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Master thesis

Navigating time and risks: Unravelling the impact of temporal orientation and risk-taking behaviour on dynamic capabilities in Dutch family businesses.

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Abstract

It has been widely acknowledged that dynamic capabilities are critical for organisations to deal with changes in a volatile environment, yet there has been little research conducted to understand family business' dynamic capabilities. Moreover, research into how family business characteristics may influence their dynamic capabilities is even rarer. In order to address these gaps in management literature, this study zooms in on two specific family business characteristics. This study tried to examine how the temporal orientation and risk-taking behaviours of Dutch family businesses influence their dynamic capabilities. Although the literature has previously studied the temporal orientation and risk-taking behaviour of family businesses, it remains unclear how it impacts their dynamic capabilities. To address this question, a qualitative interview study has been carried out by conducting 11 semi-structured interviews with MT or board members of Dutch family businesses. This study found that the temporal orientation of family businesses does influence their dynamic capabilities, as the long-term orientation of family businesses drives a more proactive approach towards sensing, seizing and reconfiguring activities. Additionally, the findings show that the risk-taking behaviour of family businesses has little impact on the sensing and reconfiguring capabilities of family businesses, but shows a more pronounced impact on the seizing capabilities. Therefore, these findings support previous research that found that family business characteristics influence dynamic capabilities. This study contributes to advancing the exploration of how family business characteristics influence dynamic capabilities and encourages scholars to pursue further investigation in this underexplored research area.

Keywords: Family businesses, dynamic capabilities, temporal orientation, risk-taking behaviour

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1. Introduction

The volatility of an environment, characterised by uncertainty and frequent changes, is a real challenge for managers operating in these kind of conditions (Chirico & Salvato, 2008). These fluctuations and a high degree of unpredictability make it difficult to anticipate changes in the environment (Barrows & Neely, 2011). This prompts the query of why certain companies thrive in volatile markets while others cease to exist? In addressing this question, managers are increasingly concentrating on adaptability (Sing et al., 2013). Gerwin (1987) defined adaptability as the organisational capability to deal with environmental uncertainty and change. According to Brozovic (2018), dynamic capabilities play an essential role in facilitating organisational adaptability. But what are dynamic capabilities? Dynamic capabilities perspective holds that organisations can gain advantage through their ability to adjust and reconfigure their resources and capabilities to meet the needs of a fluctuating environment (Eisenhardt & Martin, 2000). Dynamic capabilities are distinct from operational capabilities, which allow organisations to continually carry out tasks with their existing resources and business model (Helfat & Winter, 2011; Winter, 2003). Dynamic capabilities allow a firm to actively sense their environment, recognising potential market developments and adapt accordingly. They enable quick and effective exploitation of opportunities, as well as the maintenance of a competitive edge through the combination, protection and reconfiguration of tangible and intangible assets (Teece et al., 1997).

It has been widely acknowledged that dynamic capabilities are critical for organisations to deal with changes in a volatile environment, yet there has been little research conducted to understand family business' dynamic capabilities (Wang, 2016). Chua et al. (1999), define family businesses as organisations that are managed by members of the same family, with the intention to pass the business on for many generations. However, studies in the dynamic capabilities field mainly focus on non-family businesses, therefore research exploring the dynamic capabilities of family businesses is rather scarce (Wang, 2016). Here it is possible to determine an area that has not been adequately researched. Nonetheless, a recent study found that family business characteristics influence their dynamic capabilities, as Camisón-Zornoza et al. (2020) found that family business' dynamic capabilities are influenced by the characteristics "ownership structure" and "governance and management structures". This raises the questions whether family business dynamic capabilities are different from non-family business dynamic capabilities and how family business characteristics contribute to this. As only one study examined the influence of, just three, family business characteristics on their dynamic capabilities, it is possible to identify a noticeable gap in the literature. While Camisón-Zornoza et al. (2020), examined the impact of three family business characteristics on dynamic capabilities, there could be several more characteristics that could influence the dynamic capabilities of family businesses. Therefore it remains unclear how other family business characteristics may influence their

dynamic capabilities.

To address these gaps in the literature, further research into additional family business characteristics and how they could influence their dynamic capabilities is required. Therefore, the aim of this study is to examine this influence by studying how the temporal orientation and risk-taking behaviour of family businesses influence their dynamic capabilities. The temporal depth (in the furtherance of this study temporal orientation) of an organisation refers to the temporal distance into the past and the future that managers consider when looking at past and future events (Nadkarni et al., 2016). In this research, the temporal orientation of family businesses will be defined as either a short-term orientation towards the present or a long-term orientation towards the future. These time horizons are critical for the strategic behaviour of a business and therefore influences the way business act upon new opportunities and threats in the environment. Ergo, the temporal orientation may influence the dynamic capabilities of family businesses. Moreover, as acting upon new opportunities and threats in the environment brings some kind of risk, the risk-taking behaviour of family business could influence the dynamic capabilities to cope with these changes in the environment. The risk-taking behaviour of a business refers to the decisions and investments that an organisation make, which can positively or negatively impact the organisation (Le Breton–Miller & Miller, 2006). As both the temporal orientation and the risk-taking behaviour of family business could impact their dynamic capabilities, it is worthwhile investigating the nature of these relationships. Therefore, this research tried to examine how these family business characteristics influenced their dynamic capabilities. Hence, the following research question was formulated:

How do the temporal orientation and risk-taking behaviours of Dutch family businesses influence their dynamic capabilities?

By answering this question, this study is able to shed light on how the temporal orientation and risk-taking behaviour of family businesses influences their dynamic capabilities. On top of that, this research will clarify the functioning of various dynamic capabilities within family businesses and can assist managers in figuring out the particular sub-capabilities they need to cultivate for their family business in order to prosper in volatile markets. Additionally, the findings will help managers better understand how their temporal orientation and risk-taking behaviour influences their ability to adapt. Eliciting these new insights could be beneficial for all family business operating in volatile markets.

Furthermore, this study contributes to both the dynamic capabilities and family business research field. The findings provide a thorough understanding of the dynamic capabilities of family businesses. Moreover, this study is the first to examine how the temporal orientation and risk-taking behaviour of family businesses impacts their dynamic capabilities, therefore it presents novel insights into these relationships. This research builds upon the work of Camisón-Zornoza et al. (2020) by

demonstrating the impact of two additional characteristics. Consequently, this study contributes to advancing the exploration of how family business characteristics influence dynamic capabilities. Therefore, the aim of the study is to encourage scholars to pursue further investigation in this underexplored area. In doing so, a qualitative interview study has been carried out by conducting 11 semi-structured interviews with MT or board members of Dutch family businesses.

The following layout will be followed in the furtherance of this study. In chapter 2, the literature review regarding dynamic capabilities, family businesses, temporal orientation and risk-taking behaviour will be assessed. Chapter 3 will provide an overview of the research design, data collection and the analytical approach. Chapter 4 will present the results and the analysis of the data. In chapter 5 a conclusion will be presented, summarising the main findings and addressing the research question. