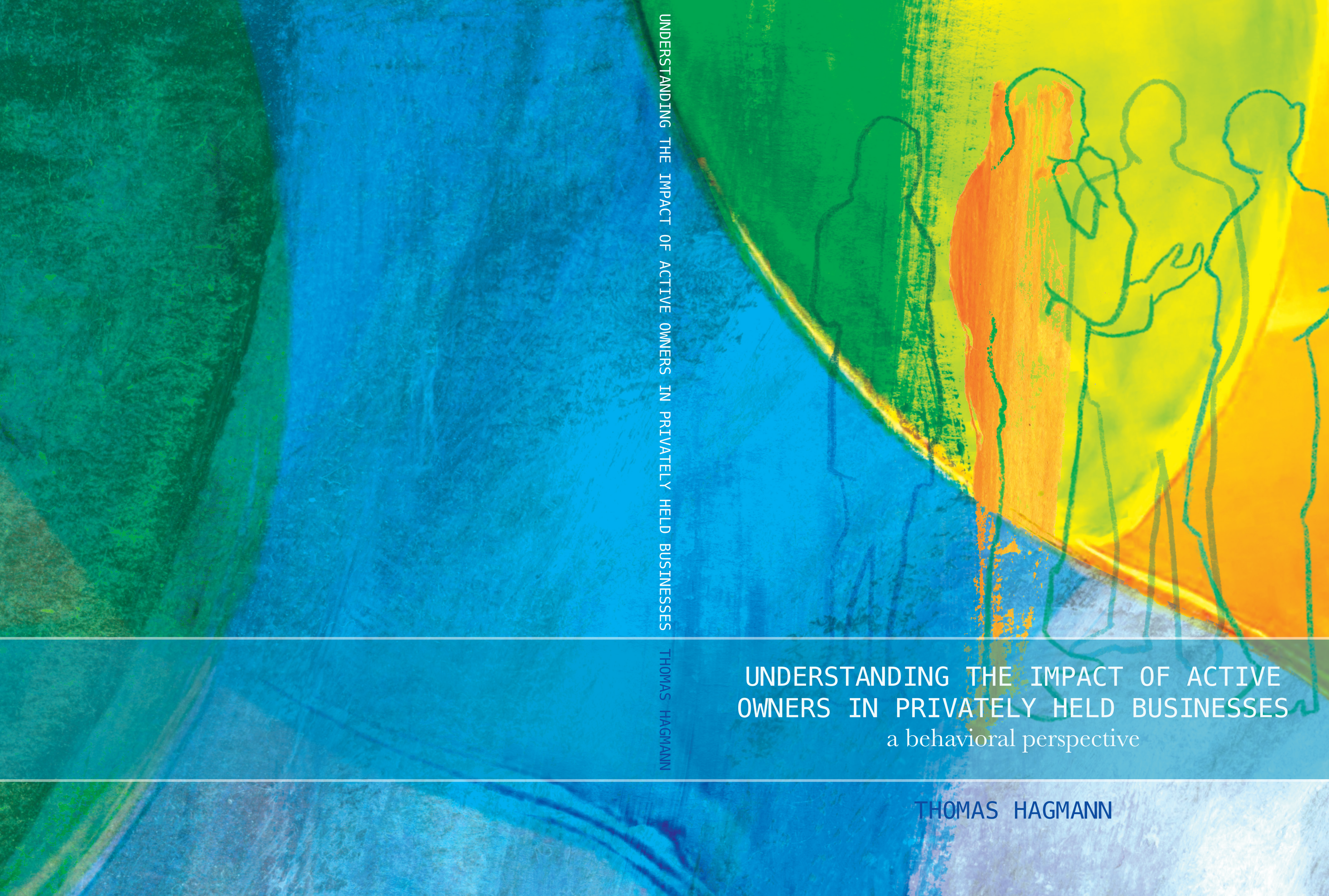

UNDERSTANDING THE IMPACT OF ACTIVE OWNERS IN PRIVATELY HELD BUSINESSES

a behavioral perspective

THOMAS HAGMANN

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A BEHAVIORAL PERSPECTIVE

Printed in the Netherlands by Amsterdam University Press
Cover design by Hester Nijhoff

Understanding the Impact of Active Owners in Privately Held Businesses

A Behavioral Perspective

ACADEMISCH PROEFSCHRIFT

ter verkrijging van de graad van doctor
aan de Universiteit van Amsterdam
op gezag van de Rector Magnificus
prof. dr. ir. K.I.J. Maex
ten overstaan van een door het College voor Promoties ingestelde commissie,
in het openbaar te verdedigen
op woensdag 31 maart 2021, te 13.00 uur

door Thomas Alfred Hagmann
geboren te Zürich

Promotiecommissie

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Summary

The purpose of this thesis is to explore and understand from a behavioral perspective what happens in a company when owners of privately held companies take an active role in long-term development. An increasing number of researchers advocate that corporate governance should be concerned not only with monitoring the management and minimizing downside risks for the shareholder, but also with enabling the management to create upside potential for the shareholders (Filatotchev, Toms, & Wright, 2006; Neubauer & Lank, 2016). However, the review of prior literature yields a paucity of research about how owners actively engage in the long-term development of the company and how their active involvement impacts the organization.

The traditional lens of corporate governance, constrained by its primary focus on the agency theory, cannot fully explain how active owners impact the company and its performance. Hence, this dissertation aims to open this black box by exploring how active owner behavior influences the organization. The initial conceptual framework and the related thirteen propositions, derived from an extensive literature review, are based on a behavioral perspective, relying mainly on concepts from organizational decision-making theory, organizational social capital theory, and organizational identity theory.

One pilot study and four follow-up case studies were conducted to gain empirical evidence of these propositions. The semi-structured interviews and complementary sources were analyzed using the qualitative content analysis method.

The findings from these case studies were consolidated into a revised conceptual model, containing twelve revised propositions. This novel theoretical framework contributes to our understanding of the effects and mechanisms of active owners, thus contributing to opening up the black box of active ownership in private companies. This thesis enriches the previous body of research by providing a novel understanding of the role of active owners from a strategic management perspective, a novel conceptual framework for active owner involvement based on a behavioral perspective, and a comprehensive set of propositions based on the commonly accepted concepts of organizational decision-making, organizational social capital, and organizational identity. The thesis offers five initial practical implications

and potential recommendations for active owners and managers working in active-ownership privately owned companies. They consist of embedding active owners' goals and values into the company through value-oriented communication, fostering satisficing behaviors through a focus on socioemotional goals, enforcing decision rules, building organizational social capital by social participation, and actively and consciously mitigating the potential negative impacts of active owner involvement.

As the aim of this study is not to create statistically generalizable results but to contribute analytical and theoretical generalizations to the existing literature on ownership, the main limitation of the study is related to the limited generalizability of the findings to any populations of companies. Five main directions for further research are suggested, including statistical testing of all or some of these propositions, family governance–related aspects, the theory of emotions, the broader context regarding the active owners' financial wealth, and the operationalization of performance perception.

Samenvatting (abstract in Dutch):

"Inzicht in de impact van actieve eigenaren in particuliere bedrijven: Een gedragsperspectief"

Het doel van dit proefschrift is om vanuit een gedragsperspectief te onderzoeken en te begrijpen wat er in een particulier bedrijf gebeurt als de eigenaren van deze bedrijven een actieve rol spelen in de ontwikkeling op de lange termijn. Hoewel steeds meer onderzoekers bepleiten dat corporate governance zich niet alleen zou moeten bezighouden met het monitoren van het management en het minimaliseren van neerwaartse risico's voor de aandeelhouder, maar ook met het mogelijk maken van opwaarts potentieel voor de aandeelhouders (Filatotchev et al., 2006; Neubauer & Lank, 2016), levert het overzicht van eerdere literatuur een gebrek aan onderzoek op over hoe eigenaren actief betrokken zijn bij de lange termijn ontwikkeling van het bedrijf en hoe hun actieve betrokkenheid de organisatie beïnvloedt.

De traditionele lens van corporate governance, beperkt door de primaire focus op de agentuurtheorie, kan niet volledig verklaren hoe actieve eigenaren de onderneming en haar prestaties beïnvloeden. Daarom is het proefschrift gericht op het openen van deze zwarte doos door te onderzoeken hoe actief eigenaarsgedrag de organisatie beïnvloedt. Het initiële conceptuele raamwerk en de gerelateerde dertien stellingen, afkomstig uit een uitgebreid literatuuronderzoek, zijn gebaseerd op een gedragsperspectief, waarbij vooral wordt vertrouwd op concepten uit de organisatiebesluitvormingstheorie, de organisatie-sociale-kapitaaltheorie en de organisatie-identiteitstheorie.

Een piloot studie en vier vervolgcases werden uitgevoerd om empirisch bewijs te verkrijgen voor deze stellingen. De semi gestructureerde interviews en aanvullende bronnen werden geanalyseerd met behulp van de kwalitatieve inhoudelijke analysemethode.

De bevindingen van deze casestudies werden geconsolideerd in een herzien conceptueel model, dat twaalf herziene stellingen bevat. Dit nieuwe theoretische raamwerk draagt bij aan ons begrip van de effecten en mechanismen van actieve eigenaren en draagt daarmee bij aan het openbreken van de black box van actief eigenaarschap in private ondernemingen. Deze

dissertatie verrijkt het voorgaande onderzoek met een nieuw begrip van de rol van actieve eigenaren vanuit een strategisch managementperspectief, een nieuw conceptueel raamwerk voor actieve betrokkenheid van eigenaren op basis van een gedragsperspectief, en een uitgebreide set van proposities gebaseerd op de algemeen aanvaarde concepten van organisatorische besluitvorming, organisatorisch sociaal kapitaal en organisatie-identiteit. Het proefschrift biedt vijf initiële praktische implicaties en potentiële aanbevelingen voor eigenaren en managers die actief zijn in particuliere bedrijven waar actief eigendom de gang van zaken in een bedrijf direct beïnvloed. Deze aanbevelingen integreren de doelstellingen en waarden van actieve eigenaren in het bedrijf door middel van op waardecreatie gerichte communicatie, bevorderen van bevredigend gedrag door middel van een focus op sociaal-emotionele doelen, dwingen besluitvormingsregels af en bouwen organisatorisch sociaal kapitaal op door middel van sociale participatie. Het actief en bewust mitigeren van potentiële negatieve effecten van actieve betrokkenheid van eigenaren is eveneens onderdeel van deze aanbevelingen.

Aangezien het doel van deze studie niet is om statistisch generaliseerbare resultaten te creëren, maar om analytische en theoretische generalisaties te maken naast de bestaande literatuur over eigendom, is de belangrijkste beperking van de studie gerelateerd aan de beperkte mogelijkheid om de bevindingen te veralgemenen naar alle populaties van bedrijven. Er zijn vijf belangrijke richtingen voor verder onderzoek gesuggereerd, waaronder familiebestuur-gerelateerde aspecten, de emotietheorie, de bredere context met betrekking tot het financiële vermogen van de actieve eigenaars en de operationalisering van de prestatieperceptie.

Acknowledgments

When I started the endeavor of a Ph.D. thesis about ten years ago, I was guided by my interest in becoming an expert in a scientific field, as well as my passion for behavioral theories in the context of active ownership. Although I was told how tough it would be to complete such a research project part-time, I did not appreciate the full extent of such a multi-year journey. During the period of my research, I changed jobs more than once, got married, and became the father of two wonderful boys.

I have been fortunate to be continuously supported by various relatives, friends, colleagues, and peers, all of whom helped me persevere with my thesis, even during very challenging times. I would like to express my deepest gratitude for their continued assistance and support. First and foremost, I would like to express my appreciation to my promotor, Prof Dr. Hans P. Borgman, who remained patient with me over all these years and securely guided me through all the challenges and difficulties of academic work and empirical research. Towards the completion of my dissertation, Prof. Dr. Henk W. Volberda joined as the second promotor, and I would also like to thank him for his guidance and support. I gratefully acknowledge the five companies who agreed to participate in the empirical research, and I hope that the findings of my thesis will provide them with new insights.

Such a long and intense project would not have been possible without the support of my dear family. I wholeheartedly thank my parents and, in particular, my father, who has always been a role model and inspiration with his academic and professional career. I express my deepest gratitude to my wife and my two sons, who had to spend many weekends, public holidays, and vacations without their spouse and father and who always believed in me! With their unconditional understanding, encouragement, and optimism, they carried me through difficult times.

This work is dedicated to Maria, Nik, and Juri, with profound gratefulness.

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1. Introduction

This section establishes the point of departure for this research endeavor, outlining the author's motivation (Section 1.1) and providing an overview of the significant prior research streams (Section 1.2), thereby laying the foundation for the research question (Section 1.3). Furthermore, the methodological approach and the research process followed to address the research question are covered in this chapter (Section 1.4). Finally, the structure of the remainder of this thesis is explained (Section 1.5).

The purpose of this thesis is to open the black box of active owners in privately held businesses. It explores and explains from a behavioral perspective what happens in a privately held company when non-managerial owners take an active role in the long-term development of the company.

While practical experience and prior literature suggest that active behavior of owners has favorable effects on the performance of the firm (e.g., Wagner, Block, Miller, Schwens, & Xi, 2015), the form, intensity level, and effects of active behavior remain underexplored by research. As the traditional lens of corporate governance does not help resolve this contradiction, this dissertation applies a behavioral perspective to examine how active owners influence the organization. In this thesis, the author develops an initial framework and the corresponding initial propositions for active owner involvement based on the leading research workstreams in organizational behavior. Evidence is collected in one pilot study and four case studies and synthesized into a reviewed conceptual framework that contributes to theory, literature, and practice to help explore the phenomenon of active owner involvement.

1.1 Motivation

This section describes the author's motivation for choosing the topic of research and introduces the identified ambiguity surrounding the impact of active ownership.

With corporate governance emerging as one of the leading research branches in strategic management, the role of the owners and the manner in which they create value has increasingly gained attention. In business media, books on successful ownership, and corporate governance seminars, owners of publicly listed and privately held companies alike "are being urged to play a more active role" (Uhlaner, 2008, p. 9) in governing the company. Often, the example of activist investors or private equity owners is being used to support the advice. However, it remains unclear what an active role means.

The author has had firsthand experiences throughout his career of why this question is relevant to the practice of management. In his current role as a consultant, the author has advised private family businesses in their long-term portfolio strategy, learning more about active involvement in governing the firms as well as about the long-term orientation of private family firms. As an investment manager, the author represented the majority shareholder, that is, a family trust, towards the management of a large international business-to-business manufacturer. As such, he was actively involved in all phases of the strategy process. This involvement occurred in close collaboration with the management, sometimes creating challenges due to diverging interests but overall being considered beneficial for all parties. Finally, as a senior executive, the author experienced the other side of active owner involvement and what it means from the managers' perspective.

In all these roles, the author has been able to observe various benefits of active owner behavior; however, he has not been able to find literature or research comprehensively describing how active owners create value and how they should behave in order to sustainably influence the firm's performance level. The traditional corporate governance literature offers some, but limited, explanations. Little empirical work seems to exist that could explain what is meant by active owners, how active owners in privately held companies contribute to the firm's performance level, and how this contribution happens. Alternatively, as Uhlaner, Wright, and Huse (2007, p. 232) put it, "the way in which the actual behaviors and attitudes of owners influence the organization is left as a black box."

Today, the term corporate governance is often used with "a broad meaning as an umbrella term covering the relation and interaction between shareholders, the board of directors, the top management team, and the CEO" (Nordqvist, 2005, p. 8). Nevertheless, most of the research in ownership and corporate governance remains based on the narrow focus of the agency theory. The critics (Daily, Dalton, & Cannella Jr, 2003; Davis, 2005; Filatotchev, 2008; Hambrick, Werder, & Zajac, 2008; Kunst & Beugelsdijk, 2018; Tosi, 2008; van Ees, Gabrielsson, & Huse, 2009) of the pre-dominance of agency theory in ownership and corporate governance research propose complementary theoretical lenses such as stewardship theory, resource dependency theory, stakeholder theory, or behavioral agency theory (e.g., Christopher, 2010; Pepper & Gore, 2015).

An increasing number of researchers advocate that corporate governance should be concerned not only with monitoring the management to minimize downside risks for the shareholder, but also with enabling the management to create upside potential for the shareholders (Filatotchev et al., 2006). Corporate governance researchers are advocating that this constructive characteristic of ownership be addressed, and long-term sustainable development of the company is considered to be the central aspect of corporate governance (Neubauer & Lank, 2016; Nordqvist, 2005). However, there is a lack of research addressing the role of owners in strategy (Nordqvist, 2005). This gap might partly stem from the fact that much of the research on strategy has been conducted in publicly listed companies in which ownership is widely spread. However, most firms are privately held (Porta, La Porta, Lopez-De-Silanes, & Shleifer, 1999).

In publicly listed companies with widespread ownership, the individual owners largely remain anonymous parties represented by the board of directors. The individual owner cannot exert a direct influence on the direction of the company. By contrast, in privately owned companies, in which ownership typically is more concentrated on a few individuals or groups, the owners have more choice as to their activism level, that is, the nature and intensity of their participation in the activities and strategic development of the company.

This dissertation builds further on these observations about the limitations of the traditional school of corporate governance and ownership and explores how active owner behaviors influence the organization. The focus of the research is to explore and better explain what happens in a company when owners of privately held companies take an active role in the long-term development of the company without holding a formal management role as owner-manager.

1.2 Significant prior research

The following sections review significant prior literature related to the topic of research. The focus is on the research areas of strategic management (Section 1.2.1), corporate governance (Section 1.2.2), privately held companies (Section 1.2.3), and active ownership (Section 1.2.4). The final sub-chapter introduces the behavioral perspective on ownership, the approach used in this thesis to explore and explain the effects and mechanisms of active owners (Section 1.2.5).

1.2.1 Ownership and strategic management

This section briefly reviews how ownership has been addressed in the field of strategic management.

There is relatively little attention that has been given to the role of ownership in strategic management and strategic processes within the firm such as strategy development, strategy implementation, or strategic change (Goodstein & Boeker, 1991; Nordqvist, 2005; Thomsen & Pedersen, 2000). According to Goodstein and Boeker (1991), this lack of attention reflects a bias of researchers toward the assumption that the interests of owners have relatively little influence over strategic processes. The predominant focus on the agency theory has not only influenced corporate governance researchers but has also impacted the perspective taken on ownership in the broader field of strategic management. Ghobadian and O'Regan (2006, p. 556) find "a paucity of empirical research on the relationship between ownership structure and culture, leadership, factors influencing strategy, barriers to implementation of strategy, and so on."

The relatively few studies that investigate the impact of ownership on strategic content, such as geographic expansion (e.g., Yang & Meyer, 2019), diversification (e.g., Hafner, 2019), structure (e.g., Mayer & Whittington, 2004), or change and organizational flexibility (e.g., Volberda, Verwaal, & Van Der Weerdt, 2006), limit the concept of ownership mainly to the ownership structure (Nordqvist, 2005). The latter is typically defined in terms of the concentration and size of legal owners or the size of management stockholding (Nordqvist, 2005). Most work thus remains based on the legal and structural ownership and the extent to which this is connected to the content of strategy (Nordqvist, 2005; Ravasi & Zattoni, 2006). However, strategy content and process may be influenced by the identity and specific preferences of owners, as well as by the behaviors and attitudes of owners (Nordqvist, 2005, p.6).

In the field of entrepreneurship, a distinct area of strategy research, the role of ownership is also widely ignored, with research tending to consider either the owner-manager, that is, the owner who manages his own company, or the "remaining owners as passive investors of risk capital" (Uhlaner, 2008, p. 17). The literature on family businesses is partly an exception to this pattern, as some studies more closely examine the impact of heterogeneous interests among shareholders or groups of shareholders, such as families (Uhlaner & Berent-Braun, 2007; Uhlaner, Floren, & Geerlings, 2007; Uhlaner, Wright, et al., 2007). Recent contributions in this area indicate that groups of owners may vary in their commitment, behavior, and identity and that those variations have an effect on firm performance (e.g., Zellweger, 2017; Zellweger, Eddleston, & Kellermanns, 2010).

The above findings from relevant prior research lead the author to conclude that there is a lack of research on why and how ownership plays a role in shaping the observed differences in strategy content, strategy processes, and related outcomes. Most of the few existing studies investigate the relationship between features of ownership structure and firm performance while ignoring the behavioral and relational aspects of ownership involvement in strategy or other activities of the firm.

1.2.2 Ownership and corporate governance

This section reviews the role of ownership in corporate governance research and discusses the call for a new, broader understanding of ownership, leading to a more holistic understanding of ownership and the owners' potential to create value.

As Nordqvist (2005, p. 8) points out, "the relation between ownership and management (Berle & Means, 1932) is the origin of corporate governance (Collin, 1995)". The question that stood at the beginning of corporate governance research was, "How can investors be assured that they receive a reasonable return on their investments?" (Shleifer & Vishny, 1997,

p. 737). The initial corporate governance theories developed to address this question are primarily framed by economic theories, such as agency or managerial capital theory (Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976). The agency theory relies on the principal–agent paradigm, which has "its focus on self-interested, opportunistic, and calculating behavior" (Nordqvist, 2005, p. 8) among the actors in an organization (Jensen & Meckling, 1976). This conflict of interests among those organizational actors is mediated by the monitoring of the agents, either directly or indirectly, via a board of directors or formal contracts (Pettigrew, 1992). Both internal and external mechanisms are available to shareholders to help align the interests of managers with their interests (Walsh & Seward, 1990). Internal mechanisms include active boards, management compensation models that favor a shareholder orientation, and concentrated block-holdings, which facilitate the monitoring of executives (Daily et al., 2003). These internal mechanisms are referred to as levers of contractual governance (Mustakallio, Autio, & Zahra, 2002). External governance mechanisms comprise controls that external stakeholders can exercise over the firm; these include takeovers and debt covenants (Shleifer & Vishny, 1997).

The dominance of the agency theory has led to a somewhat cynical view of management and ownership (Nordqvist, 2005; Uhlaner, 2008). Ownership has been treated as a black box, and related research has focused mainly on the performance implications and less on how and why ownership matters (Ravasi & Zattoni, 2006). Even when ownership structure has been introduced in the analysis, it has been done in a somewhat simplified and quantitatively focused manner, with ownership being treated as a black box in the context of a focus on the performance implications of specific ownership characteristics (Ravasi & Zattoni, 2006).

Over the last two decades, various corporate governance researchers have called for approaches going beyond the agency theory by including theoretical perspectives from the social sciences and organizational behaviors (e.g., Christopher, 2010; Daily et al., 2003; Davis, 2005; Gabrielsson & Huse, 2004; Hambrick et al., 2008; Kaczmarek, 2017; van Ees et al., 2009; Zattoni & Pugliese, 2019) in order to consider the previously neglected cultural and social aspects of ownership and governance processes (Nordqvist, 2005). Many of these perspectives are meant to be complementary to agency theory rather than substitutive (Daily et al., 2003). To describe these perspectives in detail would go beyond the scope of this section. The following paragraphs, therefore, only briefly explain the main ideas of the stewardship theory, the stakeholder theory, and the resource dependency theory.

The stewardship theory defines situations in which managers, that is, the agents, are not motivated to maximize personal ends "but rather are stewards whose motives are aligned with the objectives of their principals" (Davis, Schoorman, & Donaldson, 1997, p. 21). "According to stewardship theory, the behavior of the steward is collective, because the steward seeks to attain the objectives of the organization (e.g., sales growth or profitability)" (Davis et al., 1997, p. 24). The steward is collectively-oriented and believes that by working to the benefit of the organization, personal needs are met. This behavior implies the "perception that the utility gained from pro-organizational behavior is higher than the utility that can be gained through individualistic, self-serving behavior" (Davis et al., 1997, p. 25). The rising importance of the stewardship theory in defining how to govern the firm is leading to a call for more stewardship-related studies in corporate governance (Chrisman, 2019; Christopher, 2010; O'Connell, 2007). Related to the stewardship theory, the organizational social capital theory also explains the significance of shared norms and goals (Uhlaner, Floren, et al., 2007) for the relationship between steward and owners (Leana & Van Buren, 1999).

Organizations today face a grown degree of social obligations and third-party interests in their activities, with the obligations extending from a single shareholder to multiple stakeholders (Christopher, 2010). Stakeholder theory suggests that organizations must recognize the interests of these stakeholders and address them through suitable strategies (Christopher, 2010). This concept extends the divergent interests between the agents and the principles (Donaldson & Preston, 1995), according to the agency theory, to "a consideration of divergent interests between the agent and multiple stakeholders" (Christopher, 2010, p. 688). The stakeholder theory has helped widen the perspective of corporate governance, and it is argued that it is particularly crucial in developing governance mechanisms and processes to reflect the influences of internal and external stakeholders (Christopher, 2010).

The increasingly complex and competitive environment in which organizations must operate today "has created a need for skilled directors to steer companies in the right direction" (Christopher, 2010, p. 689). The resource dependency theory posits that the ability of companies to cope with this complex environment is connected to the quality of the board of directors (e.g., Christopher, 2010; Hillman, Cannella, & Paetzold, 2000; Hillman, Withers, & Collins, 2009; Madhani, 2017; Pfeffer & Salancik, 2003).

Applying a more multi-theoretic approach to corporate governance has also led to a reflection on the positive sides of the separation between ownership and management. In this perspective, corporate governance should not only focus on the control and monitoring role, but also create awareness of how owners can enable the executives to operate in a manner that maximizes the value for the shareholders (Daily et al., 2003; Durst & Brunold, 2017; Filatotchev & Wright, 2005; Uhlaner, 2008; Uhlaner, Wright, et al., 2007). For this enabling aspect, the term "enterprising" function of corporate governance was created (Durst & Brunold, 2017; Filatotchev & Wright, 2005). This value-creation dimension may involve developing the firm's strategy, acquiring funds, hiring the management, or performing other services for the company (Daily et al., 2003; Zahra & Pearce, 1989). Much of the attention of corporate governance research has been fixated on sizable listed companies (Gabrielsson & Huse, 2004). This is a common observation for many research streams in business. However, most firms are privately held (Porta et al., 1999). In privately held companies, ownership is typically concentrated in possession of one or only a small number of owners. The owners are thus much more visible, and their ability, as well as perceived responsibility, to sustain long-term growth and value creation is more prominent than in public companies. Hence, the dual aspect of corporate governance is particularly crucial for many privately held companies (Uhlaner, Wright, et al., 2007).

Aside from the prevailing dominance of the agency theory, another limitation of the corporate governance research orientation is the focus on the role of the board of directors. Although the board of directors undoubtedly plays a vital role in the governance arrangement of most organizations, some small, privately owned companies do not even have a board but still can be a focus for corporate governance–related research. Furthermore, as Uhlaner, Wright, et al. (2007, p. 227) state, "not all corporate governance relates to board activity nor, necessarily, in our view, is all board activity an aspect of corporate governance." Despite the wealth of research on the role of the board, numerous studies that have investigated the relationship of board and company performance have produced inconclusive findings (e.g., Bhagat & Black, 2002; Hermalin & Weisbach, 2001; Merendino & Melville, 2019). While the reasons are undoubtedly complex, Tosi (2008, p. 160) sees one main explanation: "when there are no large equity holders, then it appears that boards may be more likely to act in the interests of the management, notwithstanding legal and fiduciary duties of the board." In other words, according to him, the common assumption that the board of directors would always act in the best interest of the owners-principals must be questioned.

The above paragraphs describe the role of ownership in the field of corporate governance. They illustrate how corporate governance research has been broadened beyond the narrow focus of agency theory, the board of directors and financial orientation, and how this has allowed the addition of a value-creation orientation to the initial monitoring and control function of corporate governance. This broadened perspective also sheds new light on the role of ownership and indicates that owners should not only be seen in terms of their controlling and monitoring orientation, but also in terms of their potential to add value to the growth of the company. However, an urgent need to explain how ownership influences the organization, rather than treating it as a cause-and-effect black box, remains.

1.2.3 Ownership in privately held companies

This section briefly reviews prior research on ownership in privately held companies.

The focus on public companies in corporate governance and ownership research has led to the predominance of the agency theory. Closely held private companies, however, often require a different perspective, as ownership is typically more concentrated, and owners tend to have different expectations and a different approach to govern the company (Sur, Sur, Lvina, & Magnan, 2013).

Private firms by far dominate the economic landscape, and closely held private ownership is further increasing, for example, in the United States (Sharma & Carney, 2012). The group of privately held companies is heterogeneous, as there are numerous types of non-listed or privately held companies, such as private equity-owned companies, family-owned companies, entrepreneur-owned companies, private-investor-owned companies, and joint ventures. In one of its reports, the Organization for Economic Co-operation and Development

(OECD) introduces the following definition for privately held companies: "closely held companies whose shares, unlike those of publicly held companies, do not trade freely in impersonal markets, either because the shares are held by a small number of persons or because they are subject to restrictions that limit their transferability" (OECD, 2005, p. 9).

A distinction often made in the literature, especially in the literature on family-owned companies, is the separation of privately held companies into family-owned and non-family-owned privately held companies (Mustakallio et al., 2002). Family ownership is the most common form of ownership globally, and some of the world's largest corporations are family owned (Porta et al., 1999). Numerous definitions of family ownership have been proposed (Diaz-Moriana, Hogan, Clinton, & Brophy, 2019), and research results seem to vary depending on the definitions used (Sharma, Chrisman, & Gersick, 2012). One definition, recommended by Mustakallio et al. (2002) to be one of the most useful, is that of Neubauer and Lank (1998, p. 21, p. 21): "a proprietorship, partnership, corporation or any form of business association where voting control is in the hands of a given family." Stewart and Hitt (2012) caution against dichotomizing samples into family and non-family firms, as this ignores contingencies that might need to be controlled. They outline that the split into family and non-family is likely to be arbitrary (Stewart & Hitt, 2012). Despite the large variety of definitions, Sharma et al. (2012, p. 8) see a consensus in the field that is the reciprocal role of the two systems family and business, which distinguishes family business research from research focusing solely on one or the other system.

While initial family business research had focused primarily on small- and mid-sized privately held family firms, an increasing amount of research has begun to focus or include publicly held family companies (Sharma et al., 2012). As Sharma and Carney (2012, p. 234) outline, the "vast majority of available empirical evidence on performance of family enterprises is focused on publicly held large family firms." In their meta-analytic study on the financial performance of family companies, Stewart and Hitt (2012) found that family involvement, in general, has a positive effect on public firms but an insignificant or negative impact on privately held family firms (Sharma et al., 2012). Another meta-study conducted by Van Essen, Carney, Gedajlovic, Heugens, and van Oosterhout (2010) similarly found a small positive effect of family involvement in the performance of the family firm. The question of the performance impact of family involvement remains disputed in this area of research (Jiang & Peng, 2011; Sharma et al., 2012; Stewart & Hitt, 2012). This dispute has partly to do with the fact that most research is conducted on large family businesses, as well as on publicly listed companies, and a more nuanced view beyond agency theory and large family companies is needed (Sharma et al., 2012).

Furthermore, the focus of most performance studies has been on the economic benefits, while private and non-economic benefits remain unobserved, although they are essential in privately held companies. The conclusion from Section 1.2.2 on corporate governance in general holds particularly true for family companies or other privately held companies: The understanding of corporate governance and ownership must be broadened beyond the narrow focus of agency theory, the board of directors, and financial orientation. This broadened perspective also sheds new light on the role of ownership and indicates that owners in private companies should be seen in terms of not only their controlling and monitoring orientation, but also their potential to add value to the growth of the company.

One particular aspect of family firms that has made the limitations of the agency theory evident is the importance of non-economic goals in family companies and the fact that these goals have idiosyncratic effects on their behavior (Carney, 2005; Chrisman, Kellermanns, Chan, & Liano, 2010; Zellweger, Nason, Nordqvist, & Brush, 2013). As stated by Lumpkin and Brigham (2011, p. 1161), "recent research suggests that the decisions and actions of family firms are often driven by a range of noneconomic goals such as the desire to maintain the family's identity and pass it on to the next generation". The traditional agency lens does not use non-economic goals as variables (Chrisman, Chua, & Sharma, 2005) and hence does not provide relevant explanations of how family owners impact the long-term development of the business (Chrisman et al., 2010). Non-economic or socioemotional goals often require a long-term perspective and can trigger stewardship tendencies, such as making long-term commitments to local communities, customers, or employees (Lumpkin & Brigham, 2011; Miller, Le Breton-Miller, & Scholnick, 2007; Zellweger, 2017).

The above elaborations lead the author to conclude that owners of privately owned companies often explicitly or implicitly apply a long-term, multi-generational perspective to their businesses and hence often actively contribute to shaping the long-term development of the firm. However, the way how they affect the business and its management remains a black box and hence needs better understanding. These factors make closely held private companies well suited as a subject for this research.

1.2.4 Active ownership

This section briefly reviews how active ownership has been referred to in the previous literature. Building on the multi-theoretical perspective on corporate governance, as discussed in Section 1.2.2, the author proposes a definition of active owners that incorporates the value-creating element of ownership.

The term "active ownership" is seeing increasing use in business practice, but interestingly, there is no significant academic literature on the topic. In this vein, Uhlaner (2008) notes that there is a growing interest in active ownership but that there is very little research to substantiate this quest.

As discussed above, most research in the field of strategic management and corporate governance involving ownership questions has been based on the underlying assumption that there are diverging interests between owners and managers and that owners' primary means to mitigate the downside risk of this principal–agent problem is monitoring and controlling. In line with this narrow focus, conventional corporate governance research touches on active owners mainly in two research streams: ownership concentration and shareholder activism (Froese, 2017).

This first stream of corporate governance research sees ownership concentration as one of the factors determining the optimal governance arrangement. Many studies, conducted with a wide variety of samples spanning several countries and periods, have confirmed a robust empirical relation between considerable percentage block shareholdings and firm performance; however, the underlying reasons for this relationship between the structure of ownership and firm performance are unclear (Bebchuk & Weisbach, 2010; Villalonga, 2019). As large block holders are very often institutional owners who are well-informed, experienced, and sophisticated investors, the focus of the literature has turned to other activities of block holders, which are collectively referred to as shareholder activism (Bebchuk & Weisbach, 2010).

Shareholder activism is defined as “the use of ownership position to actively influence company policy and practice” (Sjöström, 2008, p. 142) without a change in control of ownership (Gillan & Starks, 1998, et al.). It is being seen as a mechanism to force the management to align their divergent interests with those of the active shareholders. The majority of research on shareholder activism has produced only a little evidence that these active block holders can overcome the potential free-rider problem thanks to their increased equity stake (Clifford, 2008). Active financial intermediaries appear to be “able to force small changes in the firm's governance structure” (Clifford, 2008, p. 323), and there is some evidence that their activism results in meaningful increases in operating performance or share value (Clifford, 2008; Denes, Karpoff, & McWilliams, 2017). The attention of research turned to activist hedge funds, and several scholars (e.g., Clifford, 2008; Froese, 2017) find that “hedge funds may have better incentives to monitor a firm's management and board than previously studied financial intermediaries” (Clifford, 2008, p. 323).

In line with the criticism of the dominance of the agency theory in corporate governance, the narrow focus of the two streams described above must be questioned. Analyzing the active behavior of owners should not only focus on the monitoring and control orientation, but should also incorporate the value creation potential of active owners. Scarce literature has addressed this active role of owners and ownership in the process of developing and implementing long-term oriented strategies (Nordqvist, 2005). This scarcity is partly a result of the fact that most research is based on listed companies with fragmented ownership and a prevailing perspective in conventional strategy-process research “that the strategists belong to the top management” (Nordqvist, 2005, p. 21). While researchers in strategy have recently shifted their focus beyond the top management and included the role of board members in the strategy process (Garg & Eisenhardt, 2017; Nordqvist, 2005), still little attention is still given to the active role of owners in the process of developing and implanting strategies (Nordqvist, 2005). In his work on the role of ownership in strategizing, Nordqvist (2005) hence recommends taking a broader and more open approach to which participants are involved in strategy development and including the owners in the group of strategists.

As one or a few owners dominate many publicly listed and privately held firms, ownership is a more natural attribute than has previously been assumed (Nordqvist, 2005). In the article, "The benefits of active ownership," Carlsson (2003) defines active ownership with the help of the example of the Wallenberg Family. The Swedish Wallenberg family is an example of how dominating owners of quoted companies play an active role and can create proven long-term value. The Wallenberg family, through their holding company Investor AB, has helped several Swedish companies, among others ABB, L.M. Ericsson, SAAB Scana, and Electrolux, to become world leaders by cooperating their executives as active investors (Carlsson, 2003). Based on these case studies, Carlsson (2003, pp. 18-20) derives four critical elements of active owner competence: "business risk competence," "meta-management competence," "legitimization imperative," and "ownership idea/values." Although this study is interesting, as it sheds light on how committed and active owners can contribute sustainable value to the company their own, Carlsson's perception is influenced by a value protection or risk avoidance approach, shaped by the agency perspective. His illustration of the critical success factors of the Wallenberg family seems to lack the element of active participation in the long-term development of the firms as well as the impact of the Wallenberg family and of their demonstrated commitment to the norms, culture, or relationships within the companies in which the Wallenberg family holds a stake.

Active owners have usually been described from an agency theory perspective. Hence, active ownership and the related concepts introduced above have usually been studied in the context of large corporations, in which owners hope to enforce their monitoring and controlling function better with a more active approach. As outlined in Section 1.2.3, in privately held companies in which ownership is usually concentrated on one or only a few owners, the owners are much more visible, and their ability to actively contribute to value creation and long-term growth is prominent.

Privately owned family companies are the dominant type of privately held company and the focus of this thesis (see Section 1.3). As outlined in Section 1.2.3, owners of privately held family companies tend to adopt a more long-term perspective, since they pursue more than merely economic goals. Astrachan, Klein, and Smyrnios (2002) developed the "Family Influence on Power, Experience, and Culture (F-PEC)" scale, which aims to capture the three essential dimensions of family influence, namely, power, experience, and culture. This model might give some indications of what defines active owners in the context of privately held business. The power dimensions capture, for example, the degree of ownership control that rests in family hands or the degree to which the family controls a governance body, while the experience dimension is mainly based on the number of generations that the firm has been under family control (Zellweger, 2017, p. 8). Finally, the cultural or behavioral dimensions "assess the extent to which family and business values overlap, as well as the family's commitment to the business" (Astrachan et al., 2002, p. 50).

The review of the literature leads the author to conclude that the topic of active owners, as well as the question of how they add value to the long-term development of firms, has been neglected. Consequently, there is no standard definition of what active ownership in privately held companies means. Based on the above review of the previous literature, the term "active owner" in this thesis is defined as follow:

> *An active owner is a non-managerial owner (individual or group of individuals) of a fully privately held firm who is in a dominating position and works actively with the management and the board of directors on the development of the firm, using his or her power, multi-generational ownership–based experience, or influence on the cultural and behavioral dimensions.*

The term "non-managerial" owner implies ownership situations in which control and management are separated, based on the nature of the research problem of this thesis. Thus, owner-manager set-ups are excluded from the research scope.

A dominating position means that active owners are in a position, both from a legal and corporate governance perspective, to involve themselves in organizational decision-making actively. Such dominating positions are prevailing in privately held companies and can also be found, to a limited degree, among large block holders of publicly traded companies.

In contrast to an active owner, a passive owner is a non-managerial owner with a lack of ability or willingness to assume an active approach. For example, a shareholder of a company with highly dispersed ownerships who is not able to assume an active approach, or an investor in a firm who is a dominating position but prefers not to become involved in the development of the company in which they invest. Thus, the term "active" includes both the ability to play an active role and the willingness to do so. The sources of the willingness of owners to play an active role can be very diverse but usually are linked to the owners' identity (e.g., Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007), the owners' commitment (e.g., Uhlaner, Floren, et al., 2007), and the owners' interests and goals (e.g., Sur et al., 2013). Furthermore, active owners can involve themselves in a company to varying degrees (i.e., activity levels), and part of the aim of this thesis is to understand the antecedents and consequences of these activity levels.

This section developed the definition of active owners as used in this thesis. Building on the differentiated understanding of ownership developed in Sections 1.2.1–1.2.3, at its core, this definition conceives of ownership in a nuanced manner. It is a perspective that goes beyond the traditional agency lens and incorporates the value creation potential of owners who utilize their dominating position and shareholder power in privately held companies by contributing to the long-term development of the firm.

1.2.5 A behavioral perspective on ownership

After having defined what is meant by active owners in the previous sections, this section introduces the behavioral perspective as the approach used in this thesis in order to explore and explain the effects and mechanisms of active owners and, thus, contribute to opening the black box of (active) ownership in private companies. Furthermore, a preliminary explanation is provided for the choice to base the development of the initial framework on three research domains.

In line with the calls for alternatives to agency theory in corporate governance research (see Section 1.2.2), "a growing number of researchers have emphasized the need to more closely study behavioral dynamics" (van Ees et al., 2009, p. 307) related to the board of directors and other participants in corporate governance (Huse, Hoskisson, Zattoni, & Viganò, 2009; Kumar & Zattoni, 2019; Pugliese et al., 2009; van Ees et al., 2009; Zattoni & Pugliese, 2019). As Huse, cited in van Ees et al. (2009, p. 307), describes, behavioral studies in corporate governance are based on a wide range of disciplines and traditions from psychology, sociology, and other social-scientific domains. What these studies have in common is that they posit that formal regulations and policies are not sufficient in corporate governance, but that instead, the processes, institutional context, and relational dynamics among the various actors should be in focus (Gabrielsson & Huse, 2004; Kumar & Zattoni, 2019). However, many of these studies have apparent shortcomings: Not only are they almost purely focused on board of directors, but “these studies often argue for the need to include behavioral interactions and processes as intervening variables between boards’ structural features and firm outcomes” (van Ees et al., 2009, p. 311). This input–output consideration does not help break up the black box of corporate governance to understand what happens in the company (Kumar & Zattoni, 2017, 2019). As outlined in Section 1.2.3, this is vital particularly when studying corporate governance and ownership in privately held companies.

Hambrick et al. (2008, p. 381) introduce an orienting framework outlining where and how researchers from strategy and organizational behavior (alongside with researchers from economics and law) have made vital contributions to the field of corporate governance. Table 1, adapted from Huse et al. (2009, p. 10) and Hambrick et al. (2008), arranges the streams in a two-by-three matrix. As shown in Table 1, the dimensions on the vertical axis are organization inward versus organization outward orientation, and on the horizontal axis formal structure, behavioral structure, and behavioral processes (Huse et al., 2009, p. 10). The economic and legal literature focuses on the role of formal structures and rules and is usually based on agency theory. The contributions of this theory, as well as its limitations, have been discussed earlier in this chapter (see Section 1.2.2). Behavioral structures relate to power and social networks. A micro-perspective on behavioral structures within an organization is concerned with power differentials among actors and how these affect board and other corporate governance processes and their outcomes (Hambrick et al., 2008). Similarly, a macro perspective on behavioral structures offers new questions on how heterogeneity within and across stakeholder categories influences the organization (Hambrick et al., 2008).

As Table 1 illustrates, behavioral processes are based on social psychology and symbolic management and explore decision processes (micro-level) or symbolic management processes (Huse et al., 2009). All these concepts, clustered in the two categories of behavioral structure and behavioral process, are theoretical explanations of how organizations work. "Organizations are systems of coordinated action among individuals and groups whose preferences, information, interests, or knowledge differ." (March & Simon, 1993, p.2). Active owners can represent such individuals who take part in these coordinated actions, or they can be part of groups or coalitions within the organization and therefore affect these coordinated actions in numerous ways. A large body of research has focused on organizations and organizational behavior, which have already inspired work on corporate governance and ownership; this includes studies on organizational decision-making (e.g., March, 1997), symbolic interactionism (e.g., Nordqvist, 2005), symbolic management (e.g., Westphal & Zajac, 1994 cited in Hambrick et al., 2008), social identity theory (e.g., Huse et al., 2009; Uhlaner, Wright, et al., 2007), team building and group dynamics (e.g., Berent-Braun & Uhlaner, 2012), and social capital (e.g., Rau, 2014; Uhlaner, 2008; Uhlaner, Floren, et al., 2007)

Table 1: Behavioral perspectives in corporate governance. Adapted from Hambrick et al., 2008, p. 382 and Huse et al., 2009, p. 10

Orientation	Formal structure	Behavioral structure	Behavioral process
Organization inward	Literature source: Economics Research interest: Designing optimal incentive and monitoring structures	Literature source: Power Showing how positions and factors affect power differentials/politics within organizations	Literature source: Social psychology Revealing how decision-marking processes may be biased
Organization outward	Literature source: Legal Creating and enforcing governance rules and regulations for societal benefits	Literature source: Social networks Showing how power and information flow in interorganizational networks	Literature source: Symbolic management Understanding how symbolic and language can address normative compliance with societal norms and values

As outlined in Sections 1.2.2 and 1.2.3, applying behavioral theories to the broader field of corporate governance and ownership research can represent a strong justification for using an organizational behavior perspective in conducting this research. While van Ees et al. (2009, p. 311) recognize the value of this pluralism in applying behavioral theories to corporate governance and ownership research, they also urge the research community to pursue more alignment around several commonly accepted core concepts. Hence, based on the review of significant prior research, three main behavioral research streams are most commonly accepted and thus most suitable for the research purpose of this thesis.

Figure 1 shows the three primary research streams of organizational decision-making theory, organizational social capital theory, and organizational identity theory.

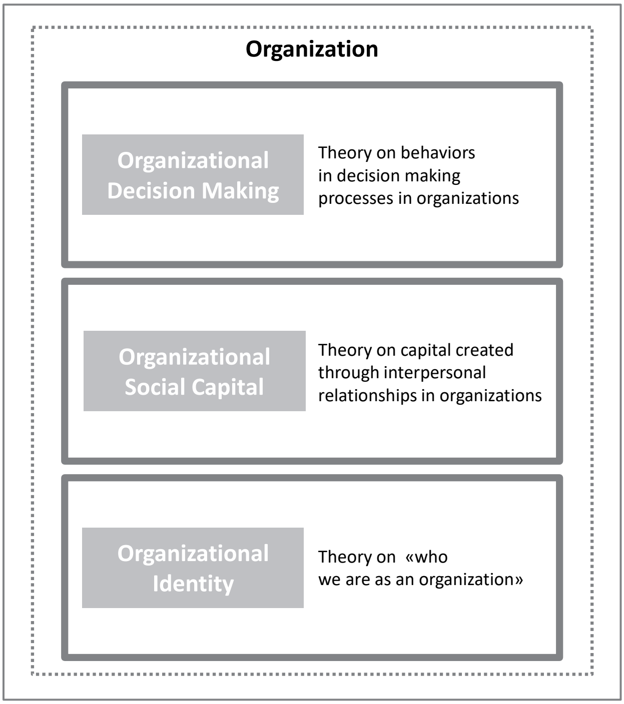

Figure 1: Overview of the main research streams in the behavioral perspective on ownership

(I) Applying concepts from organizational decision-making theory can provide a useful framework for exploring the behavioral impact of active owners in the organization. In other words, it can create an understanding of how, with their actions and behaviors, these active owners affect decision-making within the firm in scope. The key concepts and mechanisms discussed by Cyert and March (1963) have since then formed the basis of most modern theories of decision-making. These concepts and their application in the context of research on active ownership are described in more detail in Section 2.3. This choice is further supported by the fact that Huse et al.

(2009) proposed the same concepts as a common basis for research on the board of directors, a related area of research.

(II) In private firms, in which collective norms and shared goals are more pronounced, a perspective on interpersonal relationships, such as the organizational social capital theory, can help explain how active owners exert influence via their relationships with various actors in the organization and how this might impact the building of trust and associability. In networks of individuals within organizations, personal relationships, and trust or distrust that arises, play a crucial role. The theory of social capital offers explanations for how relationships within such networks create a basis for trust and collective action (Bartkus, 2010). Leana and Van Buren (1999) developed the theory of organizational social capital.

(III) Applying elements of organizational identity theory can generate insights into how owners contribute (or do not contribute) a sense of belonging with their active involvement in the creation of identification and how active behaviors shape the organization with characteristics that are central, enduring, and distinct. Zellweger et al. (2013, p.5) describe organizational identity as follows: "Organizational identity encompasses the core values and beliefs of an organization that its members deem to be the most central, distinctive, and enduring." Studying active owner influence also means studying the impact of two social actors, the owners (individuals or group), and the organization. It means that different identities might overlap: the owners' identity and firm identity.

In summary, three major behavioral research streams appear to be most commonly accepted and hence most suitable for the research purpose of this thesis. This aligns with the calls to use a behavioral perspective in corporate governance research as an alternative direction to agency theory. These research streams are organizational decision-making theory, organizational social capital theory, and organizational identity theory.

1.3 Research question

In this section, the research question is described and explained, and the intended contribution of this thesis to the exploration and explanation of the active ownership phenomenon is summarized.

From the review of the significant prior research conducted above in Section 1.2, the author concludes that it has been widely ignored in corporate governance and strategic management research that owners can actively participate in the long-term development of the firm. As outlined above in Sections 1.2.2 and 1.2.3, the reason that active ownership seems an underexplored aspect may be the fact that a dominant research focus has been on listed companies with distributed shareholdings, in which individual owners usually remain anonymous. In set-ups in which ownership is a more natural component, for instance, in companies with concentrated ownership, the choice for active participation becomes an option for the owners. As such, the limited literature existing on this topic stems from research on family firms and private companies, as reviewed in Section 1.2.3. Davis et al. (1997), for instance, noted that in specific contexts, such as family businesses, there is goal alignment, given the fact of concentrated ownership and of owners being present in the company's management (Christopher, 2010; Huse, 2000). In such a situation, control mechanisms created based on agency principles might be costly and inefficient, hindering the management from running the company efficiently and effectively (Christopher, 2010).

Nevertheless, most research studying those situations is influenced by agency theory and hence focuses on the aspect of active ownership to reduce or eliminate the downside risk of diverging interests of owners and managers, rather than describing the value-creation potential of owners who actively participate in the long-term development of the company (Chrisman et al., 2010). Ownership is typically considered to be a "problem rather than a resource in the long-term development" (Nyberg, 2002 cited in Nordqvist, 2005, p.6) of a company. In practice, the merits of active owners are receiving an increasing amount of attention, especially in private equity or other forms of private companies, and it seems to be time for more academic work on active owners, their behavior, and how this affects the company.

The author thus approaches the research problem from a behavioral perspective to explore the actual effects of active owner behavior on the organization and its actors. As introduced in Section 1.2.5, three main theories have been selected as the basis of the research framework.

(I) According to Argote and Greve (2007, p. 344), “the Cyert and March book aimed to open up the ‘black box’ of the internal workings of organizations.” This statement is in line with the calls mentioned above to open the black box of ownership in order to understand how ownership actually affects the internal workings of an organization (van Ees et al., 2009). Hence, the set of core concepts of organizational decision-making, rooted in the behavioral theory of the firm, seems well-suited to be one of the three main theoretical foundations for the research framework of this thesis. Furthermore, the application of these concepts also aligns the thesis with the above mentioned call to apply more commonly accepted core concepts in the area of research on ownership and corporate governance.

(II) Active owners and all decision-makers in an organization are embedded in a network of relationships with various actors in the firm. Hence, a social perspective on interpersonal relationships, such as that offered by organizational social capital theory, might help explain how active owners exercise influence via those relationships.

