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Intergenerational strategy involvement and family firms' innovation pursuits: The critical roles of conflict management and social capital

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ABSTRACT

This conceptual article centers on the relationship between intergenerational strategy involvement and family firms' innovation pursuits, a relationship that may be contingent on the nature of the interactions among family members who belong to different generations. The focus is the potential contingency roles of two conflict management approaches (cooperative and competitive) and two dimensions of social capital (goal congruence and trust), in the context of intergenerational interactions. The article theorizes that although cooperative conflict management may invigorate the relationship between intergenerational strategy involvement and innovation pursuits, competitive conflict management likely attenuates it. Moreover, it proposes that both functional and dysfunctional roles for social capital might arise with regard to the contribution of intergenerational strategy involvement to family firms' innovation pursuits. This article thus provides novel insights into the opportunities and challenges that underlie the contributions of family members to their firm's innovative aspirations when more than one generation participates in the firm's strategic management.

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Introduction

Informed by technological changes, competitive pressures, and globalization, family firms experience increasing needs to pursue innovation-oriented strategic goals to build and maintain their competitive advantages (Brines, Shepherd, & Woods, 2013; Cassia, De Massis, & Pizzurno, 2012; Craig, Dibrell, & Garrett, 2014; Sharma, Chrisman, & Chua, 1997). Goal prioritization in family firms' strategic decision-making is a complex process though, because of the unique combination of family, ownership, and business (Chrisman, Sharma, Steier, & Chua, 2013; Habbershon, Williams, & MacMillan, 2003; Kotlar & De Massis, 2013; Memili, Welsh, & Luthans, 2013), which can make it difficult to reach consensus about strategic directions (Kellermanns, Walter, Lechner, & Floyd, 2012). Achieving strategic consensus might be particularly challenging when more than one generation participates in the firm's strategic management (Litz & Kleysen, 2001; Salvato, 2004). Yet intergenerational interactions also have an important role in determining the strategic direction of family firms, particularly for innovation-oriented firms that seek to combine the knowledge bases that reside in different generations (Jaffe & Lane, 2004; Kellermanns & Eddleston, 2006). Because the pursuit of innovation goals by multigenerational family firms[1] is thus marked by both challenges and opportunities, there is a clear need to understand how their innovative aspirations may be influenced by the nature of interactions across generations.

Previous innovation research suggests that managers from different backgrounds can make important contributions to their firm's pursuit of innovative goals (Boone & Hendriks, 2009; Sherman, Berkowitz, & Souder, 2005). For family firms, such findings imply an important role for the strategic input provided by family members who represent more than one generation (Jaffe & Lane, 2004; Litz & Kleysen, 2001), that is, for intergenerational strategy involvement, which is a critical feature of many family firms (Kellermanns & Eddleston, 2006; Salvato, 2004). Yet this

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[1] Our theorizing is focused on family firms in which more than one generation is involved in the strategic management of the firm, but these arguments may apply to other settings too, such as interactions among sibling or cousin groups or between family and nonfamily members. Our choice to focus on *intergenerational* dynamics seeks to ensure conceptual clarity and is consistent with the salient role that these dynamics play in family firms' internal functioning and decision-making with respect to innovation (Jaffe & Lane, 2004; Kellermanns & Eddleston, 2006; Litz & Kleysen, 2001).

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involvement has received relatively scant attention in relation to the pursuit of innovation goals. To delve deeper into the origins of family firms' strategic positioning, it is critical to understand how and when intergenerational strategy involvement might be most likely to promote firms' innovation pursuits. We define these innovation pursuits as the extent to which family firms prioritize innovation goals in their strategic decision-making, which may pertain to developing new products or processes (Uhlaner, van Stel, Duplat, & Zhou, 2013; Yeoh, 2014).

Therefore, the research question that guides this investigation is, *How and in what conditions does strategy involvement by different generations inform the innovation pursuits of family firms?* Although it may seem intuitive that family firms' innovation pursuits are fueled when family members from more than one generation contribute to strategic decision-making, this process is not clear cut, due to conflicting viewpoints about the future of the company (Frank, Kessler, Nosé, & Suchy, 2011; Sonfield & Lussier, 2004; Welsh, Memili, Rosplock, Roure, & Segurado, 2013) and the concomitant presence of disruptive relational dynamics (Jaffe & Lane, 2004; Miller, Steier, & Le Breton-Miller, 2003). Accordingly, we postulate that the effectiveness of intergenerational strategy involvement for family firms' innovation pursuits is contingent on two critical aspects of their *familiness:* conflict management and social capital. The term familiness reflects the "idiosyncratic bundles of resources and capabilities that result from the involvement and interaction of the family in the firm" (Pearson, Carr, & Shaw, 2008, p. 956). It distinguishes family firms from nonfamily firms (Habbershon & Williams, 1999) and speaks to the idiosyncratic character of the relationships that exist within family firms, including but not limited to the relationships among family members who belong to different generations (Jaffe & Lane, 2004; Milton, 2008; Pearson et al., 2008).

First, conflict situations often emerge when different generations contribute to the strategic direction of family firms (Frank et al., 2011; Sonfield & Lussier, 2004; Welsh et al., 2013). Prior family business research typically has studied the role of different conflict *types* (e.g., task, process, relationship; Hoelscher, 2014; Kellermanns & Eddleston, 2004), but we argue that the extent to which intergenerational strategic involvement contributes to innovation pursuits also may be driven by how family members from different generations *resolve* conflict, irrespective of the specific type of that conflict. We focus in particular on whether they apply cooperative or competitive approaches to conflict resolution, consistent with previous research that underscores the tension between collaborative and competitive dynamics in family member disputes (Frank et al., 2011). Cooperative conflict management is characterized by high levels of concern for others, such that family members from different generations seek to bring issues into the open and investigate solutions that are agreeable to everyone involved. In contrast, competitive conflict management conveys low concern about others' opinions or feelings, such that family members attempt to impose their opinions on other generations at all cost, irrespective of the implications for the organization (Alper, Tjosvold, & Law, 2000; Chen, Liu, & Tjosvold, 2005; Zhang, Cao, & Tjosvold, 2011).

Second, we discuss the role of the social capital embedded in family member relationships that span more than one generation and how it influences the contributions of family members' collective strategy involvement to their firms' innovation pursuits. Social capital is a key aspect of organizations' internal relational context that promotes internal knowledge sharing among their ranks, as well as the creation of new organizational knowledge (Leana and van Buren, 1999; Nahapiet & Ghoshal, 1998). Similarly, we expect that the social capital held by family members from different generations has an important role for leveraging collective strategic inputs into innovation pursuits. Previous research suggests that the likelihood that family firms pursue innovation depends on internal social processes, including shared responsibility among family members toward common goals and the development of trustworthy personal relationships (Corbetta & Salvato, 2004; Eddleston & Morgan, 2014). Similarly, we focus on two dimensions of social capital (goal congruence and trust) among family members who belong to more than one generation and discuss how they might influence the usefulness of intergenerational strategy involvement for family firms' innovation pursuits.

Taken together, we seek to extend family business research by theorizing about the roles of conflict management and social capital as two aspects of familiness (Habbershon & Williams, 1999; Pearson et al., 2008), which previously have not been explored in relation to the transformation of intergenerational strategy involvement into innovation pursuits. We postulate that this involvement implies the *possibility* that different generations bring their personal knowledge and expertise to the table (Kellermanns, Eddleston, Barnett, & Pearson, 2008; Salvato, 2004), but the extent to which their respective knowledge bases can be exploited as innovation pursuits fundamentally depends on family-based processes that inform the effective *combination* of knowledge across generations (Cabrera-Suarez, de Saa-Perez, & Garcia-Almeida, 2001; Handler, 1991). Thus, we explicate that different facets of family firms' conflict management and social capital may have instrumental roles in unlocking the innovation potential inherent to intergenerational strategy involvement, because of their influence on how knowledge gets shared and combined among different generations. These issues have not been directly addressed in previous family business research.

Significant in this regard is that our theoretical focus is on the *concurrent* interplay of intergenerational strategic involvement on the one hand with conflict management and social capital on the other. In contrast, previous studies discuss either how family involvement might inform conflict generation and social relationship building in family firms (Arrègle, Hitt, Sirmon, & Very, 2007; Eddleston & Kellermanns, 2007) or how intra-family conflict and social relationships influence family firm goals (Cabrera-Suarez, Deniz-Deniz, & Martin-Santana, in press) and innovation outcomes (Litz & Kleysen, 2001; Sanchez-Famoso, Maseda, & Iturralde, 2014). Consistent with the contingency approach to the study of family firm dynamics (e.g., Eddleston, Kellermanns, & Zellweger, 2012; Hoelscher, 2014; Royer, Simons, & Boyd, 2008), we address *how* the usefulness of family members' collective strategic input for their firm's innovation pursuits varies, depending on (1) how they resolve conflict situations and (2) the nature of their social relationships. Moreover, in contrast with research that addresses the roles of different conflict types in family business settings (Kellermanns & Eddleston, 2004), our focus is on how intergenerational conflict is *resolved*. Finally, we acknowledge the presence of not just beneficial but also potentially harmful effects of social capital. This "dark side" of social capital has received some attention (Arrègle et al., 2007; Milton, 2008; Pearson et al., 2008), but no research explicates how it might operate in relation to different conflict management approaches. We argue that social capital by itself may enhance the usefulness of intergenerational strategy involvement for family firms' innovation pursuits, but it also can have a dysfunctional effect, such that it attenuates the positive (moderating) influence of cooperative conflict management and exacerbates the negative (moderating) influence of competitive conflict management.

Theoretical background

Consistent with previous research on top management team diversity (e.g., Boone & Hendriks, 2009; Qian, Cao, & Takeuchi,

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