Department of Business and Management

Master's Degree in Management

Thesis in "Circular Economy: Design for the future"

"Generational change and decision-making in family business: the evolution of diversification, innovation and CSR strategies."

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Introduction

Family firms are relevant entities in the economic field, by accounting for two-thirds of all the active businesses in the world. The peculiar bond among family and business clearly distinguishes them from their non-family counterparts, especially in the way strategic decisions are made and how the business is handed down to future generations to ensure firm's continuity over time.

This empirical thesis arises from the personal interest in combining these unique aspects and the scarcity of literature contributions on this topic. Indeed, it is aimed in analyzing the generational shift in family businesses and the subsequent evolution of the decision-making process across generations. In particular, the primary goal of this project is to provide empirical evidences that successive generations have a greater propension in implementing diversification and innovation strategies, and that the promotion of CSR practices does not necessarily decrease at latest generational stages, as the available literature claims.

The research is based on the Socio-Emotional Wealth theory, recently introduced by Berrone and Gomez-Mejia, which is considered the dominant paradigm in the family business field. According to this theory, which operates a clear distinction among family businesses and their non-family counterparts, family firms' decision-making is primarily influenced by the preservation of family's emotional endowment, over the achievement of financial goals. Furthermore, scholars believe that this desire to preserve SEW decreases across generations, stimulating a different attitude toward the decision-making process. The purpose of this research is ambitious because, considering the scarce literature available, it is not clear whether successive generations are more inclined than generations closer to the founder in implementing diversification, innovation and CSR strategies. For this reason, the relevance of this research stands in meeting the gap in the family business field, collecting and elaborating primary data which demonstrate that the evolution of family firms' decision-making across generations increases the willingness to promote diversification, innovation and CSR activities.

In particular, these data will be gathered by interviewing two Italian family companies: Tacchificio Villa Cortese and Noberasco S.p.a., which will be used as case studies. This research method, since it is not a measurement technique, has the purpose of having a direct discussion with family businesses, in order to compare the decision-making evolution basing on real examples of strategies implemented by the different generations of the family. Moreover, the qualitative data collected from case studies, will be supported and further compared with the quantitative findings of the survey submitted to a sample of 40 Italian family firms, which will highlight graphically the different intensity in the willingness to promote diversification, innovation and CSR activities at different generational stages. The elaboration and discussion of the findings, which will be thoroughly discussed later, will provide empirical validation to the research questions.

The whole project is composed by four chapters, each one focusing on different themes but extremely functional to argument and provide evidences to the prefixed goal. In particular, the first three sections consist in the review of literature contributions available in the family business field, while the fourth chapter provides the description of the research methodology and the discussion of the findings.

The first chapter is focused on offering a specific description of the succession process in family businesses. In particular, it starts with the theoretical definition of family businesses and the presentation of their peculiar characteristics and worldwide relevance. Then, it focuses on the generational handover, from its general description to the complexity of handing the business down to future generations and their coexistence. For this reason, the last part of the chapter will discuss about the need for a proper planning, the tools and strategies available to achieve a successful generational change and the different phases to manage it.
The second chapter, instead, compares family firms' specific decision-making process with their non-family counterparts, according to the Socio-Emotional Wealth theory. This part includes the detailed description of the five dimensions of SEW construct, which are labeled as FIBER scale, introduced by Berrone. Furthermore, it will provide the presentation of the advantages of recurring to this paradigm, and several techniques aimed in measuring the intensity of these dimensions. Then, this chapter includes the discussion of "bright" and "dark" sides connected to this theory, according the current literature contributions available by Kellermanns and other scholars, and the different attitudes among family and non-family firms in the likelihood to implement diversification, innovation and CSR activities.
The third chapter analyzes the evolution of socio-emotional values in family members at different generational stages, basing on the Socio-emotional Wealth theory. Then, in light of family members' different desire to preserve their emotional endowment, the focus will be shifted to the evolved propension in implementing the same strategies, namely diversification, innovation and CSR ones. Furthermore, this chapter offers secondary data regarding family firms' tendencies in the succession process, according to information collected by global surveys in the recent years. The third chapter concludes the literature review with the formulation of four research questions, whose answers are aimed in demonstrating the prefixed goal.
The fourth and last chapter wants to provide empirical validation to the theoretical frameworks presented and evidences able to answer to the research questions, regarding the evolution of family firms' decision-making process across generations. In particular, the research methodology includes two different methods: two case studies and one survey. Case studies consist in interviewing two different family companies, in particular managers who are members of the owning-families. The goal of these video-interviews is to collect qualitative real examples and experiences of the decision-making evolution, comparing the strategic choices of the current generations with the ones of the generations closer to the founder. Furthermore, primary data collected from these interviews will be supported and further compared with the quantitative findings of the survey, which has been submitted to a sample of 40 Italian family business. The latter is aimed in elaborating graphically the evolution of successive generations' priorities in implementing diversification, innovation and CSR activities.

Chapter 1: Generational handover in Family Firms

1.1 Family Firms

Before conducting a detailed analysis of generational handover's process in Family Firms, it is necessary to start providing a complete and proper definition of Family Firm according to the business doctrine. The goal is to highlight the specific requirements which allow to distinguish among Family businesses and Non-Family ones, by analyzing the several researchers' contributions which tried to solve the definitional issues in the last decades. Then, with the aim of pointing out family business heterogeneity in its own field, it will be presented a classification offered by literature, which will identify different types of family enterprises, recurring to objective variables, and it will be provided a brief description of their main characteristics.

1.1.1 Definition of Family Firm

The term Family Business[1] still lacks a common and homogeneous definition, as a consequence of its highly heterogenous organizational structure and the different dynamics of family firms' cultural behaviors across countries, leading inevitably to shortcomings in this field of research (Astrachan et al., 2006). Moreover, the inability to provide a well-established definition of family firm, due to an ambiguously defined population, has favored the spread of qualitative and descriptive data of single case studies, with a dearth of empirical and comparative research. In fact, despite the currently available data on this topic, researchers do not have the possibility to compare the results of their studies and they cannot elaborate universal theories able to synthetize them and defining their boundaries, in which to point out differences and points in common of this new research field (Sharma, 2004). In order to define the Family Firm correctly, it is necessary to examine the different contributions offered by the business doctrine over time. The first academic definition of "Family Firm" is attributable to Donnelley, whose article "The family business" was published on Harvard Business Review in 1964, in which he defined the family enterprise as follows: "*A company is considered a family business when it has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family*".

This definition pointed out multiple specific conditions to identify family firms, such as family members' involvement in the business, its influence on key business success factors, the composition of the management board and succession decisions (Zachary, 2011). Anyway, it is considered incomplete and reductive because it does not include the possibility of multiple families controlling the company, the capital ownership's requirements and it precludes the presence of external managers in supporting the family. From that moment on, many studies have been conducted with the aim of formulating a widespread definition of family-owned businesses, highlighting the differences and unique features which set the distinction with Non-family ones

[1] The terms "Family Business", "Family Firms", "Family company", "Family-owned business", "Family enterprise" will be used as synonyms throughout the whole thesis referring to Family Firm.

(Habbershon and Williams, 1999). Many researchers focused on family's capital ownership as the discriminant for family business definition (Gallo, 1995; Littunen and Hyrsky, 2000), others identified it with the control exerted on firm's management (Davis and Harveston, 2000; Tsang, 2001), while further definitions included a combination of these two elements together, with at least one member of the owning family involved in its administration (Fernandez and Nieto, 2006; Graves and Thomas, 2008). Then, with the aim of providing a general overview of the challenging issues faced by Family Business in Europe, the European Commission has proposed this definition:

"*A firm, of any size, is a family enterprise if:*

- *the majority of votes in possession of the natural person(s) who established the firm, or in possession of the natural person(s) who has/have acquired the share capital of the firm, or in possession of their spouses, parents, child or children's heirs;*
- *the majority of votes may be indirect or direct;*
- *at least one representative of the family or kin is involved in the management or administration of the firm. Listed companies meet the definition of family enterprise if the person(s) who established or acquired the firm (share capital) or their families or descendants possess 25% of the right to vote mandated by their share capital"* (EC, 2009).

For the first time an official body formulated the definition of family business, in order to establish a framework for future policies which could allow the development of these companies. This kind of definition is considered exhaustive, since it includes the main characteristic aspects of family firms: ownership, governance, succession and management. First, it does not take into consideration company dimension as determinant for classification, including from small businesses to multinationals. Second, the capital of the firm is not necessarily owned by only one family, but the control over the company can be exerted with the requirement of the majority of capital for unlisted firms, and its 25% for listed ones. This requirement highlights the strong bond of dependence among the company and the owning-families, especially in terms of shared values which lead the decision-making process. The founders do not need to be part of the same family, and the family business status can be maintained even without the involvement of the founding-family, as consequence of a successful inter-generational succession or acquisition by another family. Moreover, the control can be ensured either directly through holdings, or through other instruments, with just one member of the family necessarily involved in the management or administration of the enterprise. Because of the completeness of multidimensional aspects considered, this is the definition of family firm which will be used throughout the whole thesis.

1.1.2 Classification of Family Firms

The definition formulated by the European Commission has apparently solved the definitional issues which characterized family firms in the last decades. Anyway, it is wrong to suppose that all the family enterprises identified through it have homogenous characteristics. In fact, inside the family business field, it

is possible to classify several different types of family firm which highlight its heterogeneity. A classification of family business offered by literature enables to distinguish different clusters by combining these three following variables: the model of ownership, the presence of family members on the board of directors and in the management bodies of the firm, and the size of the business.
The first variable identifies four dimensions in reference to the number of people who own firm’s capital:

- Absolute – only one owner, typical of the early stage of the family firm with just one founder;
- Closed/Hold – capital owned by a small number of people, usually represented by first generational stage when established by multiple founders, or second-generation one if descended from a single ancestor;
- Closed/Enlarged - an enlarged number of people owning the capital, generally at second or third-generation companies;
- Open – when capital is owned either by founder’s heirs or other partners at any generational stage.

In terms of presence of family members in the board of directors and in the management bodies, it can be:

- Board of Directors and management bodies exclusively composed by family members;
- Board of Director with only family members, with non-family ones allowed to be in the management bodies;
- Non-family members involved in both bodies.

Referring to the third and last variable, the size of the business, a family firm can be:

- Small – when composed by a few dozen people;
- Middle – when it involves up to a few hundred people;
- Large – more than hundreds of people involved.

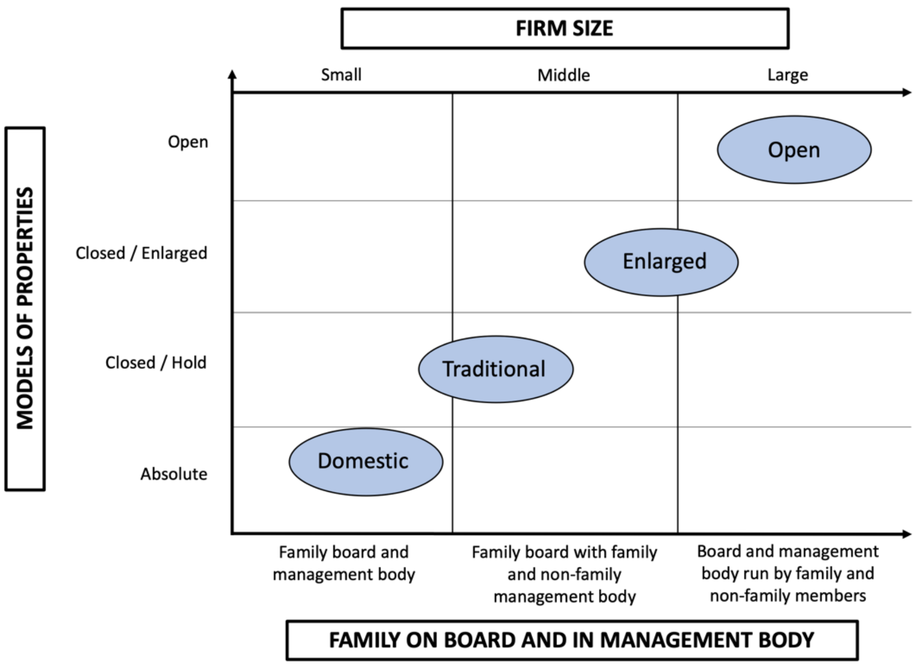
By combining these three variables and the consequent divisions, four types of family businesses emerge: Domestic family-type business, Traditional family-type business, Enlarged family-type business and Open family type business (Montemerlo, 2004). (Figure 1)
A domestic family business has a strong overlap among ownership and management since it is run by the owner-founder, a single and absolute power, with paternalistic and authoritarian style of leadership (Iacobucci, 2009). The dimension of these companies tends to be small, with a simple and flexible organizational structure, mainly composed by family members, and a highly centralized governance in the hand of a single person. As a consequence of the domestic entrepreneur running the entire business on his own, the decision-making process is fast, and this kind of business shows a great ability in adapting quickly and effectively to the ever-changing market demands.
In the traditional family business, the ownership is concentrated in the hand of one or very few people and the dimensional range varies from small to medium-sized companies. Even though the governing bodies are completely controlled by family members, external collaborators offer qualified advice in firm management, in opposition to domestic family business. They fulfill family’s lack of skill with their expertise and play intermediary roles between shareholders, showing the gradual acceptance to open to external administrative

and managerial competencies. Moreover, it often happens that non-family collaborators, as they move to higher and challenging positions, begin to be perceived as true family members, gaining the confidence of the entire property and helping to stimulate the family company's growth with their professional skills.

The enlarged family business presents an extended proprietorship model, with firm's capital owned by 5-6 family members, including eventually non-family members as well. The dimension of the business varies from medium to large and the organizational structure is formalized, characterized by a well-established assignment of responsibilities at the intermediate level, flexible coordination and a cohesive business culture. This type of family firm tends to operate in wide markets, even at international levels, but it preserves the importance of family control in governing activities, as traditional family firms do. Generally, this system is run by both family members and professional managers, with a net separation of competencies: the family deals with technical core business activities, whereas the external managers are focused on managerial and marketing issues. This hybrid model ensures a balanced relationship between entrepreneurial and managerial culture, in which the creative intuition of entrepreneurs mixes with managers' rationality, leading to success.

The open family business generally includes from medium to large-sized companies, in which the ownership persists to belong to family circle, but the share capital and governing bodies are both extended to external partners. The organizational structure is increasingly complex, in order to face market challenges and achieve business goals. Including non-family partners inside the governing bodies can lead to conflicts with family members, as they experience a partial loss of decision-making power. For this reason, the family ownership is usually handed over external entities, such as control holdings or trust, to keep it separate from management, as it happens in large corporations where such separation occurs through managerialization, in order to facilitate the mechanisms of succession (Zattoni, 2006).

Figure 1 – Classification of Family Business



Source: Personal elaboration.

1.2 Global relevance of Family Firms

Generally, the term "Family Firm" is connected to small and medium enterprises which pass down from father to son and that are often considered marginal entities. However, this kind of definition is obsolete and reductive to identify a growing and widespread reality, with Family-owned business being key contributors to the global economy, with a great impact on country's GDP[2] and in terms of employment.

In fact, as claimed by Family Firm Institute[3], family business represents two-thirds of all the businesses around the world and generate more than 70% of annual global GDP. In Europe, according to data provided by the European Commission, family firms play a significant role, accounting for 60 percent of all the companies active in the territory, creating among 40 to 50% percent of the overall private employment (Ballini, 2020). In particular, a detailed analysis per country points out that Italy has a great contribution with 784.000 family enterprises, which constitute nearly 85% of the total number of business and 70% of whole jobs. These numbers referred to the impact of Family companies are in line with the main European economies, such as 80% in France and UK, 83% in Spain, with the highest statistics presented by Germany (90%), according to AIDAF[4]. Family business is the backbone of the American economy as well, comprising 90% of all the enterprises in the US, from the data provided by US Census Bureau. These firms together account for 64% of the US gross domestic product and generates about 62 percent of total jobs, reaching 78% of new jobs created.

As seen in the last paragraph, family firms are not a concept which is only related to small and medium enterprises, but also to the largest multinationals. The worldwide relevance of family firms, especially the greatest in terms of dimension and revenues, has led EY[5] and University of St. Gallen to introduce a related Index, which offers significant insights into the 500 world's largest family-owned businesses by revenues: the FB500. It is useful to analyze this index as indicator of the family firms' global distribution and contribution to the world economy. The majority of family businesses included in this index are public (51%), while 49% of them is still private. Moreover, they present average revenues for $15b and nearly 50 thousand employees involved in these businesses. In 2019, the geographical distribution of FB500 has barely changed from 2017, highlighting a stable trend, with almost the half of the largest firms located in Europe (46%), followed by North America (30%) and 94 Asian companies, accounting for 19% of the total. In particular, the most represented countries are United States with 122 enterprises, Germany (79), France (28), India (18) and Italy, with 17 firms included. The sectorial distribution shows that most of these family-owned company act in the Consumer products industry (31%), even though this value has strongly decreased compared to 2017, when it reached 40%. Indeed, the current age of transformation, has led to a growth of Advanced Manufacturing&Mobility companies (24%) and Smart Infrastructure ones, which have almost doubled from

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[2] Gross Domestic Product: the monetary value of all the finished goods and services made within a country during a specific period.

[3] The Family Firm Institute (FFI) is a global professional membership association for individuals and organizations that serve the family enterprise field. It owns the academic journal *Family Business Review* published by SAGE.

[4] AIDAF stands for Associazione Italiana Delle Imprese Familiari, founded in 1997.

[5] EY, also known as Ernst&Young, is a multinational professional services firm located in London, UK. It is considered one of the "Big Four" accounting firms.

35 to 68 companies, accounting an overall 14% of the index. Other business fields in which family-owned companies have a great presence are respectively in Energy (10%), TMT[6] (9%), Financial Services (8%), while only 4% of this family firm belong to the health and wellness sector.
The data reported have shown how family firms not necessarily comprise only small and medium companies, but they can also maintain a family status when reaching huge dimensions. They represent a fundamental role in global economy, as they highly contribute to the gross domestic product and private employment of each country, especially in the western world.

1.3 Generational change in Family Firms

The succession process in family firms is a sensitive and crucial issue. It concerns not only ownership and management transfer, but, and perhaps above all, know-how and values, knowledge and competences. Not facing it in time and with the appropriate tools, can put in serious danger the business continuity, by exposing it to deterioration and crisis, with several consequences on family too. Indeed, according to AIDAF's data, only less than one third of family firms survive to the first generational shift, with statistics reaching 15% when referred to making to the third generation.
The data presented highlights the urgency of this phenomenon and the need to face it with an adequate theorical support, able to examine the different variables involved and the levers on which to act. Indeed, to ensure company's competitiveness and continuity, it is necessary a proper planning of this shifting process from the entrepreneur to its heir, by evaluating risks and potential opportunities involved. In this way, it will be possible to interpret and manage the generational change as a development opportunity for family firms, not only referred to performance, but also in terms of knowledge enlargement, which can revitalize short and long-term strategies. This paragraph will introduce the literature contributions in the succession field with all the critical aspects connected to this phenomenon, in particular the ones regarding the different perspectives of the two generations involved and critical factors that affect process' success.

1.3.1 Literature overview

In general management literature, succession is the process which consists in replacing one leader with another (Bass, 1990), in which this transfer of power has the goal of achieving a renewal in the organization and its strategy. It is not a single event, but it consists of several phases that contain elements of preparation, integration, joint management phase and finally retirement of the predecessor (Cadieux, Lorrain and Hugron, 2002). Succession in family-owned business is different from the one concerning public firms because of the additional set of challenges given by its unique intertwinement of ownership and management. Succession process in family firms is not primarily governed by market values, but the relationship among family and

[6] TMT stands for Technology, Media and Telecommunications industry.

business, with the successor being selected to continue family tradition (Churchill and Hatten, 1987). Hence, the generational change results in succession in both company and family control.

According to the requirements highlighted, a definition of generational change regarding family firms which is considered exhaustive for the continuation of this thesis is the following:

"*The generational change is the process that leads to the shift in ownership and, eventually, in management's responsibilities from the current generation to the emerging one, with the aim of ensuring firm's continuity over time"* (Dell'Atti, 2007). In particular, in the family business field, the term "generation" represents a group of people with values, needs, attitude, experiences, culture and behavioral models relatively homogeneous within the group, but significantly different from the other similar groups (Modica, 1984). This generational shift is seen as a mutual role adjustment in which the incumbent and successor proceed through a series of role changes that consist in the transfer of leadership, experience, authority, decision-making power and equity (Handler, 1994). The terms "Incumbent" and "successor", need to be interpreted broadly, because they do not only refer to a shift from father to son, but it also includes relatives and external partners. Furthermore, the relationship among these two parties is a crucial issue for the overall success of the entire succession process since it may lead to conflicts inside the company or the family, and, for this reason, it needs a specific and detailed analysis (Leiss and Zehrer, 2018).

1.3.2 Multi-generational perspectives

The shift in family firm's management and ownership often leads to the contrast among the incumbent and the successor, as consequence of diverging mentalities, characteristics and competences. The following paragraph will analyze the different characteristic behavior of the two players involved in the succession process and the potential coexistence outcomes determined by their specific approach toward the incoming generational change.

The main factor that affects a successful generational change to the next generation is represented by the entrepreneur himself (Kets de Vries, 2003). Indeed, his values are strongly reflected on company's strategy, organizational structure and primary goals of the firm, with a consequent alignment among personal needs and company's ones. The incumbent is generally characterized by reluctancy or even inability to transfer control of the family firm to the successor, which is the most frequently referenced obstacle to succession (Sharma et al, 2001). The resistance to this sort of change is due to his fear of losing social position, status and identity, as a consequence of incumbent's attachment to the firm as an addiction, with all the subsequent negative outcomes (Kaye, 1996). Furthermore, the entrepreneur tends to be individualistic and fails in recognizing collaborators' competencies and delegating authority to other members of the organization, usually resulting in a lack of interest for a proper succession process planning or continuously delaying it, in order to avoid leadership loss (Leiss and Zehrer, 2018). In other situations, however, the incumbent is aware of the complexity of this process and he puts a constant effort toward a gradual shift of power for the successor,

represented by a progressive takeover in governing roles or through mentoring the next leader across a determined period (Long and Chrisman, 2014).
On the other hand, it is useful to understand behaviors that characterize the emerging generations. Sometimes successors, basing on the position held within the family, are eager to occupy positions of leadership with opportunistic strategies, aimed in obtaining power without introducing improvements in company's management. In other situations, new generations are impatient to have governing roles through which impose their innovative strategies that may be hindered by the incumbent, who is still anchored to his traditional view. However, recurring to an efficient communication, the successor can transmit the advantages achievable through his innovative ideas to the whole organization, leading it to an incremental growth (Leiss and Zehrer, 2018). It may also occur that the successor joins the company passively, without being determined to have a significant contribution to firm's development; while this case allows to avoid conflicts within the family, it causes a lack of flexibility in the business when facing market changes (Sharma et al, 2001).
The analysis of the typical behavioral issues related to the generations involved in the succession process allows to identify three possible outcomes of these coexistence: conflict, discomfort and agreement.
A conflict occurs when the incumbent is not willing to delegate his authority and the successor is impatient to reach a governing role in the firm; they both put emotions above rationality, determining negative consequences for the company and relationships within the family. On the other hand, the agreement area is the most desirable one. In this situation, the incumbent is willing to gradually introduce the successor in the business after having noticed the competencies developed by the emerging generation. A discomfort cohabitation can be caused by an individualistic entrepreneur or by a poorly motivated successor in occupying a governing role. It represents a complex situation in which both parties need to put effort in achieving a positive outcome that avoids a traumatic shift in company's control. The current leader should be open and cooperative by trusting and willing to share its power with the successor (Lazzarotti and Visconti, 2019). Moreover, a mentoring relationship for a determined duration is valuable in completing the succession process, as the incumbent partly transfers his experience to the incoming leader by guiding him throughout this process (Ibrahim et al, 2004).
In other words, the complexity of the succession process, requires a special effort from both generations involved in preparing to face it jointly. The incumbent has to be willing to mentor and supervise the gradual introduction of the successor inside the company; on the other hand, the latter has to be ready to join the organization by developing new competencies and innovative strategies that can be useful to foster company's growth over time.

1.3.3 Critical aspects for firm's continuity

As seen in the last paragraph, the succession process in family firms is characterized by several factors that are complex to understand and even more to face, because they add family relationships to the numerous economic and financial issues. It is clear how the succession process can sometimes be the opening of a new phase of development and greater prosperity for the future life of the company (Corbetta and Salvato, 2012). However, as already partly presented, this does not exclude that it can lead to inconsistent choices and, therefore, only representing an occasion for organizational crisis. In particular, it is possible to identify many critical aspects that will be analyzed thoroughly: organizational, legal, financial and relational aspects.

In the succession process which characterize every business, people who take over and leave the firm are often in different phases of their lifecycle in terms of success and satisfaction, with attitudes and values that are usually not aligned for a positive coexistence in the organization. For this reason, the choice of the successor is one of the main factors affecting the firm's continuity. However, this choice, in a conservative approach, is often led by the consensus this person has from family members, more than the competencies developed that can be brought to the organization, with business' dynamics coming after it. In this scenario, the preservation of family status and goals is more important than ensuring a renewal toward the whole company, resulting in an inefficient allocation of control because managerial competencies and entrepreneurial attitude are not necessarily transmittable from one generation to the next. Consequently, failing in managing leadership succession, not only harms the family wealth, but also all the stakeholders involved. Another approach, the pragmatic one, instead, is focused on business needs, with the aim of ensuring firm's survival. The successor designed is the one with the most suitable competencies' portfolio, but this change in leadership could be traumatic as well, since he could be rejected by the players involved because of its misalignment with family values and perspectives, which are deeply settled in the organization (Long and Chrisman, 2014).

From a legal point of view, in the generational change, the successor is not just the person who receives inheritance, but he is the one who takes over the role of entrepreneur. The ownership transfer to a plurality of heirs can determine a fractionation that makes control problematic by creating conflicts able to undermine the cohesion of the group representing the majority of capital. In other situation, the heirs are not interested in the management of the company but face difficulties in continuously monitoring its development for obtaining profits distribution. Tools and solutions able to protect the firm in this crucial shift can be identified in establishing a family holdings or firms with limited partnership, in which family maintains control over the company and avoid conflicts in the operating firm. The adoption of these specific tools will be deeply described in the following paragraphs.

Another critical aspect regarding generational change that the successor has to deal with is represented by the usually inadequate equity of family firms, compared to the real economic needs of the firm, which causes financial instability and little credibility towards financial institutions. Moreover, family firms usually experience a confusion between entrepreneur's finance and company's one, resulting in a lack of liquidity and efficient inventories management practices, that have to be faced by the successor to avoid the spread of the phenomenon.

When the successor introduces a new strategy to imprint his own identity to company's management it can be a shock for the organization, as its success is based on the relationship and integration of business resources, collaborators competences and family resources. These factors are resumed in the term *familiness,* which can

sometimes be the source of relational and managerial conflicts, becoming particularly critical during a generational change (Ensley et al, 2005). In fact, the main resistance to change often comes from family members or non-family collaborators who are concerned about a potential downsizing of their roles and the change in the symbiotic relationship among family values and the company, as effect of the new configuration. This family firm's specific behavior and decision-making will be thoroughly discussed throughout the whole thesis in relation to Socio-emotional wealth theory.
Concluding, the generational change is a very complex situation in the family firm's lifecycle as it has to deal with many aspects of the organization which can lead to the success or the crisis of the company. It does not imply only the ownership or leadership transfer, but especially knowledge, competencies and values. It is a multi-actor process that requires time and a proper activity of planning to be implemented progressively through interventions which act in synergy on the two entities involved: family and firm.

1.4 Planning the generational change

Despite the heterogeneity of family firms implies a wide number of adoptable solutions for a successful generational shift, the element in common is represented by the need for succession planning through the configuration of coherent interventions which involve both family and company. In this perspective, it is appropriate that the planning process does not identify a unique and irreversible goal to achieve, but it is preferable to outline the future framework for family and company, being sufficiently flexible to adapt to the events that will occur from time to time. This paragraph will provide an analysis of planning process' utility to achieve a successful generational change. Furthermore, it will present the different phases of this process, with the related relationship among family and business.