(III) Organizational identity fundamentally defines the context of organizational decision-making. The identification of individuals with the organization’s central, enduring, and distinct characteristics is influenced by the degree to which the overlapping identities of the owners and the firm are fitting. To explore this, organizational identity theory is utilized.

This research is explorative, and the overall objective is to explore and initially explain the impact of active owners on the organization in privately held companies. From the discussion above, the overall research question can be derived and formulated as follows:

How do active owners affect the decision-making, relationships, and identity within privately owned companies, and how do these active ownership behaviors and attitudes influence perceived firm performance?

In the following paragraphs, the key elements of the above research question are elaborated on further:

(I) *Active owners*: According to the definition provide in Section 1.2.4, active owners are non-managerial owners who have the ability (dominant position) and willingness to actively contribute to the long-term development of the firm. The research should, among other outcomes, lead to a better understanding of how non-managerial yet active owners contribute, which behaviors are critical, and what the antecedents and consequences of different activity levels are. Given this thesis' definition of active owners as non-managerial owners, which implies ownership situations in which the separation of control and management exists, companies with owner-manager set-ups are excluded from the research scope.

(II) *Decision-making*: Based on the behavioral framework established by Cyert and March (1963), exploring what happens in an organization can be done by studying the actual decision-making processes in an organization. As decision-making can be seen synonymously with managing an organization (March and Simon 1958, cited in Nutt & Wilson, 2010), the author believes that researching organizational decision-making processes can be a good approximation for understanding the impact of active ownership behavior on the organization and its members.

(III) *Relationships*: Like any actor in any organization, active owners are embedded in a network of interpersonal relationships with other actors within and outside the organization. Based on the above literature research and the author's own practical experience, it is assumed that the existence or absence of such relationships between the active owners and other members of the organization has a formative impact on the social capital of the organization. Hence, this research includes the exploration of the impact of such interpersonal relationships on the two main components of organizational social capital: associability and trust.

(IV) *Identity*: Individuals in the organization define themselves not only in terms of interpersonal relationships with other members of the organization, but also in terms of collective attributes of the organization to which they belong (Van Knippenberg & Hogg, 2003). This form of individual–collective relationship can be best explored through the lenses of the identity theory and generate insights into how the behaviors of active owners impact identification and commitment within the organization.

(V) *Privately owned companies*: The scope of the empirical study is limited to privately owned companies; listed companies are out of scope. As elaborated in Section 1.2.4, large block holders in publicly listed companies can function as active owners and can exert a significant influence on the decision-making as well as on the long-term development of the firm. However, the author has also experienced that in publicly listed companies, the effects of the stock market listing, such as increased transparency, the demands of reporting requirements, and pressure from analysts, can limit the effect and magnitude of active owner involvement. As the overall aim of this research is to understand the fundamental mechanics of how active owners impact the organization, such external impacts of other stakeholders in the wider sense should be avoided. The set-up of privately held companies seems to be better suited, as owners usually have more liberty in how and to what extent they conduct their active involvement. In this study, privately held companies are defined as either family-owned businesses or other private investor–held companies. In turn, private equity is not considered to be a relevant form of private ownership with which to address the research problem, since ownership and ownership involvement are separated between the fund managers and the fund investors.

(VI) *Perceived firm performance*: The performance of privately held companies (and the comparison to the performance of other ownership forms) has triggered a wide range of research with a limited degree of consensus among the studies (Jiang & Peng, 2011; Sharma et al., 2012; Stewart & Hitt, 2012). This thesis moves beyond the measurement of performance implications to inquire instead whether active ownership behaviors drive the performance of privately held companies.

Owners of privately held companies face a substantial dilemma. Despite the abundance of theoretical and practical evidence that active owners have a favorable impact on firm performance, there is a lack of research on how active owners exert their influence and how organizations are being influenced, even depending on different activity levels of owners. This dilemma reflects a prevailing view of ownership which focuses on mitigating diverging interests between managers and owners while largely ignoring the opportunity of owners to successfully impact the long-term development of the firm and the firm performance.

Hence, this thesis contributes to the literature by addressing this dilemma of active owners. It explores how active ownership affects decision-making, interpersonal relationships, and identity in these organizations.

1.4 Methodology and research process

This chapter outlines the basic research design and process selected for this study. A theory-led, explorative, multiple-case study design, and the application of the qualitative content analysis are deemed most suitable for theory generation.

In academic research, there are two fundamental methodological approaches: qualitative and quantitative. This distinction has given rise to a long-standing discussion of the advantages and disadvantages of each approach and which of the two is inherently superior to the other (e.g., Erzberger, 1998; Gläser & Laudel, 1999; Mayring, 1993). A controversial position in this discussion is the belief that qualitative research is mainly suited for explorative and theory-building research, while quantitative research is more appropriate for explanatory and theory-testing research (e.g., Gläser & Laudel, 1999). Several authors, however, have argued that qualitative research can not only contribute to the development of theories but is under certain circumstances also suited to test hypotheses (Dul & Hak, 2008; Hopf, 1995; Miller & Fredericks, 1987). According to Mayring (2014, p. 9), "the best way to escape this ('postmodern') methodological arbitrarism would be formulating obligatory quality criteria valuable for quantitative as well as qualitative (as well as mixed-method) research." Following his advice, it seems even more critical for qualitative research to follow rule-based, theory-driven, and transparent research procedures. In Section 3.1, the research procedure is described in detail. The rules, instruments, and guidelines used are documented either in the main body of this thesis or, where applicable, in the appendix.

Given that the research focus is on the exploration of organizational behavior and meaning, a qualitative approach is chosen (Creswell, 2013; Maxwell, 2012; Morgan & Smircich, 1980). The interactions examined in this research are difficult to capture with statistical methodologies, while "qualitative research allows to take into consideration specific contexts and to elaborate on interactions between multiple actors, which always includes soft issues" (Frankenberger, 2006, p. 118). The holistic nature of the research problem additionally supports the application of qualitative methods. However, although a qualitative research design is used, this thesis draws on qualitative as well as quantitative data, facilitated using a qualitative content analysis method, which allows the translation of coding into frequencies.

The general case study design and in particular the analytical method applied in this thesis are characterized by a deductive and rigorous rule-based approach, aiming at achieving modest objectivity, that is, allowing for an agreement process in talking about reality, instead of creating a naïve copy of reality (Mayring, 2014). It implies a post-positivism position. At the same time, the definition of the research question, as well as the development of the conceptual framework and the propositions, was guided by a critical position, as it is essential for excellent research in social sciences that the relevance of the research question and hypotheses is critically reflected (Mayring, 2014). According to Mayring (2014), it is possible to follow different paradigms in different phases of the research process. In addition, such a perspective on science paradigms allows bridging contradicting positions.

The design of a specific research project depends on the underlying research question (Kromrey, 1994). Yin (2017) differentiates in this context between *who*, *what*, *where*, *how*, and *why* research questions, for all of which distinct types of research designs are suitable. As he points out, *how* and *why* questions, under which category the research question of this thesis falls, are suitable for experiments, historic analysis, and case studies. "This is because such questions deal with the tracing of operational processes over time, rather than mere frequencies or incidents." (Yin, 2017, p. 10).

In the context of the research question to be studied here, a case study is the most appropriate design of the three above-mentioned research design options. The historic analysis would require access to a sheer mass of data, which is, in many companies, simply not available or not accessible without significant (resource) investments. An experiment would probably not be an acceptable means of research for managers, especially as it would absorb too much of their time. Furthermore, an experimental set-up would not allow the involved real-life complexity in examining the effects of active ownership behavior on decision-making processes to be accounted for.

This study is exploratory, intending to construct the building blocks of a theory. As Eisenhardt (1989) points out, a case study methodology is well suited for theory construction. According to her, compared to other research methodologies, the case study approach has a high likelihood of generating novel theory. Furthermore, the resulting theory is testable and likely to be empirically valid (Eisenhardt, 1989).

Yin (2014, 2017) distinguishes between single case study and multiple case study designs; according to him, the evidence from multiple cases is often considered more compelling. For this research study, a multiple case design is used (for a detailed comparison of the two design forms, see Yin (2017).

The research process is depicted in Figure 2.

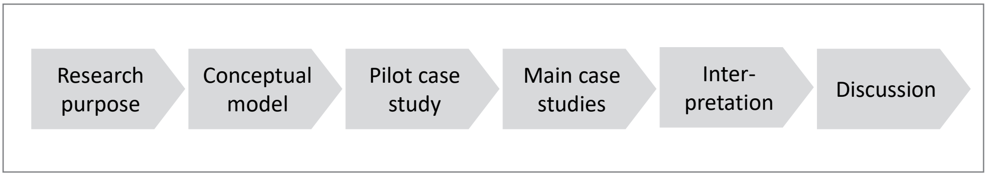

Figure 2: Research process

Defining the research purpose and developing the propositions is followed by the development of a conceptual model. The explorative theory generating, the multiple-case study follows a two-phased approach: it commences with a pilot study consisting of one case, followed by the main study of four cases. Yin (2017) notes that the pilot case study is an excellent way to refine the procedures for data collection as well as particular questions.

Furthermore, according to him, a pilot study can also provide conceptual clarification for the research design. In other words, the pilot study is essential to generate first insights into the research framework and the selected concepts. If the pilot study indicates that the framework must be adapted or modified to cover the research question, the necessary adaptation of the framework is made prior to the main study.

The main study consists of four cases and follows the literal replication logic (Eisenhardt, 1989; Yin, 2017). Within the multiple case design, each case is an embedded case, that is, several units of analyses are used (Yin, 2017). The main unit is the organization as a whole, while individual-level units, for example, senior managers or owners, are relevant as well.

For data collection for the pilot study and the main study, this thesis mainly draws on in-depth interviews with senior managers and owners as the primary source of evidence. However, it also includes documentation, such as annual reports, organizational records, or various internal and external communication materials, which is used to corroborate evidence from interviews with the consequence of increased validity (see Section 3.1.6).

The analysis of the collected evidence is performed based on a qualitative content-analytical approach. According to Mayring (2002, 2015), qualitative content analysis is a systematic, qualitatively oriented procedure of text interpretation and analysis. Like quantitatively oriented content analysis techniques, the category system constitutes the central instrument of analysis. A category system, deduced from the theoretical propositions, is used to code the collected evidence in the form of interview transcripts and documents. This specific deductive approach is described by Mayring (2014) as a deductive category assignment.

In the last step, as shown in Figure 2, the initial propositions are discussed and potentially reviewed. Finally, the building blocks of a novel theory are outlined and the implications for the research community and for practitioners elaborated.

The above paragraphs provide reasoning for why a deductive and rigorous theory-led multiple case study design is most suitable for theory generation.

1.5 Structure of the thesis

This chapter outlines the structure and content of the thesis and provides an overview of the content of the following chapters.

Chapter 1: Introduction

- Outlining the motivation for the research endeavor
- Reviewing significant prior research in the relevant areas of research
- Introducing a behavioral perspective on (active) ownership
- Shaping and defining the research question
- Overviewing the methods and research process applied

Chapter 2: Behavioral framework

- Introducing the behavioral framework of active owners
- Describing the elements of the framework and deriving the propositions
- Providing a summary of the propositions

Chapter 3: Methods foundation and pilot case study

- Describing the methodology of study design, case selection, data collection, and data analyses, including considerations on the unit of analysis and validity/reliability
- Pilot case study: description, analysis, assessment, and refinement of selected concepts as well as their operationalization

Chapter 4: Case studies

- For each case of the main study:
    - Description of selection rationale, company background/context, and interview partners
    - Case study description

Chapter 5: Interpretation and cross-case synthesis

- Interpretation of material from the pilot and main study for every proposition across all cases, including category assignments and the interpretation of related quotes from the interviews

Chapter 6: Discussion

- Revised theoretical framework
- Contribution to previous research
- Limitations and areas for further research
- Implications and recommendations

Figure 3: Overview of thesis structure

As depicted in Figure 3, in this introductory chapter, the existing body of knowledge in the relevant research areas is summarized. The second chapter lays the theoretical foundation for the empiric research by developing a behavioral framework of active owner involvement. The third chapter outlines the methodology of case selection, data collection, and data analyses. It also includes a pilot case study used to assess and potentially redefine the research framework and approach. In the fourth chapter, the four main case studies are described in detail. In the fifth chapter, the cases are interpreted individually and across the cases according to each proposition. Finally, in chapter six, the main insights are discussed, and the research is concluded by outlining limitations and areas for further research.

2. Behavioral framework

In the first section, the point of departure for this research thesis is established. This second section represents the first step in contributing to exploring the phenomenon of active owners by deriving an initial framework and the corresponding propositions, based on the leading research streams of organizational behavior. It provides the theoretical base to help guide the research efforts in explaining the impact of active owners, building on the relevant behavioral theories as summarized in Section 1.2.

Section 2.1 introduces the conceptual framework of this thesis. Sections 2.2–2.6 then outline the framework's main building blocks and their respective scope. The initial propositions are finally summarized in Section 2.7.

2.1 Introduction to the conceptual framework

This chapter provides an overview of the main elements of the initial framework and their definitions: ownership activity level (Section 2.1.1), organizational decision-making (Section 2.1.2), organizational social capital (Section 2.1.3), organizational identity (Section 2.1.4), and performance level (Section 2.1.5). These five building blocks represent theoretical domains, each with various research streams introduced in Chapter 1. In this section, the author applies the main elements from those rich theoretical foundations to the research problem at hand.

As Yin (2017) points out, theory development is an essential part of the design phase of all case study research. Deriving theoretical propositions from this framework, according to Yin (2017), provides a sufficient blueprint for the study. These theoretical propositions can be seen "as a [hypothetical] story about why acts, events, structure, and thoughts occur" (Sutton and Staw, 1995 cited in Yin, 2009, p. 36). Even if the case study research is explorative, as is the case in this thesis, and the existing knowledge base might be less extensive, it should be preceded by specifying theoretical propositions.

Figure 4 outlines the conceptual framework of this thesis and the main concepts of each building block.

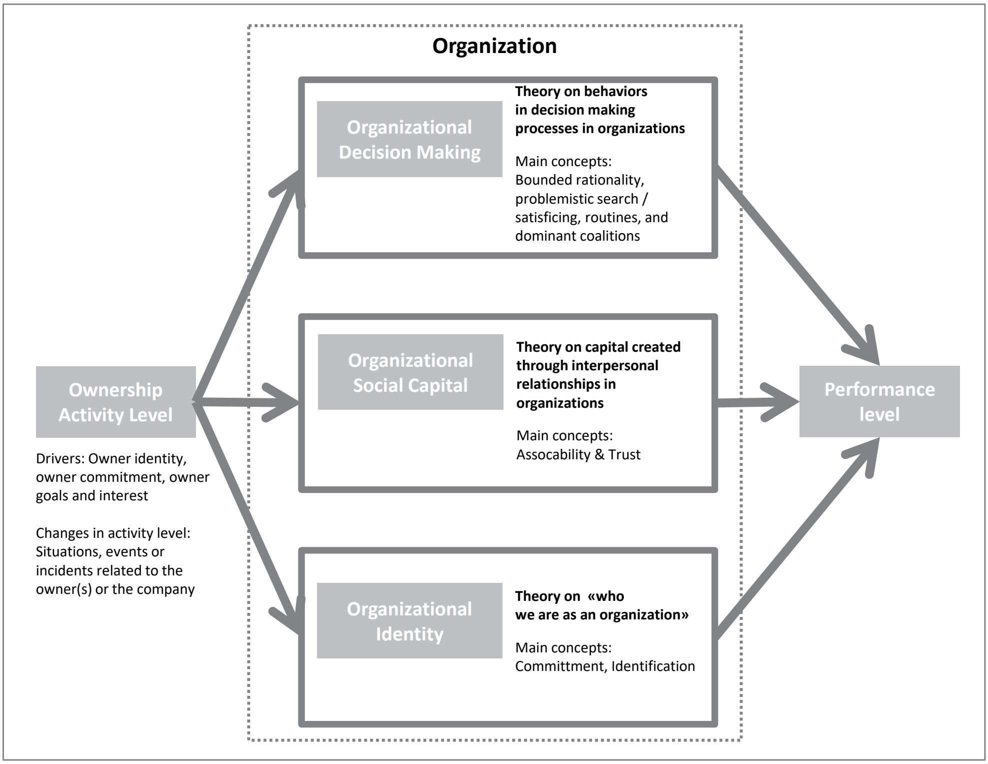

Figure 4: Initial conceptual framework

2.1.1 Definition and scope of ownership activity level

This section covers the definition and scope of the building block ownership activity level of the behavioral framework.

As defined in Section 1.2.4, an active owner is a non-managerial owner (individual or group of individuals) of a fully privately held firm who is in a dominating position and works actively with the management and the board of directors on the development of the firm.

In other words, an active owner is a non-managerial owner who displays a substantial ownership activity level. Based on the above definition of the term active owner, the ownership activity level describes the level of involvement in the development of the company of non-managerial owners of fully privately held firms.

According to the essence approach (Chrisman et al., 2005), "*involvement* must be focused and directed toward behaviors that produce distinctiveness before the firm can be classified as a family firm" (Pearson, Carr, & Shaw, 2008, p. 966). With an essence approach in mind, the ownership activity level definition encompasses distinct aspects of this involvement, such as its drivers, as well as the intensity, duration, or change in the active ownership involvement.

Applying the perspective of the essence of involvement approach (Chrisman et al., 2005), the author derives three fundamental drivers for the ownership activity level distinct for every active ownership context: I) owner identity, II) owner commitment and identification, and III) owner goals and interests. While changes in those drivers are expected to cause fluctuations in the ownership activity level, the latter is also anticipated to change due to specific events or incidents, in the context of which owners decide to increase or decrease their ownership activity level. This is based on the understanding within family business research that in privately held companies, two systems overlap: the enterprise and the owners, that is, family (Frank, Lueger, Nosé, & Suchy, 2010). Based on this understanding, the author theorizes that the ownership activity level might change based on events or incidents related to those two systems. In other words, the events might be related to the business – for example, crisis, financial problems, and management changes – or to the owners – for example, succession and changes in personal circumstances.

The above paragraphs define, based on significant prior literature, what is meant by ownership activity level in the behavioral framework developed and described in this thesis.

2.1.2 Definition and scope of organizational decision-making

This section covers the definition and scope of the organizational decision-making building block of the behavioral framework.

Decision-making, and in particular organizational decision-making, can be seen from various perspectives. In the broadest sense, two main research traditions have contributed significantly to advancing the understanding of decision-making: behavioral decision theory and organizational decision-making (Shapira, 1997). Given that this thesis focuses on the behavior of the owners and main actors in companies, the organizational context plays a crucial role. Hence, this study primarily relies on previous research from the field of organizational decision-making rather than behavioral decision theory. However, appreciating that individuals make many decisions in organizations, this thesis refers to the individuals as well as to the organization as the unit of analyses.

Organizational decision-making as pioneered by academics from the Carnegie School, such as Simon or March (Cyert & March, 1963; March & Simon, 1958; Simon, 1947, 1955), led to a new paradigm in organization theory. They "emphasized the role of information processing and decision-making as the basic elements in analyzing both the process and the structural aspects of organizations" (Shapira, 1997, p. 3). Subsequent to the research of the Carnegie School, academics studying organizations usually incorporated decision-making as one element of their formal theories of organizations, unlike the Carnegie School, however, often not treating it as the central focus (Shapira, 1997). Nevertheless, organizational decision-making research pays attention to the organizational context within which decisions are taken, either by individuals or as a collective undertaking. Shapira (1997) notes that individual and organizational decision-making considerably overlap because individuals make many decisions in organizations. He refers to the subject of organizational decision-making theory as decisions made in organizational contexts.

Shapira (1997) outlines five characteristics of organizational decision-making that differentiate it from behavioral decision theory:

(I) Ambiguity is prevalent in organizations, while experimental studies of individual decision-making are based on precise information.

(II) Decision-making by and within organizations is embedded in a longitudinal (history-dependent) context, while most lab studies of individual decision-making are not connected to the subjects' ongoing activities.

(III) Incentives play an essential role in decision-making in organizations, and they may have long-lasting effects that are almost impossible to reproduce in an experimental setting.

(IV) Repeated decision-making in the context of organizations may be characterized by decisions that follow organizational rules rather than by decision-making using a pure information processing mode, as usually studied in experiments with individuals.

(V) Conflict is inherent to organizational decision-making, as organizations can be seen as political systems.

The key concepts and mechanisms discussed by Cyert and March (1963) have since then formed the basis of most modern theories of decision-making and are also used as the main concepts in this part of this thesis's framework. In other words, relevant concepts of organizational decision-making used in this thesis are (I) bounded rationality, problemistic search and satisficing, (II) standard operating procedures (or routines), and (III) dominant coalition.

Bounded rationality, problemistic search, and satisficing describe problem-solving and decision processes. The concept of bounded rationality "refers to the notion that decision-makers in organizations experience limits in their ability to process information and solve complex problems" (van Ees et al., 2009, p. 311). Problemistic search and satisficing is a model of organizational reactions to low performance (Argote & Greve, 2007). The theory of standard operating procedures has introduced organizational routines as a central concept of organizational theory (Argote & Greve, 2007). Finally, the idea of the dominant coalition provides an explanation for how common goals exist in a company despite differing interests among actors (Cyert & March, 1963).

The above paragraphs define, based on significant prior literature, what is meant by organizational decision-making in this behavioral framework.

2.1.3 Definition and scope of organizational social capital

This section covers the definition and scope of the building block organizational social capital of the behavioral framework.

A wide range of definitions of social capital have been proposed, and the theory is rather heterogeneous (Mustakallio, 2002). According to Leana and Van Buren (1999), two cardinal directions exist in defining social capital: the public goods model and the model of the private goods of social capital. In the first model, social capital is analyzed on the collective level, and the benefits for the individual are secondary. In the second model, social capital is studied explicitly on the level of the individual and their social advantages, such as prestige or educational credentials (Leana & Van Buren, 1999). Nahapiet and Ghoshal (1998, p.243) define social capital as "the sum of the actual and potential resources embedded within, available through, and derived from both the network and the assets that may be mobilized through the network." They identified three main dimensions of social capital: the structural, relational, and cognitive dimensions (Nahapiet & Ghoshal, 1998). The structural dimension of social capital describes the "overall pattern of connections between actors" (Nahapiet & Ghoshal, 1998, p.244), while the relational dimension refers to the "particular relations people have, such as respect and friendship, that influence their behavior" (Nahapiet & Ghoshal, 1998, p.244). Lastly, the cognitive dimension describes those resources that provide "shared representations, interpretations, and systems of meaning among parties" (Nahapiet & Ghoshal, 1998, p.244).

Especially in research on privately held firms, in which past studies have shown that collective norms and goals have an impact on performance, the application of social capital theory seems to be beneficial (Uhlaner, Floren, et al., 2007). Leana and Van Buren (1999) define social capital within organizations, that is, organizational social capital, as "a resource reflecting the character of social relations within the firm. Organizational social capital is realized through members' levels of collective goal orientation and shared trust, which creates value by facilitating successful collective action" (Leana & Van Buren, 1999, p.538). This definition is mainly based on the above-mentioned public goods aspect of social capital and hence integrates ideas such as shared identity or collective actions. However, it simultaneously incorporates the individual aspects of the social capital of some elements such as trust or network ties (Leana & Van Buren, 1999).

Leana and Van Buren (1999) identify associability and trust as the two primary components of organizational social capital. According to the definition of Leana and Van Buren (1999), associability is the individuals' ability and willingness in an organization to "subordinate their individual goals and actions to collective goals and actions" (Mustakallio et al., 2002, p. 209). Trust is the component of organizational social capital that enables individuals to work together (Leana & Van Buren, 1999).

Uhlaner, Floren, et al. (2007) argue that the associability aspect of organizational social capital is closely related to the collective orientation of the steward and hence provides a linkage to the stewardship theory of corporate governance. Stewardship theory and social capital theory are the basis for the relational governance model, which posits that "social interaction is a key factor influencing the formation of a shared vision and trust" (Mustakallio, 2002, p. 1), especially in organizations in which relationships have a strong social component (Mustakallio et al., 2002; Uhlaner, Floren, et al., 2007).

Trust on an organizational level can be defined as the "collective willingness of members of a group to be vulnerable to the actions of that group, even if they do not know all the other members of that group and even if the action of other members cannot be monitored or controlled" (Davis & Bartkus, 2009, p. 320). In other words, trust in organizations is the collective will of the members to assume risks within their organization. Hence, where collective trust in organizations is high, organizational social capital and risk-taking behavior should be greater (Davis & Bartkus, 2009).

The above paragraphs define, based on significant prior literature, what is meant by organizational social capital in this behavioral framework.

2.1.4 Definition and scope of organizational identity

This section covers the definition and scope of the building block the organizational identity of the behavioral framework.

Identity is a crucial concept to understand organizations (Gioia, Schultz, & Corley, 2000). Organizational identity theory has its roots in the micro-sociological theory of role identity and the theory of social identity (Hogg, Terry, & White, 1995; Whetten, Foreman, & Dyer, 2014). Both represent individual-level theories of identity. Individual identity theories describe the individual's self as differentiated into multiple identities that reside in a defined context, such as roles or group norms (Hogg et al., 1995, p.255). The *role identity* theory posits that an individual's self-view is defined by the various roles that they play, and consequently, every individual has multiple identities that match these roles (Whetten et al., 2014). For example, a person can simultaneously be a father, a son, a manager, and a voluntary worker. In role identity theory, the self of an individual is not seen "as an autonomous psychological entity, but as a multifaceted social construct" (Hogg et al., 1995, p.256) that derives from the different roles that the individual occupies in society. Hence, identity as a concept links the behaviors expected by society with individual actions (Hogg et al., 1995). *Social identity* theory, meanwhile, applies an interpersonal focus. According to this theory, the self, or one's identity, is shaped by affiliation with social groups, intergroup relations, and group processes (Hogg et al., 1995).

Organizational identity as a concept is defined as the members' collective understanding of the central, distinct, and enduring attributes of an organization that distinguishes it from other organizations (Gioia et al., 2000; Whetten et al., 2014; Whetten, 2006). By central, it is meant that that identity is concerned with things that are core rather than peripheral. By distinct, it is meant that identity consists of a set of core characteristics that make an organization both like and distinct from others. Finally, enduring means that identity is focused on those things that endure over time rather than those that are only temporary (Whetten et al., 2014, p. 482). In other words, organizational identity describes the collective understanding of the members of an organization about "who we are as an organization" (Albert & Whetten, 1985; Whetten, 2006).

Organizational identity is constructed through processes of interactions with outsiders, such as customers, competitors, and regulatory institutions. Key elements of those interactions with stakeholders outside the firm are reputation and image (Gioia et al., 2000). These elements are relevant for this thesis, as active owners, identifying themselves with their firm, are usually "concerned about the overall impression the company makes on […] stakeholders" (Zellweger et al., 2013, p. 6) and hence about their firm's image and reputation.

The above paragraphs define, based on significant prior literature, what is meant by organizational identity in this behavioral framework.

2.1.5 Definition and scope of performance level

This section covers the definition and scope of the performance level building block of the behavioral framework.

Numerous past studies have been conducted on the effect of ownership form, structure, and concentration on firm performance. Many of the controversial aspects are covered above in Sections 1.2.2 and 1.2.4.

Performance can be defined in various ways. Economic performance could be defined in terms of profitability or market value (Amit & Villalonga, 2014). Another essential financial indicator is cash flow, as this measures the ability of the company to pay dividends to the owners, as well as its ability to invest in the achievement of long-term development goals and plans. Moreover, owners of private companies often think of performance in a broader sense, incorporating both financial and non-financial benefits (Amit & Villalonga, 2014). According to the essence approach (Chrisman et al., 2005), ''family involvement must be focused and directed toward behaviors that produce distinctiveness before the firm can be classified as a family firm'' (Pearson et al., 2008, p. 966). Thus, an alternative way of defining non-financial performance outcomes could be to assess the level of distinctiveness and the sustainable competitive advantages generated.

The measurement of such multi-dimensional performance objectives and outcomes is very complex and not feasible (or desirable) within the scope of this research endeavor. However, opening the black box of active ownership behavior also requires the exploration of which behaviors drive or hinder the performance of the privately held firm. In other words, the thesis aims to illuminate how active ownership behaviors relate to decision-making, social capital, and identity influence the perceived performance level of the firm.

The context of privately held companies is associated with several challenges in measuring (financial) performance. For example, the financial results of private companies are often not available to researchers, and even when they are, they are typically less reliable, as they are not subject to the same requirements as publicly listed companies (Amit & Villalonga, 2014). In addition to these challenges, it is difficult to measure goal accomplishment in the non-financial dimensions, which is very relevant in privately held companies. Hence, this thesis does not quantitatively or statistically measure how active owners impact financial and non-financial performance, but instead explores the influence of active owners on performance, according to their perception and according to the perception of managers and employees. The usage of the term "perceived performance level" indicates that it is not an objective measurement but rather an indication derived from triangulating various sources (owners, employees, and documentation if available).

The above paragraphs define, based on significant prior literature, what is meant by performance level in this behavioral framework.

2.2 Active owners and their ownership activity level

Section 2.2.1 elaborates on the main antecedents of active ownership in privately held companies, while Section 2.2.2 covers the event-driven changes of the ownership activity level.

As outlined in Chapter 1, there is a research gap in the existing literature on how the behavior of active owners contributes to the long-term development of a company. Opening this black box yields valuable insights into how owners who actively participate in the long-term development of the firm influence the internal workings of an organization. As explained above, a behavioral perspective has been chosen to explore what happens in the organization when active owners participate in governing and managing it.

According to Section 2.1.1, ownership activity level, the first building block of the behavioral framework of active ownership, is defined as the level of involvement in the development of the company by non-managerial owners of fully privately held firms. It encompasses the prerequisites or drivers of ownership activity levels as well as the amount, intensity, or duration of the active ownership involvement.

2.2.1 Drivers of ownership activity level

This section describes the antecedents, or drivers, of the ownership activity level. Three propositions related to these drivers are derived.

As elaborated in Section 2.1.4, individuals play various roles, and every individual thus has multiple identities that match these roles (Whetten et al., 2014). For owners of privately held companies and family businesses, at least two roles and hence two identities overlap: the identity of the business owners and the personal identity of the owner – for example, the identity of being a family member. While some owners might define their identity in terms of their association with the firm, others might consider their identity to be separate from the business and instead define themselves in terms of affiliation with or membership in other groups or communities (Zellweger et al., 2013). This identity overlap can generate conflicts; however, the identities in question can also reinforce each other and lead to positive effects.

Hitlin (2003) found that values are the core of personal identity, and he illustrated how a values-based conception of personal identity shapes role identity development (Gatersleben, Murtagh, & Abrahamse, 2014). Values are defined as "enduring beliefs that a specific mode of conduct or end-state is personally or socially preferable to an opposite or converse mode of conduct or end-state" (Rokeach, 1973, p. 5).

Hence, for the research part of this thesis, owner identity is operationalized by the owner's values and beliefs. The identity, that is, the owner's values and beliefs, are understood as aligned with the business not just through formal mechanisms – such as family ownership, involvement in board activities, or formal communication – but also through informal mechanisms – such as informal communication, exemplary behavior, or narratives that become shared by employees over time (König, Kammerlander, & Enders, 2013; Mazzelli, 2015; Sirmon & Hitt, 2003).

The above discussion leads to the following proposition:

Proposition 1 ("owner identity"): Owner identity is one driver of the ownership activity level and becomes visible by the values lived and put in practice through the owner's communication and actions.

Uhlaner, Wright, et al. (2007) have conducted one of the few empirical studies on owner commitment. Based on Vilaseca (2002, cited in Uhlaner, Floren et al. 2007, p. 276), they define owner commitment in family companies "as the degree to which owners as a group feel emotional attachments, involvement and identification to the firm they own." According to their study, the main antecedents of owner commitment are perceived organizational rewards and the nature of shared collective norms and goals (Uhlaner, Wright, et al., 2007). In other words, owners who share common standards and goals may be committed to the firm to a higher degree (Uhlaner, Floren, et al., 2007; Uhlaner, Wright, et al., 2007). Furthermore, rewards received for the past financial success of the company positively influence the owner's commitment (Uhlaner, Floren, et al., 2007; Uhlaner, Wright, et al., 2007). The definition of commitment by Astrachan et al. (2002) also includes shared goals but adds two more factors: the willingness to contribute and the desire to be involved. "Commitment is viewed as involving three principal factors: a personal belief and support of the organization's goals and visions, a willingness to contribute to the organization, and a desire for a relationship with the organization" (Astrachan et al., 2002, p. 51).

Active owners in private companies may derive emotional value from their affective commitment toward the ownership stake (Zellweger & Astrachan, 2008). On a more negative side, such affective commitment might sometimes blur decision-making (Sharma & Manikutty, 2005). According to Den Hartog and Belschak (2007), it is too narrow to focus on the organization exclusively when exploring affective commitment. Instead, there is a need to distinguish the affective commitment of active owners to different foci, such as the company, the family, the ownership stake, or the employees. Affective commitment and identification are very closely related, though not identical, concepts (Riketta & Van Dick, 2005). In light of the strong correlation between the two constructs, for this thesis, no distinction between them is made when deriving the proposition (Riketta & Van Dick, 2005).

As Astrachan et al. (2002, p. 326) found, owners who "are highly committed to the business are likely to have a substantial impact on the company." Similarly, Marques, Presas, and

Simon (2014) found that identification and commitment are more frequent at privately held firms with high owner involvement. In their analysis, they also discovered that interviewees mentioned or made reference to commitment in only one of the five low-involvement family firms they studied (Marques et al., 2014, p. 212), which supports the proposed correlation between high owner commitment and a substantial ownership activity level.

The above discussion leads to the following proposition:

Proposition 2 ("owner commitment"): Active owners visibly express a high degree of owner commitment and identification.

The owners' interests and goals are often non-financial, such as the desire to maintain the family's identity and pass it on to the next generation (Lumpkin & Brigham, 2011, p. 1161). Striving for non-economic benefits means preserving the socioemotional wealth rather than maximizing the financial wealth of the company and consequently of the family (Gómez-Mejía et al., 2007; Stewart & Hitt, 2012). Socioemotional, non-economic goals include the aspiration to preserve the family dynasty and pass on the business to coming generations (Casson, 1999; Lumpkin & Brigham, 2011), the opportunity to be altruistic towards family member employees (Schulze, Lubatkin, & Dino, 2003), and the ability to exercise family influence and control (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Gómez-Mejía et al., 2007).

Pursuing non-economic goals "can provide family firms with a significant competitive advantage if it serves to lower their cost of equity (by reducing family owners' aspiration levels) and consequently their reservation price for opportunities" (Chua and Schnabel, 1986, cited in Chrisman et al., 2010, p. 21). Hence, non-economic goals can enhance the willingness to invest long-term and in opportunities with less certain expected returns (Chrisman et al., 2010). The desire to secure long-term control and success is one particular goal often found with active owners (Casson, 1999; Lumpkin & Brigham, 2011).

Many forms of goals can be found in privately held companies, including short- or long-term oriented, of an economic or non-economic nature, or owner- or non-owner-centered

(Mazzelli, 2015). This variety of forms triggers a more diversified set of goal combinations in privately held companies than in public companies (Mazzelli, 2015).

The owners' educational backgrounds or past professional experiences might also influence the actual goal set. Owners might have different interests, which might be an important or even the dominating aspect in interacting with the company and its stakeholders. The author, for instance, knows an owner of a privately held company who worked in the financial industry before joining the board of directors of his family's company. Due to his professional background, the main purpose of his board role, as well as his other actions and behaviors, is the financial management of the company. In other words, it is expected that there are goals for which owners involve themselves more and hence for which the activity level is higher than for other goals.

The above discussion leads to the following proposition:

Proposition 3 ("owner goals"): Active owners place a comparably high emphasis on socioemotional, non-economic goals and interests relative to financial ones.

To summarize, the fundamental drivers of ownership activity level are expected to be the owners' identity, commitment, and goals. At the same time, likely, other aspects can also trigger changes in ownership activity levels over time. The following section elaborates on those triggers for changes in ownership activity levels over time.

2.2.2 Event-driven changes in ownership activity level

This section describes changes in the ownership activity level triggered by specific events or by changes in ownership**.**

The ownership activity level can vary based on fluctuations in the fundamental drivers, as described above, but can also change as a result of specific events or incidents in the context of which owners decide to increase or decrease their ownership activity level. Such events or occurrences can be related to the owner himself or to the company. The former could be significant changes in the personal or professional circumstances of the owner(s) that influence the ability to be active or a change in the ownership itself (e.g., Dumas, 1992). The latter could be manifold, but typical examples include events such as internal crisis or market shocks (Revilla, Pérez-Luño, & Nieto, 2016), financial underperformance (Steier & Miller, 2010), turnaround situations (Cater & Schwab, 2008), mergers and acquisitions (M&A) transactions and expansions (André, Ben-Amar, & Saadi, 2014), and changes in the senior management (Faghfouri, 2012).

The above discussion leads to the following proposition:

Proposition 4 ("event-driven change in activity level"): The activity level of owners can vary over time and can change as a result of specific events such as external or internal crises, difficult economic times or turnaround situations, management changes, and changes in ownership (such as new ownership structures or a new generation).

To summarize, aside from the fundamental drivers of different ownership activity levels, such as the owners' identity, commitment, and goals, other drivers are linked to specific events, either related to the company or to the owners, that can lead to a fluctuation of the ownership activity level over time.

2.3 Active owners and decision-making in organizations

This section applies the main assumptions of organizational decision-making theories to the context of this study to derive the related propositions. Section 2.3.1 elaborates on the core assumption of limited (or bounded) rationality and the related problem solving and decision-making approach. Section 2.3.2 more closely examines routines that represent codifications of decisions and learning processes in an organization. Section 2.3.3 covers the concept of political bargaining and the dominant coalition.

Organizations are by convention seen as hierarchies. However, this hierarchical perspective, focused primarily on formal authority, does not fit the reality of what happens in organizations and hence is not suited for exploring active owner involvement from a behavioral perspective. As March and Simon (1958) highlight, organizational processes can be hierarchical, but very often they involve networks of other types and "reflect ecologies of interconnecting activities within which simple ideas of linear causal order and power are hard to sustain" (March & Simon, 1993, p. 3). Hence, *A Behavioral Theory of the Firm* and most of the derived theories in the field of organizational behavior use organizational decision-making, instead of hierarchy, as the unifying construct.

It is helpful to refer to the definition of an active owner provided in the first chapter to understand the nature of the involvement of active owners in decision-making: *An active owner is a non-managerial owner (individual or group of individuals) who is in a dominating position and who works actively with the management and the board of directors on the development of the firm.*

The dominating position is a pre-condition for an owner to choose to play an active role in the way it is being understood in this thesis. As described in the first chapter, such a dominating position prevails in privately held companies and can also be found, to a limited degree, among large block holders of publicly traded companies. The degree to which the latter ones can be active depends on the external and internal corporate governance regulations of the respective jurisdiction and company. Such a dominating position allows active owners, both from a legal and corporate governance perspective, to involve themselves actively in organizational decision-making.

2.3.1 Bounded rationality, organizational search, and satisficing

This section elaborates on the core assumption of limited (or bounded) rationality and the related problem-solving and decision-making approach.

The two closely related concepts of bounded rationality and problemistic search describe problem-solving and decision-making processes. Modern economics and a large part of social science are based on the "idea that human action is the result of human choice and that human choice is intendedly rational" (March, 1997, p. 10). According to van Ees et al. (2009), the concept of bounded rationality, embraced by organizational decision-making researchers (Argote & Greve, 2007; Cyert & March, 1963; March & Simon, 1958; Simon, 1955), "refers to the notion that decision-makers in organizations experience limits in their ability to process information and solve complex problems" (van Ees et al., 2009, p. 311). Decision-makers simplify complex situations, as there are constraints to the number of options considered

(March, 1991). Such behaviors challenge the underlying rationale of agency theory, which states that all actors, and in particular the agents, act opportunistically and are primarily oriented towards satisfying their interests (Huse et al., 2009; van Ees et al., 2009). Instead, it can be assumed that principals and agents strive for simplifications in decision-making to be able to cope with complexity, given the limited ability to comprehend a situation fully. In other words, inefficient decisions or decisions not aligned with the owners' interests do not necessarily stem from opportunistic behavior, but instead might be caused by cognitive bias or incompetence (Hendry, 2002; Huse et al., 2009).

Bounded rationality in decision-making also means that information must be discovered through searching, as not all information about the consequences of a choice and its alternatives is known. Three types of search exist in an organization: slack search, institutionalized search, and problemistic search (Greve, 2003). Slack search "results from extra time and resources that are used for experimentation" (Greve, 2003, p. 54). Institutionalized search can be defined as "an activity performed by organizational units devoted to search and explicitly managed and regulated by resource allocation" (Mazzelli, 2015, p. 40). Argote and Greve (2007, p. 343) define problemistic search, which they call a model of organizational reactions to low performance, as follows:

> Problemistic search implies that organizational aspiration levels adapt to the past experience of the focal organization and those of comparable organizations. Once organizational performance falls below the aspiration level, search for solutions will occur, and organizational changes become more likely.

Problemistic search, unlike slack and institutionalized search, is directed by performance aspiration discrepancy and, hence, is related to the theoretical concept of satisficing, which has been developed in research since its origins in *A Behavioral Theory of the Firm* (Mazzelli, 2015). Managers can be understood as decision-makers who are likely to accept choices or decisions that are good enough or, in other words, that satisfy the current aspiration levels rather than searching for optimal solutions (Huse et al., 2009). According to the explanation of March (1991), the search for alternatives and information is fueled by a failure to accomplish a goal, and it continues until an alternative that is good enough to satisfy existing aspirations is found. In other words, when faced with success and performance that exceed the aspiration level, the search for alternatives is moderate and aspiration remains (March, 1991; Shinkle, 2012). The opposite is the case when performance falls below the aspiration level, at which point the search is stimulated and "decision makers are expected to select new strategies to increase performance, and these are generally assumed to involved increased risk" (Mazzelli, 2015, p. 40). Greve (2003, p. 39) defines an aspiration level as "a result of boundedly rational decision-makers trying to simplify evaluation by transforming a continuous measure of performance into a discrete measure of success or failure."

There are several sources of aspiration levels: use of past performance level, use of historical aspiration level, and use of the social aspiration level (Mazzelli, 2015). In addition, these three main ways of determining aspiration levels can be combined, "as in the original formulation of aspiration-level learning (Cyert & March, 1963), to make an aspiration level follow a weighted function of the past goal, past performance and past performance of others" (Mazzelli, 2015, p. 40).

As aspiration levels are an essential mechanism in explaining organizational search and decision-making processes under the assumption of limited rationality, research on active ownership should investigate whether and how active owners play a role in determining and altering aspiration levels in an organization and thereby influence satisficing behavior. This leads to the following proposition:

Proposition 5 ("aspiration levels"): Active owners influence the determination or adaptation of aspiration levels in organizations.

To conclude, it is expected that active ownership behavior related to the establishment of aspiration levels or to adaptation can be found in various forms and contexts. A typical example appears to be the influence through the work on the board of directors. However, even without a formal role, active owners can, through their behavior, influence the aspiration levels of an organization. For example, the author knows a company in which an owner without any formal role in the governance of the company regularly sends letters to the top management addressing his expectations and aspirations and providing an assessment of whether the management is succeeding or failing in meeting them.

2.3.2 Organizational rules and routines

This section takes a closer look at routines that represent codifications of decisions and learning processes in an organization.

The theory of standard operating procedures has introduced organizational rules and routines as a central concept of organizational theory (Argote & Greve, 2007). Decision rules are "normative constraints that guide the behavior of individuals by determining the relative appropriateness of all the behavioral options open to them" (Heugens, Van Riel, & Van Den Bosch, 2004, p.6). Rule-following is grounded in the logic of appropriateness (March, 1994). According to March (1994), decision-making by rule-following is a perspective in which decision-making is seen as a result of following rules and fulfilling identities.

Such rules for decision-making in companies can have various forms. For instance, some rules concern what factors are to be considered in decisions (e.g., rate of return on investment, pay pack period, market share development). Others might define who has access to decision-making processes or how decisions should be captured, justified, and followed up on. Still other rules specify criteria to be used to assess and monitor performance, such as specific key performance indicators (KPIs) (March, 1994).

Rules can be created or changed by (March, 1994, p. 78):

(I) Analysis on the part of intentional decision-makers of anticipated future consequences;

(II) Bargaining among decision-makers;

(III) Imitating rules used by others;

(IV) Selecting rules based on the observed successes of decision-making units using them;

(V) Learning and experienced-based change of routines and the way routines are used.

This last point sees rules and routines as a codification of collective problem-solving and learning processes. Hence, they become institutionalized with regular application to decision-making and problem-solving. In that sense, routines represent the memory of an organization (Cyert & March, 1963). Furthermore, shared decision rules serve as an essential alignment mechanism of individual actions and organizational outcomes. “Decision rules form an indispensable aspect of organizational capability because they connect individual actions to organizational outcomes” (Heugens et al., 2004, p. 6).

Active owner behavior related to decision rules appears to occur through the following mechanisms (Heugens et al., 2004; March, 1994):

(I) Selecting and defining rules based on the owner’s norms and learning experiences and making them binding through the owner’s formal or informal power;

(II) Acting as an example using rules and being imitated by other decision-makers in the company;

(III) Being a part of the bargaining processes in the company, as well as through collective learning processes.

The above discussion on decision rules and routines leads to the following proposition:

Proposition 6 (“decision rules”): Active owners influence the process of defining, confirming, or changing decision rules.

To summarize, by influencing decision rules, active owners can influence organizational capabilities, which can in turn represent the basis for competitive advantages (Knott, 2001; 2003, cited in Argote & Greve, 2007).

2.3.3 Dominant coalition

This sub-chapter covers the concept of political bargaining and the dominant coalition.

Cyert and March (1963) propose viewing the organization as a coalition of individuals, some of whom are organized into sub-coalitions. Such coalition members include employees, top managers, owners, suppliers, and customers. Coalitions and their members change over (a relatively short period of) time, and they also differ for particular decisions or classes of decisions (Cyert & March, 1963). Members of the collation are involved in ongoing political bargaining among each other, resulting in the formation of goals and the resolution of conflicts (van Ees et al., 2009). "Goal conflicts are solved through political bargaining rather than through objective alignment by economic incentives. Disagreement about organizational goals is dealt with in the context of ongoing bargaining processes among coalitions that pursue alternative objectives and priorities" (van Ees et al., 2009, p. 312). Similarly, Mazzelli (2015) found that privately held firms achieve a quasi-resolution of disagreement through various forms of bargaining.

A dominant coalition consists of the individuals within and around the company who most influence the missions and goals of the organization (Bowler, 2006; Cyert & March, 1963). The dominant coalition influences the goals through informal, rather than formal, channels, which allow individuals who do not necessarily occupy formal leadership positions to manipulate the goals of the company (Bowler, 2006). Even outside parties can be members of a dominant coalition. For instance, a key customer representing an essential part of the revenue of the company can influence the goals of the company (e.g., in terms of quality standards) through informal influence. Typically, companies do not simply pursue formally stated goals: Either they only pursue versions of the stated goals that are altered due to informal forces, such as dominant coalitions, or they pursue their actual stated goals, but even those are not the exclusive goals. The company also has informal goals that affect it (Bowler, 2006; Gouldner, 1960). In the context of family firms, goals related to preserving socioemotional wealth might play an important role (Zellweger et al., 2013): They can take the form of either stated goals or informal goals. In family firms, the controlling family might itself represent a dominant coalition (Zellweger et al., 2013).

The concept of the dominant coalition contrasts with the agency theory, which explains how the organization can have common goals through political bargaining despite the differing interests of its actors (Cyert & March, 1963). Contrary to most corporate governance researchers, van Ees et al. (2009) see goal formation as the outcome rather than the beginning of bargaining among coalitions.

The above discussion leads to the following proposition:

Proposition 7 ("dominant coalition"): Active owners are part of dominant coalitions and contribute to goal formation by participating in political bargaining in companies.

To conclude, if one views the organization as a coalition of individuals, the question of how the active owners participate in political bargaining to reach collaboration among coalitions or to establish the dominant coalition is essential for research on active ownership.

2.4 Active owners and organizational social capital

This section applies the main assumptions of organizational social capital theory to the context of this study to derive the related propositions for exploration in empirical research. Section 2.4.1 elaborates on how active owners shape the development of organizational social capital in their firm (structural dimension). Section 2.4.2 explores the impact of active ownership behaviors on collective trust (relational dimension), while Section 2.4.3 builds the theoretical foundation for the proposition on how active owner behaviors contribute to building a shared language (cognitive dimension).

Social capital encompasses relationships within networks of individuals and organizations and is characterized as the "sum of actual and potential resources embedded within, available through, and derived from the network (Nahapiet & Ghoshal, 1998, p. 243).

There are three main dimensions of social capital: structural, relational, and cognitive (Nahapiet & Ghoshal, 1998). The structural dimension of social capital is based on network ties and configurations (Sirmon & Hitt, 2003); the relational dimension on "particular relations people have, such as respect and friendship, that influence their behavior" (Nahapiet & Ghoshal, 1998, p.244); and the cognitive dimension on shared language and narrative (Nahapiet & Ghoshal, 1998).

As defined in 2.1.3, social capital in an organization can be seen as "a resource reflecting the character of social relations within the organization" (Leana & Van Buren, 1999, p. 538). This firm-specific resource has been termed "organizational social capital" by Leana and Van Buren (1999). Organizational social capital "is realized through members' levels of collective goal orientation and shared trust, which creates value by facilitating successful collective action" (Leana & Van Buren, 1999, p.538).

Moreover, Leana and Van Buren (1999) identified associability and trust as the two primary components of organizational social capital. Associability is in line with the cognitive dimension of social capital, while trust is in line with the relational dimension, according to the definition of Nahapiet and Ghoshal (1998). Associability defines individuals' ability and willingness "to subordinate their individual goals and actions to collective goals and actions" (Mustakallio et al., 2002, p. 209) in an organization (Leana & Van Buren, 1999). A shared language and narrative is a crucial enabler of the ability of the organizational members to pursue collective goals and actions.

2.4.1 Link between active owners and the development of social capital

This section elaborates on how active owners shape the development of organizational social capital in their firm.

Social capital, and more specifically organizational social capital, has been used widely as a theoretical lens in many different research streams, such as in research on family business (Rau, 2014), corporate governance (Goel, Jussila, & Ikäheimonen, 2014; Uhlaner, Floren, et al., 2007), or leadership (Gupta, Huang, & Yayla, 2011; Kim, 2014). However, as Bolino, Turnley, and Bloodgood (2002) note, scarce attention has been paid specifically to the development of social capital and, in particular, to the question of how individual-level behaviors are critical for the development of social capital.

Arregle, Hitt, Sirmon, and Very (2007) offer a first explanation as to how organizational social capital might be shaped by owners or other dominant groups within the organization (Rau, 2014). These assumed drivers, unique to privately held companies, of owner-induced development of organizational social capital have been identified as the following (Rau, 2014): interactions, stability, interdependence between owners and firm, and closure of the owners' network (in particular if a family owns the firm). In the author's view, these drivers provide a robust link to active ownership behaviors and help sharpen the understanding of how active owners contribute to the creation of distinct organizational capital:

(I) The driver interactions is crucial, as only through interactions can the flow from the owners to the firm occur. Active owners interact with managers and employees on various occasions and in multiple forms. These can be formal occasions, such as board meetings or employee meetings, but also more informal situations, such as site visits or Christmas parties. Part of the case study research in this thesis is to gather evidence of the types, forms, and frequencies of those interactions.

