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The M&A Behavior of Family Firms

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Abstract

The present study aims to identify the driving acquisition goals of family firms' acquisitions and analyse the role of innovation in these acquisitions. Therefore, the study deploys a qualitative approach investigating 15 German family firms to derive patterns within the qualitative data. As a result, the study proposes 14 propositions, which mainly suggest a co-existence of multiple goals in acquisitions. Similarly, the propositions argue that the goals related to the categories of expansion, market competitiveness and innovation are decisively driving the acquisitions undertaken by family firms. The study further proposes that the acquisition of innovation is a critical key to the success of family firms and a means to an end for achieving other related goals such as the survival of family firms. Beyond getting a broader understanding of the acquisitions made by family firms, the study shows further avenues for research in the field of family firms' M&A activities.

Keywords: Family Firm; Innovation; Mergers & Acquisitions; Drivers of Mergers & Acquisitions; Acquisitions Motives; Acquisition Goals; Innovation in Mergers & Acquisitions.

1. Introduction

1.1. Problem Relevance

"*Family Firms are crucially important for Europe. They make a significant contribution to Europe's GDP and employement, and tend to be great innovators, with a longer-term vision,*" highlighted José Manuel Barroso, President of the European Commision, at the II GEEF European Meeting in 2007 (Barroso, 2007).

Family firms characterized by dominant ownership, family ownership, and dynastic intention are well known to be the earliest type of commercial organizations, and they remain among the most prevalent types of businesses now (Anderson, Mansi, & Reeb, 2003; Aronoff & Ward, 1995; Chua, Chrisman, & Sharma, 1999). Family firms, mainly, embody the backbone of society as well as the driving force behind the global economy ever since. To be precise, family firms constitute two-thirds of all businesses worldwide and the share of family firms in total to all types of businesses is even higher depending on the different parts of the world (Family Firm Institute, n.d.). Furthermore, they contribute around 70–90% to the global annual GDP and provide between 50% and 80% of employment in the majority of countries (Family Firm Institute, n.d.).

Besides, family firms are often associated with a high level of innovativeness and a well-defined position in a specific niche (Gudmundson, Tower, & Hartman, 2003), where innovation describes the process of turning an idea or invention into a good or service that creates value for which customers are willing to pay (Sawhney, Wolcott, & Arroniz, 2006). In particular, in the business context, innovation aims to meet the customers' needs and expectations. Therefore, it can be regarded as a powerful and strategic way to create competitive advantage (Classen, Van Gils, Bammens, & Carree, 2012; Dess & Picken, 2000; Grundström, Sjöström, Uddenberg, & Rönnbäck, 2012; Hatak, Kautonen, Fink, & Kansikas, 2016; Kleinschmidt & Cooper, 1991; Porter, 1996; Santoro, Ferraris, Giacosa, & Giovando, 2018). Specifically for this type of business, innovation plays a significant role in the firm's economic development and growth (De Massis, Di Minin, & Frattini, 2015; Nieto, Santamaria, & Fernandez, 2015) as it leads to both long-term performance (Alberti & Pizzurno, 2013; Kellermanns, Eddleston, Sarathy, & Murphy, 2012; Partanen, Chetty, & Rajala, 2014) and survival of the family firm (Carnes & Ireland, 2013; De Massis et al., 2015) due to the possibility of creating competitive advantages (Classen et al., 2012; Dess & Picken, 2000; Grundström et al., 2012; Hatak et al., 2016).

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As mergers and acquisitions (M&A) has turned into a standard strategic business option for all types of businesses, it is increasingly crucial for family firms as it allows an inorganic approach to extend the firm's capacity to create value (Bower, 2001; Cartwright & Schoenberg, 2006). Principally, it refers to the consolidation of companies or assets through various types of financial transactions and is a fashionable but risky way to expand and complement existing resources (Benou & Madura, 2005; Cartwright & Schoenberg, 2006; Hagedoorn & Duysters, 2002a, 2002b; Kohers & Kohers, 2000, 2001). Hence, it enables firms to acquire external resources (Lee, 2017; Michelino, Caputo, Cammarano, & Lamberti, 2014). In the context of innovation, M&A provides family firms with additional solutions, such as mergers, acquisitions, management takeovers, asset acquisitions, takeover bids, and consolidations, to follow a more open-minded innovation process which enables them to acquire know-how and technology from external sources (André, Ben-Amar, & Saadi, 2014; Broekaert, Andries, & Debackere, 2016; Chesbrough & Crowther, 2006; Tsai & Wang, 2008; West & Bogers, 2017).

Previous research that contributes to the understanding of innovation and M&A in family firms separately agrees that family firms differ significantly from their non-family firm's counterparts, and identifies important insights into various fields such as family firm's performance (Alberti & Pizzurno, 2013), innovation process (Braga, Correia, Braga, & Lemos, 2017; Broekaert et al., 2016; Filser, Brem, Gast, Kraus, & Calabrò, 2016), collaborative innovation (Feranita, Kotlar, & De Massis, 2017), innovation behavior (Nieto et al., 2015), and M&A in family firms (Defrancq, Huyghebaert, & Luypaert, 2016; Worek, De Massis, Wright, & Veider, 2018). Nonetheless, there is still a lack of comprehensive understanding of family business research (Worek, 2017).

Despite the current advancement, not much is known about the underlying relation of innovation as a driving factor in M&A activities in family firms. Recent research shows significant differences between family firms and non-family firms (Worek et al., 2018) and highlights different aspects influencing the M&A decision-making process (Shim & Okamuro, 2011). However, it remains unclear which factors drive M&A activities in family firms and to what extent innovation is pushing these activities.

1.2. Objective

Due to the lacking understanding of innovation and M&A in family firms, this study follows the call from contemporary literature to analyze the acquisition goals of family firms by a qualitative approach to enrich the theory (Angwin, 2007; Bower, 2001; Walter & Barney, 1990). Therefore, this qualitative study aims to extend the current findings in the literature by complementary and profound insights into innovation-related M&A in family firms. By analyzing and examining M&A activities in family firms, it aims to understand the underlying goals and motives of family firms to engage in M&A and to identify the correlation between innovation and M&A. It is of particular interest to what extent innovation is pushing M&A activities in family firms. As the present literature shows that acquisitions rather than mergers are more likely in family firms, the focus of this study lies on the acquisition activity (Worek et al., 2018).

This study can benefit scholars, family firms and even non-family firms with remarkable insights into and knowledge of the unique setting of family firms as well as the innovation and M&A behavior of family firms. Moreover, it can contribute to the explanation of family firms being both highly innovative and successful in the global economy. For this reason, the following three questions will be answered:

- RQ1: What influence the family has on the firm? How important is growth?
- RQ2: Which goals are driving the acquisition activities in family firms?
- RQ3: What role does innovation have in the acquisitions?

By answering the research questions mentioned above, this qualitative study also fills a research gap put forward by a recently published academic paper about M&A in family firms – to extend the literature on acquisition goals in family firms (Worek et al., 2018).

In the following, I am going to present first a comprehensive literature overview of the current state of research and thereby illustrate how academia portrays family firms in setting their innovation and M&A. Subsequent, the emphasis is laid upon the main body of this study: starting with the presentation of the methodological approach of this qualitative study and ending with the evaluation and analysis of the obtained findings based on the 15 conducted interviews with family firms. Besides, a model focusing on the links between innovation and M&A in family firms is introduced in this part and afterwards used for connecting the findings. The last part of this study focuses on comparing the findings of the undertaken interviews and the findings of the current literature and identifying differences and similarities. Added to that, the last part examines limitations, practical and theoretical implications, and avenues for future research.

2. Theoretical Background[1]

2.1. Ownership Structure

Previous academic work indicates that the ownership structure has a significant influence on M&A behavior in both non-family and family firms (Astrachan, 2010; Shim & Okamuro, 2011; Worek et al., 2018). To be precise, both the size of ownership and type of owner may have implications for both the growth preferences (Caprio, Croci, & Del Giudice, 2011; Feito-Ruiz & Menéndez-Requejo, 2010) and the probability of M&A, as ownership is actively shaping the decision-making process and thus the decision to engage

[1] An overview of the identified literature can be found in Appendix 1.

in M&A Caprio et al. (2011). To this perspective, Haleblian, Devers, McNamara, Carpenter, and Davison (2009) add that the ownership further reveals different interests as wells as different acquisition goals in M&A. Therefore, the owners among firms indicate contrasting interests and motives displaying different M&A behavior. Hence, the prevailing acquisition theories based on non-family firms cannot fully be applied to family firms (Worek et al., 2018).

2.1.1. Non-Family Firms

Comparing both types of firms, non-family firms are mainly identifiable by three characteristics: dispersed ownership, atomistic shareholder, and separation between control and ownership (Boellis, Mariotti, Minichilli, & Piscitello, 2016; Demsetz & Lehn, 1985). Furthermore, Worek et al. (2018) highlight the significance of the distinct composition, a combination of non-family control, low wealth concentration, and the importance of economic utilities, of non-family firms as the main differentiator to family firms. Mainly due to these characteristics of non-family firms, there is a high probability of the principal-agent problem occurring, thus leading to difficulties in decision-making among both the shareholders and managers (Defrancq et al., 2016). Consequently, managers may pursue actions to extend their benefits at the firm's cost and shareholders. In particular, such irrational and unbeneficial decision for the firms is caused by the term "hubris" which is excessive self-confidence (Hayward & Hambrick, 1997; Kets de Vries, 1990; Roll, 1986). Moreover, Nguyen, Yung, and Sun (2012) reveal in their study, analyzing 3,530 domestic acquisitions in the United States from 1984 to 2004, that more than the majority are connected to agency motives and/or hubris, and various motives are involved when undertaking M&A activities.

2.1.2. Family Firms

Family firms are identifiable by three characteristics: dominant ownership, family ownership, and dynastic intention (May, 2018). Scholars have considered these three aspects to determine the unique family firms' ownership structure (Duran, Kammerlander, van Essen, & Zellweger, 2015):

First, the high level of control is related to the dominant ownership in family firms (Arregle, Hitt, Sirmon, & Very, 2007; Carney, 2005; Casson, 1999; Fiss & Zajac, 2004; Gedajlovic & Carney, 2010; Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Kim & Gao, 2013; Kotlar, Signori, De Massis, & Vismara, 2018; Palmer, Friedland, R., Jennings, & Powers, 1987; Zellweger, Kellermanns, Chrisman, & Chua, 2012). Therefore, family firms are highly concerned about the ability to preserve control and even pass the control and business over to future generations (Alberti & Pizzurno, 2013; Arregle et al., 2007; Bourdieu, Wacquant, & Farage, 1994; Caprio et al., 2011; Casson, 1999; Fiss & Zajac, 2004; Gómez-Mejía et al., 2007; Kotlar et al., 2018; Miller & Le Breton-Miller, 2005; Zellweger et al., 2012).

Second, scholars have identified high wealth concentrations as well as undiversified firm portfolios in family firms. This can be explained by the fact that the wealth of the business-owning family members is heavily tied up and concentrated on the core competency in the firm (Eisenmann, 2002; Hautz, Mayer, & Stadler, 2013). Since the family wealth is profoundly committed in the firm, family firms are focusing on long-term oriented investments to nurture the established wealth (Arregle et al., 2007; Gómez-Mejía et al., 2007; Miller, Le Breton-Miller, & Lester, 2009; Palmer & Barber, 2001) and pursuing investments, e.g., acquisitions, not causing risks, uncertainties, and threats for the family firm survival (Duran et al., 2015; Miller et al., 2009).

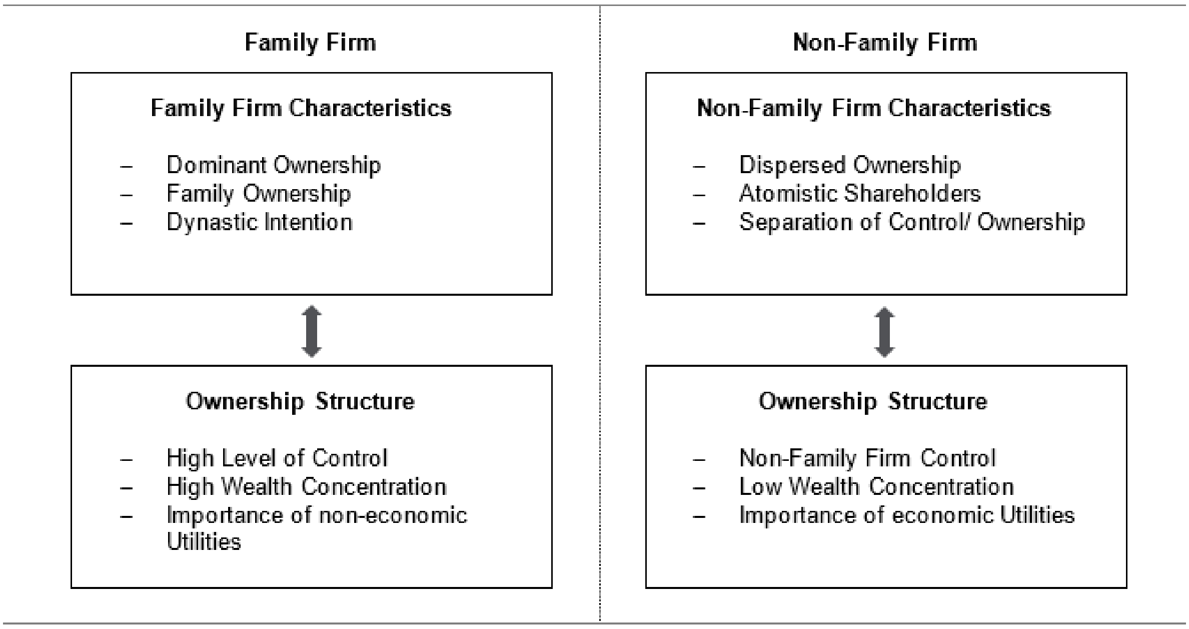
Third, scholars have highlighted the importance of noneconomic utilities and their effect on the behavior of family firms, which, therefore, have a significant influence on the decision-making (Astrachan & Jaskiewicz, 2008; Berrone, Cruz, & Gómez-Mejía, 2012; Chrisman, Chua, Pearson, & Barnett, 2012; Chrisman et al., 2012; Gómez-Mejía et al., 2007; Kotlar & De Massis, 2013; Worek et al., 2018; Zellweger & Astrachan, 2008). Mainly, this can be observed in social engagement and high investments in both employees and business roots of family firms in order to sustain the dynastic intention and thus shape the M&A behavior (Cruz, Gómez-Mejia, & Becerra, 2010; Fiss & Zajac, 2004; Gómez-Mejía et al., 2007; Kotlar et al., 2018; Zellweger, Nason, Nordqvist, & Brush, 2013).

