV.

The Mediating Effect of Family Identification with the Firm

Prior research emphasizes that family identification is relevant for studying behavioural outcomes of family firms (Sundaramurthy and Kreiner, 2008; Zellweger et al., 2010). Previous work suggests family communication patterns not only directly influence firm outcomes such as ECV, but are even 'funnelled' through family identification (Cabrera-Suárez et al., 2014; Carmeli et al., 2007). We thus propose that family identification mediates the relationship between family communication patterns and the strategic priority of ECV of the next generation.

In enterprising families, the stronger/weaker identification of the family with the firm depends on the integration of family-specific aspects (e.g., family communication patterns) into the business (Zellweger et al., 2010), which is in turn observable through firm behaviour (Reiss, 1981). This suggests family identification being a way in which characteristics such as family communication are funnelled into the business, leading to strategic decisions of the next generation that help the firm reach family goals as a result (Cabrera-Suárez et al., 2014; Holt et al., 2017; Matherne et al., 2017). Family-related goals in business particularly include the preservation of its wealth (Hoffman et al., 2006; Sundaramurthy and Kreiner, 2008; Vandekerckhof et al., 2018; Zellweger et al., 2012). Put specifically, family identification leads to shared norms and meanings and is hence a powerful tool which restricts personal decision making to preserve the common good of the family and the business, including aspects such as the family and business reputation (Deephhouse and Jaskiewicz, 2013; Gómez-Mejía et al., 2007, 2010, 2019; Memili et al., 2010). This is linked to the wish of members of the enterprising family to pass on healthy and strong firms to the next generation and exert transgenerational control, which is an objective for family members having a deeply structured identification tied to the business (Berrone et al., 2012; Davis et al., 2010; Miller et al., 2011). Accordingly, family businesses tend to refrain from cooperative activities such as ECV because it could

be detrimental to their reputation (Deephouse and Jaskiewicz, 2013; Dyer and Whetten, 2006; Zellweger et al., 2011).

Specifically speaking, family processes such as communication patterns are an antecedent of organizational identification (Holt et al., 2017; Jenkins and Delbridge, 2014; Matherne et al., 2017; Vardaman et al., 2018; Yoon et al., 1994). Family identification is constructed from relevant social information collected within the family (Fiske and Taylor, 1991). This includes central and relatively permanent features of the family unit such as communication (Matherne et al., 2017) which fosters organizational identification (Björnberg and Nicholson, 2012; Brickson, 2005) because family communication patterns (social relationships) set the basis for a common cognitive context that provides shared meaning, norms, and values and thus family identification (Carr et al., 2011; Pearson et al., 2008).

Furthermore, previous findings suggest that identification with the firm influences work-related outcomes and strategic decision making (Carmeli et al., 2007; Jenkins and Delbridge, 2014). As noted by Dutton et al. (1994, p. 254), ‘when people strongly identify with their work organization their sense of survival is tied to the organization’s survival’. Next generation members that perceive high family identification with the firm are motivated to strive for a positive reputation of the family business (Deephouse and Jaskiewicz, 2013). Previous research has suggested that the dynamics between identity and disruptive change such as digital transformation are promising in understanding firms’ responses to disruptive change (Altman and Tripsas, 2015; Anthony and Tripsas, 2016; Garud and Karunakaran, 2017; Kammerlander et al., 2018; Tripsas, 2009). Digital transformation which requires firms to bring about substantial changes to business models (Rayna and Striukova, 2016), organizational strategy (Bharadwaj et al., 2013), as well as corporate culture (Dremel et al., 2017; Sia et al., 2016) can have an influence on organizational identity (Ashforth and Johnson, 2001; Dutton and Dukerich, 1991; Scott and Lane, 2000). This is because transformation puts essential assumptions about the organization ‘under the microscope’ (Ashforth and Mael, 1996; Elsbach and Kramer, 1996; Kammerlander et al., 2018). Research assumes that strong organizational identity can in fact inhibit change (Ashforth and Mael, 1996; Burgelman, 1994; Dutton et al., 1994; Kammerlander et al., 2018). As digital transformation questions existing industry and firm boundaries (Keil, 2004; Matt et al., 2015; Sia et al., 2016; Weill and Woerner, 2015), it can severely challenge an organization’s identity and reputation, meaning that family identification can lead to the next generation refraining from ECV activities in the context of digital transformation in an effort to avoid placing the family and firm reputation at risk (Souder et al., 2017).

Conformity orientation. We thus propose that the direct and negative relationship between conformity orientation and the strategic priority of ECV is mediated by family identification. This means that conformity orientation within enterprising families not only directly influences the strategic priority of ECV, but is funnelled through family identification as well (Cabrera-Suárez et al., 2014; Carmeli et al., 2007). High conformity orientation strongly ‘reduces cognitive heterogeneity and cognitive conflicts’ within families (Sciascia et al., 2013, p. 433), increasing the pressure to show mutual agreement and compliance in an effort to maintain a homogenous identification (Barbato et al.,

2003; Fitzpatrick, 2004; Koerner and Fitzpatrick, 1997). High conformity orientation as a result leads members to pursue family-centred goals through the identification with the family business (Carney, 2005). This common cognitive context with less open discussion within the enterprising family creates shared meaning and high family identification, in turn leading the next generation to refrain from uncertain and risky decisions. This can be particularly pronounced for ECV, with potentially differing values, attitudes, and behaviours of cooperation partners outside the family, challenging family identity, leading to a rejection of ECV. We propose:

Hypothesis 3: Family identification with the firm mediates the relationship between the conformity orientation in family communication and the strategic priority of ECV.