(II) The driver stability is related to the active owners' desire for a long-term orientation, reflected by the ongoing influence they exert, as well as the sustainable attitude and stewardship behaviors that active owners are assumed to display. A stable ownership context, ongoing influence, and long-term orientation can hence be expected to have a positive impact on the creation of organizational social capital.

(III) The two drivers interdependence and closure of the owner's network are related to the structural dimension as well. Financial and non-financial aspects reflect the interconnectedness of owners and their firm. Owners often must rely on the dividends generated by their firms as their primary source of income. The non-financial goals include the desire to preserve the image of the firm and protect the reputation of the owners, the latter of which is very closely linked to the reputation of the firm (a connection that is most apparent if the firm carries the name of the owner). The closure of the owner's network makes the network very specific, which is often expressed by a set of very distinct and specific socioemotional goals (see also 2.2.1).

While the paragraphs above are focused on intra-organizational relationships and the resulting social capital, the contribution of active owners to the development of social capital goes beyond those internal relationships. Privately held companies with active owners usually enjoy long-term relationships with external stakeholders. Hence, social capital arises not only from the interactions with employees but also from those with customers, suppliers, and many other external stakeholders, such as banks (Arregle et al., 2007).

The above discussion leads to the following proposition:

Proposition 8 ("interpersonal relationships"): Through active ownership behavior as well as formal and informal interactions, owners build and maintain a stable network of strong interpersonal relationships with managers and all other employees, as well as with external stakeholders.

To summarize, active owners seem to shape the development of organizational social capital for their firm through formal and informal interactions (the structural dimension of organizational social capital).

2.4.2 Trustful relationships and collective trust

This section explores the impact of active ownership behaviors on collective trust.

The two most common definitions of trust are individual trust and collective trust (Steier & Muethel, 2014). Individual trust can be seen as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer, Davis, & Schoorman, 1995, p. 712). As outlined in 2.1.3, trust on an organizational level, or collective trust, can be defined as the collective willingness of employees to be vulnerable to the actions of that group and to assume risks, even if they do not know all the other employees involved and even if the action of other employees cannot be monitored or controlled (Davis & Bartkus, 2009).

Controversy exists regarding the relationship between trust and organizational social capital (Adler & Kwon, 2002; Davis & Bartkus, 2009). While one group of scholars argues that trust is an antecedent of social capital (e.g., Davis & Bartkus, 2009; Nahapiet & Ghoshal, 1998) another group claims that trust is an outcome (e.g., Putnam, 1995), while a third group sees trust and social capital as essentially synonymous (Cohen & Prusak, 2001). For this thesis, it is not necessary to take a position, as all three explanations can potentially be useful to explore how active owners and their respective behaviors contribute to trusting relationships and the development of collective trust.

The notion of vulnerability in the definitions of trust captures the very essence of trust (Bigley and Pierce 1998, in: Steier & Muethel, 2014). Vulnerability refers to the willingness to make one's self vulnerable and depends on the perceived trustworthiness of the other party (Steier & Muethel, 2014). Perceived vulnerability is highly contextual, and it seems that trusting behaviors in privately held firms vary from those of other firms (Steier & Muethel, 2014). Active ownership behaviors related to long-term orientation create continuity and stability, which, in turn, foster an environment in which the willingness of all individuals to be vulnerable is expected to be higher than usual (Steier & Muethel, 2014). Moreover, repeated relations, enabled by the stability of the ownership situation, often increase trust (Ensminger, 2001). For instance, family firms, the most prevailing form of privately held companies and often with ownership stability across multiple generations, tend to be skilled at developing the kinds of trusted, long-term relationships that might even substitute contracts in specific institutional contexts in which formal institutions are unreliable or absent (Gedajlovic & Carney, 2010).

According to Mayer et al. (1995), three characteristics – ability, benevolence, and integrity – seem to account for most of the variances in trust (Stickel, Mayer, & Sitkin, 2010). Ability refers to the skills and competencies that equip a party to address a situation or complete a task (Mayer et al., 1995). Integrity, which is closely related to honesty and high levels of credibility (Steier & Muethel, 2014), "is the perception that the trusted party follows a set of values that the trusting party accepts" (Stickel et al., 2010, p. 307). Integrity is fostered through the often enduring and stable relationships in privately held companies with a long-term orientation. Finally, benevolence is "the perception that the trustee cares about the trustor. It depicts the extent to which a party believes that a trustee has the trustor's best interest at heart and would go out of their way the help the trustor" (Stickel et al., 2010, p. 307). Owners of privately held companies are often said to be benevolent, as they often feel responsible for the sustainable development of the company and the continued employment of employees, even if it is at the cost of profits and owners' dividends (Steier & Muethel, 2014).

Building on the common assumptions of all the research streams outlined above that there seems to be a high level of interdependency between social capital and trust and that active ownership behaviors positively influence the factors of interpersonal trust (ability, integrity, and benevolence), the following proposition can be formulated:

Proposition 9 ("collective trust"): In companies with high levels of active ownership behavior, the level of collective trust observed is high.

To summarize, active owners seem to impact collective trust (the relational dimension of organizational social capital) with their behaviors in the company they own.

2.4.3 Shared language and interpretation

This section builds the theoretical foundation for the proposition of how active owner behaviors contribute to building a shared language.

Shared interpretation and language among individuals within an organization relates to the cognitive dimension of organizational social capital and provides a shared channel to exchange information and knowledge (Lou, 2015). More specifically, the cognitive dimension of social capital encompasses the organization's shared purpose and vision, as well as the unique language, stories, and culture of a collective (Pearson et al., 2008, p. 957).

Language is a central element of interpersonal relationships, as it "has a direct and important function in social relations, for it is the means by which people discuss and exchange information, ask questions, and conduct business in society" (Nahapiet & Ghoshal, 1998, p. 253). Hence, a common language can facilitate the ability of individuals to gain access to other individuals and their information (Nahapiet & Ghoshal, 1998). In addition to a shared language, the presence of shared narratives, such as stories, myths, and metaphors, also facilitates the creation, exchange, and preservation of rich sets of meanings in companies (Nahapiet & Ghoshal, 1998, p. 254). Shared narratives within a company are important, as they enable the formation and transmission of different interpretations of events, facilitating the combination of tacit knowledge from various sources (Nahapiet & Ghoshal, 1998). The empirical research conducted in this thesis explores whether stories, myths, and anecdotes related to the owners exist in companies with active owners and whether they serve to facilitate exchange and create a shared understanding.

As Lou (2015) points out, establishing a shared purpose and vision, that is, a shared interpretation, is essential to the long-term development of a privately owned firm, as it guides owners and managers in resource allocation and strategic decisions with respect to the financial business goals and the owner-induced socioemotional goals. In other words, those mechanisms "are important because they help to align the values, goals, and identity of a family with those of the business" (König et al., 2013, p. 421). The existence of such a shared vision in turn increases the willingness and ability of the individuals in an organization to subordinate their individual goals and actions to collective interests (Ring and Van de Ven 1994 cited in Lou, 2015, p. 88). This phenomenon is called associability (Leana & Van Buren, 1999).

According to Mustakallio et al. (2002), a shared vision among decision-makers serves for external stakeholders as a sign of cohesiveness and cooperation with respect to the pursuit of collective goals. This consistent behavior leads to a high degree of perceived predictability, increasing the level of trust, which, in turn, further facilitates the creation of social capital.

The above discussion leads to the following proposition:

Proposition 10 ("shared language and interpretation"): In companies with active owners, managers and owners share a common language and express a shared vision and collective goals for the business.

To summarize, active owners seem to contribute to building a collective goal orientation as well as a shared language (cognitive dimension of organizational social capital) with their behaviors in the company they own.

2.5 Active owners and organizational identity

This section explores the role of organizational identity in explaining active owner behaviors and their impact on the organization, and in it, two propositions are formulated. Section 2.5.1 elaborates on how the overlap of the identity of the owners and of the organization leads to a high degree of alignment and to a sense of belonging on the part of the managers and the other employees. Section 2.5.2 then links owner identity to firm image and corporate reputation.

The organizational identity theory serves as one of the three key research streams used to describe active owner involvement from a behavioral perspective. Organizational identity directs members of the organization to consider "who we are as an organization" (Albert & Whetten, 1985; Whetten, 2006). As outlined in 2.1.4, organizational identity as a concept is defined as the members' collective understanding of the central, distinct, and enduring core values and beliefs of an organization that distinguish it from other organizations (Gioia et al., 2000; Whetten et al., 2014; Whetten, 2006).

Organizational identity has both a sense-making and sense-giving function, "providing meaning to members' organizational experiences as well as a guide for how organizational members should behave and how other organizations should relate to them" (Zellweger et al., 2013, p.5). The distinction between sense-making and sense-giving derives from two different research streams, which have taken root in organizational identity research (Whetten et al., 2014): the social actor view (essentialist approach) and the social constructionist view (interpretivist perspective). The latter view treats organizational identity as a form of sense-making, that is, "how individuals make sense of their experience as members of a particular organization" (Whetten et al., 2014, p. 483). From this perspective, organizational identity is treated more like a collective identity or as an aggregate of individuals' self-views. As Whetten (2006) concludes, according to the social actor view and in contrast to the social constructionist view, organizations are more than social collectives but can instead be treated as if they were individuals. The organizational identity acts as the sense-giving component of the members' shared experiences (Whetten et al., 2014).

2.5.1 Organizational and owner identity fit

This section elaborates on how the overlap of the identity of the owners and of the organization leads to a high degree of alignment and to a sense of belonging on the part of the managers and all other employees.

In privately held companies and family businesses, two identities overlap: the identity of the firm and the identity of the owners. These identities can be integrated or separate to various degrees (Shepherd & Haynie, 2009; Zellweger et al., 2013). While some owners might define their identity in terms of their association with the company, others might consider their identity to be separate from the firm and instead define themselves in terms of affiliation with or membership in other groups or communities (Zellweger et al., 2013). The degree to which the identities overlap and are integrated can be seen as a possible determinant of the owners' identification or commitment (Uhlaner, Floren, et al., 2007; Whetten et al., 2014). For example, if the name of the owning family is at the same time part of the company name as well, identification with and commitment to the organization on the part of the owners may be significantly enhanced (Whetten et al., 2014).

However, as Zellweger et al. (2010, p. 58) note, the benefits of organizational identity extend beyond the owners to encompass the identification and commitment of key stakeholders, in particular employees and managers. Their identification with the values and beliefs of the company can be explained from a social actor perspective as the relative congruence between the identities of the individual and the organization (Whetten et al., 2014). In other words, if "individuals feel that their organization embodies and displays identity attributes consistent with their personal identity and in ways that are important to them, they will have a greater sense of identification with that organization, leading to stronger bonds of attachment" (Whetten et al., 2014, p.484).

Hence, it can be assumed that active owner behaviors are an important mechanism to build this congruence between the identities of the individual employee or manager and the company. For example, active participation and open communication by the owners builds commitment to an organization and fosters a sense of belonging among managers and employees (Smidts, Pruyn, et al. 2001, in: Zellweger et al., 2010). Owners who frequently interact and communicate contribute to the creation of a shared understanding and alignment among the members of the organization regarding its central, distinct, and enduring values and beliefs (Zellweger et al., 2010). This adoption of the firm identity by the members of the organization also ensures that the ideas, goals, and capabilities of owners and managers are combined and aligned (Zellweger et al., 2010; Zellweger et al., 2013).

The above discussion leads to the following proposition:

Proposition 11 ("identity fit"): In firms in which owners are visible through active and frequent participation as well as open communication, managers have adopted to a high *degree the central, distinct, and enduring values or beliefs and express a sense of belonging and identification.*

To summarize, previous literature seems to indicate that in companies with active owners, an identity fit can be observed. In other words, active owners who are visible are associated with managers who have adopted the values or beliefs to a high degree and express a sense of belonging and identification. These values seem to be the central, distinct, and enduring values of an organization.

2.5.2 Image and reputation

This section links owner identity to firm image and corporate reputation.

Identity is a social construction that derives from interactions and is actively created and sustained through repeated interactions with others: For organizations, this means that organizational identity is also constructed through processes of interactions with outsiders, such as customers, competitors, and regulatory institutions (Gioia et al., 2000). Key elements of those interactions with stakeholders outside the firm are reputation and image, elaborated upon in more detail in the following paragraphs.

Owners who identify themselves with their firm are concerned about the general impression of the company by its stakeholders and thus about their firm's reputation (Zellweger et al., 2013). Reasons for those concerns are manifold but are usually related to the above-described overlap of the owner's and firm's identity. Owners have historical links with the firm – often, the family name comprises the firm's name – and owners often have local roots. In other words, reputation damages to the firm would lead to reputation damages to the owner as well. Given those concerns, it is crucial to understand how organizational reputation is developed. Zellweger et al. (2013, p. 6) provide a concise explanation:

> Organizational reputation is comprised of the stakeholders' perceptions of the firm, its products, strategies, and employees (Fombrun & Shanley, 1990). Therefore, an organizational identity may be transferred into corporate reputation when attributes of organizational identity become so widely accepted among the constituents of a firm that they are largely taken for granted (Scott & Lane, 2000). As such, organizational

identity provides the context within which nonfamily stakeholders interpret and assign meaning to firm behavior (Ravasi & Schultz, 2006) and ultimately define its organizational reputation.

This owner-induced corporate reputation concern leads to active owner behaviors aiming to establish and maintain a favorable corporate reputation by having the firm and its management follow sustainable business practices (Zellweger et al., 2013). The family's identification with the business and the resulting sustainable business practices and the pursuit of non-financial, owner-identity-linked goals at the firm level transcend the company to encompass an "extended family" of stakeholders (customers, suppliers, press, etc.) who support the firm's principles, such as trustworthiness, fairness, or respect (Zellweger et al., 2010, p. 59). The nonfinancial goals at the level of the company may include responsible employee practices, trustful relationships with stakeholders, environmental actions, and support for the local community (Gómez-Mejía et al., 2007; Zellweger & Nason, 2008; Zellweger et al., 2013).

The above discussion leads to the following proposition:

Proposition 12 ("image and reputation"): Active owners show a high level of concern for corporate reputation and image, resulting in visible efforts at the firm-level for socially responsible practices to the benefit of various stakeholders.

To summarize, previous literature seems to indicate that active owners show corporate reputation concerns, which lead to active owner behaviors that aim to establish and maintain a favorable corporate reputation and image.

2.6 Active owners and performance level

This section focuses neither on quantitative nor on the statistical measurement of how active owners impact financial and non-financial performance; instead, it explores how active owners influence performance according to their perception and according to the perception of managers, of employees, and potentially of other stakeholders. Section 2.6.1 asks how active ownership behaviors related to decision-making, social capital, and identity drive the perceived performance level of the company.

Opening the black box of active ownership behavior is the primary rationale for this thesis, and to do so requires the exploration of which behaviors drive the performance of the privately held firm. In relation to firm performance, this thesis does not aim (statistically) to explain causal links between various dimensions of ownership and financial performance or to explain the difference between privately held companies and publicly listed companies. The objective, according to the research question, is to shed light on how active ownership behaviors (related to decision-making, social capital, and identity) influence the perceived performance level of the firm. The usage of the term "perceived performance level" indicates that it is not an objective measurement but rather an indication derived from the triangulation of various sources (owners, employees, and documentation if available).

2.6.1 How active ownership behaviors influence the perceived performance level

This section asks how active ownership behaviors related to decision-making, social capital, and identity impact the perceived performance level of the company.

By adopting a lens of decision-making, social capital, and identity, Sections 2.3–2.5 explored how – that is, through which behaviors – owners influence organizations. This investigation raised the questions of whether this impacts the perceived performance level and, more importantly, how, or through which organizational processes, this occurs. The three same research lenses are used to shed light onto how active ownership behaviors drive perceived performance.

In larger corporates or publicly-listed companies, decisions must generally be based on extensive financial analysis and business plans. As decisions in those firms must pass through various hierarchical levels, decision-making usually takes longer, and political bargaining and power considerations very often impact output. By contrast, privately owned companies are expected to not need to consider the views and opinions of external investors or analysts. According to Nordqvist and Zellweger (2010, p. 20), family firms with active owners are often assumed to have "quick, sometimes intuitive, decision-making".

As stated by Zellweger (2007), family firms are expected to apply a longer time horizon to their decision-making. This long-term orientation, exemplified by longer CEO tenures, a skilled workforce, enduring relationships, and a financing capacity for long-term oriented investments, results in superior long-term investment decisions regarding related capabilities, such as R&D or brand building (Rau, 2014).

As described in Section 2.4.1, social capital involves the interpersonal relationships among individuals or organizations and is defined by "the sum of the actual and potential resources embedded within, available through, and derived from the network" (Nahapiet & Ghoshal, 1998, p. 243). Active owners' involvement enables the privately held firm to accumulate unique resources and capabilities that allow it to form competitive advantages and drive performance levels (Amit & Villalonga, 2014, p. 161). Such competitive advantages can materialize in the form of access to critical knowledge and experience, new business and business ideas, early testing of innovation, and referrals (Zellweger et al., 2010). Privately held companies with active owners usually enjoy long-term relationships with external stakeholders and, as elaborated above, are good at creating social capital. They can use these external relationships and resulting resource advantages to enhance performance (Amit & Villalonga, 2014). The collective trust that arises within the organization also leads to more productive relationships with customers and suppliers, allowing for more sustainable margin levels, strong customer loyalty, competitive purchasing conditions, and access to high-quality raw materials. These relational benefits can arise not only from the relationships with customers or suppliers but also from those with many other stakeholders, for instance, banks or governmental bodies (Zellweger et al., 2010). As a result, access to financial resources at reasonable costs or subsidies could be benefits enhancing the performance of the company.

As outlined in Section 2.5.1, active owner behaviors are an essential mechanism to build the congruence between the identities of the individual employee or manager and of the organization and seem to lead to a sense of belonging and identification, as well as a higher degree of alignment in terms of values and beliefs. The benefits of such an alignment include an increased quality of decision-making, higher cohesion, a shared consensus regarding the strategic direction of the firm, and widespread stewardship and entrepreneurial behavior by non-family employees (Zellweger et al., 2010). As described in Section 2.5.2, the concern of establishing and maintaining a favorable corporate reputation leads to the creation of an image that is unique and impossible to copy. The image advantages, such as sympathy, credibility, or authenticity lead to financial benefits as well as to non-financial benefits, such as an attractive employer image, group alignment, or sustainability (Craig, Dibrell, & Davis, 2008). As described above, the use of reputation-building business practices often leads to the formation of an extended family of stakeholders who support the firm's principles, which might materialize, for instance, in the form of referrals or access to financing (Zellweger et al., 2010; Zellweger, Kellermanns, Eddleston, & Memili, 2012; Zellweger et al., 2013).

The above discussion leads to the following proposition:

Proposition 13 ("favorable perception"): The influence of active owners on the firm's performance level is overall perceived to be favorable by the stakeholders of the privately held company.

To summarize, active owners seem to favorably impact the performance levels of their organizations through, for example, long-term orientated decision-making behaviors, collective trust behaviors, and accumulation of unique assets resulting from long-term relationships or behaviors resulting in alignment on values and beliefs between the owners and the organization.

2.7 Summary of initial propositions

Table 2 summarizes the initial propositions derived from Sections 2.2–2.6. They are used to collect evidence in one pilot study and four case studies in Chapters 3 and 4.

Table 2: Overview of initial propositions

#	Title	Proposition
1	owner identity	Owner identity is one driver of the ownership activity level and becomes visible by the values lived and put in practice through the owner's communication and actions.
2	owner commitment	Active owners visibly express a high degree of owner commitment and identification.
3	owner goals	Active owners place a comparably high emphasis on socioemotional, non-economic goals and interests relative to financial ones.
4	event-driven change in activity level	The activity level of owners can vary over time and can change as a result of specific events such as external or internal crises, difficult economic times or turnaround situations, management changes, and changes in ownership (such as new ownership structures or a new generation).
5	aspiration levels	Active owners influence the determination or adaptation of aspiration levels in organizations.
6	decision rules	Active owners influence the process of defining, confirming, or changing decision rules.
7	dominant coalition	Active owners are part of dominant coalitions and contribute to goal formation by participating in political bargaining in companies.
8	interpersonal relationships	Through active ownership behavior as well as formal and informal interactions, owners build and maintain a stable network of strong interpersonal relationships with managers and all other employees, as well as with external stakeholders.
9	collective trust	In companies with high levels of active ownership behavior, the level of collective trust observed is high.
10	shared language and interpretation	In companies with active owners, managers and owners share a common language and express a shared vision and collective goals for the business.
11	identity fit	In firms in which owners are visible through active and frequent participation as well as open communication, managers have adopted to a high degree the central, distinct, and enduring values or beliefs and express a sense of belonging and identification.
12	image and reputation	Active owners show a high level of concern for corporate reputation and image, resulting in visible efforts at the firm-level for socially responsible practices to the benefit of various stakeholders.
13	favorable perception	The influence of active owners on the firm's performance level is overall perceived to be favorable by the stakeholders of the privately held company.

3. Methods foundation and pilot case study

In Chapter 2, an initial framework and the corresponding propositions are derived in order to provide the theoretical base and guide the research efforts. Chapter 3 outlines the foundation of the method and applies it to a pilot study in order to generate first insights into the research framework and selected concepts.

Section 3.1 describes the study design, case selection, data collection, and analyses, including considerations on the unit of analysis and on validity and reliability. Section 3.2 contains the pilot case study about Engineer Co., conducted to describe, analyze, assess, and refine the selected concepts and their operationalization.

As outlined above in Section 1.4, a qualitative approach in the form of a multiple-case study is applied, given that the research focus of this thesis is on the exploration of organizational behavior and meaning. Following a two-phased approach of a pilot and a main study allows for openness throughout the research process, as required by an explorative study with some explanatory intent.

3.1 Methods foundation

The following sections outline the methodical foundation of this thesis: its case study design (Section 3.1.1), unit of analysis (Section 3.1.2), case selection (Section 3.1.3), data collection (Section 3.1.4), data analysis (Section 3.1.5), and validity and reliability (Section 3.1.6).

3.1.1 Case study design

This section describes which case study design was chosen by the author and why.

This research aims to broaden the theory of ownership involvement in privately held firms by applying a behavioral perspective. As outlined in Section 1.4, a case study design is considered the design best suited to address this research problem and the corresponding research question. The research question presented in Section 1.3 encompasses the primary purpose of the study, that is, understanding how the phenomenon of active owner involvement occurs. De Massis and Kotlar (2014) note that an exploratory form of a case study is suitable for this purpose – when the study aims to understand how a phenomenon occurs.

A multiple case study with a two-phased approach recommended by Yin (2017) was chosen as the research design. The first phase is the pilot study, consisting of one case. The second phase is the leading study, which includes four cases. The distinct advantage of multiple-case designs is the fact that the evidence is often considered more compelling and that the overall study is considered more robust. The pilot case study is conducted to test and potentially refine the research questions. It also serves to assess and refine the collection and analysis procedures as well as to provide some clarification on the selected research design (Yin, 2017).

This section elaborates on why the author has decided to choose a multiple case study design and to follow a two-phased approach.

3.1.2 Unit of analysis

This section describes how the author addresses the challenge of choosing the appropriate units of analysis.

A crucial step in applying a case study is choosing the appropriate units of analysis (De Massis & Kotlar, 2014). The unit of analysis can be defined as ‘‘a phenomenon of some sort occurring in a bounded context’’ (Miles & Huberman, 1994, p. 25, cited in: De Massis & Kotlar, 2014, p. 17). For this study, the researcher is interested in phenomena that occur at multiple levels in privately owned companies, such as on the level of the organization itself, the level of individuals (owners and managers), or the level of a group of individuals. Hence, "multiple units of analysis can coexist in the same study" (De Massis & Kotlar, 2014, p. 17). According to Yin (2017), such a design is called a multiple-case embedded design. For embedded case studies, the definition of the units of analysis is even more relevant (Yin, 2017). The embedded design has a significant advantage in comparison to a holistic design. The study is conducted at a sufficiently concrete level, and hence a lack of clear data can be avoided (Yin, 2014, p.55).

This multiple-case study consists of one embedded pilot case and four embedded main cases. The survey covers the organization as a whole as the central unit of analysis and the individual manager or owner as the smallest embedded unit. There is one main intermediary unit which is essential: the family as the group of individual owners. Hence, the study contains the analysis of organizational-level occurrences, that is, organizational identity, as well as analysis on the level of individuals, of intra-firm relationships and social interactions among groups (e.g., among owner family's groups or between a group of owners and a group of managers or employees).

Figure 5 depicts the multiple units of analyses covered in this research study. The organizational-level unit of analysis applies to all five cases. On the level of individuals as the unit of analysis, there are variations per case, depending on the specific case context. For all cases, owners (or their representatives, as in case of Holding Co.) and managers were considered in the analysis, although in different compositions or numbers. For all the cases, one or more families must be regarded as an intermediary unit in the analysis.

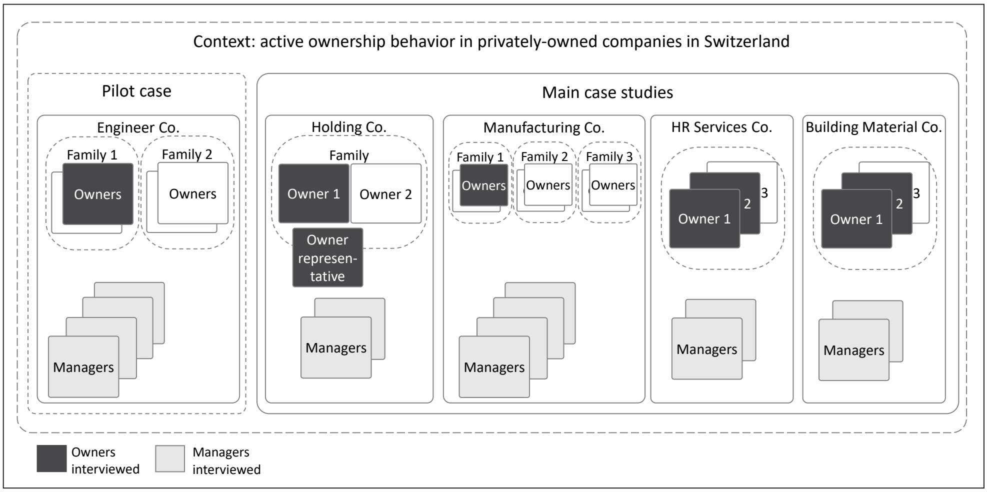

Figure 5: Unit of analyses for pilot and main case study

This section elaborates on why the author has decided to choose a multiple-case embedded design and describes the units of analyses covered in this study.

3.1.3 Case selection

This section describes how the author addresses the case selection challenge and which selection approach is chosen for this empirical study.

Case selection involves sampling the appropriate information-rich cases for a specific study and is hence a critical element, as the findings of a case study inquiry are determined mainly by the cases studied (Patton, 2014).

The concept of purposeful or purposive sampling, two synonymous terms initially introduced by Patton (1980), is widely used in the qualitative methods literature on sampling (Gentles, Charles, Ploeg, & McKibbon, 2015). Purposeful or purposive sampling is defined as "strategically selecting information-rich cases to study, cases that by their nature and substance will illuminate the inquiry question being investigated" (Patton, 2014, p. 265). As Gentles et al. (2015) find in their review about sampling strategies in qualitative research traditions, for case studies, the purposeful sampling approach is prominent. However, at the same time, they criticize a lack of definitional clarity and consistency about what qualifies as purposeful and what exactly the specific sampling strategies across case study authors are (Gentles et al., 2015).

Patton (2014) cautions that purposeful sampling is not equivalent to convenience sampling, that is, "doing what is fast and convenient" (Patton, 2014, p. 309), probably "the most common sampling strategy" (Patton, 2014, p. 309), but also the "least desirable" one (Patton, 2014, p. 309). In light of this cautionary statement, as well as the lack of definitional consistency, it is critical for researchers who label their sampling strategy as purposeful to explain what purposeful means in their specific research context (Gentles et al., 2015).

Yin (2017) argues that sampling is not the appropriate terminology to be used in the context of selecting cases for multiple-case studies. According to him, case study research should aim at analytical generalizability, while quantitative research, from which the term "sampling" originates, aims at statistical generalizability. The intention of analytical generalization is not just to contribute to abstract theory building, but to generalize findings to other concrete situations, that is, new or other cases (Yin, 2017, p. 38). Hence, Yin proposes the usage of the term "selection," instead of sampling, and "mindfully avoids descriptors that imply knowledge of an overall population" (Gentles et al., 2015, p. 1776). As Gentles et al. (2015) outline, this interpretation of sampling by Yin is at add odds with the general use of sampling in qualitative research, and hence, they propose a critical examination of the term "sampling" while not avoiding it per se.

In this thesis, the term "case selection" is preferred, considering that in case study research, sampling does not mean achieving statistical generalization from a representative sample to a larger population. Instead, the author selected information-rich cases for in-depth inquiry (Patton, 2014), allowing for analytical generalization (Yin, 2017).

The selection approach chosen for this study is close to a purposeful sampling strategy called "typical case sampling," defined by Patton (2014, p. 284) as "selecting and studying several cases that are average to understand, illustrate and highlight what is typical and normal." This chosen selection approach is comparable to what Yin (2017) calls the "literal replication," which means that each case study must be carefully selected so that it predicts similar results (Yin, 2017, p. 55), or, in other words, "the sample cases must be selected for theoretical reasons" (De Massis & Kotlar, 2014, p. 18). To illuminate the propositions under inquiry, it was considered more helpful to select average and typical privately owned companies that all have similar characteristics, rather than choosing extreme case examples. Based on the theoretical considerations outlined in Chapters 1 and 2, those characteristics that serve as selection criteria are as follows:

a) Active owners are present

Based on the research subject of how active owners take influence on the working of the organization, only companies in which non-managerial owners are explicitly perceived to be active and involved were selected. This was assessed by publicly available statements in documents, such as articles, annual reports, or statements on the website.

b) Swiss-based and family-owned private company

To control for the context of the national culture in ownership, only Swiss-based companies were included in the selection. Among privately owned companies in Switzerland, family ownership dominates, at approximately 80%, according to the association economiesuisse (2015). Hence, only fully privately owned family companies were selected. To investigate cases reflecting standard situations, only companies in which one or two owner families have the majority of the total ownership of the company were selected, so that ownership would not be too widely distributed among different families.

c) Separation of duties exists

Only companies in which the owners are active, but at the same time, there is a separation of duties between owners and managers, that is, the main owners do not hold a senior management position, were selected. This selection logic represents the perspective on active owners, as developed in Chapter 1. This is a perspective that goes beyond the traditional agency lens, and that incorporates the value creation potential of owners who utilize their dominating position and shareholder power in privately held companies by contributing to the long-term development of the firm without being involved in the management of daily operations.

d) Medium complexity of the company

Companies must have a certain size and revenue or profit dimensions to allow the owners to play an active role outside the operational management, but if companies are of great size and complexity, effects deriving from size and complexity might cover or overlay the impact of the active owner involvement. Hence, only companies of medium size and complexity were included. No standard metric that would allow for measuring or assessing the degree of complexity of a given company exists. Hence, this judgment was made on a case-by-case basis based on available information about organization, structure, and systems. The official small to medium-sized enterprise (SME) definition indicates when a company can be considered small. According to the Swiss State Secretariat on Economic Affairs, an SME has less than 250 employees, a definition similar to that of the European Commission (2003), which is more detailed and adds a revenue limit to the definition: An SME has revenues of less than €50 million and less than 250 employees.

The section elaborates on why the author has decided to choose typical case sampling as the case selection approach for this thesis, and it describes the four characteristics that serve as selection criteria.

3.1.4 Data collection

This section describes how the author addresses the data collection challenge and which sources are used to collect data.

Yin (2017) distinguishes six sources for evidence and data collection in case study research: documentation, archival reports, interviews, direct observations, participant-observation, and physical artifacts. He proposes the use of multiple sources, because this has been proven to increase the overall quality of the research.

The primary source of evidence of this study is the interview, and the data from semi-structured interviews is corroborated with information from various forms of documentation.

The interview is particularly well-suited for case study research, which is, like in this research endeavor, often about explaining human affairs, actions, or behavioral events (Yin, 2017). There are various forms of interviews, usually described as structured, semi-structured, or unstructured interviews (Edwards & Holland, 2013, p. 2). While structured interviews are applied mainly in quantitative research projects, the semi-structured and unstructured interview type is typical of qualitative research inquiries (Edwards & Holland, 2013). In this thesis, the author applied qualitative interviewing in the form of semi-structured interviews. According to Edwards and Holland (2013, p. 29), "in a typical semi-structured interview the researcher has a list of questions or series of topics they want to cover in the interview, an interview guide, but there is flexibility in how and when the questions are put and how the interviewee can respond." While this format offers enough space for the interviewees to answer in their own words and place emphasis on what they believe are the key aspects, it provides enough structure for comparison across interviews by ensuring that the same topics are covered and using similar questions (Edwards & Holland, 2013).

In case study research, documents are typically used to substantiate and improve evidence by providing additional sources (De Massis & Kotlar, 2014). Documentary information can be available physically or, increasingly, through webpages and other online sources and includes, but is not limited to, letters, emails, meeting minutes, internal records, annual reports, news clippings, and many more (Yin, 2017).

The author undertook four to five semi-structured interviews for each case (each interview lasting on average one and a half hours), for a total of 22 interviews and more than 35 hours. Every interview followed a replicable interview question guide that comprised a set of open questions regarding the various aspects of active ownership involvement. The full interview question guide can be found in the appendices. The interviews were recorded and subsequently transcribed word for word, with two exceptions, in which permission to record was not given by the interviewees.

Furthermore, by systematically gathering and analyzing various available documents for every company, the researcher augmented evidence from interviews with documentary information about the context of the selected company, the owner's identity, and the active ownership activities and behaviors demonstrated in practice. These documents included annual reports, media interviews with owners, texts from owner speeches, company brochures, and online materials. This form of data triangulation contributes to the increase in construct validity (see Section 3.1.6).

It must be noted that there is a crucial difference between the above-mentioned interview questions to be covered during semi-structured interviews and the more general questions, which Yin calls the protocol questions (Yin, 2017). The latter serve the researcher to keep the direction and drive the interpretation of evidence, while they do not represent a survey questionnaire or guideline. The protocol questions defined for this case study research endeavor can be found for reference in Table 3.

Table 3: Protocol questions guiding collection, analysis, and interpretation

#	Protocol questions
1	Clarify the formal and informal role of the interview partners (owners or managers).
2	Capture information about the reason, purpose, and visibility of the owner's involvement. Find evidence if the form/intensity of involvement is rooted in past experiences or specific values of the owners.
3	Collect evidence related to the fundamental goals and interests of the owners and the nature of those (of financial or socioemotional nature?).
4	Find evidence of whether other owners/family members share the purpose/values of active engagement. Find evidence of how strong the commitment of owners is and how united they are.
5	Ask for examples of how owners interact with the management (which manner/frequency/content). Find evidence of whether the principal–agent problem exists.
6	Collect evidence that the intensity of interactions changes over time or because of specific events, such as a crisis or CEO change.
7	Gather examples of interactions with employees/group of employees others than the top management (clarify reasons, occasions, topics). Any references to trust?
8	Collect evidence of whether owners are involved in setting/changing the general aspiration of the company or specific targets (mid-term targets, budgets?).
9	Gather examples of recent decision-making in order to find evidence on whether and how, formally or informally /directly or indirectly, owners participate in decision-making. Capture evidence on owners setting rules or conditions for specific decisions.
10	Find evidence of conflicts in the organization: among owners, among managers, or between owners and managers.
11	Find references to coalition building and the composition of such coalitions.
12	Gather indication of collective trust and increased risk-taking behavior. How are relationships being described? Any indication for higher trust between owners and management based on specific behaviors?
13	Any evidence of the existence of a shared vision or shared goals? Request examples for the use of collective language or wording.
14	Find evidence of an increased level of commitment and identification with the company among employees. Collect examples in which employees have proven their identification with the owner's vision, values, or goals.
15	Identify how the company and the owners are measuring and assessing whether the company is performing well and thriving.

As shown in Table 4, each of these protocol questions is linked to one or several of the thirteen propositions derived from the conceptual framework.

Table 4: How protocol questions link to propositions

	Protocol questions	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12	P13
1	Formal and informal role?			X	(X)									
2	Reason, purpose, and visibility of the owner's involvement and its roots?	X		(X)										
3	Fundamental goals and interests of the owners and the nature of those?	(X)	(X)	X										
4	Shared purpose, values, and commitment among owners?	X	X											
5	Interactions of owners with the management?				(X)				X	(X)	(X)			
6	The intensity of interactions changes over time or because of specific events?				X				X					
7	Examples of interactions with employees?								X	(X)	(X)	(X)		(X)
8	Owner's involvement in setting general aspiration or specific targets?			(X)		X	(X)							
9	Examples of owners participating in decision-making?					X	X	X						(X)

	Protocol questions	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12	P13
10	Conflicts in the organization?							X						
11	Coalition building?							X	(X)					
12	Collective trust and indication for higher trust between owners and management?									X				
13	Existence of a shared vision, shared goals, and use of collective language?										X	(X)		
14	Increased level of commitment and identification?											X	X	
15	Examples of how owners measure and assess performance?													X

X = This question operationalizes the tick marked proposition, (X) = Answers to this question might partly address the tick marked proposition

This section elaborates on why the author decided to use the interview as the primary source of evidence of this study, and it describes the interview procedures followed.

3.1.5 Data analysis

This section describes how the author addresses the data analysis challenge and which analysis technique was selected.

Since the analysis of the results from case studies is one of the least developed aspects of conducting case studies (Yin, 2017, p. 165), it is critical to analyze qualitative evidence from case studies systematically and to explain the data analysis strategy and procedures (De Massis & Kotlar, 2014). Yin (2017) distinguishes among four general data analysis strategies, of which one is “relying on theoretical propositions.” In this strategy, the theoretical orientation guides the definition of the propositions, of the data collection plan, and of the case study analysis. This strategy appears to fit perfectly with the approach of how this thesis is built up – the propositions of this thesis are derived from a theoretical framework, and the protocol questions are based on those propositions, that is, the whole research design is firmly based on a theory-driven approach.

For this thesis, qualitative content analysis was selected as the preferred data analytic technique. Deductive category assignment, as developed by Mayring (2014), allows for stringent theory orientation and an approach driven by the theoretical propositions. It results in a reduction of data that is categorized and displayed in occurrence tables or other tables and which forms a sound basis for further analysis and interpretation.

As outlined in Figure 6, deductive categories were derived from propositions and applied to the materials of the pilot study. Based on what was learned from the pilot study, the deductive categories and coding rules, as well as the propositions, were revised where necessary. The final category system was applied for a deductive content analysis of the materials of every single case of the main study. Since the general research strategy and the analysis strategy strongly relies on the theoretical propositions, the outcome of the analysis is interpreted per proposition across all five case studies.

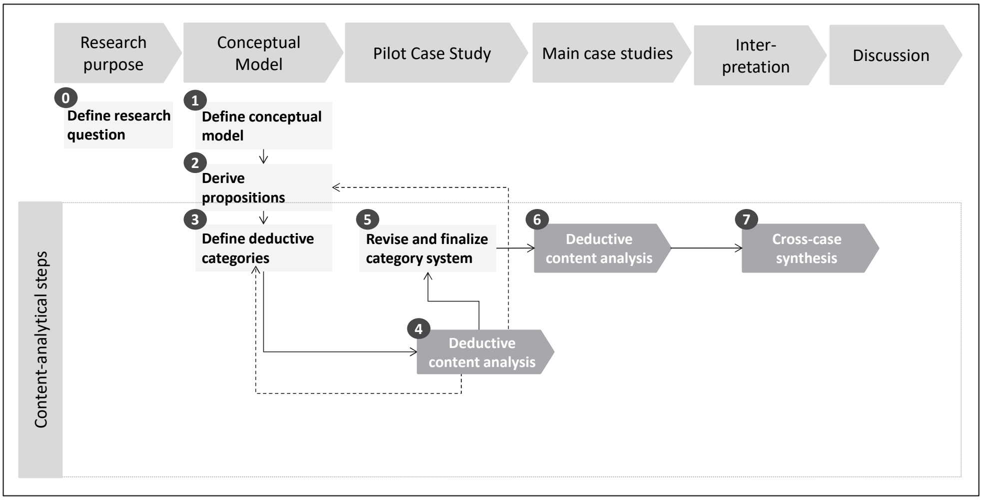

Figure 6: Design of qualitative content analysis approach

A specific software tool named QCAmap (Mayring & Fenzl, 2014) was used to conduct the deductive category assignment. Below, in Figure 7, a screenshot of the coding view from the QCAmap tool can be found.

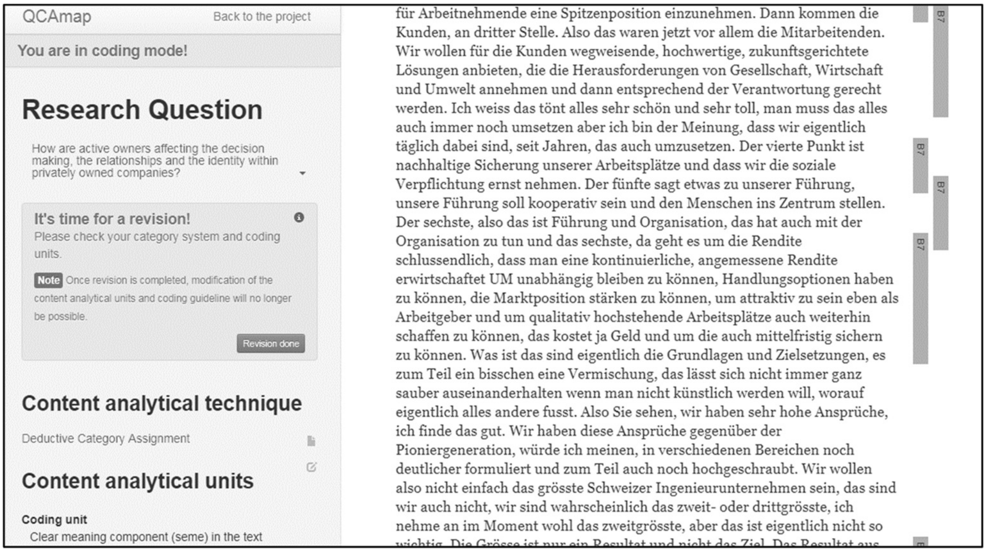

Figure 7: Sample view of coding screen *QCAmap*

The transcribed interviews, as well as the collected documents, were uploaded and coded based on the category system, which was derived from the theoretical propositions and which is shown in Table 5. This category system consisted of around 30 different categories that were applied to all 22 interviews and the various text documents.

Table 5: Overview categories and coding rules for qualitative content analysis

Proposition	#	Name	Definition	Coding rules
General categories not linked to a proposition	C1	Defined formal role of owner exists	Owner has a formal role in the company.	Title or role description for the formal roles(s) of the owner in the board or other institutions of the organization.
	C2	Involvement beyond formal role exist	Owner involves himself beyond what is part of his formal role.	Mentioning or describing activities or behaviors which go beyond what is in the scope of the formal role.
	C7	Substantial ownership activity level	Owner displays substantial ownership activity level.	Statements that make it clear that owners involve themselves frequently, at high intensity, for a significant amount of their time.

	C11	Influence of owners in decision-making is observable	Participation of the owner in the process of taking decisions happens (e.g., in satisficing behavior).	Any hints/examples of formal or informal/direct or indirect ways of owners participating in making specific decisions within specific (governance) bodies or groups in the company.
	C17	Involvement in decisions is determined by owner background	Scope and type of decisions in which active owners choose to participate in related to the antecedents of the ownership activity level.	Relation between scope and type of decisions in which the active owner involves himself and owner identity, owner commitment, and the goals or interests of the owner.
Proposition 1 ("owner identity")	C3	Owner identity is visible	Discernible and visible owner identity expressed by the values that owners communicate and live in their interactions.	Owners explicitly communicate one or several values and put into practice in the daily life of the company.
Proposition 2 ("owner commitment")	C4	Owner commitment expressed or perceived	The owners feel emotionally attached to and involve and identify themselves with their firm.	Owners express or employees perceive signs of emotional attachment by the owners; they show caring for the development of the company and the wellbeing of the organization.
Proposition 3 ("owner goals")	C5	Financial goals dominate	Owners primarily pursue interests/goals of an economic nature; they maximize the financial wealth of the company and hence of the owners. Socioemotional goals exist but are of secondary nature.	Socioemotional goals exist but are secondary. The main objectives mentioned are financial, such as revenue growth, profit or cash flow targets, dividend amount, or growth. Socioemotional goals might be mentioned but are less of a priority.
	C6	Socioemotional goals and interests dominate	Owners pursue interests/goals of a non-economic nature; they strive to preserve socioemotional wealth rather than to maximize financial wealth. Achieving financial targets is seen as a pre-condition to achieving socioemotional goals.	Non-economic goals/interests are mentioned, such as an aspiration to preserve the family dynasty and pass on the business to the coming generations and the goal of being able to exercise family influence, family independence, and security. Financial objectives/interests can be mentioned but are perceived as a pre-condition rather than the primary focus.
Proposition 4 ("event-driven change in activity level")	C8	Owner-related change in activity level happened	Incident(s) in which the intensity of interactions between owners and managers changed due to significant changes in the circumstances of the owner(s).	Hints at a correlation between changes in personal or professional circumstances of owner and a change in intensity of interaction, for example, due to succession or other activities, can be found in the material.

	C9	Company-related change in activity level happened	Incident(s) in which the intensity of interactions between owners and managers changed due to specific events or incidents related to the company.	Hints at a correlation between specific events and a change in intensity of interaction, caused by incidents such as internal crisis or market shocks, financial underperformance, turnarounds, M&A transactions or post-merger integrations, and CEO change.
Proposition 5 ("Aspiration levels")	C10	Aspiration levels are influenced by owners	The determination or potential adaptation of aspiration levels in a company can be influenced by active owner behavior and hence influence the satisficing behavior.	Activities or behaviors can be found that direct to a deliberate or unintentional determination (or strong influencing) on what the aspiration levels are in the company or how they must change.
Proposition 6 ("Decision rules")	C12	Owner identity-based decision rules exist	Active owners have influence in defining, confirming or changing decision rules based on their own norms or experiences, and they make them binding through their power.	The following mechanism can be observed: The owner selects and defines rules based on his own norms or background and makes those rules binding through his formal or informal power.
	C13	Imitation-based decision rules exist	Active owners have influence in defining, confirming, or changing decision rules by acting as an example and being imitated.	The following mechanism can be observed: The owner acts as an example and uses rules and is imitated by other decision-makers in the company.
	C14	Collective learning–based decision rules exist	Rules become institutionalized because of collective learning and bargaining processes in the company of which active owners themselves are part.	Hints that decision rules become institutionalized through collective learning and bargaining processes and that the owner is part of those processes as well.
Proposition 7 ("dominant coalition")	C15	Bargaining behavior demonstrated	Goal conflicts in an organization "are solved through political bargaining rather than through objective alignment by economic incentives" (van Ees et al., 2009, p. 312).	Indications for bargaining processes in the organization "among coalitions that pursue alternative objectives and priorities exist" (van Ees et al., 2009, p. 312).
	C16	Active owners are part of dominant coalitions	A dominant coalition consists of the individuals within (and around) the company that most influence the missions and goals (Bowler, 2006).	One of the below elements can be found: the existence of a group of people to which the owner belongs that influences the formal goals through informal channels; the existence of informal goals.
Proposition 8 ("interpersonal relationships")	C18	Interpersonal relationships with management exist	A strong, deep, or close association or acquaintance between the owner and one or more senior managers.	Examples of how owners build, foster, or maintain trusting interpersonal relationships with senior management.

	C19	Interpersonal relationships with employees exist	A strong, deep, or close association or acquaintance between the owner and one or more employees at different levels of the company.	Examples of how owners build, foster, or maintain trusting interpersonal relationships with employees at different levels of the company.
	C20	Interpersonal relationships with stakeholders exist	A strong, deep, or close association or acquaintance between the owner and various external stakeholders.	Examples of how owners build, foster, or maintain trusting interpersonal relationships by the owner with various (external) stakeholders.
Proposition 9 ("collective trust")	C21	High level of collective trust prevails	Willingness and ability within the organization to trust each other irrespective of whether one is known to each other or not.	Notions of trust in general and in the interactions of the people among each other in the organization.
Proposition 10 ("shared language and purpose")	C22	Shared understanding of vision and collective goals exist	Same understanding of the vision and the goals to be achieved shared by managers/ employees/ owners.	Views of what the vision and goals of the company or the owners are similar among managers and between owners and managers.
	C23	Shared language influenced by owners exist	Collective use of a shared language that was created or influenced by the owner.	Specific words that are creations only existing or only used in the context of this specific company and that are created or whose use is encouraged by the owner.
Proposition 11 ("identity fit")	C24	High organizational identification and sense of belonging displayed	Managers are very familiar with the norms and values of the owners and identify themselves with them.	Both aspects must be detected: (I) Familiarity with an understanding of norms and values of the owners and (II) a high degree of identification with those norms and values.
Proposition 12 ("Image and reputation")	C25	High desire to protect reputation and image	Owners show great concern for reputation and image related to both the business and themselves.	Visible efforts at the firm level for socially responsible practices to the benefit of various stakeholders exist in the company.
Proposition 13 ("favorable perception")	C26	Non-financial performance is measured	How the company and the owners measure and assess the non-financial performance of the company.	KPIs, that is, means of measuring and assessing how the company is performing in relation to the general/socioemotional goals and objectives and is creating a competitive advantage.
	C27	Influence on performance is overall perceived favorable	Perception that the level of success of the company is influenced directly or indirectly by the owners.	Notion that the active owner behaviors directly or indirectly influence the success of the company.

The output in the form of coded text passages and various occurrence tables was the basis for further interpretation. As mentioned above, every proposition is interpreted across all five case studies later in Chapter 5. As the pilot study does not demonstrate a need for significant modifications, it is included in the interpretation as a fully valid case.

The section elaborates on why the author decided to choose qualitative content analysis as the preferred data analytic technique for this study, and it provides an overview of the category system as well as the coding procedures using the specific software tool *QCAmap*.

3.1.6 Validity and reliability

This section describes how the author addresses the validity and reliability challenges of case study research in general and of qualitative content analysis in particular.

Any application of social-scientific methods must comply with the following four commonly established main quality criteria: construct validity, internal validity, external validity, and reliability (Gibbert, Ruigrok, & Wicki, 2008; Mayring, 2015; Yin, 2017). In line with the finding by Gibbert and Ruigrok (2010) that labeling the rigor criteria in terms of these four concepts helps ensure the rigor of case studies, Table 6 summarizes the main tactics chosen in this research study to increase validity and reliability. As suggested by Yin (2017), the criterion of internal validity is only relevant for explanatory studies and not for descriptive or exploratory studies, as it assesses the establishment of causal relationships between variables and results (De Massis & Kotlar, 2014).