The different properties of both firms, identified by past academic work, highlight the main differences between non-family firms and family firms. Furthermore, the observations mentioned above may potentially imply the indication of divergent aftermath regarding the M&A behavior. Figure 1 illustrates the insights mentioned above:

2.2. M&A Behavior

In terms of the M&A behavior of family firms, scholars have different points of view. On the one hand, they have revealed that family firms are in general hesitant to engage in M&A (Caprio et al., 2011; Miller et al., 2009; Shim & Okamuro, 2011). In support, Shim and Okamuro (2011) reach a similar conclusion in their study, investigating 488 M&A-deals, and highlight that family firms are less prone to merge than their non-family counterparts due to the threat of diminishing ownership and thus losing control. By the same token, the study of Requejo, Reyes-Reina, Sanchez-Bueno, and Suárez-González (2018), investigating 4,387 European publicly traded firms, points similar results referring that family firms with high family involvement in the firm have a more considerable reluctance towards acquisitions due to the risk of uncertain outcomes. Also, Miller et al. (2009), analyzing 898 of the Fortune 1,000 firms, conclude a greater aversion of family firms to undertake M&A due to business risks such as financial dependence or loss of control.

Given the unwilling behavior of family firms to engage in M&A, many scholars have tried to explain why these firms do not participate in M&A. In general, recent studies have confirmed that family firms are more willing to develop their business organically and therefore do not employ M&A as a mean (Astrachan, 2010; Caprio et al., 2011). However, the main reason for not participating in M&A appears to be the


Family Firm
Family Firm Characteristics
– Dominant Ownership
– Family Ownership
– Dynastic Intention
Ownership Structure
– High Level of Control
– High Wealth Concentration
– Importance of non-economic Utilities
Non-Family Firm
Non-Family Firm Characteristics
– Dispersed Ownership
– Atomistic Shareholders
– Separation of Control/ Ownership
Ownership Structure
– Non-Family Firm Control
– Low Wealth Concentration
– Importance of economic Utilities

Source: own illustration based on Boellis et al. (2016), Demsetz and Lehn (1985), Duran et al. (2015), May (2018) and Worek et al. (2018)

Figure 1: Principle Differences between Family Firms and Non-Family Firms.

risk aversion of family firms (Wiseman & Bromiley, 1996). As Caprio et al. (2011) report, the risk aversion of family firms has a strong influence on the decision for M&A and can lead to the denial of positive value-adding acquisitions. In this context, Requejo et al. (2018) emphasize a remarkably increasing reluctance to undertake acquisitions in situations where the family has a higher share in the family business, especially if an insufficient shareholder protection mechanism and socioemotional wealth are present. The rejection of such acquisitions seems plausible since family firms are generally reluctant to make acquisitions that could dilute family control and ownership as well as socioemotional wealth (Amihud, Lev, & Travlos, 1990; Caprio et al., 2011; Dreux, 1990; Gómez-Mejía, Patel, & Zellweger, 2015; Miller et al., 2009).

On the other hand, scholars have revealed that family firms undertake M&A. Even if family firms are more susceptible to vague investments and strategic decisions (Worek et al., 2018), they are involved in M&A activities to promote and maintain their growth since acquisitions can be regarded as a common tactic for the firm's development (De Massis et al., 2015; Nieto et al., 2015) and growth (Astrachan, 2010). Nevertheless, contemporary studies do not sufficiently explain the relatively low propensity of family firms undertaking acquisitions compared to non-family firms. Scholars state problems associated with diverse family priorities (Requejo et al., 2018), i.e., the dilution of non-economic utilities (Gómez-Mejía et al., 2015), the absence of financial resources (Requejo et al., 2018), and the decline of control due to the demand for external resources (Gómez-Mejía, Makri, & Kintana, 2010; Requejo et al., 2018; Worek et al., 2018) as an explanation for the low willingness.

Additionally, there appears to be a notable difference in the decision-making on related or non-related acquisition targets, primarily concerning the interest of family firms in reducing risks given the undiversified nature of family firms (Gómez-Mejía et al., 2010). In particular, Gómez-Mejía et al. (2015) highlight that family firms, undertaking acquisitions, prefer related targets and emphasize that the acquisition of non-related targets, which could be advantageous for the diversification of the business, is confronted with unwilling behaviors of by family firms due to the unpredictable financial outcome and the potential dilution of family interests. In contrast, Miller et al. (2009), examining the industry-diversifying nature of M&A transactions by firms, show that even if family firms are usually less prone to engage in M&A, family ownership has a positive impact on a firm's willingness to engage in non-related M&A and thus non-related targets in order to diversify the firm portfolio. Besides, in exceptional circumstances which pose a threat to family firms, they may also make acquisitions of non-related targets to diversify and reduce risks (Worek, 2017).

To conclude, the previously identified characteristics of family firms do actually imply significant aftermath regarding the M&A behavior in family firms. There are several discussions about the probability of family firms engaging in M&A. On both sides, scholars have arguments supporting their standpoints. Some scholars indicate that the great risk-aversion towards control loss and uncertainty causes the reluctance of family firms engaging in M&A. Other scholars state that family firms undertake M&A regardless of the relative low propensity but diverge on the decision to execute related or non-related M&A. Figure 2 shows the primary influences on the decision-making to make acquisitions in family firms.

2.3. Acquisition Goals

The current literature states that several aspects shape the acquisition goals of firms (Arnold & Parker, 2009; Hodgkinson & Partington, 2008; Nguyen et al., 2012; Walter & Barney, 1990). Scholars declare that the distinct ownership structures among firms forge and have a significant influence on (Haleblian et al., 2009; Worek et al., 2018). Mainly due to the varying interests of family and non-family firms, the acquisition goals are not regularly interchangeable among firms (Angwin, 2007; Feito-Ruiz & Menéndez-Requejo, 2010; Haleblian et al., 2009; Miller et al., 2009).

2.3.1. Non-Family Firms

Regarding the acquisition goals in non-family firms, contemporary literature shows several points of view in determining these goals. It appears that scholars have difficulty in conventionally assessing and specifying precise goals among these firms (Hodgkinson & Partington, 2008; Nguyen et al., 2012; Walter & Barney, 1990). Due to this fact, many scholars attempt to integrate different viewpoints of varying theories to get a good understanding of the acquisition goals.

With the analysis of 335 M&A deals of state-owned enterprises, Florio, Ferraris, and Vandone (2018) determine two main objectives: (1) shareholder value and (2) utility maximization in M&A. The former is linked to increases in efficiency (Houston, James, & Ryngaert, 2001), risk reduction by product and geographic diversification (Amihud & Lev, 1981; Denis, Denis, & Yost, 2002), and an increase in market power by entering a new market or reducing competition (Gugler, Mueller, Yurtoglu, & Zulehner, 2003; Lanine & Vennet, 2007; Martin & McConnell, 1991). The latter is linked to maximizing the benefit of managers and not the firm value (Florio et al., 2018; Jensen, 1986; Matsusaka, 1993; Seth, Song, & Pettit, 2002).

Further, Angwin (2007) points to the classical approach to M&A motivation and divides the motives and goals, which are all intended at maximizing shareholder value, into the respective literature categories of finance, economics, and classical strategy. First, M&A is seen in the financial literature as a one-off gain aimed at increasing shareholders' wealth. Therefore, it is related to decreasing capital costs, decreasing tax liabilities, or increasing control over the target's liquid assets (Angwin, 2007). Second, when looking at the economic literature, the M&A goals positively correlate to maximizing the firm's long-term profitability, which can be achieved by building sustainable competitive advantages over competitors Angwin (2007). Therefore, activities connected with realizing economies of scale and scope are assumed to reach these benefits. Finally, the classical strategy literature regards M&A as an opportunity to position the firm in its industry in a particular way. Thus, M&A implies opportunities such as reducing overcapacity, exploiting synergies, or creating barriers to entry in order to obtain an appropriate positioning (Angwin, 2007).

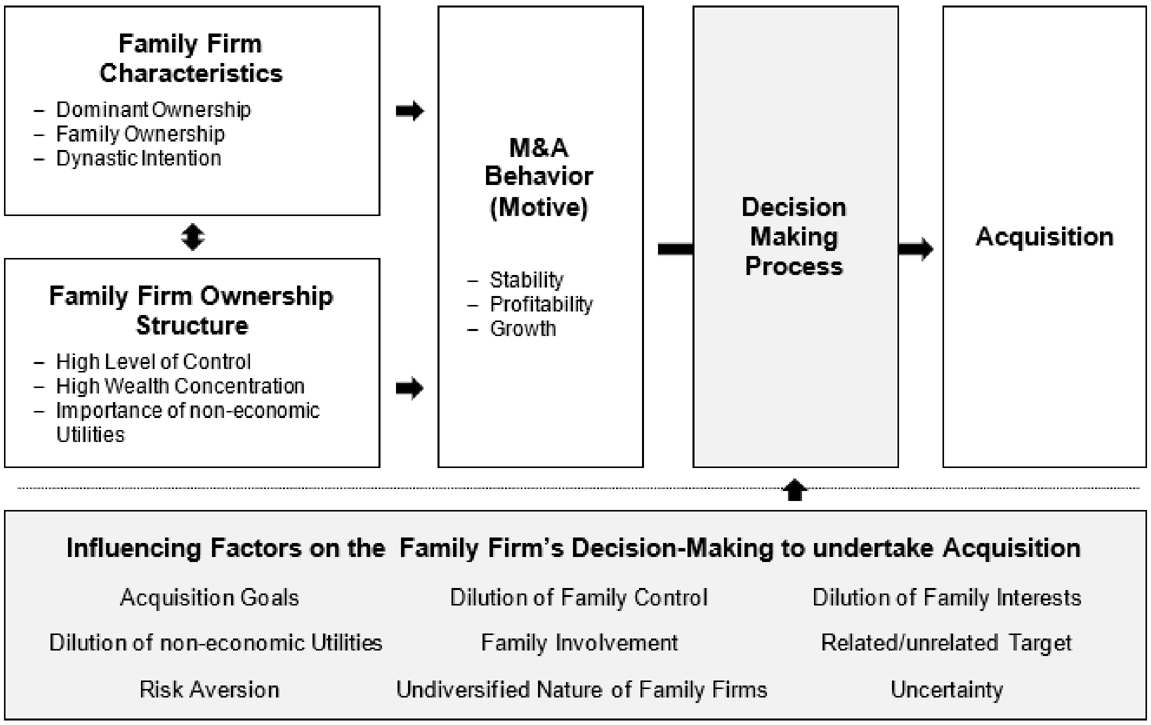
In addition to the perspectives on M&A objectives previously mentioned, the literature exhibits more approaches to explaining motivations for M&A (Angwin, 2007) and shows that objects interact with each other and often happen in a combination in M&A activities (Nguyen et al., 2012). To conclude, it appears that the different literature perspectives, referring to different motivations and goals in M&A activities, imply mainly shareholder maximization as the underlying motivation for undertaking M&A.

2.3.2. Family Firms

Concerning acquisitions in family firms, the current literature stresses that not much is known about these acquisition goals (Astrachan, 2010). In particular, the literature notes that the ownership structure and goal preference, a combination of economic and non-economic objectives, represent an essential part in M&A among family firms (Worek et al., 2018). For instance, these aspects reflect the preference of tangible rather than intangible synergies or the choice of current rather than unknown and risky technologies or markets in the decision-making to undertake acquisitions (Angwin, 2007; Hodgkinson & Partington, 2008). Recently, examining 588 M&A deals of European manufacturing companies, Worek et al. (2018) have identified seven acquisition goal categories: finance, innovation, resources, market competitiveness, strategy, and expansion. A detailed overview of these acquisition categories and the respective acquisition goals can be found in Appendix 2.

