Introducing ownership innovation as an approach to study family firms' ownership practices

Konsti-Laakso Suvi, Rautiainen Marita, Pihkala Timo, Akhter Naveed

DOI: 10.4337/9781800889248.00019

INTRODUCING OWNERSHIP INNOVATION AS AN APPROACH TO STUDY FAMILY FIRMS' OWNERSHIP PRACTICES

Suvi Konsti-Laakso

LUT University, Finland

Marita Rautiainen

LUT University, Finland

Timo Pihkala

LUT University, Finland

Naveed Akhter

Jönköping International Business School, Sweden

Abstract

This chapter focuses on ownership innovation, especially on family owners' role in conducting innovative activities in their pursuit of control and development of the family business. Using a qualitative case study, we show how family firm owners create, develop, and adopt new organizational structures, practices, and tools to manage their family business ownership. Our analysis shows that the ownership innovation process is path dependent and seems to be associated with the professionalization of ownership management in the family business. We propose that as a novel innovation concept, ownership innovation is needed to better understand ownership in family

business research. More empirical research is encouraged to uncover family business owners' innovations regarding the ownership arrangement in their family businesses.

Keywords: Ownership, Innovation, Case study, Family business, Professionalization

INTRODUCTION

This study focuses on ownership innovation in family businesses. Family businesses are characterized by ownership, where family owners are active, visible, and committed in their businesses (Brundin et al., 2008). Family members exert control and influence over businesses through ownership structures (Peng & Jiang, 2010; Villalonga & Amit, 2006). However, little has been said about where the ownership structures emerge from. Family business owners have been observed as playing a role in defining the relationship between family and external owners (Fan & Leung, 2020), and owners have an impact on ownership and governance issues (Andersson et al., 2017; Matzler et al., 2014). Quite recently, Foss et al. (2021) raised the issue of ownership competence. Nevertheless, little attention has been paid to family business owners' innovative behavior.

The importance of innovation for family firm success and development has previously been underlined in research focusing on technological innovation, R&D, and new product development (De Massis et al., 2013; König et al., 2013), as well as family firms' willingness to innovate (Chrisman et al., 2015; De Massis et al., 2014). Besides technological innovation, there is a broad concept of nontechnological innovations, such as management innovation (Damanpour, 2014; Birkinshaw et al., 2008; Kraśnicka et al., 2016), marketing innovations (Chen, 2006; Gupta et al., 2016), and administrative innovation (Teece, 1980; Cho et al., 2019), which have been studied less intensively in the family business context. Yet these concepts concern innovations operated by the management and implemented within the business, even though they are inattentive to the ownership of businesses and the role of the owners in the innovation process. With the concept of ownership innovation, we stress that besides business organization and management, ownership is also a relevant arena for innovation. Furthermore, ownership innovation underlines the importance of owners in creating and developing new methods to manage family business ownership. Thus, this study provides a closer look to the family system (Rovelli et al. 2021) and provides novel perspective to research streams concerning succession (Xi et al., 2015).

In the current study, we define ownership innovation as a concept depicting the owners' activities in creating new approaches, tools, and methods to control, manage, and develop their ownership of the business. We suggest that along with their pursuit of control and management over their businesses, owners introduce new approaches to their ownership. This activity, on the other hand, creates a path-dependent process that requires new ownership innovations to take place. Our research question is as follows: *How do family business owners build new innovations in ownership?* Using a qualitative case study, we explore the process of ownership innovation in a family business group. Our case analyses show how the owners of a family business developed ownership arrangements by restructuring the business group and developing managerial practices, processes, and tools to manage complex ownership.

This study contributes to the family business literature in three ways. First, it provides new insights into family business innovation by introducing the concept of ownership innovation. Second, with its empirical case, the study shows that as active owners, family members innovate at the ownership level to further create and develop their ability to control and manage ownership as the company develops and the number of owners increases; this is particularly important when family ownership is complex, with many companies and numerous owners (Rautiainen et al., 2019). Third, our study indicates that owners' innovation activities are associated with the process of ownership professionalization in the family business.

This study is organized as follows: First, we discuss ownership innovation in family businesses by raising the issue of owners as actors in innovation. We review the literature on management innovation, which we use as a framework for our empirical case study. Next, we present ownership as a separate domain for innovation, pointing out that innovation activities may support professionalization in the organization. In the methodology section, we describe our analytic approach. Thereafter, we present our findings according to the identified case studies. We conclude by discussing the key findings and implications for family business ownership and innovation research.

OWNERSHIP INNOVATION IN FAMILY BUSINESSES

Owners as actors of innovation

In the family business context, owners are often associated with transferring ownership to the next generation, maintaining financial independence of the family and business, favoring family members in managerial positions, and ensuring the survival of the family business as an ongoing concern (Westhead, 1997). Brundin et al. (2008) introduced the concept of “family ownership logic,” which has the following core characteristics: (1) active and visible ownership, (2) stability in ownership and power, (3) an industrial and long-term focus, (4) multiple ownership goals, (5) autonomy toward capital markets, (6) flexibility in governance structures, and (7) identification. Although Brundin et al. (2008) pointed out that family members are active owners, owners’ ownership activity has largely been overlooked. Instead, in many studies, the changes in ownership have been noted to merely just “happen.” For example, in Lansberg’s (1999) influential study, as family businesses progress from one generation to the next, ownership structure and management usually change. Over time, the ownership base of the firm may become more complex when more family members acquire their own equity stakes. In some cases, family owners may sell shares to nonfamily members who are not drawn from the dominant family group (Westhead & Howorth, 2007).