Conversation orientation. Furthermore, we propose that the direct and positive relationship between conversation orientation and the strategic priority of ECV is mediated by family identification. This encourages the next generation to act in favour of the firm. A perception of high conversation orientation leads to a stronger feeling by the next generation of belonging to the family, increasing the perception of family identification. If conversation orientation is altered, the level of family identification rises because the next generation increasingly feels part of the enterprising family and the firm as a result. Therefore, conversation orientation affects the strategic priority of ECV through the mediation of organizational identification, a claim that receives support from studies indicating a relationship between family communication and organizational identification as well as organizational identification firm outcomes (e.g., Cabrera-Suárez et al., 2014; Carmeli et al., 2007; Sciascia et al., 2013). This is because conversation orientation is a process of self-verification, which sets an identity standard regarding the behaviour of the next generation that is in line with the family and business (Burke, 2004). So even though the family shows a high conversation orientation, enabling riskier strategic decisions due to open discussion of alternatives (Chirico et al., 2011; Jehn, 1995; Miller et al., 2011; Sciascia et al., 2013), next generation members will refrain from ECV in the context of digital transformation due to a strong identification of the family with the firm. We thus state:

Hypothesis 4: Family identification with the firm mediates the relationship between the conversation orientation in family communication and the strategic priority of ECV.

METHOD

Data Collection and Sample Description

Survey data from next generation members of the enterprising family were collected from April to September of 2017. With no existing database containing information on the next generation in enterprising families, identifying this specific population is challenging. This is also one of the reasons why there has to date been limited research on

the next generations' business perspectives (Birley, 2002; Björnberg and Nicholson, 2012; Schröder et al., 2011).

Accordingly, random sampling from an existing population was not an option because the population of next generation members within enterprising families is simply unknown. Where the population of interest is difficult to identify, snowball sampling (Biernacki and Waldorf, 1981; Rothbart et al., 1982) is helpful in locating members of special populations (Poetz and Prügl, 2010; von Hippel et al., 2009). Members of the target population (next generation family members) were therefore directly approached in a two-phase snowball sampling process. In the first phase, major German research institutes, associations, and networks in the field of family business with a focus on the next generation in enterprising families helped identify and contact suitable first respondents. In the second phase, respondents were encouraged to directly forward the survey to other next generation family members they personally know and/or were encouraged to provide their contact data, followed by an invitation to take part in the study.

The final sample for our analysis consisted of 254 completed data records of next generation family members from enterprising families. We only focused on one group of family members, because who is asked can often make a major difference (Holt et al., 2017). Our sample focused on the next generation in enterprising families who are stakeholder groups of their respective families and firms (Sharma, 2004; Sharma and Irving, 2005). Put specifically, an enterprising family has a next generation if a senior generation is still involved in management and/or ownership in the company. Stemming from being part of the enterprising family, the next generation will have a certain degree of commitment towards the family and firm that is the result of a strong familial identification with them (Dawson et al., 2014; Sharma and Irving, 2005). This is furthermore accompanied by a high ownership and/or management succession likelihood (Dyck et al., 2002; Handler, 1989).

Our sample exhibited a high ownership succession likelihood, implying that the commitment and interest towards the future strategic development of the firm was in fact high. Regarding ownership succession, 88 per cent of our respondents showed a high succession likelihood, 5.7 per cent a medium succession likelihood, and 6.3 per cent a low succession likelihood. In terms of management succession, 73.3 per cent of our respondents exhibited a high succession likelihood, 13 per cent a medium succession likelihood, and 13.7 per cent a low succession likelihood. The next generation in our sample might have different degrees of competence when assessing strategic developments in the firm. They nevertheless have commitment and dedication (Aldrich and Langton, 1998), and if the family has the intention to pass on the business, then the family's entrepreneurial legacy is an essential element of the next generation, i.e., the study's participants (Jaskiewicz et al., 2015). The next generation in our sample had an average age of 29 years, with 38 per cent female and 62 per cent male participants.

An enterprising family is a 'family that owns one or more businesses and derives income via its businesses, where the business family's life is characterized by the influence of the businesses owned and, in many cases, also managed and/or controlled' (Frank et al., 2019, p. 264). As ownership and management control gives the enterprising family the power it needs to shape the firm's strategic decision making and vision (Chua et al., 1999), family firms are defined in line with other recent studies based on family ownership

and management (e.g., Chrisman and Patel, 2012; Classen et al., 2014; Kraiczy et al., 2015). Consistent with this, we verified using a post-sampling procedure whether the enterprising families in our sample fit our definition in line with the formal criteria of controlling ownership by the family (at least 50 per cent) and management by the family (at least one family member involved in the management of the firm(s)). The companies in our sample have highly concentrated ownership (on average 97.28 per cent of firm ownership by the family) with an average firm size of 909 employees (median: 125), and a mean firm age of 78 years. Third-generation ownership was the average, with an average management timespan of two generations.