In general, the finance goal category describes a one-off gain (Angwin, 2007) which is not known as a common strategy pursued by family firms since they focus on long-term oriented investments securing the firm survival (Arregle et al., 2007; Duran et al., 2015; Gómez-Mejía et al., 2007; Miller et al., 2009). In this regard, Worek et al. (2018) show that family firms are less inclined to engage in acquisitions based on financial aspects, as wealth concentration contradicts with risky and uncertain investments in family firms (Anderson et al., 2003; Bianco, Bontempi, Golinelli, & Parigi, 2013; Miller et al., 2009). Moreover, the family firms' preference for non-economic utilities such as social engagement and preserving the business (Fiss & Zajac, 2004; Gómez-Mejía et al., 2007; Kotlar et al., 2018) outweigh financial returns diluting the family interests (Gómez-Mejía et al., 2007). Therefore, any activity diminishing stability and profitability is viewed as a threat to the family firm (Chrisman et al., 2012; Gómez-Mejía et al., 2010).

In terms of innovation, scholars have shown a high significance for growth purposes (Morck & Yeung, 1991). Notably, instead of developing innovations internally through tradition (De Massis, Audretsch, Uhlaner, & Kammerlander, 2018; De Massis et al., 2015), the external acquisition of innovation provides a strategic option for growth (Kotlar, De Massis, Frattini, Bianchi, & Fang, 2013). However, this challenges the specific characteristics of family firms, since if acquisitions are undertaken solely based on innovation, control may be diluted through the involvement of external parties (Duran et al., 2015), and the family firm survival is endangered


Family Firm Characteristics
– Dominant Ownership
– Family Ownership
– Dynastic Intention
Family Firm Ownership Structure
– High Level of Control
– High Wealth Concentration
– Importance of non-economic Utilities
M&A Behavior (Motive)
– Stability
– Profitability
– Growth
Decision Making Process
Acquisition
Influencing Factors on the Family Firm's Decision-Making to undertake Acquisition
Acquisition Goals
Dilution of Family Control
Dilution of Family Interests
Dilution of non-economic Utilities
Family Involvement
Related/unrelated Target
Risk Aversion
Undiversified Nature of Family Firms
Uncertainty

Source: own illustration based on Caprio et al. (2011), De Massis et al. (2015), Gómez-Mejía et al. (2015), Miller et al. (2009), Requejo et al. (2018), Shim and Okamuro (2011), Wiseman and Bromiley (1996), Worek et al. (2018) and Worek et al. (2018)

Figure 2: Influences on the Family Firm's Decision-Making on Acquisition.

by the uncertain outcomes of innovation (Duran et al., 2015; Gómez-Mejía et al., 2015). Consistent with the insights mentioned above, Worek et al. (2018) obtained similar results and note that the acquisition of innovation is less likely in family firms compared to non-family firms.

Moreover, Worek et al. (2018) unveil that the distinct ownership structure of family firms valuing non-economic utilities, as mentioned earlier, has significant implications on the firm behavior and decision making in family firms. In particular, it leads to the derivation of the stakeholder goal category for acquisitions (Worek et al., 2018). The non-economic utility indicates the incorporation of activities to increase social engagement and reputation (Arregle et al., 2007; Gómez-Mejía et al., 2007) as well as building trusting relationships and loyalty of stakeholders (Miller & Le Breton-Miller, 2005; Ward, 1988). Thus, family firms are more likely to engage in acquisitions driven by stakeholder goals than their counterparts in order to enhance non-economic utilities (Fiss & Zajac, 2004; Gómez-Mejía et al., 2015; Kotlar et al., 2018; Worek et al., 2018).

Concerning the resource goal category, Worek et al. (2018) show that family firms are as likely as non-family firms to disclose resource goals in acquisitions, but note that family firms are reluctant to undertake acquisitions based on resources such as distribution and marketing/sales network. Other scholars agree with this observation and highlight the family firm's ability to develop vital resources internally and the aversion to losing control as explanations (Duran et al., 2015; Sirmon, Hitt, Ireland, & Gilbert, 2011). Furthermore, it seems that resource-based acquisitions are more likely to happen in cases of physical resources because family firms hesitate to engage in uncertain investments and thus favor activities with clear outcomes (Caprio et al., 2011; Miller et al., 2009; Requejo et al., 2018; Shim & Okamuro, 2011). Moreover, the second observation focusing on clear outcomes and thus certain investments is in the consensus of the innovation goal category, in which innovation, reflecting an uncertain investment, is less likely to drive acquisitions in family firms (Duran et al., 2015; Gómez-Mejía et al., 2015).

The market competitiveness goal category focuses on the positioning of firms in the current market and thus refers to strengthening long-term profitability (Ghosh, 2004). As long-term oriented profitability is crucial for the survival of family firms (Gómez-Mejía et al., 2007), the pursuit of market competitiveness goals in acquisitions enables family firms to achieve long-term continuity through fostering their positioning. In accordance, Worek et al. (2018) conclude that family firms are more prone to engage in acquisitions based on goals associated with this goal category since positioning in current markets are less risky (Gómez-Mejía et al., 2010;

Sirmon & Hitt, 2003) and ensure the survival of family firms (Gómez-Mejía et al., 2007). This observation is also consistent with the family firms' preference for domestic rather than foreign M&A deals (Chen, Huang, & Chen, 2009). However, Miller et al. (2009) counter this observation by highlighting the importance of diversification for family firms. Therefore, family firms with significant ownership are not reluctant to undertake acquisitions aiming to position in new, unknown markets for diversification (Miller et al., 2009).

In contrast to the goal categories mentioned above, the strategy goal category seems to be broader in its composition. In particular, Worek et al. (2018) reveal this category as universal and specify it as *"important in any acquisition transaction"* (Worek et al., 2018, p. 259). In the manner that it is interlinked with other goals and is equally important in all type of firms. Therefore, the strategy goal category occurs in a combination of different purposes.

Similar to the previous category, the expansion goal category constitutes a broader perspective of acquisitions, primarily focusing on growth (Worek et al., 2018). Despite the limited literature on this (Caprio et al., 2011), scholars have confirmed its importance in acquisitions (Bower, 2001; Calipha, Tarba, & Brock, 2010). Based on the study carried out by (Worek et al., 2018), it seems that the expansion goal category is equally likely to occur within family and non-family firms. Hence, it is anticipated that expansion goals are universally applicable. Morever, Worek et al. (2018) indicate that family firms are more prone to undertake growth acquisitions related to diversification purposes. In support of this, Worek et al. (2018) refer to findings that indicate the advantages of reducing risks as well as securing non-economic utilities (Miller et al., 2009; Patel & King, 2015). Added to that, scholars note that the diversification by acquisitions takes place outside of the core business, aiming to minimize further the risks of concentrated wealth (Colli, 2002; Khanna & Yafeh, 2007). Nevertheless, it contradicts with the market competitiveness goal category, which notes that family firms are reluctant to engage in acquisitions associated with risky and unknown outcomes due to the family firms' interest to preserve the survival of the business in the long run (Gómez-Mejía et al., 2010; Sirmon & Hitt, 2003).

All seven acquisition goal categories, identified by Worek et al. (2018), highlight the significant influence of the family firms' characteristics (Duran et al., 2015) which are a high level of control, wealth concentration, and non-economic utilities on the decision-making to undertake acquisitions and thus shape acquisition goals, considerably. In particular, they indicate that family firms are more likely to engage in acquisitions based on goals which are both averting uncertainty (Caprio et al., 2011; Miller et al., 2009; Requejo et al., 2018; Shim & Okamuro, 2011) and ensuring the long-term survival of the business (Arregle et al., 2007; Duran et al., 2015; Gómez-Mejía et al., 2007; Miller & Le Breton-Miller, 2005). Furthermore, the acquisition goal categories mentioned above also show that these goals may occur in combination as well as in contradiction with other goals.

2.4. Relation of Innovation and M&A

The study of Worek et al. (2018) is consistent with the findings of other scholars highlighting that family firms, even having a more exceptional ability of obtaining innovation by M&A (Casprini, De Massis, Di Minin, Frattini, & Piccaluga, 2017; Chrisman, Chua, De Massis, Frattini, & Wright, 2015), are less inclined to make innovation acquisitions due to risks and uncertainties endangering the firm's survival (Garcia & Calantone, 2002; Gómez-Mejía et al., 2007; McDermott & O'Connor, 2002). However, in recent years, innovation has become a topic of great interest in the research of family firms (De Massis et al., 2015) as innovation is one of the essential factors for success and leads to growth, competitive advantages, and durability of the firm (Alberti & Pizzurno, 2013; Braga et al., 2017; Chrisman et al., 2015; Classen et al., 2012; Dess & Picken, 2000; Filser et al., 2016; Grundström et al., 2012; Hatak et al., 2016; Kleinschmidt & Cooper, 1991; Nieto et al., 2015; Porter, 1996). Even considering the limited resources in family firms, Nieto et al. (2015) underline the innovativeness of this type of firms, which, specifically, is mainly driven by technological innovation (Alberti & Pizzurno, 2013). In contrast to that, Cassia et al. (2011) diminish the relevance of technology and note that customers and markets rather than technology mostly drive family firms.

2.4.1. Product and Process Innovation

In general, innovation emerges in two value-creating ways: product/service innovation and process innovations (Rogers & Rogers, 1998). Regarding the former type of innovation, contemporary literature indicates that it is dependent on internal factors such as R&D (Broekaert et al., 2016) because family firms are less inclined to share control with non-family members and thus less inclined to rely on external sources of technological knowledge (Kotlar et al., 2013; Nieto et al., 2015). Furthermore, scholars highlight that the development of products is mainly driven by market knowledge rather than technology knowledge because it contributes to the possibility of securing social relationships (Alberti & Pizzurno, 2013). Regarding the latter one, Broekaert et al. (2016) note that other activities besides internal R&D can achieve process innovation. Notably, they highlight that process innovation is mainly dependent on external rather than internal factors.

Comparing both innovations, it seems that family firms are more likely to create process innovation rather than product innovation (Classen et al., 2012). Furthermore, scholars also affirm that family firms are less effective in product innovation (Classen et al., 2012) and less willing to innovate in terms of product innovation as succeeding generations are highly concerned about the firm's survival (Werner, Schröder, & Chlosta, 2018).

2.4.2. Incremental and Radical Innovation

Additionally, the current literature shows that family firms are more likely to engage in conservative innovations, namely, exploitation (*incremental*) rather than exploration (*radical*) (Nieto et al., 2015; Werner et al., 2018; Fuetsch & Suess-Reyes, 2017) since family firms are highly interested in securing the socioemotional wealth as well as maintaining the survival of the family firm (Filser et al., 2016).

2.4.3. Acquisition of Innovation

Commonly, innovation describes a term that combines various activities (Calipha et al., 2010), which can be driven by internal or external factors, leading to an increase in firm performance (Rogers & Rogers, 1998). In terms of internal activities such as R&D, scholars have identified that family firms are investing less in R&D, a foreseeable investment, compared to non-family firms (Broekaert et al., 2016). The primary explanation for this seems to be the overall risk aversion and limited resources of family firms (Nieto et al., 2015). Nevertheless, neglecting these low investments, family firms are more likely to develop innovation internally through tradition rather than acquiring from external resources, according to De Massis et al. (2015) and Rondi, De Massis, and Kotlar (2019), since the acquisition of external innovation is associated with uncertainty and dilution of control (Kotlar & De Massis, 2013; Duran et al., 2015). In terms of external activities, the acquisition of innovation is likely to increase the propensity for product and process innovation (Adner & Levinthal, 2001; Xiaojie & Tingting, 2017) as it causes the absorption of the acquired firm's knowledge base (Ahuja & Katila, 2001) and thus it can complement the internal knowledge base by external knowledge (Chesbrough & Crowther, 2006).

Furthermore, innovation in M&A is associated with the acquisition of technology (Rogers & Rogers, 1998), and therefore it is essential to separate the acquisition of technological innovation or non-technological innovation because only the former can enhance innovation performance and output (Ahuja & Katila, 2001). Additionally, according to Dezi, Battisti, Ferraris, and Papa (2018), M&A and innovation can also enhance innovative capacity and sustain competitive advantage, which is vital for the firm's survival (De Massis et al., 2015). However, it is still unclear why family firms engage in the acquisition of technological innovation in the first place. Concerning this question, Ranft and Lord (2000) highlight two explanations: First, the firm is in a position hindering the development of a valuable knowledge base internally. Second, developing a valuable knowledge base takes too long or is too costly to do by itself. These two explanations are consistent with other scholars who declare the acquisition of innovation as a possible response to innovativeness and growth of firms (Ahuja & Katila, 2001). Moreover, there seems to be a trade-off based on the cost perspective. Hence, firms have to weigh between the relative costs to develop technology internally or acquire it externally (Kotlar et al., 2013).

Besides, there is a crucial differentiation between product/service and process innovation in M&A. Regarding product and service innovation, acquisitions promote new organizational models and provide access to research and innovation capacities of other firms. In particular, it allows extending the company's knowledge base by new technologies for faster time to market (Ferraris, Santoro, & Dezi, 2017). Regarding process innovation, acquisitions contribute to achieving economies of scale and scope by decreasing production costs and offering synergies between available resources (Singh & Montgomery, 1987).