Owners are likely to introduce ownership innovation only for a need. For this reason, large, complex, dynamic, and fast-changing family firms are likely to need more ownership innovations than small, simple, and stable family firms. Particularly for large family firms, the critical factor in family businesses is the complex ownership structure and owners' ability to maintain stability among owners and between ownership and business (Pihkala et al., 2019). Issues of ownership, representation, management, and financial returns are subjected to family and personal development considerations (Jaffe & Lane, 2004). The attitudes and behaviors of family owners vary across generations, and assuming the responsibility to make decisions about a family business demands high levels of ownership competence (Foss et al., 2021). Hence, it is challenging to keep ownership unified; here especially, collaboration, conflict resolution, and shared governance are difficult by nature (Rautiainen, 2012).

Management innovation

In the current study, we extract the concept and approaches of management innovation to the ownership level. Management innovation in family business is an under-researched topic with few exceptions. Kraus et al. (2012) concluded that organizational innovation is more important than managerial innovation (i.e., innovations in management systems, knowledge management, and supporting activities) for family firms than nonfamily firms, implying that family firms are renewed through rebuilding the organization of work, its management structures, and relationships with external partners. Management innovation is consistently, and, by its very definition, limited to "the business system" (Kraśnicka et al. 2016), "in organisations or its units" (Walker et al., 2015), and furthering organizations' goals (Birkinshaw et al., 2008).

More recent research has concentrated on these nontechnological innovations under one term: management innovation (Volberda et al., 2013). Management innovation is a prevailing and broad term used to describe nontechnological renewals that seek to bring novelty to the way firms organize, structure, and manage their processes (Birkinshaw et al., 2008; Kraśnicka et al., 2016). Management innovation includes multiple types of innovations that focus on different functions of organizations, such as organizational, administrative, and managerial innovations. Kraśnicka et al. (2016) proposed management innovation includes five dimensions: (1) strategic dimension, (2) structural dimension, (3) employee motivation and development dimension, (4) interorganizational relations and partnership dimension, and (5) ICT dimension. To be counted as management innovation, substantial changes must take place in a firm's practices, processes, structures, and techniques in management (Volberda et al., 2013).

Management innovation is often linked to technological innovation, and in today's corporate world, management innovation is typically accompanied by a technological solution. In addition, management innovation contributes to how a firm translates its technological knowledge into a competitive advantage (Heij et al., 2020), as well as when new technologies are introduced and adopted in firms. Management innovation mainly concerns the changes in a firm's social system; it is mostly tacit in nature and, therefore, difficult to copy. Thus, for competitive advantage management, innovation may be more important than just R&D investments (Heij et al., 2020). The insights found in Heij et al. (2020) reveal that management innovation is a key moderator in explaining firms' effectiveness in transforming R&D into successful product innovation.

How management innovations emerge, that is, the process of management innovation, follows its technological counterpart and includes four general phases: trigger, invention, internal and external validation, and diffusion to other organizations (Birkinshaw & Mol, 2006; Birkinshaw et al., 2008). However, the process is never linear; it involves iterations and steps back and forth between different phases. Management innovation typically starts from discontent and dissatisfaction with the status quo. The invention phase involves searching for inspiration from other sources, such as external change agents (Birkinshaw & Mol, 2006). The most distinctive characteristic of the management innovation process is the role of external agents, such as academics, consultants, or ex-employees (Birkinshaw et al., 2008). In general, a firm's key individuals develop novel solutions to organizational issues, in this way seeking better firm performance, but they interact closely with external change agents throughout the process (Birkinshaw et al., 2008).

Ownership as a separate domain for innovation

Family business is characterized by a set of agency relations within and between the family system, ownership system, and business system (Van den Berghe & Carchon, 2003). Families in several generations with several owners find themselves in a situation where ownership is often so fragmented that individual shareholders have difficulty exercising control over the board and firm management. The specific nature of family ownership creates a context in which family members have control rights over the firm's assets and then use these rights to exert influence over the decision-making processes in an organization (Carney, 2005). Ownership relationships between several family owners and different companies require owners to establish the rules of how their ownership must be managed. The family must decide and build a coherent strategic vision of those factors related to ownership, such as who can be an owner, why the family owns a business, and in what businesses the family is involved. In a complex business and ownership structure, family needs to find the selection of leaders and equality practices among nonfamily and family employees (Aragón-Amonarriz & Iturrioz-Landart, 2016). Organizational and financial practices should be designed to the level where delegation and financial resources help the wealth creation of the family, as well as the competitiveness of the firm. In this sense, family ownership can be described as requiring professionalization (Brundin et al., 2008).

The family can alleviate agency problems with different control mechanisms, for example, through contracts and shareholder agreements with different shareholders in case there is a lack of identity between ownership and control in decision-making positions (Jensen & Meckling, 1979). Research has concluded that concentrated ownership gives the owners a particular incentive to monitor the managers and eases the task of monitoring (Schleifer & Vishny, 1997; Barth et al., 2005). However, it is interesting how the family manages the interests of its diverse family members and prepares for potential ownership challenges that are critical of its survival (Thomas, 2002). Ownership structure plays a critical role in the incentives and behaviors of family owners.

For controlling and governing ownership, the family can use different structuring methods, for example, indirect ownership through trusts, foundations, and corporations, as well as controlling mechanisms such as dual-class shares, pyramids, and voting agreements (Villalonga & Amit, 2009). Of the various mechanisms that families can use, family offices have become a popular vehicle for family firms to govern ownership. The research on the topic is rare, though a recent study by Schickinger et al. (2021) noted that single-family offices is a rising phenomenon; family offices can manage and oversee family wealth affairs related to issues such as tax, wealth transfer, fiduciary oversight, investment management, governance, estate planning, risk management, compliance, communication, and financial education, among other issues (Grace, 2000; Rosplock & Welsh, 2012). In the dynasty stage (Jaffe & Lane, 2004), a family business can be in the form of a business group that is a complex system because of its diverse business and owner structures. At this stage, a family office can bring ownership issues under one umbrella, making it much easier to manage owners and ownership. The family office can motivate family owners by creating and supporting vision for the present and future owners regarding succession, ownership training, and involvement programs.