Measures

Well-established, validated and reliable measures were applied in the survey wherever possible. Since the survey was administered in German, the original scales were translated into German and then back-translated into English to ensure accuracy (Brislin, 1970). The applied items, the respective coefficient alphas (Churchill Jr., 1979; Cronbach, 1951), the composite reliability, and factor loadings can be found in Table I.

Dependent variable. Measuring ECV as a strategic priority presented a challenging task simply because there is to the best of our knowledge no existing validated measurement scale for this field (Schildt et al., 2005; Titus et al., 2017; Zahra, 1996). Although there are in fact some corporate entrepreneurship scales addressing venturing in general, none specifically address ECV, particularly when it comes to sound measures for the strategic priority given to different corporate entrepreneurship activities. In previous research, ECV was mostly operationalized by secondary data such as the number or the relative use of ventures (e.g., Lai et al., 2010; Schildt et al., 2005; Titus et al., 2017). This was not applicable to our study.

We instead used the contingent valuation method to operationalize our dependent variable (Mitchell and Carson, 2013), which is a direct approach for estimating preferences and priorities, and well-rooted in economics and marketing research (e.g., Cummings and Taylor, 1999; Diamond and Hausman, 1994). Similar approaches have been applied in management research in the context of organizational learning to align measurement with the conceptualization of the construct (e.g., Lavie and Rosenkopf, 2006; Lin et al., 2007; Uotila et al., 2009). We applied this method to measure the strategic priorities of next generation family members by providing 12 options, all referring to main aspects of corporate entrepreneurship (strategic renewal, innovation, and internal and external CV). The choice set was based on previous theoretical and empirical studies on corporate entrepreneurship, varying to the degrees to which the choice is focused on internal or external resources and capabilities (Lee et al., 2001). These included the definition of milestones and budgets, the establishment of creative open spaces and development of visionary scenarios, monitoring of industry developments and competitive environment, intense dialogue with customers and market partners, initiation of pilot projects, fast reaction to customer demands and industry developments, consulting through external specialists, hiring of technical specialists, market analysis for new products or services, form equity or non-equity alliance with research institutes, form equity or non-equity

Table I. Items and variables

<i>Construct (Source)</i>	<i>Composite Reliability</i>	<i>Outer Loading^{a,d}</i>	<i>Cronbachs Alpha</i>	<i>Item</i>
Conformity Orientation (Björnberg and Nicholson, 2007)	0.783	0.229	0.774	In this family, the younger generations try to conform with what the older generation would want ^{b,c}
		0.822		In this family, family members of the older generation set the rules
		0.680		In this family, we make decisions with every person having an equal say, regardless of seniority (R)
		0.712		In this family, the word of the older generation is law
		0.636		In this family, the younger generation is encouraged to freely challenge the opinions of the older generation (R) ^c
Conversation Orientation (Björnberg and Nicholson, 2007)	0.820	0.822	0.773	In this family, we face challenges very effectively
		0.833		In this family, we are flexible and adaptable in how we deal with difficulties
		0.606		In this family, we are poor at dealing with the unexpected (R)
		0.655		In this family, we know we have the power to solve major problems ^c
		0.641		In this family, when we face difficulties we work together effectively
Family Identification with the Firm (Hauck et al., 2016)	0.841	0.816	0.838	Family members have a strong sense of belonging to my family business
		0.821		My family business has a great deal of personal meaning for family members
		0.759		Family members are proud to tell others that we are part of the family business
Strategic Priority of ECV	n.a.	n.a.	n.a.	
Contingent valuation method based on a set of twelve choices; Binary variable (1 = strategic priority of ECV; 0 = no strategic priority of ECV) (Mitchell and Carson, 2013)				

N = 297.

^aAll items measured on a 5-point Likert-type scale (e.g., 1 = I totally disagree; 5 = I totally agree) if not stated otherwise.^bItem was excluded due to low indicator reliability.^cItem was excluded due to a low discriminant validity during exploratory factor analysis.^dStandardized factor loadings are reported; all were significant ($p < 0.001$).

alliance with start-ups, and investment in new entrants (start-ups) (Benson and Ziedonis, 2009; Bondarouk and Ruel, 2009; Kale and Singh, 2007; Kandemir et al., 2006; Kanter, 1985; Keil et al., 2008; Miller, 2011; Simonin, 1999; Zahra, 1996). Out of these twelve options, respondents were asked to rank their top three actions, introducing the following text anchoring the respondent to a priority setting situation. This is a frequently-applied measurement of priorities (Hanley et al., 2001): ‘When you are fully responsible for the strategic decisions in your family firm, which Top 3 actions will you choose in order to bring digital transformation forward in your family firm?’.