1.4.1 Planning utility

There is a general agreement in the literature that planning succession, as a long-term and systematic process, is crucial to an effective transfer of the firm from one generation to the next (Dyck et al., 2002). In particular, many researchers find succession planning to be the key to successful succession (Santiago, 2000). The strategic planning is the tool used by each company with the aim of outlining its own future identity and to establish appropriate routes to achieve it (Cassandro, 1978). It allows to determine future scenarios and to take every opportunity quickly through the allocation of necessary resources, in relation to the strategic goals to achieve. In other words, it implies a management not marked by casualty but intentionality, as the ultimate goal is to ensure the continuity of the company over time. In this way, the succession planning is configured as a supporting tool for the implementation of company's strategy (Gilding et al., 2015). However, the planning does not bind the strategy to rigid schemes, but the variability of management and the environment lead to a continuous evolution of the strategy, with a consequent review of the plan itself. The emergent strategy does not substitute the deliberated one, but, instead, allows to improve it (Mintzberg, 1987).

Therefore, it emerges an "logical incrementalism", with the constant adaptation of prefixed strategies to the changes of competitive context (Quinn, 1978).
In the generational change context, a proper planning allows to analyze the succession process in all its complexity, outlining from financial resources required, the future relationship with stakeholders, to the compatibility of succession's choices with company's strategic development. This analysis implies a prevision of the designed successor wants to achieve, his guiding principles and the prefiguration of organizational culture's path of evolution (Nordqvist et al., 2012). Resuming, succession planning helps leading to wise choices that are founded on company's past and present, the reasons of its success and family ambition.

1.4.2 Succession planning process

As discussed in the previous paragraphs, succession process is not a single event, but a sequence of phases that start from the entry of potential successor and it ends with the transfer of leadership position, with the aim of ensuring firm's continuity over time (Daspit et al., 2015). The need for generational shift comes from several factors such as company's dimensional growth, increase in number of members of family firm, manifestation of potential conflict risk, need for new managerial competences able to manage the change and so on.
Family members need to rely on external consultants with specific knowledge related to inter-generational change, in order to ensure a complete and successful change in leadership (Corbetta and Salvato, 2012). The goal is to adopt an inter-disciplinary approach, in which the professional contribution of each expert is integrated by internal collaborators and the participation of the owning family. The planning process is composed by three phases: definition of a common vision, transition design and monitoring of the transition.
The definition of the common vision is the result of the integration of the long-term values that distinguish the family. The second phase is aimed in formalizing the strategic orientation and defining specifically the solution to the generational shift, by outlining long-term strategic goals as well as operational actions. Then, the monitoring phase consists in implementing a systematic control of the intervention prefixed, which last even after succession's goal has already been achieved.
In particular, the second phase results the most complex and needs a further explanation. It consists in three different strategic plans referred to the areas which reflect stakeholders' goals in family business: management, family and ownership (Davis et al, 1989).
Management is interested in economic performance of the company, family sees the firm as a tool aimed in transmitting its own identity over time, while owners consider the business as an investment for remuneration. Anyway, even though these three elements are separated, they obviously present overlapping when referred to family business field, and each should be aimed in obtaining a final result that is not in contrast with the others, by identifying medium-long term goals for the company as a whole (Bigliardi et al, 2009).
The strategic management plan allows to choose and define the strategy for company's competitive development and the tools for operational control. The most suitable strategy comes from the prior diagnosis of the external context in which the firm wants to act, obtained by analyzing the most relevant macro-variables

and the industry attractiveness. Then, the analysis shifts into internal aspects of the business able to express strengths and threats of the company, such as resources and competences available, cost structure and financial management, with the aim of identifying and adopting the best strategy to perceive. In particular, this strategy has to consider the future vision of the family business, related to the effort and resources that the family intend to put in the business and that it is expected to have. Indeed, if the family does not have a clear future goal for the company, or is expected to dispose of scarce resources, it is recommended for it to be cautious in the market and avoid expansionary strategies and vice versa. Moreover, the strategic management plan is also useful in defining the organizational and financial structure that the firm will adopt in order to achieve the prefixed goals, to control internal productivity, to manage its relationship with stakeholders and to monitor periodically the performances of the implemented strategy (Ghee et al., 2015).

The strategic family plan defines the balance to be achieved and maintained among family and firm (Tomaselli, 2006). It includes the mentality that inspire the family in managing the company, allowing to understand if it wants to privilege firm purposes, family ones or both, as more desirable. This written plan is aimed in identifying the values which drive the family in managing the business and the effort the family wants to show to the stakeholders such as managers and employees. Outlining family intent in leading the company, keeping the bond with tradition and family cohesion, allows to express the reasons behind these choices, with family members more enticed in sticking with the plan. Other than family intent, this plan clarifies the necessary rules to ensure firm's governability and manage the generational transition. In particular, it defines the methodology to elaborate decisions and distinguishes the specific role of each family member in the firm, from those who actively participate in company's management to the ones who will only deal with capital ownership. The designation of successor who will take over the entrepreneurial power is one the most important activities that the strategic family plan has to deal with. Indeed, it is fundamental to avoid personal feelings and familiar consensus to design the successor, but he has to be chosen rationally after a deep analysis of his managerial and coordination competences, his education process, and by taking into account also the future evolution perspective and the lifecycle of the firm. Family plan also ensures transparency related to dividends, remuneration, promotion systems, fringe benefits, periodic meetings modality, systems and bodies that control and communicate the performance of the plan. In particular, periodical meetings between family members favor the reinforcement of their cohesion and the sense of belonging to the company (Ward, 1990). In other words, the rules included in this system allows to reinforce the stability of family firm's governance from generation to generation. This sort of code of conduct bind family members in meeting the commitments made, avoiding potential conflicts and coalitions where groups try to favor their own personal interests above the ones that allow firm's continuity (Zachary, 2011).

The strategic ownership plan defines the subdivision of family firm's capital ownership among the heirs, in order to ensure firm's continuity and the best results obtainable by investing company's assets. The majority of capital is often destined to the successor to allow him to preserve a strong leadership, with financial compensation provided for those heirs designed for marginal roles. It also outlines the remuneration for the

incumbent to guarantee an adequate lifestyle level after the succession process. The primary goal of the ownership plan is to predict future financial resources required to support the implementation of the desired strategy and to protect managerial balances.
Resuming, the preparation of the strategic plan and its communication to the external environment have to be interpreted as a formalization of family's responsibility in ensuring the continuity of the business and in managing relationships with all the stakeholders. In fact, the threats included in the succession process can lead the company to potential crisis that affects the family, which risk to lose control of the firm, and, especially, the community surrounding it, composed by employees, suppliers and customers. However, an adequate planning helps in setting firm's goals, the values which will characterize company's management, and the strategy to allow firm's survival in this critical phase of its lifecycle.

1.5 Managing the succession process

Once the succession process is properly planned, it is necessary to manage all the variables involved in this crucial process, in order to face its complexity and to achieve a successful outcome (Dalpiaz et al., 2014). In particular, this paragraph will provide a detailed analysis of the several factors affecting generational change in family firms, with a specific focus on culture and knowledge management through generations and the tools and strategies available for family-owned business to preserve their leadership and control over the firm.

1.5.1 Factors affecting generational change

Even though each family firm presents unique characteristics which distinguish it from the others, it is necessary to identify the principles and values that inspire company's dynamics within succession process, especially highlighting the intrinsic features of several factors and the way they affect the behavior of the actors involved in managing the generational change.
The first factor takes into account the specific characteristics of business' competitive environment as variable to show the different approach and attitudes toward the generational change, basing on potential competitive advantage achievable and defendable and the differentiation variables available (Corbetta and Salvato, 2012). When the market is fragmented, in terms of products and customer segments, firms have several differentiation opportunities because of their operational flexibility and quick adaptability to positioning in a specific niche or geographical area. However, firms do not hold a significant market share, preventing the possibility of consolidating a competitive advantage in it. In this context, the entrepreneurial formula remains constant toward generations, following a strategy focused on firm's continuity by improving entrepreneur's abilities and technical knowledge over time (De Mattè et al., 1993).
In markets with volume activities, competitive advantage comes from high productive levels and dominance in market share, achievable through economies of scale and scope and marketing strategies. The growing firm's complexity cannot be handled by a single person, leading to the need of creating a management body

with wider and more diversified competences able to ensure a complete vision of the company and guiding it to further development. In this context, it is necessary that the family provides an adequate education for the successor, which will bring advantages for the family-owned business in terms of motivation, managerial competences acquired and training costs. A similar educational effort is required for aspiring entrepreneurs involved in businesses with specialized activities. Indeed, each company tries to achieve a competitive advantage by differentiating its offer for its customer target from competitors' one. The ability of differentiating allows to apply higher prices to products and services, but obviously requires substantial financial investments and specific professional and managerial competences, for which the potential successors have to be properly prepared. Lastly, it is necessary to consider the businesses in which the activities are considered blocked, those mature contexts characterized by low economic performances, with negative economic and technological trend. Consequently, the succession process is required to be more radical, since the firm requires a complete transformation and not just a handover in leadership and ownership, but the creation of a whole new entrepreneurial idea (Long and Chrisman, 2014).

Other than business activities, it is useful to analyze how firm's lifecycle affect behaviors and decisions connected to generational handover. By considering firm's development as the lifecycle of a product, it is possible to identify four different stages: introduction, growth, maturity and decline.

Each of these stages strongly influences the management and, consequently, the succession process (Ward, 1990). The introduction phase consists in the launch of a new entrepreneurial idea, with substantial financial investments and high economic risk, as consequence of a lack in revenues return, but it is generally far from generational change. During the growth stage, instead, the company is establishing in the market, with revenues growing as effect of demand increase. In this context, a potential succession process should be gradual, in order to deal with a crucial moment of internal reorganization, and the positive trend of the company usually stimulates an optimistic and enthusiastic attitude for the successor, given the possibility to face transition costs in a period of great performances. The opposite happens during the maturity phase, in which competitiveness is tougher, with sales and margins compressed by the increase on the offer side. Shifting the attention from the competitive context to the succession could be fatal for company's continuity (Mastroberardino, 1996). Hence, it is crucial to initiate a planning process which involve both competitive strategies and succession ones, with the aim of setting fundamental guiding lines which could be helpful in the next development stage as well. Indeed, the decline of company's lifecycle leads to a resizing of the business, with two options remaining: leaving or stay in the market. In the latter context, the firm can adopt either an approach aimed in defending its position in the market, or in renovating entrepreneurial formula to go back on top. The renewal of the business idea can highly rely on energies and ideas of the potential successor, in a critical situation which would still be based on a functioning structure, requiring less effort than establishing a new one. However, the drastic reduction in product lifecycle has affected companies as well (Ward, 1990), with the need for multiple reformulations of the entrepreneurial idea during each regency, not linked anymore as an opportunity to take during the generational change.

The dimension of the firm is another factor that influences the way a generational handover is managed. Indeed, when referred to small businesses, all the players involved are members of the family, resulting in a simple and informal succession process. However, when the entrepreneur is characterized by a charismatic leadership in which the managerial competences are based on his natural abilities, they are difficult to transfer and it becomes difficult to keep the same relationship with the stakeholders, unless the successor joins the organization alongside the incumbent and gradually gains stakeholders' confidence. On the other hand, family-owned business with big dimension present a formalized structure which defines roles and responsibilities of each member. Therefore, when family is not involved in the governing body, the generational change will consist in a simple transfer of capital shares, while when family members take part to firm's management, the succession process will present a high degree of formalization, in which the heir joins the administration after planned process from his arrival, to his mentoring and progressive integration (Gilding et al., 2015).
The last factor considered in the way it influences the management of the succession process is represented by the organization culture, which expresses the specific identity of a company in performing governing activities, organizing human resources and managing the relationship with stakeholders. It influences the generational change because it encourages the successor to understand thoroughly the existing culture promoted by previous generations and to propose little and continuous changes to adapt it to his mindset, with the aim of being accepted by the whole organization and ensuring the success of the generational shift.

1.5.2 Knowledge transmission

As seen in the last paragraph, the generational change is a crucial stage in firm's lifecycle with effects on economic-managerial dynamics and on familiar relationships, with several factors affecting it. In particular, this paragraph is focused on a critical aspect represented by the transmission of the intangible factor able to constitute a source of competitive advantage: organizational knowledge (Duh, 2014).
The success of the company is based on the stock of knowledge that the firm is capable to develop and preserve; however, it includes only a part of data and information available, in particular only those that are less spread and accessible, and when combined, are actually useful in decision-making process, allowing to achieve a competitive advantage (Liebowitz, 1999). Therefore, one of the main obstacles the succession process has to deal with is given by the difficulty in preserving, developing and transmitting the knowledge acquired by the incumbent throughout his career to the successor, because, most of the times, it is implicitly kept by the entrepreneur without being expressed by company's information systems.
An interesting model identifies the transmission of knowledge through a circular process of interaction and conversion between tacit and explicit knowledge along four different phases: socialization, externalization, combination and internalization (Nonaka et al, 1997).
During the socialization, the tacit knowledge is converted into another tacit knowledge. The successor learns from the interaction with the incumbent by sharing working situation and technical abilities in an atmosphere of trust. The externalization consists in the conversion of tacit knowledge into explicit one, by explaining ideas

and personal competences through a clear and understandable language. In the combination phase, the explicit knowledge is converted is another explicit knowledge. Personal competences are incremented by recurring to physical and informatic support, meetings and conferences, resulting in a personal knowledge which is greater than the sum of single cognitions which compose it. Lastly, through the internalization, explicit knowledge becomes tacit. It consists in an individual cognitive enrichment of the successor through the explicit information that were available in the environment, generating a real increase in the human capital. Each phase of this model is necessary for the implementation of the others because each stage corresponds to the reaching of a superior evolutional level, in which individual competences become organizational knowledge (Nonaka and Takeuchi, 1997). Generally, the incumbent concentrates in his hands an immense set of knowledge, referred to company's business and relationships with stakeholders. The generational change in firm's leadership requires the implementation of a system able to formalize this knowledge and, hence, transmit it, in order to ensure the survival of the company. Despite this process involves the whole organization, father and son are the main actors included. In fact, the heir has a privileged position in acquiring strategic information directly in the familiar context, by discussing about future projects, marketing effort and diversification strategies and by having the opportunity to tap into the implicit cognitive wealth of his father. However, in order to transform this availability of information into a real transmission across generations, it is necessary to implement also a Knowledge Management system, that is a set of processes and technical-organizational tools aimed in managing information to favor knowledge creation. It consists in a wide set of company's historical data, a powerful search engine and an advanced technological infrastructure which have to be completed by an organizational culture that is learning-oriented, also called learning organization (Casalino, 2012).

1.5.3 Succession tools

The generational change is a physiologic and inevitable moment which affect firm's life and requires high levels of attention and an adequate management, able to avoid the outbreak of potential crisis which can become difficult to stop (Lansberg, 1983). It is fundamental to approach this phase of discontinuity with a proper planning process which allow firm's adaptation to an increasingly complex context and to experience this event as on opportunity for further growth. In particular, this section is focused on the presentation of the main tools and strategies available for family-owned business in succession process which contribute to an adequate management of this delicate stage, especially in preserving strategic control and reducing potential conflicts, by balancing the emotional-familiar sphere with the rational one connected to the business.

The first tool available consists in setting up a family holding, as a consequence of the increasing professionalization in company's structure determined by succession processes over generations. Indeed, the need for external managers with specific competences and skills able to manage firm's complexity, can lead to a reduction in family control on the company. This procedure produces benefits as effect of the separation among ownership, entrepreneur and management. In particular, the holding keeps the ownership of one or more operative companies and exerts control defining their strategic guidelines, by outlining a unitary decision in the holding's assembly. The operational management, instead, is entrusted only to those family members who have the competences and the ambition to fill the role, and to external partners, allowing, in this way, an efficient allocation of human resources in the firm. Furthermore, the family holding leads to the reinforcement of company image due to the family's aggregation capability, the improvement of credit rating, the ability to attract qualified human capital and, lastly, neutralizing heirs' opportunistic behavior when they are not interested in working in the family firm. From a financial point of view, it also ensures several diversification opportunities basing on the substantial amount of resources available for the whole family.

Another tool which can be useful during a generational change is the family buy out, especially when several heirs are potentially involved in the succession process; indeed, some of them could not have entrepreneurial or managerial competences to run the business, generating potential critical issues in the handover. This tool favors the ownership structure restructuring, by offering potential successor the right the leave the family business, without determining changes on control unitarity and harming its stability.

The last tool which will be considered in this analysis is represented by the family agreement. The entrepreneur ensures firm's continuity over time, through a contract, by transferring the whole or a part of capital owned to the successor/s considered most suitable to continue the business after his death. The goal of family agreement is to avoid heirs with poor motivation or competences to access the business and harm it by dividing the unity of family's control on the company (Andreazza, 2006).

Concluding, this first chapter has highlighted the relevance of family firms in global economy, by accounting for two-thirds of all the business currently active in the world. Despite the definitional issues which still partly characterize family-owned business field, it has been offer a thorough description and classification of the heterogeneity which distinguish family firms. Then, it has been introduced the inevitable phenomenon of generational change in family companies as a crucial and complex stage of their lifecycle, which can put in dramatic danger firm's continuity over time. However, with an adequate planning process which takes into account the relationship among management, ownership and family, it is possible to define the desired goal and implementing the strategy to achieve a successful outcome. These plans include the two generations involved and external managers with specific competences, by identifying specific roles to cover during the generational handover which can lead to a further development of the whole organization. Indeed, planning the succession process in time, putting the necessary effort and taking into account all the critical variables involved, allows to create a positive environment, with the successor gradually joining the company and establishing his innovative ideas to influence improvements in both family and business sphere. The incumbent fills a primary role in determining the success of this process, by mentoring the heir and guiding him in a process of integration among his specific competences and the necessary knowledge required for running the business. The current generation should communicate and transfer the experience acquired over time to the successor, as a requirement for overall success of the entire process. Moreover, it is necessary to use all the tools available to the firm, with the aim of preserving family control on the company and allowing only potential successor with the adequate competences and motivations to exert leadership on family company, in order to ensure firm's continuity and stability over time.

Chapter 2: Decision-making in family firms

After having analyzed the theme of generational change in family firms' field in the first chapter, it is necessary to shift the focus on another fundamental topic for the prefixed research, by presenting and describing the specific behavior of family-owned business in their approach within decision-making process, basing on the theoretical literature available.

In particular, this chapter will thoroughly discuss about the Socio-Emotional Wealth[7] theory, as the most recognized paradigm which differentiates family business as a unique entity and helps explaining family firms' distinctive behavior within their strategic choices. It will start from reviewing the main literature contributions on this concept in the last decades and how it fits with the already existing theories in the field. Then, it will provide a detailed description of the five dimensions that constitute it, collected in the FIBER scale; moreover, it will address the issue of possible direct measures of this construct, by offering various alternatives for its operationalization.

The chapter will continue with the analysis of positive and negative considerations related to the preservation of SEW in family firms' decision-making process. Finally, it will end with the detailed description of family businesses' tendencies in decision-making related to specific topics, such as diversification, innovation and CSR, which represent the highest number of contributions in family firms' literature. However, it is necessary to underline that this analysis takes into consideration that these peculiar strategies are the most discussed and are representative of a particular sample identified by scholars, but they are not able to capture a unique recognized strategy in the family business field, because of the heterogeneity which distinguish this particular organizational form from the others.

2.1 Socio-Emotional Wealth theory

Early studies in family business field were largely descriptive and suffered a lack of theoretical approach, but, as this field evolved, several researchers suggested paradigms able to examine issues which were idiosyncratic to family-controlled businesses. In particular, these paradigms were taken from other fields, such as financial economics and strategic management, including agency theory (Morck and Yeung, 2003), stewardship theory (Le Breton-Miller, 2006), and the resource-based view of the firm (Habbershon, Williams and MacMillan, 2003). Despite the extension and the adaptation of these formulations have allowed to derive important insights on unique features and behavior of family-owned businesses, the field still lacked a paradigmatic coherence because the theoretical interpretations were fragmented, and the descriptive findings are explained through a forced application of borrowed logic. In order to respond to this need, several scholars have proposed a new homegrown theoretical formulation in the family business field: the socioemotional wealth theory.

[7] "Socio-Emotional Wealth" will be also reported in this work through its acronym SEW.

2.1.1 Literature overview

The socioemotional wealth model was first formulated in 2007, with an article published on *Administrative Science Quarterly* by Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson and Moyano-Fuentes. This model represented the subsequent expansion of the behavioral agency theory[8], because it was aimed in integrating elements of agency theory with behavioral ones, to illustrate the peculiarities of family business in decision-making process. Fundamentally, this theory claims that firm's strategic choices depend on the point of view of firm's dominant principals, in a way that preserves the accumulated endowment. In particular, when referring to family principals, the preservation of SEW is even more emphasized, with problems framed on the potential consequences of certain actions on socioemotional endowment. Hence, in the case of a potential threat to that wealth, family principals take decisions which are not based on an economic logic, but they are driven by the preservation of the endowment, even willing to expose the firm to a higher risk.

"*The socioemotional endowment is conceptualized in broad terms to represent the stock of affect-related value that a family derives from its controlling position in a particular company, which includes the unrestricted exercise of personal authority by family members, the enjoyment of family influence over the business, and close identification with the firm that generally carries family's name*" (Gomez-Mejia et al., 2007). Therefore, this value is intrinsic and is anchored at a deep psychological level within family owners, whose identity is inextricably tied to the organization (Berrone et al., 2010). In fact, the SEW model highlights that main concerns regarding the entrepreneur, and in particular the founder, are represented by the preservation of family status and well-being, the sense of belonging and identity with the firm, in order to satisfy family's affective needs (Gomez-Mejia et al., 2007).

According to the logic of behavioral agency theory, every threat to SEW leads family principals to implement strategies able to avoid socio-emotional losses; hence, risk averseness to socio-emotional endowment takes priority over the averseness to financial losses. On the other hand, the agency model suggests that family principals are likely to avoid strategic choices connected with a substantial risk of financial losses, given that family's wealth has a strong tie with the business. In this way, behavioral agency is in contradiction with what basic agency predicts, when referred to SEW preservation, because the family will always opt for preserving the socioemotional wealth when strategic choices that reduce firm's financial risk imply the threat of jeopardizing that SEW (Gomez-Mejia et al, 2007).

Therefore, a more precise definition of the socioemotional theory states that: "*family firms are typically motivated by, and committed to, the preservation of their SEW, which is represented by non-financial aspects or "affective endowments" of family owners. In this formulation, gains or losses in SEW represent the pivotal frame of reference that family-owned companies use to make major strategic choices and policy decisions*"

[8] Behavioral agency theory is a model formulated by Wiseman and Gomez-Mejia in 1998 and followed by further publications by Wiseman, Gomez-Mejia and Welbourne in 2000.

(Berrone, 2012). Moreover, SEW is considered as the distinctive feature of a family-owned company, distinguishing it from other organizational forms; indeed, it represents an integral part of family principals and employees' lives, although non-family shareholders and external managers tend to have a distant, transitory and utilitarian relationship with it (Block, 2011).

In light of what previously said, the preservation of the Socio-emotional wealth is clearly a logic which is completely unrelated to economic criteria, since it relies on affective and emotional elements connected to relational patrimony and the overall legacy that the family hands down to the next generation (Zellweger et al., 2011). However, SEW theory is the most recognized theoretical framework in the family business field, and it will be adopted throughout the following chapters in order to deeply analyze and understand the evolution of family-owned business behavior in decision-making process across generational change.

2.1.2 Advantages of the SEW Model

After having described the main features of the SEW model, by recurring to the substantial contributions offered by scholars in family business field, it is important to show the insights deriving from the application of this construct and the way it fits with the already existing theories who have been used in the last years to describe family businesses' behavior.

The Socio-emotional wealth model allows to provide analytical interpretations of a great variety of family firm's phenomena and it provides several advantages to pursue future research in this field.

Indeed, this construct shows strong roots in the behavioral agency theory and it presents a solid conceptual base. Moreover, it is not in contrast to the main themes of the agency theory, which includes the possibility of an opportunistic behavior of family members, because their behavior is aimed in preserving their socio-emotional endowment, even if it generates financial issues.

The SEW preservation also allows to understand the inconsistent results with agency-based view (Anderson and Reeb, 2003) regarding family's risk preferences, with family members likely to face higher business risks rather than diversifying, with the aim of protecting their control on the company.

Likewise, socio-emotional theory is in line with stewardship theory[9] for collaborative behaviors and emotional aspects (Donaldson and Davis, 1997). However, it is opposed to the premise that family members ignore financial issues but, when the family is highly involved in the business, it is more willing to bear the uncertainty linked to specific strategies, given that this risk is counterbalanced by non-economic benefits (Berrone et al., 2010).

Despite the fact that "*familiness*"[10] can determine simultaneously negative and positive potential effects on the performance of the firm (Habbershon and Williams, 1999), the most relevant aspect for family firm's

[9] According to the Stewardship theory, the leaders of a family-owned business behave altruistically, empathize with the firm and their satisfaction is connected to organizational success (Le Breton-Miller, 2006).

[10] It is a peculiarity of Family firms which distinguishes them from the other organizations, as effect of family members' involvement and positive impact on business activities (Craig et al., 2005).

scholars is represented by the fact that SEW model is firmly based on and it is developed directly from the family business field of research. In fact, unlike other frameworks, which require the adjustment of their rationales to the family firm's dynamics, the Socio-emotional approach directly arises from the context of family-owned businesses, highlighting the plurality and variability of their goals over time which are driven by family's values (Nordqvist et al., 2011).
Moreover, besides having been developed internally to the family business field, this approach also gathers insights from the substantial researches published over the last decades in the family business arena. For this reason, "*having a homegrown theoretical framework provides legitimacy and positions the area of family business studies as a rigorous, distinctive and solid field, positioning the SEW model as a potential dominant paradigm in the field*" (Berrone, 2012).

2.2 Dimensions of SEW

As discussed previously, Socio-emotional model is an approach which firmly rely on the preservation of the emotional endowment of family owners, in particular family's desire to exercise authority, enjoyment of family influence, retention of a strong family identity and continuation of the family dynasty (Gomez-Mejia et al., 2007).
Consequently, this model is configured as a multidimensional concept and, for an adequate explanation of the theory, it is necessary to explore the dimensions which constitute it, with a detailed presentation and the provision of different alternatives in order to measure the construct directly.