Ownership innovations may also be regarded as resting outside of control issues. In the case of a cousin consortium (Gersick et al., 1999), ownership is not necessarily shared by all family members. Considering many family members who are often strangers to each other and some who might be far removed from the company, the critical work of ownership transitions involves being aware of the wide range of views and uneven readiness for change. Constant strategic experimentation requires a flexible, innovative organization that can share business information openly. Successful family-owned firms thrive by sharing vital information among different levels of management (Ward, 1997). The implementation of communications systems and forums for owners may strengthen owner interaction. Shared information and trust boost creativity and loyalty among owners, fostering positive feelings toward the future and possible changes in business and ownership. Mutual trust secures development and growth opportunities in business, creating a basis for stable ownership development.

Learning path and professionalization through innovation

In his early meta-analysis of the organizational innovation literature, Damanpour (1991) found that relationships between organizational innovation and 13 of its potential determinants resulted in statistically significant associations. Among the significant determinants, professionalism seems to benefit from organizational innovation activity. The benefit arises from a learning effect of the innovation process—that is, conducting innovation in the organization strengthens the organization's knowledge base, the awareness of the impact of decisions, and the intricacies of the organizational functions.

At the same time, professionalization strengthens the diffusion of formal competence and transfer of cultural competence (Gedajlovic et al., 2004; Dekker et al., 2013). Professionalization may take place in many ways: by the professionalization of family members, for example, the founder using professional norms to make decisions (Kelly et al., 2000) and educate successors (Gedajlovic et al., 2004), by the professionalization of nonfamily employees, for example, nonfamily members being hired instead of family members (Lin & Hu, 2007), and by acquiring outsider expert managers for example, external managers promoting new formal control mechanisms (Decker at al., 2015). An organization's formal structure and professionalization are processes of institutionalization that involve the methods of a company to reach its aims (Baskurt & Alintag, 2017). In the family business literature, contributions have identified institutional logics in the levels of family and business where family logics guide individuals to behave according to family values (Sharma, 2004) and business logics guide individuals in organizing the firm to focus on profitability and adopting professionals' values (Gedajlovic et al., 2004; Parada et al., 2010).

METHODOLOGY

Case selection

We draw on a case study design (Eisenhardt, 1989; Yin, 2013) and rely on a single case study approach. To study how family owners build new innovations in ownership, we selected a qualitative case study because it is suitable for studying novel concepts. The case in the current study was selected according to criterion-based selection methods (LeCompte & Preissle, 1993; Patton, 1990), which permit a sample to be constructed that fits a predefined profile. The selected case meets three predefined criteria: First, the owning family must be several generations old, that is, the case company belongs to an enterprising family in the fourth generation. Second, the family must possess multiple businesses and manage a complex ownership structure. Third, family members must not be involved in operational activities in the owned companies. Our analysis focuses on the period between 2000 and 2021, during which the family business developed into a set of business groups and introduced the family business to the new generations. The case allowed us to track family business ownership innovations and the related processes, rules, and development of different procedures.

Data collection and analysis

In the current study, the data collection followed recommendations for a case study analysis (e.g., Eisenhardt, 1989; Yin, 2013), combining preliminary unstructured interviews, formal thematic interviews, and archive documents. The data consisted of seven interviews with key informants and external consultants. The interviews lasted from one to two hours and followed an interview protocol. All interviews were transcribed. Archive material, that is, four different company web pages, 20 newspaper articles, and two company presentations, were collected. Altogether, the data set is around 300 sheets.

Because of the size and quality of the data, analysis was conducted manually. We followed the content analysis technique, here using the management innovation process (Birkinshaw et al., 2008) as a guideline. Our data analysis was carried out in several steps. At the first, we were looking for specific points in which the family had dealt with ownership issues and, as a result, changes had been made to ownership processes and management. At the next stage, we iterated the data multiple times; that is, we used the narratives from interview transcripts and field notes to identify key themes (Eisenhardt, 1989) and compared them with the secondary data about the company, that is, regional newspaper articles, professional magazines, and company videos. Finally, we mapped the tools and processes that were developed to guidelines and management processes to control ownership factors. We compared the data with the relevant literature (Miles & Huberman, 1994), focusing on five dimensions of management innovation themes (Kraśnicka et al., 2016): (1) strategic dimension, (2) structural dimension, (3) employee motivation and development dimension, (4) interorganizational relations and partnership dimension, and (5) ICT dimension. After this, our data analysis involved "enfolding" the findings with further insights from the literature. This allowed us to develop and contextualize our findings theoretically (Dyer & Wilkins, 1991).

Brief case description

The history of the family business in question dates to 1901, when the first company, serving as a trading house, was established. Today, the family has a collection of business groups with 3,300 employees in 13 different countries with a combined turnover of €1.4 billion. The family owns business groups consisting of holding companies, trade and technology businesses, and real estate holdings.

> *By law, we are talking about four holding companies, which own a total of six operating companies, and in addition, there are the real estate companies.* (Family owner, 2021)

The whole family group is privately owned by 22 family members representing the third, fourth, and fifth generations, hence forming a cousin consortium. The family businesses are totally owned by family members, and all managers are nonfamily. Our case family is a perfect representant of the conceptual family business type “Professional cousin consortium family firms” proposed by Westhead and Howorth (2006).

By 2000, the owners had not been very active in terms of ownership. This ended when a business advisor provided a striking insight: only the real estate businesses were profitable. It grew evident that some businesses did not bring any knowledge base added value or ownership value to the family. This led to the conclusion that something needed to be done. The family started to reorganize the group following the owners’ personal priorities and motivations. Some of the companies were not interesting to the owners either from a business or ownership point of view. The family agreed on principles for owning companies together; that is, they established an ownership strategy. Consequently, holding structures based on selected businesses were created.

In 2011, an owners’ council was created to manage ownership, with the task of creating and developing ownership processes and tools for wealth management. The family established an owners office that helped in the management of the collective ownership while giving freedom to individual owners to make decisions about their own private ownership. The owners office takes care of the questions of structuring the different companies in the business group, of the role the owners can operate in different companies, and of the logic behind the ownership arrangements that can be made. The owners office also facilitates the inclusion of the fifth-generation owners in the ownership system.

The family professionalized the boards for the operative companies by handpicking professional members. However, they have created a structure where the owners can closely monitor the activities.

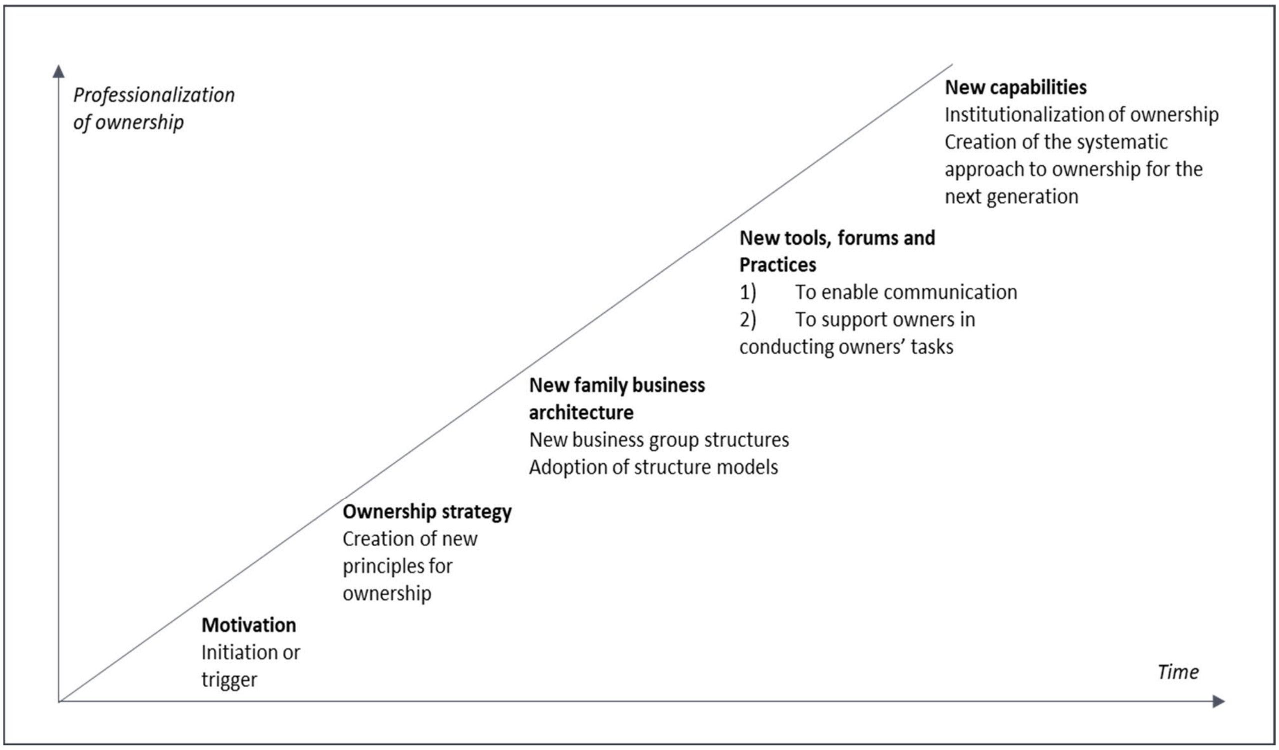
> *Today, behind every operational unit, we have a holding company with family members only or with family members and some external, really respected expert who the family knows to make sure we don't do anything stupid.* (Family owner, 2021)

Family members do not have operational roles in the different companies, but they act as responsible owners, planning and building different ownership solutions to secure the continuity of family business and family wealth creation. The family members have primarily fulfilled their responsibilities for the companies through board memberships.

ANALYSIS AND RESULTS

Through combined analysis of the empirical observations and theoretical framework in use, we have identified an ownership innovation process that adds to the understanding of how owners operate as innovators and how the innovations create a platform to the next generation. At the same time, the innovation process tracks the professionalization of family business ownership. The process is illustrated in Figure 1. From the case, we can identify different phases, and the presentation of our analysis is organized accordingly. In the beginning, the owners clarified their motives and goals as owners; they also created and implemented rules, control mechanisms, and tasks for the owners. This led to a massive restructuring of their businesses into the form of several holding companies. Matching the family business architecture to the owners' visions and interests led to the need to develop communication platforms with different systemized and dedicated tools. Systematic professional development of ownership practices, processes, and tools brought expertise to ownership that will help the next generation step into ownership.

Figure 1. Ownership innovation process in the family business



Our analysis shows how the family created a novel system for managing their ownership. The starting point for this was dissatisfaction with the newly identified low performance of the businesses, which triggered a chain of innovating and adopting solutions, structures, and practices new to the family owners.