This measurement approach follows the ‘when life forces choices, use ranking’ principle. It also avoids the pitfalls of rating measures in a priority context (e.g., McAlexander et al., 1994) such as satisficing (which basically means that respondents shortcut the optimal response process by choosing any acceptable answer). It also helps eliminate order bias or ceiling effects because this kind of non-differentiation can produce data that are invalid, especially if respondents are asked about things that may all be potentially desirable. For the statistical analyses we then created a binary dependent variable. If the choice ‘form equity or nonequity alliances with start-up’ or ‘investment in start-ups’ was ranked within the top 3 among the set of choice options, it was coded with 1 and otherwise with the value of 0. This means that a coding of 1 shows a strategic priority for ECV while a value of 0 incorporates no strategic priority of ECV. We tested all of the 12 choices within our hypothesized model to account for robustness. Then we evaluated the three most externally oriented choices (form equity or non-equity alliance with research institute, start-up or investment in start-up) for low, medium and high priority to see if the results would hold.

Independent variables. The family climate scale (Björnberg and Nicholson, 2007) represents an opportunity to operationalize the central dimensions of family communication patterns (conformity and communication orientation) in our specific context because it captures communication in families, especially when it comes to next generation members in enterprising families. We measured the conformity orientation by adopting the items of the intergenerational authority sub-scale and the conversation orientation using the items reflecting family adaptability. We adapted the originally eight-item scales, intergenerational authority, and family adaptability to five-item scales on a five-point Likert-type scale. A three-item scale on a five-point Likert-type scale was used to measure the family identification with the firm, which is part of the more comprehensive REI-Scale by Hauck et al. (2016), a recently validated parsimonious version of the FIBER scale (Hauck et al., 2016).

Control variables. Adhering to the guidelines by Bernerth and Aguinis (2016), we included a set of control variables. We employed a set of control variables accounting for industry, organizational, family, and individual effects that, building on previous research, have an impact on CV activities in the context of digital transformation, additionally limiting the risk of omitted variable bias (e.g., Calabrò et al., 2016; Van Gils and Zwart, 2009; Kellermanns and Eddleston, 2006).

First, to rule out potential external effects influencing the strategic priority of ECV, we controlled for industrial effects using environmental hostility as a proxy of environmental

uncertainty during digital transformation. Previous research has shown that environmental variables positively relate to entrepreneurial activities (e.g., Miller et al., 1998; Miller and Friesen, 1982). Environmental hostility was a six-item scale (1 = I totally disagree; 5 = I totally agree) adapted from Green et al. (2008).

Second, we controlled for organizational effects: the firm's size as an indicator of resource endowment, as well as the fact that larger firms might have a greater scope for engaging in corporate entrepreneurship, potentially biasing the results. We used the natural logarithm of number of employees to control for size (e.g., Nadkarni and Chen, 2014). A transformation was necessary to achieve normal distribution. We also used the firm's age as a proxy of entrepreneurial, innovation and alliance experience (e.g., Coad et al., 2016; Van Gils and Zwart, 2009). Ownership dispersion is a control variable for family effects. It was measured by asking if the company ownership is concentrated within one, two, or multiple generations, allowing us to assess the entrepreneurial stage of the family firm influencing corporate entrepreneurship activities (Kellermanns and Eddleston, 2006).

Likelihood was also included to account for individual effects of management and ownership succession. This was because the composition of our sample comprised the next generation of the enterprising family, and its varying degree of succession potentially influenced the perception of strategic priorities within the firm context. Likelihood was measured with single item, asking for the likelihood of becoming involved in management or ownership within the family business on a five-point Likert-type scale.

DATA ANALYSIS AND RESULTS

We tested our hypotheses with structural equation modelling (SEM) in Mplus 8.2 using maximum likelihood method (Muthén and Muthén, 1998-2018). In a first stage, confirmatory factor analysis (CFA) examined the validity of the measurement model, showing how latent variables are measured in terms of the observed variables. In the second stage, the structural model tests hypothesized relations among latent variables (Anderson and Gerbing, 1988; Byrne, 2010). With this approach, convergent and discriminant validity were evaluated during the measurement phase, while the structural model provided an appraisal of nomological validity. Furthermore, we conducted a bootstrap analysis (MacKinnon et al., 2004) to test the robustness of the mediated relationships. The following sections will discuss this and other analyses.

Stage 1: Results of the Measurement Model

An exploratory factor analysis (principle component analysis; varimax rotation) revealed a three-factor solution representing the included constructs. All items showed an measure of sample adequacy (MSA) value above 0.5 and were suitable for factor analysis.

Following Anderson and Gerbing's (1988) recommended approach, we used CFA to test our measurement model, applying four criteria to assess the model fit of the measurement model (e.g., Asparouhov and Muthén, 2018; Byrne, 2010; Hu and Bentler, 1995; Kline, 1998): (1) comparative fit index (CFI) and Tucker-Lewis index (TLI) (0.90 or above); (2) root mean square error of approximation (RMSEA) (lower than 0.06); (3) standardized root mean square residual (SRMR) (lower than 0.08); and (4) chi-square

statistic (χ^2). The CFA model demonstrated good fit (CFI = 0.968, TLI = 0.954, RMSEA = 0.061, SRMR = 0.053, χ^2 (32) = 67.827) (e.g., Asparouhov and Muthén, 2018; Byrne, 2010; Hu and Bentler, 1995; Kline, 1998). As indicated in Table I, the factor loadings were statistically significant and strong (average loadings > 0.70) (Nunnally and Bernstein, 1994). Factor loadings below 0.4 and 0.5 were dropped (Bagozzi and Yi, 1988).

Stage 2: Results of the Structural Model

The correlations, means and standard deviations are shown in Table II.

We developed a series of nested models to test our hypotheses (Anderson and Gerbing, 1988; Chirico and Salvato, 2016; Eddleston and Kellermanns, 2007). There are certain restrictions with categorical outcome variables. Chi-square and related fit statistics are not available when means, variances, and covariances are not sufficient statistics for model estimation. This was the case for our model because it uses maximum likelihood estimation with binary dependent variables. In this case where no absolute fit statistics were available, nested models could be assessed using -2 times the loglikelihood difference which is distributed as chi-square (Muthén and Muthén, 1998–2018) to perform nested model comparison (Anisimova and Gascuel, 2006; MacKinnon et al., 2002).

As shown in Table III, we compared the fit of the fully mediated model (loglikelihood (67) = -6369.028) (Model 1) with three partially mediated models (Model 2–4). First, we tested partial mediation by adding paths between the conformity orientation and the strategic priority of ECV, and the conversation orientation and the strategic priority of ECV (Model 2). This partially mediated model exhibits the following fit index (loglikelihood (69) = -6368.841). The added paths between conformity orientation and conversation orientation and the strategic priority of ECV were not significant, and the likelihood ratio showed that Model 2 (see Table III) lead to an improved fit over Model 1.

We then continued to test a second partially mediated model by evaluating a partially mediated relationship between conversation orientation and the strategic priority of ECV, and a fully mediated relationship between conformity orientation and the strategic priority of ECV (Model 3). This model exhibited the following fit index: (loglikelihood (68) = -6368.992), which led to an improved fit over Model 1. The added paths were not significant.

In our last step, we tested a third partially mediated model by examining a fully mediated relationship between conversation orientation and the strategic priority of ECV, as well as a partially mediated relationship between conformity orientation and the strategic priority of ECV. This model showed the following fit index (loglikelihood (68) = -6368.984), which led to an improved fit over Model 1. The added paths were not significant. Assessing the significance of the loglikelihood ratios (-2 times the loglikelihood difference), which is distributed as chi-square (Muthén and Muthén, 1998–2018), the results revealed that none of the differences in loglikelihood ratios were significant, meaning that the differences in model fit of Models 2–4 were not significant compared to Model 1, as shown in Table III. However, the results suggest that Model 2 exhibits the best model fit, which is in accordance with our hypothesized model.

Table II. Correlations, means and standard deviations

<i>Research Variable</i>	<i>Mean</i>	<i>S.D.</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1. Firm Size (natural logarithm)	4.93	1.99	1	0.22***	0.36***	0.09	-0.08	0.31***	-0.16*	-0.16*	-0.02*	0.12*
2. Firm Age	77.88	56.69		1	0.20***	0.05	-0.13*	0.13*	0.04	-0.09	-0.10	0.07
3. Ownership Dispersion	1.79	1.06			1	-0.01	-0.13*	0.17**	-0.04	-0.05	0.01	0.00
4. Environmental Hostility	3.25	0.72				1	0.06	0.09	-0.04	0.02	-0.00	0.00
5. Management Succession Likelihood	4.05	1.25					1	0.24***	0.03	0.15*	0.21***	-0.11
6. Ownership Succession Likelihood	4.55	0.92						1	-0.08	-0.09	0.07	-0.02
7. Conformity Orientation	3.41	0.86							1	0.36***	-0.06	-0.01
8. Conversation Orientation	3.86	0.80								1	0.20**	-0.01
9. Family Identification with the Firm	4.19	0.81									1	-0.17**
10. Strategic Priority of External Corporate Venturing (ECV) = 1	0.18	0.39										1

N = 254.

***Correlation is significant at the 0.001 level.

**Correlation is significant at the 0.01 level.

*Correlation is significant at the 0.05 level.

Table III. Test of a series of nested models

Model	Description	Loglikelihood	df	Likelihood Ratio (χ^2) compared with Model 1	Difference of Free Parameters (Degrees of Freedom) compared to Model 1	Improved Fit over Model 1	Significance of Likelihood Ratio on a $p < 0.05$ level	Significance of added paths
Model 1	Fully mediated model	-6369.028	67	-	-	-	-	-
Model 2	Partially mediated relationships between conformity orientation and ECV and conversation orientation and ECV	-6368.841	69	0.374	2	Yes	No ($p = 0.829444$)	No
Model 3	Partially mediated relationship between conversation orientation and ECV	-6368.992	68	0.072	1	Yes	No ($p = 0.788447$)	No
Model 4	Partially mediated relationship between conformity orientation and ECV	-6368.984	68	0.088	1	Yes	No ($p = 0.766735$)	No

N = 254.
ECV = External Corporate Venturing

Figure 1 represents the structural model, including the standardized path coefficients estimated via maximum likelihood estimation. It reports our findings of Model 2 (log-likelihood (69) = -6368.841).