2.2.1 FIBER Scale

The dimensions included in the SEW model are labeled as FIBER scale, which is represented by the following five dimensions: *Family control and influence, Identification of family members with the firm, Binding social ties, Emotional attachment of family members and Renewal of family bonds to the firm through dynastic succession* (Berrone, 2012).
Starting with the first dimension, it refers to the control and influence exerted by family members over strategic decisions, which is peculiar of family-owned businesses (Schulze et al., 2003). This power can be either direct, for instance when a family member is CEO or chairman of the board, or more subtle by choosing TMT[11] members; moreover, it can either be controlled by the single founder or by a dominant family coalition. Family members' authority to exercise control on the firm can derive from several factors, such as strong ownership position, ascribed status or personal charisma. Anyway, control and authority are relevant aspects of SEW and they are required to be continued to achieve the goal of preserving the affective endowment (Zellweger et al., 2011). For this reason, family companies tend to favor owners' direct or indirect control and influence over

[11] TMT is used referring to Top Management Team.

the firm's activities without taking much into consideration financial consequences, despite the latter can determine a loss of the affective endowment (Gomez-Mejia et al., 2007).
The second dimension is referred to the close identification of family with the business, which gives rise to a unique identity among family companies (Dyer and Whetten, 2006). Indeed, because of the inextricable tie between the identity of the owner of the family firm and the organization, which generally carries family's name, the firm tends to be perceived as an extension of the family itself by internal and external stakeholders. Consequently, on the internal side, this influences the employees' attitude and the quality of products and services they provide (Carrigan and Buckley, 2008). Externally, it leads family members to be significantly sensitive to company's image projected to customers and other actors such as suppliers and external stakeholders (Micelotta and Raynard, 2011). Therefore, previous studies suggest that the strong identification with the firm's name and potential public condemnation lead family firms to pursue high levels of socially responsible activities in order to maintain a positive family image and reputation (Sharma and Manikuti, 2005).
The firms' social relationships are thoroughly included in the third dimension of the model. In particular, family firms are characterized by relational trust, feelings of closeness and interpersonal solidarity with several different actors (Miller et al., 2009), which emerge from long-lasting relationships with vendors and suppliers, who may be considered as members of the family (Uhlaner, 2006). The same identification with the company is often attributable also to non-family employees, resulting in a special commitment to the firm (Le Breton-Miller, 2005), and can be extended to the community at large as well. These reciprocal bonds with family businesses lead them to pursue the welfare of the community surrounding them, even without economic gains, by sponsoring valuable associations and activities, either for altruistic reasons, to obtain recognition for responsible practices, or for both (Schulze et al., 2003).
The fourth dimension is referred to SEW's affective content, by highlighting how emotions affect the family firms' arena. In fact, emotional factor is recognized as a distinctive feature of family firms, as shared experiences and past events, regarding the owning family, tend to influence by shaping current activities and relationships (Eddleston and Kellermanns, 2007). This is attributable to the blurred boundaries among family and company in this specific type of business, with emotions permeating the organization and influencing the decision-making process (Berrone et al., 2010). Moreover, the emotional attachment encourages the sense of family legacy, because losing the company represents a very emotional experience for the majority of owners (Shepherd et al., 2009). However, emotional relationship may also determine a dysfunctionality in kin relation because, differently from non-family business in which persisting conflicts generally lead to the dismissal of the employee, family business' emotional bonds lead to the preservation of conflicting relationships with the hope of eventually returning to a harmonious condition among family members.
Lastly, the fifth dimension regards the desire to hand the business down to the next generations, as transgenerational sustainability is considered a central aspect of SEW (Zellweger et al., 2011). The sense of dynasty, that distinguish family-owned business, is seen as the key goal and it highly affects the time horizon of the decision-making (Kets de Vries, 1993). Indeed, a family shareholder does not consider the company

merely as an asset that can be easily sold, but it symbolizes family's heritage and tradition (Tagiuri and Davis, 1992) that has to be maintained by the family as a long-term investment and handed down to descendants (Berrone et al., 2010). For this reason, the goal of handing the business down to future generations stimulates the commitment in developing capabilities and continuous learning, even though it might foster undesirable consequences, mainly represented by succession conflicts.

Concluding, SEW model can be resumed in a five-dimension construct called FIBER scale, with each dimension referring to a different peculiar aspect of family's affective endowment. It includes from the control and influence that the family wants to exercise over the business, to the family's identification with the firm and the desire to hand the business down to the next generation, which is the most relevant aspect for the theme of this project. Each dimension affects the family-owned business in different ways, representing the guideline to understand better its attitude in the decision-making process.

2.2.2 Measuring FIBER dimensions

While the previous paragraph has offered a thorough presentation of the dimensions which constitute the SEW construct, it is now necessary to discuss about the various alternatives aimed in measuring directly these dimensions in an accurate manner, in order to ensure comparisons among future results and studies in the field.

The intensity of SEW model has always been measured recurring to percentage of ownership held by family members, given the direct proportionality among them, as SEW is enhanced when ownership increases. Moreover, increasing the level of ownership within family members, family obtains a greater level of influence on strategic business decisions (Miller et al., 2012), and consequently reinforces the dimension of SEW that regards control, the level of attachment, identification and emotional bonds among family members and the business (Gomez-Mejia et al., 2007). Nevertheless, using secondary proxies like the percentage of ownership held by the family can identify a valid approximation to SEW, but it does not capture its full spectrum of emotions and relationships, which varies among different family companies and within the same business over time, even with the same level of ownership (Hoy and Sharma, 2010). Therefore, family-owned businesses are not considered a group which share homogeneous interests, and, for this reason, SEW can be addressed better through surveys, content analysis, laboratory experiments, or case studies (Berrone, 2012).

Questionnaires and surveys are particular useful in studies regarding private family firms, unlike publicly traded ones which are mainly analyzed through archival data (Zellweger and Dehlen, 2012) in measuring the achievement of non-financial objectives. With the aim to capture the intensity of the five proposed FIBER dimensions of Socio-emotional wealth, these questionnaires rely on several items that capture individual perceptions of group attitudes, generated basing on modified versions of the items included in previous studies and other family business literature. For example, family control and influence can be measured through the portion of ownership hold by family members and by the presence of external managers in the board; on the other hand, family identification with the business is given by the sense of belonging to the firm.

Social ties dimension is analyzed through social activities promoted, the attachment to the firm can be assessed by the emotions and feelings involved in taking strategic decisions, while the renewal of family bonds by the importance attributed to the continuation of family legacy over time.

However, despite these items represent powerful tools, they present shortcomings as questionnaires may lead to bias, because of respondents' tendency in reflecting a personal image on their companies that is socially desirable (Golden, 1992).

Another approach to measure FIBER dimensions consists in using content analysis techniques by examining written texts like annual reports, interviews, press releases and other archival texts. In particular, this method allows scholars to study mental models, perception and beliefs which, otherwise, could hardly be obtained, basing on the fact that "*SEW is anchored at a deep psychological level among family owners*" (Berrone et al., 2010). Its use is increasing among organizational and strategic management because it is less obtrusive in capturing managerial cognitions, it avoids recalling biases and it is easy to replicate (McKenny et al., 2012). However, this approach requires researchers to use computer-aided content analysis to code texts and dictionaries generated by organizations, requiring a lot of time in order to ensure reliable data-coding and subsequent analysis. Resuming, content analysis might be a valid alternative to surveys in capturing FIBER dimensions, which constitute the affective endowment of family-owned businesses, and, especially, by exploring custom dictionary in literature publications, it allows an adequate comparison among organizational forms, in particular family and non-family companies.

The first alternative to recurring to quantitative methods for capturing SEW dimensions is offered by laboratory experiments. Indeed, this approach overcomes the limitation of causal inferences by constructing variables of interest, and subsequently manipulate them in order to identify the outcomes, especially referring to the preference of protecting the SEW even renouncing to confer economic gains to the family business (Gomez-Mejia et al., 2010). Anyway, preferring SEW preservation over financial objectives is not constant in every situation. Indeed, economic logic may take over in the case that family firm's actions aimed in protecting SEW lead the company to strategic choices which reduce firm economic value and threaten the emotional endowment of the company (Gomez-Mejia et al., 2011).

Case studies can also provide several information regarding the nature of SEW, even though they do not represent a measurement technique, since this methodology allows to understand deeper of certain dynamics of SEW behaviors. For instance, the goal of protecting SEW leads family-owned businesses to legitimacy and urgency to pursue better environmental behaviors, whereas non-family shareholders do not impose substantial constraints. Furthermore, as opposed to laboratory experiments in which phenomena are isolated from their context and require theoretical support, this approach highlights the real environment where phenomena happen, ensuring to understand and extend relationships between different approaches (Eisenhardt and Graebner, 2007).

Resuming, there are several valid alternatives for measuring the dimensions of the SEW model. While previous researches have deeply relied on the percentage of family ownership to measure the socio-emotional endowment, this method is not able to capture the full spectrum of emotions and relationships involved in a family business. Therefore, with their pro and cons, better alternatives in terms of time and effectiveness of the results are represented by surveys and case studies, which will be used in the next chapters to gather useful insights for achieving the purpose of the project.

2.3 Considerations on SEW approach

Socio-emotional wealth theory underlines how family-owned businesses tend to emphasize more non-financial goals rather than economic ones. For instance, goals like the protection of social status, familiar harmony and the desire to preserve family and business identity, become the main behavioral drivers of family businesses (Chrisman et al., 2012). In this perspective, the following paragraphs are aimed in highlighting positive and negative general considerations on SEW approach in family companies, setting a comparison with non-family firms when referred to the decision-making process.

2.3.1 Bright side

This first part will include some general positive effects determined by the preservation of the SEW paradigm in family businesses.

Many researchers suggest that the set of socio-emotional values lead to unconventional business strategies (Baschieri, 2014), allowing family firms to have better performances and to achieve a competitive advantage on non-family ones. According to literature contributions, concentrating ownership in family's hands and involving family in the management of the business, tend to mitigate agency costs (Jensen et al., 1983). Indeed, family presence in managing the business minimizes information asymmetry because of the overlapping among ownership and management and the subsequent alignment of interests (Chrisman et al., 2004). Furthermore, family ownership has a positive impact not only on the value of the company, but also on R&D[12] investments (Block, 2012), as effect of decisional flexibility. At the same time, it also stimulates the internationalization propension because of the "altruism" of owning managers for long-term projects such as the expansion in foreign markets (Zahra, 2003). In particular, long-term investments are seen as an opportunity which is strictly linked with dynastic succession, because they are aimed in preserving family wealth across generations. Other strengths of family-owned companies are represented by the high commitment of family members (Chirico, 2008) and the tacit knowledge of their own business, handed down from one generation to another, which they both represent inimitable resources (Zahra et al., 2004). These resources and entrepreneurial values constitute the relational social capital of the firm and lead the owners to the perception that their identity and reputation is strictly linked to company ones (Davis et al., 1997). For this reason, they present a strong desire of continuous improvement of the firm which symbolizes the values of the family, their history and culture (Berrone et al., 2012).

[12] R&D stands for Research and Development.

This intention is reflected, above all, in the long-term and trustful relationships with stakeholders like employees, suppliers and customers, which represent an important competitive edge (Steier, 2001). In fact, a proper communication of company's goals allows to reduce control costs, reinforcing employees' satisfaction, it ensures stable relationships with stakeholders and strong connection with the surrounding community. Moreover, family firms are more willing to put effort in social issues, as to preserve company's image and reputation, by favoring activities of Corporate Social Responsibility (Berrone et al., 2010).

2.3.2 Dark side

After having presented the main "bright sides" of the SEW model, it is also important to show the potential issues generated by this approach. Indeed, at the same time, the exasperated goals' pursuing determined by socio-emotional factors may lead to negative consequences in terms of financial and relational outcomes, jeopardizing firm's continuity over time (Kellermanns et al., 2012).

For instance, conflicts within family members or with external actors could harm company's wealth (Montemerlo, 2013). In particular, the tendency of family members to concentrate management in their hands may negatively influence the proactive behavior and productivity of non-family members. Indeed, the family is generally hostile when referred to evaluating a family member objectively and replacing him whereas an external manager could contribute to a better performance (Schulze and Kellermanns, 2015).

This is due to family altruism and the lack of an adequate governance mechanism which recognize a qualified and competent management body, potentially leading the family firm to a strategic decline and reduced performances (Le Breton-Miller, 2014).

The excessive attachment to the firm may became a constraint to growth and change, resulting in a lower tendency toward diversification compared to non-family companies, as effect of the aversion to hire external experts and to receive external capitals which could reduce family influence toward the decision-making process. Moreover, the excessive preservation of SEW determines a decrease in the propension toward innovation, since new products, technologies and markets diminish family authority and influence on strategic choices (Schulze and Kellermanns, 2015).

In other words, what makes complex to understand the dynamics of family-controlled companies is the different intensity of SEW dimensions, which can lead to favorable or not favorable outcomes regarding innovation, diversification and internationalization. Hence, values and goals of family firms are not completely positive or negative, but they are affected by the importance that firm's leader attributes to every single dimension of SEW, pointing out the heterogeneity that characterize family-owned business in each situation in which it is involved. Indeed, on one side, emotional attachment may foster cohesion in pursuing common goals, on the other side, it can hinder innovation activities to preserve entrepreneur's status quo. Similarly, the family can design one of its members as successor, rather than a more qualified external manager, determining worse performances and potentially harming firm's continuity over time.

2.4 SEW approach in family firms' decision-making

As discussed before, the preservation of socio-emotional endowment has several impacts on family businesses, both positive and negative, depending on the specific situation in which it is involved, and the external variables represented by the market.

For the continuation of this project, it is necessary to present in detail how SEW affects this organizational form in decision-making, focusing in particular on the attitude toward the implementation of diversification, innovation and CSR[13] strategies, which are the most salient and discussed themes related to SEW approach in family business field.

2.4.1 Diversification strategies in Family Firms

Several empirical studies have thoroughly analyzed the different attitudes in family companies' propensity toward diversification, by comparing it to the behavior of non-family businesses. In fact, business diversification is a controversial decision, as it underlines the potential conflicts between the several dimensions of SEW construct.

Having in mind that SEW preservation is ensured by the whole five dimensions included in the FIBER model, the two more influential and salient are represented by family control and the goal to hand the business down to the next generation (Strike et al., 2015). For this reason, business diversification can be considered as a double-edged sword, highlighting that pursuing the different goals that constitute it may be potentially inconsistent.

In some circumstances, diversifying a business portfolio ensures financial risk's reduction, by generating cashflows from multiple sources by entering in new product markets. Indeed, since family principals tend to invest a great portion of their wealth into the company, they can lower their personal risk by decreasing firm risk (Jones et al., 2008). Moreover, a diversification strategy offers the elements for firm's growth, enhancing the opportunity to survive in the long-term and to preserve family dynasty within next generations.

At the same time, diversifying may be considered dangerous for family's affective endowment, leading family owners to be averse to embrace these strategies that may reduce family control over the firm (Gomez-Mejia et al., 2010). Thus, diversifying the business is generally connected with the takeover of external players who may lead to family ownership's dilution, redistribution of power and increasing influence of non-family members, even determining the loss of family identity (Munoz-Bullon et al., 2017). In particular, it may involve external funding through new debt or stock issues and delegation by hiring more skilled and competent directors, increasing information asymmetry and reducing family control over the firm (Vandemaele and Vancauteren, 2015).

Therefore, diversification strategies in family companies consist in a trade-off among fostering firm's survival, through a proper management of risk, or compromising control retention and SEW goal. The family business

[13] CSR stands for Corporate Social Responsibility and it will be used throughout the rest of the project as easier way to express this construct.

literature suggested that SEW preservation prevails since each threat to the affective endowment is perceived as a major loss. Consequently, family businesses, especially those in which family members are strongly involved, are likely to incur in a greater risk for their performances to prevent that loss, resulting in a weaker diversification propension than non-family firms (Gomez-Mejia et al., 2010).

However, family businesses are not characterized by an absolute aversion toward the pursue of diversification strategies (Ducassy and Prevot, 2010), but diversification decisions generally vary due to heterogeneity of family firms, related to different family goals and generational stage, but this will be thoroughly analyzed in the next chapter.

Likewise, family ownership has a negative impact on the probability that a family company initiates an M&A[14] strategy (Defrancq et al., 2016). Indeed, while industry-diversifying acquisition may expose the family firm to an increasing risk regarding delegation of power to external executives, industry-focused M&As may be detrimental for family-owned businesses because they can achieve a too dominant position in the industry that immediately neutralizes the positive image and reputation conquered over time. The family firm's aversion toward diversification is significant also in internationalization strategies. Indeed, the increasing complexity of acting in broader areas and the inevitable increasing reliability on non-family members leads family-owned business to limit its international development when it puts SEW preservation at risk (Xu et al., 2019).

When referring to diversification, it is also necessary to discuss about family owners' behavior toward exit strategies (DeTienne and Chirico, 2013). Indeed, when a family owns a diversified portfolio of family firms, it is exposed to the possibility of divesting unproductive resources. In this portfolio context, according to SEW approach, family owners will show a greater attachment to the core business, rather than to the subsequent firms. Therefore, they will show reluctancy in divesting assets from the core business and they will be willing to facilitate succession of the latter regardless of financial analysis, even persisting with under-performing activities (Zellweger et al., 2012). At the same time, whether the family owner is in the situation of selling a subsequent business of his portfolio, obtained through acquisitions or new ventures, he will behave like a traditional investor, putting profit and value maximization over emotions (Iacobucci and Rosa, 2010).

Concluding, in light of what said above, family firms' propension toward the implementation of diversification strategies highlights the potential conflict among the five dimensions that constitute the SEW construct. For this reason, the strategic choices of family-owned businesses imply a trade-off between favoring firm's growth through diversification and keeping family's solid control over the business for preserving the affective endowment. The analysis shows family firm's aversion in running M&A strategies, in order to avoid hiring external executives who can obtain a dominant position inside the business and, subsequently, favoring the arise of agency costs. Referring to the exit strategies, family owners will always prefer to ensure to continuity of the core business, even at the cost of facing lower performances. On the other hand, when it comes to sell subsequent business of his portfolio, family members behave as traditional investors, driven by an economic logic.

[14] M&A is used to refer to Merger and Acquisition practices.

2.4.2 Innovation strategies in Family Firms

After having discussed about family firm's decisions regarding diversification strategies, the focus will be shifted on the propensity of family-owned companies to innovate the business according to the primary goal of preserving the socio-emotional wealth.

Several studies have investigated whether family influence for SEW preservation is positively or negatively related to innovation propensity, especially comparing family firms' attitudes to non-family ones. The results of these studies have shown multiple contradictions, with few scholars highlighting a positive correlation, while others have underlined a negative relationship in innovation activities. The reason behind this is attributable to the way family influence over the business has been measured; indeed, it has been oversimplified, being merely based on family ownership and control.

By an overall analysis of the contributions to the field of family companies, it emerges that "*family firms tend to be less innovative than their non-family counterparts, since they prefer to avoid the risk of failure associated with the new and untried"* (Gomez-Mejia et al., 2014). Family-owned business are often described as "*resistant to change, conservative and traditional*" (Melin and Nordqvist, 2004). Low business innovativeness go hand in hand with family dominance, because of family fear of losing control and aversion to financial risk connected with innovation investments, even if it ensures long-term survival (Bergfeld and Weber, 2011). Indeed, innovation strategies generally require the acquisition of external expertise from outside the firm and conceding more autonomy to specific-knowledge executives that generally do not belong to the family. Therefore, the preservation of SEW and, consequently, the control over the firm, can represent a higher priority than the innovation of the business with the aim to achieve firm's competitive advantage and its survival in the long term.

In particular, according to the "Ability and Willingness Paradox", family firms tend to innovate less despite they possess a greater ability in doing more (De Massis et al., 2014). This unwillingness to innovate originates from non-economic factors like risk aversion, reluctancy in sharing control or for being committed to traditional products. Thus, the majority of family owners show a greater ability in committing more resources to R&D, compared to non-family companies, but this tendency is mainly attributable to non-economic factors (Chrisman and Patel, 2012). For instance, the non-economic goal to maintain control on the technological development of the business, leads family firms in hesitating when it comes to acquire technologies from outside the organizational boundaries (Kotlar et al., 2013).

Several studies have relied on the use of patents as a tool to provide detailed information on the sources, nature and effects of innovation activities, considering them as a quantitative measure for innovation (Fontana et al., 2013). Despite the heterogeneous propension of family businesses, it has been demonstrated that the latter are less likely to patent than their non-family counterparts, as effect of their conservative behavior and risk aversion (Bannò, 2016). Indeed, patents require substantial investments, which generally lead to recur to external capitals and sharing information outside the organizational boundaries (Berrone et al., 2012).

However, there are also several reasons which may favor the patent process in family firms. Indeed, it can be adopted as a tool to increase family's reputation in the competitive context, to preserve the affective endowment and the long-term orientation, avoiding competitors to trade specific products involved in the patent for a long time (Tognazzo et al., 2016). This tendency is even more emphasized when referred to patent process in the subsidiaries located abroad, because of the higher amount of resources needed to face the uncertainty of global context (Calabrò et al., 2016). For this reason, in the case of a threat to their SEW, family owners tend to prefer decisions which favor internal control and avoid the spread of strategic information outside the company, resulting in a reduced flexibility in responding to development opportunities and international growth.

Therefore, likewise diversification strategies, the loss of SEW perceived as consequence of the potential reduction in control and influence over the business, leads family companies in being less prone in implementing innovation strategies. Indeed, despite the potential gain in terms of family image and reputation, family businesses are averse in communicating crucial internal information, such as patents, outside the company, and, subsequently, this leads to jeopardize their potential development and the continuity of the business over time.

2.4.3 CSR in Family Firms

Lastly, it comes to analyze family firm's behavior in the likelihood to initiate socially responsible activities for all its stakeholders.

However, before explaining how socio-emotional wealth approach affects family firms' decision-making in CSR activities, it is necessary to provide an exhaustive definition of what Corporate Social Responsibility actually is. One of the first definitions globally accepted by scholars was introduced by Carroll in 1979, who proposed a reconciliation among firm's economic and social orientation. Indeed, in his view, CSR embraced the entire range of business responsibilities, including namely economic, legal, ethical and philanthropic responsibilities. In this perspective, "*business organizations are created to produce goods and services with the aim of making an acceptable profit in the process, by complying with laws and regulations promulgated by governments*". At the same time, firms should perform activities and practices that are consistent with societal mores, expectations and ethical norms, even if they are not prohibited by the law. Moreover, beyond society's moral expectations, a socially responsible business should be active in promoting programs that improve human welfare for the stakeholders involved in the company and the surrounding environment in which it acts (Carroll, 1979). Today, CSR is strictly linked with the term "sustainability", referring to those practices that "*contribute to the enduring health of the firm, society and environment, and benefit all the stakeholders of the enterprise in the long term*" (Carroll and Buchholtz, 2014); for instance, they are represented by equity within employees' treatment, promoting fairness while dealing with customers, contributing initiatives of charity for the community, minimization of firm's ecological footprint, guarantee excellent production process, and ensuring fair returns for all the shareholders (Hart and Milstein, 2003).

Several studies have been conducted to analyze whether family-controlled businesses are more willing to be socially responsible compared to their non-family counterparts, basing on SEW approach for explaining family firms' strategic choices. Despite the prevalent assumption which sees SEW as a "prosocial and positive stimulus", because of family firms' tendency to achieve non-financial goals, it does not imply that family businesses are always more willing to implement CSR activities. Indeed, each dimension included in the socioemotional wealth's construct suggests a different attitude toward sustainable behaviors, underlining an ambivalent nature in the way family businesses conceptualize and implement CSR practices.

A substantial number of scholars involved in family business field suggests that "*family-controlled companies may be more socially responsible than firms without family ties, because of their need to create a positive image and a good reputation with the aim of protecting their assets in the long-term*" (Whetten et al., 2005). In particular, this need for a credible image is reflected especially on external stakeholders, such as suppliers, customers and the community in which the firm is involved, with the aim of establishing a long-lasting relationship based on reciprocal trust. This attitude is mainly attributable to "binding social ties" and "renewal of family bonds" dimensions of socio-emotional wealth approach.

Regarding environmental issues, it is possible to state that family-owned companies show better environmental performances compared to their competitors, with this divergence becoming even more evident in the case in which the company operates in a restricted area (Berrone et al., 2010). Indeed, firms embedded in smaller communities may have more stimuli for social cohesion and responsive behavior towards their members, as consequence of more closeness and less anonymity, since companies often carry family's name and the latter wants to ensure a long-term stability due to intergenerational aspirations (Cennamo et al., 2008). These strategic decisions represent a set of preferences such as the desire to establish a positive image to the public or meeting the family's affective needs, that fit the main objective of protecting the affective endowment of the family. In particular, family firms' attitude in implementing socially responsible actions is strongly connected by who controls the organization and how much value is connected with the achievement of social worthiness. However, a thorough analysis on CSR practices within polluting industries pointed out that having a family CEO does not necessarily imply better environmental performances, because family's presence in the Board allows to imprint its values in the strategic management as well. Furthermore, although pro-social behaviors expose the firm to a higher economic risk, family companies are more willing to value the legitimacy connected with environmental initiatives, especially if it simultaneously leads to a gain in SEW (Berrone et al., 2010).

However, SEW dimensions can present a positive or negative valence in the way they produce consequences for different stakeholders of family firms (Kellermanns et al., 2012), which the possibility to be "*socially responsible and irresponsible at the same time"* (Cruz et al., 2014).

In fact, when family owners consider to implement CSR initiatives, their primary motivation is represented by the desire of SEW preservation. For this reason, family owners' response varies according to the specific request of each stakeholder, in particular leading to a discriminatory behavior on non-family internal stakeholders through phenomena of favoritism and nepotism (Jaskiewicz et al., 2013). For example, family owners generally tend to pass over non-family employees for promotions, they are not inclined in hiring external manager and to provide an adequate executive compensation. Moreover, they are reluctant in delegating power to external chief executives, in order to exert permanent control over operations, as consequence of "family control and influence" and "emotional attachment" dimensions of SEW (Berrone et al., 2012). Promoting this irresponsible treatment may determine negative results at both firm and employee level because, as external managers cannot take part in the organizational decision-making, they feel to be treated unfairly and their potential underutilized, leading to lower satisfaction and commitment to their organization, suggesting the negative nature of the SEW construct (Kellermanns et al., 2012). Furthermore, since family firms tend to maintain total control, it can expose them to the increasing risk affecting firm's competitiveness and performance (Armstrong, 2009). However, family firms' goal to preserve their image and reputation, makes them more willing than non-family firms in responding to the demands of external stakeholders and, simultaneously, leads them to deter unfair behaviors toward internal stakeholders (Cruz et al., 2014).

In practice, when we refer to CSR activities, family-owned businesses, other than discriminating among family and non-family stakeholders, tend to show a different attitude toward internal and external stakeholders (Mitchell et al., 2011). Moreover, on one hand family firms tend to have fewer positive social initiatives than non-family companies, but, on the other hand, their comparison suggests that family involvement leads to have more social concerns, probably due to avoid image and reputational loss (Morck and Yeung, 2004).

Anyway, it is not convenient for the family to behave irresponsibly toward internal stakeholders, because it may reasonably damage family image and reputation, as effect of negative word-of-mouth publicity they can determine, even in the case the company simultaneously carries out positive environmental practices or help the local community's well-being. Indeed, because of the increasing power of social media, nowadays internal stakeholders contribute in shaping the external image of the family, by sharing their thoughts and feedbacks about their employer's behavior online, since irresponsibly practices against them have a fundamental effect on family's reputation (Cruz et al., 2014). Therefore, it is not possible anymore to distinguish among internal and external reputation for the family business to be considered a responsible corporate citizen. Moreover, companies that behave responsibly avoid the boycotting of their products and are facilitated in attracting high-skilled talents who, being the greatest assets of the firm and a potential source of competitive advantage, can contribute to the success of the firm (Zientara et al., 2015).

A consequence arising from this family businesses' attitude consists in claiming that family owners are willing to behave responsibly for self-interest, like already provocatively stated by Friedman[15] in 1970. Indeed, family firms involved in CSR practices use them more as a marketing tool which is useful in achieving business interests and to obtain reputational benefits, rather than an authentical commitment to pursue social improvement (Garay and Font, 2012).

[15] Milton Friedman in 1970 stated that "Social Responsibility of Business is to increase its profits".

Concluding, family firms' decision-making process is mainly influenced by the affective endowment of the family, called SEW model, and its preservation. This construct is the dominant paradigm in the family business field, with the majority of researches ran on family firms basing on it. It is configured as a multidimensional approach, that includes five dimensions, collected in the FIBER scale. Despite previous studies have strongly relied on the percentage of ownership held by the family to measure the SEW construct, various alternatives are more capable of capturing the full spectrum of this approach, in particular by recurring to surveys and case studies. The SEW approach seems to present simultaneously bright and dark sides on family owners' attitude toward decision-making process. In particular, family companies are less inclined in diversifying than their non-family counterparts, even at the cost of bearing a higher financial risk due to uncertain cashflows. Likewise, family companies show a lower propension in implementing innovation strategies, although they have the ability to do more, as claimed by "Ability and Willingness Paradox". In particular, this tendency is emphasized by considering patents as a quantitative measure for innovation, with family businesses less likely to spread internal information outside the organizational boundaries to preserve SEW, although jeopardizing their competitiveness in the global context. On the other hand, SEW approach seems to be a "prosocial and positive stimulus", with family businesses more willing to implement CSR practices, in order to achieve a positive image and a good reputation for the society, especially in the case they are embedded in smaller communities. However, the main reason behind socially responsible behavior is attributable to personal interest, rather than an authentic commitment to environment and stakeholders. Indeed, the implementation of CSR activities is considered a powerful marketing tool, with responsible behavior allowing the firm to obtain reputational benefits that increase company's value over time and ensure the continuity of the business in the long-term, to be handed down to future generations.

Chapter 3: Decision-making evolution across generations.

The previous chapter has provided detailed insights on family firms' specific behavior regarding the decision-making process, especially from the comparison among family companies and their non-family counterparts. It has highlighted the crucial importance of socio-emotional wealth preservation for family principals, even above the possibility to foster the growth of the business through recurring to diversification and innovation strategies.