Ownership strategy and motivation

As the first step, the owners decided why, how, and what they wanted to own. They had to find out among themselves which of the sectors represented by the different businesses were of real interest to them, both at the collective family level and individual level. Each owner's personal interests in certain businesses were central to the decision making. The owners sorted out in which industry they wanted to be in the future, especially where they wanted to go. The different strategy levels were defined, that is, business group-level strategies were created, and owner-level strategies clarified the roles between the owners. Ownership strategy was very important because the owners could work together to define the reasons why they wanted to own a particular company together or separately. Ownership strategy was also very important for the sake of cohesion in the family.

> *We have a common ambition and strategies related to the companies we own together, but we do not have a family strategy. We have a very big family. Some family members are artists, and some are in business. There are all sorts. The historical identity is very strong, but it has nothing to do with our business. And at the same time, for us, personal independence is a really big value* … . (Family owner, 2021).

The first step of the ownership innovation process involved many issues that the owners were facing for the first time. The owners determined long-term financial goals, risk tolerance, appointment practices, selections of key advisors, and compliance cases, among other things. They also developed family governance policies and practices regarding, for example, participation of the family members in different companies, the methods to collect and communicate the owners' collective vision, and education and involvement of a next generation of owners in the decision making. One family member was selected to guide and coordinate family ownership. Thus, ownership became more professional and an important function in the success of the family business. The owners also defined what they expected from business development and economic development, as well as what they should prepare for in the future, what the different companies' board of directors can do, and what issues they wanted to keep in the power of the owners to decide. They clarified that owners decide, the board of directors directs, and management manages.

These renewals still play a key role in managing the family business. The owners have a clear set of values and a philosophy of responsibility in which they take a stand on what they think about the work of the board and what its appropriate composition should be. It is the principle of the owners that a qualified majority of company boards should be made up of outsiders who do not have friendly or business relationships with the family, which can cause challenging problems. The owners have several tasks in managing their ownership.

> *We build the rules and duties of the board of directors of the holding company, the tasks and division of tasks of the boards in operating companies, and between the board and executive management. There are agreeing and defining and updating so many one-page documents, and they must be implemented in a meeting with the chairpeople of the boards and also our annual business seminars where all companies' board members and management teams meet. We will discuss different themes and how they are constructed and systemized. Then, we have to review the board configurations and what not and so on.* (Family owner, 2021)

According to the family owner, the fragmented group has built independently operating and profitable units with its own clear, long-term strategies. The various units have a wide range of expertise that can be utilized across company boundaries. According to the family owner, synergy benefits also arise in managing the logistics, information systems, and financial and legal matters.

> *Group companies are at different stages of development, and many of them need different types of investments. There is always a situation when some unit has temporarily reduced the profitability of the entire group.* (Owner, Finance magazine, 2000)

The family has also recently noted that the emphasis on sustainability is rising faster among the owners than the executive management. The family stated that this would not be an ownership conflict, but they would be giving instructions to the different companies regarding this. It has now been discussed with the chairpeople of the boards of the different companies.

Family business architecture and structures for ownership

After the motivation and strategy phase, the family organized the business structure entirely to meet the new ownership strategy. To make this happen, the owners needed to invent a new ownership structure for the family business. The family sold several businesses not compatible with the family owners' interests. Companies were divided into a so-called *cell division model* with operational and holding levels, in which each company represented its own business strategy. At the same time, the cousin consortium was formalized. These arrangements secured consensus in the management of ownership.

> *Let me put it this way: We have understood that we can give the owners their own sandboxes, and now, it is much easier to agree what should happen in the big common sandbox in terms of management or whatever.* (Family owner, 2021)

According to Kraus et al. (2012), organizational structures are important to family firms, and the renewal of family firms takes place through structural changes. In the present case, the re-arrangement of ownership and other actions led to the creation of the business group structure and new organizations. In addition, although the ownership structure grew more complex with different holding structures, the owners introduced an owners' office in the family business. The owners' office helped simplify the ownership structure, and it was more visible to family owners. In discussions between owners, in their context, they saw a demand for establishing an owners office comprising all ownership-related issues. At the same time, they also saw a need for a function to coordinate issues related to good governance practices in the different companies. The owners office also took a position on the management of family owners' individual assets.

We enter into so-called umbrella agreements with different types of service providers, such as banks, insurance companies, asset management experts, and others. (Family owner, 2021)

What we do is, let's say, platform work, but we never give any individual family member any investment advice or go to negotiate any of their contracts and such: we just do the collective level stuff. (Family owner, 2021)

Quite recently, there was a need for a new service because ownership kept growing more complex and the next generation members entered ownership. A new company was established in 2021, gathering all the functions that support good corporate governance. This company holds all compliance matters so that the personal information of the individual owner's business entities can always be found in one place only.

In all the companies, it is now possible to fully harmonize the rules and procedures of both the boards of directors and parent companies. (Family owner, 2021).

This also makes it possible to better manage generational change so that younger people can be included in board work.

They can go to the board of the parent company through a generational change because they may be forced to go there for a short time so that they don't disturb the board work of the operating companies. (Family owner, 2021)

It is also good to remember that we do not have very strict rules or shareholder agreements carved in stone. Instead, we have recommendations. (Family owner, 2021)

Equally important has been the voice of the owner and its formation, presentation, and assurance of its legitimacy. To ensure this, there are always two owners on the company's boards. The family wants to retain flexibility in decision making and seek to compensate rules with active communication.

Tools, forums, and practices in ownership

Different group levels and companies require different kinds of information. It was difficult to deal with the up-to-date data, as well as the differences in the information content. The number of owners was also increasing, which made it relevant for the family to find diverse ways to allow access to all the stakeholders to the information they needed, as well as establish and systematize communication arenas between the owners and between the owners and businesses. The family has a cousin discussion annually, during which the owners are obliged to go through the most top-level issues; for example, now, the topic is to decide how to get sustainable development to corporate governance. An important channel is the annual meeting that owners always have between the chairpeople of the boards of the holding companies and the chairpeople of the boards of the operating companies, where they give new instructions to the managers. In crisis situations, this process can be used more often.