Construct validity “refers to the extent to which a study investigates what it claims to investigate, that is, the quality of the conceptualization or operationalization of the relevant concept” (De Massis & Kotlar, 2014, p. 26). Three main research tactics were followed to ensure the construct validity of this thesis. First, data triangulation from the two primary sources, namely, interviews and documents, was applied to analyze the research problem from multiple perspectives and develop convergent evidence (De Massis & Kotlar, 2014; Yin, 2017). The two sources of evidence were not analyzed separately, but the convergence of evidence was achieved by analyzing interview transcripts and documents simultaneously and with the same priority (Yin, 2017). Second, the researcher shared a summary of the interviews with the researched companies for accuracy and consistency (De Massis & Kotlar, 2014). Third, to evaluate conceptualization and operationalization, the research questions, the survey guidelines, and the category system for data analysis were reviewed by other academics not involved in the research process, and transcripts, as well as drafts of the case study, were reviewed by peers (De Massis & Kotlar, 2014).

Table 6: Overview of quality criteria and applied research tactics. Adapted from Yin (2017) and De Massis & Kotlar (2014)

Quality criteria	Definition	Research tactics applied
Construct validity	The extent to which a study investigates what it claims to investigate, i.e., quality of conceptualization/ operationalization of the relevant concept	• Data triangulation from two primary sources of evidence • Sharing of summary of interviews with the researched companies • Peer review of research questions, survey guidelines, category system, transcripts, and case study drafts
External validity	Definition of the domain to which a study's finding can be gene-ralized	• Applying literal replication logic to case study design and case selection for every case to predict similar results
Reliability	The extent to which subsequent researchers arrive at the same results if they conduct the study again with the same steps	• Documentation of the main research procedures for every case was prepared • Archiving of case study raw data (interview transcripts and documents) as well as of the different outputs from the analyses for potential access by external reviewers

External validity "refers to the definition of the domain to which a case study's finding can be generalized" (De Massis & Kotlar, 2014, p. 27). As noted in Section 3.1.3, findings from case study research do not allow for statistical generalization to a population but instead allow for analytical generalization, that is, "generalization from empirical observations to theory" (De Massis & Kotlar, 2014, p. 27). The literal replication logic used in this study (refer to 3.1.3) helps increase the analytical generalization and, hence, the external validity. Gibbert et al. (2008, p. 12) note that "a logical prerequisite for external validity is a case study's internal and construct validity."

Reliability "refers to the extent to which subsequent researchers arrive at the same results if they conduct the study again with the same steps" (De Massis & Kotlar, 2014, p. 27).

Documentation of the main procedures for every case was prepared (for example, see the case study report for the pilot study in the appendices) to approach the reliability challenge. Furthermore, following the recommendation of Yin (2017), the case study raw data (interview transcripts and documents), as well as the different outputs from the analyses, were compiled on a specific drive and remain accessible for external reviewers, under the condition of protecting the anonymity of the participating companies.

While the above paragraphs describe how the design and implementation of this case study research meets the quality criteria of validity and reliability, the same must be explained with respect to the specific data analysis method used to analyze the evidence collected during this case study research. Based on the specificities of content analysis methods, specific content-analytical quality criteria have been developed. For instance, Krippendorff (2004) distinguishes among semantic validity, sampling validity, correlative validity, predictive validity, and structural and functional validity (related to construct validity). Mayring (2014) provides a good summary of these forms of validity.

Additionally, he describes three concepts of reliability specific to qualitative content analysis. Stability is a measure of reliability in the traditional sense and can be tested by re-applying the analysis instrument to the same research material a second time; it is also called intra-coder agreement (Mayring, 2014). Reproducibility, the second concept of reliability, can be measured via the inter-coder agreement and refers to the extent to which the results can be reproduced independently of the individual conducting the analysis (Mayring, 2014). Finally, accuracy describes the extent to which the analysis corresponds with its specifications and yields what it is intended to yield (Krippendorff, 2004; Mayring, 2014).

Two main tests were performed to ensure the quality of the content-analytical analysis of this study. First, with the intra-coder reliability, the stability was assessed, that is, an excerpt of the material was coded a second time by the author, using the same coding guidelines and not knowing his previous coding. The results were compared with each other, and the reliability was measured. Second, the reproducibility was assessed by measuring the inter-coder reliability; that is, another analyst than the author coded a portion of the full text using the same content-analytical instrument (procedures, units of analysis, category definition, and coding guidelines). For both tests, the reliability measure used was Cohen's Kappa.

According to Krippendorff (cited in Mayring, 2014, p. 114), the coefficient should ideally "be higher than 0.8, with a minimum acceptance of 0.67". At the same time, Mayring (2014) notes that in qualitative research, it is challenging to reach perfect agreement between different coders, as interpretative procedures always carry a subjective element, even though they are strictly rule-guided like the qualitative content analysis. Hence, he advises being more modest in defining target coefficients and postulates that a Cohen's Kappa of higher than 0.7 is sufficient for inter-coder reliability (Mayring, 2000). This view corresponds with the judgment of Landis and Koch (1977), who consider Kappas between 0.61 and 0.80 as substantial, and between 0.81 and 1.0 as almost perfect agreement, or with the judgment of Fleiss (1981) who considers Kappas over 0.75 to be excellent.

This section identifies the research tactics chosen by the author to ensure construct validity, external validity, and reliability.

3.2 Pilot case study ("Engineer Co.")

The following sections cover the pilot case study: company background (Section 3.2.1), case selection criteria (Section 3.2.2), interview partners and sources of evidence (Section 3.2.3), and finally, the case study description (Section 3.2.4). The company selected for the pilot study is subsequently referred to as "Engineer Co."

As elaborated above, the pilot study is essential to generate first insights into the research framework and the selected concepts. It also serves to assess and refine the collection and analysis procedures as well as to provide some clarification with respect to the chosen research design (Yin, 2017).

3.2.1 Engineer Co. background

Engineer Co. is a Swiss-based company, with its main focus on Switzerland but with legal entities abroad. The company was founded more than 50 years ago and is active in engineering and consulting services. Since its inception, the company has been steadily growing, and today, more than 500 employees work for the group. The revenue number has never been released but is expected by the author to be in the area of around CHF 100 million per annum.

The company is active in a very competitive and somewhat regulated market. As a service and knowledge company, its main assets are its employees, who are mainly consultants or specialists from around two dozen disciplines, and about two-thirds of whom possess a university degree. The company runs its business in the form of projects, with more than 600 projects a year being managed. Usually, the projects are complex and span disciplines and can range from several years to a few days in length.

The company started more than 50 years ago with a single legal entity. Given its continued organic growth and the acquisitions of similar businesses, usually with a precise geographic scope, the organizational structure was modified a few years ago and separated into several legal entities, managed somewhat independently under the umbrella of a group holding.

As the different entities usually have a particular region in Switzerland in which they concentrate their business, there is only a limited market overlap between the various entities. The initial entity still generates by far the major share of the revenues; the foreign legal entities are also all attached to and led by the major legal entity (subsequently referred to as subsidiary A1).

All the independent legal entities are united under the umbrella of a group holding company. However, the group holding company does not play any role in the governance and management of the company; its purpose is legal.

3.2.2 Case selection criteria

Engineer Co. was selected for the pilot study according to the selection procedure described in Section 3.1.3. This selected case meets the four criteria derived from the theory, as described below.

a) Criteria 1: Active owners are present

The company actively promotes family ownership in external and internal communication. The families describe themselves as being engaged and involved. Even on the website, it can be recognized through org charts and mission statements that the families actively involve themselves in the steering of the company.

b) Criteria 2: Swiss-based and family-owned private company

Engineer Co. is a Swiss-based engineering and consulting company, with its main focus on Switzerland but with a small part of its revenues generated abroad. The company is owned by two families in the second and third generations and meets the definition of a typical family firm. Currently, second-generation members of the two families sit on the Board of Directors.

c) Criteria 3: Separation of duties exists

The company is run by an external CEO, while the family is formally involved in the governance of the company by holding the chairman positions and some board positions. The chairman of the holding company (subsequently referred to as "the chairman") acts as the leading representative of the two families and assumes the chairmanship in the board of the most significant subsidiaries, while a member of the other family is also active in several boards of subsidiaries.

d) Criteria 4: Medium complexity of the company

The revenue level of the company is unknown but is estimated by the author at around CHF 100 million. The whole group has more than 500 employees employed across several locations, with legal entities in Switzerland and three legal entities abroad. The company is above the upper limit for the widely used definition of an SME (revenue < €50 million, employees < 500), which means that it can be considered as a company with a certain size and complexity. At the same time, the group is organized in several legal entities of smaller size, which makes it still well over-seeable. Overall, the company can be classified at a medium level of complexity, fulfilling the sampling criteria.

3.2.3 Interview partners and sources of evidence

According to Section 3.1.4, the two primary sources of evidence considered are in-depth interviews and various forms of documentation, such as website, internal communication, and external communication.

Full transcripts were produced for all the in-depth interviews and in a subsequent step were analyzed according to the qualitative content analysis method (see Section 3.1.5). The following people with the following functions from Engineer Co. were interviewed:

(1) *Owner* – Chairman/representative of the owner families ("Owner"):
He is the son-in-law of one of the founders. He joined the board of Engineer Co. as a director more than 20 years ago and has acted as the chairman for the last 15 years. Besides his engagement in Engineer Co., he runs his own business in an unrelated field.

(2) *Manager I* – CEO of the largest subsidiary (A1) of Engineer Co. ("CEO A1"):
He joined Engineer Co. more than 25 years ago. After an internal career and various assignments in Switzerland and abroad, he became CEO of the main entity in 2004.

(3) *Manager II* – Former CEO of the largest subsidiary (A1) of Engineer Co. ("Retired CEO"):
He joined Engineer Co. in the early years and was promoted as the first non-family CEO in 1991 after a long internal career. He stepped down in 2003 but is still active as an advisor and consultant.

(4) *Manager III* – Member of the executive team of the largest subsidiary (A1) of Engineer Co. ("Manager A1"):
He leads one of the divisions of A1 and has been with the company for more than 30 years in several roles.

(5) *Manager IV* – CEO of the second-largest subsidiary (A2) of Engineer Co. ("CEO A2"):
He joined Engineer Co. in 2012 as the CEO of the second-largest subsidiary. He comes from a different background and represents an exception in the leadership team, which mainly consists of members with long internal careers.

3.2.4 Case study description

Two families own Engineer Co. in the second and third generations. The two families are owners of this group holding company, and some second-generation members of the two families sit on its Board of Directors. The chairman of the holding company acts as the leading representative of the two families and assumes the chairmanship in the board of the most significant subsidiaries, while a member of the other family is also active in several boards of subsidiaries. The chairman is the son-in-law of one of the two founders and took over as the main representative of the families about 20 years ago when the last founder stepped down from all formal roles. His professional background is in a different area than the services provided by Engineer Co., and he runs his own company in addition to his role in Engineer Co.

The chairman fulfills his formal role very actively. Not only does he participate in the board of directors meetings, which take place eight to ten times per year, but he also regularly meets with the CEO of the largest subsidiary in a committee together with the representative of the other owner's family almost every month. Furthermore, he meets on an ad hoc basis bilaterally with the CEO if needed; usually, they are in contact once a week, sometimes even more frequently. Most of his time in Engineer Co. he spends with the largest subsidiary, as described above. In addition, he has a board role in two other subsidiaries. The third area in which he spends time as an active owner is managing the owner's family matters. Given the form, frequency, and scope of the interactions of the chairman with the company representatives, as well as the high level of personal involvement and commitment, the ownership activity level can be considered substantial. This judgment of the activity level also coincides with the respective statements by the interview partners.

There has been a specific incident mentioned in which the chairman’s activity level has significantly changed and further increased. Based on a company-related event, that is, the dismissal of the former CEO of one of the smaller subsidiaries, he took up the operational responsibility for a limited time. Once the new CEO was in place and on-boarded, his ownership activity level decreased to the prior level before the management change.

The chairman's high level of personal commitment seems to be driven by a strong sense of duty for his role as a representative of the family, for the wellbeing of the company, for the employees, and more generally for the good of society.

The shareholders from the two families meet annually in a family council. There is a smaller committee with members of the two families that meet to align on a more regular basis. The families have laid out their basic understanding of a family charter, including the fundamental values and objectives of the family, as well as their strategic directions. This codification has only been done recently, based on the understanding that while the transfer from the founder's generation to the second generation was more natural and less complex, the handover to further generations needs a codification of the identity, core values, and objectives of the family. While this should serve the protection of the fundamental identity of the family, it also defines the scope of what is set in stone for future generations and where there is some room for revision.

The critical values of the owners are built on the founders' identity and mentality and their fundamental beliefs, which have been transferred across generations. The objectives of the owners seem to overlap with the objectives of the company significantly. This interdependency can be explained by the fact that Engineer Co. was always the only business of the founders and that the founders' families only came together because of their ownership of Engineer Co. Furthermore, most members of the current management in Engineer Co. knew the founders and have been strongly influenced by their behaviors and how they brought their values to life. However, as the company grows and new entities with different backgrounds are established and more managers join from outside, some of the interview partners perceived a challenge of keeping and protecting this fundamental identity and the values while not forcing all entities into a corset that might be too tight. In other words, the growth of the company triggers the need for sensemaking, "the process through which people work to understand issues or events that are novel, ambiguous, confusing, or in some other way violate expectations" (Maitlis & Christianson, 2014).

The company's objectives, which greatly overlap with those of the owners, are primarily of a socioemotional and non-financial nature, with only one of its six main goals being financial. The main objectives are (1) remain an independent, family-owned, Swiss-based company;

(2) achieve a high level of perceived competence and innovation to attract the best people; (3) lead the way and recognize our responsibility for the economy, environment, and society by providing clients with high-class and forward-looking solutions; (4) safeguard jobs in the long term; (5) live a cooperative and people-oriented leadership style; (6) generate a steady and sufficient level of return in order to protect independence and invest for the future. According to Engineer Co.'s view, market leadership is not measured by the sheer size of the company but by whether the company is perceived to be the leader – in terms of creative and innovative solutions, competent employees, or attractiveness as an employer. Size is only seen as a result and not as an objective.

These objectives also coincide with the key values of the company, such as "one company," open communication, respect and esteem, cooperative partnership, innovative behavior, and customer orientation. The objectives and values are brought to life by the representatives of the owners as well as by the managers. During the interviews, several examples were mentioned by the owners and the CEOs of where these fundamental values were realized. For example, the values of the company were exemplified and illustrated in a book called the "red book," a copy of which every employee receives a few weeks after starting, and it includes a personal introduction by the responsible business unit head. All interviewed managers expressed a high degree of identification with the values. The owner confirmed this perception by identifying the high level of identification of CEO A1 as the reason he won the "Best CEO" award.

The two representatives of the owner families participated in decision-making primarily in the context of their previous roles in the boards. However, in the interactions with the CEOs, they also participated directly in decisions related to selected topics of interest for the family, that is, the acquisition and management of property and commercial real estate. Some decision rules were set by the owners regarding activities and investments in specific geographies. At the same time, some decision rules have emerged in the company during the years based on how the owners have lived and exemplified certain values, as well as based on a collective learning process. They relate mainly to leadership style, people's decisions, and how to deal with those. One rule, for instance, says that the company does not drop disabled or severely ill employees. There were examples mentioned in the interviews of how the company has found ways to keep those employees in the workforce for years. The chairman in particular has a strong personal interest in management development based on his interests and values. Hence, he insists on being involved in final recruitment decisions and succession management for the senior management level.

The chairman and the representative of the other family are visible in the company beyond the activities in the context of their formal roles described above. Some of these more informal activities are linked primarily to interactions with the management (e.g., a skiing event after the yearly leadership offsite), while others represent interactions with all levels of the hierarchy. For instance, they participate in social events such as the "office hike," the year-end orientation and drinks, and other similar activities. According to some statements from the interviews, everybody knows that the chairman is open to being approached by anybody in the organization. His presence, as well as his desire and behavior of building and fostering trusting relationships across all levels of the hierarchy, is perceived by the managers to be an essential element for their identification with Engineer Co. and is the main reason that they believe that Engineer Co. is a true family business. While the chairman is perceived to be very visible internally, he is less so to the outside world. Except for his representation role as the chairman in some selected situations, such as discussions with banks or some selected PR activities, he does not interact systematically with customers or other partners, leaving this role to the CEOs and the rest of the leadership team.

There seems to be a high level of collective trust prevailing in Engineer Co., as demonstrated by many statements from owners and managers. The chairman stated that "the company can only prosper if you create room for development and if you give trust to the management, from project leaders to the CEO," while CEO A1 confirmed this by saying that they enjoy "an extremely high level of trust." The chairman also explained the collective trust and confidence that exists with the behavior of the owners. With their predictable and reliable behaviors and actions over the last few decades, they seem to have created an environment in which people trust each other and in which promises made have a binding nature. Failures and mistakes are openly addressed, which leads to an innovative spirit, not just at the top, but also among project leaders or other employees.

The interviews showed a strong alignment and shared understanding between owners and managers regarding the vision, the values, and objectives of the company. The usage of a shared terminology also expresses the identification and collective alignment across the hierarchical levels. For example, when referring to the founders, the term "the pioneers" was used several times in different interviews. Another example is the many usages of the slogan "with one another – for one another," which should express the collaborative approach, as well as the environment of trust and knowledge sharing, that is being cultivated and lived.

In line with the fact that the objectives of the company are primarily of a non-financial or socioemotional nature, the owners assess the success of the company not only based on financial KPIs but also based on non-financial aspects, some of them not even being measurable. The financial KPIs measured are general ones, such as revenue, profit, or cash flow, as well as specific ones, such as the utilization rate of employees on projects and time spent on non-chargeable activities. Achieving decent levels of profits is seen as a pre-condition for maintaining independence, the ability to invest in people, and the creation of new innovative ideas or services. The non-financial or socioemotional aspects of company success mentioned predominantly by the chairman include success in recruiting the best people, progress in innovation projects, external appearance and reputation, presence in specialized media, and market share development.

The compensation for the senior management has a variable part that is not primarily linked to the financial progress of the company but to a much broader judgment by the board of directors of whether the company has advanced and progressed with respect to its fundamental objectives.

3.3 Conclusions from the pilot case study

This section reviews the findings from the pilot case study and draws conclusions as to methodology and procedure (Section 3.3.1) and to the initial framework and propositions (Section 3.3.2).

According to Yin (2017), the pilot case study is an excellent way to refine the procedures for data collection and analysis. Furthermore, it can also provide valuable insights into the overall research framework and whether some additions or modifications might be necessary (Yin, 2017).

3.3.1 Conclusions as to methodology and procedure

This section assesses the results from the pilot case study regarding (I) data collection procedures and (II) data analysis procedures to determine whether adjustments are necessary.

(I) Data collection procedure review

The purpose of case study research is to collect as much evidence and information as possible. Hence, the semi-structured interviews for the pilot study were conducted with rather general and broad questions. This approach was chosen with the rationale of preventing the interview partners from being directed too much towards the propositions while letting them share as much information as possible, even if it might not be directly related to the subject of the research. The open and non-directional form of questions worked very well for the pilot study, since it enabled fruitful discussions and allowed the interviewees to share what they considered to be important while allowing the interviewer to cover all propositions in the theoretical framework.

Whenever possible, the interviewees were asked for specific situations or incidents to exemplify, which proved to be a suitable way to collect specific and concrete examples for active owner behaviors.

All five interviews started with a short introduction to the research topic, a brief explanation of the overall research process, and the clarification of some fundamental aspects, such as confidentiality and the recording of the interview. None of the interviewees in the pilot study refused the recording. The recordings proved to be very valuable in transcribing the interviews.

The interviews were rich in information and, with an average duration of one and a half to two hours, longer than expected. The lengthy duration was driven by a generally positive response to the topic of this research on the part of the representatives of Engineer Co. and a strong motivation by the interview partners to share information and opinions on the topic of the thesis.

The collection of documents (internal or external communication) proved to be more challenging, especially for internal documents. It was not always clear to the participants what type of documents were required, and sometimes there was more reluctance to share documents and orally share the same type of content.

To conclude, the pilot study indicated no need for major adjustments regarding form, structure, content, and set-up of the in-depth interviews. Concerning the collection of internal and external documentation, the following improvement for further case studies was implemented: a list with typical documents was prepared for the subsequent case study interview partners to facilitate the data collection from internal and external documentation.

(II) Data analysis procedure review

The interviews with all five interviewees of Engineer Co. were recorded and transcribed. Together with relevant text from external and internal documents, these materials were analyzed using qualitative content analysis, as developed by (Mayring, 2014).

The category system, containing the categories or codes, was derived from the propositions set forward in the theoretical framework in Chapter 2. The category system was captured in a coding guideline document containing "name of the category," "definition," "anchor example," and "coding rules." For more details, see Section 3.1.5. In order to support the process of coding, the software tool *QCAmap* (Mayring & Fenzl, 2014) was used.

In the first step, one interview representing approximately 20% of the pilot study material was coded in a trial run. This served to familiarize the coder with the procedure of coding and the software tool. Furthermore, it served to further refine the coding guidelines regarding the clarification of coding rules and the collection of anchor examples. According to Mayring (2014), the coding guidelines should be revised after 10–50% of the material. The revision of the coding guidelines was done after having coded approximately 50% of the pilot study material, which represents approximately 10% of the data material from the full study.

The inter-coder reliability was checked on text materials of the pilot study before the final revision of the coding guidelines to reflect potentially necessary changes. Later in the process, the inter-coder reliability was measured a second time (see Section 3.1.6) by coding an interview transcript of another case study.

Overall, the analysis using the techniques of qualitative content analysis worked well, and the software used was a good tool to support the researcher in the analysis. The inter-coder reliability conducted during the pilot study was precisely 70%, measured with Cohen's Kappa (see Section 3.1.6). This can be considered good enough for the application of qualitative content analysis (Mayring, 2000). A second measurement of inter-coder reliability confirmed the 70% level. The intra-coder reliability was measured as well and was at 80%.

Hence, after the pilot study, it can be concluded that no significant changes were needed in the data collection or analysis procedures applied in this study.

3.3.2 Preliminary conclusions on the initial framework and propositions

This section assesses the results from the pilot case study regarding the initial framework and propositions.

The pilot case study is not only a good way to refine the procedures for data collection and analysis, but it can also provide valuable insights into the overall research framework (Yin, 2017). As described above, "relying on theoretical propositions" (Yin, 2017) has been chosen as a general analysis strategy. In order to find supporting evidence of the thirteen propositions derived from the conceptual framework, a set of categories was defined (refer to Table 5), and all the transcribed interviews of the pilot case study were coded accordingly. The occurrence of each category per recording unit, that is, per interview, or the comparisons of occurrences in different groups of recording units, is the key analysis output. Because there is always a real case behind every result, it is essential to keep the context and characteristics of every case in mind when interpreting the observations.

Table 7 shows the occurrences of categories C1 to C27 for all five interviews with the owner and the managers of Engineer Co. and gives some first indications for the interpretation of Propositions 1 to 13 in the context of the pilot case study.

Table 7: Occurrences of categories C1–C27 for all interviews of the pilot case study (Engineer Co.)

Category	Owner	Manager				Interpretation
		I	II	III	IV	
C1	1	1	1	1	0	Evidence of a defined formal role of the owner in the company
C2	4	2	2	5	3	Ample evidence of the existence of owner involvement beyond what is part of the formal role
C3	17	7	2	7	4	Ample evidence of a discernible and visible owner identity, strongly expressed by the owner and confirmed by the managers
C4	8	3	1	2	2	Ample evidence of owner commitment, expressed by the owner and perceived by the managers
C5	0	0	0	0	0	No evidence of dominance of financial goals and interests
C6	10	2	1	2	2	Ample evidence of the dominance of socioemotional and non-economic goals / interests
C7	6	1	2	1	2	Ample evidence of a substantial ownership activity level, claimed by the owner and perceived by managers
C8	0	0	0	0	1	Limited evidence of an owner-related change in activity level
C9	2	0	1	1	2	Evidence of a company-related change in activity level
C10	1	0	1	2	0	Evidence that the owners take influence on aspiration levels
C11	2	3	3	0	2	Ample evidence that the owner participates in the process of making decisions
C12	4	1	0	3	0	Ample evidence that the owner selects and defines rules based on his own identity and makes those rules binding for managers
C13	3	2	1	0	0	Evidence that the owner acts as an example using rules and that other decision-makers imitate him
C14	2	0	3	0	1	Evidence that decision rules are institutionalized through collective processes
C15	1	0	0	0	0	Limited evidence of political bargaining in goal formation / conflict resolution
C16	0	0	0	0	0	No evidence of existence of a dominant coalition

C17	4	2	0	1	2	Ample evidence of a relation between decisions in which active owners are involved and the antecedents of ownership activity level
C18	7	1	3	2	2	Ample evidence of interpersonal relationship between owner and management
C19	8	2	5	4	3	Ample evidence of interpersonal relationships between owner and employees
C20	1	0	1	0	1	Limited evidence of interpersonal relationships between owner and external stakeholders
C21	9	6	2	10	4	Ample evidence of a high level of collective trust
C22	1	6	4	1	1	Ample evidence of the existence of a shared understanding of the vision and the collective goals
C23	0	2	1	1	1	Evidence of the existence of a shared language influenced by the owners
C24	4	6	3	1	4	Ample evidence of an identity fit between owners and management
C25	3	2	4	0	0	Ample evidence of a high desire to protect reputation and image with visible efforts of socially responsible practices
C26	3	1	0	0	2	Evidence of measuring non-financial performance
C27	0	2	0	0	1	Evidence of the existence of the perception that the owners directly or indirectly influence the level of success of the company

As displayed in Table 7, there seems to be evidence for the relevance of most of the 27 categories based on the five interviews of the pilot study. However, there seems to be no or limited evidence for the relevance of five of the categories:

(I) Category C5 (belonging to Proposition 3): There seems to be no evidence of the dominance of financial goals and interests (but instead for socioemotional, non-financial goals)

(II) Category C8 (belonging to Proposition 4): There seems to be limited evidence of an owner-related change in the activity level (but instead evidence of a company-related change in activity level)

(III) Category C15 (belonging to Proposition 7): There seems to be limited evidence of political bargaining for goal formation or conflict resolution

(IV) Category C16 (belonging to Proposition 7): There seems to be no evidence of the existence of a dominant coalition

(V) Category C20 (belonging to Proposition 8): There seems to be limited evidence of interpersonal relationships between owner and external stakeholders

For the pilot study, no detailed analyses and interpretation of every proposition were performed, as all the thirteen propositions are interpreted in detail in Chapter 5 across all cases, including the pilot case study. Nevertheless, from the interpretation of the above occurrences at Engineer Co., no reference could be found to the concept of a dominant coalition and the participation of owners therein (Proposition 7).

As a summary, it can be concluded that while there does not seem to be evidence of one of the thirteen propositions, that is, Proposition 7 ("dominant coalition"), all elements of the conceptual framework (ownership activity level, organizational decision-making, organizational social capital, organizational identity, and performance level) seem to be relevant for describing and explaining the active owner behavior at Engineer Co.

(I) *Ownership activity level*: There seems to be ample evidence of a substantial ownership activity level at Engineer Co., claimed by the owner and perceived by managers. This seems to be brought to life by a visibly expressed owner identity, a high level of owner commitment, and a dominance of socioemotional goals and interests: "and I think what is driving him is really the wellbeing of the company and the desire to ensure the continuation of the firm" (manager A1 of Engineer Co.).

(II) *Organizational decision-making*: The owner seems to participate directly in making a few selected types of decisions, and his behavior seems to impact decision-making in indirect ways as well, for instance, in the form of decision rules that emerged: "There are clear rules on what you can and should not do abroad and what conditions have to be met in order to work abroad" (owner Engineer Co.).

(III) *Organizational social capital*: It seems that a shared understanding of the vision and collective goals had emerged in Engineer Co. based on interpersonal relationships, embedded in an environment of collective trust: "Our culture is built on the term 'trust'" (owner Engineer Co.).

(IV) *Organizational identity*: It seems that there is a robust collective identification and commitment from the owner as well as from the managers: "I can say that I highly identify myself with the values and my colleagues in the executive team and I see them as the core ground for our acting" (CEO A1 Engineer Co.).

(V) *Performance level*: There seems to be evidence of the existence of the perception at Engineer Co. that the level of success of the company is directly or indirectly influenced by the owners. CEO A1 of Engineer Co. provides one of the quotes related to perceived favorable performance implications of the active owner's involvement: "I believe that the reasons why we are (financially) pretty successful are that we can fully focus on our daily business. For example, we do not need to create a huge amount of reports to satisfy shareholders or owners."

According to Mayring (2014), openness is needed to go back to the theory and inductively adjust the category system if, during the application of the deductive category, system gaps or needed modifications appear. After having analyzed all the materials from the pilot study, it can be concluded that no obvious theoretical element of relevance for the research problem or research question seems to be missing and no reason for modification seems to exist. The proposition for which no evidence could be found should continue to be included in the main study, given that it was derived from the conceptual framework and that the lack of evidence in one case study does not seem to justify its rejection.

As no changes were necessary in terms of theoretical propositions or procedures for data collection and analysis, the pilot study is used as a full-value case for the interpretation and cross-case synthesis in Chapter 5.

4. Case studies

The pilot study conducted in Chapter 3 indicated no need for significant changes to the initial framework or the research procedures for the main case study research. This section contains a detailed description of the four cases that were conducted during the main case study phase in 2016. Sections 4.1–4.4 each describe one case. In order to allow for transparency and possible replications, each of these four cases is presented in detail below, including a summary of the company's background, the selection rationale, the interview partners, and the case description.

4.1 Case study "Holding Co."

This section describes the first case of the main study. The selected company is subsequently referred to as "Holding Co."

4.1.1 Holding Co. background

Holding Co. is a privately held, family-owned group of companies. Having grown over a number of generations, it now owns a diversified portfolio of primarily majority holdings in a variety of industries. "A forward-looking and entrepreneurial strategy has been Holding Co.'s hallmark ever since its foundation" (from Holding Co.' website).

The grandfather of today's principal owner founded the family business, which was initially active in a different field than that in which today's activities are conducted. Over time, the later generations had to sell most parts of the initial business and subsequently reposition their activities. However, they maintained the entrepreneurial legacy of the founder and successfully built a diversified portfolio of companies.

The main activities today are industrial goods and services, financial services, and real estate. The interviews focused on two of Holding Co.'s main businesses, both of which are fully owned by Holding Co. as single owner:

(I) Subsidiary A was acquired about ten years ago and is a provider of consulting and services in information technology. The business activities are primarily based in

Switzerland, but with three main locations abroad. More than 500 employees work for subsidiary A, of which approximately 65% are based in Switzerland. The company is a leader in its field and is known for a particularly innovative and entrepreneurial culture.

(II) Subsidiary B was established almost 70 years ago by the founder of Holding Co. and is active in financial services. Subsidiary B is a niche player in its sector, but is distinct from other players due to its family ownership and value orientation.

The group of owners of Holding Co. consists of the majority owner and one more family member. The majority owner holds the role of the chairman of the board of directors in the group holding company but also holds various board positions in most of the holdings. Given the number of holdings, the majority owner is supported by another person, who acts as the representatives of the owners on several boards and takes an active role in accompanying the management of some of the portfolio companies on behalf of the owner.

4.1.2 Case selection criteria

Holding Co. was selected for the research study based on the selection procedure described in Section 3.1.3. This selected case meets the four selection criteria derived from theory, as described below.

a) Criteria 1: Active owners are present

Holding Co. states on its website that the company is "family-owned," and the family is described as "active shareholders and entrepreneurs" committed to long-term success.

b) Criteria 2: Swiss-based and family-owned private company

Holding Co. is a Swiss-based privately owned group of companies with a broad and diverse scope. The focus is on Switzerland, while some parts of the business have activities abroad. The company is owned by two members of the third generation and meets the definition of a privately held family business.

c) Criteria 3: Separation of duties exists

The owners do not participate in the operational management; that is, every company they own has a CEO and management team in place. The majority owner (subsequently referred to as the "owner") plays an active role in the board of directors of some of the companies. Given the scope of the portfolio, he is supported by two employees, one of whom acts as the representative of the owners (subsequently referred to as the "owner representative") on several boards as well.

d) Criteria 4: Medium complexity of the company

The consolidated revenue level of the group is unknown. Most of the companies belonging to the holding have estimated individual revenue levels of below CHF 100 million; some of them are even estimated to meet the SME definition (revenue < €50 million, employees < 500). Nevertheless, given the number of companies or investments under the group holding (around ten) in more than five different sectors, Holding Co. can be considered as a company with a particular size and level of complexity. At the same time, the group is organized as a loose collection of independent and agile companies with a minimal level of overall reporting and consolidation. Hence, Holding Co. can be classified according to the sampling criteria as at a medium level of complexity.

4.1.3 Interview partners and sources of evidence

Similar to the pilot study, the two main sources of evidence considered were in-depth interviews and various forms of documentation, such as website, internal communication, and external communication.

The following people in the following functions from Holding Co. were interviewed:

(1) *Owner I* – Majority owner ("Owner I"):
He is the grandson of the founder and took over the ownership from his mother more than 15 years ago, significantly transforming the company. He is actively overseeing the portfolio of activities of subsidiary B, which represents a full-time engagement. He takes several roles in the boards of directors of portfolio companies.

(2) *Owner II* – Owner's right hand in group holding ("Owner II")
He joined the company several years ago and supports the majority owner in steering and overseeing the companies owned by Holding Co. As a formal role, he is a member of the board of directors of several companies, representing the interests of the majority owner.

(3) *Manager I – CEO of subsidiary A ("CEO A"):*
He joined Holding Co.'s subsidiary A more than 20 years ago. He became the fifth CEO of subsidiary A in 2002.

(4) *Manager II* – CEO of subsidiary B ("CEO B"):
He joined subsidiary B in 1995 but left the company twice. In 2014, he became the CEO of subsidiary B.

4.1.4 Case study description

The founder of Holding Co., the grandfather of today's principal owner, started his business by successfully selling a specific industrial product that he had acquired from a struggling company abroad. He was able to rapidly build a successful conglomerate. Over time, the second and third generations had to re-orient their activities and sell most parts of the original business. While maintaining the entrepreneurial legacy, they successfully built a diversified portfolio of companies, a more modern form of a conglomerate.

Holding Co. today is owned by two members of the third generation, of whom only one, the majority shareholder, is interested in playing an active role. The second owner mainly limits her role to that of a financial investor, only participating in the few meetings of the board of directors of Holding Co. The rest of the family was paid off for their stake in Holding Co. The majority owner, grandson of the founder, represents the family in the various parts of the business of Holding Co., that is, in the boards of directors or similar committees in the different companies belonging to Holding Co.

Today's owners of Holding Co. describe themselves as active shareholders and entrepreneurs who are committed to continuous, market-oriented change, making the most of short-term opportunities to secure long-term success. They play an active role in the sense that they see the strategic steering and guiding of their activities as a full-time engagement for one of the two owners, who is even supported by two additional employees. The motivation for this set-up is also based on a fundamental belief of the owner that if one owns a company, he must be interested in the company's activities as well as in its progress and development. Otherwise, in his view, one is not a good owner.

According to the owner representative, "the DNA of the company is the entrepreneurial spirit and the intention to develop businesses further." The central values that the owner expresses are the entrepreneurial behavior as well as a long-term orientation and commitment ("we are here to stay"). These values were passed on from the two previous generations. The owner looks at legacy rather pragmatically and believes that the best he can teach his offspring is to himself exemplify an entrepreneurial mentality. In his opinion, family tradition alone is the wrong motivation for deciding whether succeeding generations should continue to play a role in the family's business.

Ensuring stability for business activities is a key aspect of long-term orientation. Hence, a key objective of Holding Co., derived from this owner value, is its stability in the management teams – captured in the slogan "we invest in people." According to the owner, this objective of stability might sometimes collide with the need for change and innovation, but in his view, it is always easier to infuse fresh ideas than to create stability and continuity in the management.

Aiming for stability in the management also requires a certain proximity to the people and taking care of the employees – or in the words of the owner representative, "we care for people." According to him, CEOs need sparring partners. In one case, on the initiative of the owners, a new CEO was closely accompanied by a coach during his first year in the role. Another example was mentioned in which a CEO realized that the job had become too big from him. Together with the CEO, the owners found a reasonable and fair solution, allowing all parties to save face.

The long-term orientation also favors risk appetite, as there is more time, sometimes generations, for decisions to be proven right or for investments to flourish. Moreover, a long-term orientation makes possible to fail in the short term in one or two instances. An example of the willingness of the family to take risks is an investment by the owner's mother in a company, which at this time was considered a high-risk investment but nowadays is highly profitable. According to the belief of the owner, entrepreneurial activities sometimes also require luck – and in his view, luck often comes with time. For him, this is another benefit of the long-term orientation. At the same time, according to the owner, a long-term orientation also implies that conditions and context can change, and owners might have to reconsider whether they are still the best owners of a business or company.

The long-term orientation is felt by the management, according to their statements during the interviews. The CEO of subsidiary B mentioned that he sees the long-term orientation as something positive, because he feels that there is enough time given by the owners to build and grow the business without too much short-term pressure. In general, he does not feel too much pressure from the owners, which might also be related to the fact that the company has been steadily growing over the past years. By contrast, the CEO of subsidiary B expressed during the interview that he is not fully aware of the owner's strategy or their fundamental (family) values. He believes that a lack of investments in the past, in his perception, seems to contradict the long-term orientation.

The cascading of owner values down the ladder of management occurs to different degrees. In Holding Co. subsidiary A, the financial services business, the values of long-term orientation, stability, and entrepreneurship seem to be deeply rooted; however, in Holding Co. subsidiary B, there is a particular and different culture and value system influenced by the entrepreneur who founded the company long before its acquisition by Holding Co. The owners seem to be aware of this situation but also do not feel that it is necessary to impose more of their values. They interpret entrepreneurship, one of their values, as openness to give room and freedom to their businesses to develop and prosper, and they want to keep the culture that has emerged alive if it has been one reason for success.

The owner and his representative describe themselves as active and engaged, both in their involvement with the management as well as with their fundamental interest in the business, the industry sectors, and general development. Formal membership in the board of directors of the businesses they own, for example, subsidiary A and subsidiary B, is the platform for their engagement. Based on their board role, they actively interact with the management. For example, in subsidiary B, they have an approach that they call the "godfather approach," in which every board member is responsible for taking care of and more intensively interacting with a member of the senior management. The owner or his representative also participate in this. This “godfather” relationship is much more active and involves much more frequent interaction than a typical director–senior manager relationship. Their direct interactions are primarily with the management; however, they consider visibility and proximity to the rest of the employees as necessary as well. The owner regularly visits company locations in Switzerland and abroad, with the main objectives being to be present and visible. In the words of the owner, “it is important to convey the message that it is a family business.” In addition, he seeks proximity to the management teams and expects them to involve and inform him when needed.

The owner and his representative are also present at the internal social events of subsidiary B, for example, at the summer event or ski-weekend. At subsidiary A, the owner is very visible, through his very active participation in customer interactions or events. Being a family business is a key differentiator in subsidiary A ’s activities, and hence, the owner sees his visibility to the customers as very important. As a result, many of the employees know the owner and his background and have developed a high degree of identification with the company and with the owners as well.

Asking the owner how he perceived the level of identification and commitment in Holding Co., he reported that he thought it was rather high. However, he doubted whether he, as the owner, had created this identification. In his view, the company instead had continued to exist and acquire new businesses that already had high degrees of identification and subsequently provided the context to keep and maybe even further build the identification and commitment. As an example, he mentioned subsidiary B, in which after the ownership transfer from the founder to Holding Co., the owner and his team had expanded much effort to be present, visible, and approachable for the management and the employees. They wanted to give a face and ensure that the employees recognize that there is still a visible owner with a similar philosophy.

The owner referred to what he calls “reciprocal compatibility.” In the case of newly added businesses, the values, culture, and level of identification and commitment must fit with those of the owners. The same holds, in his view, for the selection of managers, who must be compatible with the values, objectives, and leadership style of the owners. The CEO of subsidiary A indirectly confirmed this by stating that he has internalized the values of the owners and that he feels high identification and commitment with the owners and Holding Co.

The relationship between the owner and the managers is described from both sides as open, direct, non-hierarchical, and trustworthy. The owner and his team seek a personal relationship with the management, almost with a "collegial spirit," while the managers know that they can approach the owners in case they need advice or have vital information to share.

The intensity and frequency of the interactions of the owner and his team with the management fluctuate and are largely driven by specific situations or incidents that trigger the need for higher ownership activity levels. It also means that the ownership activity level usually depends on the development stage and the general progress of the company. In cases of regular progress, the owner involves himself less actively, being cautious not to interfere with the operational management. In case of crises, management change, or incidents, such as a tight financial situation, expansion, or leadership and management issues, the owner and his representative might have, for a limited period, even daily interactions with the CEO and might significantly increase their presence at the sites and their involvement in operational topics. Alongside the more intense interactions with the management, there is usually, in general, a stronger presence and visibility to all employees in order to signal the long-term orientation and to show the commitment of the owner. Once the situation has improved, the owner's involvement returns to its pre-intervention level.

The involvement of the owner in decision-making occurs mainly in areas such as defining the strategy, setting the objectives, selecting the management, defining the shareholder structure, and agreeing on the incentives. It seems that in regular situations, the impact of the owner on concrete decision-making is somewhat limited to those topics and the context of the board of directors meetings. The exception is specific incidents or situations, as explained above, in which higher levels of ownership activity prevail, and in which the owner and his team involve themselves directly in operational decisions.

The main KPIs measured are financial, while non-financial aspects are also considered in assessing the overall performance of a company. Net profit and cash flow are important measures, as they indicate the ability for future investments, which is vital, given that long-term orientation is a key owner objective. Cash should primarily remain at the level of operational businesses.

Managers are being incentivized with a focus on aligning the long-term orientation with the form and mechanics of the variable component. The owner is not in favor of share programs for the management. In a set-up in which the owners are explicitly long-term oriented and in which selling the company is not an option, this would limit the ability of the managers to sell off shares. Instead, the incentive programs are rather linked to performance, while performance might not always be purely linked to the financial results of the respective year. There is always a discretionary element, with the knowledge that the management might not be able to influence unfavorable market situations or similar developments, but that such conditions might require higher efforts. In such situations, the owner might decide to invest part of his profit in maintaining the level of variable compensation and keeping the management motivated.

4.2 Case study "Manufacturing Co."

This chapter describes the second case of the main study. The selected company is subsequently referred to as "Manufacturing Co."

4.2.1 Manufacturing Co. background

Manufacturing Co. is a Swiss-based industrial manufacturing company with over 2,000 employees in more than 60 legal entities. Manufacturing Co. is present in more than 20 countries, although Switzerland remains a key market and the primary manufacturing location.

The company was established more than 100 years ago and is owned today by three families, with one family owning more than two-thirds of the company. The current representative of the majority owner has been active in the company for the past 40 years, first as the CEO and chairman, and then for more than ten years as the chairman of the group and as an active owner. During the time of his involvement, the size of the company increased several-fold. The other members of his family and the other families remain in the background.

The company is active in various types of building materials and process control systems. The business is very capital intensive and characterized by rather slim margins. The production locations in Switzerland are subject to increasing pressure due to the high cost structure in Switzerland and the strong Swiss franc. The company is one of the leading employers in the region in which the headquarters and several production locations of various divisions are located.

The company is organized according a federalist structure, meaning that all businesses or local production sites are structured as individual legal entities with a certain degree of autonomy. These entities are organized into five divisions. The leaders of the divisions are treated as entrepreneurs and have a high degree of operational freedom and decision authority. The holding, which spans across the five divisions, is primarily in charge of the financial management of the company.

4.2.2 Case selection criteria

Manufacturing Co. was selected for the study based on the selection procedure described in Section 3.1.3. This selected case meets the four selection criteria derived from theory, as described below.

a) Criteria 1: Active owners are present

The company's family ownership is visible in external communication, although it is less evident than in the case of other companies selected for this thesis. The main representative of the dominating family is a visible and publicly-present entrepreneur who has discussed on various occasions his (and the family's) entrepreneurial approach and recipe for success.

b) Criteria 2: Swiss-based and family-owned private company

Manufacturing Co. is a Swiss-based industrial company with its primary manufacturing location in Switzerland but with a significant presence abroad. The company is owned by three families, with one family, the founding family of the company, holding most of the shares (approx. 75%).

c) Criteria 3: Separation of duties exists

Nowadays, Manufacturing Co. is run by an external CEO, while the family is formally involved in the governance of the company by being members of the board of directors of the holding company. The representative of the majority owning family (subsequently referred to as the "owner"), who was the CEO of the group until around ten years ago, occupies the chairmanship in the board of directors of the holding company and the board of directors of all divisions.

d) Criteria 4: Medium complexity of the company

The revenue of Manufacturing Co. is at around CHF 600 million, which is above the upper limit for the widely used definition of an SME (revenue < €50 million, employees < 500). Manufacturing Co. can be considered a company with a certain size and complexity. At the same time, as much autonomy is given to the different divisions, and only limited coordination occurs among them, Manufacturing Co. seems to be over-seeable despite its 60 legal entities. Overall, it seems that Manufacturing Co. can be classified as medium complex, in accordance with the sampling criteria.

4.2.3 Interview partners and sources of evidence

The two primary sources of evidence considered were in-depth interviews and various forms of documentation, such as website, internal communication, and external communication.

The following people with the following functions from Manufacturing Co. were interviewed:

(1) *Owner I* – Representative of majority owning family and chairman ("Owner"):
He is the great-grandchild of the founder and took over the ownership from his father around 40 years ago. He is chairman of the board of directors and plays the role of a very active owner.

(2) *Manager I* – CEO of Manufacturing Co. ("CEO"):

He has been with the company for more than 35 years and was appointed CEO in 2007. He has gone through all the ranks and all the various parts of the business.

(3) *Manager II* – CFO of Manufacturing Co. ("CFO"):

He joined Manufacturing Co. ten years ago, before which he worked for a publicly-listed industrial conglomerate.

(4) *Manager III* – Head of division 1 ("Division head 1")

He joined the company more than 15 years ago and became the head of division 1 several years ago after an internal career with various stations in Switzerland and abroad.

(5) *Manager IV* – Head of division 2 ("Division head 2")

He joined the company more than ten years ago for the last job in his career. Despite being an outsider compared to other managers, who have spent their whole career in Manufacturing Co., he identified himself quickly with the values of the owner.

4.2.4 Case study description

Manufacturing Co. is organized according to the principle of federalism. The leaders of the divisions are treated as entrepreneurs and have a high degree of independence and decision authority. The different divisions even have their own boards of directors. The holding is primarily in charge of financial management and treasury, including cash pooling, reporting, and corporate marketing. This form of organization is the result of a fundamental belief of the chairman, the representative of the majority owner, that "The mechanism of cell division is the only process in nature that guarantees growth. All the rest is artificial and virtual." It is all about giving focus and creating an environment in which an entrepreneurially minded manager can further develop a business. This focus is clearly at the expense of synergies, but this is a deliberate decision. During the interviews, several examples were mentioned about how this federal model has generated new ideas as well as business growth. It was mentioned in several interviews with the managers that not only does this structure have advantages when it comes to focusing and flexibility, but also that the commitment and pride of employees are higher because they can see more directly how they have themselves an influence on the progress of the business. The perceived disadvantage of this granular structure is the fact that it leads to a multitude of legal entities, which significantly increases the complexity in handling reporting, tax considerations, and risk management.

In addition this organizational philosophy, two more fundamental beliefs of the owner impact the company: the zero-debt mentality and the distinct long-term orientation as opposed to a short-term profit orientation ("patience"). Every year, the owners receive a fixed dividend (fixed absolute value), and the rest of the profits can be re-invested in the company. As one example of how this long-term orientation is being lived, one manager mentioned that more time and patience is given to the management to fix issues with subsidiaries or certain parts of the business than in other, more short-term oriented companies. The downside of this patience is that sometimes it can lead to delays in necessary (structural) adjustments. Another aspect of this long-term orientation mentioned by the management in the interviews is the cross-generation perspective that is perceived in the behaviors of the owners.

Related to the long-term orientation, another core value of the owner is the strong commitment to the local community and Switzerland as an industrial production location. This commitment can even come at the expense of higher profits (for example, by keeping jobs in Switzerland or supporting local infrastructure with no direct relation to the business of Manufacturing Co.). This personal engagement of the company in the circumstances of the local economy and industry, as well as in Switzerland, proves the high level of passion, conviction, and commitment of the owner.

The circle of shareholders primarily consists of three families, of which one family has a significantly higher share than the other families and hence has a dominant position (holding more than two-thirds of the total shares). The owner, the chairman of the board of directors on the group level, represents the dominant shareholding family. Inside the company, he acts as the main owner and is also perceived as such by the management and the employees. The board of directors of the group is composed of representatives of the owning families as well as external board members. The external board members are expected to bring in various backgrounds. The CEO is convinced that this composition, as well as the culture lived by the board, allows for opposing views and sometimes for controversial discussions. In general, the CEO considers communication with the group of board members to be open and direct. He can always be fully open and honest about the business and financial situation of the company and does not need to play any politics. The owners align themselves regularly on a normative level rather than on strategic or operational topics. There is a change of generation ahead, and generally, a representative of the dominant family assumes the chairman position in the future.

The owner is perceived as very visible and active in the company, and he conveys a strong willingness to steer the direction of the business by controlling the decision-making primarily concerning two main financial levers:

(a) Approval of capital expenditures/investments: By steering the investments, the main owner assumes a direct influence on the strategy and long-term development of the company and its subsidiaries.

(b) Approval of the financing of the holding as well as the various legal entities. One key principle stipulates that no bank debts are allowed. This has a disciplinary effect on the management and leads to a strict focus on cash flow.

Other topics in which the owner has a particular interest are target setting, succession management, and recruitment on the group and division-head levels, as well as the yearly marketing plan. In the context of the budget discussions, he expects a detailed marketing plan by every division. This is driven by the belief that the marketing plan is a good approximation of what the results will look like. One KPI is the number of customer visits that every manager, including the CEO, must make. For the CEO and the divisional heads, it is 80 visits a year. In the definition of the KPI, it is clearly defined what counts as a customer visit, and whether this target is fulfilled is strictly measured.

Based on these topics, which represent the identity of the owner, several decision rules for the management were derived. For instance, no bank financing is allowed, small entities always must be preferred over complex structures, and investments in certain countries are not allowed.

According to one of the managers, the active presence and strong involvement of the representative of the main shareholder family allows for direct and rapid decision-making at the top management level. The chairman is involved in all the significant decisions on the group level, as well as on the level of the subsidiaries.

There is a very close interaction between the owner and the CEO as well as CFO. There is regular, often spontaneous or need-driven interaction between the CEO and the chairman. On a formal level, the group management meets four times a year, to prepare the meetings of the group board of directors as well as the meetings of the individual boards of the divisions. The owner, also serving as the chairman of the board of directors, participates at those group management meetings, which has the advantage of ensuring rapid decision-making and a well-informed chairman (sometimes an area of controversy with the other members of the boards). However, it also requires a high level of trust and level of sensitiveness for the chairman to attend and participate in the management meetings. The owner is at the same time the chairman of the boards of all divisions, while the group CEO and CFO do not have a formal director's role in the divisions, participating in those meetings without a formal role.

In times in which business is difficult and results are not as expected, there is more focus by the owner on the company, a higher intensity of interactions, and more spontaneous communication. This is driven by the fact that the owner sees himself as an entrepreneur and hence feels the entrepreneurial responsibility for the company and its future.

The interactions of the owner with the division heads is less intense than with the group management. They are primarily limited to the board of directors meetings of the individual divisions, which take place four times per year. There are also more informal interactions, for example, if the owner visits a construction site of a new manufacturing plant. If there is a problematic situation, such as a crisis or a situation of financial distress situation, the owner is willing to support the division heads by exposing himself to the employees, standing in front of them and giving a motivational speech, outlining his commitment as well as his expectations.

The representative of the main owner's family is very visible, for the management as well as for the whole company. Most of the employees have seen the Chairman at least once, as every year, the top 100 employees of the group meet for two days. This is an important platform for the owner as well as for the CEO. At these meetings, the CEO supported by the owner release the yearly motto as well as the yearly objectives of the group. The motto of the year 2016 is "Profitability and Growth." The owner is perceived as a great presenter and communicator, which, according feedback from several interviews, is apparent during these meetings. In the context of this global meeting, the owner also conducts private discussions with the managers of the various entities, but mainly with those from abroad, with which there is often less interaction due to geographic distance. The owner realized how important these direct discussions are for the people.

The owner also regularly visits the factories and walks through the production facilities. The owner described an example in which he visited a production facility during several nights to identify some root causes of insufficient performance. He participates in divisional Christmas parties, rotating through the divisions every few years. The board of directors' meetings of the group always takes place at another location, and during those meetings, there is always also a "sandwich lunch" scheduled with all the blue-collar workers on the site. If needed, the management can also ask the owner to support external discussions with stakeholders such as customers and suppliers. When he visits a site, he expects the yearly motto and yearly targets to be visibly displayed in the meeting rooms. He discusses the last monthly report with the site management, with a focus on liquidity, net operating working capital, inventory turnover, account receivables, and account payables.

The performance of the company is primarily measured and monitored based on the following KPIs: revenue, cash flow, number of employees, and net operating working capital. The KPIs are measured for every legal entity, which means that there are several hundred data points, even for high-level reporting. In the perception of several of the interviewed managers, this might lead to too high of a focus of the group management and of the owner on controlling the past instead of planning for the future. If targets are not met, the owner can clearly express his dissatisfaction, even in front of a broader audience; however, he can convey this message in a clear but still respectful way.

The management incentives are mainly based on the absolute cash flow achievement and the fulfillment of the yearly targets. The yearly targets, of which there are about 8–10, are derived from the yearly motto and are defined anew every year after being proposed by the CEO, discussed with the chairman, and approved by the board.

The owner assesses the influence of his active owner behavior on the performance of the company as positive. As proof, he mentions that Manufacturing Co. used to hold high levels of bank debts, which limited its freedom to operate. In the past, such a situation even led to the temporary loss of control of most of the company. In the last forty years, the company has grown significantly, with all the debt being repaid to make Manufacturing Co. debt-free.

The involved parties describe the relationships between the owner and the managers on different levels as trustworthy and respectful. The owner also mentioned that he believes in the importance of having the right people on board and maintaining personal and trustworthy relationships with the management teams. He also mentioned that he did not like conflict and that he placed high importance on mutual trust. Based on the interviews, the identification of the employees with the company and the general commitment can be considered high. The culture was described as personal and owner-dominated, with a very strong sense of belonging. While such an influential culture with the focus on the owner does carry all the benefits mentioned above, it might also lead to a certain complacency and lack of innovation. While the identification with the values and fundamental objectives of the owner and the company is high, some managers have voiced doubts regarding the future potential of some aspects of today's approach. These could be signs for a process of sensemaking, presumably triggered by the fact that the generational change is inevitable and that many fundamental market conditions as well as ways of making the business have changed radically. The philosophy of federal organization has triggered significant growth, but the resulting complexity also seems to place an increasing burden on the managers.

4.3 Case study "HR Services Co."

This chapter describes the third case of the main study. The selected company is subsequently referred to as "HR Services Co."

4.3.1 HR Services Co. background

HR Services Co. is a leader in Switzerland in the human resources (HR) services industry. The company was founded more than half a century ago.

The company started with a focus on one geographic area, but today is present in all parts of Switzerland, with more than 60 offices. It has around 350 employees and generates approximately CHF 500 million in yearly revenue. The company is organized in five sales areas, covering the different geographic areas of Switzerland. Across these sales area organizations, there is a commercial organization covers national and international (key) accounts. The business only operates in Switzerland but benefits from being part of a global group and hence being able to serve group clients in Switzerland.

The company was founded by a parent of today's owners, a very charismatic and passionate entrepreneur, who led the company for decades, last as chairman of the board of directors. The founder had three children, of whom all are present on the board of directors. After the founder's death in 2010, one of the siblings, who had been on the board for many years, assumed the role of chairman and main representative of the family. His sister and brother remain on the board of directors, together with a representative of the global group.

4.3.2 Case selection criteria

HR Services Co. was selected for the study according to the selection procedure described in Section 3.1.3. This selected case meets the four selection criteria derived from theory, as described below.

a) Criteria 1: Active owners are present

The company's family ownership is visible in external communication. In a media interview published in a well-known magazine in Switzerland, the representative of the owner's family speaks in detail about the active approach of the family and how closely he is involved in the steering of the company.

b) Criteria 2: Swiss-based and family-owned private company

HR Services Co. is a Swiss-based company for HR Services. The company is one of the market leaders in Switzerland and is owned by three siblings from the second generation. Another corporate investor holds a minority share in the company as well. A contract ensures stable ownership. HR Services Co. is hence classified as a privately owned family company.

c) Criteria 3: Separation of duties exists

The company is run by an external CEO, while the family is formally involved in the governance of the company. The chairman of the holding company (subsequently referred to as “the chairman”) acts as the main representative of the three second-generation family members. His sister and brother are both members of the board of directors but are less visible to the broader company. One of the owners, the daughter of the founder, holds a part-time project manager position in the company. However, this is not seen contradictory to the selection criteria, as in this role, she is not involved in managing the company, and her formal interaction with the senior management usually happens in the context of her board of directors role.

d) Criteria 4: Medium complexity of the company

The revenue level of the company is around CHF 500 million. The whole group has around 350 employees employed across 60 locations in Switzerland. The group seems to be classified at a medium complexity level, given that on the one hand, the business has a certain size and scope that triggers complexity and a need for professional management, while on the other hand, the geographic focus on Switzerland and the resulting proximity makes the steering less complicated than in case of an international business.

4.3.3 Interview partners and sources of evidence

The two primary sources of evidence considered were in-depth interviews, as well as various forms of documentation, such as website, internal communication, and external communication.

The following people with the following functions from HR Services Co. were interviewed:

(1) *Owner I* – Member of majority owning family (“Owner I”)
She is the daughter of the founder and sits on the board of directors. She is employed in HR Services Co. as a part-time project manager.

(2) *Owner II* – Representative of majority owning family and chairman ("owner 2")
He is one of the three siblings of the founder. He has been on the board of directors for more than ten years and has acted as the chairman since the founder's death six years ago. As a full-time occupation, he has been the manager of the Company's D pension fund for more than 25 years.

(3) *Manager I* – CEO of HR Services Co. ("CEO")
He joined HR Services Co. in 2013 and left the company shortly after the case study interview in 2016.

(4) *Manager II* – CFO of HR Services Co. ("CFO")
He joined HR Services Co. in 2008 as finance director and CFO and as a member of the executive committee.

4.3.4 Case study description

HR Services Co. is a family-owned company that is seen as having a distinct advantage compared to the other competitors on the Swiss market. The founder was a very passionate and driven entrepreneur who was highly visible and omnipresent in public. Her fundamental values, which she not only instilled in the company but also in her children, according to their statements, were respect for everybody irrespective of origin or profession, humility, simplicity, and generosity. According to her son, these values are also influenced by her roots in a peasant and protestant society. An example of how her values have outlasted her and are still vivid in HR Services Co. is the continuing tradition of inviting the full staff every five years for a weekend trip to a destination abroad, such as Istanbul, Lisbon, London, or New York. Another example is the fact that every employee who has been with the company for ten years or more becomes a member of an internal club that organizes an annual excursion, in which the owners usually also take part.

All three children of the founder are members of the board of directors, with one sibling primarily representing the family. He not only takes care of family office matters, but he also acts as chairman and as the primary representative of the family. In general, the members of the second-generation see their main task in professionalizing the company, which was very much founder-centric when the founder was still alive. It seems that the family governance is slightly loose, as the three children are all on the board of the company, where they align their interests and opinions if needed. One of the key motivational factors for the second generation to remain involved and active is a sense of duty and the firm intent to be able to hand over the ownership to the third generation one day.

The chairman, who acts as the primary representative of the family within the company, describes himself as being passionate for finance more than for management or operational topics. He joined HR Services Co. in 1990 as the treasurer. Gradually, he assumed more functions in the company and even joined the executive committee. In addition, he has acted as the (sole) portfolio manager of HR Services Co.'s pension fund for more than 25 years. Today, this represents his main occupation. Since he assumed this role more than 25 years ago, the pension fund had generated impressive returns and continuously beat the benchmark indices. This proven performance track record has allowed the pension fund to act independently and generously, which is being perceived positively by the employees. Some statements in the interviews show that his success is positively influencing the general image of the chairman within HR Services Co.

Until a few years ago, the chairman was much more directly involved in the management of the company. He was a member of the executive committee, where he actively participated in meetings and decision-making. With the departure of one of the previous CEOs, he decided to no longer be involved in the operational management and to focus his involvement on his chairman role and to steer the company through board meetings and monthly bilateral meetings with the CEO. In these meetings, in which the sister of the chairman participates as well, they discuss the current developments with the CEO and prepare the next board meeting. The level of ownership activity in HR Services Co. varies and mainly depends on the performance of the company and the situation in the management team. In other words, in situations in which the results are not as expected, the owner representative tends to intensify his interactions with the senior management with the aim of understanding the circumstances better. In the instance of a previous CEO change, the owner spent time fulfilling his formal responsibility of defining the succession and supporting the interim CEO. Furthermore, he also spent a significant amount of time holding discussions with the senior management and the key people in the team in order to monitor the pulse, ask for their commitment, and give his commitment to those key players.

Even though the chairman is less involved with the management than in the past, he is still very present and visible. This presence results in a high level of informal interactions between the chairman and the senior managers, as the former has his office in the headquarters, where he is present every day. The chairman cultivates an open-door policy, and he sees his easy accessibility for all employees as a critical differentiator with a stock listed company, in which the chairman should not cross the hierarchical levels due to good governance rules. The owner and the managers perceive this daily presence of the owner to be a challenge. For instance, they describe how employees sometimes try to bypass their managers and discuss issues with the owner representative directly. The owner representative mentioned that he was aware of this situation and tries to make sure that he does not circumvent the line managers.

The relationship between the management and the owners was described as straightforward, informal, and trustworthy. The identification of the employees is high and seems to be positively influenced by the presence and visibility of the family members. The management is aware of the differentiating and meaningful effects of being a family company and hence actively asks the owners to speak to the employees about family values and commitment on particular occasions, such as management conferences or employee events. The owners want to be present and visible, but at the same time, they do not necessarily love being in the center of attention.

The owners define their general view as well as their expectations of company performance to be long-term oriented, as confirmed by the management. The owners know that such a perspective bears the risk that “maybe the family and the family tradition will make the family business less flexible and less open-minded.” In the case of fundamental changes in the industry, managers in family businesses, according to the chairman, might be less proactive in driving change, as they might think, “do not worry, the family is behind you.” According to him, this might hinder the sense of urgency in a family business more than in a listed company. During the interviews, there was also a discussion around the appropriate level of investments that are necessary. Some conflicting views on this topic in the past between the senior managers and the owners were apparent. In some instances, the owners had been more conservative and questioned some more substantial investments, while the management was arguing with rapid change and the need to prepare for the future. In the end, the senior managers convinced the owners about their views and found alignment for some of the significant investment ideas. Such a process of alignment is rooted in the approach of the owners, who fundamentally trust their senior management and consider them to be more competent in leading the company than themselves.

While one of the owners described her objectives to be primarily socioemotional (with profit as the enabler), the other owner instead referred to market share and financial KPIs as primary objectives. The non-financial objectives mentioned were being a good brand, being a good and progressive employer, and treating the employees with respect and dignity. Market share, as well as financial performance, are usually measured relative to the other competitors in the market. As the services provided in this specific market segment are highly comparable among the different players, performance can be benchmarked compared to the various players as well. This benchmarking is done in terms of market share, revenue, and, if possible, profit margin. The company is very sales-oriented, and hence, on an operational level, the current management actively measures and monitors the sales revenues and margin results. Every month, top performers are praised, while low performers must explain themselves. In this context, an example of active owner involvement was described: In 2016, for the first time, the owner invited the three best-performing store managers for an adventure weekend to a mountain resort together with their families.

The performance measurement for the middle management is mainly linked to financial KPIs, with a focus on margin, as well as to personal targets to a minor degree. The variable compensation of the management is linked to similar KPIs but accounts for a more significant part of the total salary package. The comparison is mainly to the prior year or budget and does not contain a real long-term component, which conflicts with the general long-term orientation of the owners.

4.4 Case study “Building Material Co.”

This chapter describes the fourth case of the main study. The selected company is subsequently referred to as “Building Material Co.”

4.4.1 Building Material Co. background

Building Material Co. is a Swiss building materials supplier, active in Switzerland only. The history of Building Material Co. goes back more than 120 years, when the company was founded as a crafts business. Around 45 years ago, the company started engaging in its current activities and began industrial production.

Since then, the company has enjoyed constant growth and has become a market leader in its sector in Switzerland. Nowadays, the company is owned by the fourth generation, which pulled back from operational management in 2014. For the first time in the history of the company, an external CEO leads the company, with the three siblings from the fourth generation serving as members of the board of directors.

The company counts around 600 employees and generates revenues of almost CHF 200 million. Building Material Co. is known on the Swiss market as very innovative and is one of the few remaining companies in its industry with manufacturing locations in Switzerland.

Building Material Co. serves private and business customers, with the latter representing most of the revenue. The company is present at ten locations across Switzerland.

4.4.2 Case selection criteria

Building Material Co. was selected for the study according to the selection procedure described in Section 3.1.3. The four selection criteria derived from theory are met by this selected case, as described below.

a) Criteria 1: Active owners are present

The family ownership of Building Material Co. is even reflected in the name of the company, and the company very visibly promotes family ownership. The website includes a video with the active owners, as well as their retired father. They clearly still follow an active ownership approach and show a high ownership commitment and identification.

b) Criteria 2: Swiss-based and family-owned private company

Building Material Co. is a Swiss-based industrial company, manufacturing and selling its products solely in Switzerland. The company is owned by three siblings of the fourth generation of the founding family.

c) Criteria 3: Separation of duties exists

An external CEO runs the company. The three siblings are formally involved in the governance of the company, and both are highly visible and describe themselves as active. One of the three siblings assumes the chairmanship, while his two siblings are members of the board of directors and see themselves as active owners. All three siblings had operational management positions in Building Material Co. before they decided to step back gradually, appoint external management, and focus on board of directors positions only.

d) Criteria 4: Medium complexity of the company

The revenue level of the company is around CHF 200 million, and it has around 600 employees employed across ten locations in Switzerland. Building Material Co. appears to be classifiable as a medium level of complexity given that, on the one hand, the business has a certain size and scope, which triggers complexity and a need for professional management, while on the other hand, the geographic focus on Switzerland and the resulting proximity makes the steering less complicated than in case of an international business.

4.4.3 Interview partners and sources of evidence

The two primary sources of evidence considered were in-depth interviews, as well as various forms of documentation, such as website, internal communication, and external communication.

The following people with the following functions from Building Material Co. were interviewed:

(1) *Owner I* – First member of the majority owning family ("Owner I")
He is the youngest of the three siblings who own the company in the fourth generation. He held various management positions in Building Material Co. (e.g.,

purchasing director, sales director) before withdrawing from his management role to focus on his role as owner in the board of directors.

(2) *Owner II* – Second member of the majority owning family ("Owner II")
He is the second oldest of the three siblings who own the company in the fourth generation. He is a trained engineer and focused his operational career within Building Material Co. on the area of innovation and product development. Approximately three years ago, he retired from active management roles to focus on an active ownership role in the board of directors.

(3) *Manager I* – CEO Building Material Co. ("CEO")
He joined Building Material Co. in 2014 as the first external CEO in the history of Building Material Co. He spent his career before joining Building Material Co. in an equipment manufacturing company in Switzerland.

(4) *Manager II* – CFO Building Material Co. ("CFO")
He joined Building Material Co. in 2013 as the CFO of Building Material Co., as well as of a second holding company comprising real estate and other businesses that the three siblings own in addition to Building Material Co.

4.4.4 Case study description

Building Material Co. is one of the few remaining successful companies in its industry manufacturing its product range in Switzerland. The company became famous for one specific product, developed by the father of today's owners, who revolutionized the application by introducing a high quality, simple-to-use product. Today's product range is much more extensive, but the initial idea of a high-quality product with a simplicity of application has remained a significant strength of many of the products.

The father of the three siblings, who own the company together today, passed over the ownership and leadership of the company approximately 15 years ago, when he was seventy years old, as requested by the family's statutes. Until approximately 2012, three of the four siblings held the operational management responsibility together and formed the board of directors at the same time. During their leadership, the business grew significantly, and significant investments in expansion were made. In 2012, they reflected on their governance structure and long-term succession planning and decided to open the board of directors to outside, non-family members. At the same time, they also developed a plan for gradually withdrawing from operational management responsibilities. The first external CEO was thus appointed in 2014.

The owner values remain firmly rooted in the company, as it has only been a short time since the owning family transferred executive responsibility to an external management team. The owners express a strong willingness to assume responsibility for the wellbeing of the company and to ensure that Building Material Co. continues to prosper. This attitude seems to be recognized by the company and exemplified by the CEO of Building Material Co., who says about the three owners, "Well, the common denominator which all have is the wellbeing of the company."

Accordingly, the owners' goals are primarily of a socioemotional nature. According to the siblings, profitability has never been seen as a goal itself; it was always seen as the result of all the efforts and profits, coming as a side-effect of good work: "We fought for our customers, developed great products. Together with the employees, we all did a good job over all these years, and the profits just came as a side-product of the good work." In line with the founder's mentality and values, the owners seem to have enjoyed emotional benefits from being recognized as successful entrepreneurs and seem to have attached more significant weight to this than to high salaries and dividends. Based on this emotional attachment to the company's success, a strong commitment of the owners with the company could be observed. An example that was mentioned was the pure joy that the management could perceive with one of the siblings about the completion of the major investment project of the past years.

The owners consider themselves to be active. The sibling who used to be the former CEO became the chairman. In order to facilitate the transition, the siblings also decided to take some physical distance, that is, to establish an office away from the headquarters, although they all remain involved in decision-making in some manner. This involvement appears to happen in the context of either the formal role as a member of the board or the more informal role based on long and deep experience in a certain area. For instance, one of the siblings who used to assume the responsibility for development and innovation function still joins his former team for selected supplier audits, where he thinks he can add value based on his specific expertise and where the supplier is strategically important to Building Material Co. Similarly, one of the three siblings often walks through the factory on Fridays and has a casual yet technically focused exchange with leaders, such as the manager responsible for the supply chain.

The sibling who holds the chairmanship maintains the most immediate contact with the management, meeting every two weeks for one or two hours with the CEO and CFO to discuss recent topics and issues. Five times a year, the board of directors comes together. Once a month, the three siblings meet during one full day for an “owners meeting,” in which they discuss topics which concern both Building Material Co. and the family. This is a platform to exchange, align, and dispute. Usually, those meetings also serve the preparation and pre-alignment among the shareholders for the board of directors meetings.

Beyond the involvement in decision-making based on their director roles, the siblings seem to influence satisficing behavior through their communication focus on the long-term orientation and value creation. A quote from the owner 2 of Building material Co. illustrates this: “I test the service level and ask questions in order to influence how people work, how we are being perceived as a firm in the long-term.”

The owners of Building Materials Co. know many employees from their many years of service in different roles in the company and hence naturally interact with them whenever they are present at the location of the firm. Based on those long-term relationships, collective trust appears to prevail in Building Material Co. The CEO of Building Material Co., for instance, mentioned that he trusts that the owners care about the long-term development of the company and the wellbeing of the employees and demonstrate this by investing in the future, even though it might be countercyclical with the current economic environment. Although the owners have handed over all operational leadership tasks, it still seems to be important for many employees that the owners remain visible and approachable. It was mentioned that for the employees, this might confirm the commitment of the owners to the company.

Due to the succession from an owner-managed to a manager-run company, several goal conflicts between the coalition of the owner siblings and the coalition of the external CEO and CFO were described in the interviews. For instance, one situation was mentioned in which bargaining was mainly about how to interpret and address financial results. While the owners insisted on their perspective acquired from their own managerial experience at Building Material Co., the (relatively new) executives argued from a financial result and risk perspective. In the end, the executives convinced the owners to follow their recommendation, partly driven by the insight of the owners that the transition can only be successful if they give their trust to the outside executives.

A high level of identification seems to prevail across the company. Many long-term employees can enjoy steady growth under the leadership of this family. According to the owners and the management, the fact that Building Material Co. invests in local production, while others move their production out of Switzerland sends a signal of security to existing and potential employees. Another way that might support the high level of identification could be the emphasis of the owners on selecting and hiring critical people with a shared understanding of the normative level.

Over the last few decades, the company has had significant development and growth. In the interviews, this was mostly ascribed to the long-term commitment of the three owners over the past many years. In measuring performance and success, the quantitative targets are considered to be necessary, but the qualitative ones are considered perhaps even more important. Apparently, for instance, for the owners, it was almost more essential to be able to open a new branch in Switzerland than whether this branch would be profitable in four years. However, according to some interviews, there seem to be a few topics on which the three owners have never managed to make a final decision, which might harm firm performance.

5. Interpretation and cross-case analysis

This chapter contains the analysis and interpretation per proposition of the text materials of each of the five case studies, that is, of the pilot study in Chapter 3 and the four cases of the main study in Chapter 4. As the pilot study did not demonstrate a need for significant modifications, it can be included in the analysis as a fully valid case. This chapter is limited to an analysis and interpretation of collected evidence using the case studies as "data points," while Chapter 6 contains the discussion and conclusions transcending the case studies.

The chapter is organized according the research streams underlying the conceptual framework (Sections 5.2–5.6), preceded in Section 5.1 by an introduction to the contextual characteristics of active ownership involvement.

In the following, the methodology of qualitative content analysis, or more specifically, deductive category assignment (Mayring, 2014), was used to analyze the text data from the five case studies. This method results in a reduction of data, which is categorized and displayed in occurrence tables for each category per recording unit, that is, per interview. Each of the 13 propositions is interpreted across all five case studies using the observations from the respective categories. As there is always a particular case setting behind every observation, it is essential to keep the context and characteristics of every case in mind in the process of the interpretation. Hence, using quotes from the different interviews (alongside selected insights from collected documents) can further exemplify the insights.

5.1 Introduction: Contextual characteristics of active ownership

In this introductory section, the output of the category assignment related to the contextual characteristics of active ownership is interpreted.

To find supporting evidence of whether and how owners from the studied companies involve themselves beyond the scope of their formal roles and whether they display a substantial ownership activity level, the general categories as listed in Table 8 were defined, and all the transcribed interviews of the five case studies were coded accordingly.

Table 8: Contextual categories not linked to a proposition

#	Name of category	Definition	Coding rule
C1	Defined formal role of owner exists	Owner has a formal role in the company	Title or role description for the formal roles(s) of the owner in the board or other institutions of the organization
C2	Involvement beyond formal role exist	Owner involves himself beyond what is part of his formal role	Mentioning or describing activities or behaviors which go beyond what is in the scope of the formal role
C7	Substantial ownership activity level	Owners display substantial ownership activity level	Statements that make it clear that owners involve themselves frequently, at high intensity, for a significant amount of their time

Table 9 lists a few examples from the interviews on these contextual characteristics.

Table 9: Quotes from interviews related to contextual categories C1, C2, C7 (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
"I actually do this [active owner] as a 100% role."	Engineer Co.	Owner
"We [owner and CEO A1] have weekly contact with each other, sometimes even daily or multiple times daily – depending on needed intensity. I have once a year, a bilateral meeting with every member of the management committee, and one joint meeting with the entire management committee."	Engineer Co.	Owner
"I would describe them [the owning families] as engaged and interested. Moreover, responsible. The families do not hold management positions; however, they are seen as active owners who have a passion for our business before anything else."	Engineer Co.	CEO A1
"His [the owner's] involvement, his willingness to contribute is extreme."	Holding Co.	CEO 1
"He [the owner] is here. He is present. He is not just a distant chairman; one knows from a photo. He meets the most important 100 people at least two days a year, and he regularly visits factories. In Switzerland, there is hardly any employee who does not know him."	Manufacturing Co.	CEO
"This is a conscious presence which he [the owner] commits and displays."	Manufacturing Co.	CFO

"He is an entrepreneur through and through, and he wants to take influence and be involved. He enjoys being part of this and contributing to the further development of the company."	Manufacturing Co.	Division head 2
"Because you have all the informal meetings of which we have lots of; my door is always open, so whenever someone has a problem, he comes, we discuss, and we move on."	HR Services Co.	Owner II
"But their [the owners'] presence has been still significant [referring the situation after the owners gave up their management positions to focus on BoD roles]."	Building Material Co.	CEO

Past literature on family businesses (e.g., Arregle et al., 2007) has introduced a distinction between a component of involvement and an essence approach (Chrisman et al., 2005). The above quotes provide supporting evidence for several of these components of involvement dimensions. The description of the owner of Manufacturing Co. by the division head 2, exemplifies what a business set-up of an entrepreneur (vs. an investor) means: "He is an entrepreneur through and through, and he wants to take influence and be involved. He enjoys being part of this and contributing to the further development of the company." The description by the CEO A1 of Engineer Co. of the owning families' goal philosophy indicates a philosophy of control, which places business first: "I would describe them [the owning families] as engaged and interested. And responsible for the long-term development of the firm. The families do not hold management positions; however, they are seen as active owners who have a passion for our business before anything else." The same quote also indicates a stage of control, which inherently indicates the owners' transgenerational owner commitment for the long-term success of Engineer Co. Such a transgenerational vision is also at the core of the essence approach, introduced by Chrisman et al. (2005). According to Zellweger et al. (2010, p. 56), "the essence approach suggests that when the family displays a transgenerational vision for the business and the family controls the firm, feelings of personal and social fulfillment arise." Evidence of such feelings of fulfillment can be found, for example, in the above quote by the owner of Manufacturing Co. – "He enjoys being part of this and contributing to the further development of the company" – or by the owner of Engineer Co. – "They are seen as active owners who have passion for our business before anything else."

Furthermore, several of the above quotes provide evidence of what a "substantial" ownership activity level might mean: "I do this as a *100% role*" (Engineer Co.); "His involvement is *extreme*" (Holding Co.); "He meets the most important *100 people at least two days a year*" (Manufacturing Co.); "Their *presence* has been still *significant*" (Building Material Co.) [emphasis added].

The interpretation of C1 ("defined formal role in the company") in Table 10 confirms that all the owners have a formal role.

Table 10: Occurrences of category C1 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	1	n/a	1	1	0	0	Owner holds a defined formal role in the company (chairmanship)
Holding Co.	1	1	2	1	n/a	n/a	Owners hold defined formal roles (board of director roles, chairmanships)
Manufac-turing Co.	1	n/a	1	1	1	1	Owner holds a defined formal role in the company (chairmanship)
HR Services Co.	0	2	1	0	n/a	n/a	Owners hold defined formal roles (board of director roles, chairmanships)
Building Material Co.	1	1	2	1	n/a	n/a	Owners hold defined formal roles (board of director roles, chairmanships)

Furthermore, the interpretation of C2 ("involvement beyond formal role exists") in Table 11 indicates further that there seems to be evidence of active owner involvement beyond the scope of their formal role.

Table 11: Occurrences of category C2 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	4	n/a	2	2	5	3	Ample evidence that the owner involves himself beyond what is part of his formal role
Holding Co.	2	1	1	0	n/a	n/a	Evidence that the owners involve themselves beyond what is part of their formal role
Manufac-turing Co.	1	n/a	1	1	1	0	Evidence that the owner involves himself beyond what is part of his formal role
HR Services Co.	0	2	2	0	n/a	n/a	Evidence that one of the owners involves himself beyond what is part of their formal role
Building Material Co.	1	0	2	1	n/a	n/a	Evidence that one of the owners involves himself beyond what is part of their formal role

Table 12 shows the occurrences of category C7 ("Substantial ownership activity level"). Category C7 is a contextual category, serving to validate the selection of the cases of this study. As outlined in Section 3.1.3, the related selection criteria a) stated "active owners are present" as a condition for any case to be selected. As defined in Section 2.1.1, an active owner is an owner who displays a high ownership activity level. The assessment of this selection criterion during the case selection process was done from an outside-in perspective relying on information from various sources available at this moment in time, such as media, annual reports, and company websites. Category C7 provides evidence that the selection of the five cases for the research seems to be suitable regarding the criterion "active owners are present," as all the owners seem to display a substantial or high ownership activity level and hence can be classified as "active owners."

Table 12: Occurrences of category C7 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	6	n/a	1	2	1	2	Ample evidence of substantial ownership activity level
Holding Co.	1	2	1	0	n/a	n/a	Evidence of substantial ownership activity level
Manufac-turing Co.	1	n/a	1	2	2	2	Ample evidence of substantial ownership activity level
HR Services Co.	1	2	0	1	n/a	n/a	Evidence of substantial ownership activity level
Building Material Co.	1	2	1	0	n/a	n/a	Evidence of substantial ownership activity level

Based on the interpretation of the case study material, there seems to be evidence in all five case studies that the owners involve themselves in the development of the company beyond the scope of their formal roles. Furthermore, there is evidence of a substantial or high ownership activity level in all five cases, and hence, all owners can be classified as active owners.

5.2 Ownership activity level propositions (Propositions 1–4)

In this section, the output of the category assignment related to Propositions 1–4 is interpreted, covering ownership activity level, the first building block of the behavioral framework of active ownership.

As defined in Section 2.1.1, the ownership activity level describes the level of involvement in the development of the company by non-managerial owners of fully privately held firms. The ownership activity level, as described in detail Section 2.2, encompasses aspects of this involvement, such as the amount, intensity, duration, and change in the active ownership involvement as well as its prerequisites or drivers. As explained in 2.2.2, the ownership activity level can vary based on changes in the three fundamental drivers, namely, owner identity, owner commitment and identification, and owner goals and interests, but can also change over time in response to specific situations, events, or incidents in which owners decide to increase or decrease their ownership activity level.

5.2.1 Proposition 1 ("owner identity")

This section interprets the output of the category assignment related to Proposition 1 ("owner identity") for all five case studies.

As outlined in Section 2.1.1, owner identity is anticipated to be one of the main drivers of ownership activity level. It is expected that the identity of the owner or the group of owners, usually the family, is connected to the implicitly or explicitly chosen ownership activity level. The related proposition is formulated below.

Proposition 1 ("owner identity"): Owner identity is one driver of the ownership activity level and becomes visible by the values lived and put in practice through the owner's communication and actions.

As deduced in Section 2.2.1, the owner's identity is operationalized in this research by the active owner's values and beliefs. Hitlin (2003) found that values can be seen as the core of identity and illustrated how a "values-based conception of personal identity influences the formation of role identity" (Hitlin, 2003, p. 118). Values and beliefs are closely related, as values can be defined as "enduring beliefs that a specific mode of conduct or end-state is personally or socially preferable to an opposite or converse mode of conduct or end-state" (Rokeach, 1973, p. 5).

To find supporting evidence of whether and how active owners seem to express their identity by bringing their values to life, the category as listed in Table 13 was defined, and all the transcribed interviews of the five case studies were coded accordingly.

Table 13: Category relating to Proposition 1 ("owner identity")

#	Name of category	Definition	Coding rule
C3	Owner identity is visible	Discernible and visible owner identity expressed by the values that owners communicate and live in their interactions.	Owners explicitly communicate one or several values and put into practice in the daily life of the company.

Table 14 lists a few examples from the interviews of how a discernible and visible owner identity appears to be expressed by the communication or actions of active owners.

Table 14: Quotes from interviews about visible owner identity (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
"We invest a lot in employees' training and further education- our offering is on the above industry average level, and we are continually developing it further."	Engineer Co.	Retired CEO
"We had a particular case, where we hired a fatally ill employee – the son of one of our longstanding employees. We ran our full application and interview process and hired him for his last 1.5 years before he died from brain cancer. This is an example where we prove, when I, when Engineer Co. says or promises something, we do it."	Engineer Co.	Owner
"We allow executives to step back from their leadership role and taking expert roles instead of early retirement."	Engineer Co.	Owner
"We have not dismissed not one single employee for economic reasons since the founding of the company 50 years ago."	Engineer Co.	CEO A1, retired CEO, manager A1
"We have long-term thinking expressed by the desire for stability and for keeping the management of the controlled companies together."	Holding Co.	Owner I and CEO A
"We believe that a federalist way of organizing the company is the best approach to allow as many employees as possible to be entrepreneurs."	Manufacturing Co.	Owner
"The owner pays spontaneous visits of the night shift in the factory on his way to Saturday's opera visit."	Manufacturing Co.	CFO
"We must have zero debt. This is a family credo, and I have to adhere to this. This debt-free approach allows for a maximum of independence but means that we can only realize new investments with equity."	Manufacturing Co.	CEO

"We invite yearly of all retired employees and active employees with a tenure of more than ten years to a one-day trip."	HR Services Co.	Owner II
"They invited all employees for a weekend on the firm anniversary, for example, the 50th anniversary since foundation."	HR Services Co.	CFO
"Agility and being fast is a value we have been pursuing. An example of this is the newly built manufacturing hall, which was planned and built in only five months."	Building Material Co.	Owner I
"I join the development team for fairs to transfer relationships and knowledge from the past."	Building Material Co.	Owner II

As discussed in Section 2.2.1, every individual has multiple identities that match the various roles that they play (Whetten et al., 2014). For active owners of privately held companies, at least two roles, and hence, two identities, overlap: the identity as a business owner and personal identity (Zellweger et al., 2013). Table 14 exemplifies that for active owners, the values expressed in the statements can be allocated to both the role of a business owner as well as the role of a private person. This can be seen, for example, when the owner of Engineer Co. states, "this is an example where we prove, when I, when Engineer Co. says or promises something, we do it." Alternatively, another example is the statement of the CEO of Manufacturing Co.: "We must have zero debt. This is a family credo, and I have to adhere to this." These statements also express the values of owners, which supports the finding of Hitlin (2003) that values are the core of personal identity.

Table 15 shows the occurrences of category C3 for owners and managers and provides support for the interpretation of Proposition 1 ("owner identity") in the context of the five case studies.

As the interpretation of Table 15 indicates, ample evidence can be seen of visible owner identity in all five cases. While for Holding Co., Manufacturing Co., HR Services Co., and Building Material Co. the visible owner identity already seems to be a reasonably strong observation, it is remarkable how often the owner referred to the visibility of owner identity in the case of Engineer Co. Additional materials, such as the website, company brochures or internal booklets on the company culture were analyzed to better interpret this observation. This material confirms that on all channels, the company strongly communicates its values, which seem to greatly overlap with those of the owners and which can be summarized as a long-term or next-generation orientation, reliability, caring for the employees, and creating and maintaining jobs. This empiric finding is in line with the assumption in the proposition that communication, as well as the specific behaviors by the active owners ("put in practice through the owner's communication and actions"), play a crucial role in disseminating and embedding the owner's values and beliefs across the organization. König et al. (2013); Mazzelli (2015) concluded that the ownership system influences the business system not just through formal mechanisms, such as active ownership and involvement in board activities, but also through informal mechanisms which help align the values of owners with those of the business. As further elaborated on in Section 2.4.3, which discussed social organizational capital, such informal mechanisms might include informal communication, language, and narratives that become shared by employees over time (Sirmon & Hitt, 2003; Zellweger et al., 2013). In the case of Engineer Co., this can be confirmed by a quote from CEO A1: "In our 'red booklet' about our culture which was strongly influenced by our owners, we have the well-known saying: with each other – for each other."

Table 15: Occurrences of category C3 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	17	n/a	7	2	7	4	Ample evidence of discernible and visible owner identity strongly expressed by the owner and confirmed by the managers
Holding Co.	6	4	4	0	n/a	n/a	Ample evidence of discernible and visible owner identity strongly expressed by the owner and confirmed by the managers
Manufac-turing Co.	3	n/a	7	2	2	2	Ample evidence of discernible and visible owner identity strongly expressed by the owner and confirmed by the managers
HR Services Co.	3	3	2	5	n/a	n/a	Ample evidence of discernible and visible owner identity strongly expressed by the owner and confirmed by the managers
Building Material Co.	4	5	3	2	n/a	n/a	Ample evidence of discernible and visible owner identity strongly expressed by the owner and confirmed by the managers

Based on the interpretation of the case study material, there seems to be ample evidence that owners with a high ownership activity level, that is, active owners, visibly express their identity by the values they live and put these in practice through their communication and actions. Hence, evidence from the interpretation seems to support that owner identity drives the ownership activity level. In other words, active owners seem to be characterized by a distinct identity based on strong values and beliefs, which become disseminated in the organization through active communication and informal mechanisms, such as informal communication, language, and narratives.

5.2.2 Proposition 2 ("owner commitment")

This section interprets the output of the category assignment related to Proposition 2 ("owner commitment") for all five case studies.

As outlined in Section 2.1.1, owner commitment is anticipated to be another main driver of the ownership activity level. The related proposition is formulated below.

Proposition 2 ("owner commitment"): Active owners visibly express a high degree of owner commitment and identification.

Owner commitment was defined in 2.2.1 as the degree to which owners feel emotional attachment to and involvement and identification with their company (Vilaseca, 2002, cited in Uhlaner, Floren et al. 2007, p. 276). Owners who are highly committed to the business "are highly likely to have a substantial impact on the business" (Astrachan et al., 2002, p. 51). Hence, it can be anticipated that owners with a high degree of owner commitment show a high ownership activity level as defined in this thesis.

Table 16: Category relating to Proposition 2 ("owner commitment")

#	Name of category	Definition	Coding rule
C4	Owner commitment expressed or perceived	The owners feel emotionally attached to and involve and identify themselves with their firm.	Owners express or employees perceive signs of emotional attachment by the owners; they show caring for the development of the company and the wellbeing of the organization.

To find supporting evidence of whether and how visibly a high degree of owner commitment and identification is expressed, the category as outlined in Table 16 was defined, and the transcribed interviews of the five case studies were coded accordingly.

Below, Table 17 lists quotes from the interviews about how active owners seem to express or seem to be perceived to express owner commitment and identification.

Table 17: Quotes from interviews about owner commitment (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
"I feel responsible for our people; I assume full responsibility for it."	Engineer Co.	Owner
"One of the duties I have as the representative of the second generation is to educate and prepare to the third generation."	Engineer Co.	Owner
" . . . and I think what is driving him is the wellbeing of the company and the desire to ensure the continuation of the firm."	Engineer Co.	Manager A1
"They are still following the development of the company and that they are glad if the company does well and can still get enthusiastic for what we do." (On the first generation of owners, which has no formal role anymore)	Engineer Co.	CEO A1
"Very crucial is the interest of the owner. If one is dominating and active owner, one has to show interest and caring."	Holding Co.	Owner I
"His involvement, in other words, his willingness to be available for the company is extreme."	Holding Co.	CEO A
"As an entrepreneur, you must be committed to the tradition, to the employees, and the population. Furthermore, the name of the company alone is a commitment, since it is the name of our family."	Manufacturing Co.	Owner I
"He [the owner] never forgets to end a speech with a word of thanks for the hard work and to give appreciation to the management, even in difficult times he realizes that the people are working very hard."	Manufacturing Co.	Division head 1
"I am committed, yes. An emotional attachment to the company."	HR Services Co.	Owner II
"Well, the common denominator which all have is the wellbeing of the company." (CEO about the three owners)	Building Material Co.	CEO
"He has a great joy to see this building being finished, the major investment project of our company of the past years." (CEO about one of the owners)	Building Material Co.	CEO

As outlined above in Section 2.2.1, owners who share norms and goals may be committed to the company to a higher degree (Uhlaner, Floren, et al., 2007). Several quotes from the research exemplify this collective understanding of norms and goals. For example, the CEO A1 of Engineer Co. said about the first generation of owners, which no longer has an active role, that "they are still following the development of the company, and that they are glad if the company does well and can still get enthusiastic for what we do." Alternatively, the CEO of Building Material Co. said about his owners that "the common denominator which all have is the wellbeing of the company."

The definition of commitment by Astrachan et al. (2002) introduced in Section 2.2.1 includes the support of the company's goals, the willingness to contribute, and the desire to be involved. These elements can be found in some of the selected quotes from the interviews, as displayed in Table 17. For instance, for the willingness to contribute, "his [the owner's] involvement, in other words, his willingness to be available for the company is extreme" (CEO A of Holding Co.). In addition, for the desire to be involved, "He [the owner] never forgets to end a speech with a word of thanks for the hard work and to give appreciation to the management" (division head 1 of Manufacturing Co.).

As mentioned in Section 2.2.1, active owners in private companies may derive emotional value from their ownership (Zellweger & Astrachan, 2008). Recent research by Zellweger (2017, p. 118) has found that non-financial value can be derived from the pleasant emotions or the moments of pride and happiness induced by their involvement, which may lead to a high level of affective commitment. Some of the quotes indicate that this affective commitment and emotional aspect of active ownership can be found with the owners of the studied companies as well. For instance, the owner of HR Services Co. stated, "I am committed, yes. An emotional attachment to the company." Likewise, the CEO of Building Material Co. reported about one of his owners that "he has a great joy to see this building being finished, the major investment project of our company of the past years."

Table 18 shows the occurrences of the category C4 for owners and managers and provides some support for the interpretation of Proposition 2 ("owner commitment") in the context of the five case studies.

Table 18: Occurrences of category C4 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	8	n/a	3	1	2	2	Ample evidence that the owner expresses his commitment and identification, which is perceived by the managers
Holding Co.	2	1	3	1	n/a	n/a	Ample evidence that the owner expresses his commitment and identification, which is perceived by the managers
Manufac-turing Co.	3	n/a	1	2	5	0	Ample evidence that the owner expresses his commitment and identification, which is perceived by the managers
HR Services Co.	2	2	2	2	n/a	n/a	Ample evidence that the owner expresses his commitment and identification, which is perceived by the managers
Building Material Co.	2	2	1	2	n/a	n/a	Ample evidence that the owner expresses his commitment and identification, which is perceived by the managers

As the interpretation shows, there is ample evidence of the existence of owner commitment in all five cases, which were all selected based on the observed high level of owner activity and involvement. This insight seems to support the findings from previous research (Marques et al., 2014) mentioned in Section 2.2.1, which suggests that identification and commitment are more common at privately held firms with high owner involvement.

While for all the studied cases the expressed or perceived owner commitment clearly seems to exist, given the results of coding, it is remarkable how often the category was found in the interview with the owner of Engineer Co. In the interview, he mentioned that he had a major personal goal, which was to be a credible entrepreneur in whom the employees trust, and that he thought that he had achieved this. This desire for positive emotions is supported by the findings of recent research that active owners in private companies “may derive non-financial value from the pleasant emotions” (Zellweger, 2017, p. 118) or “moments of pride and happiness” (Zellweger, 2017, p. 118). It might explain the high level of commitment that the owner of Engineer Co. derives from those emotions and moments of pride and happiness.

Based on the interpretation of the case study material, there seems to be ample evidence that owner commitment drives the ownership activity level. Evidence from the interpretation seems to support that active owners are encouraged to choose a substantial activity level since they are committed through identification with the organization, emotional attachment, and a desire for continuance and welfare. Owner commitment is also supported by pleasant emotions, such as pride and happiness, or other forms of non-financial values that owners can receive from their active involvement.

5.2.3 Proposition 3 ("owner goals")

This section interprets the output of the category assignment related to Proposition 3 ("owner goals") for all five case studies.

As outlined in Section 2.1.1, owner goals and interests are expected to drive the ownership activity level. The related proposition is formulated below.

Proposition 3 ("owner goals"): Active owners place a comparably high emphasis on socioemotional, non-economic goals and interests relative to financial ones.

As discussed in Section 2.2.1, the owners' interests and goals are often of a socioemotional, non-economic nature. According to Zellweger et al. (2013), a priority for non-financial goals is one of the central premises in the literature on private companies, in particular, family businesses. They pursue non-financial goals when controlling families with high ownership activity follow idiosyncratic, owner-centered goals (Carney, 2005) or "when controlling families seek to preserve the socioemotional wealth they derive from being in control" (Zellweger et al., 2013, p. 1).

To find supporting evidence of whether and how active owners place greater emphasis on socioemotional, non-financial goals and interests than on financial ones, below, two categories, as outlined in Table 19 were defined, and the transcribed interviews of the five case studies were coded accordingly.

Table 19: Categories relating to Proposition 3 ("owner goals")

#	Name of category	Definition	Coding rule
C5	Financial goals dominate	Owners primarily pursue interests/goals of an economic nature; they maximize the financial wealth of the company and hence of the owners. Socioemotional goals exist but are of secondary nature.	Socioemotional goals exist but are secondary. The main objectives mentioned are financial, such as revenue growth, profit or cash flow targets, dividend amount, or growth. Socioemotional goals might be mentioned but are less of a priority.
C6	Socioemotional goals and interests dominate	Owners pursue interests/goals of a non-economic nature; they strive to preserve socioemotional wealth rather than to maximize financial wealth. Achieving financial targets is seen as a pre-condition to achieving socioemotional goals.	Non-economic goals/interests are mentioned, such as an aspiration to preserve the family dynasty and pass on the business to the coming generations and the goal of being able to exercise family influence, family independence, and security. Financial objectives/interests can be mentioned but are perceived as a pre-condition rather than the primary focus.

Table 20 lists quotes from the interviews about goals and interests by active owners.

Table 20: Quotes from interviews about owner goals and interests (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
”We want to remain independent, we want to ensure professional leadership, and we want to remain a typical family-owned business located and mainly active in Switzerland.”	Engineer Co.	Owner
“Our goal is to achieve a constant and appropriate return not for the sake of the return but as a mean to be able to remain independent, to have some short-term leeway, to strengthen our position, to be attractive as an employer and to be able to continue to create and maintain interesting jobs.”	Engineer Co.	Owner
“We are here to stay – we plan our involvement and investment with a long-term perspective.”	Holding Co.	Owner II
“I want to contribute to the community of our main location, where I raised, without any state subsidies, three million in funds in order to enable the operation of an ambulant clinic for the local population.”	Manufacturing Co.	Owner
“They [the owners] are not looking to maximize shareholder value, but instead are driven by the desire to do something meaningful, create value for the community; they seek to generate value for all stakeholders and to produce visible high-quality components.”	Manufacturing Co.	CFO

"It is not about maximizing returns. Certainly, a small, appropriate dividend needs to be distributed to the owners. However, this could be much higher. Moreover, this is something which the employees know- the generated profits remain in the company."	Manufacturing Co.	Division head 1
"Sustainability and long-term success rather than short-term optimization of profits are their [the owners'] main goals."	Manufacturing Co.	Division head 2
"He says, he does it [i.e., is the chairman] for his daughter, for the third generation."	HR Services Co.	CFO
"As long as we are profitable as a company and we remain a strong brand, it is about the people who work here and to generate a plus for them. I do not need to be the market leader, but I want to own an innovative company, offers good employment, and respectful culture."	HR Services Co.	Owner I
"As a family, we just want to assume this responsibility and make sure that this company continues to prosper."	Building Material Co.	Owner I
"Interesting enough, we never had profitability as a goal. It was always the result of all our efforts. We fought for our customers, developed great products. Together with the employees, we all did a good job over all these years, and the profits just came as a side-product of the good work."	Building Material Co.	Owner I
"We were never driven by money. Our father was already like this. We always enjoyed being successful entrepreneurs, and during all those years, we paid out to ourselves far too low dividends and salaries. Still today, it is not the primary driver."	Building Material Co.	Owner II

As becomes evident from Table 20, the examples primarily seem to relate to socioemotional and non-financial goals, and where financial components are mentioned, they are seen as a necessary condition to enable the pursuit of socioemotional goals (Zellweger, 2017, p. 120). A statement of the CFO of Manufacturing Co. exemplifies this: "they [the owners] are not looking to maximize shareholder value, but instead are driven by the desire to do something meaningful, create value for the community; they seek to generate value for all stakeholders and to produce visible high-quality components."

As mentioned in Section 2.2.1, non-economic goals can enhance the willingness to invest long term and to invest in opportunities with less certain expected returns (Chrisman et al., 2010). The desire to secure long-term control and success is one particular goal that should be found with active owners (Casson, 1999; Lumpkin & Brigham, 2011). With family business owners, the desire for transgenerational control– a specific form of this desire for long-term control – prevails (Casson, 1999; Lumpkin & Brigham, 2011). Several quotes in

Table 20 support these findings from prior research: “We are here to stay – we plan our involvement and investment with a long-term perspective” (Owner II of Holding Co.); “Sustainability and long-term success rather than short-term optimization of profits are their [the owners] main goals” (Division head 2 of Manufacturing Co.); “He says, he does it [i.e., is the chairman] for his daughter, for the third generation” (CFO of HR Services Co.); “As a family, we just want to assume this responsibility and make sure that this company continues to prosper” (Owner I of Building Material Co.).

The dominance of socioemotional goals seems to be further supported by comparing the occurrence of Table 21 on category C5 (“financial goals dominate”) with Table 22 on category C6 (“socioemotional goals dominate”).

Table 21: Occurrences of category C5 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	0	n/a	0	0	0	0	No evidence that financial goals and interests dominate
Holding Co.	0	0	0	0	n/a	n/a	No evidence that financial goals and interests dominate
Manufac-turing Co.	0	n/a	0	0	0	0	No evidence that financial goals and interests dominate
HR Services Co.	0	0	0	0	n/a	n/a	No evidence that financial goals and interests dominate
Building Material Co.	0	0	0	0	n/a	n/a	No evidence that financial goals and interests dominate

Table 22: Occurrences of category C6 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	10	n/a	2	1	2	2	Ample evidence that socioemotional and non-economic goals / interests dominate
Holding Co.	1	6	1	0	n/a	n/a	Ample evidence that socioemotional and non-economic goals / interests dominate
Manufac-turing Co.	1	n/a	1	1	1	2	Evidence that socioemotional and non-economic goals / interests dominate
HR Services	2	2	2	1	n/a	n/a	Ample evidence that socioemotional and non-economic goals / interests dominate
Building Material	3	3	0	2	n/a	n/a	Ample evidence that socioemotional and non-economic goals / interests dominate

As the interpretation of the case material indicates, there is evidence in all the case studies that socioemotional goals and interests seem to dominate. As emphasized above, this does not mean that the studied firms do not pursue financial goals as well. However, as the quotes in Table 20 exemplify, profit, cash flow, or financial returns are seen as a pre-condition to fulfill those non-economic goals and as a result of successful entrepreneurial efforts rather than as the purpose itself. However, as discussed in Section 2.2.1, combinations of goals are possible as well (Mazzelli, 2015). The owner of Engineer Co. provided an example of a long-term goal that has both an economic and a non-economic dimension (refer to Table 20): “Our goal is to achieve a constant and appropriate return not for the sake of the return but as a mean to be able to remain independent, to have some short-term leeway, to strengthen our position, to be attractive as an employer and to be able to continue to create and maintain interesting jobs.”