However, the second chapter offers only a general perspective in analyzing family firm's behavior in making strategic choices, without taking into consideration the evolution of decision-making across generations, from the closest to the founder to successive ones.

For this reason, these chapter will be focused on presenting and describing the shift in family-owned businesses' attitude toward strategic decisions, basing on a crucial and complex event which is necessary and inevitable to every firm: the generational handover. In this perspective, the third chapter can be seen as the link between the first two sections, highlighting the relationship among the generational change and the decision-making process in family-owned companies.

In particular, it will start with the discussion of family firm's readiness and preferences related to the specific case of the succession process, basing on the data provided by global surveys on family businesses that have been done in the last years by major consulting companies.

Then, it will provide the latest and most relevant literature contributions connected with the trend of preservation of SEW across different generations, pointing out how the whole five dimensions change after generation after generation. It will also provide a distinction among the values of the founder and the ones of the subsequent generations involved in the management of the company, as the most complete explanation for the different strategic choices that are made.

Moreover, it will present the consequences of the evolution of the five dimensions that constitute the emotional endowment, with a deep focus on the willingness of latest generations to implement diversification, innovation and CSR strategies, that have already been presented in the second chapter, even though only on a general context.

The chapter will end with the formulation of the research questions related to the evolution of the decision-making process as consequence of the generational change in family firms. The research questions are based on the available contributions in the family business field regarding the shift in the socio-emotional wealth theory at different generational stages. Then, they will be tested in the next and final chapter of the project, by recurring to an empirical case study and supported by the survey.

3.1 Succession process data in Family Firms

As already shown in the first chapter, family-owned businesses represent the most ancient and widespread entrepreneurial formula in the world, covering a primary role in the global economic context.

According to the statistics gathered by Family Firm Institute, about two-third of the global enterprises are family firms, with data becoming even more relevant in Italy, where they represent the 85% of the whole businesses. Moreover, they contribute to the 70% of annual global GDP and offer nearly from 40 to 50% of the jobs.

While succession process is recognized as a fundamental stage of company's continuity over time, it is configured as an extremely complex phase, with about 30% of family firms surviving into the second generation and only 15% making to the third generation of family ownership.

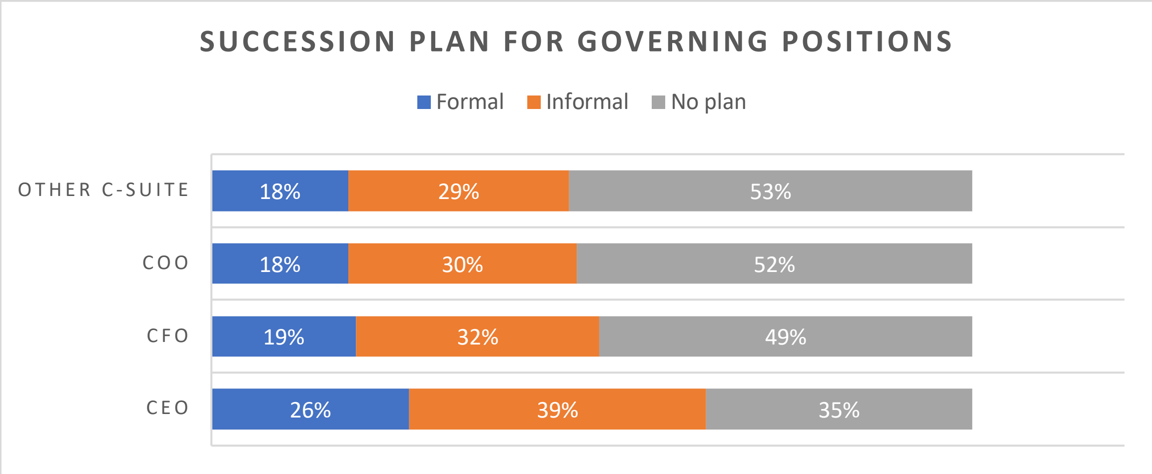
In this part of the thesis, there will be presented substantial statistics related to the level of preparation of family businesses to the succession process, in which generational stage the latter currently are, and the generation cluster to which the CEOs belong, basing on the data provided by Global Family business survey 2019 and Deloitte researches. Furthermore, substantial insights will also be provided on the belonging of the CEOs to the family, the recurrent choices regarding the retirement plan and the presence of a specific plan for the business succession. Then, the paragraph will be concluded by presenting several statistics on the tendencies in choosing the successor and the priorities of the latter when it takes the control over the family business.

Generational change is a challenging theme for family businesses since handing the control down to the new generation is a difficult moment for the entrepreneur who has governed the business for years and it may generate conflicts within the family itself. For this reason, several incumbents tend to postpone this moment until the very last. However, according to European Family Business, the theme of generational change will have a crucial importance for global family firms in the next 5-10 years, with a transfer of inter-generational wealth accounting for 15,4 trillion dollars, 3,2 of which only in Europe, involving more than 2 million Italian family enterprises.

Despite family firms show awareness of the incoming succession event, due to their peculiar long-term orientation, only 41% of the global sample feels to be prepared for the generational handover. The global survey has revealed that nearly 70% of the family-owned businesses lack a specific succession plan for firm's leadership. The most prepared regions for the generational change seem to be Middle East and Africa with 36% of them having a plan ready and North America with 33%. However, despite the absence of a succession plan in place, 47% of family firms have an emergency plan to face unexpected events, especially in North America where it accounts for 60% of the population involved, compared to the 37% in Latin America, suggesting regional differences among this phenomenon.

In particular, referring to Deloitte's global family business survey 2019, only 26% of the respondents have a formal succession plan for the CEO position, while 39% relies on an informal plan and the remaining part is completely has no ready plan for succession at all. These values even decrease when taking into account other relevant positions in the governing bodies of the business, as reported in the Chart 1.

Chart 1 - Succession plan for governing positions in Family Firms



Source: Deloitte Global family business survey 2019

According to data collected on Italian family companies, the existence of a formal succession plan for the CEO accounts for almost the half of the global statistics, with nearly 14% of the businesses included in the sample and 60% do not even consider to implement it, highlighting a lack of readiness for such a complex and crucial phenomenon. Indeed, through a proper succession planning it is possible to determine more favorable conditions within the business, which are able to reduce risk and potential conflicts, and to increase the probability of a successful handover that increment the value of the company.

Nowadays, the majority of the active global family businesses are at the first generational stage (41%) or at the second one (39%), with only 13% managed by the third generation and 7% by the fourth. On the other hand, data collected by KPMG on European family businesses show that 24% of the leaders belong to the first generation, 35% to the second and the 22% of the firms is managed by the third generation.

Another relevant analysis comprehend which generation cluster is currently covering the role of CEO in family firms, according to the same global survey. Almost the half of global CEOs (49%) are representatives of the Baby Boomers[16] cluster, followed by Generation X[17] with 27%, Millennials[18] (17%) and Silent Generation[19] (7%). This survey highlights how North America is the area where succession processes are more urgent, since 15% of the Executive Officers belong to the Silent Generation, more than doubling the global average. At the same time, Middle East and Africa represent the area with the biggest concentration of Millennials at the top of family businesses, with an average of 27%, and the latter are the ones with the highest level of education among the four segments, with the 39% of them having a Master's or a doctorate. Furthermore, regarding the tenure of the previous CEO of their family companies, the survey has underlined that about 65% of them has been the leader for over 16 years, with 20% more than 35 years, despite only 15% of them has registered a

[16] Baby Boomers includes all the CEOs who were born between 1946 and 1964.
[17] Generation X refers to the segment of the population born from 1965 to 1980.
[18] Millennials is used to refer to demographics that include people born from 1981 to 2000.
[19] Silent Generation represent the set of people born from 1925 to 1945.

tenure lower than 5 years. In particular, the majority of CEOs (53%) plans to retire between the ages of 61 and 70, with 27% of global respondents even over the age of 70. North America confirms its tendency to maintain the leadership until high ages by accounting a 40% who retires after 70. A salient insight is provided by the different ages in which the demographic cohorts plan to retire: Millennials show the preference to retire earlier in order to balance among work and life, by planning to retire before turning 50, while Silent Generation and Baby Boomers after the 60^{th} birthday. However, the 53% of global family business leaders do not have a specific retirement plan in place, even suggesting different performances across countries, with 87% in Italy and 63% of Spanish family firms, compared to the 42% in Central Europe, with 40% in Germany and 38% in Hungary, according to the survey.

Despite the evident inability of family firms to plan the succession process rationally and with the right time required, 35% of the respondents is evaluating the possibility to transfer the ownership of the firm to the next generation, while the 33% is planning to hand management responsibilities down. However, there are several relevant insights related to the choice of the next family business' CEO to be discussed, basing on KPMG data available.

Indeed, only 62% of the sample believe that the next Executive Officer or President of the Board will be a member of the owning family, compared to the 84% of the current statistics. Likewise, by referring to the largest-sized family companies, this value decreases at 52%, while current family members covering those roles are the 69%. This is mainly due to the growth of the company and the increasingly complex entrepreneurial environment, which lead family businesses in recognizing the need for a stronger management leadership, even recurring to executives who are external to the family sphere.

However, although the likelihood of future CEOs to be family member shows a reduction, it is still the predominant tendency within generational handovers in family business, with 37% giving high probability to keep the role within the family, 43% considering its medium likelihood and only the remaining 20% attributing a low probability of family leader.

In particular, it is useful to analyze deeper which kind of generational change is more likely to happen according to the family leaders interviewed. The most considered succession process, with about 46% of consensus, is the linear one, namely when the leadership in transferred from the current generation to the next, generally from the parent to the child. The second most considered in terms of probability to happen is the intra-generational succession (26%), where the incumbent and the successor belong to the same generations. The discontinuous succession, instead, when one generation is skipped in the leadership transfer, is likely to happen for 23% of the sample, while the reverse succession, which sees an older generation replacing a younger one, accounts only for the 5% remaining.

The decision regarding the selection of the successor in firm's leadership is perceived as the most difficult by 32% of the respondents, while the 29% have concerns about the motivation of the new generation. The main variable for the choice of the successor is connected with the level of interest shown in the business by the candidate (48%) and the most qualified among potential successors (23%), suggesting how self-commitment and competence are the most used criteria for such a complex and crucial decision. Another logic considered is the birth-order (12%), which is embedded in historical and cultural norms, especially in geographic areas such as Asia where it reaches 21% and Middle East and Africa with 18%. In particular, the data collected highlight that 45% of the current global CEOs are first-born, followed by second-born (27%) and third-born (13%).

In conclusion, despite the awareness of family firms about the incoming generational change in the next 5-10 years and the difficulty related to making to the third generation, only less than the half of the population feels to be prepared for this handover. In particular, about 70% of the global family companies admit the lack of a specific succession plan to face this phenomenon properly, with only 47% of them having a plan in the case of unexpected events. Nearly one-fourth of the sample has a succession plan for CEO position in place, while for other relevant governing roles it accounts for less than 20%, as shown in the Chart 1. This lack of preparation is even more evident among Italian family businesses, where only 14% is ready to face this process with a pre-determined plan. Almost the half of current Executive Officers belong to the Baby Boomers segment, compared to the 27% of Generation X and 17% of Millennials, who, on the other hand, show a higher level of education and competence in covering this complex role. According to the statistics collected, the family keeps the intention to hand the leadership down to family members, although this tendency is decreasing compared to the past, because of the increasingly complex economic environment that generally requires to hire competences from outside the family boundaries. The main criteria used to select the successor are the interest shown to the business and the competences acquired, while birth-order of the children seems to be less relevant, highlighting an innovative process in selecting the most suitable successor who can lead to firm's continuity and prosperity.

3.2 SEW evolution at different generational stages

While the previous chapter has provided a thorough discussion on how the preservation of the socio-emotional wealth is the main goal for family principals in the decision-making process, it has not provided a detailed relationship among the latter and the generational handover.

Indeed, the arguments which have been presented represent the general behavior of family businesses, without any referral to the generational phase of the company, and, thus, it has not highlighted how this construct evolves at different generational stages.

The socio-emotional wealth represents a key to the reading of generational handover, since it implies that the business is handed down to a family member in order to maintain and reinforce the affective endowment of the family itself. Thus, transferring the leadership to a manager who is external to the family would be seen as a loss of control and influence over the business. Therefore, family principals are willing to accept the risk of less-performing results to keep the control within the dynasty (Gomez-Mejia et al., 2011). It seems evident that SEW is a logic completely unrelated to economic criteria, but it is based on an affective and emotional endowment which is handed down from one generation to the next (Zellweger et al., 2011).

The transmission of values throughout the family dynasty implies their subsequent evolution over time. For this reason, the SEW is more influent whereas the control is in the hands of the generations which are closer to the founder, and, consequently, its level diminishes over time in the strategic decisions of latest-generational stages (Sciascia et al., 2014).

Indeed, feelings, emotions and the bond between the family and the business change not only among different companies, but also within the same firm, generation from generation (Hoy and Sharma, 2010). The level of socio-emotional wealth reaches its peak in the first generation, as the founder presents a strong identification with the firm and his goal is to hand the business down to the next generation in order to preserve familiar control over the business. Furthermore, in this phase, the bond between the family and the firm is particularly reinforced by the high involvement of family members in the ownership, government and management activities of the business.

Generation after generation, the desire to preserve SEW tends to weaken, while the pursue of economic-financial goals increases, as effect of an inferior emotional attachment to the family business (Arrondo-Garcia et al., 2016).

In particular, with a specific referral to the FIBER model introduced in the last chapter, this reduction in the affective endowment may be perceived as a lower interest for family members in exerting control and influence over the business and an inferior sense of identification with the family company. Moreover, this trend should result in a lower tendency to maintain relationships with the different stakeholders, in a lower emotional attachment of family members and the weaker desire to preserve the family dynasty at the top of the organization over time.

Several factors can be helpful in explaining this shift. For instance, ownership and management may be transferred in the hands of higher number of family members, generally belonging to different branches of the family. Their sense of identification with the business decreases, family relationships tend to be weaker and the probability of internal conflicts for pursuing the interests of their family unit against the whole family get higher (Sciascia et al., 2014).

In this situation, the main goal is to increment the economic wealth, overshadowing the protection of the affective endowment. The generational change to younger generations determines a positive effect on the profitability of those companies which maintain a high involvement of family members in the management of the business (Sciascia et al., 2014). In other words, the decrease in the level of SEW of latest-generation family companies leads to improved performances, when compared to the ones obtained by the founder (Arrondo-Garcia et al., 2016).

For this reason, the socio-emotional wealth construct is widely used to explain how the generational change can positively influence the development process of family businesses. However, these recent empirical evidences are in contrast with previous researches which came to the opposed conclusion, that implied a profitability reduction from the firm managed by the founder to the latest generations (Miller and Le Breton-Miller, 2006). On the other hand, other scholars have demonstrated that the generational handover can represent an extraordinary opportunity to requalify and relaunch the company, consolidating and renovating the entrepreneurial formula and identifying new sources of competitive advantage (Dalpiaz et al., 2014).

The assumption that socio-emotional wealth progressively reduces generation after generation will be used in the next paragraph to analyze deeply the different level of propension of successive generations toward the implementation of a certain kind of strategies in family businesses.

3.2.1 FIBER dimensions and the generational handover

In order to provide a proper explanation of the shift in the implementation of specific strategies across different generations, it is now useful, for the continuation of the project, to deepen how each single dimension of the socio-emotional wealth construct varies after the succession processes. Indeed, this theme has captured the attention of several scholars in the last few years, stimulating numerous literature contributions in the family business field.

It is logic to expect that all the five dimensions weaken after generational handovers, since the preservation of SEW is replaced by the pursue of economic-financial goals at latest generational stages, according to what claimed by Arrondo-Garcia and other scholars in 2016. However, this reduction in the overall level of the construct does not correspond to a lower intensity of all the five dimensions, but to an evolution of these values which characterize the endowment of young entrepreneurs, which require a thorough presentation in this specific paragraph.

Despite family businesses have always shown the tendency to firmly maintain the majority of ownership in their hands, with the aim of exerting control over the composition of the governing bodies, some relevant changes emerge in the independence from third parties (Lazzarotti et al., 2019). Indeed, the level of desire to preserve family's control over the firm's activities assumes a lower importance for the successor. For instance, the control of the family over the business can be maintained even renouncing to a small part of it, by recurring to unconventional external capitals, such as minibonds, of institutional investors who strongly believe in the project, to fund higher levels of investment which ensure and foster firm's development and growth. Likewise, in many cases, the family's subsequent generations are open to the acquisition of a part of the company's ownership by external entities that become strategic partners in the industry where they compete to integrate the business and improve the performances of their supply chain. Furthermore, new generations are more aware of the strategic opportunities of internationalization, by being more inclined to share the ownership with other partners in the creation of joint ventures and by recurring to highly competent executives in the management of the family company (Lazzarotti et al., 2019).

On the other hand, the level of the second dimension of the SEW, that is the identification of family members with the business, remains constant across different generations, contradicting Cruz and Nordqvist's prediction that this sense of belonging gets lower with successive generations (Lazzarotti et al., 2019). The preservation of the strong attachment of family members with the business consists in a high level of effort and commitment toward the development of the company, with firm success becoming a personal success. In particular, family members tend to create value for the community through transparency and quality of their products, which can be used as a powerful marketing tool for communication. However, although external stakeholders perceive the family business as a direct extension of the family, the young entrepreneur considers it as an independent entity, suggesting a small evolution of this socio-emotional dimension (Lazzarotti et al., 2019).

The third dimension of FIBER model, which includes the relationships with the stakeholders, is connected with the previous one. Latest generations are highly focused on keeping the existing bonds and, simultaneously, are aware of their importance. Moreover, they are even more inclined than their predecessors in creating new relationships with strategic partners, such as suppliers and customers, in order to collaborate in development, innovation and social activities, as a crucial source for competitive advantage.

Opposed to this trend is the emotional attachment among family members. Indeed, subsequent generations have a more distant relationship with the family sphere when it comes to make strategic decisions, being less driven by emotions than previous generations. Therefore, younger entrepreneurs show a greater preference for the professionalization of the family business, by recurring to external managers who possess high competences and the ability to work in a group, independently from the needs of the family that is seen as separated entity. As consequence, the needs of the firm have a greater priority than family ones, resulting in a decision-making that is influenced more by the pursue of economic goals rather than by emotional attachment among family members.

Lastly, it is going to be discussed the desire to preserve family dynasty in the long-term. The evolution in this dimension is represented by the preference to ensure the continuity of the business in the long-run, not necessarily guided by the owning-family. Indeed, despite the unchanged desire to preserve the family business as a long-term investment for future generations, the successive generations have the primary goal of ensuring the viability of the firm, as an entity that creates value and occupation. Thus, if it is necessary for firm's survival, the family is willing to sell the ownership held.

In conclusion, it is possible to claim that some specific dimensions which constitute the socio-emotional endowment of the family vary more than others. Indeed, while the emotional attachment and the control exerted over the business show a decrease, determining a more rational decision-making process, other dimensions are reinforced by the generational handover. For instance, younger generations are more focused on establishing solid relationships with external stakeholders as a strategic source of competitive advantage that can lead the business to a further growth. What emerges from the evolution of socio-emotional values is the gradual process of distinction among the family and the business, which lead to mainly positive outcomes, as the major level of commitment and professionalization in the company.

However, it is useful to underline that the evolution of the values that have been presented is not necessarily the unique path for these dimensions. Indeed, the behavior of the single young entrepreneurs is combined with the family business in a unique and original way, contributing to the heterogeneity of this specific kind of organizational form.

3.3 Decision-making evolution

This paragraph will be focused on describing how decision-making process changes across different generations that takeover the leadership in family firms, as a consequence of the evolution of the socio-emotional values presented before. This analysis relies on the assumption demonstrated by several scholars and presented in the last paragraph that the level of SEW decreases from the founder's generation to the latest generational stages, leading to a major pursue of economic-financial goals, rather than protecting the SEW at all costs as in the early stages of the business.

In particular, the discussion will provide the detailed description of the consequences regarding how family businesses make strategic decisions in specific contexts, such as the implementation of diversification, innovation and CSR activities, which have already been discussed in the previous chapter, even though as a merely general behavior that did not include the generational change as a variable.

3.3.1 Diversification strategies across generations

While the second chapter has highlighted a lower tendency within family firms in the implementation of diversification strategies, compared to their non-family counterparts, it is now necessary to analyze, according to the available literature, whether the evolution of emotional values leads to a shift in the making of these specific strategies.

Several researches in the family business field have highlighted different approaches among first-, second-, and later generation companies in the way they make strategic choices and influence the development of the business (Bjornberg and Nicholson, 2012). In particular, since founders have established the firm, they have a considerable status in influencing company's decision-making. The latter reflects their set of personality and values which are generally shared also by the other family members, who are emotionally attached to the founder (Vandemaele and Vancauteren, 2015). For this reason, the decision-making process in the founding-generation is usually "centralized and personalized" (Cruz and Nordqvist, 2012). Furthermore, given that founders' personal wealth is closely related to the business' one, the first generation perceives a greater loss of SEW than later generations, contributing to shape an anti-diversification culture (Sciascia et al., 2014). Indeed, the desire for SEW preservation is strongest in the founding generation, resulting in the reluctancy to delegate power to external executives to diversify the business into a different industry, in order to avoid the erosion of control exerted by the family over the company. Moreover, this conservative behavior is also attributable to the complexity and the uncertainty connected with the implementation of strategies for diversifying the family firm.

However, this goal of protecting the family influence weakens with the evolution of the business, with later generations supposed to focus more on expanding the business inherited from the previous generation. Although they keep SEW protection as a policy for their leadership, the desire to maintain control over the business decreases, and it is increasingly replaced by the goal of preserving and transferring a successful business to continue the family legacy (Strike et al., 2015). This shift in the investing horizon from the short term to the long term implies a higher willingness of the successive generations to promote diversification strategies which ensure the growth in the value of the family business over time. Indeed, diversification offers a huge potential for reinforcing the family firm with the entrance in new product markets, in new geographical areas or in new industries, with the aim of having a legacy to inherit for future generations. In this way, the implementation of diversification strategies may lead in hiring external managers to improve the professionalization of the management and to ensure the continuity of the company, in contrast with the loss of family influence which is the priority of first-generation. Furthermore, it allows to generate new capabilities and more engaging career opportunities within family members who will have active roles in the family firm in the future (Munoz-Bullon et al., 2017).

In particular, this decrease in the need of maintaining exclusive control of family members on the business results in a higher propensity to implement M&A strategies. In fact, despite the potential arise of principal-agent conflicts, the acquisition of industry-related companies or the entry in new industries through already existing and operating firms allows to foster the value of the family business by reducing the risk related to the generation of cashflows (Defrancq et al., 2016). Similarly, family businesses are willing to renounce to part of the control over the business by allowing third parties to acquire part of the ownership held whether this operation leads to a further development of the company (Lazzarotti et al., 2019). At the same time, the increased interest in developing the business through third parties leads family companies to internationalization strategies which usually recur to the creation of joint ventures abroad.

The evolution of socio-emotional values across generations leads also to a shift in the strategic choices regarding exit strategies. The previous chapter has highlighted that family businesses tend to favor the succession of the core business, even in the case of underperforming activities, while family principals behave like traditional investors when it comes to manage subsequent businesses of the family portfolio (DeTienne and Chirico, 2013). However, when the leadership is in the hand of successive generations, they tend to pursue exit strategies in terms of sale or asset liquidation (Salvato et al., 2010). Indeed, they look for higher performances returns to reinvest into other entrepreneurial activities outside or within the family. For this reason, latest generations behave as traditional investors even in the case they are core businesses of the family portfolio, using financial-based exit strategies to leverage the gains into other businesses, divesting unproductive resources into more productive companies (Corbetta and Salvato, 2012).

In conclusion, in contrast with the conservative aversion of early generations to promote diversification strategies in order to avoid the loss of control over the business, successive generations are less emotionally attached to the company and they lead to a shift regarding the preferences toward decision-making process.

Indeed, younger members of the family have less concerns about imposing their influence on strategic choices, in exchange for a more valuable and successful business to transfer to future generations, with the aim of ensuring the continuity of family dynasty. In other words, generational change determines a shift in the investment horizon, from the "affective" short term of the founders, to the long-term value pursued by successive generations.

This tendency is also evident in the greater propensity toward the implementation of M&A strategies, where successive generations are able to generate a higher level of company's value, by acquiring or merging with already existing firms with established cashflows.
Furthermore, the evolution of the socio-emotional values suggests also a shift in the exit strategies regarding the core businesses of family portfolios. Indeed, despite the desire of family principals of the first generation to favor the succession in the core business even if it showed underperforming results, the latest generations are more driven by the economic logic and they are willing to divest also the core business of their family portfolio to reinvest these capitals in activities with higher returns.
The higher propensity of latest generations to implement diversification strategies allow them to be more able to attract financial resources from outside the organizational boundaries and they are more willing to improve the professionalization of the managing and governing bodies of the family business, even exposing it to the threat of agency problems, by hiring external executives with the adequate competences and knowledge to manage a larger-sized company and to promote diversification.

3.3.2 Innovation propensity at latest generational stages

Similarly to what discussed about diversification strategies, family businesses show a general aversion in promoting innovation activities compared to non-family firms, as a consequence of the potential reduction in control and influence over the business, which are perceived as a major loss than the possibility to grow that these strategies enhance.
In fact, despite the potential benefits in terms of family image and reputation, and the ability to do more expressed in the "Ability and Willingness Paradox", family companies are not willing to communicate crucial internal information, such as patents, outside the organizational boundaries.
There is not a unique thought about the evolution in the propensity to innovate in family business across generations. In particular, some scholars suggest that latest generations are more innovation-oriented, being carriers of new entrepreneurial opportunities, since they provide new ideas, knowledge and resources. In this way, they favor the change of beliefs and attitudes of the organization and promote innovation activities which are crucial for firm's continuity over time (Hauck and Prugl, 2015).
However, on the other hand, some opposite evidences have been reported. Indeed, because of the increasing goal to maintain the status quo, successive generations are considered less prone to innovate than founding ones (Beck et al., 2011).
In order to solve this conflict in the literature contributions and to go further with the goal of this project, family businesses' willingness to innovate will be analyzed through the evolution of SEW factors across generations.
Successive generations have less concerns in maintaining the control over the family business and regarding handing business down to future generations at all costs, but they are willing to renounce to part of the influence on strategic decisions in exchange for a more valuable firm in the long term (Lumpkin and Brigham,

2011). Furthermore, the latter show a lower emotional attachment to the firm, especially in the selection of managers who will constitute the governing roles, since they are conscious that making these decisions basing on emotions and affective factors may harm future results of the business. This tendency highlights that it is increasingly important to have adequate competences, over the status of family member, for covering such crucial roles in the firm.

Subsequently, the evolution of the socio-emotional values in younger family members and the higher level of knowledge given by the competence-based selection of executives, implies a less conservative behavior compared with previous generations, and an enhanced willingness toward the implementation of innovation strategies within family businesses (Lazzarotti et al., 2017).

Likewise, the same trend has validity when referred to the propensity of family firms toward the patent process, both internally and through abroad subsidiaries. The previous chapter has provided useful insights regarding the aversion of family-owned businesses in pursuing innovation activities through patents, due to the need for substantial investments and, above all, sharing internal information outside the firm, despite the source of competitive advantage and development opportunities offered by these practices (Bannò, 2016).

However, recent studies have underlined how the inclusion of young successors, with a higher level of education and more open to innovation activities, determines positive effects on the propensity to implement patent processes (Bannò et al., 2017). Indeed, the presence of successive generations is considered a source of discontinuity and entrepreneurial renewal for their ability to attract and rely on more competent managers who are able to manage increasingly complex activities and information. This ability of younger generations usually leads to overcome the conservativeness and risk aversion of family principals and promotes a dimensional and innovative growth, even in the international context, by being more willing to introduce patents also in the subsidiaries which operate abroad (Bannò et al., 2017).