> *I have to say that this year, it worked better than ever before. Last year, because of the corona virus, we had to make what we call a chairperson's circle into a crisis center, and we had a board of directors meeting every month from April to October to get us through this corona crisis.* (Family owner, 2021)

The family holds annual meetings where the key service providers give presentations on how successful their activities have been at a cumulative level and how well some investments have yielded on average. The diverse systems ensure that the owners can discuss often enough how the companies are doing. Also, there must be someone to make sure that there is no crossing of role boundaries, which can start to damage this structure. The system is vulnerable if some owners start following their own agendas. With the advent of the fifth generation, there will be changes in the cousin consortium and their meetings, and ownership will be divided into a larger set of owners. The family is prepared for the dilution of ownership by different rules.

> *When looking at what may come up, anticipation of perhaps what will happen when ownership will dilute and there may be some other problems, then we have this nomination committee formation rule, which means that the five largest shareholders by voting rights form the nomination committee; its idea is to anticipate these problems.* (Family owner, 2021)

The presence of consultants and other experts creates new approaches to ownership structures and practices. The family is currently undergoing a development process, which is being led by an external expert, to introduce the fifth-generation group, because the second cousins do not practically know each other. It is hoped that this group will build a mindset that supports them in their path to becoming responsible and prepared owners in the future. To enable learning, the fifth-generation owners are circulated on various company boards as so-called observers, which is a two-year position. With the help of an expert, the group has built the responsible owner scorecard, that is, the parameters of a responsible owner.

> *This is what they now follow and tell each other every year what they plan to do over the next year to get more scores in the scorecard. They have a chairperson, a vice-chairperson, and a secretary, and they have meetings every other Sunday where they go through these things.* (Family owner, 2021)

The family has created ownership evaluation rules, with update cycles, which are regularly communicated to all shareholders. They have developed a digital portal to support the easy sharing of information.

> *The fact that we now have this company that produces different services and has some innovation activity as well, but also that we have a common digital portal for all companies, from which we can centrally share figures and editing rights here for all of us.* (Family owner, 2021)

> *It was almost impossible two years ago to get them to read any documents on the portal, but now, it goes without saying*. (Family owner, 2021)

The information of the various companies can always be found and accessed on the same portal. The fifth-generation working group has also immediately switched over to using the same portal in their own work.

Institutionalization of ownership

In the case of family, institutionalization is closely linked to the issue of introducing the next generation of owners into the family business. For newcomers, the establishment, change, and development of formal and informal, basic, and complementary norms, which regulate the behavior and interrelations of owners, are important terms of realization of their investment and innovative role. In a large family with many members, there are also many different kinds of owners with their own starting points.

> *We are an old family, and it helps a lot that the most important identity is the family identity; the family is determined by blood, not by shares. As a rule, our exits have been perfect exits. It is our primary wish that when the exit happens, it happens completely*. (Family owner, 2021).

Institutionalization is a process that requires commitment, faith, and openness to innovation. This case offers an excellent example of the family's ability to overcome the main problems connected to family businesses' inability for institutionalization. The family gives importance to the education of the next generation. For this purpose, an education fund has been built from which next generation members can request funding for their studies. Institutionalization represents a dynamic, lively, and vigorous process. The primary step of institutionalization of ownership here is the family relationships that are related to the position and status of family members in the business and ownership. To sustain the institutionalization of ownership, the mission, vision, and fundamental values of ownership must be adopted by each owner. The family also uses professional norms in decision making (Kelly et al., 2000) and educates successors (Gedajlovic et al., 2004). In the future, the focus will increasingly be on the ways to secure the best possible people to chair the boards. At the institutional level, the family also interacts and discusses ownership with other family dynasties.

DISCUSSION AND CONCLUSIONS

This study contributes to the family business literature in three ways. First, it provides new knowledge of family business innovation by introducing the ownership innovation perspective. Much like management innovation considers what managers do (Peris-Ortiz & Hervás-Oliver, 2014), ownership innovation focuses on what owners do. Ownership innovation can be defined as the creation and adoption of novel structures, practices, and tools to organize, control, develop, and understand ownership. Through ownership innovation, family owners can increase their ownership competences (Foss et al., 2021). Analyzing ownership innovations within business families is useful for developing a more nuanced theoretical understanding of family firms and how the owning family can build tools and practices to secure longevity, generational wealth creation, and entrepreneurship.

Second, with its empirical case, this study shows that as active owners, family members innovate at the ownership level to create and further develop their ability to control and manage ownership as the company develops and the number of owners increases. This is particularly important when family ownership is complex, with many companies and numerous owners (Rautiainen et al., 2019). Some models and tools can be adopted as “ownership innovations,” such as the owners office in our case, but many of the tools, mechanisms, and structures were created with the help of outside experts. Indeed, Kraus et al. (2012) concluded that family firms seem to benefit more from organizational innovation, meaning renewals that change the structures of a family firm.

Ownership innovation captures those structures, practices, processes, and tools that family owners need to develop and adopt to function as owners.

Third, our study indicates that the owners' innovation activities are associated with the process of ownership professionalization in the family business. This case indicates that ownership innovation is a learning path. Changes in the business and ownership structure lead to new needs to create or adopt new practices, tools, and mechanisms to enable the owners' work. Although the focus of the current study is not on the professionalization process, the case evidence shows an example of the professionalization of family ownership. Ownership innovation has professionalized family ownership and helped the family in managing their ownership. By transferring professional knowledge in ownership through the introduction of ownership management tools, the family can institutionalize their ownership.