Nevertheless, the acquisition of technological innovation portrays a risky type of M&A, as it is linked to both high growth potentials and high risks (Benou & Madura, 2005; Hagedoorn & Duysters, 2002b; Kohers & Kohers, 2000, 2001), and therefore it indicates that family firms are less inclined to acquire external technology due to the risk aversion (Kotlar et al., 2013) and threat towards the family firm's survival (De Massis et al., 2015).

To sum up, innovation presents an essential component for the success of family firms because it creates competitive advantages and ensures the survival of family firms. One approach to sustain the innovativeness of family firms is the acquisition of innovation, particularly, technological innovation in order to increase the propensity of product/service and process innovation. Mainly, it complements the internal knowledge base by external knowledge of other firms quickly and effectively (Ahuja & Katila, 2001).

3. Methodological Approach

As the present bachelor thesis reflects a qualitative study, it follows a case-based approach in order to extend the given literature on innovation and M&A in family firms by findings of something *new* and *interesting* and aims to answer the question of "*how*" and "*why*," but stays open to alternative observations of particular significance.

Therefore, the conducted interviews shed lights on the topics of innovation and M&A in family firms, which appears of highly practical significance. The underlying qualitative data set incorporates 15 interviews in 15 different German family firms.

3.1. Research Design and Setting

By comparing different types of case studies, my study builds on the variance-based case study approach as suggested by Eisenhardt (1989) and Miles and Huberman (1994) with the goals of explaining heterogeneity among family firms and consequently deriving propositions as an output of the case studies.

Notably, the information used for this qualitative study was generated through the conducting of interviews and enriched by additional information retrieved by secondary sources, to be precise, information made available on the firm's websites and company reports. I identified a list of 60 German family firms which seemed of excellent suitability and could potentially be integrated into the study through reaching out to the Senat der Wirtschaft e.V. as well as accessing German databases (e.g., InPraxi). With this, I contacted each family firm through a personal call or email with an exposé emphasizing the explanation of the research interest, the connected professorship, and details on the method and timing (Appendix 4–5). As a result, I was able to schedule 15 interviews with 15 family firms out of these 60 family firms. The remaining family firms declined due to missing interests or time constraints.

The interviews were conducted with only one family or non-family employee of the respective firm each. Except for Firm D, which provided information through an email, all interviews were scheduled as an in-person interview at the respective headquarter (Firm E; Firm G; Firm H; Firm I; Firm J; Firm K; Firm N) or an interview organized by a phone call (Firm A; Firm B; Firm C; Firm F; Firm L; Firm M; Firm O). In four out of 15 family firms, the interviews were conducted with non-family members due to time constraints of the business-owning family members or expert knowledge, especially, positions of the non-family members within the respective firm. In the other eleven family firms, I interviewed the business-owning family members for two reasons: First, the interviewed family members were highly interested in the research topic and were more than willing to attend the interviews. Secondly, I indicated a high interest to conduct an interview with business-owning family members highly involved in the business of the family firm in prior contact with the firms.

In terms of the family firms' characteristics, the 15 family firms included in the final sample range in their size between 70 and 7,500 employees with an average of 1,856 employees and between € 4 million and € 900 million in revenue with an average of € 301 million. Furthermore, the firm ages differ between 13 and 164 years since foundation with an average of 92 years. Moreover, the interviewed family firms are engaged in different industries. Further information about the family firms and interviewees can be retrieved in Table 1 and Table 2.

Added to that, choosing to include family firms that differ considerably in their characteristics allows setting an essential prerequisite for obtaining an extensive understanding of innovation and M&A among family firms differing in their age, industry, revenue, and size. Mainly, it allows for observing potential similarities and differences between different types of family firms.

3.2. Data Collection

In order to conduct the interviews successfully, an interview guideline, consisting of 33 questions divided into eight segments, was developed for listing fundamental questions that could potentially be used to fall back on and offers interviewees a basic understanding of the nature of the scheduled interviews as preparation. However, despite this interview guideline which can be found in the appendix (Appendix 2), the conducted interviews were semi-structured and thus allowed for adaption depending on the interviewee's responses (Eisenhardt, 1989). Hence, it was possible to have conversations in a natural flow, engaging both interview participants in a dialogue without interruptions.

Furthermore, the semi-structured interviews allowed to emphasize specific and interesting points and aspects mentioned by the interviewees. Hence, it allowed generating insights that would be unavailable otherwise (Eisenhardt, 1989). As a result of this particular interview approach increased both the flexibility during the interview and the overall authenticity of all conducted interviews due to more beneficial, especially, more familiar and trustworthy interview setting.

The interview guideline, as mentioned above, was established upon three steps that helped me outline the major sections and the associated questions within each section. First of all, I focused on the findings derived from the literature review and used these insights to create an essential structure for the guideline. By this first step, I blueprinted and designed the eight general question sections. Secondly, after having an even closer look at the literature findings, I came up with a long list of questions related to these findings for each section of the interview guideline. Based on this long list, I decided to focus on questions that allowed me to accept, reject, or expand previously made assertions of the literature related to innovation and M&A in family firms. Shortly after, I was able to specify and narrow the long list down to a shortlist of questions to gather practical insights into these specific fields in family firms by the interviewees. By this second step, I added relevant questions to the respective sections and aimed to collect valuable as well as new insights that have not been subject to past research. Thirdly, I arranged an expert interview with a senator (member) of the Senat der Wirtschaft e.V. in order to challenge the previously defined interview guideline. The senator identified critical gaps and provided valuable insights to finalize them. By this third and last step, I applied the gained insights to wrap up the interview guideline by adding and modifying questions based on the exchange.

The first two question sections aim to create a beneficial interview environment that potentially enables the possibility to retrieve more sensitive information from the interview partner in the following conversation. Therefore, these two sections serve as a warm-up phase by gathering basic information about the family firms and interviewees. Moreover, the basic information obtained during these two sections provides fundamental insights into comparing the family firms objectively.

The following three-question sections serve as a bridge between the introduction and main body of the interview and aim to gather more specific and meaningful information about family firms in terms of the influences on the firm as well as their overall goals. The information obtained in this section provides a general understanding of the behavior of family firms and indicates potential perceptions of the family firms' engagement in innovation and M&A.

The sixth and seventh question sections function as the main body and intend to discover more about the family firms' approach to being innovative and undertaking M&A. The sixth section focuses strongly on the topic of innovation and thus highlights different aspects of innovation. The seventh section directs the subject of M&A in family firms. Hence, it aims to gather valuable insights into the importance

Table 1: Overview of the interviewed Family Firms

Family Firm	Industry	Location	Foundation	Generation	Employees	Revenue (in €)	Number of M&A
Firm A	Building Materials	-	-	3rd	3,000	-	11
Firm B	Passenger Transport	-	-	4th	850	-	5
Firm C	Automotive	-	-	5th	7,500	-	6
Firm D	Automotive	-	-	2nd	1,100	-	2
Firm E	Consumer Goods	-	-	3rd	150	-	0
Firm F	Media	-	-	3rd	1,000	-	5
Firm G	Building Materials	-	-	3rd	1,250	-	10
Firm H	Trade	-	-	4th	90	-	4
Firm I	Passenger Transport	-	-	1st	70	-	2
Firm J	Energy Supply	-	-	4th	200	-	6
Firm K	Engineering	-	-	3rd	1,500	-	6
Firm L	Consumer Goods	-	-	5th	5,000	-	7
Firm M	Consumer Goods	-	-	3rd	3,000	-	21
Firm N	Food & Beverage	-	-	5th	130	-	3
Firm O	Measurement Instrumentation	-	-	2nd	3,000	-	2

Source: own illustration based on conducted interviews

Table 2: Overview of the Interviewees

Family Firm	Interviewee	Family Member	Position	Date of Interview
Firm A	-	No	Head of M&A and Integration Management	26/04/2019
Firm B	-	Yes	CEO	19/04/2019
Firm C	-	Yes	CEO	19/04/2019
Firm D	-	Yes	CEO	00/04/2019
Firm E	-	Yes	CEO	16/04/2019
Firm F	-	Yes	CEO	27/04/2019
Firm G	-	No	CEO	16/04/2019
Firm H	-	Yes	CEO	18/04/2019
Firm I	-	Yes	CEO	08/04/2019
Firm J	-	Yes	CEO	24/04/2019
Firm K	-	No	Director Tax & Finance International	10/04/2019
Firm L	-	No	VP Strategy & Corporate Development	15/04/2019
Firm M	-	Yes	Co-CEO	24/04/2019
Firm N	-	Yes	Former-CEO	09/04/2019
Firm O	-	Yes	CEO	25/04/2019

Source: own illustration based on conducted interviews

and drivers of M&A.

The interview guideline finishes with the eighth and last section and serves as rounding the interview through further questions linked to the research and development (R&D) of the firms. Moreover, this section informally serves as a possibility to clarify unclarity and to answer questions asked by the interview partners.

This interview guideline was shared with nine interviewees in advance. However, the six other interviewees did not receive the guideline beforehand. Thus it increased the authenticity of the conducted interviews as some interviewees had to answer the questions without any preparation (Appendix 3). Added to that, all interviewees agreed with the recording of the conversations for assessment purposes. Besides, all interviews were carried out in German, and significant insights and statements were translated into English later on.

Principally, all interviews were conducted during three weeks between April 8, 2019, and April 27, 2019 (Appendix 3; Table 2). As mentioned earlier, seven interviews were carried out in-person with the interviewees at the respective company's headquarter, seven were conducted through telephone calls, and one was done by electronic communication. The length of the interviews ranges between 14 and 43 minutes, with an average of 30 minutes (Appendix 3). Also, the circumstance that the family firms which participated in the interviews differ significantly in their characteristics provided broad but detailed insights into the research topic.

3.3. Data Analysis

Since theory-building aims to reveal new "*descriptions, insights, and explanations of events*" (Gioia & Pitre, 1990, p. 588), the role of data analysis is undoubtedly increasing in the field of both qualitative and quantitative studies. Particularly, Eisenhardt (1989, p. 539) highlights that "*[a]nalyzing data is at the heart of building theory from case studies*". Therefore, it is critical to apply a well-defined process of collecting and analyzing data in order to observe innovation and M&A in family firms adequately (Figure 3).

In order to do so, the available data generated by the interviews pass through two critical stages. Firstly, after carrying out the interviews, I collected qualitative information for each family firm. Explicitly, I assembled my notes of significant statements taken during each interview, as well as the transcribed citations in the interest of consolidating all available information in a compromised form with the computer program Excel for straightforwardness (Miles & Huberman, 1994; Sutton & Callahan, 1987). Additionally, due to the semi-structured interview guideline, which does not require answering questions in a strict order, the conducted interviews followed open structures and developments. Hence, the consolidation of all available information enabled the restructuring of insights and statements based on the predefined question sections and their underlying questions.

Secondly, I carried out a cross-case (cross-interview) analysis aiming to gather insights based on all conducted interviews, as the content of these interviews were in the same context, namely, innovation and M&A in family firms, and thus represented an appropriate setting for this type of analysis (Yin, 1981). I mainly focused on finding similarities and differences as well as iterative patterns between the 15 family firms. For simplicity, I decided to establish a coding scheme (Gioia & Pitre, 1990) in order to classify, evaluate, and visualize the obtained information in such a way that leads to the derivation of propositions (Eisenhardt, 1989). The coding schemes can be found in Appendix 6–10.

4. Findings

4.1. Single Case Summary

With my qualitative study of the acquisition goals and the role of innovation in acquisitions in family firms, I intend to gain advanced insights into the M&A behavior of family firms. The following chapter summarizes all 15 investigated family firms and displays their perspective of acquisition drivers and the role of innovation in acquisitions briefly.

Firm A, as a premium manufacturer of building materials, focuses primarily on its product portfolio. Therefore, the firm follows two approaches, i.e., the internal development and improvement as well as the acquisition of external products, in order to quicken growth and expansion. Hence, M&A play a significant and strategic role in the firm's development and success (e.g., "*In principle, we can say that of the revenue we have today, about half comes from acquisitions.*" Firm A). Corresponding to this, Firm A also has an extensive M&A track record dating back 20 years, highlighting the importance of acquisitions. Since the firm aims to become a one-stop-shop solution for craftsmen, Firm A engages in acquisitions whose objectives result in expanding the firm's product portfolio and global presence.

Firm B is active in the passenger transport industry, highly influenced by the local authorities due to the flow of subsidies and public funds. Thus, the firm's motivation to engage in acquisitions depends mainly on the following question: "*If we don't buy it, but a competitor buys it, how will the market change for us?*" (Firm B). Therefore, the firm is highly valuing acquisitions increasing market competitiveness in order to maintain and enhance the firm's position in both the market and country. In terms of innovation and acquisitions, Firm B notes that innovation is driving none of their acquisitions but remarks that any acquisition which appears to be new-to-the-firm results in innovations for the firm.