Conformity orientation exhibits no significant effect on the strategic priority of ECV ($\beta = 0.156$). Therefore, Hypothesis 1 is not supported. Also, conversation orientation does not significantly influence the strategic priority of ECV ($\beta = 0.157$). Hypothesis 2 is therefore also not supported.

As part of the mediation analysis for assessing hypotheses 3 and 4, we first tested the direct effect between the mediation variable, family identification with the firm, and the strategic priority of ECV. Family identification with the firm negatively affects the strategic priority of ECV in the context of digital transformation ($\beta = -0.570$; $p < 0.05$). Then we tested for the direct effects of the independent variables on the mediator variable. Conformity orientation significantly influences the family identification with the firm ($\beta = 0.232$; $p < 0.05$). The effect of the conversation orientation on the family identification with the firm is highly significant ($\beta = 0.372$; $p < 0.001$). We then conducted a Sobel test (Sobel, 1982), to test the significance of the indirect effects that considers that the relationship between the antecedents and the dependent variable occur through the mediator. The Sobel test is a commonly used test to assess mediation that divides the estimate of the mediation effect by its standard error and compared to the standard normal distribution to test for significance (Sobel, 1982). The indirect effect for the relationship conformity orientation – family identification with the firm – strategic priority of ECV is significant (indirect effect: $\beta = -0.132$; $p < 0.1$). Furthermore, we assessed the indirect effect for the relationship conversation orientation – family identification with the firm – strategic priority of ECV, which is also significant ($\beta = -0.212$; $p < 0.05$).

In a post-hoc procedure we conducted a bootstrap analysis as a proxy for the robustness of the mediation model (MacKinnon et al., 2007), creating 1,000 samples using Mplus by randomly resampling original data (Lau and Cheung, 2012; Williams and Shepard, 2017). Using bootstrapping to complement the assessment of the direct effects is useful when sample sizes are moderate (Shrout and Bolger, 2002). Reviewing the 95

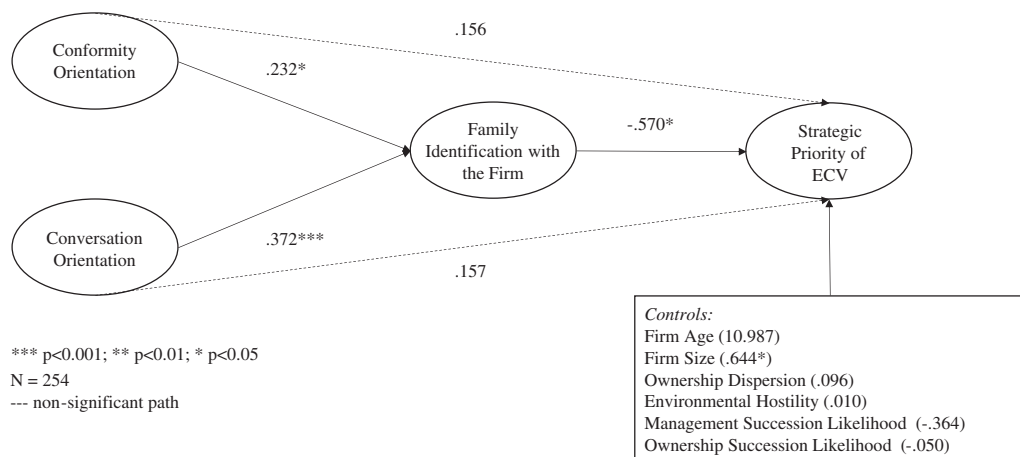


Figure 1. Results of the structural model analysis (Model 2)

percent confidence intervals for the hypothesized relationships showed that 0 is not in the confidence intervals, which is an indicator that the paths are significantly different from 0 (Lau and Cheung, 2012; MacKinnon et al., 2004).

The relationship conformity orientation – family identification with the firm – strategic priority of ECV exhibits the following results: 95% CI $[-0.011, -0.378]$. Therefore, based on the Sobel test (see above) as well as the bootstrapping analysis, we find support for hypothesis 3. The family identification with the firm fully mediates the relationship between the family communication pattern of conformity orientation and the strategic priority of ECV.

In addition, the bootstrapping results reveal the following results for the relationship conversation orientation – family identification with the firm – strategic priority of ECV: 95% CI $[-0.578, -0.027]$. Both the Sobel test (see above) and bootstrapping analysis show support for Hypothesis 4. The family identification with the firm fully mediates the relationship between the family communication pattern of conversation orientation and the strategic priority of ECV.

DISCUSSION

Theoretical Contributions

ECV, enterprising family identity and the German Mittelstand. Past research on ECV has primarily focused on search and integration efforts regarding formative principles of external ventures (Basu et al., 2016; Chesbrough and Rosenbloom, 2002; Dushnitsky and Lenox, 2005; Hill and Birkinshaw, 2014) and on the outcomes of ECV such as organizational learning (e.g., Ireland and Webb, 2007; Keil, 2000, 2004; Keil et al., 2008). In line with this, previous empirical findings posit that firms engaging in ECV benefit from acquisitive learning (Keil, 2004), resulting in a mostly positive view of ECV. Nevertheless, considering ECV from an identity perspective has largely been neglected.

Identity considerations could involve two ways of thinking: identity considerations in the formation stage of external corporate ventures, as well as an outcome where the external venture could change the identity of the firm and thus the family. In this study we looked at ECV in the formation stage, showing that the family identification with the firm is negatively related to the strategic priority for ECV. Identity can thus act as an inhibitor of change (Altman and Tripsas, 2015; Ashforth and Mael, 1996; Burgelman, 1994; Dutton et al., 1994; Kammerlander et al., 2018; Tripsas, 2009). As shown by the support of Hypotheses 3 and 4, our findings suggest that enterprising families that strongly identify with the focal family firm tend to refrain from ECV activities, particularly when the acquisitive or alliance forming partner is a new entrant (start-up).

We argue that this is due to the reputational risk which is strongly linked to high levels of identification (Fombrun and Shanley, 1990; Micelotta and Raynard, 2011). With this in mind, we expand the view on ECV from an organizational learning perspective to an identity perspective, showing how identity concerns can influence strategic decisions. This is especially true for the context of digital transformation – a context characterized by speed and uncertainty for all types of firms. When uncertainty (digital transformation)

meets uncertainty (acquisitive or alliance forming partner is a start-up) then ECV becomes a less attractive choice in the digital age for identity-related reasons. This offers the opportunity for future research to evaluate corporate entrepreneurship issues from an organizational identity perspective.

Furthermore, we shifted the attention to the family side of entrepreneurship, combining identity and family communication patterns theory to better understand the mechanisms behind the paradox of the German *Mittelstand* concerning digital transformation. To date, the German *Mittelstand* has been predominantly researched from a resource-based perspective (De Massis et al., 2018). Nevertheless, as we can see regarding digital transformation, the traditional resource-based view of management appears to have its limitations. Although *Mittelstand* firms can overcome resource constraints and be highly innovative (De Massis et al., 2018), they nevertheless lag behind in digital transformation. This supports the idea of applying organizational identity theory as an additional or alternative theoretical perspective to the resource-based view. After all, it is not primarily resource considerations that constrain digital transformation.

Antecedents of family identification with the firm. Previous research suggests that the family as an enduring institution directly influences entrepreneurial activities in the business (e.g., Dyer, 2003; Pistrui et al., 1997). Our results show that family communication patterns indirectly influence strategic priorities of the family in the business system through family identification with the firm. This finding adds two valuable contributions to our understanding of how SEW in business families is formed and how the relationship of the family to the firm shapes strategic priorities. Although the present study only accounts for one SEW dimension, it is important to note this contribution because the family identification with the firm is a major SEW dimension (Berrone et al., 2012; Hauck et al., 2016). And future research could account for even more SEW dimensions.

Furthermore, several researchers have concerns regarding the concept of SEW. These concerns are related to theoretical as well as methodological issues. To date, the locus of SEW continues to remain unclear (Jiang et al., 2018). Building on the work of Cabrera-Suárez et al. (2014), we imply that the way the family interacts and communicates is one antecedent of the family identification with the firm (SEW). The support of Hypotheses 3 and 4 shows that conformity and conversation orientations influence how strongly the next generation builds identifying relationships with the business. It is also important to mention that multiple dimensions of SEW are likely to result in different configurations and extents of SEW (Stanley et al., 2017). It could be very interesting to investigate how other SEW dimensions are related to family communication patterns and strategic priorities in family businesses.

Combining family and organizational theory. We introduce family communication patterns theory (family theory) in combination with identity theory (organizational theory) into management research specifically for strategic activities outside firm boundaries (ECV). Until now research on family business and management has primarily focused on business variables instead of family variables (e.g., Astrachan, 2010; Bertrand and Schoar, 2006; Cabrera-Suárez et al., 2014; Frank et al., 2019; Jaskiewicz et al., 2017; Nordqvist and Melin, 2010; Uhlaner et al., 2012). This approach has led to research that does not

adequately incorporate the complexity of the reciprocal influence of the family and the business system (Frank et al., 2019).

This study combined family communication patterns theory (aspects of family relations) and organizational identity theory (aspects of the family-to-firm-relation as conceptualized in SEW). Supported by Hypotheses 3 and 4, we showed that family communication patterns are negatively related to strategic priorities through the identification of the enterprising family with the firm, advancing family business theory as well as corporate entrepreneurship literature as a result. Finally, previous research suggests that communication in the family is directly linked to corporate entrepreneurship (Sciascia et al., 2013). We find that family communication patterns are not automatically related to firm outcomes. This is based on the fact that we could not find support for Hypotheses 1 and 2. We showed that family-to-firm relations appear to link communication patterns and work-related behaviour and outcomes, and also found that family identification with the firm is one construct transmitting family communication patterns into the firm. This is a first way forward to understand how family communication is linked to the firm. Future research could investigate different family-to-firm relation constructs (e.g., other SEW dimensions) to better understand the underlying mechanisms of how communication patterns and the family are linked to firm decisions.