The current study has several implications for family business research. The concept of ownership innovation stresses the central role of owners in developing their ownership. In this sense, the concept of a family business owner is extended to incorporate innovation activity. Because our study is based on a single case, wider empirical studies are needed to uncover the extent, number, and types of ownership innovations taking place in family businesses.

Furthermore, ownership innovation is particularly valid for family firms and complex family business groups. Based on our case study, each of the innovations was created for a need. It is likely that the need for ownership innovations is higher in large family firms and in family businesses with several separate businesses and complex ownership structures. For this reason, ownership innovation is likely to be a fruitful topic for research on family business groups.

Finally, the results of our study suggest that owners' innovative activity and the professionalization of ownership are connected in family businesses. Although our case study merely indicates the association between these two factors, future studies are needed to understand the role of ownership innovation more thoroughly in the professionalization of family business ownership.

REFERENCES

Andersson, F. W., Johansson, D., Karlsson, J., Lodefalk, M., & Poldahl, A. (2017). The characteristics of family firms: Exploring information on ownership, kinship, and governance using total population data. *Small Business Economics*, *51*, 539–556.

Aragón-Amonarriz, C., & Iturrioz-Landart, C. (2016). Responsible family ownership in small- and medium-sized family enterprises: An exploratory study. *Business Ethics: A European Review*, *25*(1), 75–93.

Barth, E., Gulbrandsen, T., & Schone, P. (2005). Family ownership and productivity: The role of owner- management. *Journal of Corporate Finance*, *11*(1-2), 107–127.

Baskurt, G., & Alintag, E. (2017). The impact of institutionalization of family business on strategic human resources management and company performance. *Business Management Dynamics, 7*(3), 10–25.

Birkinshaw, J. M., & Mol, M. J. (2006). How management innovation happens. *MIT Sloan Management Review, 47*(4), 81–88.

Birkinshaw, J., Hamel, G., & Mol, M. (2008). Management innovation. *Academy of Management Review, 33*, 825–45.

Brundin, E., Florin-Samuelsson, E., & Melin, L. (2008). *The family ownership logic: Core characteristics of the family controlled business* (CeFEO Working Paper 2008:1). Jönköping International Business School.

Carney, M. (2005). Corporate governance and competitive advantage in family-controlled firms. *Entrepreneurship Theory and Practice, 29*(3), 249–265.

Chen, Y. (2006). Marketing innovation. *Journal of Economics & Management Strategy*, *15*(1), 101–123.

Cho, H., Lee, P., & Shin, C. H. (2019). Becoming a sustainable organization: Focusing on process, administrative innovation and human resource practices. *Sustainability*, *11*(13), 3554.

Chrisman, J. J., Chua, J. H., De Massis, A., Frattini, F., & Wright, M. (2015). The ability and willingness paradox in family firm innovation. *Journal of Product Innovation Management*, *32*(3), 310–318.

Damanpour, F. (1991). Organizational innovation: A meta-analysis of effects of determinants and moderators. *Academy of Management Journal*, *34*(3), 555–590.

Damanpour, F. (2014). Footnotes to research on management innovation. *Organization Studies*, *35*, 1265–1285.

Dekker, J. C., Lybaert, N., Steijvers, T., Depaire, B., & Mercken, R. (2013). Family firm types based on the expertization construct: Exploratory research. *Family Business Review, 26*(1), 81–99.

De Massis, A., Frattini, F., & Lichtenthaler, U. (2013). Research on technological innovation in family firms: Present debates and future directions. *Family Business Review, 26*(1), 10–31.

De Massis, A., Kotlar, J., Chua, J. H., & Chrisman, J. J. (2014). Ability and willingness as sufficiency conditions for family-oriented particularistic behavior: Implications for theory and empirical studies. *Journal of Small Business Management, 52*(2), 344–364.

Dyer, G. W. Jr., & Wilkins, A. L. (1991). Better stories, not better constructs, to generate better theory: A rejoinder to Eisenhardt. *Academy of Management Review, 16,* 613–19.

Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review, 14*, 532–50.

Fan, J. P., & Leung, W. S. (2020). The impact of ownership transferability on family firm governance and performance: The case of family trusts. *Journal of Corporate Finance, 61,* 101409.

Foss, N. J., Klein, P. G., Lien, L. B., Zellweger, T., & Zenger, T. R. (2021). Ownership competence. *Strategic Management Journal*, *42,* 302–328.

Gedajlovic, E., Lubatkin, M. H., & Schulze, W. S. (2004). Crossing the threshold from founder management to professional management: A governance perspective. *Journal of Management Studies*, 41, 899–912.

Gersick, K. E., Lansberg, I., Desjardins, M., & Dunn, B. (1999). Staging and transitions: Managing change in the family business. *Family Business Review*, *12*(4), 287–297.

Grace, C. (2000). The multiple client family office. *Trusts & Estates, 139*(2), 12–15.

Gupta, S., Malhotra, N. K., Czinkota, M., & Foroudi, P. (2016). Marketing innovation: A consequence of competitiveness. *Journal of Business Research, 69*(12), 5671–5681.

Heij, C. V., Volberda, H. W., Van den Bosch, F. A., & Hollen, R. M. (2020). How to leverage the impact of R&D on product innovation? The moderating effect of management innovation. *R&D Management*, *50*(2), 277–294.

Jaffe, D. T., & S. H. (2004). Sustaining a family dynasty: Key issues facing complex multigenerational business-and investment-owned families. *Family Business Review, 17*(1), 81–98.

Jensen, M. C., & Meckling, W. H. (1979). Rights and production function: An application to labor-managed firms and co-determination. *Journal of Business, 52,* 469–506.