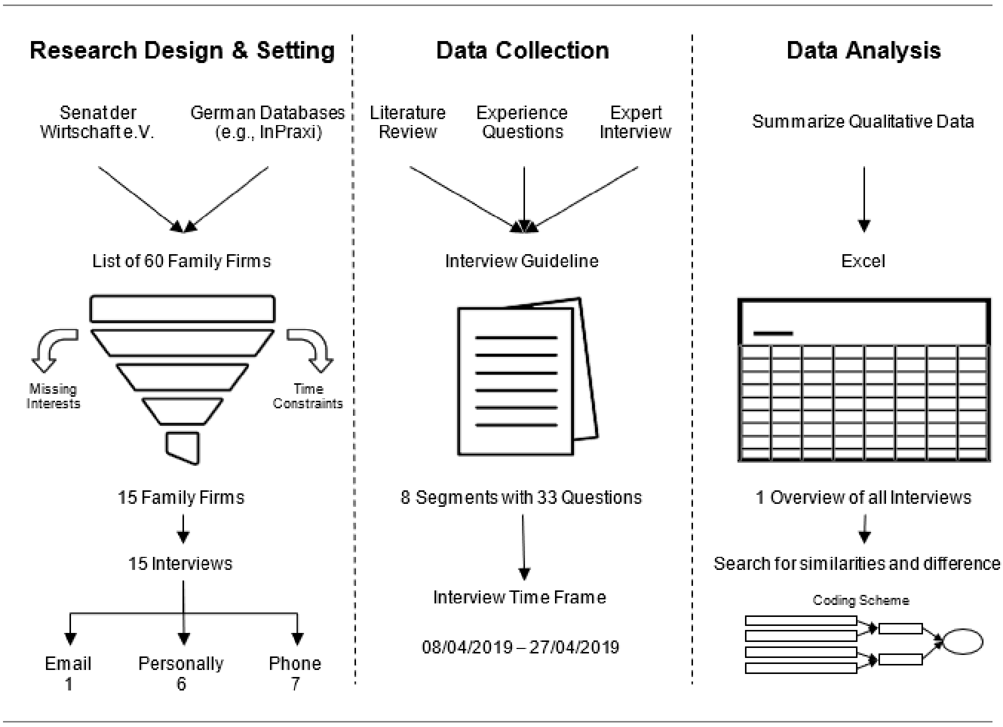
Firm C is active in two industries which are automotive supply and engineering. As customers greatly influence the firm's automotive supply industry, acquisitions are less likely to occur. Consequently, Firm C focuses on the optimization of internal processes in order to attain cost leadership. However, in the engineering industry, Firm C follows a different approach to grow and strengthen its market position. In particular, the firm utilizes acquisitions for complementing internal with external technology (e.g., "*M&A plays a role in expanding technology. In particular, to extend knowledge and thereby generate additional revenue.*" Firm C). For that reason, innovation is driving the acquisitions undertaken by Firm C. However, the acquisition of innovation remains a means to an end for achieving overall goals such as expansion and market competitiveness.

Firm D is a manufacturer of cable confection and system technology. Generally, the firm is aiming to increase profitability, precisely, to grow in revenue and earnings. In order to do so, Firm D' approach is to develop customer-oriented products in close collaboration with its customers. The result of these collaborations is product and process innovation which benefits both parties. However, in terms of acquisitions, innovation has no relevance as a driving factor. Notably, Firm D names goals related to accessing markets and customers as crucial drivers of acquisitions of the firm (e.g., "*We acquired companies in order to open new markets and support our growth.*" Firm D). Thereby, the firm aims to shorten the time to market and to accelerate growth.

Firm E operates in the skincare industry and is the only family firm in this sample without any acquisitions yet. Firm E highlights the importance of growth for the firm's development but reveals that growth should stay in a healthy frame. Mainly, innovation, more specifically product innovation, contributes to the firm's success. For this purpose, the firm is continuously improving and developing its product portfolio internally. Due to this conservative approach to do business, Firm E is not reliant on external resources, e.g., acquisitions of other firms. However, the firm is open to complementary acquisition opportunities to increase independence ("*We really don't have much experience with that. Well, you go through life with open eyes. You don't know whether it will be interesting to acquire a firm at some point. Well, it depends. [. . .] Is there perhaps a bottler or producer who would be complementing or who has the whole infrastructure, machines and further afield? Something like that would certainly be conceivable.*" Firm E).

Firm F is a digital-driven media company focusing on combining traditional media business and business that emerged by the digital trend in the industry. Notably, Firm F utilizes two strategies to leverage digitalization and to increase the firm's level of innovativeness: on the one side, by adapting the existing products to the digital change, and on the other side, by explicitly acquiring companies (e.g., "*We have done it ourselves in many years, but in recent years we have tended to acquire more.*" Firm F). Here, the acquisitions display a strategy to reposition the company and incorporate (local) business opportunities as well as goals related to market competitiveness such as to strengthen the market position (e.g., "*A strong idea of how can I take precautions by strengthening the digital sector and let the company as a whole participate in this huge media change, in the gigantic digitalization, and in the new businesses that result from it? That has been the decisive driver, and it is still today.*" Firm F).

Firm G is doing business in the building material industry and is heavily investing in growing the business and extending the product portfolio. Unusually, this family firm differs considerably from the other interviewed family firms. In contrast to the past, Firm G is now carrying out a greenfield approach rather than undertaking acquisitions for the last few years in order to increase its market competitiveness (e.g.,


Research Design & Setting
Senat der Wirtschaft e.V.
German Databases (e.g., InPraxi)
List of 60 Family Firms
Missing Interests
Time Constraints
15 Family Firms
15 Interviews
Email 1
Personally 6
Phone 7
Data Collection
Literature Review
Experience Questions
Expert Interview
Interview Guideline
8 Segments with 33 Questions
Interview Time Frame
08/04/2019 – 27/04/2019
Data Analysis
Summarize Qualitative Data
Excel
1 Overview of all Interviews
Search for similarities and difference
Coding Scheme

Source: own illustration

Figure 3: Overview of the Methodological Approach.

"*We now have a strategy change that we completed 5–10 years ago and are now focusing on greenfield investments. We are trying to go with the customers. We are going to the regions where we already deliver only from further away, build a production facility there and then also a sales office.*" Firm G). The goal of increasing market competitiveness remains the same, yet how such goals are achieved has changed because of the hidden cost of acquiring existing firms with plants at favorable prices. Innovation is essential for the firm as it secures meeting customer expectations (e.g., "*Innovation is like Oliver Kahn, according to the saying: Always further! [...] The expectations of our customers are much higher, and they will be even higher in 10 years.*" Firm G), but does not influence the decision-making to make acquisitions.

Firm H is a trading company offering various goods to its customers. As this specific type of business operates between industry and retail, the family firm faces several challenges, one of which is the high dependence on industry suppliers. In order to decrease dependence, its previous acquisitions refer to market competitiveness, expansion, and finance. However, more recently, the firm is highly interested in becoming more independent in terms of vertical integration — notably, the firm is fascinated by the acquisition and integration of an existing supplier of the firm in order to reduce risks (e.g., "*For example, I am currently considering acquiring an upstream business. It is a small company that has its own collection of wool.*" Firm H).

Firm I is a provider of passengers transport, particularly limousine service for its customers in Germany. In order to increase market competitiveness and accelerate growth, the firm is highly interested in inorganic approaches to reach its goals. In accordance with this, Firm I reveals market competitiveness and growth as the drivers of previous M&A activities. Further, the firm shows interest to expand its business into other German-speaking countries. It appears that innovation does not drive acquisitions.

Firm J is a family firm with a unique ownership structure of which the family owns half of all shares. In general, the firm operates in the energy supply industry and is highly customer-oriented. Therefore, customer feedbacks are significantly shaping the business of Firm J. In principle, the firm is not reluctant to undertake acquisitions but favors organic growth or growth by collaborations and partnerships. Also, the firm shows that there are two approaches to make acquisitions: on the one hand, by opportunity, and on the other hand, by strategy. Besides the acquisitions that emerged by opportunity, Firm J unveils drivers such as product portfolio expansion, strengthening market position, and growth as the determining factors for acquisitions. In addition to these factors, the firm shows that Innovation is essential for the firm's survival since it allows Firm J to please the customer's demands (e.g., "Innovation is not an end in itself. I can only survive in the market if I do something where the customer says: Yes! I think this service is excellent. This is what I want. In this respect, my drive for Innovation is always one that has to please the customer. I can't innovate otherwise." Firm J).

Firm K is a family firm active in the engineering industry. It aims to become a one-stop solution provider combing different levels along the value chain, thereby adding value for its customers and the family firm itself. As inorganic growth is profoundly significant for the firm's development, Firm K is not hesitant to engage in acquisitions. Quite the opposite, the M&A strategy is in line with the firm's overall strategy to grow disproportionally to the market. In connection with it, the firm shows that the firm's acquisitions refer to two drivers: product portfolio expansion and technology expertise — the latter points towards innovation and thus highlights its importance in the acquisition of firms. Furthermore, the acquisition of innovation offers the firm an alternative approach to develop product innovation as it surpasses financial and time constraints to do it internally.

Firm L is a family firm active in the following three industries: cosmetics, office supplies, and outdoor equipment. The interview reveals that the firm is long-term oriented and risk-averse in its behavior to do business. Further, Firm L acknowledges the importance of growth but highlights its preference for stable and profitable growth rather than fast growth. In terms of M&A, the firm notes that the acquisition of other firms represents an approach to hedge risks, as it extends the business base and thus secures the stability and independence of the family firm. Notably, acquisition goals such as growth, product portfolio expansion, and geographic expansion, related to the goal category expansion drive primarily the acquisitions undertaken by Firm L (e.g., "*It is the portfolio reach to be able to introduce, in particular, a new category or a new product line, notably, in terms of geographic reach. If I am planning a market entry and there is a potential partner in the target country who is already successful and could help us or has a complementary portfolio, then an acquisition makes it much easier to enter the market.*" Firm L).

Firm M operates in the consumer goods industry, to be precise, in the toys industry and represents a family firm profoundly shaped by acquisitions. Since inorganic growth contributes more than organic growth to the group's overall growth, it is increasingly crucial for Firm M's firm development (e.g., "*It is part of our growth strategy to grow through existing structures and sales units worldwide.*" Firm M). The interview reveals that there are three triggers for acquisitions: opportunity, insolvency, and strategy. Mainly, the firm is strategically acquiring financially distressed firms or have enormous potentials to restructure them. However, in all cases, the firm's driver is to exploit synergies in order to increase the group's revenue and profitability (e.g., "*We can simply leverage synergies by acquiring companies that are not yet positioned worldwide.*" Firm M). Despite the general importance of innovation in the firm's products and processes, it has a limited influence on the acquisition of other firms (e.g., "*Without innovations, we have little or no chance to develop and grow in the market. It is undoubtedly an important topic, but innovation can be developed in very different ways.*" Firm M).

Firm N is active in the food and beverage industry and shows that inorganic growth is vital for the firm's development as economies of scale emerged by concentrating the production of bakers and increasing profitability and market share. Furthermore, Firm N highlights that previous acquisitions point to established relationships with the acquired firms and notes that these firms are on sale due to insolvency or missing succeeding generations. However, it seems that the primary driver is to increase market competitiveness. Innovation does not represent a driver in Firm N's acquisitions.

Firm O is a manufacturer of measurement instruments. The family firm reveals that it is favoring organic rather than inorganic growth and notes its several collaborations and partnerships with external companies and institutes. In terms of the firm's acquisitions, Firm O highlights two approaches: an opportunity-driven approach (e.g., "*The company Matter was a typical case of opportunity. The company offered itself as part of a collaboration that we already have with the company. [. . .] It was financially-distressed, and that is why they asked us if we wanted to join or acquire.*" Firm O) and a systematic approach. Furthermore, the firm displays product portfolio expansion as an essential driver for acquisitions but mentions that the acquisition is not a systematic instrument of innovation. It seems that innovation has a minor role in the decision-making to undertake acquisitions (e.g., "*We innovate, but we don't innovate by acquisitions, at least not systematically. [...] When I say that acquisition is not a systematic instrument of innovation, it only means that we don't rule out something like this in our business model [...]. That means we systematically also innovate by acquiring innovative firms, but we usually don't. It can happen, but it's rare.*" Firm O).

4.2. Cross-Case Analysis and Propositions

By the use of cross-case analysis, I have identified various patterns in the interviewed family firms and thus have suggested the following set of 14 propositions which emerged from our explorative study. My findings are illustrated in Figure 4 and Appendix 6–11.

4.2.1. Influence of the Family on the Family Firm

My first observation is that the business-owning family has a critical role for all family firms that I interviewed. All these firms highlight that the family, being directly or indirectly involved in the business, are highly interested in the situation of the firm, as the following quote illustrates:

> Much information goes to the family members because they are very interested in the business. They want to be informed and stay informed. This is a strict requirement, and if the management does not follow this, it will quickly become noticeable. (Firm G)

Additionally, I have noticed that family firms with no family members in management have an advisory board with family members and neutral persons. This level of supervision enables the family to assert its interests and goals in the decision-making of the family firm:

> The family is represented by the advisory council. This council consists of five people, two of whom are delegated by the respective owner families. (Firm A)

> The family has a decisive influence. What part of the supervisory board is in non-family firms is the advisory council in family firms. There, the shareholders are informed about business development. (Firm G)

In particular, the business-owning family is significantly shaping the firm's goals and strategy since the family is passing essential values over to the firm. The following quote emphasizes it:

> There is a significant relationship between family values and business strategy. In particular, all family values are an essential part of the business strategy. (Firm L)

To sum up, the qualitative data set shows that the business-owning family, regardless of the level of involvement, significantly influences the family firm. Notably, the family transfers specific goals and values to the firm, thereby shaping the overall business.