Next generation perspective within the enterprising family. We introduced a perspective into management and family business research that has largely been neglected: the next generation, which to date has primarily played a role within the context of succession research. Because the next generation of the enterprising family will be responsible for the future development of the firm (at least as family stakeholders), infusing this perspective into management and entrepreneurship literature offers new paths towards understanding the future of family businesses around the world (Garcia et al., 2018).

This perspective offers the opportunity to better understand transgenerational entrepreneurship as well as the family side in entrepreneurship and management by emphasizing different communication patterns within the enterprising family, all while more carefully accounting for the heterogeneity on the family side (Holt et al., 2017). In achieving this, our study shows that the effect of the two control variables of management and ownership succession likelihood on ECV is small, negative and insignificant. This implies that the prospect to join the family business as a leading figure in the future does not affect the way potential successors assess strategic options. However, both control variables have a positive effect on identification, whereby management succession is even more strongly significant. Our knowledge of the factors influencing next generation involvement is scarce (Garcia et al., 2018). Accordingly, a concise reflection on how next generation family members think about the future of their firm and the factors that shape their thinking might be a very interesting avenue for future research.

Practical Implications

Our results show that certain ‘balancing acts’ could guide success to ensure (1) transgenerational transformation and (2) business transformation, particularly in the digital age.

Family communication patterns in enterprising families are directly related to the kind of relationships the family has with the organization. Identity-building features for the

firm are rooted within the family. This is why enterprising families should focus on family communication patterns that positively influence family identification with the firm if the next generation is expected to maintain the family legacy. Our findings indicate that this can be characterized as a balancing act of conformity orientation and conversation orientation within the enterprising family to ensure long-lasting and valuable family firm relationships. Succession likelihood might increase when identity building, and in some parts SEW creation is positively framed, even before the next generation formally enters the business. This also suggests that families should in early childhood start to shape and transmit the beliefs and values of the enterprising family.

On the other hand, our findings illustrate that a high level of family identification with the firm could be detrimental to its development. Our results suggest that the next generation does not show a high priority for ECV in the digital transformation context because it involves a balancing act between reputational risks and firm advancement by opening operations to outside firms. We encourage both the next and current generations to remain open to external partners and see the external domain as an opportunity to incrementally face the challenge of digital transformation. Knowledge can then be transferred to the focal business to achieve radical solutions within digital transformation.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Opportunities for future research arise from the survey-related data collection and analysis limitations in this study. First, a longitudinal data collection approach could help to empirically establish causal effects and better understand how the family shapes strategic decisions over time. Second, our sample is focused on German *Mittelstand* family firms. Future research could expand data collection to other geographical and cultural contexts to disentangle the embeddedness of this phenomenon. Third, we used the opportunity to apply contingent valuation method, a commonly used approach in economics research due to limited options for measuring ECV priorities (e.g., Cummings and Taylor, 1999; Diamond and Hausman, 1994). This ‘real choice’ and ranking situation (Cummings and Taylor, 1999) adds cognitive difficulty for the respondents, which can bias the priority, i.e., the first choice will be used as an anchor for the further ranking selection (Hanley et al., 2001). While we dealt with this issue in our study by presenting the options in random order, future research could use different modelling approaches such as choice experiments (Louviere and Woodworth, 1983; Lude and Prügl, 2019) or contingent ratings (Hanley et al., 2001). Fourth, we addressed start-ups as an alliance partner in ECV based on prior research (Benson and Ziedonis, 2009). However, future research could investigate how the type of partner changes the strategic priority of ECV in family firms, further disentangling the reluctance of family firms towards operating with different external sources (Harms et al., 2015; König et al., 2013). Fifth, due to our focus on the next generation, future research could investigate how other generations of the enterprising family perceive family communication patterns and how their identification with the firm is related to strategic decisions. Furthermore, due to snowballing and pyramiding sampling approaches (e.g., von Hippel et al., 2009) and their many advantages, we are aware of possible effects of self-selection and desirability bias. While we are confident

that this is not a major concern in this study, as we have adhered to methodological and stylistic guidelines provided by Podsakoff et al. (2012) in creating the survey, future research could address this issue. Finally, we focused on family communication patterns only, because communication is a crucial antecedent to strategic decisions (Jaskiewicz et al., 2017). Future research could investigate other family-related constructs such as family culture or emotion as well as other aspects of identity such as the distinctiveness of the organization, the salience of outgroup, and organizational prestige.

CONCLUSION

Our study offers multiple contributions to theory and practice, particularly in how it considers the family in management research. We show that the family identification with the firm negatively mediates the relationship between family communication patterns and the strategic priority of ECV. Combining family and organizational theories specifically for activities outside firm boundaries (ECV), we identify a negative view of ECV through an identity lens instead of the positive view of an organizational learning perspective. We also evaluate the locus and drivers of one central dimension of SEW (family identification with the firm), highlighting the importance of the next generation perspective for future management research. Finally, this paper is one of the first articles in the management and entrepreneurship literature considering digital transformation in the context of family firms.

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