Kelly, L. M., Athanassiou, N., & Crittenden, W. F. (2000). Founder centrality and strategic behavior in family-owned firm. *Entrepreneurship Theory and Practice, 25*(2), 27–42.

Kraśnicka, T., Głód, W., & Wronka-Pośpiech, M. (2016). Management innovation and its measurement. *Journal of Entrepreneurship, Management and Innovation, 12*(2), 95–122.

Kraus, S., Pohjola, M., & Koponen, A. (2012). Innovation in family firms: An empirical analysis linking organizational and managerial innovation to corporate success. *Review of Managerial Science, 6*(3), 265–286.

König, A., Kammerlander, N., & Enders, A. (2013). The family innovator's dilemma: How family influence affects the adoption of discontinuous technologies by incumbent firms. *Academy of Management Review, 38*(3), 418–44.

Lansberg, I. (1999). *Succeeding generations: Realizing the dream of families in business.* Harvard Business Review Press.

LeCompte, M., & Preissle, J. (1993). *Ethnography and qualitative design in educational research.* Academic Press.

Lin, S., & Hu, S. (2007). A family member or expert management? The choice of a CEO and its impact on performance. *Corporate Governance, 15*(6), 1348–1362.

Matzler, K., Veider, V., Hautz, J., & Stadler, C. (2014). The impact of family ownership, management, and governance on innovation. *Journal of Product Innovation Management, 32*(3), 319–333.

Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: An expanded sourcebook.* Sage Publications.

Patton, M. (1990). *Qualitative evaluation and research methods*. Sage.

Parada, M. J., Nordqvist, M., & Gimeno, A. (2010). Institutionalizing the family business: The role of expert associations in fostering a change of values. *Family Business Review*, *23*, 355–372.

Peng, M. W., & Jiang, Y. (2010). Institutions behind family ownership and control in large firms. *Journal of Management Studies*, *47*, 253–273.

Peris-Ortiz, M., & Hervás-Oliver, J. L. (2014). Management innovation and technological innovation: Friends or foes? In J. L. Hervás-Oliver & M. Peris-Ortiz (Eds.), *Management innovation. Springer proceedings in business and economics*. (pp.1-17). Springer. https://doi.org/10.1007/978-3-319-03134-7_1

Pihkala, T., Goel, S., Rautiainen, M., Mukherjee, K., & Ikävalko, M. (2019). Deciphering ownership of family business groups. In M. Rautiainen, M. Rosa, P. Pihkala, M-J. Parada, & A. Discua Cruz (Eds.), *The family business group phenomenon – Emergence and complexities* (pp. 223–252). Palgrave Macmillan.

Rautiainen, M. (2012). *Dynamic ownership in family business systems – A portfolio approach* [Doctoral dissertation, Acta universitatis Lappeenrantaensis 485, Lappeenranta University of Technology].

Rautiainen, M., Rosa, P., Pihkala, T., Parada, M-J., & Discua Cruz, A. (2019). (Eds.), *The family business group phenomenon – Emergence and complexities*. Palgrave Macmillan.

Rosplock, K., & Welsh, D. H. B. (2012). Sustaining family wealth: The impact of the family office on the family enterprise. In A. L. Carsrud & M. Brännback (Eds.), *Understanding family businesses, undiscovered approaches, unique perspectives, and neglected topics* (pp. 289–312). Springer.

Rovelli, P., Ferasso, M., De Massis, A., & Kraus, S. (2021). Thirty years of research in family business journals: Status quo and future directions. Journal of Family Business Strategy, 100422.

Schickinger, A., Bierl, P. A., Leitterstorf, M. P., & Kammerlander, N. (2021). Family-related goals, entrepreneurial investment behavior, and governance mechanisms of single family offices: An exploratory study. *Journal of Family Business Strategy*. https://doi.org/10.1016/j.jfbs.2020.100393

Schleifer, A., & Vishny, R.W. (1997). A survey of corporate governance. *Journal of Finance, 52*, 737–783.

Sharma, P. (2004). An overview of the field of family business studies: Current status and directions for the future. *Family Business Review, 17*, 1–36.

Teece, D. J. (1980). The diffusion of an administrative innovation. *Management Science, 26*(5), 464–470.

Thomas, J. (2002). Freeing the shackles of family business ownership. *Family Business Review, 15*(4), 321–336.

Van den Berghe, L. A. A., & Carchon, S. (2003). Agency relations within the family business system: An exploratory approach. *Corporate Governance: An International Review*, *11*(3), 171–180.

Villalonga, B., & Amit, R. (2009). How are U.S. family firms controlled? *The Review of Financial Studies, 22*, 3047–3091.

Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value? *Journal of Financial Economics, 80,* 385–417.

Volberda, H. W., Van Den Bosch, F. A., & Heij, C. V. (2013). Management innovation: Management as fertile ground for innovation. *European Management Review, 10*, 1–15.

Walker, R. M., Chen, J., & Aravind, D. (2015). Management innovation and firm performance: An integration of research findings. *European Management Journal*, *33*(5), 407–422.

Ward, J. L. (1997). Growing the family business: Special challenges and best practices. *Family Business Review, 10*(4), 323–338.

Westhead, P. (1997). Ambitions, external environment and strategic factor differences between family and non–family companies. *Entrepreneurship & Regional Development*, *9*(2), 127–158.

Westhead, P., & Howorth, C. (2007). 'Types' of private family firms: An exploratory conceptual and empirical analysis. *Entrepreneurship and Regional Development, 19*(5), 405–431.

Xi, J. M., Kraus, S., Filser, M., & Kellermanns, F. W. (2015). Mapping the field of family business research: past trends and future directions. International Entrepreneurship and Management Journal, 11(1), 113-132.

Yin, R. K. (2013). *Case study research: Design and methods*. Sage.