Another aspect that is necessary to analyze is represented by the tendency of family businesses to initiate open innovation activities. The phenomenon of "open innovation" is associated with the development of innovation strategies by recurring also to resources and competences that are external to the firm, as consequence of the scarcity of internal ones and the high level of investments required. In other words, it consists in the collaboration in the innovation process among at least two parties that cooperate to achieve a common output. The early generations are less inclined in pursuing such collaborative relationship with external partners, especially in a critical activity such as the innovation process, due to their primary goal of preserving internal information and to maintain an independent control over the business (Kotlar et al, 2013). However, the gradual decrease of young entrepreneurs' emotional attachment to the firm allows to make decisions based on an economic logic, which comprehend to possibility to collaborate with customers and suppliers in the pursue of innovation activities that represent a crucial source of competitive advantage for family businesses and foster firm's growth (Brinkerink et al., 2017).

Resuming, despite generations closer to the founder are less willing to promote innovation activities in family business, as effect of their primary desire to maintain control over the business and to keep crucial internal information inside the organizational boundaries, the evolution of socio-emotional values across successive generations leads to a shift. In particular, younger entrepreneurs of family companies are less emotionally attached to the firm, and, being more innovation-oriented, they are more willing to delegate part of their power over firm's activities, in order to foster company's growth and, subsequently, its value. For this reason, successive generations show a higher propensity in initiating cooperative relationships with external partners and recurring to more competent executives in managing such complex and critical operations. This tendency is also confirmed in the willingness to promote patent processes and open innovation activities that, despite the partial loss of independency to third parties and external resources, allow to foster firm's development and growth and, consequently, to hand down a more valuable business to future generation, with the aim of continuing the family dynasty.

3.3.3 CSR strategies in successive generations

The previous chapter has introduced the SEW approach as a mainly "prosocial and positive stimulus", implying that family-owned businesses are more willing to promote CSR practices than their non-family counterparts. Indeed, a socially responsible behavior allows to achieve a positive image and a good reputation for the society, especially when the family company is embedded in small communities. However, the analysis of CSR implementation has also highlighted how this tendency works differently when referring to external and internal stakeholders, with the latter who are "mistreated" if not belonging to the family in the particular case of compensation and career opportunities. This attitude is mainly due to the goal achieving personal interests, rather than an authentic commitment to environment and stakeholders, since the implementation of CSR activities is considered a powerful marketing tool to obtain reputational benefits from customers and suppliers that foster firm's growth (Garay and Font, 2012).

Despite this general attitude toward the implementation of CSR strategies, it is now necessary to deepen the analysis on the impact of the evolution of socio-emotional values across generations and the consequences it has on the promotion of socially responsible behaviors. Indeed, the major desire in achieving economic-financial goals, rather than emotional ones, let us suppose that the effort in the implementation of sustainable practices decreases across generations.

However, according to the evolution of the five dimensions of the SEW construct proposed in the previous paragraphs, the identification of family members with the business remains constant across generations and the desire the continue the family dynasty is reinforced throughout generational handovers. Therefore, the commitment of family members to achieve success in the competitive context and to transfer a more valuable business to the future generations, leads family firms to practices of transparency and quality (Cennamo et al., 2008). This quality and transparency can be reflected in the production process, with high level standards in the final products or services and in meeting the promises to the customers. At the same time, it can be measured also through the activities promoted by the family company in protecting the external environment, in terms of emissions and a more conscious use of resources, which allow to improve family's image to the eyes of potential customers. Furthermore, it may include the promotion of activities which favor the growth and the inclusion of the community in which the family business is embedded. The responsible behavior promoted may consist also in ensuring safety and equitable treatment to family and non-family members of the business, which are generally included in phenomena of nepotism within family-owned businesses (Jaskiewicz et al., 2013). In particular, all these practices discussed represent a powerful marketing tool and concur in creating a positive image and reputation for external stakeholders toward the company.

Young entrepreneurs are aware of the benefits coming from sustainable practices, especially as a source of competitive advantage in this increasingly complex economic environment (Lazzarotti et al., 2019). The strategic relevance of promoting CSR activities implies at the same time a fair treatment of internal stakeholders, such as employees, who are considered as crucial resources, not as mere employees. Indeed, the increased ability of family firms to attract collaborators who offer a higher level of competences allows to foster growth opportunities of the family businesses, suggesting a major shift toward the professionalization of family firms across generations (Zientara, 2015).

In sum, despite the decrease of emotional attachment of latest generations in family business should hypothetically result in a reduction in the implementation of CSR activities, it does not correspond correctly to the several scholars' contributions in the field. Indeed, the reduced desire of family members to exert control and influence over the business activities favors the joining of external executives with more competences. For this reason, internal stakeholders seem to be more involved in the business, against the phenomenon of nepotism which usually characterize family firms. Moreover, the goal of handing a more valuable company down to future generations improves practices of transparency and quality toward external stakeholders, such as customers and suppliers, who become also crucial partners of the company. On the other hand, the increasing interest for the achievement of economic-financial goals in successive generations, over the preservation of the affective endowment, let us suppose that latest generations of family principals are less interested in the promotion of socially responsible activities, in particular regarding the environment.

3.4 Formulation of research questions

The majority of previous studies which focused on the evolution of decision-making process in family business across generations have relied on the Socio-emotional Wealth theory as the dominant paradigm in this specific business field. Indeed, it is the most suitable construct to analyze the way strategic decisions are made in this particular organizational firm, since this approach naturally arises from this business field, without the need to be adapted to family firms as the previous theories.

However, despite the few recent contributions claim that the five dimensions which constitute this construct decrease from generation to generation, SEW includes only affective factors, which are more difficult to measure compared to financial ones, since they are more qualitative than quantitative.

Subsequently, the available literature is still lacking a common and shared perspective about the evolution of this multi-dimensional paradigm across generations. Therefore, in order to provide a more detailed analysis of the shift in family firms' decision-making, it is necessary to start by verifying and measuring the real trend of Socio-emotional Wealth dimensions across generational change with the first research question:

Research Question 1: *Does Socio-emotional Wealth's intensity decrease from the founder to the latest generational stages?*

At the same time, the analysis of the evolution of family firms' decision-making from generation to generation is quite recent and it has provided only few studies and theories able to capture the generational differences and the heterogeneity of this organizational form.
For this reason, with the aim of offering a clear and universal theory of this evolution, specific themes of decision-making will be tested through the following research questions. In particular, the discussion about the tendency of family businesses to diversify at different generational stages is still open, despite highlighting an increased willingness, due to the contrast among the multiple dimensions of the SEW construct.

Research Question 2: *Are latest generations in family firms more willing to diversify than generations closer to the founder?*

Likewise, family companies' propension to initiate innovation activities seem to increase with younger generations, as effect of the less interest in exerting control and influence over the business. Indeed, by attracting more competent external managers over family members, family firms are more able to manage R&D and patent processes, resulting in more valuable businesses to be handed down to future generations.
However, the heterogeneity of family firms has not allowed yet to formulate a universal thought on this theme. Subsequently, the third research question will be focused on investigating the trend about the promotion of innovation strategies.

Research Question 3: *Does family firms' propensity to innovate increase at latest generational stages?*

As claimed before, the likelihood of family-owned businesses to implement diversification and innovation strategies has been discussed by scholars in the last years, even though with only few contributions.
On the other hand, family firms' evolution in the tendency to promote CSR activities has even less theoretical literature available. Furthermore, what emerges from these studies is controversial, since it is based on the evolution of a single dimension rather than on the entire paradigm. Indeed, family businesses tend to be increasingly professionalized, by allowing external executives to have more stimulating career opportunities and an adequate compensation, with the simultaneous reduction of nepotism phenomenon. However, successive generations seem to be less emotionally and affectively attached to the firm, being more committed to the achievement of financial goals rather than affective ones.

For this reason, the evolution of family companies in promoting socially responsible activities needs a deeper analysis which are able to answer to the following research question:

Research Question 4: *Are latest generations less willing to promote CSR activities compared to generations closer to the founder?*

Resuming, the aim of the project is to add a quantitative contribution able to meet the gap into the current literature available in the family business field. In particular, the analysis of the decision-making process' evolution will be mainly based on the SEW construct, by testing the research questions and providing empirical evidences of the different propension to implement these strategies at different generational stages.

The following table resumes literature contributions which are currently available in the family business field and that have been used in these sections to constitute the necessary theoretical basis to elaborate the research questions.

Table 1 - Literature contributions on family firms' decision-making.

Family firms' decision-making vs Non-family firms' decision-making.	Family firms are influenced by the desire to preserve Socio-emotional endowment, over the achievement of higher financial performance. • Family businesses tend to diversify less than non-family companies; • Family companies are less willing to innovate than their non-family counterparts; • Family firms are more inclined in promoting CSR activities than non-family businesses.
Decision-making in Family firms across generations	Latest generations are less emotionally attached to the family business and they are increasingly interested in achieving financial goals than generations closer to the founder. • Successive generations are more willing to diversify the core business; • The propension to innovate increases at latest generational stages; • Latest generations are less inclined in promoting CSR practices.

Source: Personal elaboration.

Chapter 4: Empirical research.

After having provided the available theoretical background regarding the evolution of decision-making in family firms as consequence of the generational change, now it is the turn to analyze with primary data the hypothesis presented in the previous chapter.

In particular, starting from the description of the methodology used to collect data and information able to provide a relevant answer to the research questions, this chapter includes the presentation of the family businesses, used as case studies of the project, and the qualitative information gathered through direct interviews, regarding the evolution of the decision-making and real examples of practices promoted.

Furthermore, it will present a quantitative dataset able to compare the propension and tendencies of the generation closer to the founder with the successive ones in the implementation of diversification, innovation and CSR strategies.

Then, after the presentation and the elaboration of the findings collected, the chapter ends with the discussion of the findings and providing significant answers to the research questions.

4.1 Research methodology

The research is aimed in providing empirical evidences of the evolution of decision-making process in family firms across generations, by comparing the generations closer to the founder with successive ones.

In particular, the goal of the research is to determine whether the socio-emotional values increase or decrease across generations, and the consequences they imply in the propensity to implement strategies of diversification, innovation and Corporate Social Responsibility.

The research methodology of this project consists in two different parts: two case studies and one survey.

These methods, which have been used with the aim of providing the most complete evidences to the project, are based on two different populations.

The case studies have been analyzed through direct video-interviews with members of the owning-families of the family business which will be presented in the following paragraph. The family companies interviewed, which namely are Tacchificio Villa Cortese S.r.l. and Noberasco S.p.a., have been selected among a set of Italian family companies with the criterion of having received awards in the recent years for representing a successful example of generational change. In particular, the goal of these interviews has been the collection of qualitative data, since case studies are not a measurement technique. Indeed, the discussion with family members involved in the management of the family business has allowed to collect real experiences and examples of how the socio-emotional values have changed across generations and, subsequently, to highlight the shift in the implementation of diversification, innovation and CSR practices. Then, the primary data gathered through the interviews will be compared and supported by the quantitative results offered by the proposed survey.

The survey is directed exclusively to family members of a family company, and it uses the Likert scale to offer a quantitative basis to compare the evolution of emotional values and the decision-making priorities of the generations closer to the founder with the latest generational stages' ones. The sample on which the survey is based, has been reached by contacting several family businesses by e-mail and posting the link of this survey on the main Social Medias, such as LinkedIn and Facebook. In this survey, the respondents are asked to express their opinion about 45 sentences, written in Italian, regarding the propensity of generations closer to the founder and successive generations to make certain strategic decisions. The main goal of this measuring technique, used as a support and comparison of the case studies, is to point out the different propension and tendencies across generations toward the socio-emotional dimensions and the implementation of diversification, innovation and CSR strategies. In particular, the results collected by the survey allow to show the evolution of the decision-making process graphically and to provide a score to the importance of socio-emotional factors and strategies through the Likert scale, which facilitates the comparison.
After having collected all these primary data, which will be further explained and presented in the next paragraphs, the desired result is to have enough empirical evidences which are relevant and significant to compare the propension of different generational stages, which represent the answer of the research questions introduced in the previous chapter.

4.2 Case Studies: Tacchificio Villa Cortese S.r.l. and Noberasco S.p.a.

The first research method used to collect data is the direct video-interview with two family-companies, which represent the case studies of this project. The video-interviews were aimed in collecting substantial information about the two family-firms directly from a member of the owning-family who is involved in the management of the company.
In particular, the information has been provided respectively by Silvia Paganini, CMO[20] at Tacchificio Villa Cortese and member of the Gazzardi family, and Mattia Noberasco, CEO at the homonym family company Noberasco S.p.a.
This methodology has allowed to obtain a general presentation of the business, from the industry in which it operates to the number of employees, revenues, composition of the Board and the number of generations who handed the business down from its foundation. Moreover, it has been useful in understanding how the succession process was planned and managed, with all the critical issues faced during the previous shift and how the family managed to overcome them to lead to a successful change.
The interview has also underlined how the five dimensions of the socio-emotional wealth theory have evolved across generations, from the one closer to the founder until the latest-generational stages. Then, starting from this evolution, it has highlighted the link between the change of this emotional endowment and the latest

[20] CMO: Chief Marketing Officer.

generations' different propensity in the implementation of diversification, innovation and Corporate Social Responsibility's strategies.
The data gathered through these video-interviews have allowed to present the first answers to the research questions, which have been supported later by survey's data.

4.2.1 Presentation of the family businesses

The first company interviewed is Tacchificio Villa Cortese, an Italian family company which operates in the footwear industry, in particular by manufacturing heels for international luxury brands. It is a small company with 30 employees involved in the business and it is totally owned by the Gazzardi family since its foundation by Luigi Gazzardi in 1961. The ownership of the business is currently held through a family holding and the Board is composed exclusively by the family members who are involved in the management of the company. The CEO of Tacchificio Villa Cortese is a family member too.
On the other hand, the second company, Noberasco S.p.a., is an Italian family business which is leader in the food industry, in particular in the production and sale of dried fruit, thanks to the expertise gained since the foundation in 1908 by Benedetto Noberasco. It is a large-sized company with about 130 employees, whose share capital is owned by the Noberasco family through a family holding. The CEO is a member of the owning-family, and other three family members are included in the Board. Recently, the composition of the latter has been expanded, including also two external managers who are non-family members.
Both companies have received the award "Di padre in figlio", an award for Italian family businesses at least at second generational stage, promoted by LIUC Business School in collaboration with Credit Suisse and KPMG. While Tacchificio Villa Cortese was recognized as the best candidate in the category "Young entrepreneur" in 2019, Noberasco S.p.a. was awarded in the same category two years before, in 2017.

4.2.2 Succession process

After having provided a general presentation of their family businesses, the two family members interviewed have discussed the major challenges and critical issues connected with the succession processes faced across generations.
Since the foundation of Tacchificio Villa Cortese in 1961, the company has experienced two generational changes. Indeed, the second generation joined the management between the end of 70s and the beginning of 80s, bringing the first innovative approach to the company by fostering the reorganization of the production process and the use of new materials for their products, from wooden heels to plastic ones. The third and last generation, instead, has joined the family business between 2008 and 2012, but they had already approached the business since they were young, favoring their familiarity with the firm and their employment. The third generation followed a formal succession plan introduced by previous generations which has lasted for two years. After this period, the younger generation contributed to the formulation of a more complete plan for the future generational handover, which includes the alignment of business values, mission and vision and a

specific education plan aimed in acquiring transversal knowledge able to facilitate the future succession process. The coexistence of three generations in the business has determined several challenges to face, especially in the evolution of the relationship among family members. Indeed, once joined the family business, it required time for younger generation in obtaining a professional consideration in the strategic decisions and a proper transmission of the knowledge acquired by previous generations. However, the strong alignment of values among family members and the mentorship promoted by generations closer to the founder have allowed to achieve a successful handover and coexistence. Despite a future succession process is still far from becoming reality, Tacchificio Villa Cortese has expressed the importance of having a formal succession plan, in order to set a goal to achieve, and to avoid the arise of potential conflicts among family members. This plan also includes the possibility for all the future members of the Gazzardi family to join the business, whether they express the intention and the ability to cover the desired roles. Moreover, it anticipates that the future CEO of the company will surely be a member of the family because the entrepreneurial spirit, the wider range of competences and the commitment necessary to cover this crucial role are difficult to be found in an external manager, according to the family.

On the other hand, since the foundation of Noberasco S.p.a. in 1908, four generations have taken control over the business, with the last two still involved in the business. The last generation joined the family company without a formal succession plan, but it followed informal rules and agreements among the family members. This succession process has been managed thoroughly and cautiously by the Noberasco family for a longer period compared to the Tacchificio Villa Cortese's case. Indeed, it was a process composed by various steps which took about 10 years to be completed, which contributed to the fundamental transmission of the knowledge and expertise of the industry across generations, which is fundamental for company's success. Moreover, the family members were helped and assisted by external consultants in the planning and management of this crucial phase, which ended with a successful outcome. According to the information collected in the interview, latest generation is aware of the importance of a formal succession plan, in order to define company's future goals and to avoid potential conflicts among the family members. For this reason, younger generation has highlighted the need for a family agreement which could set rules and facilitate the coordination of future actions regarding both the company and the family itself. In particular, this agreement promoted by the fourth generation includes a plan for the education of younger family members and a set of criteria for the selection of family members who express their interest in joining the company. For instance, only those who have and demonstrate the adequate competences and motivation in covering managerial responsibilities in the family business can take part to it, while the right to be a shareholder is recognized to everyone, implying also the possibility to monetize the portion of ownership held in the case they lack interest in the family business. At the same time, the interview has underlined that the family is open to hire an external CEO in the future, especially if the company meets its growth and development goals. This propension highlights how being family members is not enough to join and contribute to the success of the company, but

Noberasco family is willing to define only the future direction of the business, allowing external high-competent managers to takeover strategic management.

4.2.3 SEW evolution

One of the main arguments discussed with the family companies during the video-interviews included their considerations about the evolution of socio-emotional endowment across generations, from the ones closer to the founder to the successive ones.

The information collected from Tacchificio Villa Cortese has highlighted a reduced need to exert influence and control over strategic business decisions at latest generational stages. In particular, the comparison with the generations closer to the founder suggests that, although the Gazzardi family still does not recur to external managers at governing roles and in the Board, they would be willing to hire them to foster firm's growth and to face the increasing business complexity. Despite this openness to external managers, Tacchificio Villa Cortese has shown aversion in opening the ownership to external investors, in order to continue family legacy. At the same time, the identification of the family with the business has experienced a decline too. While the founder perceived the company as a direct extension of the family, this does not correspond to the current feeling of the successive generations, mainly due to the progressive creation of more than one branch of the owning-family across the years. Subsequently, the close identification of the family with the business is considered weaker for the third generational stage of Tacchificio Villa Cortese.

A different trend has been underlined regarding the importance of creating and maintaining social ties. Indeed, having solid and trustful relationships with all the stakeholders is fundamental at the latest generational stage, in particular for the implementation of innovation strategies and the promotion of CSR activities, which will be thoroughly presented in the next paragraph.

As what stated by the theoretical framework introduced in the third chapter, the emotional attachment and the potential conflicts among family members are less relevant for the strategic business decisions. In fact, each family member is responsible in a specific area of the company and the decision-making is completely unrelated to family's relationships, but it is oriented to the achievement of business goals and the development of the business.

The fifth dimension of the SEW construct, instead, has remained almost constant across generations. In particular, despite the desire to hand the business down to future generations, it is not considered a primary goal by the third generations, while it was very important for the founder. The continuity of the business is still hardly desired, even if it does not require necessarily the active entrance of all the future family members in the management of the company.

Similar information has been gathered by the second case study. Indeed, Noberasco's family has demonstrated a lower need to influence strategic business decisions at latest generational stages. While the CEO is still a family member, the company has experienced a professionalization of 90% of the managing roles. As already introduced in the last paragraph, one-third of the Board's composition includes executives who are non-family members, in order to provide more specific competences to the company able to face the increasing complexity and to exert a more efficient financial control. However, while the family has shown willingness in delegating decisional power to external managers, it is still averse to open the share capital to external investors. For the same reason reported for Tacchificio Villa Cortese, the identification of the family with the business has weakened across generations. Indeed, after four generations the owning-family is now composed by various branches and only few members have shown interest in an active role in the family company.

Another similarity is represented by the trend regarding the importance of creating and maintaining solid relationships with stakeholders, which has increased from one generation to the next.

The emotional attachment has strongly reduced. Indeed, the decision-making is increasingly performed with the aim of fostering firm's growth and to improve financial performance which reflect a more valuable business, as effect of a more rational mentality than a decision-making influenced by feelings as in the early stages. As already discussed before, Noberasco S.p.a. has preserved the goal to transmit the business to the future generations, but only those members who demonstrate the proper interest and abilities to manage the family company will be allowed to join it.

Resuming, the information and perceptions collected from the two case studies point out that the overall intensity of the socio-emotional values have decreased across generations. In particular, both family businesses show a reduced need to exert control and influence over the strategic business decisions. However, it does not correspond to a lower level of interest in the business, but successive generations present an increasing awareness of the complexity of business management which requires specific competences to achieve the desired goals. The successive generations show a weakened sense of identification with the family business, as effect of the enlargement of the owning-family and the subsequent creation of multiple branches. The desire to create and maintain solid relationship with stakeholders has increased in both companies, suggesting a greater propension in promoting collaborative partnership. The decision-making is more rational at latest generational stages, since it is more focused on achieving financial performances able to improve firm's value and less interested in preserving family's emotions and feelings. The desire to hand the business down to future generations is still strong, but, at the same time, only those members who demonstrate to have the adequate competences and stimuli to join the business will become active part of it, while the non-interested ones can keep the ownership and just be a shareholder, or they can monetize their capitals.

4.2.4 Decision-making evolution

Despite the importance of analyzing the evolution of Socio-emotional values across generations, the main goal of the interviews was to collect real experiences and practices promoted by the family businesses used as case studies as effect of the evolution of decision-making.

In particular, the questions asked to the representatives of the two family-companies wanted to highlight the contribution of successive generations in the implementation of diversification, innovation and CSR strategies, establishing a comparison with the practices promoted in the past by generations closer to the founder.

According to Tacchificio Villa Cortese, the propension in diversifying the core business has registered an increase across generations. Indeed, successive generations have contributed to the expansion in related industries through the foundation of two companies: Teknostampi and Villa Cortese Finishing. These new businesses, which are owned and managed by members of the Gazzardi family, perform activities that were included in the core business' manufacturing process, and expanded their customer base offering their expertise also to other industries, such as furniture, automotive and lighting sector. The choice of staying in related industries is mainly due to the availability of the required know-how among family members, which favors the achievement of a competitive advantage in the market.

Moreover, successive generations have shown an increased propensity to initiate partnerships with external entities, by launching an e-commerce startup for the commercialization of footwear products that, even if it did not reveal as successful, highlighted a shift in the strategic decisions of the family. This willingness to establish third-party partnerships despite Tacchificio Villa Cortese's generational continuity in renouncing to delegate decisional power to external executives, is a consequence of a new mentality brought by successive generations which demonstrated to be less emotionally attached to the firm.

On the other hand, the third generation keeps with the aversion to implement the internationalization of the family business, but the main reason behind this is due to the difficulties connected with abandoning the footwear district. Indeed, it is fundamental in the footwear industry, especially for those companies who are involved in the manufacturing of a single component of the final product, to operate in a specialized district and the subsequent proximity with the other players of the value chain. Moreover, the 90% of the production of female luxury footwear is based in Italy and it would not be a good strategy to expand abroad.

Another relevant topic discussed in the interview consisted in the innovative contribution offered by successive generations to the family business. The overall consideration is that the propension to promote innovation activities increases across generations. For instance, the third generation has put high effort in the introduction of an R&D lab in the family company, with the aim of fostering the innovativeness of the business in the market. This lab is not only focused on developing internal innovation projects, but it also receives the inputs of other players involved in the footwear's value chain. In other words, latest generations have promoted activities of open innovation with external partners, recognizing the importance of exchanging specific information and expertise among different business to foster a common innovation and improving the competitiveness of the business. Moreover, innovation process also involves universities, research institutes and associations. In particular, during the lockdown period, the effort of Tacchificio Villa Cortese has allowed to file two new patents. The innovation promoted by successive generations does not only regards final products, but also the production process and the materials used in the manufacturing. Indeed, they re-introduced some wooden heels models, which were abandoned by the second generation in favor of the plastic ones. Furthermore, the production process has seen the introduction of increasingly innovative 4.0 technologies and the applied robotics to create new shapes. The capitals required to implement innovation

strategies are mainly coming from auto-financing, using business liquidity, but family members are also willing to recur to external funds from external entities, such as banks.
Then, the interview has also underlined the increased tendency across generations in promoting sustainable practices within the family business. Indeed, despite the family has always felt a strong social connection with the community in which the family business is embedded, the third generation has put huge effort in implementing further CSR strategies, which, at the beginning, were opposed by the exponents of the previous generational stages. Successive generations have expressed their special bond with the community, whose level was already high when the founder was involved in the business. In fact, the name of the company corresponds to the Italian town where the company is located, which in the past was represented by the founder as mayor. For the third generation is important to implement these strategies because it is fundamental to return the community what the latter contributed to offer to the development of the company itself. The family member interviewed is aware that the promotion of sustainable activities is a powerful marketing tool to improve company's image, especially to attract talented resources in the business. However, from what perceived by the video-discussion, this increased sustainable tendency is the consequence of an authentic philosophy of the whole family in the sensitivity toward the environment and all the stakeholders involved, both internal and external ones.
For instance, Tacchificio Villa Cortese has always focused on reducing its impact on the environment, by using waste materials coming from the production process to heat his plants and offices, in order to save emissions. Moreover, it has recently invested in renewable energetic sources, recurring to a geothermal and a photovoltaic system to produce the 70% of their energy requirement. At the same time, it has promoted the use sustainable raw materials in the production process which concur to save 90% of the water used in the whole process. Latest generations have also tried to implement Circular Economy activities by using bio-based raw materials and by reusing waste coming from the manufacturing process. However, the high standards of technical and mechanical performances required by their products reduce the success of this practices.
Furthermore, Tacchificio Villa Cortese's philosophy considers employees and partners the most important assets of the business. For this reason, the company launched an educational plan, called TVC2030, aimed in promoting the growth and development of the employees through internal training courses. For instance, it consists in the activation of soft-skills courses, such as public speaking and decision-making ones, in order to offer better performances in the individual and group activities. Moreover, it ensures their welfare by offering conventions with e-commerce websites and the access to the corporate library to foster their personal growth in both the working-environment and personal life.
On the other hand, according to Noberasco, successive generations have shown a greater propensity in diversifying the core business. Indeed, while early generational stages were mainly focused on the production of dried fruit, successive generations have decided to enter new industries through related products, such as fruit bars. Moreover, the Noberasco family is open to recur to delegate decisional power to external executives and to initiate partnerships with other third-party players, because of the specific knowledge and expertise

they can bring to the company. For instance, the fourth generation promoted several M&A strategies for the first time in company's history, leading to the success of the majority of these operations. Moreover, successive generations contributed to the creation of new entities, as Joint Ventures, to internationalize the brand Noberasco in new countries. Therefore, they rely on external partners to develop the demand for Noberasco's products in Europe, since the company believes that it is necessary to create partnership with local companies which have a deeper knowledge of the internal market dynamics. However, the internationalization strategies have always had a great importance for the company, since the founder's generation, especially for the import of specific raw materials.

Similarly, the innovation propensity has increased at latest generational stages. Indeed, successive generations have actively brought creativity and innovation stimuli. For instance, they contributed to the digitalization of the company, setting a further technological development, compared to the previous generations. The new technologies introduced by successive generations have allowed to achieve both product and process innovation, which was aimed in differentiating the most Noberasco's offer from competitors' one. Indeed, according to the company, the perception of a differentiated quality and offer in general, is fundamental to achieve a competitive advantage in the industry. Furthermore, the latest generational stages have demonstrated openness in the exchange of internal information with external partners. In particular, they promoted "open innovation" activities with suppliers and other partners, especially for raw materials and packaging. According to the family member interviewed, the more the innovation process is difficult, the more the company is likely to be involved in these activities. In fact, Noberasco highlighted the importance of sharing competences and knowledge among partners, even more if involved in different industries. Moreover, it is fundamental to attract the most talented resources to achieve success in the innovation activities, both in the operations and in the management of innovation, even if these competences come from outside the family boundaries. The company has never filed any patent, because of their mission of keeping the product the most natural as possible, but, simultaneously, Noberasco uses partners' exclusive patents in specific components of their offer, such as packaging and natural glues for fruits bars.