4.2.2. Importance of Inorganic Growth

The cross-case analysis and search for patterns reveal that family firms primarily focus on three fundamental goals: stability, profitability, and growth. Remarkably, the majority of interviewed firms emphasize the importance of stability and profitability, which can be seen in the following:

> We are risk averse and prefer stability and profitable growth rather than fast growth which can lead to managerial problems. We do not follow all trends, but we analyze all business options carefully and decide on the possibility of leading to sustainable development. (Firm L)

According to Firm L, it seems that growth refers to two types, namely, profitable growth and fast growth. Strikingly, fast growth does not represent a primary goal than the others because it reflects risks that can endanger family firms' survival. However, most firms stress the importance of growth for the firm's development:

> The goal, of course, is to grow. It is our philosophy to grow health or to grow within a healthy frame. (Firm E)

All investigated family firms acknowledge growth as significant because it provides a way to be stable, independent, and profitable to develop the business (Firm L). Moreover, family firms note that growth is a term that combines organic and inorganic growth (e.g., "*Firm K is also aiming to grow both organically and inorganically.*" Firm K). Primarily, inorganic growth, in terms of acquisitions, offers a strategic option to create sustainable advantages and to maintain the long-term durability of family firms, as the following quotes illustrate:

> In this respect, the acquisition of companies has made a significant contribution to our growth in recent years. It has accounted for a more substantial proportion of our overall growth than organic growth. (Firm M)

> Inorganic growth has a significant role in family firms. Thus, family firms are engaging in acquisitions. (Firm K)

> Notably, in the last five to six years, we have gained more through acquisitions. In some companies [of our firm portfolio], following organic growth, we have even occurred losses because of the challenging market conditions in the toy industry. (Firm M)

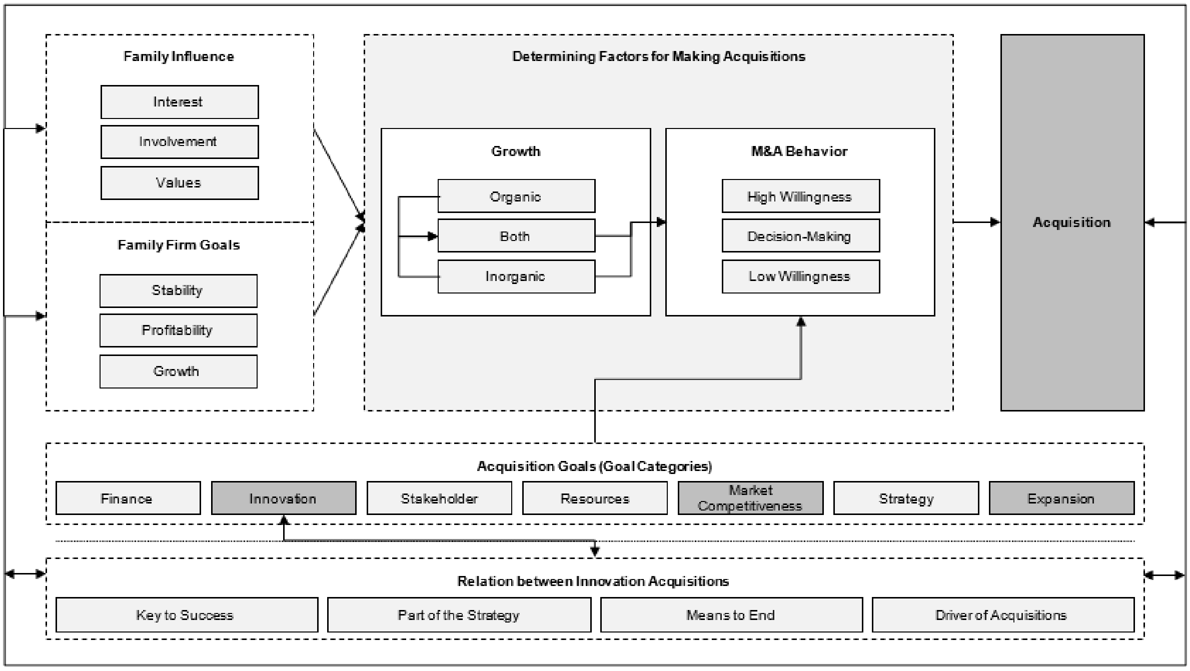
To summarize, it seems that business-owning family members have a significant influence on family firms. Notably, family values are decisively shaping the firm's development. As the family is severely concerned about the long-term survival of the family firm, growth has a vital role alongside stability and profitability in securing and enhancing the family firm. In particular, growth in terms of inorganic growth, namely, growth by acquisitions, is a strategic option. Based on the observed pattern, I propose the following:

Proposition 1: *Growth, mainly, inorganic growth provides the foundation on which family firms can obtain stability and profitability. The mean of acquiring other firms leads to sustainable development and the survival of family firms.*

4.2.3. M&A Behavior

The importance of inorganic growth, to be precise, growth by acquisitions can be seen above, but it still does not explain the M&A behavior of family firms and the likelihood of acquisitions. In an effort to identify possible reasons why family firms are acquiring other firms as an option to grow, I searched for further common patterns in my qualitative study.

Mainly, I noticed that the investigated family firms, even highlighting the relevance of organic growth (Firm J, Firm O), are generally not reluctant to engage in acquisitions (e.g., "*[T]he focus is on organic growth. However, that is not so easy in a niche market. When opportunities have arisen in the past, we have always said that we would try our luck, [...]. When we were able to acquire something, then we also did it.*" Firm J). Quite the contrary, the majority of the interviewed family firms regard acquisitions as a valuable complement to organic growth because it can positively impact the business (e.g., "*M&A is intended to positively influence the business by which we can acquire new competencies or competitive edge through speed or the like.*" Firm L). Moreover, in some family


Family Influence
Interest
Involvement
Values
Family Firm Goals
Stability
Profitability
Growth
Determining Factors for Making Acquisitions
Growth
Organic
Both
Inorganic
M&A Behavior
High Willingness
Decision-Making
Low Willingness
Acquisition
Acquisition Goals (Goal Categories)
Finance
Innovation
Stakeholder
Resources
Market Competitiveness
Strategy
Expansion
Relation between Innovation Acquisitions
Key to Success
Part of the Strategy
Means to End
Driver of Acquisitions

Source: own illustration based on conducted interviews and coding schemes

Figure 4: Model to illustrate the Findings of the conducted Interviews and the created Coding Schemes.

firms, M&A is even a fixed component in the overall group strategy as it profoundly contributes to the firm's growth and stability (e.g., Firm A; Firm L; Firm K).

Furthermore, I recognized that there is one fundamental question for family firms in order to undertake acquisitions. Family firms have to answer the question of whether making or buying (e.g., acquiring) something, as the following quote illustrates:

> In the M&A process, there is always a weighing. Do I now buy [acquire] something? [...] Or do I do it myself? (Firm F)

Therefore, family firms have to decide between the two options of make or buy and thereby consider a weighing of three factors, which are ability, costs, and time:

> For example acquisition target X: Before the acquisition, we had to decide between developing a high-quality adult filler from scratch, a greenfield approach, at home or acquiring a target company and having the product in the firm's portfolio right away. We decided to buy the target, and thereby we have made a leap in time and can now develop the product further from there. It was not an option to develop the adult filler organically, because it simply would have taken too long and consumed too many resources. So, making an acquisition was the right decision. (Firm L)

> That [a complement to the firm's portfolio] has been missing so far. It would have cost us three to five years and many millions of euros with an unknown outcome in R&D. Now, we have simply bought ourselves into it. So, we can act overnight. (Firm K)

Hence, the probability of undertaking acquisitions highly depends on the firm's current resources and constraints. Additionally, the influence of the business-owning family on the family firm is also determining the decision-making between buying or making. For example, a family firm that was highly focused on growth by M&A in the past can favor the option of making by itself today (e.g., "*Now, we have a strategy change which we completed five to ten years ago. Now, we are focusing on greenfield investments*." Firm G)

Lastly, I identified another aspect affecting the M&A behavior of the family firms in my data set. This aspect is associated with the underlying nature of family firms, namely, the risk-aversion. The interviewed family firms mentioned their concerns regarding financial independence and the preference to self-finance acquisitions (Firm B; Firm J; Firm K; Firm L).

To conclude, the M&A behavior of family firms depends on several aspects, but the key is to decide strategically between organic growth (e.g., making something) or inorganic growth (e.g., acquiring something). This weighing incorporates three components: ability, cost, time, and general preferences of family firms such as financial independence or risk aversion. Based on the findings mentioned above, I propose the following:

Proposition 2a: *The likelihood of acquisitions undertaken by family firms increases (decreases) with unbeneficial (beneficial) circumstances, in the context of ability, costs, and time, for making something.*

Proposition 2b: *The likelihood of acquisitions undertaken by family firms increases (decreases) with both higher (lower) willingness of the business-owning family to make acquisitions and increasing (decreasing) independence of the family firm.*

4.2.4. Acquisition Goals

Regarding the acquisitions undertaken by the interviewed family firms, I have observed several acquisition goals which surface both in combination with other goals and individually. In order to simplify the emerged observations, this study adopts the goal categories (finance, innovation, stakeholder, resources, market competitiveness, strategy, and expansion) and acquisition goals named by Worek et al. (2018) for classifying and categorizing the drivers of the acquisitions in my data set. As a result of this approach, the cross-case analysis results in the observation that the goal category expansion, followed by market competitiveness and innovation, is the most significant driver of acquisitions in family firms.

4.2.5. Acquisition Goal – Goal Category Expansion

In general, the goal category expansion incorporates many related acquisition goals. In particular, the investigated family firms highlight growth, product portfolio expansion, geographic expansion, diversification, and brand addition as the driving goals for their acquisitions. Some of these firms note the importance of brand addition (e.g., Firm A) and diversification (e.g., *"[...] today, we are very dependent on our suppliers and [...] many of them are in an awful economic situation. I am, now, trying to build something up for myself and become more independent by acquiring a smaller company [supplier]."* Firm H) as highly relevant. However, most firms indicate the following three acquisition goals, namely, growth (e.g., *"We bought companies in order to open new markets and support our growth."* Firm D), product portfolio expansion (e.g., *"And for office supply, it was the product portfolio because there were no such items as fountain pens in our product range, but a desire to extend the existing product portfolio."* Firm L), and geographic expansion (e.g., *"Let's say, there is a situation in which we are not sufficient or not present in a particular region. We would simply acquire a company that also produces tile adhesives there. That would in principle be a market entry or geographic expansion. You buy a market share to be in this market. We are currently looking very active in South America. We are also in an acquisition process there because we have no business there yet."* Firm A) as the central drivers in this goal category and in comparison to all recognized acquisition goals.

As mentioned earlier, the identified acquisition goals occur individually and in combination, regardless of the intention, with other goals in the acquisition of firms. Notably, the qualitative data shows that the combination of goals also appears within one goal category, as the following quote illustrates three acquisition goals which are growth, product portfolio expansion, and geographic expansion:

> If I am planning a market entry and there is a potential partner in the target country who is already successful, who could help us, or who has a complementary portfolio to mine, then this makes it much easier to enter the market. That's exactly what happened in the case of cosmetics: it also enriched our product portfolio, but primarily the geographic reach was relevant. (Firm L)

To summarize, it seems that the goal category expansion with the acquisition goals growth, product portfolio expansion, and geographic expansion is the primary driver of acquisitions undertaken by family firms. Thus, I propose the following proposition:

Proposition 3a: *Family firms are primarily undertaking acquisitions of other firms because of expansion. Thereby, growth, product portfolio expansion, and geographic expansion are decisively influencing in the likelihood of acquisitions.*

Proposition 3b: *The likelihood of acquisitions undertaken by family firms increases (decreases) significantly with the importance (unimportance) of expansion goals, namely, growth, product portfolio expansion, and geographic expansion as acquisition goals.*

4.2.6. Acquisitions Goal – Goal Category Market Competitiveness

Based on the investigated firms, the goal category market competitiveness represents the second most common goal category. The interviews reveal that family firms are primarily pursuing the following three acquisition goals in this category: customers (e.g., *"Then in recent years, we have tried to expand our liquid gas product portfolio by addressing a specific clientele – the one who has been dealing with the topic of proprietary tanks. We also made an acquisition there [...]. We aimed to address this clientele under a different brand name."* Firm J), exploit synergies (e.g., Firm M), and strengthening the position in terms of market and country position (e.g., *"That's why our acquisitions tend to be motivated by the following question: If we don't acquire it [potential target], but a competitor does. How will the market change for us?"* Firm B).