Based on the interpretation of the case study material, there seems to be ample evidence that an emphasis on socioemotional and non-economic goals and interests drives the ownership activity level. However, there also seems to be evidence of the existence of combinations of (financial and socioemotional) goals. Ample evidence from the interpretation seems to support that owners who put a strong emphasis on socioemotional and non-economic goals and interests are encouraged to choose a substantial activity level and, hence, to become and remain active owners in their companies.

5.2.4 Proposition 4 (“event-driven change in activity level”)

This section interprets the output of the category assignment related to Proposition 4 (“event-driven change in activity level”) for all five case studies.

As outlined in Section 2.2.2, the ownership activity level varies not only based on changes in the fundamental three drivers analyzed in Sections 5.2.1, 5.2.1, and 5.2.3, but also based on specific event-driven changes, in the context of which owners decide to increase or decrease their ownership activity level.

Proposition 4 (“event-driven change in activity level”): The activity level of owners can vary over time and can change as a result of specific events such as external or internal crises, difficult economic times or turnaround situations, management changes, and changes in ownership (such as new ownership structures or a new generation).

Those specific events can be related to the owner himself, for example, a personal crisis (Dumas, 1992), or to the company. Company-related events include internal crisis, financial underperformance, expansions or transactions, and changes in senior management, though they can vary as well (e.g., Cater & Schwab, 2008; Faghfouri, 2012; Revilla et al., 2016; Steier & Miller, 2010).

In order to find supporting evidence of whether the activity level of owners varies over time and which specific company- or owner-related events trigger the change, two categories, outlined in Table 23, were defined, and all the transcribed interviews of the five case studies were coded accordingly.

Table 23: Categories relating to Proposition 4 “event-driven change in activity level"

#	Name of category	Definition	Coding rule
C8	Owner-related change in activity level happened	Incident(s) in which the intensity of interactions between owners and managers changed due to significant changes in the circumstances of the owner(s).	Hints at a correlation between changes in personal or professional circumstances of owner and a change in intensity of interaction, for example, due to succession or other activities, can be found in the material.
C9	Company-related change in activity level happened	Incident(s) in which the intensity of interactions between owners and managers changed due to specific events or incidents related to the company.	Hints at a correlation between specific events and a change in intensity of interaction, caused by incidents such as internal crisis or market shocks, financial underperformance, turnarounds, M&A transactions or post-merger integrations, and CEO change.

Table 24 lists some selected quotes from the interviews about event-driven changes in the activity level.

As evidenced in Table 24, event-driven changes in ownership activity level occurred in all the studied cases. While the quotes primarily cover company-related changes rather than owner related changes, there are also examples of owner-related changes in ownership activity level – mainly in the case of Holding Co. and Building Material Co.

Table 24: Quotes from interviews about changes in the ownership activity level (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
“Yes, this [change in the activity level of owner] happens in case of extraordinary events, such as issues with a large client, but it can also be a positive incident. Other reasons can be HR-related issues or questions related to the succession in the executive management team.”	Engineer Co.	Owner
“This was very intense; in 2011, the CEO was dismissed and the year afterward, and he [the owner] had taken the helm during that phase of a leadership vacuum.”	Engineer Co.	CEO A2
“During a recent transaction, I had daily contact with the CEO to update each other instantly. Since this transaction is closed, about four weeks ago, the intensity of interaction has come back to the normal level.”	Holding Co.	Owner I
“The interaction depends a lot from the development stage and the specific situation, in which the company is in. During strong	Holding Co	Owner II

expansion or restructuring, it is more. On the other hand, when everything is going well, we have to be careful not to occupy the management too strongly."		
"It [the ownership activity level] has maybe a bit decreased recently, as he is now married, has a young daughter, and they are expecting another baby."	Holding Co.	CEO A
"In May of this year, I spontaneously visited the one production site in total eight times – four times during the day and four times during the night." (Describing how he increased his activity level given the restructuring situation)	Manufacturing Co.	Owner
"More phone calls. More emails. More questions. More spontaneous meetings. Mainly from the owner and chairman. He wants to know what we are working on. What is your priority as the CEO? Which solutions do you want to take? Moreover, if he has the feeling that there are two or three things which he needs to give input about, then he does it, and I might get specific instructions." (Describing how the owner behaves during stressful times)	Manufacturing Co.	CEO
"I would say, since the departure of the previous CEO, I have decided to have a more detached role."	HR Services Co.	Owner II
"But, of course, when things happen like this summer, of course, you have to get back to a very intense interaction and to "cool down" the situation." (Referring to the decision of the CEO to leave the company)	HR Services Co.	Owner II
"Almost 15 years before she died, she decided to install a CEO and to focus on being the chairman."	HR Services Co.	CFO
"He [the chairman] has no office anymore here at the headquarters since January of this year. Now he has one in another site nearby. So, he sought for the physical distance."	Building Material Co.	CEO

The company-related changes mentioned in the quotes correspond with the examples mentioned at the beginning of this chapter. Five quotes refer to changes in senior management (Faghfouri, 2012) and four to an internal crisis (Revilla et al., 2016), financial underperformance, or turnaround (Steier & Miller, 2010). Two quotes refer to expansion or transactions (André et al., 2014), and two quotes refer to changes in the personal circumstances of the owners (e.g., Dumas, 1992).

Table 25: Occurrences of category C8 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	0	n/a	0	0	0	1	Limited evidence of owner-related change in ownership activity level
Holding Co.	0	0	2	0	n/a	n/a	Limited evidence of owner-related change in ownership activity level
Manufac-turing Co.	0	n/a	0	0	0	0	No evidence of owner-related change in ownership activity level
HR Services Co.	0	3	1	4	n/a	n/a	Ample evidence of owner-related change in ownership activity level
Building Material Co.	3	1	1	1	n/a	n/a	Evidence of owner-related change in ownership activity level

Table 26: Occurrences of category C9 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	2	n/a	0	1	1	2	Evidence of company-related change in activity level
Holding Co.	2	3	0	2	n/a	n/a	Ample evidence of company-related change in activity level
Manufac-turing Co.	1	n/a	2	0	0	0	Limited evidence of company-related change in activity level
HR Services Co.	0	1	0	0	n/a	n/a	Limited evidence of company-related change in activity level
Building Material Co.	0	0	0	0	n/a	n/a	No evidence of company-related change in activity level

Comparing Table 25 (C8, “Owner related change in activity level happened”) with Table 26 (C9, “Company related change in activity level happened”) appears to indicate that in all the case studies, changes in the ownership activity level occurred over time, but that company-related circumstances triggered most of these changes. In two of the five cases in particular, changes triggered by owner-related events were described.

Based on the interpretation of the case study material, there seems to be evidence that the substantial ownership activity level might vary not only based on changes in the fundamental drivers, that is, owners’ identity, goals, or commitment, but also based on specific event-driven owner or company-related changes, in which owners decide to increase or decrease their ownership activity level.

5.2.5 Summary of ownership activity level propositions

This section summarizes the conclusions and implications relating to the ownership activity level propositions from the analyses of the five case studies.

Sections 5.2.1–5.2.4 analyze and interpret the critical antecedents of active owner involvement, using the methodology of qualitative content analysis (Mayring, 2014). In order to apply these aspects to the particular research question, Propositions 1–4 were framed in Section 2.2 and operationalized in the form of categories in Section 3.1.5 to be used for the qualitative content analysis. Finally, in Sections 5.2.1–5.2.4, those codings were analyzed and interpreted.

Table 27: Overview conclusions for Propositions 1–4

Proposition	Conclusions	Implication
Proposition 1 (“owner identity”): Owner identity is one driver of the ownership activity level and becomes visible by the values lived and put in practice through the owner’s communication and actions.	Ample supporting evidence provided by the five case studies for Proposition 1 (“owners identity”)	*Keep* the proposition as part of the revised conceptual framework
Proposition 2 (“owner commitment”): Active owners visibly express a high degree of owner commitment and identification.	Ample supporting evidence provided by the five case studies for Proposition 2 (“owner commitment”)	*Keep* the proposition as part of the revised conceptual framework

Proposition 3 ("owner goals"): Active owners place a comparably high emphasis on socioemotional, non-economic goals and interests relative to financial ones.	Ample supporting evidence provided by the five case studies for Proposition 3 ("owner goals")	*Keep* the proposition as part of the revised conceptual framework
Proposition 4 ("event-driven change in activity level"): The activity level of owners can vary over time and can change in response to specific events, such as external or internal crises, difficult economic times or turnaround situations, management changes, or changes in ownership (such as new ownership structures or a new generation).	Supporting evidence provided by the five case studies for Proposition 4 ("event-driven change in activity level")	*Keep* the proposition as part of the revised conceptual framework

Table 27 provides an overview of the conclusions and implications related to Propositions 1–4, based on the analyses of the five case studies in Sections 5.2.1–5.2.4. For these four propositions related to ownership activity level, enough supporting evidence seems to be provided by the five case studies. While ample evidence seems to be provided by the case study material for Proposition 1, 2, and 3, good evidence is provided for Proposition 4.

To summarize, based on the evidence from the five cases, it seems that all four propositions can be retained in the revised conceptual framework.

5.3 Organizational decision-making propositions (Propositions 5–7)

In this section, the output from the category assignment related to Propositions 5–7, covering organizational decision-making, the second building block of the behavioral framework of active ownership, is interpreted.

To find supporting evidence for the perceived participation of active owners in decision-making processes in privately held companies, category C11, as listed in Table 28, was defined, and all transcribed interviews of the five case studies were coded accordingly.

Table 28: Contextual category C11 related to organizational decision-making

#	Name of category	Definition	Coding rule
C11	Influence of owners in decision-making is observable	Participation of the owner in the process of taking decisions happens (e.g., in satisficing behavior).	Any hints/examples of formal or informal/direct or indirect ways of owners participating in making specific decisions within specific (governance) bodies or groups in the company.

Table 29 lists a few examples from the interviews of this contextual category (C11).

Table 29: Quotes from interviews in relation to the observable influence of owners in decision-making (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
"Renewal or expansion of the management is clearly an issue where the decision authority remains with him [the owner]. What I also agree with him is the compensation of the executive board and possible acquisitions."	Engineer Co.	Owner
"It goes without saying that he then claims for himself: "Yes, in the end I will decide."	Holding Co.	CEO A
"The things I wanted, I just kept pushing them through until it was done."	Manufacturing Co.	Owner
"Through investment, the release of investment, he primarily wants to exert influence on the control of strategy."	Manufacturing Co.	CFO
"That's him [the owner] deciding and that's it."	HR Services Co.	CFO
"And I think this has already been extremely positive, because to receive the support, to feel this courage/the entrepreneurial courage of these owners to say, 'Yes, we decide that!'"	Building Material Co.	CEO

As the interpretation of these quotes and the frequencies in Table 30 reveals, there is evidence, albeit mixed, that owners in all five cases seem to take observable influence on the decision-making process. The two cases Holding Co. and HR Services Co. yield limited evidence compared to the other three cases where there is decent or ample evidence. As category C11 is defined by whether influence is observable, it is possible that owners take influence on decision-making in a less visible way as well.

Thus, given the above considerations, the evidence from research seems to be in line with the theoretical framework on active owner involvement in privately held firms, which contains decision-making as one of the elements (Propositions 5–7).

Table 30: Occurrences of category C11 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	2	n/a	3	3	0	2	Ample evidence of perceived influence of owners in decision-making
Holding Co.	0	0	1	1	n/a	n/a	Limited evidence of perceived influence of owners in decision-making
Manufac-turing Co.	2	n/a	4	1	1	2	Ample evidence of perceived influence of owners in decision-making.
HR Services Co.	0	0	1	1	n/a	n/a	Limited evidence of perceived influence of owners in decision-making.
Building Material Co.	0	0	2	3	n/a	n/a	Evidence of perceived influence of owners in decision-making.

The related contextual category C17, listed in Table 31, covers whether and how the active owners chose the type and scope of decisions in which they become involved.

Table 31: Contextual category C17 related to organizational decision-making

#	Name of category	Definition	Coding rule
C17	Involvement in decisions is determined by owner background	Scope and type of decisions in which active owners choose to participate are related to the antecedents of the ownership activity level.	Relation between scope and type of decisions in which the active owner involves himself and owner identity, owner commitment, and the goals or interests of the owner.

Table 32 lists quotes from the interviews about decisions chosen for involvement by active owners in privately held companies.

Table 32: Quotes from interviews in relation to types and scope of active owners' involvement in decisions (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
"There are topics, the ones somehow related to the family, where the management does not have the competence to decide. For instance, when it comes to renting or leaving office space, as the family owns the properties where Engineer Co. is based."	Engineer Co.	owner
"It is an important task to ensure succession. You have to insist and be committed because it is a topic which usually is not prioritized enough in the daily business."	Engineer Co.	owner
"Extension or succession of the executive team is a topic where he [the owner] has the ultimate decision power."	Engineer Co.	CEO A1
"I am currently interviewing, for another investment, the chef de cuisine, because this is a crucial position."	Holding Co.	owner I
"Areas where the owner has to involve himself are, for example, strategy development, goal setting, coaching of the strategy execution, people decisions on the executive level."	Holding Co.	owner 2
"Most important topics in which I am most interested are banking relationships, debt financing, and acquisitions."	Manufacturing Co.	owner
"He is very interested in Marketing, and every manager needs to know 'Kottler.' He wants to see all the marketing plans, and he has a clear view of marketing-related KPIs."	Manufacturing Co.	CEO
"Marketing activities are his hobbyhorse. He [the owner] has a clear idea, and every business must hand in a marketing plan together with the budget. Subsequently, he emphasizes the execution of the plan."	Manufacturing Co.	division head 2
"As he is an investor, his main interest is on finance aspects."	HR Services Co.	CEO
"Yes, they [the owners] involve themselves for significant investments."	Building Material Co.	CEO
"We changed a paint supplier this year. I joined the team for the supplier audit. I wanted to see the company at least once."	Building Material Co.	owner 2

The interpretation of these quotes seems to support the distinction between two main meta-types of decisions by active owners (March & Simon, 1993, p. 3). The first type consists of decisions to participate as active owners and to what degree of effort, or in other words, at which level of ownership activity. The second category consists of decisions that direct the organization's business.

As the interpretation of the coding of the materials collected in the five case studies in Table 33 indicates, there seems to be evidence of the proposed relationship between the scope and type of decisions in which active owners participate and the owner identity, the owner commitment, and the goals or interests of the owners.

Table 33: Occurrences of category C17 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	4	n/a	2	0	1	2	Ample evidence of a relation between decisions in which the owner is involved and the antecedents of ownership activity level
Holding Co.	2	1	1	2	n/a	n/a	Evidence of a relation between decisions in which the owners are involved and the antecedents of ownership activity level
Manufacturing Co.	1	n/a	2	1	2	4	Ample evidence of a relation between decisions in which the owner is involved and the antecedents of ownership activity level
HR Services Co.	0	0	0	2	n/a	n/a	Limited evidence of a relation between decisions in which the owners are involved and the antecedents of ownership activity level
Building Material Co.	0	3	1	0	n/a	n/a	Evidence of a relation between decisions in which the owners are involved and the antecedents of ownership activity level

Thus, these indications from the case research on observable participation and the relation between decision types and antecedents of ownership activity level seem to be in line with the theoretical framework which states that organizational decision-making is an essential area for explaining active owner involvement in privately held firms (Propositions 5–7). As described in detail in Section 2.3, this building block encompasses aspects of organizational decision-making, such as satisficing, decision rules, and coalitions and bargaining, which are covered in the subsequent sections.

5.3.1 Proposition 5 (“aspiration levels”)

This section interprets the output of the category assignment related to Proposition 5 (“aspiration levels”) for all five case studies.

As outlined in Section 2.3.1, aspiration levels are a key mechanism in explaining organizational search and decision processes under the assumption of limited rationality.

Proposition 5 (“aspiration levels”): Active owners influence the determination or adaptation of aspiration levels in organizations.

Managers can be understood as decision-makers who tend to accept choices or decisions that are “good enough” or, in other words, satisfy the current aspiration levels rather than searching for optimal solutions (Huse et al., 2009). Proposition 5 posits that active owners influence the determining and altering of aspiration levels in an organization and herewith influence satisficing and thus organizational change.

To find supporting evidence of whether and how active owners might influence the determination or adaptation of aspiration levels, the category as listed in Table 34 was defined, and all the transcribed interviews of the five case studies were coded accordingly.

Table 34: Categories relating to Proposition 5 ("aspiration levels")

#	Name of category	Definition	Coding rule
C10	Aspiration levels are influenced by owners	The determination or poten-tial adaptation of aspiration levels in a company can be influenced by active owner behavior and hence influence the satisficing behavior.	Activities or behaviors can be found that direct to a deliberate or unintentional determination (or strong influencing) on what the aspiration levels are in the company or how they must change.

Table 35 lists quotes from the interviews about active owners and aspiration levels in privately held companies.

Most of the quotes contain a comparison between actual performance and the goal and hence exemplify that aspirations affect organizations “because the decision-makers’ strategic behavior is guided by the discrepancy between aspiration and performance” (Mazzelli, 2015, p. 40). For instance, CEO B of Holding Co. mentioned that “the pressure by the owner is low at the moment, as our results are good.” On a similar note, the owner of Manufacturing Co is described as communicating very clearly at the yearly managers’ conference with whom he is satisfied and with whom he is not and that where improvements are needed, he expects that the direct line managers to take the consequences. This example also indicates that satisficing seems to exist.

The owner of Engineer Co. provides another example of satisficing: “If I see that it [the project] is CHF 5 or 10k off track, I usually act because it is possible to still correct it. I ask the management team to take responsibility and not leave it just to the project manager.” This practical example is in line with the theory referenced in Section 2.3.1 that if performance is assessed to be below aspirations, “decision-makers are expected to select new strategies to increase performance, and these are generally assumed to involve increased risk” (Mazzelli, 2015, p. 40). On the contrary, “when performance is above the aspiration level, decision-makers are expected to continue the status quo (Shinkle, 2012)” (Mazzelli, 2015, p. 40). This causal relation is exemplified by a manager of Engineer Co., who stated that “if the results are good, there is no need to change the ambition as we have a very long-term view and we also observe, what is possible given the market conditions and development.”

Table 35: Quotes from interviews in relation to aspiration levels (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
“I do not just wait until I realize somebody has burnt CHF 300k, but if I see that it [the project] is CHF 5 or 10k off track, I usually act because it is possible to still correct it. I ask the management team to take responsibility and not leave it just to the project manager.”	Engineer Co.	Owner
“But it is not the case that the ambition level increases continuously. If the results are good, there is no need to change the ambition as we have a very long-term view, and we also observe what is possible given the market conditions and development.”	Engineer Co.	CEO A2
“The pressure by the owner is low at the moment, as our results are good.”	Holding Co.	CEO B
“The dividend level is fix and reserved. The rest can be re-invested. It is decided by the board what level is right.”	Manufacturing Co.	CEO
“He [the owner] controls it everywhere he goes. Are the yearly targets and long-term targets visible in every factory? Moreover, if it is not visibly posted, he calls me. He also asks the locally responsible manager to correct it immediately.”	Manufacturing Co.	CEO
“He [the owner] communicates at the managers’ conference very clearly with whom he is satisfied and with whom not. He expects that the consequences are taken by the direct line managers.”	Manufacturing Co.	CEO, similar quote also by division head 1

“I might grill the responsible employees for branches that have difficulties. 'What is going on there?' What is the plan?' Do we keep it open, or do we close it?”	HR Services Co.	Owner I
“I do not control people systematically. However, I test the service level and ask questions to influence how people work, how we are being perceived as a firm in the long-term”	Building Material Co.	Owner II

Table 36 shows the occurrences of the category C10 for owners and managers and provides some support for the interpretation of Proposition 5 (“aspiration levels”) in the context of the five case studies.

Table 36: Occurrences of category C10 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	1	n/a	0	1	2	0	Evidence that the owner has an influence on aspiration levels
Holding Co.	0	0	0	1	n/a	n/a	Limited evidence that owners have an influence on aspiration levels
Manufac-turing Co.	2	n/a	7	1	1	0	Ample evidence that the owner has an influence on aspiration levels
HR Services Co.	0	3	0	0	n/a	n/a	Limited evidence that owners have an influence on aspiration levels
Building Material Co.	1	0	0	0	n/a	n/a	Limited evidence that owners have an influence on aspiration levels

The owners of Engineer Co. and Manufacturing Co. seem to be perceived to influence the aspiration levels to a certain degree, given the several statements of the managers (and owners) in those firms. However, there seems to be less robust evidence of this at Holding Co., HR Services Co., and Building Material Co. Hence, the overall evidence seems to be rather ambiguous.

Recent research might explain this result in regards to an active owner's influence on aspiration levels. Zellweger (2017, p. 120) found that owners who pre-dominantly pursue a socioemotional wealth focus, which is the case in all the case studies (refer to Table 22), might be satisfied with financial results if they meet the minimum level needed to sustain the pursuit of socioemotional wealth. Hence, the pressure to influence the (financially oriented) aspiration levels might not be given. This mechanism seems to be supported by the statement of manager IV of Engineer Co. that "if the results are good, there is no need to change the ambition as we have a very long-term view." It could also explain the limited existence of influence on aspiration level adaptation in Holding Co., HR Services Co., and Building Co.

Recent research by Zellweger (2017, p. 120) on such a behavior of satisficing by active owners can help explain how pursuing a socioemotional wealth focus, rather than a purely financial focus, works. Instead of merely maximizing financial performance, active owners satisfice or have the management follow this behavior, that is, they aim to achieve the level of minimum financial performance that the firm needs to sustain the pursuit of socioemotional wealth. Instead of influencing aspiration levels, active owners rather seem to influence the satisficing behavior through their communication focus on socioemotional wealth (Zellweger, 2017). The quote of the owner 2 of Building Material Co. illustrates this: "I test the service level and ask questions in order to influence how people work, how we are being perceived as a firm in the long-term." It also seems to be supported by the results of category C6, "Socioemotional goals and interests dominate," as presented in Table 21, and by some of the examples provided in Table 20 that demonstrate how frequent and intensively owners in all case studies communicate about these non-financial goals with both their managers and their employees.

Using a theoretical replication logic, as defined by Yin (2017), the lack of unambiguous evidence of Proposition 5 from the case studies can actually be explained as a contrasting result to the initial proposition, predicted by this recent research and the empirical evidence as per the paragraph above. In order to generate a proposition that is supported by evidence but that does not contradict, even if it is predictable, recent research, the initial Proposition 5 ("aspiration level") must be modified. The modified Proposition 5 must be re-focused on how owners influence satisficing behavior through their communication on socioemotional wealth.

Proposition 5 revised (“satisficing”): Active owners influence satisficing behaviors in organizations through their communication focus on socioemotional wealth.

Based on the interpretation of the material from the five case studies, the evidence of whether active owners have an effect on the satisficing behavior by influencing specific aspiration levels is ambiguous. This can be explained as a contrasting result to the initial proposition, predicted by recent research that active owners influence satisficing behavior through their communication focus on socioemotional wealth. Hence, the initial Proposition 5 (“aspiration level”) must be modified to take into account that active owners seem to influence satisficing behavior through their communication on socioemotional wealth.

5.3.2 Proposition 6 (“decision rules”)

This section interprets the output of the category assignment related to Proposition 6 (“decision rules”) for all five case studies.

As outlined in Section 2.3.2, rules for making decisions are a central concept of organizational theory (Argote & Greve, 2007), as they represent the memory of an organization (Cyert & March, 1963). Decision rules are “normative constraints that guide the behavior of individuals by determining the relative appropriateness of all the behavioral options open to them (Heugens et al., 2004, p.6)”

Proposition 6 (“decision rules”): Active owners influence the process of defining, confirming, or changing decision rules.

Decision-making by rule-following is a perspective in which decision-making is seen to be a result of adhering to rules (March, 1994). Hence, Proposition 6 suggests that active owners influence decision-making by influencing decision rules in an organization. The mechanisms for how this influence unfold are threefold, as suggested in Section 2.3.2. First, owners might select and define rules based on their own norms or learning experiences and make them binding through formal or informal power. Second, owners might act as an example using particular rules and be imitated by other decision-makers in the company. Third, owners might themselves be part of collective learning and bargaining processes in the company as a result of those rules becoming institutionalized (Heugens et al., 2004).

Table 37: Categories relating to Proposition 6 ("decision rules")

#	Name of category	Definition	Coding rule
C12	Owner identity–based decision rules exist	Active owners have influence in defining, confirming, or changing decision rules based on their own norms or experiences, and they make them binding through their power.	The following mechanism can be observed: The owner selects and defines rules based on his own norms or background and makes those rules binding through his formal or informal power.
C13	Imitation-based decision rules exist	Active owners have influence on defining, confirming, or changing decision rules by acting as an example and being imitated.	The following mechanism can be observed: The owner acts as an example and uses rules and is imitated by other decision-makers in the company.
C14	Collective learning–based decision rules exist	Rules become institutionalized because of collective learning and bargaining processes in the company of which active owners themselves are part.	Hints that decision rules become institutionalized through collective learning and bargaining processes and that the owner is part of those processes as well.

To find supporting evidence of whether and how owners impact decision-making through decision rules, three categories (along with the above described three main mechanisms) were defined as listed in Table 37. All the transcribed interviews of the five case studies were coded accordingly.

Table 38 lists quotes from the interviews about active owners and decision rules in privately held companies.

Table 38: Quotes from interviews in relation to "decision rules" (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
"There are clear rules on what you can and should not do abroad and what conditions have to be met in order to work abroad."	Engineer Co.	Owner, similar quote also by CEO

"This is a rule that we have adopted and continued from the pioneers; that is, everyone gets if he generates success, the corresponding equal reward."	Engineer Co.	Owner
"There are also areas or industries that you do not invest in, such as pharmaceuticals, lifestyle. Also, usually not in ventures."	Holding Co.	Owner II
"Only invest in what you understand." That is, we invest only in companies or industries, of which one has a hunch in the broadest sense. Today, for example, services, banking, industrial goods."	Holding Co.	Owner II
"But surely a rule is, no outside capital may be taken up and used."	Manufacturing Co.	Owner, similar quote also by CEO
"Secondly, as small as possible, flexible, independent units must be created. Moreover, thirdly, certain countries are not in scope, such as Iran, Syria, or Russia."	Manufacturing Co.	Owner
"Investment amounts over CHFXY [confidential but known to author] must go through the board of directors."	Manufacturing Co.	CFO
"So, he cannot dismiss a direct subordinate without informing us, and we can take countermeasures. However, these are actually the only rules."	HR Services Co.	Owner I
"I think there; the family went through a learning process, from which they were then also open for the clear separation of duties between the owners and the management which we have written in the organizational regulations together."	HR Services Co.	CEO
"So, there are these rules. These rules are available."	Building Material Co.	CEO
"For example, we have determined rules on how high the equity ratios must be, at least in this company. What are the maximum distributions? [. . .] What we have always been proud of: We are independent of banks."	Building Material Co.	Owner I

As the examples above show, decision rules offer a link between individual actions and organizational outcomes. An example of this might is offered in a quote by the owner of Engineer Co.: "This is a rule that we have adopted and continued from the pioneers, that is, everyone gets if he generates success, the corresponding equal reward." As outlined in Section 2.3.2, this link between individual actions and outcome on the level of the firm has been proposed by Heugens et al. (2004, p. 6), who put it like this: "decision rules form an indispensable aspect of organizational capability because they connect individual actions to organizational outcomes."

An example of this could be seen at Holding Co., where a clear focus on industries or activities that are well known has led to a set of distinct capabilities and, as a consequence, to above-average returns. "Only invest in what you understand – that is, we invest only in companies or industries of which one has a hunch in the broadest sense" (Owner II of Holding Co.).

Table 39 to Table 41 show the occurrences of categories C12–C14 for owners and managers and give some support for the interpretation of Proposition 6 ("decision rules") in the context of the five case studies.

Evidence from the interpretation of Table 39 to Table 41 seems to support, in particular, the presence of decision rules based on owner identity (category C12) and (a bit more ambiguously) collective learning (category C14). The latter is in line with a view in the organizational literature, as referenced in Section 2.3.2, which sees rule production as an organizational-level phenomenon rooted in learning (Heugens et al., 2004). By contrast, recent literature has pointed out that rules may not only be seen as a product of learning processes but also as a driving force of learning processes (Kidwell, Eddleston, & Kellermanns, 2018). Shared rules, alongside shared values, guide owners through collective learning processes to align the firm's culture with that of the owners (Kidwell et al., 2018).

Table 39: Occurrences of category C12 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	4	n/a	1	0	3	0	Ample evidence that the owner selects and defines identity-based rules and makes them binding
Holding Co.	0	3	0	0	n/a	n/a	Limited evidence that owner selects and defines identity-based rules and makes them binding
Manufacturing Co.	7	n/a	3	3	0	2	Ample evidence that the owner selects and defines identity-based rules and makes them binding
HR Services Co.	1	0	2	1	n/a	n/a	Evidence that the owner selects and defines identity-based rules and makes them binding
Building Material Co.	2	0	1	1	n/a	n/a	Evidence that the owner selects and defines identity-based rules and makes them binding

Table 40: Occurrences of category C13 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	3	n/a	2	1	0	0	Evidence that the owner selects and defines imitation-based rules and makes them binding
Holding Co.	0	0	0	0	n/a	n/a	No evidence of imitation-based decision rules
Manufac-turing Co.	1	n/a	2	0	0	0	Limited evidence that owner selects and defines imitation-based rules and makes them binding
HR Services Co.	0	0	0	0	n/a	n/a	No evidence of imitation-based decision rules
Building Material Co.	0	0	0	0	n/a	n/a	No evidence of imitation-based decision rules

Table 41: Occurrences of category C14 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	2	n/a	0	3	0	1	Evidence that decision rules are institutionalized through collective learning processes
Holding Co.	0	0	0	0	n/a	n/a	No evidence of collective learning-based decision rules
Manufac-turing Co.	1	n/a	0	0	0	0	Limited evidence that decision rules are institutionalized through collective learning processes
HR Services Co.	2	1	1	2	n/a	n/a	Evidence that decision rules are institutionalized through collective learning processes
Building Material Co.	0	0	0	3	n/a	n/a	Limited evidence that decision rules are institutionalized through collective learning processes

Based on the interpretation of the case study material, there seems to be evidence that active owners have an influence in defining, confirming, or changing decision rules. Evidence from the interpretation seems to support this in particular for owner identity–based (category C12) and more ambiguously for collective learning–based (category C14) and imitation-based (C13) decision rules.

5.3.3 Proposition 7 ("dominant coalition")

This section interprets the output of the category assignment related to Proposition 7 ("dominant coalition") for all five case studies.

As outlined in Section 2.3.3, the concept of the dominant coalition provides an explanation for how, through political bargaining, common goals exist in a company despite differing interests among actors (Cyert & March, 1963). Goal formation and the resolution of goal conflicts are considered as an outcome of ongoing political bargaining among the members of coalitions (van Ees et al., 2009). A dominant coalition involves the people within (and around) the company who most influence the missions and goals of the organization (Bowler, 2006; Cyert & March, 1963).

Proposition 7 ("dominant coalition"): Active owners are part of dominant coalitions and contribute to goal formation by participating in political bargaining in companies.

In research on active ownership, the question is raised of whether and how active owners participate in political bargaining "to achieve cooperation between coalitions or to establish the dominant coalition" (van Ees et al., 2009, p. 314).

To find supporting evidence of whether and how the active owners participate in goal formation through political bargaining and dominant coalitions, two categories were defined, as listed in Table 42, and the transcribed interviews of the five case studies were coded accordingly.

Table 42: Categories relating to Proposition 7 ("dominant coalition")

#	Name of category	Definition	Coding rule
C15	Bargaining behavior demonstrated	Goal conflicts in an organization "are solved through political bargaining rather than through objective alignment by economic incentives" (van Ees et al., 2009, p. 312).	Indications for bargaining processes in the organization "among coalitions that pursue alternative objectives and priorities exist" (van Ees et al., 2009, p. 312).
C16	Active owners are part of dominant coalitions	A dominant coalition consists of the individuals within (and around) the company that most influence the missions and goals (Bowler, 2006).	One of the below elements can be found: the existence of a group of people to which the owner belongs that influences the formal goals through informal channels; the existence of informal goals.

Table 43 lists quotes from the interviews about political bargaining and dominant coalitions in privately held companies.

Several of these statements demonstrate bargaining behavior. For instance, the owner of Engineer Co. explained that bargaining occurs for individual goal alignment and assessment and mentioned that "how bargaining develops is always influenced by the mutual relationship." Owner II of Building Material Co. mentioned that "up to now, finding solutions has been easy: We spoke until we had found a consensus solution."

Table 43: Quotes from interviews in relation to political bargaining and dominant coalitions (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
"If you want to do this fairly, it means you must sit done, discuss the goals and, at the end of the year, assess the achievement. If the counterpart thinks he should have earned more, you must talk about it. This can be a bit uncomfortable, but how bargaining develops is always influenced by the mutually trusted relationship."	Engineer Co.	Owner
"This was clearly an advantage for me because I had not been involved in all this bargaining."	Holding Co.	CEO B
"Three members of the board of directors of my other company are as well in the board of directors of Manufacturing Co."	Manufacturing Co.	Owner
"The chairman and the other two owners in the board can sometimes form a coalition – in a way that everybody at the table realizes: this is their money."	Manufacturing Co.	CEO

"No, we have no voting right during a board meeting, but we influence the discussion because we have found a consensus beforehand in the group management board [of which the chairman is part as well] about what we want to achieve at the board meeting."	Manufacturing Co.	CEO
"No, there are a lot of informal things happening. For example, informal with directors one to one. This can be of advantage, but people often do not like to see this because it might create the view that decisions are being taken without formal approval."	Manufacturing Co.	Division head 1
"They [the owners] are very well informed. She knows the last coffee gossip. He smokes outside with the employees and with this hears and knows everything."	HR Services Co.	CEO
"Information is being shared among owners as well. There are owner meetings where they align on things among each other."	Building Material Co.	CEO
"We [the CEO and CFO] said, 'the negative effect is substantial. This is the impact of a few million.' They [the owners] said, 'do not worry; this will improve.' Moreover, in June, when it had not improved, we convinced them with pressure to approve our action plan."	Building Material Co.	CFO
"Up to now, finding solutions has been easy: we spoke until we had found a consensus solution."	Building Material Co.	Owner II

Coalitions are mentioned in Manufacturing Co., in which the CEO perceived that "the chairman and the other two owners in the board can sometimes form a coalition," and in which division head 1 confirmed that "a lot of informal things" are happing and that this "might create the view that decisions are being taken without the formal approval." The latter is a typical result of decision-making by dominant coalitions. This is confirmed by literature, in which it is noted that dominant coalitions allow "individuals other than formal leadership to manipulate the goals of the organization" (Bowler, 2006, p. 261).

Table 44 and Table 45 show the occurrences of categories C15 and C16 for owners and managers and provide some support for the interpretation of Proposition 7 ("dominant coalition") in the context of the five case studies.

Table 44: Occurrences of category C15 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	1	n/a	0	0	0	0	Limited evidence of political bargaining for goal formation / conflict resolution
Holding Co.	0	0	1	1	n/a	n/a	Limited evidence of political bargaining for goal formation / conflict resolution
Manufac-turing Co.	0	n/a	2	0	0	0	Limited evidence of political bargaining for goal formation / conflict resolution
HR Services Co.	0	0	0	0	n/a	n/a	No evidence of political bargaining for goal formation / goal conflict resolution
Building Material Co.	0	3	0	4	n/a	n/a	Ample evidence of political bargaining for goal formation / conflict resolution

The interpretation of Table 44 indicates mixed results regarding evidence of bargaining. Prior relevant literature seems to display a similar situation, as indicated in Section 2.3.3. While some scholars argue that in situations of goal variety, privately held firms "achieve a quasi-resolution of conflict through different types of bargaining mechanisms" (Mazzelli, 2015, p. 39), others recently found that in particular family businesses are influenced by a desire for low levels of conflict (Zellweger, 2017). The link to the socioemotional wealth viewpoint might explain this dilemma. As outlined in Section 2.2.1, in privately held firms, non-financial and socioemotional goals typically dominate. Zellweger (2017, pp., p. 121) recently found that when actors emphasize socioemotional goals, the decision-making style may be different, as they prefer to compromise and maintain harmony rather than initiate a confrontation. The desire to avoid confrontation does not support bargaining behavior. Owner II of Building Material Co. provides an example of the desire for conflict avoidance or consensus: "Up to now, finding solutions has been easy: we spoke until we had negotiated a consensus solution." The extensive research stream on emotions and their effects in organizations may provide another explanation for the absence of bargaining. Affective commitment, altruistic feelings, and affective emotions often might blur decision-making (Zellweger, 2017).

Table 44 indicates only in the case of Building Material Co. that both owners and managers refer to bargaining behavior for goal conflict resolution. In the case of Building Material Co., the bargaining behavior is described in the context of the bargaining between the dominant coalition of the owning siblings and the coalition of the (first) external managers, that is, the CEO and CFO. Due to the transition from an owner-run to a manager-run company, several goal conflicts between the dominant coalition of the owner siblings and the coalition of the external CEO and CFO were mentioned. For instance, one situation was described in which bargaining was mainly about how to interpret and address financial results. While the owners insisted on their perspective acquired from their own managerial experience at Building Material Co., the (relatively new) executives argued from a financial result and risk perspective. In the end, the executives convinced the owners to follow their recommendation, partly driven by the insight of the owners that the transition could only be successful if they gave their trust to the outside executives.

As Table 45 indicates, only two cases, Manufacturing Co. and Building Material Co., seem to provide supporting evidence of the existence of a dominant coalition. The presumed absence of a dominant coalition in the other three cases seems a logical consequence, since if there is no significant bargaining among coalitions (see Table 44), there is no need for a dominant coalition to emerge. Furthermore, as was outlined in Section 1.2.4, active owners are by definition in a dominating position. They do not need to participate in a dominant coalition as they might represent the dominant coalition themselves, for example, in the case of a family firm, in which the controlling family might represent a dominant coalition (Zellweger et al., 2013). A statement from the CEO of Building Material Co. seems to support this: “Information is being shared among owners as well. There are owner meetings where they align on things among each other.”

Table 45: Occurrences of category C16 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	0	n/a	0	0	0	0	No evidence of the existence of a dominant coalition
Holding Co.	0	0	0	0	n/a	n/a	No evidence of the existence of a dominant coalition
Manufac-turing Co.	1	n/a	3	0	1	1	Evidence of the existence of a dominant coalition
HR Services Co.	0	0	1	0	n/a	n/a	Limited evidence of the existence of a dominant coalition
Building Material Co.	2	1	2	0	n/a	n/a	Evidence of the existence of a dominant coalition

Based on the interpretation of the case study material, there does not seem to be unambiguous evidence from the five cases whether active owners influence the formation of goals and the resolution of goal conflicts by participating in dominant coalition and bargaining behaviors. The emphasis on socioeconomic goals by active owners, as well as their altruistic feelings and affective emotions, seems to lead to a preference for harmony and avoidance of confrontation, which in turn seems to hinder bargaining behaviors. If no significant bargaining is occurring among coalitions, there is no need for a dominant coalition to emerge.

5.3.4 Summary of organizational decision-making propositions

This section summarizes the conclusions and implications relating to the organizational decision-making propositions from the analyses of the five case studies.

Sections 5.3.1–5.3.3 analyzed and interpreted the key concepts and mechanisms of organizational decision-making applying qualitative content analysis (Mayring, 2014). In order to apply these concepts to the particular research question related to active owners, Propositions 5–7 were framed in Section 2.3 and operationalized in Section 3.1.5 in the form of categories to be used for the qualitative content analysis. Finally, in Sections 5.3.1–5.3.3, those codings were analyzed and interpreted.

Table 46 provides an overview of the conclusions and implications related to Propositions 5–7, based on the analyses of the five case studies conducted in Sections 5.3.1–5.3.3. For one of those propositions related to organization decision-making (Proposition 6), the five case studies seem to provide enough supporting evidence. Proposition 5 must be revised based on the evidence gained during the five case studies. For one proposition related to decision-making (Proposition 7), not enough supporting evidence was identified, and the proposition must be abandoned for the revised conceptual framework.

Table 46: Overview conclusions for Proposition 5 to 7

Proposition	Conclusions	Implication
Proposition 5 ("aspiration levels"): Active owners influence the determination or adaptation of aspiration levels in organizations.	Lack of unambiguous evidence for Proposition 5 ("aspiration levels") provided by the five case studies. Can be explained as a contrasting result to the initial proposition, predicted by recent research that active owners influence satisficing behavior through their communication focus on socioemotional wealth	*Reframe* the proposition in regards to satisficing through communication focus as part of the revised conceptual framework: *Proposition 5 revised ("satisficing"):* Active owners influence satisficing behaviors in organizations through their communication focus on socio-emotional wealth
Proposition 6 ("decision rules"): Active owners influence the process of defining, confirming, or changing decision rules.	Supporting evidence provided by the five case studies for Proposition 6 ("decision rules")	*Keep* the proposition as part of the revised conceptual framework
Proposition 7 ("dominant coalition"): Active owners are part of dominant coalitions and contribute to goal formation by participating in political bargaining in companies.	Not enough supporting evidence provided by the five case studies for Proposition 7 ("dominant coalition")	*Remove* the proposition as part of the revised conceptual framework

To summarize, Proposition 6 can be retained as part of the revised conceptual framework, as the five case studies seem to provide enough supporting evidence. Proposition 7 must be discarded for the revised framework, given that not enough evidence was found during this specific case study research. Based on the evidence from the five cases, Proposition 5 must be modified and re-focused on satisficing for the revised framework.

5.4 Organizational social capital propositions (Propositions 8–10)

In this chapter, the output of the category assignment related to the Propositions 8–10, covering organization social capital, the third building block of the behavioral framework of active ownership, is interpreted.

As described in detail in Section 2.4, this building block explores how active owners shape the development of organizational social capital in their companies (structural dimension), how active ownership behaviors impact collective trust (relational dimension), and how active owner behaviors contribute to building a collective goal orientation as well as a shared language (cognitive dimension).

5.4.1 Proposition 8 ("interpersonal relationships")

This section interprets the output of the category assignment related to Proposition 8 ("interpersonal relationships") for all five case studies.

As outlined in Section 2.4.1, social capital in privately held firms with active ownership arises from the relationships of the active owners with internal stakeholders (structural dimension), such as employees and managers across all hierarchical layers, as well as from the relationships with customers, suppliers, banks, or governmental bodies (Arregle et al., 2007).

Proposition 8 ("interpersonal relationships"): Through active ownership behavior as well as formal and informal interactions, owners build and maintain a stable network of strong interpersonal relationships with managers and all other employees, as well as with external stakeholders.

Nahapiet and Ghoshal (1998, p.244) identified three central dimensions of social capital: "structural, relational, and cognitive." This section covers the structural dimension of social capital, which describes the "overall pattern of connections between actors" (Nahapiet & Ghoshal, 1998, p.244).

To find supporting evidence of whether and how owners foster interpersonal relationships, the category listed in Table 47 was defined, and the transcribed interviews of the five case studies were coded accordingly.

Table 47: Categories relating to Proposition 8 ("interpersonal relationships")

#	Name of category	Definition	Coding rule
C18	Interpersonal relationships with management exist	A strong, deep, or close association or acquaintance between the owner and one or more senior managers.	Examples of how owners build, foster, or maintain trusting interpersonal relationships with senior management.
C19	Interpersonal relationships with employees exist	A strong, deep, or close association or acquaintance between the owner and one or more employees at different levels of the company.	Examples of how owners build, foster, or maintain trusting interpersonal relationships with employees at different levels of the company.
C20	Interpersonal relationships with stakeholders exist	A strong, deep, or close association or acquaintance between the owner and various external stakeholders.	Examples of how owners build, foster, or maintain trusting interpersonal relationships by the owner with various (external) stakeholders.

Table 48 lists quotes from the interviews about the interpersonal relationships of active owners in privately held companies with internal and external stakeholders.

Table 48: Quotes from interviews in relation to interpersonal relationships (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
“It is important for me to send a birthday card to all 15 executive managers. People are usually positively surprised by this.”	Engineer Co.	Owner
“At the same time, social interactions should have room as well- we go and visit a landmark, we eat together, have drinks and have a bit spare time, that is, time for each other.”	Engineer Co.	Owner
“I interact and try to be present in the key associations and political bodies, where I believe that Engineer Co. needs to be represented.”	Engineer Co.	Owner
“He [the owner] also joins us for the office hike/retreat and talks to employees at this occasion. In our firm, every employee can talk to the owner before first informing his or her superior. Moreover, this is ok.”	Engineer Co.	CEO A1
“Regular informal contacts [with management] should always be there.”	Holding Co.	Owner I

"When I visit one of our companies, I go there and speak to the people directly. Communication also works without a strict hierarchy. Of course, as an owner, you must be careful not to interfere with the line management's responsibility directly. You need to have good judgment for this. Fundamentally, we are very non-hierarchical, and everybody can talk to everybody."	Holding Co.	Owner II
"Owner II likes the summer event and ski weekend. He tries to participate every year."	Holding Co.	CEO B
"Furthermore, the personal visits at the different subsidiaries are essential to me. Many of the overseas branches were founded and led by me [the owner]. Two times yearly, there are town hall meetings where I try to take part whenever possible."	Manufacturing Co.	Owner
"My interest in the local community is exemplified by my efforts to raise CHF 3m capital for an ambulant hospital in the area- without any support by the government."	Manufacturing Co.	Owner
"When we visit the subsidiaries, he speaks to the employees where he clearly expresses himself as a family member of the owning family."	Manufacturing Co.	CEO
"I know him [the owner] for 37 years. Hence, I know exactly how he ticks and what are the "no-go."	Manufacturing Co.	CEO
"He talks to employees, approaches them, with their dirty hands, shakes their hands, and tries to relate to them. The employees extremely appreciate this. I think not every owner does this?"	Manufacturing Co.	Division head 1
"He has a smoke in front of the office with the employees. In this sense, he is relatively close to the employees."	HR Services Co.	CEO
"Additionally, I have sat down with them [two of the owners] after the monthly closing, in order to have the family closer to the business and not to experience surprises in the board meetings."	HR Services Co.	CEO
"Last Thursday, I was twelve and a half hours with the employees on the train. I had plenty of time to discuss what is going right; what is going wrong."	HR Services Co.	Owner II
"They [the owners] know many employees and naturally interact with them when they are physically present here."	Building Material Co.	CEO
"Two of the three siblings are physically here today. So, we still appreciate the proximity to the employees a lot. If there is such an event as today, they will see: the owners, the board members, are here."	Building Material Co.	Owner I

As outlined in Section 2.4.1, the assumed drivers of owner-induced development of organizational social capital distinct from the specific privately held company have been identified to be interactions, stability, interdependence between owners and firm, and finally closure of the owners' network (Rau, 2014).

It can be seen in the various quotes how owners in all studied cases contribute to building social capital with their "interactions" with internal as well as external stakeholders. One such example is the owner of Engineer Co., who builds an effective and trustful relationship with his top management team by showing his appreciation on their birthday and by organizing regular top management team retreats where there is much time for social activity and interactions. The owner of Manufacturing Co., meanwhile, travels several weeks a year to be visibly present at subsidiaries and to have interactions with the local employees. The study shows ample evidence that interactions take place in the context of formal occasions, such as town hall meetings, official visits, or management meetings, but also of more informal situations, such as Christmas parties and ski weekends. The evidence indicates that all active owners have very frequent interactions with internal and selected external stakeholders.

The driver "stability" encompasses stable ownership context, ongoing influence, and long-term orientation (Rau, 2014). Several quotes in Table 48 indicate evidence of how the interactions of active owners happen in the context of a stable and long-term oriented ownership content. For instance, the CEO of Manufacturing Co. mentioned how effective his relationship with the owner is because they have known each other professionally for 37 years. Alternatively, the owners of Building Materials Co. know many employees from their many years of service in different roles in the company and hence naturally interact with them whenever they are present at the location of the firm.

As found by Rau (2014), the structural dimension is further influenced by the driver "interdependence between the owners and the firm." There is some empirical evidence of this context. In the case study about Manufacturing Co., for example, the owner conducts significant lobbying (and financing) for a local hospital, and his role of local citizen starts to blur with his reputation as the owner of Manufacturing Co.

Regarding the fourth driver, "closure of the active owner's network," there is only limited evidence from the study. This finding is somehow in line with the finding in Proposition 7 ("dominant coalition") that there does not seem to be unambiguous evidence from the five cases of whether active owners influence the formation of goals and the resolution of goal conflicts by participating in dominant coalitions which represent a possible form of closed networks.

Table 49 to Table 51 shows the occurrences of the category C18 to C20 for owners and managers and gives some support for the interpretation of Proposition 8 (“interpersonal relationships”) in the context of the five case studies.

Table 49: Occurrences of category C18 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	7	n/a	1	3	2	2	Ample evidence of interpersonal relationships between the owner and management
Holding Co.	3	2	2	3	n/a	n/a	Ample evidence of interpersonal relationships between the owner and management
Manufac-turing Co.	3	n/a	4	2	2	2	Ample evidence of interpersonal relationships between the owner and management
HR Services Co.	1	0	2	1	n/a	n/a	Evidence of interpersonal relationships between the owners and management
Building Material Co.	0	2	1	0	n/a	n/a	Limited evidence of interpersonal relationships between the owners and management

Evidence from the interpretation of Table 49 to Table 51 seems to support in particular the presence of interpersonal relationships between the owners and their managers (category C18) and between owners and employees (category C20). This overall ample evidence of interpersonal relationships between owners and managers, as well as the broader base of employees, confirms the finding of related prior research that privately held companies, such as family firms, with ownership stability across multiple generations, tend to be skilled at developing trusted, long-term relationships (Gedajlovic & Carney, 2010).

Table 50: Occurrences of category C19 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	8	n/a	2	5	4	3	Ample evidence of interpersonal relationships between owners and employees
Holding Co.	2	1	2	4	n/a	n/a	Ample evidence of interpersonal relationships between owners and employees
Manufac-turing Co.	1	n/a	4	1	2	3	Ample evidence of interpersonal relationships between owners and employees
HR Services Co.	2	5	5	2	n/a	n/a	Ample evidence of interpersonal relationships between owners and employees
Building Material Co.	1	3	3	1	n/a	n/a	Ample evidence of interpersonal relationships between owners and employees

However, there is limited evidence of an interpersonal relationship with external stakeholders (category C20), which might be influenced by the context of the interviews, in which the focus was, in general, very much placed on intra-organizational aspects. Based on this, a slight modification for Proposition 8 is proposed ("interpersonal relationships"), that is, dropping the aspect of external stakeholders:

> *Proposition 8 revised ("interpersonal relationships"): Through active ownership behavior as well as formal and informal interactions, owners build and maintain a stable network of strong interpersonal relationships with managers and all other employees.*

Table 51: Occurrences of category C20 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	1	n/a	0	1	0	1	Limited evidence of interpersonal relationships between owners and external stakeholders
Holding Co.	1	0	2	0	n/a	n/a	Limited evidence of interpersonal relationships between owners and external stakeholders
Manufac-turing Co.	1	n/a	1	0	0	1	Limited evidence of interpersonal relationships between owners and external stakeholders
HR Services Co.	0	0	1	0	n/a	n/a	Limited evidence of interpersonal relationships between owners and external stakeholders
Building Material Co.	1	1	0	0	n/a	n/a	Limited evidence of interpersonal relationships between owners and external stakeholders

Based on the interpretation of the case study material, there seems to be ample evidence that owners build and maintain a stable network of strong interpersonal relationships with managers and all other employees through formal and informal interactions. There is ambiguous evidence from the five cases about the interactions of active owners with external stakeholders. Evidence from the interpretation seems to indicate further that this owner-induced generation of organizational social capital is driven by two elements of the structural dimension of social capital: formal and informal interactions of active owners with management and employees and a stable ownership context in which those interactions are embedded.

5.4.2 Proposition 9 ("collective trust")

This section interprets the output of the category assignment related to Proposition 9 ("collective trust") for all five case studies.

As outlined in Section 2.4.2, collective trust is a central concept in the context of organizational social capital. Trust is the component of organizational social capital that enables participants in an organization to work together (Leana & Van Buren, 1999). According to Davis and Bartkus (2009), collective trust can be defined as the collective willingness of employees to be vulnerable to the actions of that group and to assume risks, even if they do not know all the other employees involved and even if the actions of other employees cannot be monitored.

Proposition 9 ("collective trust"): In companies with high levels of active ownership behavior, the level of collective trust observed is high.

Controversy exists concerning the connection between trust and organizational social capital and whether it is an antecedent or an outcome of social capital or even essentially the same thing (Adler & Kwon, 2002; Cohen & Prusak, 2001; Davis & Bartkus, 2009; Nahapiet & Ghoshal, 1998; Putnam, 1995). As mentioned in Section 2.4.2, it is not necessary for this thesis to take a position, as all three explanations can potentially be useful to explore how active owners and their respective behaviors contribute to trusting relationships and the development of collective trust.

To find supporting evidence of whether and how collective trust prevails in companies with high levels of active ownership behavior, the category listed in Table 52 was defined, and the transcribed interviews of the five case studies were coded accordingly.

Table 52: Category relating to Proposition 9 ("collective trust")

#	Name of category	Definition	Coding rule
C21	High level of collective trust prevails	Willingness and ability within the organization to trust each other irrespective of whether one is known to each other or not.	Notions of trust in general and in the interactions of the people among each other in the organization.

Table 53 lists quotes from the interviews about collective trust in privately held companies.

As outlined in Section 2.4.2, three characteristics – ability, benevolence, and integrity – seem to account for most of the variances in trust (Stickel et al., 2010). Ability refers to the skills and competencies that enable a party for a situation or task (Mayer et al., 1995). Ability is, for instance, reflected in the quote of the owner of Engineer Co. that "Everybody has his area of responsibility, and this is as big as possible as one has trust in each other." This concept can only work if managers are appointed who have the skills, competence, and experience to take charge of such large areas of responsibility.

Integrity, the second characteristics explaining variance in trust in organizations, is "the perception that the trusted party follows a set of values that the trusting party accepts" (Stickel et al., 2010, p. 307). The implicit understanding that the owners must disseminate and communicate a generally accepted set of values can be found in the following quote of the owner of Engineer Co., who mentions that "trust needs to be earned, and I believe it is a big challenge for a larger family business that the owners create enough proximity so that employees can feel the collective trust." In other words, the stable ownership context ("needs to be earned") and the proximity to the employees is the foundation for this perception that the trusted party, that is, the owners, follows a set of values that the trusting party, that is, the employees, accepts (Stickel et al., 2010, p. 307). CEO A of Holding Co. states that "it is a culture where everybody trusts one another." Hence, the collective acceptance of this set of values has become systemic since it is seen as part of the cultural signature of Holding Co.

Table 53: Quotes from interviews in relation to collective trust (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
"You have to build great trust from the project managers up to the executive board. Everybody has his area of responsibility, and this is as big as possible as one has trust in each other."	Engineer Co.	Owner
"Trust needs to be earned, and I believe it is a big challenge for a larger family business that the owners create enough proximity so that employees can feel the collective trust."	Engineer Co.	Owner
"Our culture is built on the term 'trust.'"	Engineer Co.	Owner
"This is a fully trustworthy relationship. And mutual respect."	Engineer Co.	CEO A1
"It is a culture where everyone trusts one another."	Holding Co.	CEO A
"I believe in what is being said: control is good, trust is better."	Holding Co.	CEO A
"Mutual trust is important to me, and I foster trustworthy relationships with my managers."	Manufacturing Co.	Owner
"This results in openness in dealing with problems. It is not necessary to create lies and beat around the bush."	Manufacturing Co.	CEO
"I received much trust. I did not have to answer every Friday night the questions where do we stand."	HR Services Co.	CEO

"Trust is also shown by the fact that despite difficult times, significant investments are being made."	Building Material Co.	CEO
"In our company, we approach things with trust."	Building Material Co.	CFO

Benevolence is "the perception that the trustee cares about the trustor. It depicts the extent to which a party believes that a trustee has the trustor's best interest at heart and would go out of their way the help the trustor" (Stickel et al., 2010, p. 307). The CEO of Building Material Co. trusts that the owners care about the long-term development of the company and the wellbeing of the employees by investing for the future, even though it might be countercyclical with the current economic environment: "Trust is also shown by the fact that despite difficult times significant investments are being made." As mentioned in Section 2.4.2, the notion of vulnerability in the definitions of trust captures the very essence of trust (Bigley and Pierce 1998, in: Steier & Muethel, 2014). The following quote of the CEO of Manufacturing Co. exemplifies how vulnerability refers to the willingness to make one's self vulnerable and depends on the perceived trustworthiness of the other party (Steier & Muethel, 2014). "This results in openness in dealing with problems. It is not necessary to create lies and beat around the bush."

Table 54 shows the occurrences of the category C21 for owners and managers and give some support for the interpretation of Proposition 10 ("collective trust") in the context of the five case studies.

As the interpretation of Table 54 indicates, there seems to be evidence of collective trust in all five cases. While there is ample or sufficient evidence of a high level of collective trust at Engineer Co., Holding Co., Manufacturing Co., and Building Material Co., there is less robust evidence of high levels of collective trust at HR Services Co. This could potentially be related to the disruption of repeated relations with the owners and by three CEO changes in less than ten years. The following quote from owner 2 provides evidence of this: "For managers who have joint recently, and who also came because of the leaving CEO, with these you have to spend some time and discuss. You have to tell them that it is not because he is leaving that anything has changed." According to Ensminger (2001), repeated relations, enabled by the stability of the ownership situation, often increase trust.

Table 54: Occurrences of category C21 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	9	n/a	6	2	10	4	Ample evidence of a high level of collective trust
Holding Co.	0	1	6	5	n/a	n/a	Ample evidence of a high level of collective trust
Manufac-turing Co.	2	n/a	1	0	1	0	Evidence of a high level of collective trust
HR Services Co.	0	0	1	0	n/a	n/a	Limited evidence of a high level of collective trust
Building Material Co.	0	1	4	2	n/a	n/a	Ample evidence of a high level of collective trust

Based on the interpretation of the case study material, there seems to be ample evidence that in companies with high levels of active ownership behavior, observed collective trust is high. Evidence from the interpretation seems to indicate further that the three characteristics ability, benevolence, and integrity, which seem to account for most of the variances in trust, are relevant in the context of companies with active owners as well.

5.4.3 Proposition 10 ("shared language and interpretation")

This section interprets the output of the category assignment related to Proposition 10 ("shared language and interpretation") for all five case studies.

As outlined in Section 2.4.3, the cognitive dimension of social organizational capital encompasses the organization's shared purpose and vision, as well as the distinctive language, narratives, and collective culture (Pearson et al., 2008, p. 957). Shared interpretation and language among individuals of an organization is a central concept of organizational social capital.

Proposition 10 ("shared language and interpretation"): In companies with active owners, managers and owners share a common language and express a shared vision and collective goals for the business.

The shared language can facilitate the ability of individuals to gain access to other individuals and their information (Nahapiet & Ghoshal, 1998). Language is a central element of interpersonal relationships, as it provides a shared channel to exchange information and knowledge (Lou, 2015).

To find supporting evidence of whether and how managers and owners share a common language and express a shared vision and collective goals for companies with substantial ownership activity levels, the categories listed in Table 55 were defined, and the transcribed interviews of the five case studies were coded accordingly.

Table 55: Categories relating to Proposition 10 ("shared language and interpretation")

#	Name of category	Definition	Coding rule
C22	Shared understanding of vision and collective goals exists	Same understanding of the vision and the goals to be achieved shared by managers/employees/ owners.	Views of what the vision and goals of the company or the owners are similar among managers and between owners and managers.
C23	Shared language influenced by owners exists	Collective use of a shared language that was created or influenced by the owner.	Specific words that are creations only existing or only used in the context of this specific company and that are created or whose use is encouraged by the owner.

Table 56 lists quotes from the interviews about shared language and shared interpretation in privately held companies.

Table 56: Quotes from interviews in relation to shared language and interpretation (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
"He [CEO A1] fully identifies himself with our vision and objectives and tries to live and implement them as much as possible in his daily work."	Engineer Co.	Owner
"We have a well-knowing saying: face-mail instead of email."	Engineer Co.	CEO A1
"In our "red booklet" about our culture which was strongly influenced by our owners, we have the well-known saying: with each other – for each other."	Engineer Co.	CEO A1
"We had a shared understanding that we would do everything not to have to lay-off any staff for economic reasons."	Engineer Co.	Former CEO
"As the owners, I also think that it is important that we are stable and we remain independent."	Holding Co.	CEO A
"We have a well-known saying which you might hear from my boss [the owner] as well- the cell division principle is the only organizational principle which allows for sustainable growth."	Manufacturing Co.	CEO
" . . . and there it is somehow similar. The small cellular organizational units." (Referring to one of the main principles of the owner)	Manufacturing Co.	Division head 1
"But I think we [himself and the owner] were implicitly aligned there. We said, 'it is a business of advice, service, and trust.'"	HR Services Co.	CEO
"We realized that there is a specific term used in the whole company for the KPI of incoming orders."	Building Material Co.	CFO
"I could feel that the owners put a high emphasis on selecting key people with a shared understanding of the normative level."	Building Material Co.	CFO

Table 56 lists some examples for a shared understanding of the vision and collective goals. For instance, the owner of Engineer Co. stated that "He [CEO A1] fully identifies himself with our vision and objectives and tries to live and implement them as much as possible in his daily work as a CEO." Similarly, a quote by the former CEO indicates a shared understanding between owners and management at Engineer Co.: "We had a shared understanding that we would do everything not to have to lay-off any staff for economic reasons." Quotes from the other case studies point in the same direction: "As the owners, I also think that it is important that we are stable and we remain independent," or "I could feel that the owners put high emphasize on selecting key people with shared understanding on the normative level."

Furthermore, Table 56 also lists some examples from the five case studies of shared language influenced by the owners. For example, in the case of Engineering Co., the "red booklet" describes a booklet about the cultural signature of the company. This term was mentioned in several interviews. Alternatively, in the case of Building Material Co., the CFO mentioned his surprise when he came across an invented term for "incoming order," which he had not heard before but which was widely used throughout the company. As mentioned in Section 2.4.3, language is a central element of interpersonal relationships, and such common terms can facilitate the ability of individuals to gain access to other individuals and their information (Nahapiet & Ghoshal, 1998).

Beyond the existence of such shared terminology, the existence of shared narratives, such as stories, myths, and metaphors, can also provide powerful means in companies "for creating, exchanging, and preserving rich sets of meanings" (Nahapiet & Ghoshal, 1998, p. 254). An example of such a metaphor can be found in the case study on Manufacturing Co. There were several references to an analogy with nature when it comes to the organizational principle of giving full autonomy to small organizational units. The owner calls it the principle of "cell division," and several managers referred in the interviews to this metaphor as well. In the same case study, a story about the owner and how he pays unannounced visits during the night to the main factory in Switzerland was mentioned more than once.

Table 57 and Table 58 show the occurrences of categories C22 and C23 for owners and managers and give some support for the interpretation of Proposition 11 ("shared language and interpretation") in the context of the five case studies.

As the interpretation of Table 57 indicates, there seems to be some evidence in all case studies that a shared understanding of the vision and collective goals exist. As Lou (2015) points out, establishing a shared purpose and vision is essential to a privately owned firm's long-term development, as such a purpose and vision guides owners and managers in resource allocation and strategic decisions on the financial business goals and the owner-induced socioemotional goals. In the case of Engineer Co., there is evidence of this context. It can be exemplified by a quote of the owner, as listed in Table 56: "He [CEO A1] fully identifies himself with our vision and objectives and tries to live and implement them as much as possible in his daily work as a CEO." Furthermore, according to prior research, in cases in which there is ample evidence of a shared understanding of the vision and collective goals, this shared understanding helps "align the values, goals, and identity of a family with those of the business" (König et al., 2013, p. 421). Indeed, this relation is exemplified by a quote of a manager of Engineer Co., who mentioned that "one always talks about 'us' – 'us' meaning that everybody is part of Engineer Co., but also that everybody is also part of the owner family, to a certain degree."

Table 57: Occurrences of category C22 for all five cases

Case	Owner		Manager				Interpretation
	I	**II**	**I**	**II**	**III**	**IV**	
Engineer Co	1	n/a	6	4	1	1	Ample evidence of the existence of a shared understanding of the vision and the collective goals
Holding Co.	0	0	6	0	n/a	n/a	Evidence of the existence of a shared understanding of the vision and the collective goals
Manufac-turing Co.	0	n/a	5	0	1	1	Ample evidence of the existence of a shared understanding of the vision and the collective goals
HR Services Co.	0	0	1	0	n/a	n/a	Limited evidence of the existence of a shared understanding of the vision and the collective goals
Building Material Co.	1	0	2	2	n/a	n/a	Evidence of the existence of a shared understanding of the vision and the collective goals

The interpretation of Table 58 does not seem to indicate enough evidence of a strong link between active owners and the occurrence of shared language influenced by the owners. As the respective category did not cover a shared language as such, but more specifically, a shared language influenced by owners, this should not be interpreted as evidence of a general lack of common terminology or narratives at the studied companies. Hence, given the collected evidence, the proposition must be modified and re-focused to a shared vision and collective goals for the revised framework:

Proposition 10 revised ("shared vision and goals"): In companies with active owners, managers and owners express a shared vision and collective goals for the business.

Table 58: Occurrences of category C23 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	0	n/a	2	1	1	1	Evidence of the existence of a shared language influenced by the owner
Holding Co.	0	0	0	0	n/a	n/a	No evidence of the existence of a shared language influenced by the owner
Manufac-turing Co.	0	n/a	2	0	1	0	Limited evidence of the existence of a shared language influenced by the owner
HR Services Co.	0	0	0	0	n/a	n/a	No evidence of the existence of a shared language influenced by the owner
Building Material Co.	1	0	0	1	n/a	n/a	Limited evidence of the existence of a shared language influenced by the owner

Based on the interpretation of the case study material, there is evidence in companies with active owners that managers and owners express a shared vision and collective goals for the business. Evidence from the interpretation seems to indicate, that establishing a shared purpose and vision helps "align the values, goals, and identity of a family with those of the business" (König et al., 2013, p. 421) and that it guides owners and managers in resource allocation or making strategic decisions regarding the financial business goals as well as the owner-induced socioemotional goals. However, there does not seem to be unambiguous evidence that managers and active owners share a common language influenced by owners.

5.4.4 Summary of organizational social capital propositions

This section summarizes the conclusions and implications relating to the organizational social capital propositions from the analyses of the five case studies.

Sections 5.4.1–5.4.3 analyze and interpret the key concepts and mechanisms of organizational social capital applying qualitative content analysis (Mayring, 2014). To apply these concepts to the particular research question related to active owners, Propositions 8–10 were framed in Section 2.4 and operationalized in Section 3.1.5 in the form of categories to be used for the qualitative content analysis. Finally, in Sections 5.4.1–5.4.3, those codings were analyzed and interpreted.

Table 59 provides an overview of the conclusions and implications related to Propositions 8–10 based on the analyses of the five case studies in Sections 5.4.1–5.4.3.

Table 59: Overview conclusions for Proposition 8 to 10

Proposition	Conclusions	Implication
Proposition 8 (“interpersonal relationships”): Through active ownership behavior as well as formal and informal interactions, owners build and maintain a stable network of strong interpersonal relationships with managers and all other employees, as well as with external stakeholders.	Ample supporting evidence provided by the five case studies for Proposition 8 (“interpersonal relationships”) for managers and employees, more ambiguous supporting evidence of external stakeholders	*Reframe* the proposition and drop external stakeholders from the proposition based on ambiguous evidence: *Proposition 8 revised (“interpersonal relationships”):* Through active ownership behavior as well as formal and informal interactions, owners build and maintain a stable network of strong interpersonal relationships with managers and all other employees.
Proposition 9 (“collective trust”): In companies with high levels of active ownership behavior, observed collective trust is high.	Ample supporting evidence provided by the five case studies for Proposition 9 (“collective trust”)	*Keep* the proposition as part of the revised conceptual framework
Proposition 10 (“shared language and interpretation”): In companies with active owners, managers and owners share a common language and express a shared vision and collective goals for the business.	Supporting evidence provided by the five case studies for “shared interpretation” in Proposition 10, i.e., shared vision and collective goals for the business. No unambiguous supporting evidence of “shared language” in Proposition 10.	*Reframe* the proposition focusing on a shared vision and collective goals *Proposition 10 revised (“shared vision and goals”):* In companies with active owners, managers and owners express a shared vision and collective goals for the business.

For one proposition related to organization social capital (Proposition 9), the five case studies seem to provide ample supporting evidence, while for two organizational social capital–related propositions (Propositions 8 and 10), enough supporting evidence could only be identified for part of the proposition, that is, interpersonal relationships with employees on different levels in Proposition 8 and shared vision and collective goals in Proposition 10. For the aspect of interpersonal relationships with external stakeholders, and shared language, respectively, not enough supporting evidence could be identified.

To summarize, Proposition 9 can be kept unchanged as part of the revised conceptual framework, as the five case studies seem to provide enough supporting evidence. Based on the evidence from the five cases, Propositions 8 and 10 must be modified and re-focused for the revised framework to the aspects of interpersonal relationships with managers and employees for Proposition 8 and shared vision and collective goals for Proposition 10.

5.5 Organizational identity propositions (Propositions 11–12)

In this section, the output of the category assignment related to Propositions 11–12 is interpreted, covering organizational identity, the third building block of the behavioral framework of active ownership.

As described in detail in Section 2.5, organizational identity as a concept is defined as the members' collective understanding of the central, distinct, and enduring attributes of an organization that distinguishes it from other organizations (Gioia et al., 2000; Whetten et al., 2014; Whetten, 2006). This building block explores how the overlap of the identity of the owners and that of the organization leads to a high degree of alignment and to a sense of belonging on the part of the employees as well as how active owners' identity and firm identity are linked to corporate reputation.

5.5.1 Proposition 11 ("identity fit")

This section interprets the output of the category assignment related to Proposition 11 ("identity fit") for all five case studies.

As outlined in Section 2.5.1, in privately held companies, two identities usually overlap: the identity of the company and the identity of the owners (Shepherd & Haynie, 2009; Zellweger et al., 2013). The benefits of organizational identity encompass identification and sense of belonging of key stakeholders, in particular employees and managers, with the values and beliefs of the company.

Proposition 11 ("identity fit"): In firms in which owners are visible through their active and frequent participation as well as open communication, managers have adopted to a high degree the central, distinct, and enduring values or beliefs and express a sense of belonging and identification.

In other words, this collective understanding about the central, distinct and enduring attributes that distinguishes an organization from others (Gioia et al., 2000; Whetten et al., 2014; Whetten, 2006) describes the collective understanding of the members of an organization about "who we are as an organization" (Albert & Whetten, 1985; Whetten, 2006).

To find supporting evidence of whether the category listed in Table 60 was defined, and the transcribed interviews of the five case studies were coded accordingly.

Table 60: Category relating to Proposition 11 ("identity fit")

#	Name of category	Definition	Coding rule
C24	High organizational identification and sense of belonging displayed	Managers are very familiar with the norms and values of the owners and identify themselves with them.	Both aspects must be detected: (I) Familiarity with and understanding of norms and values of the owners and (II) a high degree of identification with those norms and values.

Table 61 lists quotes from the interviews about shared language and shared interpretation in privately held companies.

Table 61: Quotes from interviews in relation to identity fit (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
"He [CEO A1] fully identifies himself with our values."	Engineer Co.	Owner
"This [the behavior of taking care of seriously sick employees] builds trust and a sense of belonging. These people stay with us; they are grateful and motivated in a very different way to work for us."	Engineer Co.	Owner
"And this [a movie about the culture] is for the employees a big step in building identification; it is something very good."	Engineer Co.	CEO A1
"I can say that I highly identify myself with the values and my colleagues in the executive team, and I see them as the core ground for our actions."	Engineer Co.	CEO A1
"We have a high degree of identification in our companies, a high identification of the management and the employees with the company, and ultimately with the owners as well."	Holding Co.	Owner I
"I think that an important aspect is the fact that I have adopted the DNA of the owner to a large part."	Holding Co.	CEO A
"I identify myself fully with the federalist organization principle of the owner."	Manufacturing Co.	CEO
" . . . we have a lot of motivation with our employees, and maybe it also the pride being part of a quite autonomous subsidiary and there being a kind of their own entrepreneur."	Manufacturing Co.	Division head 1
"I see it [the family ownership] a way to differentiate in employer branding but also a way to foster identification of the employees."	HR Services Co.	CEO
" . . . and then this identification. It probably is related that I like to know for whom they work and what values this person has."	Building Material Co.	Owner I
"Many long-term employees could enjoy steady growth under the leadership of this family. There is really a high identification."	Building Material Co.	CEO

As the examples in Table 61 indicate, the high level of identification is emphasized in several quotes. For instance, in the case of Holding Co., "We have a high degree of identification in our companies, a high identification of the management and the employees with the company and ultimately with the owners as well." As outlined above, owners, who interact and communicate frequently, contribute to the creation of a shared understanding and alignment among the members of the organization about what are the central, distinct, and enduring values and beliefs (Zellweger et al., 2010).

Evidence of a shared understanding about what these central values are can be found in a quote from the CEO A1 of Engineer Co.: "I can say that I highly identify myself with the values and my colleagues in the executive team and I see them as the core ground for our acting." This exemplifies what is meant by central: Identity is concerned with things that are core rather than peripheral (Whetten et al., 2014, p. 482). Evidence of the occurrence of a collective understanding of distinct attributes as the foundation of organizational identity can be found in the following quote of the CEO of HR Services Co.: "I see it [the family ownership] as a way to differentiate in employer branding but also a way to foster identification of the employees." In other words, distinct means that identity consists of a set of core characteristics that make an organization both like and different from others (Whetten et al., 2014, p. 482), which is in particular important for employer branding. Finally, the following quote from the CEO 1 of Holding Co. exemplifies a collective understanding of enduring attributes, with identity focused on those things that endure over time (i.e., the "DNA") rather than those that are only temporary (Whetten et al., 2014, p. 482): "I think that an important aspect is the fact that I have adopted the DNA of the owner to a large part."

A quote of the owner of Engineer Co. exemplifies the findings from prior research that active participation and open communication by the owners builds identification and commitment and foster a sense of belonging among managers and employees (Smidts, Pruyn, et al. 2001, in: Zellweger et al., 2010): "This [the behavior of taking care of seriously sick employees] builds trust and a sense of belonging. These people stay with us; they are grateful and motivated in a very different way to work for us."

Table 62 shows the occurrences of the category C24 for owners and managers and gives some support for the interpretation of Proposition 11 ("identity fit") in the context of the five case studies.

The evidence from the interpretation of Table 62 seems to indicate that there is high organizational identification and a sense of belonging displayed in companies with active owners. According to prior research, this adoption of the firm identity by the members of the organization also ensures that the ideas, beliefs, and capabilities of owners and managers are combined and aligned (Zellweger et al., 2010). The available evidence from the combined interpretation of the occurrence table for C24, in which one of the coding rules was the “familiarity with and understanding of norms and values of the owners,” and the quotes from the transcribed interviews seems to indicate that managers are aligned with the beliefs and values of the owners. Only in the case of HR Services Co. evidence of the proposed identity fit was limited. A possible explanation could be that if the family does not express the owner's identity distinctively enough, no identify fit can occur. However, the interpretation of C3 (“owner identity is visible”) in Table 15 (“occurrences of category C3 for all five cases“) does not confirm this assumption. Hence, there is no available evidence from prior research for why the case of HR Services represents an exception compared to the other four cases concerning category C24.

Table 62: Occurrences of category C24 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	4	n/a	6	3	1	4	Ample evidence of an identity fit between owners and management
Holding Co.	3	0	12	0	n/a	n/a	Ample evidence of an identity fit between owners and management
Manufac-turing Co.	1	n/a	4	0	1	1	Ample evidence of an identity fit between owners and management
HR Services Co.	0	0	1	0	n/a	n/a	Limited evidence of an identity fit between owners and management
Building Material Co.	3	1	4	1	n/a	n/a	Ample evidence of an identity fit between owners and management

Based on the interpretation of the case study material, there seems to be ample evidence of an identity fit or, in other words, evidence of the relation between active owners who are visible and managers who have adopted the values or beliefs to a high degree and express a sense of belonging and identification. Evidence from the interpretation seems to indicate further that these values are the central, distinct, and enduring values of an organization.

5.5.2 Proposition 12 ("image and reputation")

This section interprets the output of the category assignment related to Proposition 12 ("image and reputation") for all five case studies.

As outlined in Section 2.5.2, organizational identity is, among other things, constructed through processes of interactions with outsiders, such as customers, competitors, regulatory institutions. (Gioia et al., 2000). Key elements of those interactions with stakeholders outside the firm are reputation and image. Hence, owners who identify themselves with their firm are "concerned about the overall impression the company makes on […] stakeholders" (Zellweger et al., 2013, p. 6), and about their firm's reputation.

Proposition 12 ("image and reputation"): Active owners show a high level of concern for corporate reputation and image, resulting in visible efforts at the firm-level for socially responsible practices to the benefit of various stakeholders.

This owner-induced corporate reputation concern leads to active owner behaviors aiming to establish and maintain a favorable corporate reputation by having the firm and its management follow sustainable business practices (Zellweger et al., 2013).

To find supporting evidence of whether active owners show a high level of concern for corporate reputation, as well as visible efforts for socially responsible practices, the category listed in Table 63, was defined, and the transcribed interviews of the five case studies were coded accordingly.

Table 63: Category relating to Proposition 12 ("image and reputation ")

#	Name of category	Definition	Coding rule
C25	High desire to protect reputation and image	Owners show great concern for reputation and image related to both the business and themselves.	Visible efforts at the firm level for socially responsible practices to the benefit of various stakeholders exist in the company.

Table 64 lists quotes from the interviews about active owners' concern for corporate image and reputation and related efforts for socially responsible practices.

Table 64: Quotes from interviews in relation to active owners' concern for corporate image and reputation (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
"We act responsibly because the risk for a loss of reputation damage is ultimately with the family."	Engineer Co.	Owner
"Very important for the family are practices which show our competence to the outside world – our reputation."	Engineer Co.	Owner
"Even though we are working in the field of renewables, we do not allow ourselves to be exploited by politics – I would never express myself as a CEO with political opinions in this area."	Engineer Co.	CEO
"Our brand [family names] has a reputation for reliability and trustworthiness. Moreover, this image is, of course, very important in our market of intellectual services."	Engineer Co.	Former CEO
"Brand is very important to him [the owner], and that one presents himself appropriately."	Manufacturing Co.	division head 1
"So, he is of course exposed, like in a shop window. He is an entrepreneur and deeply rooted in the local community."	Manufacturing Co.	division head 2
"We speak in public about risk management, also in the context of reputation."	HR Services Co.	CEO
"Others move their production out of Switzerland, and we invest in local production. This sends a visible signal of security to existing and potential employees."	Building Material Co.	Owner I

As the examples in Table 64 indicate that there is a common notion of concern for reputation. For example, the owner of Engineer Co. explains responsible acting as a way to mitigate the risk of reputation loss for the family: "We act responsibly because the risk for a loss of reputation damage is ultimately with the family." The owner of Manufacturing Co. seems to be perceived as exposed to reputation risks, in particular, due to his commitment to the local community: "So he is of course exposed, like in a shop window. He is an entrepreneur and deeply rooted in the local community" (division head 2). As outlined in Section 2.5.2, those reputation concerns are usually related to the fear that reputation damages of the firm would lead to reputation damages for the owner.

Zellweger et al. (2013, p. 6) provide a concise explanation for how those concerns form:

> Organizational reputation is comprised of the stakeholders' perceptions of the firm, its products, strategies, and employees. Therefore, an organizational identity may be transferred into corporate reputation when attributes of

organizational identity become so widely accepted among the constituents of a firm that they are largely taken for granted (Scott & Lane, 2000).

This idea of stakeholder's perception is exemplified by a quote of the CEO of Engineer Co.: "Even though we are working in the field of renewables, we do not allow ourselves to be exploited by politics – I would never express myself as a CEO with political opinions in this area." "Organizational identity provides the context within which nonfamily stakeholders interpret and assign meaning to firm behavior (Ravasi & Schultz, 2006) and ultimately define its organizational reputation" (Zellweger et al., 2013, p. 6). In this context, the notion of branding as an essential manifestation of nonfamily stakeholders' interpretation of firm behaviors was brought up, for instance, by the division head of Manufacturing Co.: "Brand is very important to him [owner], and that one presents himself appropriately."

Table 65 shows the occurrences of the category C25 for owners and managers and gives some support for the interpretation of Proposition 12 ("image and reputation") in the context of the five case studies.

The interpretation of Table 65 seems to indicate in two of the five cases ample evidence of a high desire by active owners to protect reputation and image with visible efforts of socially responsible practices. In other words, in these two cases, it seems that owner-induced corporate reputation concern leads to active owner behaviors aiming at establishing and maintaining a favorable corporate reputation by having the firm and its management follow sustainable business practices (Zellweger et al., 2013). Those sustainable business practices and the pursuit of non-financial, owner identity–linked goals at the firm level seem to "establish an extended family of stakeholders who support the principles" (Zellweger et al., 2010, p. 59) of the firm.

Table 65: Occurrences of category C25 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	3	n/a	2	4	0	0	Ample evidence of a high desire to protect reputation and image with visible efforts of socially responsible practices
Holding Co.	0	0	0	0	n/a	n/a	No evidence of a high desire to protect reputation and image with visible efforts of socially responsible practices
Manufac-turing Co.	3	n/a	0	2	1	1	Ample evidence of a high desire to protect reputation and image with visible efforts of socially responsible practices
HR Services Co.	0	0	1	0	n/a	n/a	Limited evidence of a high desire to protect reputation and image with visible efforts of socially responsible practices
Building Material Co.	1	0	0	0	n/a	n/a	Limited evidence of a high desire to protect reputation and image with visible efforts of socially responsible practices

In two of the case studies, there is limited evidence of this relationship, and in one of the case studies, there is even no evidence of a high desire by active owners to protect reputation and image with visible efforts of socially responsible practices. Using a theoretical replication logic, as defined by Yin (2017), it is argued that if these three cases can be explained as contrasting results, predicted by the theory, the evidence from this category is valid for theory building. One possible theoretical explanation predicting these conflicting results seems to be that family-owned private firms are generally said to be trustworthy, good employers, and support good causes (Craig et al., 2008). This positive connotation of a family firm's image might reduce the need for visible efforts of socially responsible practice in order to maintain a favorable corporate reputation (Zellweger, 2017). In fact, for the cases with no or limited evidence, this perceived positive connotation can be found in quotes gathered during the case study research or in public sources. For example, one of the owners of Building Material Co. mentions the positive public reaction to the fact that they decided to keep their production in Switzerland. "Others move their production out of Switzerland, and we invest in local production. This sends a visible signal of security to existing and potential employees." Likewise, in the case of Holding Co., a review of various public sources confirms that the holding's image is clearly positively connotated due to its support of local culture and of wider areas outside its traditional sphere of business.

To reflect the evidence of the literal and theoretical replication logic, the initial Proposition 12 ("image and reputation") must be modified.

> *Proposition 12 revised ("image and reputation"): Unless there is already a publicly visible, positive connotation of the company's image, active owners show a high level of concern for corporate reputation, resulting in visible efforts at the firm level for socially responsible practices to the benefit of various stakeholders.*

Based on the interpretation of the case study material, there seems to be supporting evidence from the five cases that, unless there is already a publicly visible positive connotation of the company's image, active owners show a high level of concern for corporate reputation and image. This results in visible efforts on firm-level for socially responsible practices to the benefit of various stakeholders.

5.5.3 Summary of organizational identity propositions

This section summarizes the conclusions and implications relating to the organizational identity propositions from the analyses of the five case studies.

The preceding sections 5.5.1–5.5.2 analyze and interpret the key concepts and mechanisms of organizational identity applying qualitative content analysis (Mayring, 2014). To apply these concepts to the particular research question related to active owners, Propositions 11–12 were framed in Section 2.5 and operationalized in Section 3.1.5 in the form of categories to be used for the qualitative content analysis. Finally, in Sections 5.5.1 and 5.5.2, those codings were analyzed and interpreted.

Table 66: Overview conclusions for Proposition 11–12

Proposition	Conclusions	Implication
Proposition 11 ("identity fit"): In firms in which owners are visible through active and frequent participation as well as open communication, managers have adopted to a high degree the central, distinct, and enduring values or beliefs and express a sense of belonging and identification.	Ample supporting evidence provided by the five case studies for Proposition 11 ("identity fit")	*Keep* the proposition as part of the revised conceptual framework
Proposition 12 ("image and reputation"): Active owners show a high level of concern for corporate reputation and image, resulting in visible efforts at a firm level for socially responsible practices to the benefit of various stakeholders.	Supporting evidence provided by the five case studies for Proposition 12 ("image and reputation") through literal and theoretical replication	*Reframe* the proposition by adding the aspect that if a publicly visible, positive connotation of the company's image exists, the need of active owners to display a high level of concern for corporate reputation might not be needed: *Proposition 12 revised ("image and reputation"):* Unless there is already a publicly visible, positive connotation of the company's image, active owners show a high level of concern for corporate reputation, resulting in visible efforts at the firm level for socially responsible practices to the benefit of various stakeholders.

Table 66 provides an overview of the conclusions and implications related to Propositions 11 and 12, based on the analyses of the five case studies in Sections 5.5.1 and 5.5.2. For Proposition 11, the five case studies seem to provide ample supporting evidence, while the other organizational identity–related proposition (Proposition 12) required revision. The theoretical replication based on the recent finding that a family firms' positive image connotation might reduce the need for visible efforts of socially responsible practice is reflected in Proposition 12 revised ("image and reputation").

To summarize, Propositions 11 and 12, the latter in a modified version, can be retained as part of the revised conceptual framework, as the five case studies seem to provide enough supporting evidence.

5.6 Performance level proposition (Proposition 13)

In this section, the output of the category assignment related to Proposition 13 covering performance level, an element of the behavioral framework of active ownership, is interpreted.

As described in detail in Section 2.6, the interpretation focuses on the perceived performance level, which indicates that it is not an objective measurement but rather an indication derived from the triangulation of various sources. The building block performance level aims to shed light on how active ownership behaviors (related to decision-making, social capital, and identity) drive (i.e., favorably influence) the perceived performance level.

5.6.1 Proposition 13 ("favorable perception")

This section interprets the output of the category assignment related to Proposition 13 ("favorable perception") for all five case studies.

As outlined in Section 2.6.1, owners might favorably influence organizational performance through their active ownership behaviors. Performance is considered in the broader sense, incorporating both financial and non-financial benefits (Amit & Villalonga, 2014).

Proposition 13 ("favorable perception"): The influence of active owners on the firm's performance level is overall perceived to be favorable by the stakeholders of the privately held company.

This proposition raises the question of where and for what reasons this favorable performance influence is perceived. The three primary research lenses underpinning the conceptual framework, organizational decision-making, organizational social capital, and organizational identity, are used in the following interpretation of the category assignments.

Table 67: Category relating to Proposition 13 ("favorable perception")

#	Name of category	Definition	Coding rule
C26	Non-financial performance is measured	How the company and the owners measure and assess the non-financial performance of the company.	KPIs, that is, means of measuring and assessing how the company is performing in relation to the general/socioemotional goals and objectives and is creating a competitive advantage.
C27	Influence on performance is overall perceived favorable	Perception that the level of success of the company is influenced directly or indirectly by the owners.	Notion that the active owner behaviors directly or indirectly influence the success of the company.

To find supporting evidence of whether the influence of active owners on the firm's performance level is overall perceived to be favorable by the stakeholders of the privately held company, the categories listed in Table 67 were defined, and the transcribed interviews of the five case studies were coded accordingly.

Table 68 lists quotes from the interviews about the favorable perception of performance influence and the measurement of non-financial performance.

Table 68: Quotes from interviews in relation to the favorable perception of active owners' impact on performance (translated by author)

Quote	Case	Source (interview partners as per case description in Section 3.2 / Chapter 4.)
"The stability of the family positively impacts the stability of the company."	Engineer Co.	CEO A2
"I believe that the reasons why we are [financially] pretty successful are that we can fully focus on our daily business. For example, we do not need to create a huge amount of reports to satisfy shareholders."	Engineer Co.	CEO A1
"I do not know myself sometimes what leads to the success of our active approach, but I know that we are satisfied with what we have achieved, and we would like to continue."	Holding Co.	Owner I
"When I took over the company, we had a debt level of twice of our revenues. During the last 40 years, it was possible to grow the company and to make it debt-free. I am very proud of this."	Manufacturing Co.	Owner
"The influence of the owners usually leads to a positive result. We do not have internal politics. This is something very positive."	Manufacturing Co.	CFO

"This shows how long-term oriented one thinks. For example, often when we discuss a larger issue, then he [the owner] says 'Well, you know, 25 years ago we took the wrong decision.' He reflects on his performance – not in the dimension of years but even of decades."	Manufacturing Co.	CFO
"The quantitative targets are important, but the qualitative almost even more important. It was, for example, almost more important to be able to open a new branch in Switzerland than the fact whether this branch would be profitable in four years already."	Building Material Co.	Owner I
"The company has had a fantastic development. This is largely due to the long-term commitment of the three owners during the past many years."	Building Material Co.	CEO

As the examples in Table 68 indicate, there seems to be evidence of the perceived favorable impact of active owners' involvement in decision-making. As mentioned in Section 2.6.1, one commonly perceived disadvantage of publicly listed, non-private companies is that decision-making usually takes a long time and output is very often impacted by political bargaining and power consideration. By contrast, privately owned companies are expected to not need to consider the views and opinions of external investors or analysts and can make decisions quickly and in an undisturbed and non-bureaucratic manner (Zellweger, 2017). The following quotes seem to support this assumption: "I believe that the reasons why we are [financially] pretty successful are that we can fully focus on our daily business. For example, we do not need to create a huge amount of reports to satisfy shareholders" (CEO A1 of Engineer Co.). Moreover, "the influence of the owners usually leads to a positive result. We do not have internal politics. This is something very positive" (CFO of Manufacturing Co.).

The long-term orientation of active owners and their favorable impact on decision-making is reflected in several quotes. For instance, according to the CFO of Manufacturing Co., "This shows how long-term oriented one thinks. For example, often when we discuss a larger issue, then he [the owner] says 'Well, you know, 25 years ago we took the wrong decision.' He reflects on his performance – not in the dimension of years but even of decades." "The company has had a fantastic development. This is largely due to the long-term commitment of the three owners during the past many years" (CEO Building Material). Prior research has described the causal relationship between long-term orientation and influence on performance. Rau (2014) states that this long-term orientation, exemplified by longer CEO tenures, a skilled workforce, enduring relationships, and the financing capacity for long-term oriented investments, results in superior long-term investment decisions regarding related capabilities, such as R&D or brand building.

There seems to be some evidence of favorably perceived performance advantages relating to organizational social capital, that is, to interpersonal relationships and accumulated unique capabilities. In most of the five studied companies, there is a stable ownership background. Stability was mentioned in Section 2.4.1 as a driver of owner-induced development of organizational social capital (Rau, 2014). The resulting enduring and trusted ties lead to more productive relationships with employees but also with customers, suppliers, banks, and other external stakeholders (Zellweger et al., 2010). CEO A2 of Engineer Co. implicitly mentioned the link between a stable ownership context and high-performance levels: "The stability of the family positively impacts the stability of the company."

There seems to be some evidence of favorably perceived performance advantages relating to organizational identity, that is, identity fit and reputational concerns. As described in Section 2.5.2, the reputational concern and the long-term orientation also leads privately owned companies to carefully manage financial resources, which, in turn, raise the trust of customers or banks and may have favorable (financial) performance implications thanks to access to capital at sustainable costs (Craig et al., 2008). This careful management of financial resources is exemplified by a quote of the owner of Manufacturing Co.: "When I took over the company, we had a debt level of twice of our revenues. During the last 40 years, it was possible to grow the company and to make it debt-free."

Table 69 and Table 70 show the occurrences of categories C26 and C27 for owners and managers and provide some support for the interpretation of Proposition 13 ("favorable perception") in the context of the five case studies.

Table 69: Occurrences of category C26 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	3	n/a	1	0	0	2	Evidence of measuring non-financial performance
Holding Co.	0	0	0	0	n/a	n/a	No evidence of measuring non-financial performance
Manufac-turing Co.	2	n/a	2	0	0	0	Evidence of measuring non-financial performance
HR Services Co.	0	0	0	0	n/a	n/a	No evidence of measuring non-financial performance
Building Material Co.	2	1	0	2	n/a	n/a	Evidence of measuring non-financial performance

The available evidence from the interpretation of Table 69 seems to indicate that in three of the five case studies there are specific non-financial measures in place in order to assess how the company is performing concerning socioemotional goals and objectives. In the case of Holding Co. and HR Services Co., no evidence of measuring non-financial performance was found based on the interviews. Nevertheless, Table 22, which displays the occurrence of C6 ("Socioemotional goals and interests dominate"), indicates that in those two companies, non-financial, socioemotional goals dominate, although it seems that they are not systematically measured.

Table 70: Occurrences of category C27 for all five cases

Case	Owner		Manager				Interpretation
	I	II	I	II	III	IV	
Engineer Co	1	n/a	2	0	0	1	Evidence of the existence of the perception that the level of success of the company is directly or indirectly influenced by the owners
Holding Co.	1	0	0	0	n/a	n/a	Limited evidence of the existence of the perception that the level of success of the company is directly or indirectly influenced by the owners
Manufac-turing Co.	1	n/a	1	4	1	0	Ample evidence of the existence of the perception that the level of success of the company is directly or indirectly influenced by the owners
HR Services Co.	0	0	0	0	n/a	n/a	No evidence of the existence of the perception that the level of success of the company is directly or indirectly influenced by the owners
Building Material Co.	0	1	2	0	n/a	n/a	Evidence of the existence of the perception that the level of success of the company is directly or indirectly influenced by the owners

The available evidence from the interpretation of Table 70 indicates that there seems to be evidence from the five cases that the perception exists that the owners directly or indirectly influence the level of success of the company. While there seems to be ample or some evidence of the existence of this perception in the case of Engineer Co., Manufacturing Co., and Building Material Co., there seems to be limited or no evidence of this in the case of Holding Co. and HR Services Co. This does not necessarily weaken the evidence as the interpretation prima facie suggests. Using a theoretical replication logic, as defined by Yin (2017), it is argued that if these two cases can be explained as contrasting results, predicted by the theory, then the evidence from this category is valid for theory building. As outlined in Section 2.1.5, owners of private companies often think of performance in a much broader sense, incorporating financial and non-financial benefits (Amit & Villalonga, 2014). This complex and multi-dimensional definition of performance is challenging to comprehend, in particular if not measured at all. As Table 69 displays, non-financial performance is indeed not measured in the two cases of Holding Co. and HR Services Co. This leads to the conclusion, supported by theoretical replication, that Proposition 13 must be amended:

Proposition 13 revised ("favorable perception"): The influence of active owners on the firm's performance level is overall perceived to be favorable by the stakeholders of a privately held company in which non-financial performance is measured.

Based on the interpretation of the case study material, there seems to be evidence from the five cases that the influence of active owners on the firm's performance level is overall perceived to be favorable by the stakeholders of the company.

5.6.2 Summary of performance level proposition

This section summarizes the conclusions and implications relating to the organizational identity proposition from the analyses of the five case studies.

Section 5.6.1 analyzed and interpreted the key concepts and mechanisms of organizational identity applying qualitative content analysis (Mayring, 2014). To apply these concepts to the research question related to active owners, Proposition 13 was framed in Section 2.6 and operationalized in Section 3.1.5 in the form of categories to be used for the qualitative content analysis. Finally, in Section 5.6.1, these codings were analyzed and interpreted.

Table 71 provides an overview of the conclusions and implications related to Proposition 13 based on the analyses of the five case studies in Section 5.6.1. For this proposition related to the performance level, mixed supporting evidence seems to be provided by the five case studies. Using a theoretical replication logic, as defined by Yin (2017), Proposition 13 must be amended as described in section 5.6.1

Table 71: Overview conclusions for Proposition 13

Proposition	Conclusions	Implication
Proposition 13 ("favorable perception"): The influence of active owners on the firm's performance level is overall perceived to be favorable by the stakeholders of the privately held company.	Supporting evidence provided by the five case studies for Proposition 13 ("favorable perception"); measuring non-financial performance is an antecedent to favorable perception	Reframe the proposition and add the aspect of non-financial performance measurement as an antecedent to favorable perception: *Proposition 13 revised ("favorable perception"): The influence of active owners on the firm's performance level is overall perceived to be favorable by the stakeholders of a privately held company in which non-financial performance is measured.*

To summarize, based on the evidence from the five cases, it seems that revised Propositions 13 can be retained for the revised conceptual framework.

6. Discussion

While Chapter 5 presented the interpretation per proposition, using the case studies as “data points,” Chapter 6 contains the discussion and conclusions transcending the case studies.

Section 6.1 derives a revised conceptual framework, and Section 6.2 describes the contribution of this research to the literature. In Section 6.3, the limitations and areas for further research are discussed, and, finally, in Section 6.4, implications and recommendations for practice are derived.

6.1 Revised conceptual framework

Building on the analysis and interpretation of the text materials of each of the five case studies conducted in Chapter 5, in this chapter, the author discusses the implications of the interpretation of the thirteen propositions derived from the conceptual framework. A revised version of the conceptual framework and the corresponding propositions are presented and compared to the initial framework. This serves as the foundation for the subsequent sections on contributions, implications, limitations, and areas for further research.

The author concluded in Section 1.2 that little prior empirical work had been conducted to explain what is meant by active owners, how active owners in privately held companies contribute to the firm’s performance level, and how this contribution happens. The research problem consists of the active ownership black box: While practical experience and literature suggest that active owner behavior has favorable effects on the performance of the firm (e.g., Kidwell et al., 2018), the form, intensity level, and manner in which the behaviors of active owners influence the organization remain vague and mostly unaddressed by research. As such, that owners can actively participate in the long-term development of the firm has been widely ignored in corporate governance and strategic management research.

Hence, the overall objective of this explorative research is to explore and provide an initial explanation for the impact of active owners on the organization in privately held companies. The overall research question is formulated as follows: *How do active owners affect decision-*

making, relationships, and identity within privately owned companies, and how do these active ownership behaviors and attitudes influence perceived firm performance?

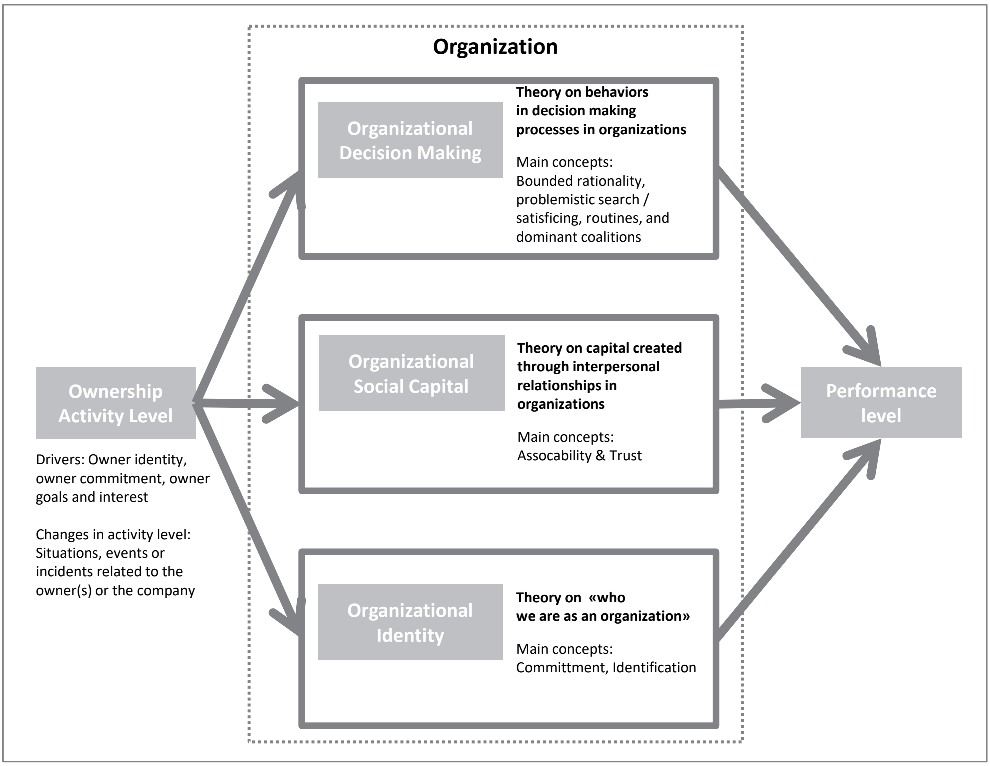

Figure 8: Initial conceptual framework

The author has approached this research question by applying a behavioral perspective to explore the effects of active owner behavior on the organization and its actors. Section 2.1 outlined the initial behavioral framework (see Figure 4), which served as the conceptual foundation for (I) the development of the initial propositions in Chapter 2, (II) the guiding questions for the data collection as presented in Chapter 3 and applied in the context of the case studies introduced in Chapter 4, and (III) the categories for the data analysis as discussed in Chapter 5. This initial framework is composed of the following main elements, which each represent a theoretical domain with a rich theoretical foundation: ownership activity level, organizational decision-making, organizational social capital, organizational identity, and performance level. Figure 8 reminds the reader of the initial conceptual framework, as initially introduced in Figure 4.

Based on the results of the analyses of the case study materials undertaken in Chapter 5, the initial framework must be modified to reflect the insights gained from the interpretation. Seven propositions were supported by the evidence gained from the interpretation of the case study materials, and other scholars could examine whether these propositions can be statistically generalized in further research. Only one proposition is not substantiated at all by the empirical evidence, and hence not further considered by the author, of the specific case studies conducted in the context of this research. Proposition 7 (“dominant coalition”) must be dropped in the revised framework based on the lack of unambiguous evidence from the five case studies. Five propositions must be modified based on the interpretation of the evidence gained from the five case studies. Proposition 5 (“aspiration level”) must be modified and re-focused on how owners influence satisficing behavior through their communication on socioemotional wealth. Proposition 8 (“interpersonal relationships”) must be reformulated by omitting the aspect of external stakeholders. Proposition 10 (“shared language and interpretation”) must be modified and re-focused to a shared vision and collective goals for the revised framework. Proposition 12 (“image and reputation”) must be reformulated by adding the aspect that if a publicly visible, positive connotation of the company’s image exists, the need of active owners to display a high level of concern for corporate reputation might not be needed. Finally, Proposition 13 must be reframed by adding the aspect of non-financial performance measurement as an antecedent to favorable perception.

Below, Table 72 summarizes the revised propositions based on the interpretation of the five case studies undertaken in Sections 5.2.5, 5.3.4, 5.4.4, 5.5.3, and 5.6.2.

Table 72: Overview revised propositions

Initial proposition	Result of analyses	Empirically supported proposition / possible hypotheses
Proposition 1 (“owner identity”): Owner identity is one driver of the ownership activity level and becomes visible by the values lived and put in practice through the owner’s communication and actions.	*Ample supporting evidence* provided by the five case studies for Proposition 1 (“owners identity”)	*Unchanged* compared to the initial proposition as supported by evidence from case studies; could be used as a hypothesis to be statistically generalized in further research
Proposition 2 (“owner commitment”): Active owners visibly express a high degree of owner commitment and identification.	*Ample supporting evidence* provided by the five case studies for Proposition 2 (“owner commitment”)	*Unchanged* compared to the initial proposition as supported by evidence from case studies; could be used as a hypothesis to be statistically generalized in further research
Proposition 3 (“owner goals”): Active owners place a comparably high emphasis on socioemotional, non-economic goals and interests relative to financial ones.	*Ample supporting evidence* provided by the five case studies for Proposition 3 (“owner goals”)	*Unchanged* compared to the initial proposition as supported by evidence from case studies; could be used as a hypothesis to be statistically generalized in further research
Proposition 4 (“event-driven change in activity level”): The activity level of owners can vary over time and can change as a result of specific events such as external or internal crises, difficult economic times or turnaround situations, management changes, and changes in ownership (such as new ownership structures or a new generation).	*Supporting evidence* provided by the five case studies for Proposition 4 (“event-driven change in activity level”)	*Unchanged* compared to the initial proposition as supported by evidence from case studies; could be used as a hypothesis to be statistically generalized in further research
Proposition 5 (“aspiration levels”): Active owners influence the determination or adaptation of aspiration levels in organizations.	*Lack of unambiguous evidence for* Proposition 5 (“aspiration levels”) provided by the five case studies. Can be explained as a contrasting result to the initial proposition, predicted by recent research, that active owners influence satisficing behavior through their communication focus on socioemotional wealth	*Proposition 5 revised (“satisficing”):* Active owners influence satisficing behaviors in organizations through their communication focus on socioemotional wealth; could be used as a hypothesis to be statistically generalized in further research
Proposition 6 (“decision rules”): Active owners influence the process of defining, confirming, or changing decision rules.	*Supporting evidence* provided by the five case studies for Proposition 6 (“decision rules”)	*Unchanged* compared to the initial proposition as supported by evidence from case studies; could be used as a hypothesis to be statistically generalized in further research
Proposition 7 (“dominant coalition”): Active owners are part of dominant coalitions and contribute to goal formation by participating in political bargaining in companies.	*Not enough supporting evidence* provided by the five case studies for Proposition 7 (“dominant coalition”)	*Remove* as not supported by evidence from case studies

Proposition 8 ("interpersonal relationships"): Through active ownership behavior as well as formal and informal interactions, owners build and maintain a stable network of strong interpersonal relationships with managers and all other employees, as well as with external stakeholders.	*Ample supporting evidence* provided by the five case studies for Proposition 8 ("interpersonal relationships") for managers and employees, more ambiguous supporting evidence of external stakeholders	*Proposition 8 revised ("interpersonal relationships")*: Through active ownership behavior as well as formal and informal interactions, owners build and maintain a stable network of strong interpersonal relationships with managers and all other employees; ould be used as a hypothesis to be statistically generalized in further research
Proposition 9 ("collective trust"): In companies with high levels of active ownership behavior, the level of collective trust observed is high.	*Ample supporting evidence* provided by the five case studies for Proposition 9 ("collective trust")	*Unchanged* compared to the initial proposition as supported by evidence from case studies; could be used as a hypothesis to be statistically generalized in further research
Proposition 10 ("shared language and interpretation"): In companies with active owners, managers and owners share a common language and express a shared vision and collective goals for the business.	*Supporting evidence provided* by the five case studies for "shared interpretation" in Proposition 10, i.e., shared vision and collective goals for the business. No unambiguous supporting evidence of "shared language"	*Proposition 10 revised ("shared vision and goals"):* In companies with active owners, managers and owners express a shared vision and collective goals for the business; could be used as a hypothesis to be statistically generalized in further research
Proposition 11 ("identity fit"): In firms in which owners are visible through active and frequent participation as well as open communication, managers have adopted to a high degree the central, distinct, and enduring values or beliefs and express a sense of belonging and identification.	*Ample supporting evidence* provided by the five case studies for Proposition 11 ("identity fit")	*Unchanged* compared to the initial proposition as supported by evidence from case studies; could be used as a hypothesis to be statistically generalized in further research
Proposition 12 ("image and reputation"): Active owners show a high level of concern for corporate reputation and image, resulting in visible efforts at the firm level for socially responsible practices to the benefit of various stakeholders.	*Supporting evidence provided* by the five case studies for Proposition 12 ("image and reputation") through literal and theoretical replication	*Proposition 12 revised ("image and reputation"):* Unless there is already a publicly visible, positive connotation of the company's image, active owners show a high level of concern for corporate reputation, resulting in visible efforts at the firm level for socially responsible practices to the benefit of various stakeholders; could be used as a hypothesis to be statistically generalized in further research
Proposition 13 ("favorable perception"): The influence of active owners on the firm's performance level is overall perceived to be favorable by the stakeholders of the privately held company.	*Supporting evidence provided* by the five case studies for Proposition 13 ("favorable perception"); measuring non-financial performance is an antecedent to favorable perception	*Proposition 13 revised ("favorable perception"):* The influence of active owners on the firm's performance level is overall perceived to be favorable by the stakeholders of a privately held company in which non-financial performance is measured; could be used as a hypothesis to be statistically generalized in further research

Figure 9 below depicts the revised conceptual framework, its components, and the relationships and overlaps among them. The analysis and interpretation of the results of the case study research, which led to this revised conceptual framework, allow the formulation of a theory that offers explanations of how active ownership affects decision-making, interpersonal relationships, and identity in privately held companies. Thus, the resulting *revised conceptual framework* provides ample evidence about what happens in a privately held company when owners take an active role in the development of the company.

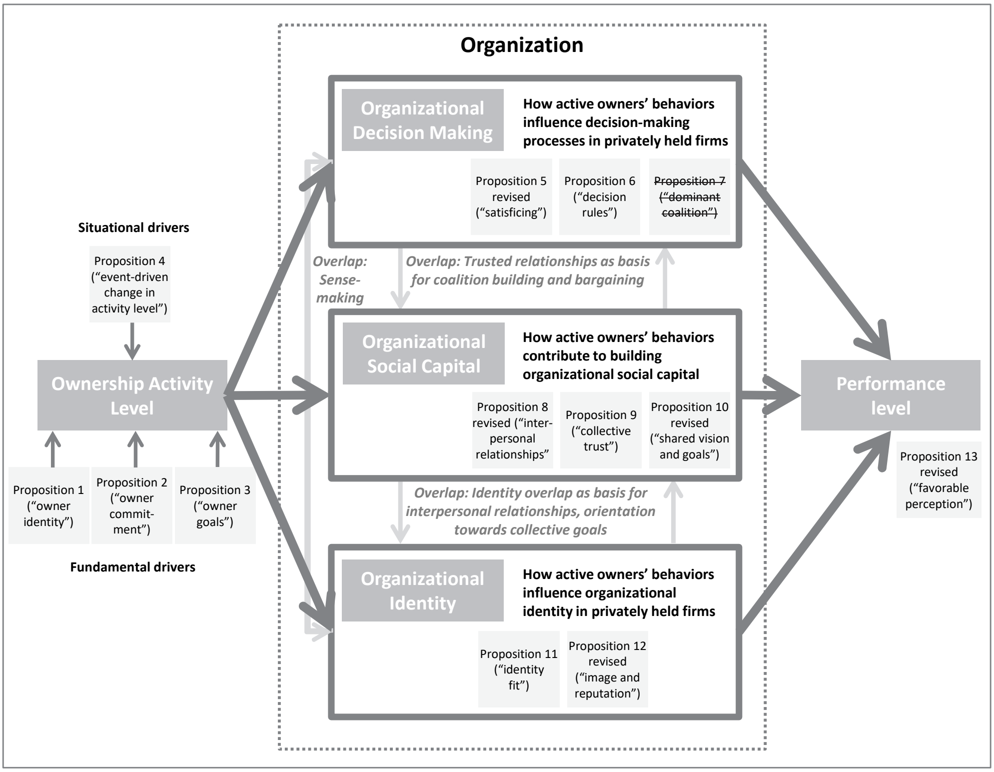

Figure 9: Revised conceptual framework

The following paragraphs discuss the main elements of this revised conceptual framework, how they overlap, and the evidence they provide regarding how active ownership affects decision-making, interpersonal relationships, and identity.

First, empirical evidence related to category C7 points to the existence of a substantial ownership activity level for all the owners covered by this case study research (see Section 5.1). Concerning the related ownership activity level propositions (Propositions 1–4), supported by the ample evidence from the five case studies, the revised framework postulates that the ownership activity level seems to vary based on changes in the three fundamental drivers, namely owner identity, owner commitment, and owner goals and interests. Moreover, it seems to change over time in response to situational drivers, that is, either owner-related or company-related events or incidents.

This research provided the following evidence regarding the fundamental drivers of the ownership activity level:

> *Owner identity*: This study provides evidence that the active owners' values and beliefs are transmitted generation by generation, and hence, these values have an effect on how and at which activity level owners involve themselves (Sageder, Mitter, & Feldbauer-Durstmüller, 2018). Based on the interpretation of the empiric evidence of the five case studies, the author suggests further, in addition to the initial framework, that owner identity can be further differentiated. Five empirically derived categories of values and core beliefs, expressed by the owners and perceived by the managers, seem to exist in the five case studies: stability and reliability, responsible leadership, caring leadership and people orientation, respect, and fairness.
>
> *Owner commitment*: This study provides evidence that active owners who "are highly committed to the business are highly likely to have a substantial impact on the business" (Astrachan, Klein, & Smyrnios, 2008, p. 172). Based on the interpretation of the empiric evidence of the five case studies, the author proposes, in addition to the initial framework, that the expressed commitment of active owners be split into four categories, continuance commitment, value commitment, emotional commitment, and welfare commitment. Those dimensions seem to overlap with dimensions of commitment identified by relevant literature (Marques et al., 2014; Mayer & Schoorman, 1992). Continuance commitment describes the intent of owners to remain part of the business (Marques et al., 2014). The quote of the CEO A1 of Engineer Co. on the retired owners of the first generation exemplifies this: "They are still following

the development of the company, are glad if the company does well and can still get enthusiastic for what we do." Achieving a successful transition of the company to the next generations can be seen as a continuance commitment (Marques et al., 2014), or, as the owner of Engineer Co. puts it, "One of the duties I have as the representative of the second generation is to educate and prepare to the third generation." Value commitment indicates the acceptance of the business' goals by owners and is thus closely linked to the idea of identification (Davis et al., 1997; Marques et al., 2014; Mayer & Schoorman, 1992). It can be exemplified by a quote from the CEO of Building Material Co. about one of the owners: "He has a great joy to see this building is finished, the major investment project of our company of the past years." Emotional commitment is based on the socioemotional wealth perspective, which describes owners "as highly committed to the survival of the firm because of their strong emotional attachment" (Gómez-Mejía et al., 2007, p. 209). A quote from the CEO of HR Services Co. exemplifies this: "I am committed, yes. An emotional attachment to the company." This emotional attachment can be driven by the firm-family name congruence (Rousseau, Kellermanns, Zellweger, & Beck, 2018). The owner of Manufacturing Co. confirms this: "As an entrepreneur, you have to be committed to the tradition, to the employees, and the population. Furthermore, the name of the company alone is a commitment, since it is the name of our family." Finally, the welfare commitment represents the wish desire to protect the welfare of the employees and the company overall (Berrone, Cruz, & Gomez-Mejia, 2012). The CEO of Building Material Co. says about the three owners, "Well, the common denominator which all have is the wellbeing of the company."

Owner goals and interests: This study provides evidence that active owners are primarily guided by socioemotional goals and interests. The desire to preserve the independence and long-term family control as well as to secure transgenerational succession are two particular socioemotional wealth-related goals that are often found with active owners in family firms (Casson, 1999; Lumpkin & Brigham, 2011) and that were identified in this research. Based on the interpretation of the empiric evidence of the five case studies, the author proposes, in addition to the initial framework, that the following three additional socioemotional goals seem to be relevant in the context of the five case studies: contribution to community and society, protecting family business brand (company brand/employer branding), and sustainable business success. Pursuing those goals allows active owners to keep a valued asset in family hands across generations, which is commonly referred to as building and protecting socioemotional wealth (Zellweger, 2017).

This research provided the following evidence regarding the situational drivers of the ownership activity level:

Owner-related events or incidents: This study provides evidence that situational changes in ownership activity level were triggered by owner-related events or instances in two of the five empirically studied cases. More specifically, these two empirical observations refer to changes in the personal circumstances of the owners (e.g., Dumas, 1992) – getting married and starting a family in one case and retiring from business activities in the other.

Company-related events or incidents: This study seems to reveal that in all the case studies, some situational changes in the ownership activity level happened over time, but that company-related events or incidents triggered most of these changes. These incidents include, in the order of observed frequency, changes in senior management (Faghfouri, 2012), internal crises (Revilla et al., 2016), financial underperformance or turnaround (Steier & Miller, 2010), and expansion or transactions (Ray, Mondal, & Ramachandran, 2018).

Second, regarding the organizational decision-making propositions (Propositions 5–7), supported by the evidence from the five case studies, the revised framework posits that active owners have an influence on the decision-making process. As part of the revised framework, behavioral aspects of decision-making, that is, satisficing and decision rules, help explain active owner involvement in privately held firms.

Satisficing: The interpretation of the five case studies yields evidence that there is apparent behavior of satisficing by active owners. It seems that instead of merely maximizing financial performance, active owners satisfice or have the management follow this behavior, that is, they aim to achieve the level of minimum financial performance that the firm needs to sustain the pursuit of socioemotional wealth (Zellweger, 2017, p. 120). Thus, pressure to influence the (financially oriented) aspiration levels might not be exerted, and, as the active owners in all the case studies pre-dominantly pursue a socioemotional wealth focus (refer to Table 22), they seem to influence the satisficing behavior through their communication focus on socioemotional wealth (Zellweger, 2017) rather than influencing aspiration levels.

Decision rules: The interpretation of the five case studies yields evidence that decision-making by rule-following, that is, the point of view in which decision-making is considered to be a result of adhering to rules (March, 1994), can serve as a possible explanation for how active owners impact the company they own. The evidence gained in this research suggests two main mechanisms of rule-following. First, owners might select and define rules based on their own norms or identity and making them binding through formal or informal power. This mechanism corresponds with the view in previous literature of rule production as an organizational-level phenomenon rooted in learning (Heugens et al., 2004). Second, owners might themselves be part of collective learning processes as well as bargaining processes in the company because those rules become institutionalized (Heugens et al., 2004). This mechanism corresponds with the view in previous literature of rules as a driving force of learning processes: shared rules, alongside with share values, guide through collective learning processes to align the firm's culture with that of the owners (Kidwell et al., 2018). The evidence from this thesis proposes that decision rules represent an essential aspect of organizational capability, as they offer a link between individual actions and outcomes on the level of the firm (Heugens et al., 2004, p. 6). Hence, by influencing decision rules, active owners may, at the same time, influence organizational capabilities, which in turn can represent the basis for competitive advantages (Knott, 2001; 2003, cited in Argote & Greve, 2007).

Third, in regards to organizational social capital propositions (Propositions 8–10), supported by the evidence from the five case studies, the revised framework posits that active owners shape the development of a stable network of interpersonal relationships in their firm (structural dimension), that active ownership behaviors impact collective trust (relational dimension), and that active owner behaviors contribute to building a shared vision and collective goal orientation (cognitive dimension).

Interpersonal relationships: The evidence gained in this study suggests that active owners impact the company they own by building and maintaining a stable network of healthy interpersonal relationships with managers and all other employees. This development of organizational social capital distinct to the specific privately held company seems to be triggered by active owner-induced drivers, such as formal and informal interactions, a stable context, and the interdependence between owners and firm (Rau, 2014). Active owners of a family company are particularly good at creating social capital, as all three main dimensions (structural, relational, and cognitive) are embedded with the family and the family's ties with stakeholders, and they can use this resource advantage to the benefit of the firm (Zellweger, 2017). It can affect several essential activities in a firm, such as knowledge sharing, resource exchange, innovation, interactions with customers and suppliers, access to resources and financing, and stakeholder management (Zellweger, 2017).

Collective trust: This study provides ample evidence that where the level of active ownership behavior is high, the observed collective trust is high as well. This high level of collective trust enables participants in an organization to work together effectively (Leana & Van Buren, 1999). There seem to be three characteristics that account for most of the variances in collective trust in an active ownership context: ability, integrity, and benevolence (Stickel et al., 2010). Ability refers, for instance, to the managers' skills, competencies, and decision-making competency granted by the active owners for a situation or task (Mayer et al., 1995). Integrity means the implicit understanding by participants in the company that the active owner must disseminate and communicate a generally accepted set of values, which becomes the cultural glue (Stickel et al., 2010). Benevolence refers, for instance, to active owners feeling accountable for the long-term development and the continued employment of employees, even if it is at the cost of profits and owners' dividends (Steier & Muethel, 2014).

Shared vision and collective goal orientation: The interpretation of the five case studies yields evidence that a shared understanding of the vision and a collective goal orientation exists. Active owners seem to incorporate their own vision into their business with their active participation and interaction (Sorenson, 2014). Establishing a shared purpose and vision seems to be an essential mechanism to align owners and managers in terms of values, resource allocation, financial goals as well as owner-induced socioemotional goals (König et al., 2013, p. 421; Lou, 2015). In other words, and relying on previous literature, it can be theorized that the collective goal orientation that can be found in the five case studies is based less on selflessness or altruistic attitudes than on the motivation to satisfy these social needs induce by the shared vision incorporated through the active owners' participation (Jost & Elsbach, 2001).

Forth, regarding the organizational identity propositions (Propositions 11 and 12), supported by the evidence from the five case studies, the revised framework posits that an identity fit, that is, an overlap of identities in which mangers have adopted to a high degree the central, distinct, and enduring values or beliefs, seems to lead to a high degree of alignment and a sense of belonging on the part of the employees. Furthermore, it is suggested that active owners' identity and the firm identity are linked to corporate reputation.

Identity fit: The evidence found in this study suggests that owners who interact and communicate frequently with managers and other employees contribute to the creation of a shared understanding and alignment among the members of the organization about what are the central, distinct, and enduring values and beliefs (Zellweger et al., 2013). As the evidence from this study suggests further, this collective understanding about the central, distinct, and enduring values or beliefs of an organization leads to a sense of belonging and high levels of identification of employees with the company. This high level of identification, that is, adoption of the firm identity by the employees in four of the five case studies, also leads to alignment and combining of the ideas, beliefs, and capabilities of active owners and managers (Zellweger et al., 2010).

Image and reputation: The interpretation of the five case studies yields some evidence that active owner–induced corporate reputation concerns result in visible, active owner behaviors on firm-level aiming at having the firm and its management follow socially responsible practices to the benefit of various stakeholders. The study also seems to provide some evidence that this need for visible efforts to maintain a favorable corporate reputation is reduced if there is a favorable connotation of a company's image, as is often the case in family-owned private firms, which are generally said to be trustworthy, good employers and to support good causes (Craig et al., 2008).

Fifth, regarding the performance level proposition (Proposition 13), supported by the evidence from the five case studies, the revised framework posits that active ownership behaviors (related to decision-making, social capital, and identity) drive (i.e., favorably influence) the perceived performance level. The notion of *perceived* performance level indicates that it is not an objective measurement but rather an indication derived from the triangulation of different sources.

Favorable perception: This study provides evidence that the impact of active ownership behaviors on the firm's performance level is overall perceived to be favorable by the stakeholders of the five privately held companies which were part of the research. The evidence of a perceived favorable performance implication could be found for the three main building blocks. First, there seems to be evidence of the perceived favorable impact of active owners' long-term orientation and active ownership behaviors on fast and non-bureaucratic decision-making, undisturbed by external investors or financial analysts (Rau, 2014). Second, there seems to be some evidence of favorably perceived performance advantages relating to organizational social capital, in which stability and enduring interpersonal relationships can lead to accumulated unique capabilities and collective trust (Rau, 2014). Third, there seems to be some evidence of favorably perceived performance advantages relating to organizational identity, as the reputational concern and the collective long-term orientation might result in careful financial resource management and improved access to capital at sustainable costs, based on the greater trust of banks and other stakeholders (Craig et al., 2008).

In addition to the initial framework, the interpretation of the case study materials provides some empirical indications that, in some instances, the impact of active ownership behaviors can also have a hindering or even adverse effect on the firm's performance level. First, there seem to be some potentially adverse performance effects caused by the active owners' desire to preserve the socioemotional wealth and a possibly related tendency of loss and risk aversion, certain innovation inertia, and lower ability to change (Zellweger, 2017). Such behavior is exemplified by a quote of the CFO of manufacturing Co.: "Some of the advantages also bring disadvantages. It might be a result of this [long-term orientation] that we have a very large portfolio – we are not focused." Second, there seems to be some evidence that a stable network of trusted and sustainable ties with various stakeholders over many years or even decades seems to promote the status quo, lead to inertia to change and innovate, and hinder the required building of new contacts and resources (Zellweger, 2017). An example of this can be found in a quote from division head 1 of Manufacturing Co.: "Sometimes one is not acting consequently enough, on the other side it is also generosity to give people and situations more time to resolve." Third, there seems to be some evidence of a perceived performance disadvantage relating to organizational identity. A shared identity and the alignment of values and goals can lead to a desire for harmony and conformity, which might result in lengthy and consensus-driven decision processes with suboptimal decision-making outcomes or groupthink (Zellweger, 2017). The owner of Building Material Co. described an example of such a suboptimal decision-making outcome based on the desire for harmony: "There are of course topics, where we do not conclude. Moreover, this is where things then are blocked, which can be disadvantageous for the management as no decisions are being taken. None of us [the owners] wants to be the bad guy or just no common ground for a decision can be found, and we do not want to ruin our family relationship." Further research is needed to substantiate these empirical observations.

The revised conceptual framework, as shown in Figure 9, introduces overlaps among organizational decision-making, organizational identity, and organizational social capital. These overlaps among the theories were identified based on the empirical evidence from the five case studies; they confirm that these theories seem to be complementary rather than conflicting in terms of their potential to explain how active owners affect organizations.

Based on the evidence from the five case studies, overlaps seem to exist between the following theoretical domains: organizational decision-making and organizational social capital, organizational decision-making and organizational identity, organizational social capital and organizational identity.

Organizational decision-making and organizational social capital

The owner of Engineer Co. outlines how bargaining and trust go together: "how bargaining develops is always influenced by the mutually trusted relationship." Within organizational decision-making, the concept of the dominant coalition provides a theoretical link to organizational social capital theory. A dominant coalition consists of the network of individuals that most influence the goals of the organization through ongoing political bargaining (Cyert & March, 1963). In such informal networks, personal relationships and the trust or distrust that arises play a crucial role. The theory concerning social capital offers explanations of how relationships within dominant coalitions create a basis for trust and collective action and hence for coalition building and cooperative behavior within organizations (Bartkus, 2010).

Organizational decision-making and organizational identity

A quote from CEO A2 of Engineer Co. indicates an overlap between organizational identity and decision-making. He believes that all different parts of the company have to stay in motion and that there is a need to change in order to ensure that the values and culture remain relevant for all parts of the company, which are at different stages of the development. This statement hints at the process of sensemaking, triggered by the growth of Engineer Co. over the last few decades and its consequent increase in complexity. According to organizational identity scholars, for example, Ravasi and Schultz (2006, p. 436), "organizational identities arise from sensemaking and sensegiving processes through which members periodically reconstruct shared understandings and revise formal claims of what their organization is and stands for." According to Maitlis and Christianson (2014, p. 75), "studies have shown that sensemaking is triggered not only when an organization's identity is threatened in a specific, negative way but also when members become uncertain about what the organizational identity is." By contrast, from an organizational decision-making perspective, sensemaking also plays a vital role as a prerequisite as well as a consequence. "Sensemaking thus both precedes decision-making and follows it: sensemaking provides the 'clear questions and clear answers' (Weick, 1993: 636) that feed decision-making, and decision-making often stimulates the surprises and confusion that create occasions for sensemaking" (Maitlis, 2005, p. 21). Similarly, firm reputation can also be viewed as a source of sensemaking, or as Fasaei, Tempelaar, and Jansen (2018) call it, "performance feedback". In this respect, a good reputation seems to have behavioral effects on the decision-making in the company (Fasaei et al., 2018).

Organizational social capital and organizational identity

Owner identity and organizational identity, as well as the degree to which they overlap, define how owners relate to one another, to the business, and to the broader community (Sorenson, 2014). This is exemplified by a statement of the owner of Engineer Co.: "This is an example where we prove, when I, when Engineer Co. says or promises something, we do it." Hence, this identity overlap shapes whether and to what extent interpersonal relationships exist as a basis for the generation of organizational social capital (Sorenson, 2014). Similarly, common trust, one of the two primary components of organizational social capital, is endorsed by communication that promotes a common identity and a sense of belonging (Sorenson, 2014).

Another overlap seems to exist regarding collective goals, which play a vital role in both theories. Another quote by the owner of Engineer Co. illustrates this: "This [the behavior of taking care of seriously sick employees] builds a sense of belonging. These people stay with us; they are grateful and motivated in a very different way to work for us." Associability, a concept of organizational social capital, defines individuals' ability and willingness "in an organization to subordinate individual goals and actions to collective goals and actions" (Leana & Van Buren, 1999, p. 541). Organizational identity theory, by contrast, can explain the impact of organizational identity on various individual and organizational outcomes, such as commitment or collective goal systems (Whetten et al., 2014).

The fact that the different theoretical perspectives overlap in several aspects indicates that these theories represent a sensible choice, as they are complementary rather than conflicting with respect to their potential to explain how active owners affect organizations.

This section introduced the revised framework and described the main building blocks, considering empirical evidence gained during the case study research. Furthermore, as a new aspect, it introduced the main overlaps among the theoretical perspectives.

6.2 Contribution to previous research

This section summarizes the three principal contributions of this thesis to the previous body of research. In this thesis, it is suggested that applying a behavioral perspective contributes to the understanding of how and where active owners in privately held businesses have an impact. Specifically, the revised conceptual framework and the respective propositions provided here contribute to previous research on active ownership in strategic management, corporate governance, and privately held (family) business in three principal ways.

First, this thesis contributes to the field of strategic management with a novel understanding of active ownership by exploring the relationship between behaviors of active owners and ways of working as well as strategic processes in privately held companies. As noted in Section 1.2.1, a common characteristic in the diverse field of strategic management is "the relatively little attention paid to the role of ownership" (Nordqvist, 2005) in strategic management and strategic processes within the company (Goodstein & Boeker, 1991;

Nordqvist, 2005; Thomsen & Pedersen, 2000). This lack of attention reflects a bias of researchers toward the assumption that the interests of owners have relatively little influence over strategic processes Goodstein and Boeker (1991). Most scholars in the field of strategic management limit ownership to the ownership structure (Nordqvist, 2005); in other words, most previous research is based on legal and structural ownership and to what degree this is linked with the content of strategy (Nordqvist, 2005; Ravasi & Zattoni, 2006). As Nordqvist (2005, p.6) indicates and as suggested by the propositions in this thesis, strategic processes, such as strategic decision-making, seem to be influenced by the identity, commitment, and the specific goals and interests of the owners, as well as by the behaviors of (active) owners.

Second, by developing a holistic theoretical framework, the author makes an important contribution to opening up the black box of ownership in order to understand how active owner involvement actually affects the internal workings of an organization (Argote & Greve, 2007; Kumar & Zattoni, 2019; Ravasi & Zattoni, 2006; van Ees et al., 2009; Zattoni & Pugliese, 2019). Hence, the revised conceptual framework and the related propositions support a better and more comprehensive understanding of active ownership and contribute to opening up the black box indicated in previous literature (Uhlaner, Floren, et al., 2007). As outlined in the first chapter, previous research yields a substantial dilemma faced by owners of privately held companies who intend to play an active role. While practical experience and literature suggest that active owner behavior has favorable effects on the performance of the firm (Carlsson, 2003; Gietl, Landau, & Hungenberg, 2008; Zellweger, 2017), the form, intensity level, and effects of active behavior remain vague and mostly unaddressed by previous research (Uhlaner, 2008). Hence, this revised conceptual framework contributes some first indications, supported by explorative research, of how active ownership behaviors affect the internal workings of privately held organizations to the existing body of research.

Third, this thesis contributes a comprehensive set of theoretical propositions to the research question based on the leading three research workstreams for organizational behavior, that is, organizational decision-making, organizational social capital, and organizational identity. This is in line with the request in previous research (van Ees et al., 2009; Zattoni & Pugliese, 2019) to apply more commonly accepted core concepts in the area of research on ownership and corporate governance in order to ensure more clarity and consistency. The suggested propositions in the revised framework are empirically substantiated with evidence by the explorative case study research and hence contribute to the development of such a “distinct set of commonly-accepted behavioral concepts” (van Ees et al., 2009, p. 311), such as organizational decision-making, organizational social capital, and organizational identity. As such, they could be statistically generalized in further research.

In summary, this thesis makes three principal contributions to the previous body of research: a novel understanding of the role of active owners from a strategic management perspective; a novel framework for active owner involvement; and a comprehensive set of propositions based on the commonly-accepted concepts of organizational decision-making, organizational social capital, and organizational identity.

6.3 Limitations and areas for further research

In this section, the author discusses the limitations of this thesis and highlights the areas to be potentially considered for future research.

6.3.1 Limitations of this research

This section discusses the limitations of this research to be considered when interpreting the outcomes.

Limitations that results from the chosen research methodology and design are discussed and addressed in more detail in Chapter 3. Such limitations primarily include case sampling for a multiple case study design (Section 3.1.3), the limitations of interviews as a single source for data collection (Section 3.1.4), and reliability and validity challenges (Section 3.1.6). As outlined in these sections, those potential limitations were addressed by being consciously aware of them and by trying to mitigate them with the corresponding tactics (Yin, 2017), such as using typical case sampling (Patton, 2014, p. 284) as the selection approach (Section 3.1.3), triangulation in data collection using additional sources (Section 3.1.4), or inter-coder and intra-coder agreement (Section 3.1.6).

The main limitation of this thesis is due to its exploratory nature. As the purpose of this study is to achieve theoretical clarifications as to how active owners impact privately held companies, the findings should not be generalized to any population of companies (De Massis & Kotlar, 2014). The aim of this study is not to generate statistically generalizable results, but to contribute analytical and theoretical generalizations to the existing literature on ownership. According to Yin (2014, 2017), case study research should aim at analytical generalizability, while quantitative research aims at statistical generalizability. The intention of analytical generalization is not just to contribute to abstract theory building, but to generalize findings to other concrete situations, that is, new or other cases (Yin, 2017, p. 38). “The generalizations, principles, or lessons learned from a case study may potentially apply to a variety of situations, well beyond any strict definition of the hypothetical population of ‘like cases’ represented by the original case” (Yin, 2017, p. 38). While the outcomes of this dissertation cannot be generalized to any populations of firms, these findings have contributed to a better understanding of the impact of active owners and will hopefully encourage other researchers to investigate whether the findings can be statistically generalized.

Other limitations include the fact that the case studies were not conducted as longitudinal studies but represented a snapshot of a company’s development. As outlined above, in companies with family ownership a view on long-term control might be in particular interesting, as in those companies the desire to preserve long-term family control and to secure transgenerational succession have been found to be two particular socioemotional wealth-related goals (Casson, 1999; Lumpkin & Brigham, 2011; Zellweger, 2017; Zellweger et al., 2010). Additionally, on the level of individuals as the unit of analysis, the case study only considered owners and managers. There potentially might be an inherent bias, as there is always a certain degree of dependency between managers and owners. Finally, the case study research was conducted in a Swiss context with the case selection restricted to Swiss-based companies of medium complexity and only to one form, though the most common form, of privately held companies, namely, family companies.

In summary, the main limitations cover the limited possibility of generalizing the findings to any populations of companies, as the aim of this study is not to generate statistically generalizable results but to contribute analytical and theoretical generalizations to the existing literature on ownership.

6.3.2 Areas for further research to be considered

In addition to advancing research on active owner involvement based on the commonly accepted concepts of organizational decision-making, organizational social capital, and organizational identity, this thesis also highlights five main directions for further research.

First, as this is an exploratory study aiming to understand the novel phenomenon of active owners, this thesis provided first propositions that can serve as testable hypotheses. It would be desirable for further research to involve statistically testing some or all of these propositions in a sample of firms with active owners.

Second, further research on active owner involvement may need to consider family- and family governance–related factors. In family-owned private companies, three systems overlap: family, ownership, and business management (Tagiuri & Davis, 1996). This model helps describe the complexity involved in the different roles and identities related to each of the circles. For example, as an active owner of a company, an individual may seek dividends and transgenerational control. As a family member, the same individual may seek harmony, financial safety, and (family) reputation. Finally, in the formal (business) role as the chairman of the board, the very same individual may seek growth and profitability. Establishing family governance is a common way to manage some of these potential role conflicts as well as potential dysfunctionalities of the business caused by disruptions in the ownership and family systems. While this thesis has predominantly focused on the two dimensions ownership and business management as well as on their overlaps, and only to a limited degree the dimension family concerning active ownership antecedents (in Section 2.2.1), further research may, in particular, explore how the family dimension influences active ownership behaviors. In other words, some questions to be further explored might include the following: How are the identity, goals, and commitment of active owners influenced by the owners being part of the family system; how do collective family values, principles, and goals, potentially codified in family governance, influence the individual active owner and his behaviors; and how do family conflicts affect the active owners and their behavior in the ownership and business management dimension?

Third, further research should explore how emotions affect active ownership behaviors. Due to their nature, privately held (family) firms are characterized by a wide range of emotions that are not static but emerge and evolve through events in the three systems described above – family, ownership, and business management (Kellermanns, Dibrell, & Cruz, 2014). While early research on the subject of emotions has focused on conflicts and the resulting negative emotions in family firms (Kellermanns et al., 2014), recent prior research has focused on the emotional benefits and costs of owning a family business (Berrone et al., 2012; Kellermanns et al., 2014; Kellermanns, Eddleston, & Zellweger, 2012; Zellweger & Astrachan, 2008). As cited in Section 2.2.1, the context of affective commitment, altruistic feelings, and affective emotions that active owners often have might blur decision-making (Zellweger, 2017). This is in line with other previous research, which "suggests that emotions influence thoughts, behaviors, and decision-making" (Kellermanns et al., 2014, p. 4). However, research on the role of emotions in decision-making in family firms is only emerging (Kellermanns et al., 2014). Hence, further research on active ownership could include exploring how emotions affect the antecedents of the ownership activity level, such as goals, identity, or commitment. Furthermore, including emotions in the study of decision-making in the context of active ownership may further contribute to a better understanding of the impact of active owners and their behaviors.

Fourth, further research might consider the active owner's broader context regarding his financial wealth on the level of the individual and the family. When family ownership develops over time from sibling partnership or a cousin consortium to a family enterprise, typically, the family wealth becomes distributed across a portfolio of entrepreneurial activities (Zellweger, 2017). A quote from the owner of HR Services Co. indicates why this might be relevant in exploring the impact of active ownership: "But now the value of the operating company has been diluted for me a lot in the last 25 years. When I say a lot, I mean most of my financial wealth is no longer tied to the Company" (owner I of HR Services Co.). In other words, the goals and interests that are pursued by active owners for a specific company might also depend on the role that this company plays in the overall entrepreneurial portfolio.

Consequently, this could also mean for owners who have an entrepreneurial portfolio, as do the owners in Holding Co., that the goals for the overall portfolio and those for specific companies might differ. For instance, while the goals and interests on a portfolio level are of a socioemotional nature, the goals for one specific company in that portfolio might be more oriented towards financial objectives to support the overall cause. In such a case, there seems to be a risk that the communication of the owner's goals and objectives might be perceived as somewhat confusing. Such a situation could be found in Holding Co., in which the CEO of one of the companies complained about the ambiguous messages of the owners as to the goals and strategy and the perceived contradiction of objectives, while the CEO of another portfolio company did not seem to share this issue. Future research might hence seek to shed more light on how active ownership behavior related to a specific company is influenced by the overall entrepreneurial portfolio and the importance a specific company has within the portfolio of the family enterprise. In other words, how might the active owner's goals for the overall portfolio differ from those for the specific company, and how does this impact the active owner's commitment, behaviors, and ownership activity level?

Fifth, the operationalization of performance perception might have to be challenged and revisited in further research. As mentioned in Section 5.6.1, owners of private companies often think of performance in a much broader sense, incorporating financial and non-financial aspects (Amit & Villalonga, 2014); hence, category C27 might not fully capture the complexity and multi-dimensional definition of performance. For further research, the operationalization of performance perception might have to be challenged and revisited to establish a better understanding of the performance consequences of active ownership and its dimensions. Negative performance implications of active ownership behavior seem to exist but must be substantiated by further research. Initial observations indicate that the adverse performance impact might derive from the preservation of the socioemotional wealth, long-term and stable relationships, and harmony and conformity through the identity fit between active owners and the employees.

In summary, there are five main directions for further research. They include statistically testing all or some of these propositions, family governance-related aspects, the theory of emotions, the broader context regarding the active owners' financial wealth, and the operationalization of performance perception.

6.4 Implications and recommendations for practitioners

Based on the empirically supported propositions offered in this thesis, this section indicates some initial practical implications and potential recommendations for active owners and managers working in active ownership–affected privately owned companies.

Active owners and the managers who work for them face a significant dilemma, as described in the introduction. While practical experience and literature suggest that active behavior of owners has favorable effects on the performance of the firm, the active owners' detailed impact on and contribution to privately held family companies is poorly researched and described.

Hence, insights from this thesis can provide a starting point as to how active owners can more deliberately influence how they affect the businesses they own and in which they actively participate. The following paragraphs offer five leading suggestions for active owner practitioners.

First, the interpretation of the five case studies indicates that the goals and values of the active owners have been adopted by the employees and have become embedded in the company over time through the active owners' visible presence, lasting interaction, and extensive communication. Previous literature has already been pointing in this direction; for instance, Sorenson (2014, p. 472) suggested that the higher the interaction and communication between the active owners and the business, the greater the likelihood that their values will become part of the business. For practitioners, this indicates that active owners should disseminate their goals and values throughout the organization by repeatedly and continuously incorporating them into their communication and messaging and bringing them to live in their interactions through demonstrated behaviors, actions, and decisions. The interpretation of the five case studies suggests that achieving such an identity fit between the active owners and the main stakeholders of the company generates identification and a sense of belonging. An example from the five case studies for central, distinct, and enduring values that have become shared between the active owners and the company include stability and reliability, responsible leadership for the benefit of the company, its employees and its stakeholders, caring leadership as well as generating and maintaining jobs, respect, fairness. Furthermore, the case studies indicate that where the values of active owners have become institutionalized in the culture of the company, it is often common symbols, narratives, and stories that provide a constant reminder of those values which have become familiar to the active owners and the business.

Second, in practice, there seem to be two primary ways in which active owners can impact decision-making, based on the interpretation of the five case studies. This thesis has shown that one way to influence decision-making throughout the company seems to be influencing satisficing behaviors. As outlined in Section 5.3.1, instead of influencing aspiration levels, active owners may influence satisficing behavior through their communication focus on socioemotional wealth. Concretely, active owners who pursue a socioemotional wealth focus, rather than a purely financial focus, should not ask the management to merely maximize financial performance, but rather to achieve the level of minimum financial performance the firm needs for sustaining the pursuit of socioemotional wealth. In order to embed this behavior of satisficing, it seems necessary that active owners regularly embed their socioemotional wealth focus in their communication and actively elaborate their socioemotional goals (Zellweger, 2017). Based on the five case studies, such typical goals include, but are not limited to, preserving long-term family control or independence, securing transgenerational succession, contribution to community and society, protecting the family reputation and business brand, sustainable business success.

Third, another way for active owners to have an impact on decision-making is for them to involve themselves in defining, confirming, or changing decision rules in the areas most relevant to them. Evidence from the interpretation seems to support this in particular for owner identity–based decision rules. Influencing or even enforcing decision rules is relevant for practitioners, as shared rules, alongside shared values, guide through collective learning processes to align the firm's culture with that of the owners (Kidwell et al., 2018). Examples of shared identity-based decision rules, as found in the five case studies, include, among others, geographical scope, exclusion of specific industries, or organizational design principles.

Fourth, social participation is another primary behavior on which active owner practitioners might want to focus, as it seems to foster the generation of organizational social capital. The interpretation of the five case studies supports the suggestions that one of the essential contributions of active owners is that they influence the creation of organizational social capital, manifested in interpersonal relationships, collective trust, and a collective orientation. The social participation of active owners describes participation that involves social contact with employees, such as attending nonmandatory activities and being involved in other social activities (Van Dyne, Graham, & Dienesch, 1994). Based on the empirical evidence from this study, active owners from the five cases seem to participate frequently in such informal events or social activities, such as site visits, Christmas parties, ski weekends, and office hikes. When active owners participate in the social life of the business, they meet various employees whom they would not encounter as part of their formal roles, thereby increasing the number of network ties (Bolino et al., 2002). When such new relationships between active owners and employees are formed, the structure of the social network is modified, and a structural hole that existed can perhaps now be filled (Bolino et al., 2002). These connections between the active owners and employees might enable information and values to be transferred, collective trust to be fostered, and a shared vision and collective goal orientation to be enabled (Bolino et al., 2002).

Finally, practitioners should also be aware of and try to mitigate the potential negative impacts of active owner involvement. As indicated in Section 6.1, there seem to be not only favorable performance implications but also negative performance downsides potentially caused by the behaviors of active owners. Based on the initial observations from the five case studies, the main factors to monitor based on case study evidence are related to how long-term relationships or the promotion of socioemotional wealth tend to endorse the status quo and lead to innovation inertia, risk aversion, and a low ability to change. Some of the learnings and mitigation actions that interviewees have highlighted included bringing in fresh talent from the outside, acquiring companies to grow but also to shake up existing structures and networks, and adopting different approaches to innovation, such as incubation, acceleration, or corporate venturing.

In summary, this chapter offered five initial practical implications and potential recommendations for active owners and managers working in active ownership–affected privately owned companies. They consist of embedding active owners' goals and values into the company through value-oriented communication, fostering satisficing behaviors through a focus on socioemotional goals, enforcing decision rules, building organizational social capital by social participation, and actively and consciously mitigating the potential negative impacts of active owner involvement.

Appendices

The appendix contains some relevant supporting information to provide the reader with more context on this research.

Case study protocol of the pilot study

According to Yin (2017), to increase reliability, it is crucial to transparently document the main rules and procedures followed in preparing and conducting the case study. Doing so allows subsequent researchers to repeat the study and arrive at the same results. Yin (2017) calls such a report a case study protocol.

For this Ph.D. research, a protocol was prepared before the pilot study and every case of the main study. Below, the protocol for the pilot study is included as an example.

The first section of protocol: An overview of the case study

The purpose of this multiple-case study research is to examine the effect of active owners on decision-making processes, interpersonal relations, and cultural aspects, such as identity, in privately held companies. The research explores the mechanics of how the behaviors of actively involved owners create the observed impact and whether the research insights support the theory-based propositions or whether these must be altered or extended. The aim is to formulate a new theory for the influence of active owners in private enterprises and to address the question of how the active involvement of owners creates an impact.

The conceptual framework (see Chapter 2 of this thesis) developed to address the specific research question is based on three theoretical perspectives: organizational decision-making, organizational social capital, and organizational identity. The main elements of the conceptual framework are ownership activity level, organizational decision-making, organizational social capital, organizational identity, and performance level.

Based on the conceptual framework, thirteen propositions are formulated (see Section 2.7 for a summary). These propositions act as the foundation for defining the case study guiding questions.

In order to test, verify, and potentially refine the research question, conceptual foundation, proposition, and research procedures, this pilot case study is conducted.

Engineer Co. was selected according to the case selection rationale and procedures elaborated upon in Section 3.1.3. The chosen company fulfills all the selection criteria and appears to be a typical and, in particular, very information-rich case, which makes it particularly suitable for a pilot case study. The owners of the company prefer to remain anonymous; however, the identity of the company can be released to external reviewers on an individual basis and bearing confidentiality requirements in mind. The detailed description of the company and its context can be found in Section 3.2.1.

The second section of the protocol: Data collection procedures

The purpose of case study research is to collect as much evidence and information as possible. Questions should hence be phrased openly so as to avoid directing the interview partner too much towards the propositions, but to let him or her share as much information as possible, even if it might not be directly related to the subject of the research. Whenever possible, the interviewees should be asked for specific situations or exemplary incidents.

Types of data and information to be collected during case study research include the following:

(1) Transcripts from interviews; ideally word-for-word transcriptions

(2) Internal communications (in particular organization charts, vision/mission statements, employee newsletters, magazines, intranet content, internal speeches)

(3) External communication (image brochures, website, annual reports, product and service catalogs, newspaper articles, other PR outputs)

In order to collect enough broad information and include different perspectives, four to five interviews per case are optimal. An interview should take between 70 and 90 minutes. However, it might happen that an interviewee would like to present the company with a formal or informal presentation or an office tour, for instance. Enough time should hence be planned around the interview in order to remain flexible on site. The interview cycle begins with the representing owner, as this was supposed by the company representatives to be the correct order. The following functions and individuals from Engineer Co. were selected for the pilot case study interviews (the order of functions represents the order in the interview process):

- A representative of the owners and Chairman of the Board of Directors of Engineer Co. (name undisclosed)
- Current CEO of the largest subsidiary of Engineer Co. (name undisclosed)
- Former CEO of the largest subsidiary of Engineer Co., today acting as consultant/associate for Engineer Co. (name undisclosed)
- Member of the executive team of the largest subsidiary of Engineer Co. (name undisclosed)
- CEO of the second-largest subsidiary of Engineer Co. (name undisclosed)

To analyze the information by using qualitative content analysis, detailed transcripts of the interview should be available. Ideally, the interviews were recorded on site and transcribed later. The interview partners must be asked for permission before recording. At a later stage, a draft version of the case study description should be shared with all interview partners in order to increase validity.

The third section of the protocol: Data collection questions

According to Yin (2017, p. 99), “the heart of the protocol is a set of substantive questions reflecting your actual line of inquiry.” As he further outlines, these questions do not represent a survey questionnaire. The protocol’s questions, essentially, are queries to the researcher, helping to highlight the information that must be collected and why (Yin, 2017, p. 99). Table 3, in Section 3.1.4, shows the protocol questions that guide the researcher through data collection, analysis, and interpretation.

The fourth section of the protocol: Guide for the case study report

Every case study report is built such that it addresses the research question, the behavioral framework, and the propositions derived therefrom. After having conducted and individually analyzed the pilot study and the four case studies of the main study phase, a cross-case analysis, interpretation, and discussion were completed as well. In addition, the pilot case study report should contain a section about findings and possible modifications of the protocol for the main study.

Case study interview guide

The following two tables contain the guiding questions used for the four to five semi-structured interviews for each of the five cases. Every interview followed a replicable interview question guide that included a set of open questions regarding the various aspects of active ownership involvement.

The full interview question guide can be found in two tables below. Table 73 lists the questions used in the semi-structured interviews with the owners or the owner representatives.

Table 73: Overview of guiding questions for interviews with owners

Interview question guide with owners	
1	What is your formal role in the company?
2	Are the owners of the company visible to the rest of the firm, and how?
3	What is the reason/purpose of your engagement?
4	What are the fundamental goals of the company, of the owners, and of their representatives?
5	Do other owners/family members/investors share your perspective on the purpose of the engagement/investment? Which are the shared values and expectations that you all have for the company?
6	In what manner/with what frequency do you interact with the management? How do you make sure that your interests as an owner (representative) are respected?
7	Is your interaction with the management focused on specific topics? Examples?

8	Has the intensity of your interactions changed over time or because of specific events, such as a crisis or CEO change?
9	Do you regularly interact with employees/groups of employees other than the top management? For what reasons and on which occasions and topics?
10	Have you observed that your management follows certain patterns or specific rules in taking (some/any) decisions?
11	Can you give examples for the use of a collective language or for signs of following a shared vision or shared goals?
12	Would you describe your relationship with the managers as trustworthy, and can you give signs/indications of this trust?
13	Can you give examples in which employees have proven their identification with your vision, values, or goals?
14	Can you give examples in which managers have shown a high level of commitment to the company and its goals?
15	How do you measure whether the firm is performing well and is successful? Which behaviors of the owners contributed?

Table 74 lists the questions used in the semi-structured interviews with the managers. The guiding questions were developed based on the protocol questions (see Table 3) and the propositions (see Table 2) from the conceptual framework to ensure a strictly theory-driven approach.

Table 74: Overview of guiding questions for interviews with managers

Interview question guide with managers	
1	Are the owner(s) of the company visible to you, and how? Are they visible to the rest of the firm, and how?
2	What is the perceived reason/purpose for the active involvement of the owner(s)?
3	Based on your perception, what are the fundamental goals of the company of the owner(s) and their representatives?
4	What are the shared values and expectations the owner(s) have among themselves for the company? How do they express them? Examples? Do you agree with those values and expectations?
5	In what manner/with what frequency do you interact with the owner(s)? Examples? Has the intensity/frequency of interactions with the owner(s) changed over time or because of specific events? Examples?

6	Is your interaction with the owner(s) focused on specific topics? Examples?
7	Do the owner(s) regularly interact with employees/teams others than top management? For which reasons, on which occasions, topics, and how? Examples?
8	How are conflicts in the management team addressed? Can you think of some examples? Has the owner(s) been involved in any form?
9	Have you observed coalitions when it comes to specific topics/decisions?
10	Can you give examples in which the owner(s) has expressed his satisfaction/dissatisfaction with meeting the aspiration in general/for specific goals? What were the consequences?
11	Can you give examples of decisions you recently took: What factors did you take into account? Is it always clear who participates in decision-making? Do the owner(s) formally or informally/directly or indirectly participate, and if yes, how?
12	Would you describe your relationship with the owner(s) as trustworthy, and can you give signs/indications of this trust? Any particular example to illustrate? Would you describe your relationship with the employees in general as trustworthy, and can you give signs/indications of this trust? Any particular example to illustrate?
13	Can you give examples for the use of a collective language or for signs of following a shared vision or shared goals among the management or the employees?
14	Can you give examples where managers or employees have proven their identification with the vision, values, or goals of the owner(s)?
15	Can you give examples in which you have shown a high level of commitment to the company and its goals? Do you remember situations in which your commitment has been less strong or stronger than normal?
16	How do you measure whether the firm is performing well and is successful? Which behaviors of the owners contributed?

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