Regarding the promotion of CSR practices, Noberasco has always put a high level of effort to favor the growth and development of their stakeholders, the inclusion of the community in which the company is embedded and the preservation of the environment across generations. Therefore, despite the family tendency to keep this information internally, without the need to use it as public promotion to improve company's image, this authentic propensity in promoting sustainable activities has led to the preparation of social report. The latter includes plans to promote incentives, supplementary contracts, and welfare of the employees. Moreover, as consequence of family's philosophy, the company has promoted flexible hours for women and created common spaces inside the nature and a private gym to improve employees' cohesion and satisfaction, which favors, at the same time, a positive approach and better working-performances. Successive generations have shown a great interest in the implementation of Circular Economy's strategies too. Indeed, despite the company does not create much waste from the production process, it is trying to reuse that small quantity through organic fertilizers and through collaborations with zootechnic companies, in order to improve the efficiency and to preserve the environment by reducing the use of resources employed.

4.3 Survey

As already presented before, the second methodology used to gather relevant primary data for the purpose of this project is the survey. The respondents have been reached through e-mails and posts on social medias with the aim of collecting quantitative data which could allow a comparison among different generational stages: generations closer to the founder and successive ones.

The sample of respondents is represented by 40 Italian family business at least at the second generational stage, in order to set a generational comparison. The participants had to answer to 45 questions regarding the evolution of socio-emotional values across generations and the propensity to implement certain strategies, such as diversification, innovation and CSR ones. In particular, in order to compare the results, each family business was asked to answer for both generations, the ones closer to the founder and successive generations. This paragraph will start with the classification of respondents through dimensional, generational stages and ownership variables and, then, will offer graphs and data to represent the main findings obtained about the socio-emotional values and the promotion of specific activities.

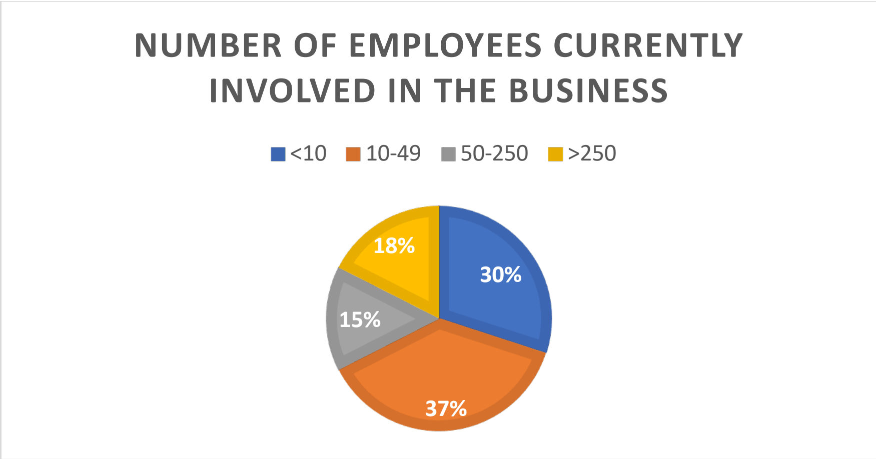
4.3.1 Classification of respondents

Before presenting the main findings of the survey, it is necessary to offer a detailed classification of the respondents who participated, highlighting the heterogeneity of the sample through the use of dimensional, ownership and preparedness to the succession process variable.

The first question asked to the participants was aimed in classifying the respondents' dimension using the number of employees currently involved in the business.

As represented graphically in the Chart 2, one-third of the 40 Italian family firms which participated are medium and large enterprises with more than 50 employees involved in the business, representing respectively 15% and 18% of the respondents. However, the most represented segment is the small-dimensioned businesses with 37% of the whole population, followed by micro-enterprises, which account for 30% of the total.

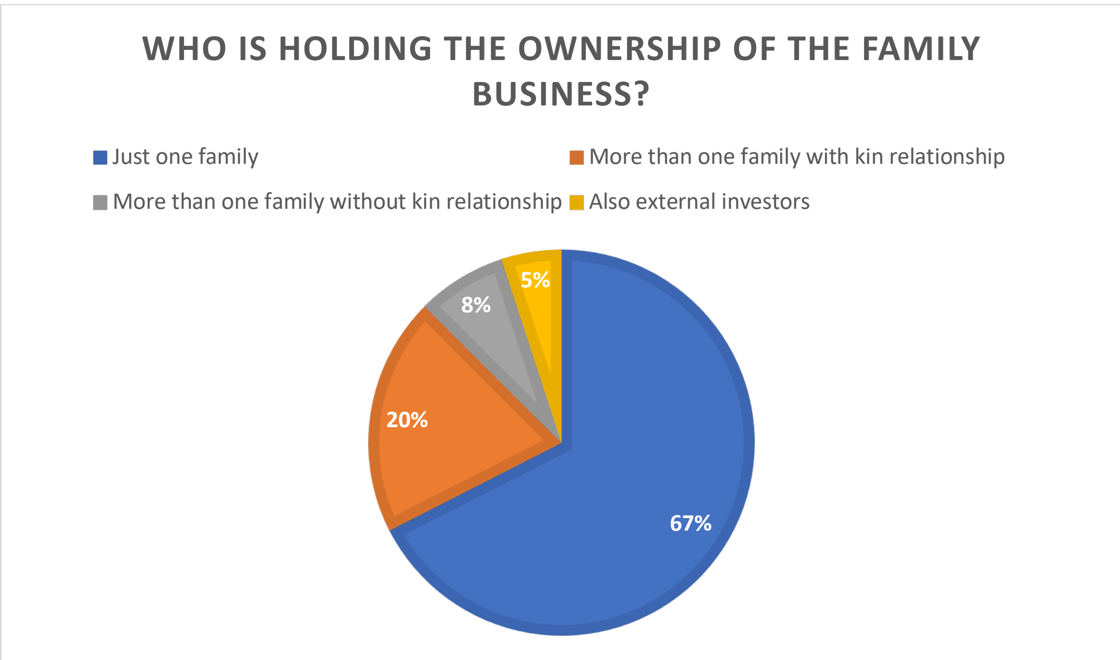
Chart 2 - Dimension of the respondents



Source: Personal elaboration of survey's data.

Then, the participants had to provide information about the actors who are currently holding the ownership of their family businesses, specifying also the eventual kin relationship among different families.
The results regarding the ownership composition of the respondents, show that the majority of the family businesses involved in the survey are owned by only one family (67%), while 20% of the sample is owned by more than one family with kin relationships. The remaining part owned by more than one family without kin relationships and by one family and external investors has a lower level of numerosity, accounting respectively for 8% and 5% of the respondents, as shown in the Chart 3.

Chart 3 - Ownership composition of the respondents

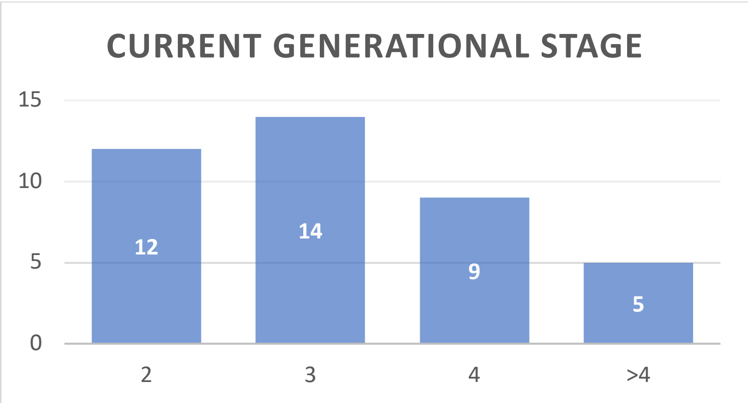


Source: Personal elaboration of survey's data.

As already anticipated before, the survey was directed only to those family businesses at least at the second generational stage. However, the respondents had to provide an answer to the question "*Which generational* *stage are you currently at?*", with the aim of analyzing the longevity of the family companies which constituted the research sample.

The results collected have highlighted that most of the participants to this research method have a quite recent foundation, being between the second and third generational stage, respectively with 12 and 14 representatives. About one-fourth of the respondents, instead, are characterized by the involvement of the fourth generation in the business, while the eldest family companies currently above the fourth generational stage are represented by precisely 5 respondents, as graphically reported in the Chart 4.

Chart 4 - Current generational stage

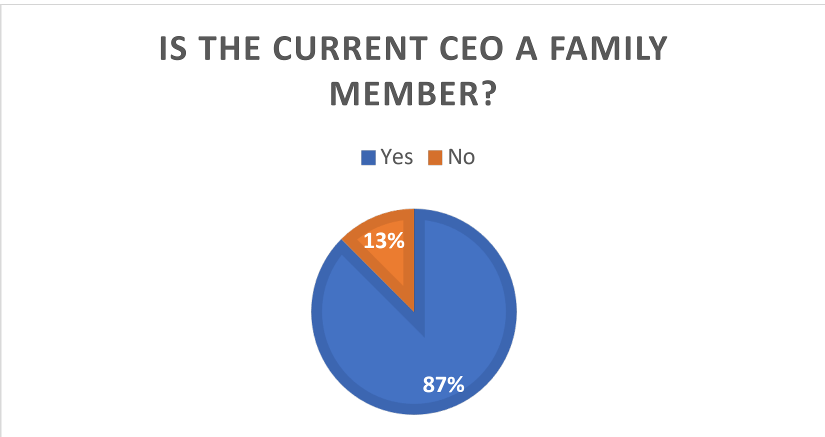


Source: Personal elaboration of survey's data.

Moreover, the survey asked the participants whether the current CEO is a member of the owning-family or coming from outside the family boundaries.

As shown below, in the Chart 5, almost all the family business which participated to the survey are managed by a CEO who is a member of the family. Indeed, 87% of the respondents are included in this cluster, while only 13% have underlined their preference in recurring to an external executive to manage the family business.

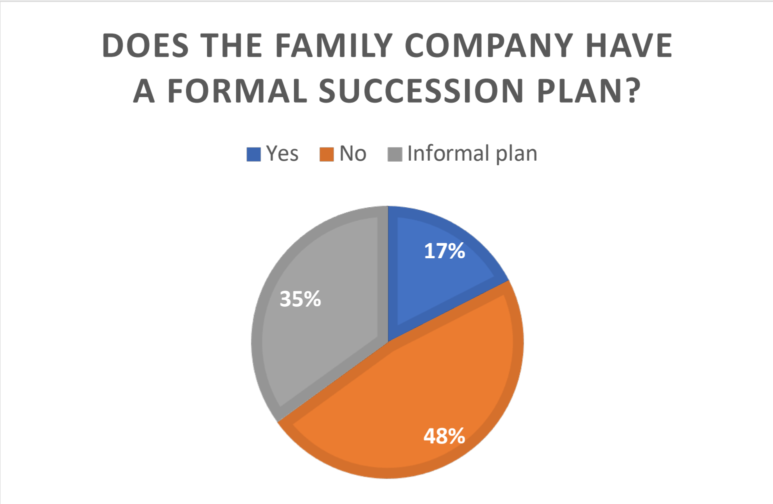
Chart 5 - Family or non-family CEO



Source: Personal elaboration of survey's data.

Concluding, in order to test the preparedness for the succession process, the respondents have been asked to answer to the existence of a formal succession plan in place in the business. The data collected show the lack of a formal plan for managing the succession process properly for 83% of the participants. Indeed, only 17% of the sample has elaborated a formal succession plan for the governing roles. However, 35% of these family businesses admitted of having an informal plan to coordinate the activities successfully in case of a future generational change.

Chart 6 - Availability of formal succession plan



Source: Personal elaboration of survey's data.

4.3.2 SEW evolution

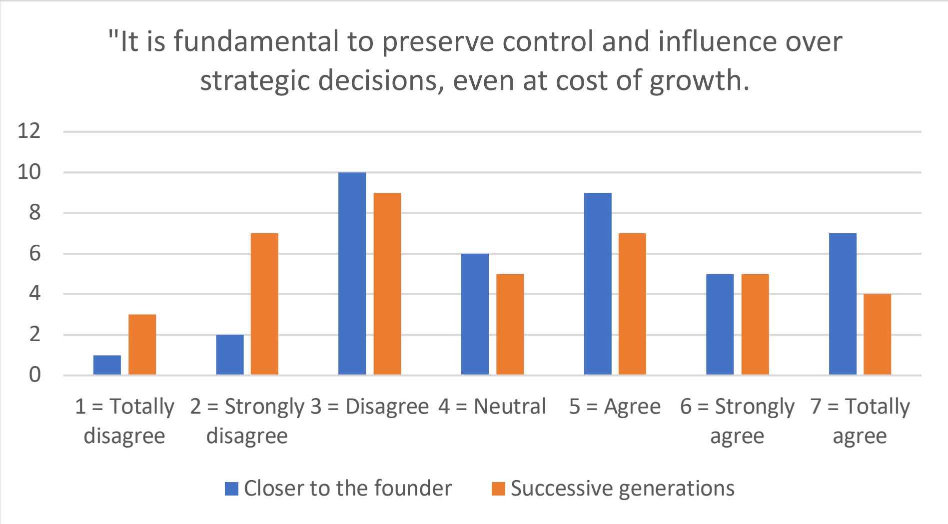
After having classified the 40 participants to the survey, the latter have been asked to express their agreement to specific sentences, in order to analyze and compare in detail the evolution of the five dimensions of the SEW construct across generations: *Family control and influence, Identification of family members with the firm, Binding social ties, Emotional attachment of family members and Renewal of family bonds to the firm through dynastic succession*.

The level of agreement to the following sentences is expressed through a Likert Scale from 1 to 7, with the aim of offering the respondents a wider range of options.

Each family business had to express its opinion answering for both generational stages. On one hand, those generations closer to the founder while, on the other hand, the successive generations. The findings and the comparison of the different answers have been represented graphically and they are reported objectively in the next tables and text. In each graph, it is possible to identify the amount of times each option has been selected by the specific generational stage. Moreover, the title of each graph corresponds to the English translation of the Italian question, since the survey was originally administered in Italian. The discussion of these finding, instead, is included in the next paragraph.

The first question wanted to investigate the importance of preserving control and influence over strategic business decisions for the two different generational stages, even at cost of jeopardizing firm's growth. In light of what comes out from the graph reported in the Chart 7, family's desire to exert decisional power over the business is perceived differently at different generational stages. Indeed, generations closer to the founder have expressed a slightly higher agreement for the importance of preserving family control, compared to the successive ones.

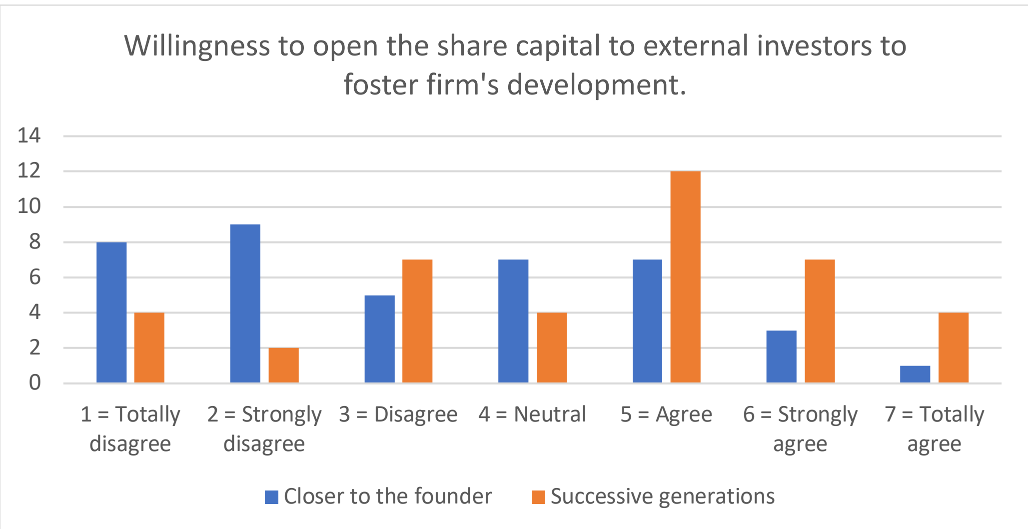
Chart 7 - Preservation of control and influence over the business



Source: Personal elaboration of survey's data.

In particular, latest generations seem more willing to renounce to part of the ownership in the family business to external investors, in case the capitals introduced by the latter allow to improve company's performances and determine an increase in firm's value. This tendency can be observed clearly in the graph below, where less than one-third of the first generational stages agrees with the entrance of new shareholders, compared to 58% of successive generations.

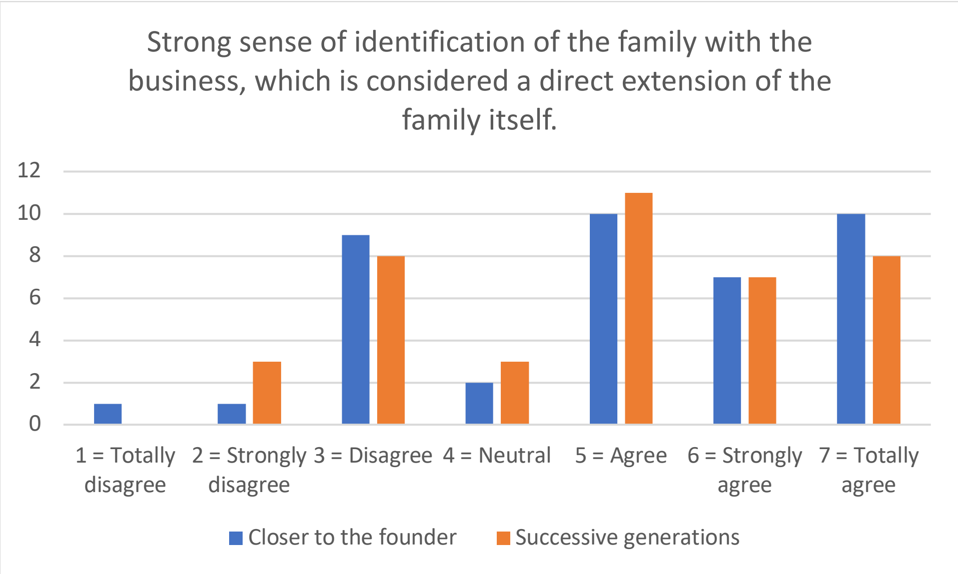
Chart 8 - Willingness to favor the entrance of external shareholders



Source: Personal elaboration of survey's data.

The third question wanted to quantify family's sense of belonging and identification with the business. Both generational stages show a high attachment to the firm, which generally carries family's name and it is perceived as a direct extension of the family itself. As shown in the following graph, almost two-third of the whole population of respondents have expressed a strong bond between the two entities which constitute the pillars of the family business.

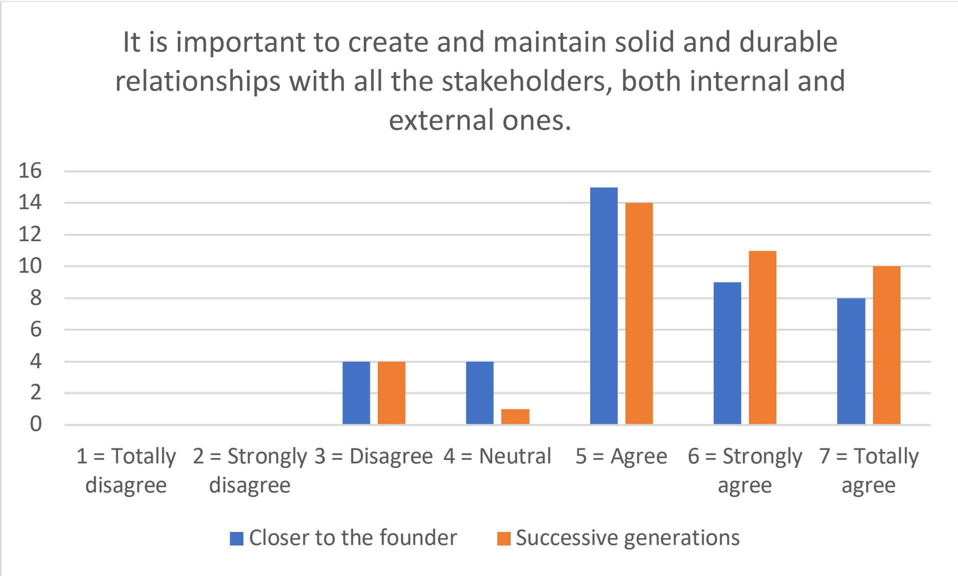
Chart 9 - Family's sense of identification with the business



Source: Personal elaboration of survey's data.

The analysis of the evolution of socio-emotional values in family business continued by asking to express participants' agreement on the importance of maintaining solid relationships with all the stakeholders of the company. From the data collected and elaborated graphically in the Chart 10, it is evident the great importance which the two generations attribute to having and maintaining social ties with internal and external stakeholders. However, despite both of them recognize a substantial importance to this socio-emotional dimension, this preference seems to increase across generations, with successive generations more willing to build trustful relationships with partner, employees and the whole community in which the company is embedded.

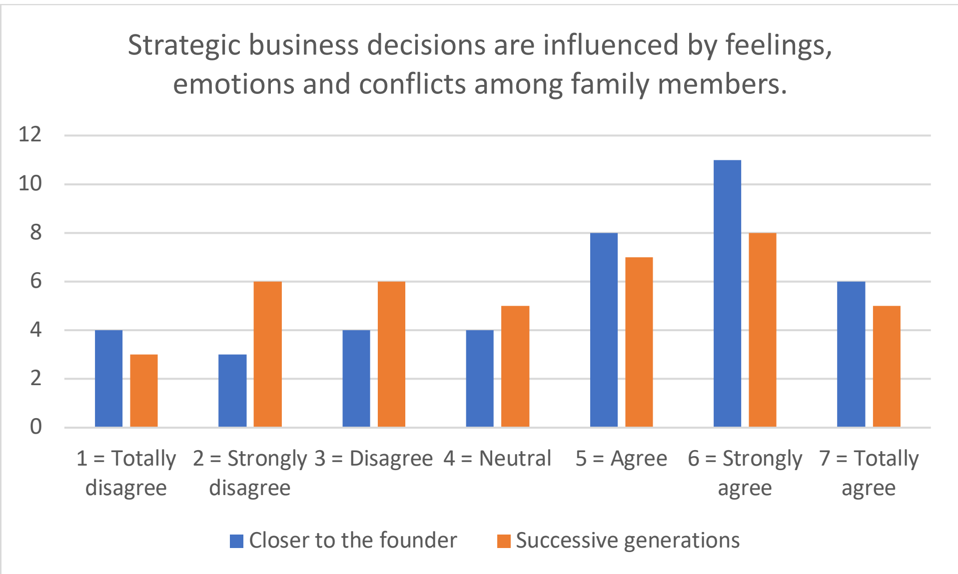
Chart 10 - Binding social ties



Source: Personal elaboration of survey's data.

The survey also investigates the evolution of how the emotional attachment among family members influences the decision-making of the company. This is one of the more characteristic values which constitute the socio-emotional endowment of the family and that distinguishes family firms from their non-family counterparts. While generations closer to the founder agree with a decision-making strongly influenced by the emotions and feelings among the various members of the family, this influence decreases at latest generational stages, as represented in the Chart 11. Indeed, the graph shows a more rational mentality in making strategic business decisions which are unrelated to the relationships that connect family members, but they are based on economic and financial criteria.

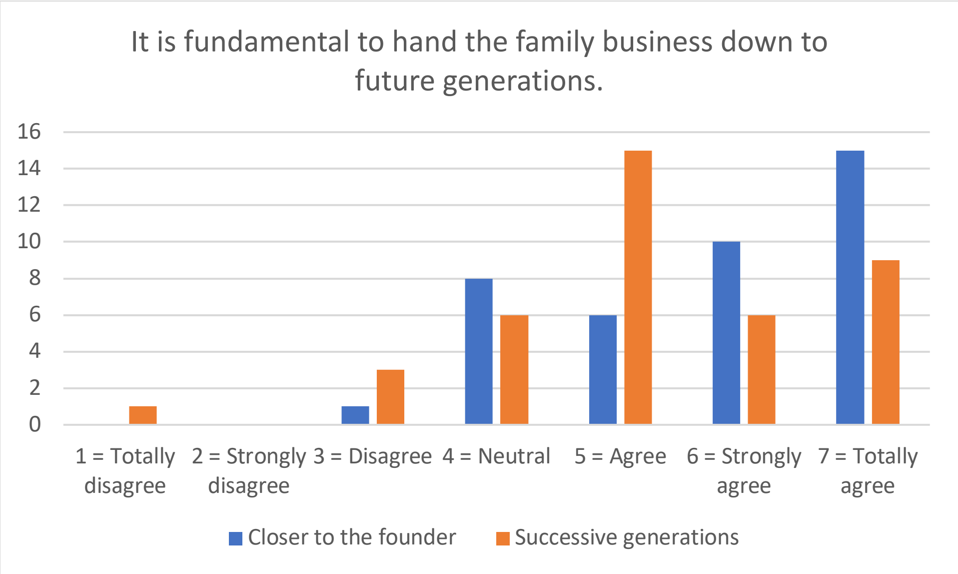
Chart 11 - Emotional attachment across generations



Source: Personal elaboration of survey's data.

The evolution of the last dimension of the SEW construct, the desire to preserve family dynasty, has been analyzed asking to express participants' decision to the sentence reported in the Chart 12: "*It is fundamental to hand the family business down to future generations*". In light of the data collected, generations closer to the founder have expressed a higher interest in handing the business down to future generations, with the aim of preserving the family dynasty. However, despite lower than early stage ones, successive generations attribute a great importance to the transmission of the family business as an asset for the next generations of the family.

Chart 12 - Transmission of the family business to future generations



Source: Personal elaboration of survey's data.

Resuming, the findings obtained from the elaboration of the data collected by the survey, allow to set a comparison among the two different generational stages. Indeed, socio-emotional values and the importance attributed to certain dimensions have firmly changed across generations, as observed in this paragraph. In this part of the project the results have been presented objectively to better understand the structure of the survey and the goals that wanted to be achieved. In the next few paragraphs, these primary data will be further elaborated and discussed to answer to the research questions already introduced.

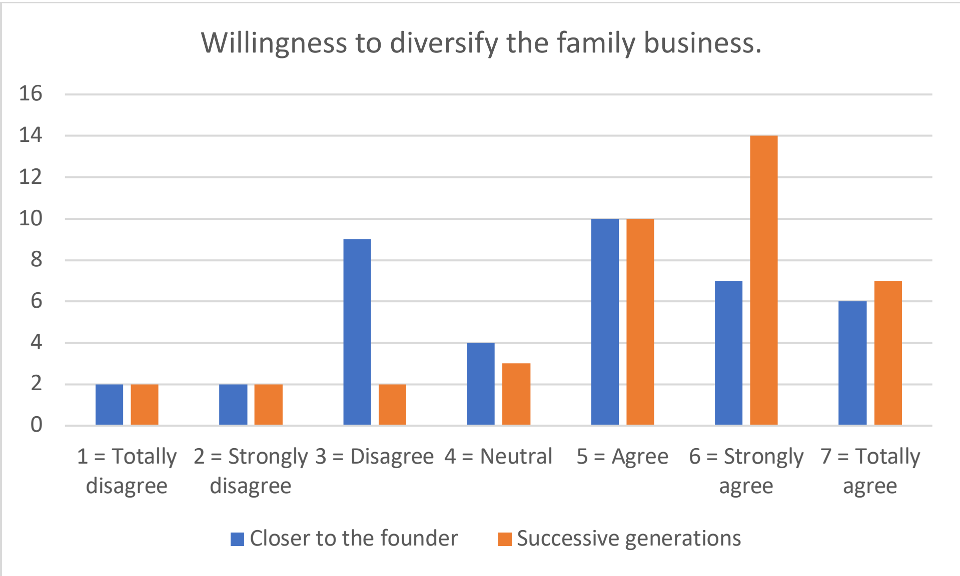
4.3.3 Decision-making evolution

The data collected through the survey does not only refer to the evolution of socio-emotional values, but also, and above all, the evolution of decision-making. In particular, this paragraph will present the objective findings connected with the propension of implementing certain strategies and activities.

Indeed, the following graphs will show the comparison among generations closer to the founder and successive generations in the propensity to implement particular activities connected to diversification, innovation and Corporate Social Responsibility's strategies.

The first sentence which was submitted to the agreement of the participants wanted to analyze the different propension in diversifying the core business at different generational stages. As it can be observed from the Chart 13 reported below, despite the majority of both generations agrees with the implementation of diversification strategies, successive generations attribute a higher importance and show a greater propensity to perform diversification activities.

Chart 13 - Willingness to diversify the family business

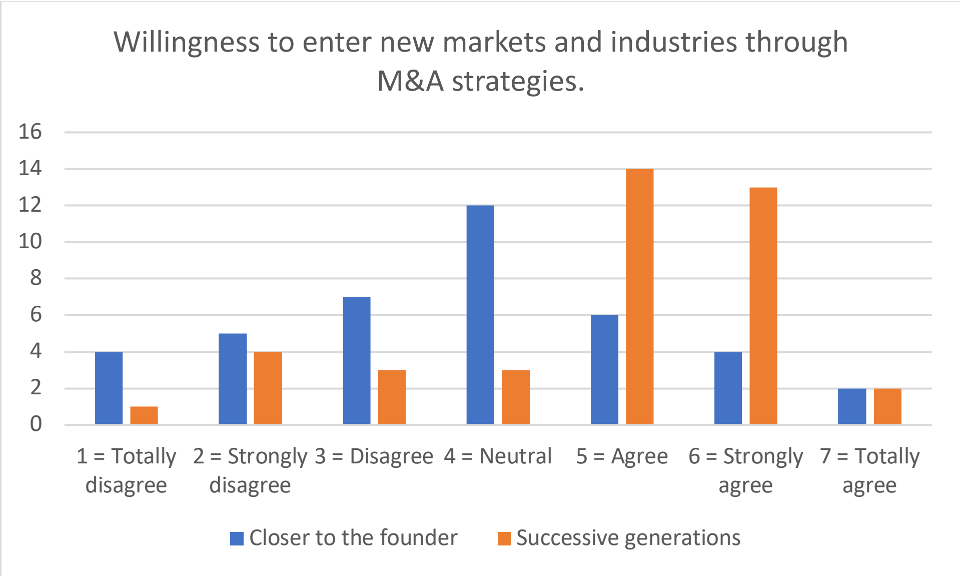


Source: Personal elaboration of survey's data.

Furthermore, the survey wanted to investigate thoroughly which kind of diversification strategies the family firms used as sample were more willing to implement. Indeed, the respondents were asked to express their propension to initiate M&A strategies and internationalization strategies. As for the other statements, the sample had to provide an answer for each generational stage.

From the graph reported in the Chart 14, it seems evident that generations closer to the founder are averse to the implementation of M&A strategies to enter new markets and industries. However, on the other hand, successive generations show a great willingness to merge and acquire companies to favor the diversification of the business, with 29 respondents over 40 agreeing to this particular strategy.

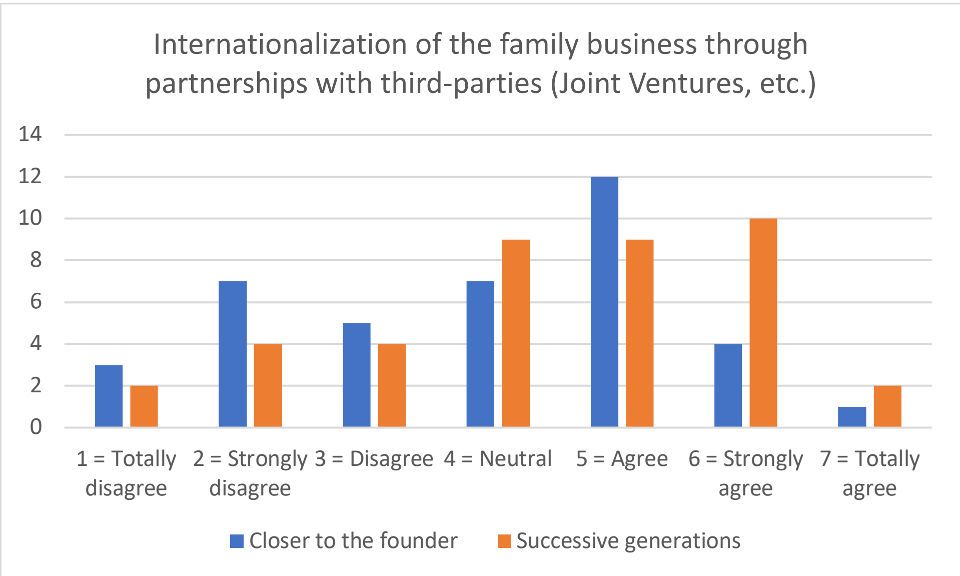
Chart 14 - Propension to perform M&As



Source: Personal elaboration of survey's data.

Likewise, despite presenting results slightly lower than M&A's ones, successive generations show a high willingness to internationalize the business, in particular recurring to partnerships with external players. This tendency is opposed to generations closer to the founder, which are not incline in favoring the expansion of the family business abroad through the creation of Joint Ventures or other entities with external partners.

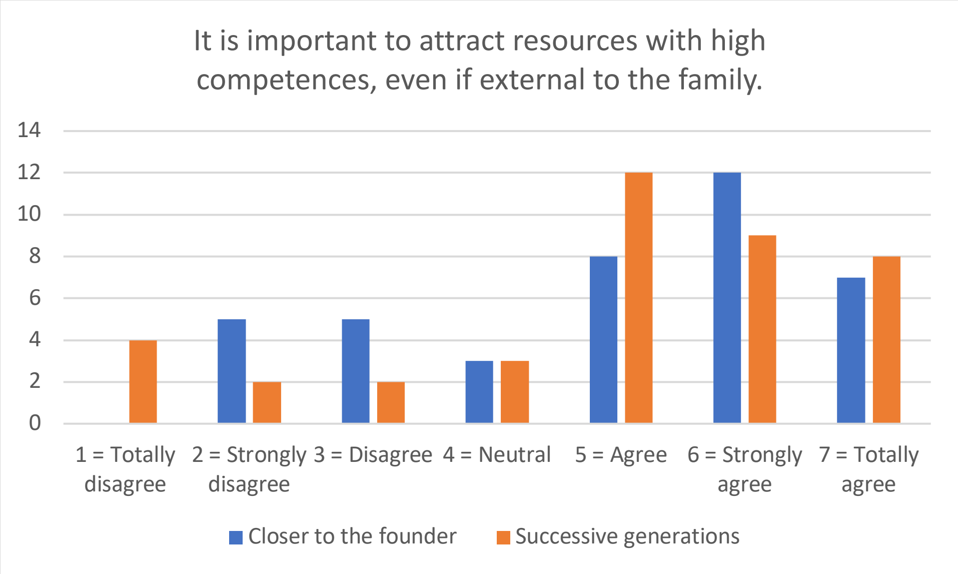
Chart 15 - Internationalization propension across generations



Source: Personal elaboration of survey's data.

Another statement submitted to the respondents consisted in the importance they attribute to the attraction of resources with a high level of competences, although external to the family boundaries. From the graph observable in the Chart 16, both generations recognize great importance to the introduction of talented human resources in the family business, even if the latter are non-family members.

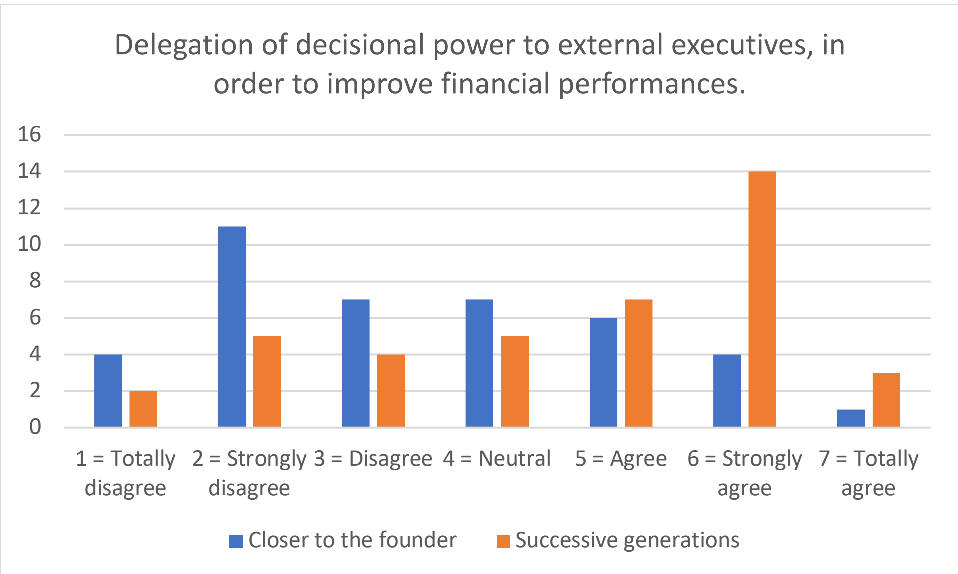
Chart 16 - Importance of attracting talented resources



Source: Personal elaboration of survey's data.

Opposed to the previous trend is the propension to delegate family's power over strategic business decisions to external managers with the aim of improving financial performances and increasing the value of the company. Indeed, while successive generations seem very inclined in renouncing to part of their influence on firm's decision-making to obtain better financial results, generations closer to the founder have expressed their strong disagreement with this statement, preferring to keep the decisional power, even at cost of lower performances. The comparison of these results is reported in the chart below.

Chart 17 - Delegation of decisional power to external managers

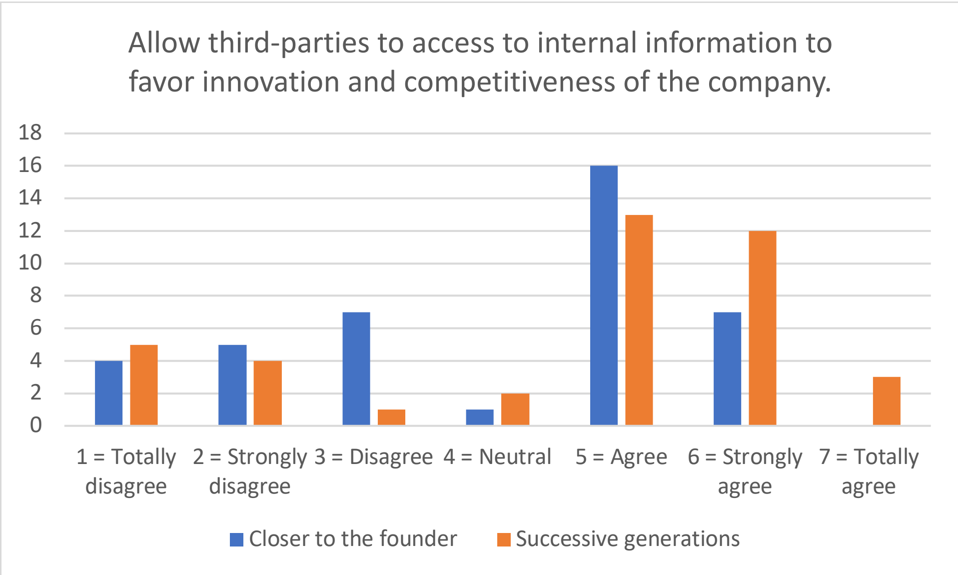


Source: Personal elaboration of survey's data.

While the previous results were mainly focused on the analysis of diversification propension across generations, the following statements provide a deeper investigation on the respondents' willingness to promote innovation strategies.

The first sentence regarding innovation strategies wanted to test the inclination to share internal information with external partners with the aim of fostering company's innovation and, subsequently, its competitiveness. The results elaborated in the Chart 18 show a great propension in allowing third parties to access internal information to favor the innovativeness of the family company and its competitiveness in the market. Despite, both generational stages are very inclined in promoting this practice, successive generations seem more willing to initiate collaborative activities with partners.

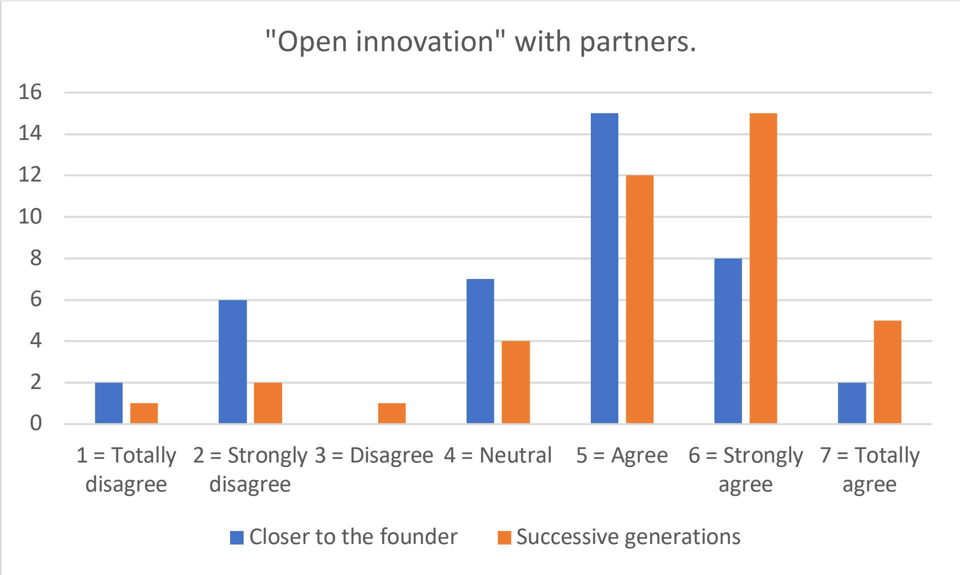
Chart 18 - Third-parties access to internal information



Source: Personal elaboration of survey's data.

Furthermore, similar insights have been obtained by asking participants' willingness to promote "Open innovation" activities with partners, such as suppliers and customers. Indeed, both generational stages are inclined in initiating these specific activities, with successive generations expressing a moderately higher propension to innovate recurring to collaborations.

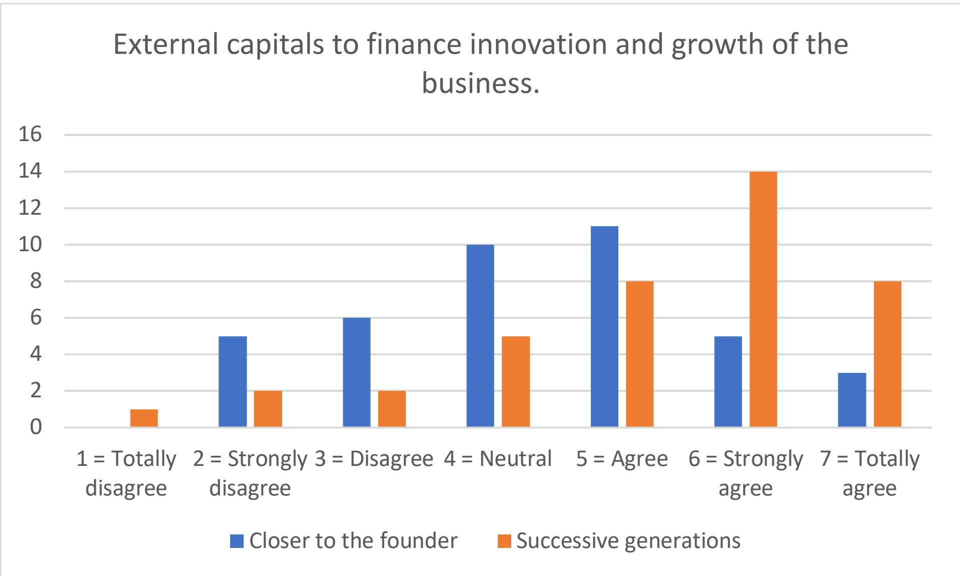
Chart 19 - Willingness to initiate "Open innovation"



Source: Personal elaboration of survey's data.

Then, the survey asked the participants to express their agreement about the possibility to finance their investments through capitals coming from outside the company and family's boundaries. While generations closer to the founder prefer to gather liquidity from internal sources, the propension to recur to external sources for funding the promotion of innovation activities and the subsequent growth of the company.

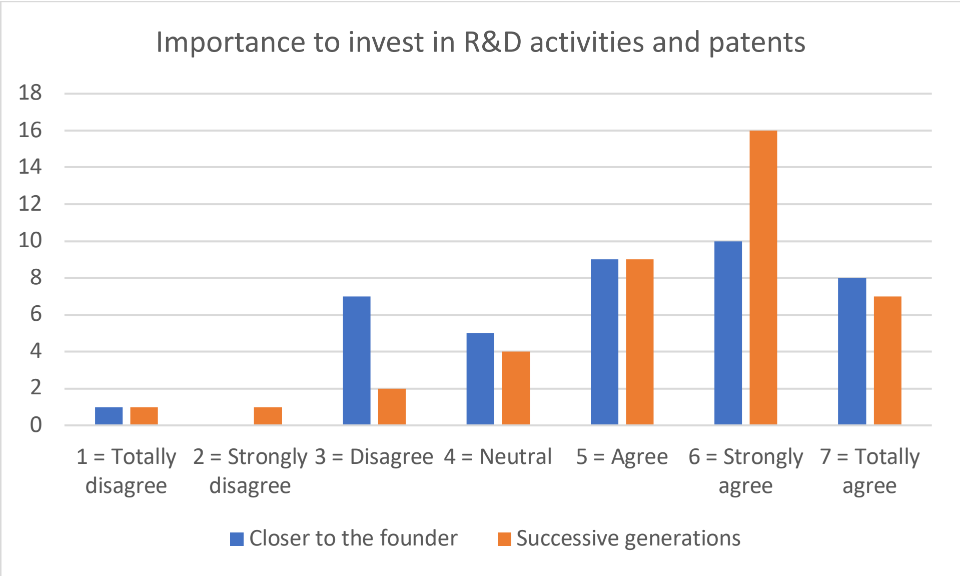
Chart 20 - External capitals



Source: Personal elaboration of survey's data.

Throughout the project, some variables used to measure the propension of family businesses to promote innovation strategies are represented by the R&D investments and patents. From the graph reported in the Chart 21, it is possible to underline that both generational stages recognize the importance to allocate resources to R&D investments and patents. However, successive generations are more inclined to perform these specific activities, compared to generations closer to the founder.

Chart 21 - Importance of R&D and patents

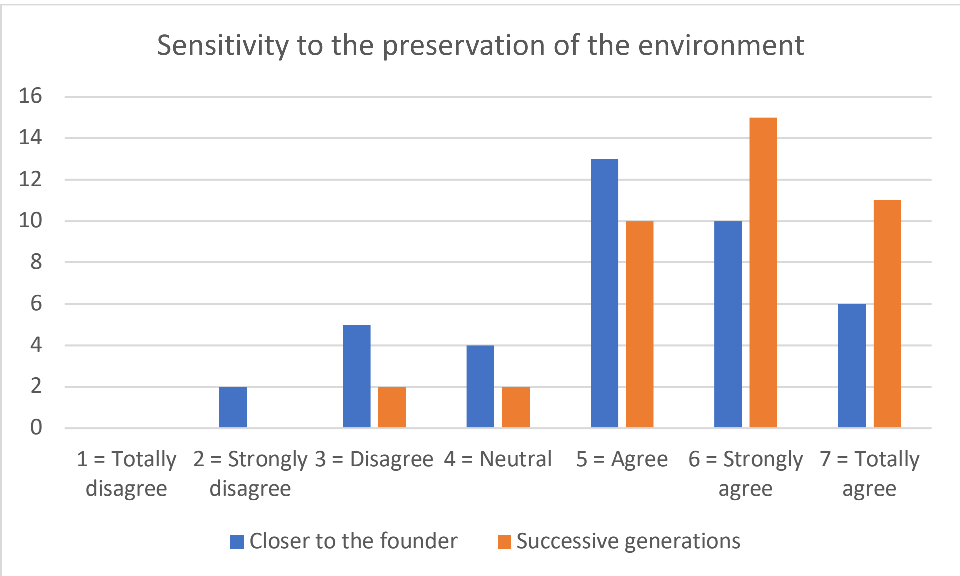


Source: Personal elaboration of survey's data.

After having presented all the statements regarding the propension to initiate innovation activities, the survey has shifted the focus on the implementation of Corporate Social Responsibilities' practices.

In particular, participants had to express the importance attributed to the preservation of the environment, in terms of the use of natural resources and emissions. Despite this sense of preserving the environment is mutual, the Chart 22 shows that this feeling increases at latest generational stages, with 90% of the respondents recognizing a great sensitivity for the environment.

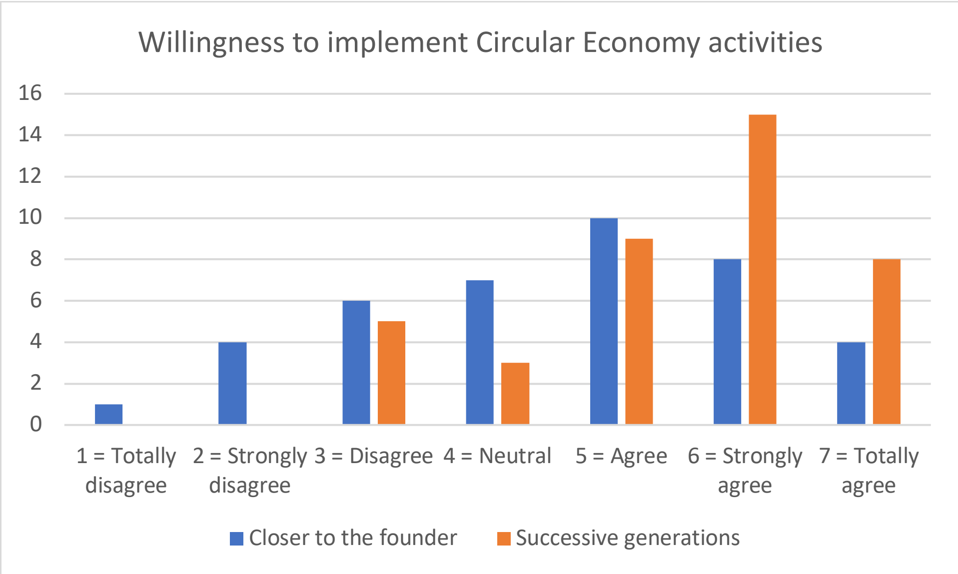
Chart 22 - Preservation of the environment



Source: Personal elaboration of survey's data.

Related to this topic, the survey has also investigated the willingness of family businesses to initiate Circular Economy activities. Similar to the previous results, latest generations show a greater propension in transitioning from the linear paradigm to a circular one, through the reuse of production waste and the use of eco-friendly materials.

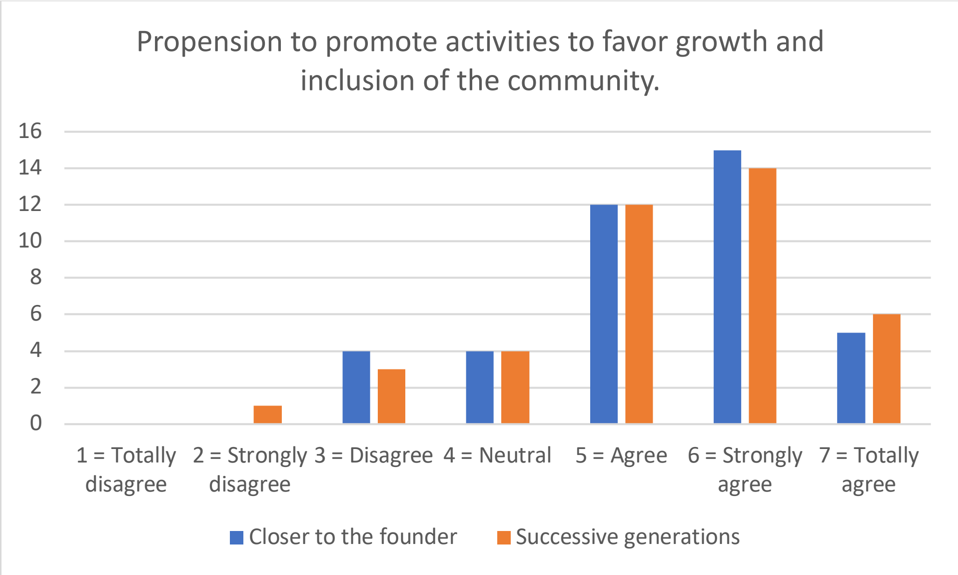
Chart 23 - Circular Economy activities



Source: Personal elaboration of survey's data.

In addition to the sensitivity for the environment, the survey has also collected results about the activities promoted to favor the growth and the inclusion of the community in which the family companies are embedded. The findings obtained demonstrate that the respondents have a great propension in promoting these specific activities and, above all, that this willingness is constant across different generational stages. Indeed, as graphically represented below, the comparison of the data collected through the survey are practically identical.

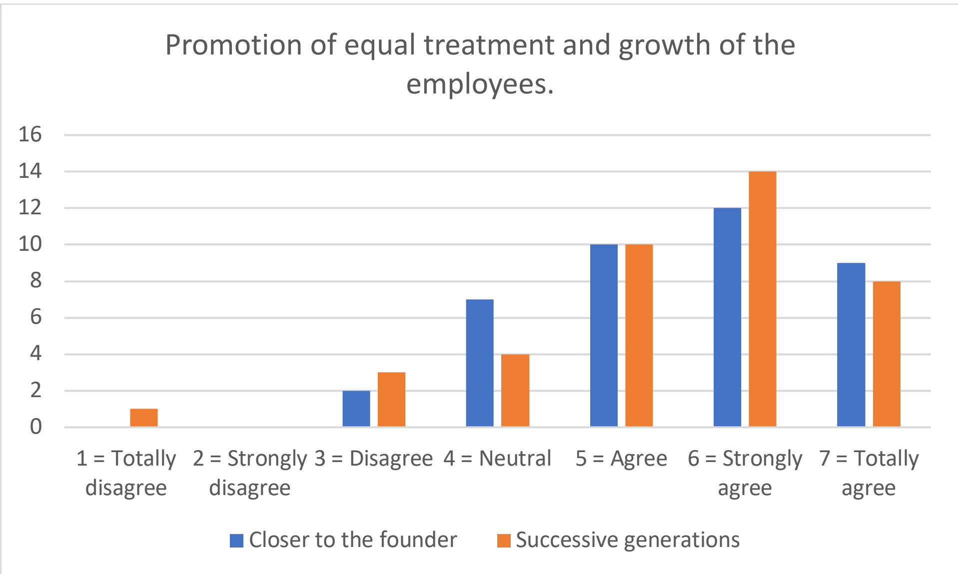
Chart 24 - Activities for the community



Source: Personal elaboration of survey's data.

Lastly, after having analyzed the propension of favoring the inclusion of the external stakeholders, respondents were asked to provide an answer to the importance recognized to the promotion of equal treatment and the growth of the internal stakeholders. Likewise, the different generations compared are strongly inclined in initiating practices aimed in creating transparent relationships with employees and in stimulating their individual growth. Moreover, these activities are equally important for the generational stages compared in this survey, as shown in the following graph.

Chart 25 - Activities for employees' growth



Source: Personal elaboration of survey's data.

4.4 Discussion of the findings

This paragraph offers the detailed discussion of survey's results, which were only described previously, and the information collected from the two case studies. In particular, this discussion connects the quantitative results obtained through the survey with the qualitative information offered by the real experiences of the case studies interviewed to demonstrate the prefixed goal.

4.4.1 Discussion

The results and information obtained through the two different methodologies have allowed to provide relevant answers to the research questions, since they have clearly identified the evolution of family's socio-emotional endowment and, at the same time, how the decision-making changes at different generational stages. From the primary data collected, it is possible to claim that the intensity of the five dimensions of the socio-emotional endowment decreases across generations.

Indeed, while generations closer to the founder have a strong desire to preserve their influence on strategic business decisions, this dimension decreases at latest generational stages. In particular, successive generations are more willing to recur to open the ownership of the family business to external shareholders, whether this strategy allows to foster firm's growth through new capitals to be invested. Furthermore, latest generations are inclined in delegating part of their decisional power to high-competent external executives to improve financial performances and manage the increasing complexity of the family business.