Noticeably, the qualitative data set shows that two of these three goals, namely, exploiting synergies (e.g., Firm A; Firm I; Firm K; Firm M) and strengthening market and country position (e.g., Firm A; Firm B; Firm F) are peculiarly shaping the goal category since they lead to market competitiveness. As the interviews indicate, the goal of exploiting synergies can appear in two forms, which is more beneficial for the acquiring or acquired company. For example, Firm M shows that both types of synergies are also possible within one firm. The acquisition of target A displays the synergies of the acquiring firm, and the acquisition of target A displays the synergies for the acquired firm:

> The last acquisition was target A, an American company that we bought last autumn. [...] They have a very experienced R&D organization in Hong Kong and China. They have an excellent costing team. That means, they can analyze precisely how much the products can cost in production. When a product goes into development, they always look over the 3D structures and improve them from the production point of view. [...] So through the acquisition, we could apply this outstanding expertise to the product segments of our company. (Firm M)

> Yes, as I have already said. The most significant effect with us is the international synergy that we can leverage in something like this [e.g., acquisitions]. That means we take over a small company like target B, for example. [...] We bought this company and now have the opportunity through our international sales structure [...] to take up the products of this smaller company and market them in the respective local markets, globally. (Firm M)

Moreover, the goal of strengthening the market and country position is especially shaping this goal category since the majority of firms refer to the importance of a stable positioning within both the market and country (e.g., *"Then we bought a company at lake Tegernsee. The aim was to position ourselves around Munich."* Firm B; e.g., *"A strong idea of how can I take precautions by strengthening the digital sector and let the company as a whole participate in this huge media change [...] That has been the decision driver, and it still is today."* Firm F).

To sum up, market competitiveness represents the second most common goal category for family firms' acquisitions. The interviewed family firms refer to three acquisition goals which are customers, exploit synergies, and strengthen market and country position in this goal category. Greatly, the latter two acquisition goals lead to an increase in market competitiveness.

Proposition 4a: *Besides the goal category expansion, family firms are also undertaking acquisitions of other firms because of market competitiveness. The acquisition goals, namely, to exploit synergies and strengthen the market/country position are significantly influencing the likelihood of acquisitions.*

Proposition 4b: *The likelihood of acquisitions undertaken by family firms increases (decreases) significantly with the importance (unimportance) of goals leading to market competitiveness, namely, to exploit synergies and strengthen the market/country position as acquisition goals.*

Proposition 4c: *For family firms, the significance of exploiting synergies drives the probability of acquisitions positively due to the occurring synergies, for the acquiring or acquired company, to increases the market competitiveness.*

4.2.7. Acquisition Goals – Goal Category Innovation

Furthermore, the conducted interviews show that innovation is the third most common goal category in family firms' acquisitions. As noted by Firm B, innovation is a broad term that describes anything new to and creates value for the firm:

> The reasons for buying were not in the sense that we buy innovation. If we buy something else that we don't already do ourselves today, then it's also a kind of innovation because we're going into an area where we aren't today and believe that we're better off with it at the end of the day. (Firm B)

In particular, the quote of Firm B mentioned above exemplifies this broad meaning of innovation, and it seems that there is a difficulty in specifying explicit acquisition goals in terms of this goal category. Based on the investigated firms, the goal category innovation designates technology, particularly technology expertise, as the driving acquisition goal in this category. The following quote illustrates the significance of technology and its relation to technology knowledge:

> If you look at our acquisitions, you can easily see that they were linked to the components area. There, we try to acquire core components and core knowledge in order to integrate our knowledge. So, one plus one is not two, but becomes three. (Firm K)

This observation is consistent with other family firms, such as Firm C, Firm J, and Firm M, and highlight the importance of complementing internal with external technology. However, these two companies also note the influence of the market in the decision-making, as the following quote illustrates:

> The markets we had served were not a) growing and b) market leading to the extent that growth in speed was only possible with a broadening of the technology portfolio. That is why we made acquisitions. (Firm C)

By connecting technology and market, the interview with Firm C highlights that time in terms of growth in speed is an additional determining aspect in the decision-making to undertake innovation-driven acquisitions in family firms.

Additionally, the interview with Firm M reveals that innovation also points to R&D, which reflects technology knowledge. Significantly, the example of the experienced R&D and its excellent costing team represents technology expertise which is a beneficial complement for the whole group (see "*Acquisition Goals – Goal Category Market Competitiveness*").

In summary, innovation reflects the third most common goal category for the acquisitions undertaken by the investigated family firms. Even considering innovation as a broad term, it seems that technology expertise is mainly driving the acquisitions in this goal category. Notably, the acquisition of firms associated with technology expertise leads to higher innovativeness of family firms. Added to that, it seems that unfavorable market conditions enhance the speed of acquiring technology expertise and thus innovation.

Proposition 5a: *Besides the goal categories expansion and market competitiveness, family firms are further undertaking acquisitions of firms because of innovation. The acquisition goal, namely, obtaining technology expertise is significantly driving the likelihood of acquisitions.*

Proposition 5b: *The likelihood of acquisitions undertaken by family firms increases (decreases) significantly with the importance (unimportance) of goals increasing innovativeness, precisely, to obtain technology expertise as acquisition goal.*

4.2.8. Acquisition Goals – Goal Category Strategy

Besides, the collected qualitative data indicate the goal category strategy as the last more common category. In particular, the interviewed family firms highlight strategic reorganization/repositioning (e.g., Firm J), local business opportunities (e.g., Firm B; Firm J), niche player/specialization (e.g., Firm H), strategic fit (e.g., Firm B), and market access (e.g., Firm B) as the underlying acquisition goals. Also, the data reveal that the acquisition goals surface not only in combination with other acquisition goals in this category but also of other goal categories, as the following quote illustrates:

> Our business is politically influenced by the fact that we provide 70% of the classic liner traffic for cities and municipalities. The cities determine a lot of what has to be done. So, the own initiative is conditionally desired because there are many subsidies and public funds flowing. That's why our acquisitions tend to be motivated by the following question: If we don't buy it, but a competitor does. How will the market change for us? Also, it is partly influenced by the fact that you stand better on several legs next to the classic liner traffic. Thus, in addition to classic liner traffic, we also bought scheduled services in the region. Then, we bought a company at lake Tegernsee. The aim was to position ourselves around Munich. (Firm B)

The quote shows that a combination of several acquisition goals of this category (such as local business opportunities, strategic fit, and market access) and acquisition goals of other categories (such as strengthen market/country position, growth, and geographic expansion) which are associated with market competitiveness and expansion drive acquisitions in family firms.

To conclude, the data note that the goal category strategy is the last significant pool of drivers of acquisitions undertaken by family firms. Distinctly, this goal category additionally reveals that acquisition is driven by a combination of multiple acquisition goals based on at least one goal category.

Proposition 6: *The incorporation (non-incorporation) of multiple acquisition goals from different goal categories increases (decreases) the likelihood of a family firm to engage in the acquisition of companies.*

4.2.9. Acquisitions Goals – Goal Categories Finance, Stakeholder, and Resources

In addition to the goal categories previously mentioned, there are others such as finance (e.g., Firm F), stakeholder, and resources (e.g., Firm H), as named by Worek et al. (2018). However, the conducted interviews in this study give little to no insights into these categories. Due to the lacking observations in the qualitative data set, it seems that these three-goal categories, as well as the respective acquisition goals, are less momentous as a driver for acquisitions undertaken by the family firms.

What stands out is the fact that none of the interviewed family firms considers the goal category stakeholder as a fundamental driver for making acquisitions. This observation is particularly interesting since family firms regard non-economic goals such as the relationship with both employees (Firm C; Firm E; Firm G; Firm I; Firm L) and customers (Firm J; Firm K) as highly relevant. For example, the following three quotes illustrate this insight identified in the data set:

> It's essential for me to be honest with the people. [...] Personally, I have the underlying attitude that the secret of why companies are successful is the employees. Therefore, it is crucial to pick up the right employees, and I have respect for every single employee, no matter if she/he is in our management or works in our warehouse. Everyone is important. Only the employees are decisive. (Firm H)

> Trust and working together with our employees are the be-all and end-all of the company. There is nothing more important than this. We are always trying to do the maximum, especially in an unbeneficial situation, for them. For example, when our employees, i.e., our family, face financial problems, we are more than happy to support with private loans in order to bridge constraints. Furthermore, we also do our best to create an attractive work environment. In particular, if someone needs time off for a specific time for any reason, we are more than willing to find a solution in order to help our employees. (Firm I)

> We try to develop solutions for our customers so that they say: yes, it was a good decision to go to Firm J. We are massively dependent on this. What we are doing here can only be in the interests of our customers. Then we will all be successful. The customers have their success, and we have our success. (Firm J)

To sum up, the remaining goal categories such as finance, stakeholder, resources, identified by Worek et al. (2018), appear to be less relevant in the acquisitions of the interviewed family firms. Particularly, considering the relevance of good relationships with employees and customers, the investigated firms have not precisely stated acquisition goals related to the category stakeholder.

Proposition 7: *In comparison to the goal categories mentioned above, finance, stakeholder, and resources have a minor relevance as a driver of acquisitions. Hence, family firms are less likely to engage in acquisitions solely based on these three-goal categories as drivers.*

4.2.10. Relation between Innovation and Acquisitions

The conducted interviews with family firms present innovation not as the determining driver but as one of the three most significant drivers for family firms to engage in acquisitions. In particular, the investigated firms regard innovation as the key to success (e.g., *"In this respect, innovation serves the success of the group."* Firm J) and thus part of the overall strategy (e.g., *"Innovation is part of our strategic position. [...] And you can only be or remain a differentiator by innovation."* Firm L). The following quote by Firm M illustrates this observation:

> Without innovation, we have little or no chance to develop and grow in the market. It is undoubtedly an important topic, but innovation can be developed in very different ways. (Firm M)

In addition to this, the investigated family firms note that "*[i]nnovation is not an end in itself*" (Firm J) but a continuous process (e.g., "*Innovation is like Oliver Kahn according to the saying: Always further!*" Firm G) of creating value for the customer (e.g., "*I can only survive in the market if I do something where the customer says: Yes! I think this service is good. This is what I want. – In this respect, my drive for innovation is always one that has to please the customer! I can't innovate otherwise.*" Firm J) by technology or non-technology innovation (e.g., "*The innovation should not be limited to technology but should be placed in the context of a company's business and strategy.*" Firm K) in order to succeed.

Regarding the acquisition of innovation, the family firms display different perspectives of the likelihood of acquisitions for obtaining innovation in family firms. Mainly, Firm O is the only family firm in the data set, highlighting that the firm does not usually search actively to acquire innovation. Instead, it happens by opportunity, as the following quote illustrates:

> For us, the acquisition is not a systematic instrument of innovation. We innovate, but we don't innovate by acquisitions, at least not systematically. When I say that acquisition is not a systematic instrument of innovation, it only means that we don't rule out something like this in our business model. It is more likely to be driven by opportunity. (Firm O)

In contrast, the other family firms reveal a more consistent attitude towards innovation as a driver and note, especially, that the acquisition of innovation is an efficient and effective alternative for developing innovation internally (e.g., Firm K) in order to realize goals such as *growth* (Firm C) or *reach different market segments* (Firm J). Besides, the following quote illustrates that innovation as a driver of acquisitions is potentially not the *ultimate goal* (Firm E) for family firms:

> We try to reach different market segments, and it's easier to achieve this by purchasing a specialist [i.e., technology expertise] than to develop something from your brand. (Firm J)

Similarly, the interviewed family firms, even Firm O, indicate that the acquisition of innovation refers to other goals, as the next quotes demonstrate:

> I don't believe that innovation is the ultimate goal but rather a means to an end. However, it is a significant one since it helps you to achieve your company goals. I don't think that innovation should be seen in isolation, because it's part of the whole. It would help if you had it, and you can't do without it. (Firm E)

> The motivation to do M&A is based on the strategy to grow and expand a specific market position, and as a result of this, especially, innovation was a means to end. (Firm C)

To conclude, family firms regard innovation as a relevant component in the decision-making to undertake acquisitions. Remarkably, the acquisition of innovation appears to be a strategic and continuous process for creating value for customers and thus leads to the success of family firms. In particular, it allows an alternative approach to internal development and increases the level of innovativeness within the firms. However, innovation does not represent the ultimate goal as it leads to other goals such as expansion.

Proposition 8a: *The more important innovation is for family firms, the more likely they will engage in acquisitions driven by innovation.*

Proposition 8b: *The importance of innovation for family firms drives acquisitions positively. As high levels of innovativeness in family firms aim to achieve other goals, the acquisition of innovation serves as a means to an end.*

5. Discussion

In the present study about the M&A behavior and acquisition goals of family firms, the aim is to exhibit in detail what goals are driving family firm's acquisitions and what role innovation in acquisitions has. Based on the observed patterns in the qualitative data set, the study proposes that the basic idea of acquisitions is the family firm's interest to grow, to be precise, by inorganic growth to secure stability and profitability of the firm. Additionally, the identified patterns suggest that the likelihood of acquisitions in family firms is positively associated with unbeneficial circumstances, in the context of ability, costs, and time, to make something, increase willingness to make acquisitions, and increase the firm's independence. Moreover, the process of detecting similarities and differences among the investigated family firms leads to the proposition that acquisitions goals associated with expansion, market competitiveness, and innovation are mainly driving the acquisitions. Subsequently, the qualitative data set portrays those acquisition goals related to finance, stakeholder, and resources as less determining for acquisitions. Lastly, the observed patterns propose that the acquisition goals, which family firms refer to, appear commonly in combination with other goals and that innovation is crucial for the firm's success, but serves as a means to an end in order to achieve fundamental goals of the firm.

5.1. Comparison of the Results with the Literature

Concordant with the literature, the interviewed family firms reveal insights into their M&A behavior and acquisitions goals and thereby display similarities and differences between the findings of the qualitative study and the literature, as illustrated in Table 3.

In general, both the qualitative study and the literature highlight that the business-owning family is highly influential on the firm's development and decision-making. Mainly, the qualitative data add that the family transfers its values and goals to the family firm and thereby significantly shapes the firm.

Regarding the M&A behavior of family firms, the interviewed family firms contradict the literature finding that family firms are generally hesitant to undertake M&A (Caprio et al., 2011; Miller et al., 2009; Requejo et al., 2018; Shim & Okamuro, 2011).

Contrarily, the qualitative data notes that family firms are generally not reluctant to engage in acquisitions (e.g., Firm J) and highlights its importance to complement organic growth. Moreover, the interviews remark that M&A is a fundamental part of the overall strategy of family firms as it contributes to the firm's stability and profitability. In correspondence with this, the literature adds that M&A promotes and maintains the growth of family firms since it represents a strategic tactic contributing to the firm's development (De Massis et al., 2015; Nieto et al., 2015).

As family firms are not generally reluctant to engage in acquisitions, the literature points out several aspects explaining the low propensity of acquisitions undertaken by family firms. Primarily, the literature refers to the firm's risk-aversion and threats against the firm's survival to explain the low propensity (Amihud et al., 1990; Caprio et al., 2011; Gómez-Mejía et al., 2015; Miller et al., 2009). Consistently, the investigated family firms acknowledge the explanations mentioned above as influencing factors in the likelihood of undertaking acquisitions but note further that family firms have to answer one fundamental question of whether to make or buy something (e.g., Firm F). In this context, family firms have to incorporate the firm's current situation in terms of ability, costs, and time in addition to the firm's risk preference in the weighing between making or buying (acquiring) something (Firm K; Firm L).

In terms of the specific acquisition goals, the literature, particularly the study of Worek et al. (2018), reveals that three-goal categories are primarily driving family firms' acquisitions. As noticed in my study, expansion followed by market competitiveness and stakeholder is the decisive goal category. The findings of the conducted interviews affirm the goal category expansion (with the following acquisition goals: growth, product portfolio, and geographic expansion), followed by market competitiveness (with the following acquisition goals: exploit synergy and strengthen market/country position) as the most crucial driver of acquisitions in family firms. The third goal category stakeholder emerged in the study of Worek et al. (2018) is not regarded as critical in driving acquisitions based on the qualitative data set. Quite the contrary, the findings of the interviews show that none of the investigated family firms considers stakeholder as a crucial driver of acquisitions. Instead, the qualitative data set reveals that the third most common goal category for driving acquisitions is innovation. Despite the risks and uncertainties noted in the literature (Duran et al., 2015; Gómez-Mejía et al., 2015), even the literature recognizes innovation-driven acquisitions as a strategic option to grow (e.g., Kotlar et al., 2013, Morck & Yeung, 2003), which is consistent with the observation derived by the interviews.

Both the qualitative study and literature show that innovation is essential for the family firm' success as it enhances firm development and leads to the durability of the family firm. In contrast to the literature, which shows that the market shapes the firm's innovativeness, the qualitative study contradicts and supports Alberti and Pizzurno (2013) by highlighting technological innovation (technology expertise) as the enhancer of innovation. Moreover, both agree that the acquisition of innovation, e.g., technology expertise, contributes to the success of family firms as it provides an alternative approach to obtain innovation efficiently and effectively by complementing internal with external knowledge. In addition to this, the findings of the conducted interviews reveal that the acquisition of innovation, e.g., the goal of being innovative, is not the ultimate goal but a means to an end for achieving other goals.

5.2. Implications

5.2.1. Theoretical Implication

The current qualitative study extends the contemporary literature by complementary insights into the M&A behavior and acquisition goals of family firms as well as the role of innovation in family firms' acquisitions. Previous research in the family business field refers to insights into innovation and M&A in family firms separately and note that there is a significant difference between family firms and non-family firms. Mainly, it focuses on fields such as family firm performance (Alberti & Pizzurno, 2013), innovation process (Braga et al., 2017; Broekaert et al., 2016; Filser et al., 2016), collaborative innovation (Feranita et al., 2017), innovation behavior

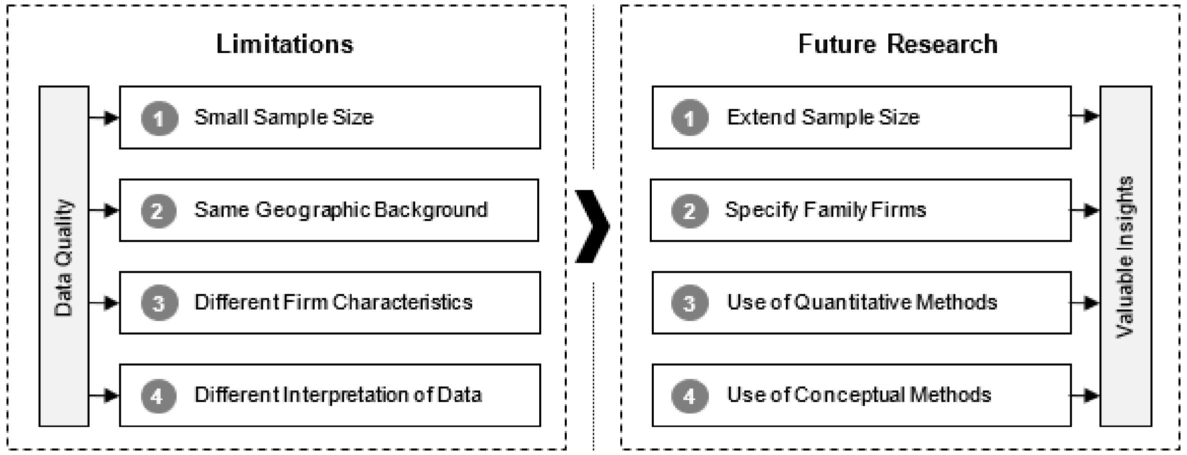
Table 3: Comparison of the Results with the Literature

Category	Literature	Comparison	Interview (New Insights)
Family Influence on the Family Firm	The business-owning family members have a significant influence on the family firm.	Agree	N.A.
Likelihood of Acquisitions	Family firms are generally hesitant to undertake M&A (Caprio et al., 2011; Miller et al., 2009; Requejo et al., 2018; Shim & Okamuro, 2011).	Disagree	Family firms are generally not reluctant to engage in acquisitions.
Likelihood of Acquisitions	M&A promotes and maintains the family firm's development (De Massis et al., 2015; Nieto et al., 2015).	Agree	N.A.
Likelihood of Acquisitions	The low propensity of acquisitions undertaken by family firms is mainly caused by the risk-aversion and threats towards the survival of family firms (Amihud et al., 1990; Caprio et al., 2011; Gómez-Mejía et al., 2015; Miller et al., 2009).	Extend	Family firms have to answer one basic question of whether making or buying something.
Driver of Acquisitions	The three-goal categories mainly driving acquisitions undertaken by family firms are expansion, market competitiveness, and stakeholder (Worek et al., 2018).	Disagree	The goal categories expansion, market competitiveness, and innovation are primarily driven acquisitions.
Driver of Acquisitions	Regardless of the risks and uncertainties associated with the acquisition of innovation, it remains a strategic option for family firms to grow (Kotlar et al., 2013; Morck & Yeung, 2003).	Agree	N.A.
Innovation	Innovation is essential for family firms' success, as it leads to firm development and durability.	Agree	N.A.
Innovation	The market shapes the firm's innovativeness (Alberti & Pizzurno, 2013).	Disagree	Technological innovation shapes the firm's innovativeness.

Source: own illustration based on conducted interviews and literature review

(Nieto et al., 2015) and M&A in family firms (Defrancq et al., 2016; Worek et al., 2018).

However, the current study focuses on the acquisition goals driving acquisitions undertaken by family firms and the role of innovation in these acquisitions. Therefore, it addresses recent calls to analyze the acquisition goals of family firms by a qualitative approach to enrich the theory (Angwin, 2007; Bower, 2001; Walter & Barney, 1990; Cartwright et al., 2012). In particular, the qualitative study reveals that the insights into the acquisition goals of family firms in the literature are insufficiently researched, to be precise, not well-enough researched in order to reflect the acquisition goals of the investigated family firms. Notably, the study displays that acquisition goal associated with the goal categories ex-


Limitations
Data Quality
1 Small Sample Size
2 Same Geographic Background
3 Different Firm Characteristics
4 Different Interpretation of Data
Future Research
1 Extend Sample Size
2 Specify Family Firms
3 Use of Quantitative Methods
4 Use of Conceptual Methods
Valuable Insights

Source: own illustration

Figure 5: Limitations and Future Research.

pansion, market competitiveness, and innovation are the decisive drivers of family firms' acquisitions. Furthermore, the cross-case analysis allows an explanation of similarities and differences across the interviewed family firms instead of focusing on unconnected insights derived by each firm separately.

5.2.2. Practical Implication

In addition to the theoretical implications, the present study also generates important implications for practitioners. Given the increasing importance of M&A and innovation for family firms, these and, in particular, the business-owning family members should be aware of the meaning of acquiring other firms for growth purposes. Based on the present study, it appears that the acquisition, namely, the acquisition of innovation, is a means to end for achieving other primary goals and involves several acquisition goals. In order to undertake value-creating acquisitions, family firms have to reflect on the family firm's preferences and constraints. Additionally, as the conducted interviews indicate, the likelihood of acquisitions undertaken by family firms vary considerably, and arguably, it seems that the willingness to make acquisitions can change over time. Thus, the current study advises family firms to answer whether to buy (acquire) or make in the context of the firm's ability, costs, time constraints, and the firm's interests and risk aversion.

5.3. Limitations

As in any empirical research, the current cross-case study has some restrictions but offers new areas for future research. First and most critically, a limitation is found in the research design of this study, which refers to a small sample of 15 family firms. Due to this small sample size, the findings obtained by the cross-case analysis are not representative and cannot be generalized to all family firms. Second, as the investigated family firms are German firms spread all over Germany, the study cannot conclude results for specific geographic locations since differences among family firms can emerge by opposing cultures of areas and countries. Hence, the observed patterns are not significant nor representative for German family firms or any other family firm in general. Third, the interviewed family firms differ considerably in terms of revenue, industry, and employees. These differences further contribute to the limitation of generalizing the observations in the present study.

Moreover, it is possible that the qualitative data set obtained by the conducted interviews could be interpreted differently in comparison to contemporary cross-case study since this problem is common for qualitative studies (Yin, 1981). Overall, the findings derived within the current study should be seen with attention. The limitations mentioned earlier might have decisive impacts on the quality and representativeness of the findings and may lead to mistaken identification, assessment, and generalization of results.

5.4. Avenues for Future Research

Although the current study contributes to the literature of M&A and acquisitions of innovation undertaken by family firms, there still exist various research avenues that should be followed in future research to gain a comprehensive and representative understanding of family firms and their acquisition goals as well as the role of innovation in acquisitions. Since the sample size of family firms in the research design of the current qualitative study is limited in several aspects, future research should extend the sample by including a larger number or family firms with high similarities. Therefore, the current study advises scholars to consider more family firms that are more consistent in terms of revenue, industry, and employees as well as concentrated on a specific geographic location in order to identify, assess, and generalize patterns for groups of family firms characterized by the aspects mentioned above. Hence, future research can lead to representative and significant insights into the family firms' acquisition goals and the role of innovation in acquisitions. Moreover, future research should also use quantitative methods to carefully examine the testable propositions that emerged within the current qualitative study, thereby analyzing the significance of the observed patterns. Besides, this study should inspire other scholars to carry out comprehensive case studies and apply and validate the findings of the present study to extend the insights into family firms. Lastly, future research should incorporate conceptual methods to provide models assessing the family firm's M&A behavior, the acquisition goals, and the role of innovation to show the interaction of these aspects as well as implying the ideal acquisition goals for family firms. Figure 5 illustrates the connection between the limitations and future research.

6. Conclusion

By following the call from contemporary literature to analyze the acquisition goals of family firms (Angwin, 2007; Bower, 2001; Cartwright & Schoenberg, 2006; Walter & Barney, 1990), the current study, which employs a qualitative approach of interviewing 15 family firms, enriches the current literature by complementary and profound insights into the M&A behavior of family firms. The study's findings show that the business-owning family is considerably influencing the family firm by transmitting the family interests and preferences to the firm. Notably, the family firms preference for long-term survival points to the importance of growth, namely, inorganic growth. In this context, the interviewed family firms highlight that the acquisition of other firms is a valid alternative to obtain inorganic growth and thus a strategic approach to accelerate the firm's overall growth. Furthermore, the study concludes that acquisition goals related to the goal categories expansion, market competitiveness, and innovation are the primary driver for acquisitions undertaken by family firms. In particular, the goal category innovation, regardless of being in the third place of the three most common goal categories, appears to be a crucial driver of acquisitions. It refers to the acquisition of technology expertise and the complementing of internal by external knowledge. As a result of this, the acquisition of innovation displays a strategic and continuous process for creating value for customers and thus leads to the success of family firms. Lastly, the acquisition of innovation indicates that achieving innovativeness is not the final goal, but a means to accomplish other goals such as the survival of the family firm.

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