Likewise, the family's sense of identification and belonging to the company moderately decreases across generations. This evolution is mainly due by the simultaneous growth of family's numerosity, which leads to the creation of multiple branches within the same family and to the presence of family members who are not interested in managing or being a shareholder of the family business, as Noberasco's case. For this reason, the company tends to be perceived as an autonomous entity, no longer as a direct extension of the family itself.

Opposed to this trend is the evolution of the importance to create and maintain solid social ties with all the stakeholders of the business. Indeed, this socio-emotional values, despite being very important for both generational stages, slightly increases within successive generations. Subsequently, at latest generational stages, this increased propension to have trustful relationships with employees and partners results in the willingness to promote social initiatives and collaborations with the stakeholders of the family business.

Another dimension which has shown a decrease across generations is the emotional attachment among family members. In particular, at latest generational stages, strategic business decisions are made more rationally and not based anymore on the emotions, feelings and conflicts among family members. Therefore, decision-making is increasingly aimed in improving firm's performance and, subsequently, the value of the business.

The evolution of the last dimension which constitute the socio-emotional endowment shows a decrease as well. Indeed, despite the desire to transmit the family company to future generations is still strong in successive generations, it is not fundamental to ensure family dynasty's continuity. In particular, only those family members who show interest in the business and the adequate competences to be involved in the management can join the family company and contribute to its further development.

Resuming, the overall evolution of socio-emotional values sees a substantial decrease in the desire to protect and preserve the emotional endowment. Subsequently, successive generations are more willing to renounce to part of the influence and control over the strategic decisions, in return of improved performance and a more valuable company. Moreover, this shift to a rational and competence-based approach to business decisions leads also to the creation of criteria for family members to join the company, whether the latter are really interested and possess the right competence to contribute to the success of the business.

The evolution of socio-emotional values across generations has shown direct consequences on the contextual evolution of decision-making too, suggesting a greater propension in the implementation of diversification, innovation and CSR activities.

For instance, the willingness to diversify the core business has increased across generations. In particular, successive generations have demonstrated to be more inclined in implementing mergers and acquisitions to enter new product markets and related industries. Likewise, latest generations show a greater propension to internationalize the family business, also recurring to partnerships with third parties for the creation of Joint Ventures, or just relying on partners abroad to develop the brand into a new market through external expertise. Apparently, this openness to rely on external entities is a consequence of the increased propension to delegate decisional power to executive who are non-family members and that, basing on more specific competences, are able to ensure the improvement of firm's performance. Indeed, while the importance to attract talented human resources has remained constant, compared to generations closer to the founder, latest generations' greater willingness to delegate decisional power seem to be the key to explain this increase in the implementation of diversification strategies.

From the results collected, it is possible to claim that the willingness to promote innovation activities has increased at latest generational stages. In fact, successive generations recognize more importance to the exchange of internal information with partners, especially those who operate in different industries, and are more inclined in performing activities of "open innovation". Indeed, recurring to the complementary know-how and expertise of partners, such as suppliers and customers, is crucial to differentiate and make customers perceive the uniqueness of the offer. Furthermore, customers and suppliers are often helpful in providing the inputs to innovate the products, leading the family company to achieve a competitive advantage in the market. Successive generations have also shown a greater propension in investing in research and development activities, even at cost of recurring to external capitals to fund the innovation process. This is a consequence of the high level of awareness and willingness to hire talented resources, who increase the likelihood to file new patents and innovate the business.

Lastly, despite family business are by definition socially responsible, the promotion of Corporate Social Responsibility's practices increases across generations. This is mainly due to the greater desire of successive generations to create and maintain solid and trustful relationships with all the stakeholders. However, the promotion of activities to favor the growth and inclusion of employees and the community in which the family company is embedded remains constant. Indeed, both generational stages seem inclined in favoring the fair treatment and individual development of the employees through training courses aimed in strengthen their skills and improving their satisfaction. Similarly, both generations have been involved in the promotions of social initiatives to favor the inclusion of the community surrounding the business. The distinctive factor is represented by the preservation of the environment and the implementation of Circular Economy's activities. In fact, the authentic sensitivity toward the reduction of emissions, waste and the use of resources is stronger at latest generational stages. For this reason, successive generations have a higher propension in investing in renewable resources, using sustainable inputs in the production process and reusing originally its waste in new industries.

Concluding, the evolution of the socio-emotional values across generations determines a shift in the decision-making process of family businesses. Indeed, successive generations are more willing to diversify the core business through M&A and partnerships with third parties. This is a consequence of the increased propension to delegate decisional power to high-competent executives, in return for improved performance. Furthermore, the propension to initiate innovation activities has increased across generations, as effect of the openness to share internal information with external partners and the acquisition of more talented resources, even if non-family members, to perform R&D activities and file new patents. Lastly, successive generations are more likely to promote CSR practices. Indeed, despite the desire to favor the development and the inclusion of internal and external stakeholders have remained constant, environmental concerns are higher at latest generational stages, resulting in the promotion of activities aimed in reducing emissions, the use of resource and reintroducing production waste in new industries.

4.4.2 Managerial relevance

As already claimed before, this research offers an original contribution to the scarce available literature in the family business field regarding the evolution of decision-making process.

In particular, despite the importance of having demonstrated that the propension to implement diversification and innovation strategies increases from generations closer to the founder to latest generations, the most ambitious goal was to analyze the evolution of the propension to promote CSR practices. Indeed, the reduction in the intensity of SEW construct foreshadowed the contextual decrease in the implementation of socially responsible activities, since the preservation of the emotional endowment is considered a pro-social stimulus. However, the only dimension that increases across generations is the desire to create and maintain social ties, which subsequently has a positive influence in the promotion of sustainable activities.

4.4.3 Limitations and direction for future research

It is not possible to conclude this research without considering some of its main limitations, which represent opportunities to be solved in future research. In particular, the sample of respondents used for both research methodologies is restricted to 42 Italian family firms, which are not representative of the millions of family firms active worldwide. Indeed, each country and continent have specific characteristics which cannot be perceived by a "local" research. Second, it is not possible to measure the SEW directly or collecting the opinion of multiple generations through interviews, especially when comparing the first to the fourth generation. Therefore, only one generation per family firm has provided the answer for both generational stages. Furthermore, it is useful to consider that case studies and surveys, despite being the best alternatives for gathering private firm's relevant data, are not the best measurement techniques. Lastly, it is necessary to consider that family businesses are characterized by a high level of heterogeneity, so the information collected for the sample who participated to this research could substantially diverge from another sample with different size, composition of the ownership and family values.

Conclusion

This thesis project has ambitiously explored the evolution of family firms' decision-making at different generational stages, in particular by comparing the willingness of generations closer to the founder to implement diversification, innovation and CSR strategies with the same propension of successive generations. Indeed, since literature contributions on this topic are still scarce, the main purpose of this paper has been to analyze the effects that the generational changes have on strategic business decisions of family companies, basing on the available literature which claims the decrease of family members' desire to preserve the SEW at latest generational stages. However, despite Socio-Emotional Wealth Theory, introduced by Berrone and Gomez-Mejia, is considered the dominant paradigm in the family business field, its evolution across generations regarding the desire to protect this emotional endowment over financial performance has been tested again to offer greater completeness in the results. In order to achieve this goal, two Italian family companies, Tacchificio Villa Cortese and Noberasco S.p.a., have been used as case studies to collect qualitative real experiences, while a sample of 40 Italian family companies has participated to the survey, providing quantitative information easier to be compared.

The primary data collected through these two methodologies, and their subsequent elaboration, have allowed to provide relevant and consistent answers to the research question formulated and to demonstrate the prefixed goal.

In particular, the analysis of the evolution of each dimension which constitute the SEW construct has demonstrated that the desire to preserve the emotional endowment decreases from the founder to the latest generational stages, confirming recent literature contributions.

Indeed, by merging case studies and survey's data, four of the five FIBER dimensions decrease. For instance, successive generations are less interested in preserving influence and control over strategic business decisions at all costs, since they have shown the willingness to open the ownership of the family company to external shareholders and delegating part of their decisional power to high-competent external executives to improve financial performances and manage the increasing complexity of the business. The sense of identification and belonging to the family company moderately decreases across generations, as effect of the creation of multiple family's branches and the presence of family members who are not interested in the business. The emotional attachment among family members has reduced across generations, with business decision being made to improve firm's performance, rather than being based on feelings and emotions between family members.

Likewise, successive generations show a lower desire to transmit the family company to future generations and to continue the family dynasty, because only those members who possess the adequate competences and interest to the business are allowed to join it. On the other hand, latest generations recognize greater importance to create and maintain solid social ties with all the stakeholders of the business, resulting in the increased promotion of social initiatives.
The elaboration of the findings has also led to relevant evidences on the willingness to diversify the core business across generations, which corresponds to the second research question. In particular, successive generations are more willing to implement diversification strategies, compared to generations closer to the founder. Indeed, latest generations have expressed a greater propension in recurring to M&A strategies and partnerships with external entities for the creation of Joint Ventures to enter new markets and industries. The main reason behind this is their increased propension to delegate decisional power to executives who are not family-members, because of their more specific competences in improving firm’s performance.
Likewise, data collected have allowed to confirm the prefixed goal of demonstrating that the propension to innovate increases across generations. Indeed, latest generations recognize more importance to exchange internal information with partners and performing open innovation activities. Furthermore, they have shown a greater propension in investing in R&D and filing new patents, even recurring to external capitals to fund the innovation process and improving the competitiveness of the company.
Lastly, opposed to the available literature in the family business field, successive generations have demonstrated to be more likely to promote CSR practices. Indeed, despite the desire to favor the development and the inclusion of internal and external stakeholders have remained constant, environmental concerns are higher at latest generational stages, resulting in the promotion of activities aimed in reducing emissions, the use of resource and reintroducing production waste in new industries.

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Summary

This empirical thesis arises from the personal interest in combining two unique aspects of family businesses: the generational handover and the decision-making process. Indeed, it explores decision-making evolution from generations closer to the founder to latest generational stages. In particular, the primary goal was to provide empirical evidences that successive generations have a greater propension in implementing diversification and innovation strategies, and that the willingness to promote CSR activities does not necessarily decrease at latest generational stages, as the available literature suggested.

The research is mainly based on the Socio-Emotional Wealth theory, recently introduced by Berrone and Gomez-Mejia, which is considered the dominant paradigm in the family business field. According to this theory, which operates a clear distinction among family businesses and their non-family counterparts, family firms' decision-making is primarily influenced by the preservation of family's emotional endowment, over the achievement of financial goals. Furthermore, scholars believe that this desire to preserve SEW decreases across generations, stimulating a different attitude toward the decision-making process. The purpose of this research was ambitious because, considering the scarce literature available, it was not clear whether successive generations are more inclined than generations closer to the founder in implementing diversification, innovation and CSR strategies. For this reason, the relevance of this research stands in meeting the gap in the family business field, by having collected and elaborated primary data which have demonstrated that the evolution of family firms' decision-making across generations increases the willingness to promote diversification, innovation and CSR activities.

In particular, these data have been gathered by interviewing two Italian family companies: Tacchificio Villa Cortese and Noberasco S.p.a., which have been used as case studies. This research method, since it is not a measurement technique, has allowed to have a direct discussion with family businesses, in order to compare the decision-making evolution basing on real examples of strategies implemented by the different generations of the family. Moreover, the qualitative data collected from case studies, has been supported and further compared with the quantitative findings of the survey submitted to a sample of 40 Italian family firms, which has highlighted graphically the different intensity in the willingness to promote diversification, innovation and CSR activities at different generational stages. The elaboration and discussion of these findings, which will be thoroughly presented later, has provided empirical validation to the research questions, by confirming the initial hypotheses formulated.

The whole project is composed by four chapters, each one focusing on different themes but extremely functional to argument and provide evidences to the prefixed goal. In particular, the first three sections consist in the review of literature contributions available in the family business field, while the fourth chapter provides the description of the research methodology and the discussion of the findings.

The first chapter is focused on offering a specific description of the succession process in family businesses, from the complexity of handing the business down to future generations, to the need for a proper planning and the different phases to manage it. In particular, it starts by providing a complete and exhaustive

definition of family firm according to the business doctrine, after decades of debates on its definitional issues. The definition used throughout the whole project was proposed by European Commission in 2009, claiming that: "*A firm, of any size, is a family enterprise if:*

- *the majority of votes in possession of the natural person(s) who established the firm, or in possession of the natural person(s) who has/have acquired the share capital of the firm, or in possession of their spouses, parents, child or children's heirs;*
- *the majority of votes may be indirect or direct;*
- *at least one representative of the family or kin is involved in the management or administration of the firm. Listed companies meet the definition of family enterprise if the person(s) who established or acquired the firm (share capital) or their families or descendants possess 25% of the right to vote mandated by their share capital"* (EC, 2009).

Despite the term "family business" is generally connected to small and medium enterprises which are considered as marginal entities, this link is quite reductive for their fundamental relevance in global economy. Indeed, according to Family Firm Institute, family companies represents two-thirds of all the businesses around the world and generate more than 70% of annual global GDP. In particular, basing on data provided by the European Commission, family firms play a significant role, accounting for 60 percent of all the companies active in the territory, creating among 40 to 50% percent of the overall European private employment. Family business is the backbone of the American economy as well, comprising 90% of all the enterprises in the US, from the data provided by US Census Bureau. These firms together account for 64% of the US gross domestic product and generates about 62 percent of total jobs, reaching 78% of new jobs created. After having reported the theoretical definition and the global relevance of family businesses, it has been introduced the inevitable phenomenon of generational change in family companies as a crucial and complex stage of their lifecycle. For instance, succession process can put in dramatic danger firm's continuity over time, but it can also be the opening of a new phase of development and greater prosperity for the future life of the company (Corbetta and Salvato, 2012). Indeed, according to AIDAF's data, only less than one third of family firms survive to the first generational shift, with statistics reaching 15% when referred to making to the third generation. This is mainly due to the contrasting coexistence among the incumbent and the successor, as consequence of diverging mentalities, characteristics and competences. The incumbent has to be willing to mentor and supervise the gradual introduction of the successor inside the company; on the other hand, the latter has to be ready to join the organization by developing new competencies and promoting innovative strategies that can be useful to foster company's growth over time. However, with an adequate planning process which takes into account the relationship among management, ownership and family, it is possible to define the desired goal and implementing the strategy to achieve a successful generational handover. These plans include the two generations involved and external managers with specific competences, by identifying specific roles to cover during the generational handover which can lead to a further development of the whole organization. Indeed, planning the succession process in time, putting the necessary effort and taking into account all the critical variables involved, allows to create a positive environment, with the successor gradually joining the company and establishing his innovative ideas to influence improvements in both family and business sphere. The incumbent fills a primary role in determining the success of this process, by mentoring the heir and guiding him in a process of integration among his specific competences and the necessary knowledge required for running the business. The current generation should communicate and transfer the experience acquired over time to the successor, as a requirement for overall success of the entire process. Moreover, it is necessary to use all the tools available to the firm, such as family holdings, with the aim of preserving family control on the company and allowing only potential successor with the adequate competences and motivations to exert leadership on family company, in order to ensure firm's continuity and stability over time.

After having described generational change's complexity, the focus has been shifted on another fundamental topic for the prefixed research, by presenting the specific behavior of family-owned business in their approach within decision-making process, basing on the theoretical literature available. In particular, the second chapter compares family firms' specific decision-making process with their non-family counterparts, according to the Socio-Emotional Wealth theory. This part includes the detailed description of the five dimensions of SEW construct, which are resumed in the FIBER scale, introduced by Berrone. Furthermore, it provides the presentation of the advantages of recurring to this paradigm, and several techniques aimed in measuring the intensity of these dimensions. Then, this chapter includes the discussion of "bright" and "dark" sides connected to this theory, according the current literature contributions available by Kellermanns and other scholars, and the subsequent different attitudes among family and non-family firms in the likelihood to implement diversification, innovation and CSR activities.
Socio-emotional Wealth theory was formulated first in 2007 by Gomez-Mejia and other scholars to explain the peculiarities of family business in decision-making process. Indeed, according to this theory, "*family firms are typically motivated by, and committed to, the preservation of their SEW, which is represented by non-financial aspects or "affective endowments" of family owners. In this formulation, gains or losses in SEW represent the pivotal frame of reference that family-owned companies use to make major strategic choices and policy decisions*" (Berrone, 2012). It is a logic which is completely unrelated to economic criteria, since it relies on affective and emotional elements connected to relational patrimony and the overall legacy that the family hands down to the next generation, above the achievement of financial goals (Zellweger et al., 2011). Unlike other frameworks, which require the adjustment of their rationales to the family firm's dynamics, the Socio-emotional approach directly arises from the context of family-owned businesses, highlighting the plurality and variability of their goals over time which are driven by family values (Nordqvist et al., 2011).
Socio-emotional Wealth is configured as a multi-dimensional concept that consists in five dimensions, labeled as FIBER scale: *Family control and influence, Identification of family members with the firm, Binding social ties, Emotional attachment of family members and Renewal of family bonds to the firm through dynastic succession* (Berrone, 2012). Each dimension refers to a different peculiar aspect of family's affective

endowment. It includes from the control and influence that the family wants to exercise over the business, to the family's identification with the firm and the desire to hand the business down to the next generation. Furthermore, it also includes the importance to create and maintain solid relationships with stakeholders, and the way emotions and feelings among family members influence business decisions. Each dimension affects the family-owned business in different ways, representing the guideline to understand better its attitude in the decision-making process. Despite the SEW approach seems to present simultaneously bright and dark sides on family owners' attitude toward decision-making process, this construct has been used by the scholars in family business field as theoretical framework to explain the different attitude among family and non-family companies in implementing diversification, innovation and CSR strategies.

In particular, family companies are less inclined in diversifying the core business than their non-family counterparts, even at the cost of bearing a higher financial risk due to uncertain cashflows. Likewise, family companies show a lower propension in implementing innovation strategies, although they have the ability to do more, as claimed by "Ability and Willingness Paradox". In particular, this tendency is emphasized by considering patents as a quantitative measure for innovation, with family businesses less likely to spread internal information outside the organizational boundaries to preserve SEW, although jeopardizing their competitiveness in the global context. On the other hand, SEW approach seems to be a "prosocial and positive stimulus", with family businesses more willing to implement CSR practices, in order to achieve a positive image and a good reputation for the society, especially in the case they are embedded in smaller communities. However, the main reason behind socially responsible behavior is attributable to personal interest, rather than an authentic commitment to environment and stakeholders. Indeed, the implementation of CSR activities is considered a powerful marketing tool, with responsible behavior allowing the firm to obtain reputational benefits that increase company's value over time and ensure the continuity of the business in the long-term, to be handed down to future generations.

The second chapter provides detailed insights on family firms' specific behavior regarding the decision-making process, especially from the comparison among family companies and their non-family counterparts. It highlights the crucial importance of Socio-Emotional Wealth preservation for family principals, even above the possibility to foster the growth of the business through recurring to diversification and innovation strategies. However, the second chapter offers only a general perspective in analyzing family firm's behavior in making strategic choices, without taking into consideration the evolution of decision-making across generations, from the closest to the founder to successive ones. For this reason, the third chapter is focused on presenting and describing the shift in family-owned businesses' attitude toward strategic decisions, basing on a crucial and complex event which is necessary and inevitable to every firm: the generational handover. In this perspective, the third chapter can be seen as the link between the first two sections, since it highlights the relationship among the generational change and the decision-making process in family-owned companies. In particular, in light of family members' different desire to preserve their emotional endowment, the focus is shifted to the evolved propension in implementing the same strategies, namely diversification, innovation and CSR ones. Then, the literature review on decision-making evolution is concluded with the formulation of the research questions which have been tested in the fourth and last chapter to demonstrate the prefixed goal.

According to the available literature, the level of socio-emotional wealth reaches its peak at the first generational stage, as the founder presents a strong identification with the firm and his goal is to hand the business down to the next generation in order to preserve familiar control over the business. Generation after generation, the desire to preserve SEW tends to weaken, while the pursue of economic-financial goals increases, as effect of an inferior emotional attachment to the family business (Arrondo-Garcia et al., 2016).

In particular, by exploring the evolution of each specific dimension of the SEW construct individually, some specific dimensions vary more than others. Indeed, while the emotional attachment and the control exerted over the business show a decrease, determining a more rational decision-making process, other dimensions are reinforced by the generational handover. For instance, younger generations are more focused on establishing solid relationships with external stakeholders as a strategic source of competitive advantage that can lead the business to a further growth (Lazzarotti et al., 2019). What emerges from the evolution of socio-emotional values is the gradual process of distinction among the family and the business, which lead to the major level professionalization in the company and a more rational decision-making process.

Basing on these assumptions, some scholars have suggested the subsequent evolution in the implementation of diversification, innovation and CSR activities. In particular, in contrast with the conservative aversion of early generations to promote diversification strategies in order to avoid the loss of control over the business, successive generations are less emotionally attached to the company, resulting in a greater propensity to implement diversification strategies. Indeed, latest generations have less concerns about imposing their influence on strategic choices, in exchange for a more valuable and successful business to transfer to future generations, with the aim of ensuring the continuity of family dynasty. Furthermore, despite generations closer to the founder are less willing to promote innovation activities, as effect of their primary desire to maintain control over the business and to keep crucial internal information inside the organizational boundaries, latest generations are more innovation-oriented and more willing to delegate part of their power over firm's activities, in order to foster company's growth. For this reason, successive generations show a higher propensity in initiating cooperative relationships with external partners and recurring to more competent executives in managing such complex and critical operations. On the other hand, the increasing interest for the achievement of economic-financial goals in successive generations, over the preservation of the affective endowment, let scholars suppose that latest generations of family principals are less interested in the promotion of socially responsible activities, in particular regarding the preservation of the environment.

The literature contributions included in the third chapter has allowed to formulate four research questions to be tested in the fourth section:

RQ1: *Does Socio-emotional Wealth's intensity decrease from the founder to latest generational stages?*

RQ2: *Are latest generations in family firms more willing to diversify than generations closer to the founder?*
RQ3: *Does family firms' propensity to innovate increase at latest generational stages?*
RQ4: *Are latest generations less willing to promote CSR activities compared to generations closer to the founder?*

After having provided the theoretical background regarding the evolution of decision-making in family firms as consequence of the generational change, the fourth and last chapter provides empirical validation to the frameworks presented and evidences able to answer to the research questions.

The research methodology was aimed in collecting and comparing primary data to determine whether the socio-emotional values increase or decrease across generations, and the consequences it implies in the propensity to implement strategies of diversification, innovation and Corporate Social Responsibility. It has included two different techniques: two case studies and one survey. Case studies have been analyzed through direct video-interviews with members of the owning-families of Tacchificio Villa Cortese S.r.l. and Noberasco S.p.a., which have been selected among a set of Italian family companies with the criterion of having received awards in the recent years for representing a successful example of generational change. The purpose of these interviews has been the collection of qualitative data, since case studies are not a measurement technique. Indeed, the discussion with family members involved in the management of the family business has allowed to collect real experiences and examples of how the socio-emotional values have changed across generations and, subsequently, to highlight the shift in the implementation of diversification, innovation and CSR practices. Then, the primary data gathered through the interviews have been compared and supported by the quantitative results offered by the proposed survey. The survey was directed exclusively to family members of 40 family companies, and it has used the Likert scale to offer a quantitative basis to compare the evolution of emotional values and the decision-making priorities of the generations closer to the founder with the latest generational stages' ones. Respondents were asked to express their opinion about 45 sentences, regarding the propensity of generations closer to the founder and successive generations to make certain strategic decisions. The main goal of this measuring technique, used as a support and comparison of the case studies, is to point out the different propension and tendencies across generations toward the socio-emotional dimensions and the implementation of diversification, innovation and CSR strategies.

The comparison of results and information obtained through the two different methodologies have allowed to provide relevant answers to the research questions, since they have clearly identified the evolution of family's socio-emotional endowment and, at the same time, how the decision-making changes at different generational stages. Indeed, according to the elaboration of the findings, the overall evolution of socio-emotional values has seen a substantial decrease in the desire to protect and preserve the emotional endowment. Subsequently, successive generations are more willing to renounce to part of the influence and control over the strategic decisions, in return of improved performance and a more valuable company. Moreover, this shift to a rational and competence-based approach to business decisions leads also to the creation of criteria for family members to join the company, whether the latter are really interested and possess the right competence to contribute to the success of the business. Consequently, the evolution of the socio-emotional values across generations has determined a shift in the decision-making process of family businesses. Indeed, successive generations are more willing to diversify the core business through M&A and partnerships with third parties. This is a consequence of the increased propension to delegate decisional power to high-competent executives, in return for improved performance. Furthermore, the propensity to initiate innovation activities has increased across generations, as effect of the openness to share internal information with external partners and the acquisition of more talented resources, even if non-family members, to perform R&D activities and file new patents. Lastly, successive generations are more likely to promote CSR practices. Indeed, despite the desire to favor the development and the inclusion of internal and external stakeholders have remained constant, environmental concerns are higher at latest generational stages, resulting in the promotion of activities aimed in reducing emissions, the use of resource and reintroducing production waste in new industries.

Resuming, this thesis project has ambitiously explored the evolution of family firms' decision-making at different generational stages, in particular by comparing the willingness of generations closer to the founder to implement diversification, innovation and CSR strategies with the same propensity of successive generations.

Indeed, since literature contributions on this topic are still scarce, the main purpose of this paper has been to analyze the effects that the generational changes have on strategic business decisions of family companies, basing on the available literature which claims the decrease of family members' desire to preserve the SEW at latest generational stages. However, despite Socio-Emotional Wealth Theory, introduced by Berrone and Gomez-Mejia, is considered the dominant paradigm in the family business field, its evolution across generations regarding the desire to protect this emotional endowment over financial performance has been tested again to offer greater completeness in the results. In order to achieve this goal, two Italian family companies, Tacchificio Villa Cortese and Noberasco S.p.a., have been used as case studies to collect qualitative real experiences, while a sample of 40 Italian family companies has participated to the survey, providing quantitative information easier to be compared.

The primary data collected through these two methodologies, and their subsequent elaboration, have allowed to provide relevant and consistent answers to the research question formulated and to demonstrate the prefixed goal.

In particular, the analysis of the evolution of each dimension which constitute the SEW construct has demonstrated that the desire to preserve the emotional endowment decreases from the founder to the latest generational stages, confirming recent literature contributions.

Indeed, by merging case studies and survey's data, four of the five FIBER dimensions decrease. For instance, successive generations are less interested in preserving influence and control over strategic business decisions at all costs, since they have shown the willingness to open the ownership of the family company to external shareholders and to delegate part of their decisional power to high-competent external executives to improve financial performances and manage the increasing complexity of the business. The sense of identification and belonging to the family company moderately decreases across generations, as effect of the creation of multiple family's branches and the presence of family members who are not interested in the business. The emotional attachment among family members has reduced across generations, with business decision being made to improve firm's performance, rather than being based on feelings and emotions between family members. Likewise, successive generations show a lower desire to transmit the family company to future generations and to continue the family dynasty, because only those members who possess the adequate competences and interest to the business are allowed to join it. On the other hand, latest generations recognize greater importance to create and maintain solid social ties with all the stakeholders of the business, resulting in the increased promotion of social initiatives.

The elaboration of the findings has also led to relevant evidences on the willingness to diversify the core business across generations, which corresponds to the second research question. In particular, successive generations are more willing to implement diversification strategies, compared to generations closer to the founder. Indeed, latest generations have expressed a greater propension in recurring to M&A strategies and partnerships with external entities for the creation of Joint Ventures to enter new markets and industries. The main reason behind this is their increased propension to delegate decisional power to executives who are not family-members, because of their more specific competences in improving firm's performance.

Likewise, data collected have allowed to confirm the prefixed goal of demonstrating that the propension to innovate increases across generations. Indeed, latest generations recognize more importance to exchange internal information with partners and performing open innovation activities. Furthermore, they have shown a greater propension in investing in R&D and filing new patents, even recurring to external capitals to fund the innovation process and improving the competitiveness of the company.

Lastly, opposed to the available literature in the family business field, successive generations have demonstrated to be more likely to promote CSR practices. Indeed, despite the desire to favor the development and the inclusion of internal and external stakeholders have remained constant, environmental concerns are higher at latest generational stages, resulting in the promotion of activities aimed in reducing emissions, the use of resource and reintroducing production waste in new industries.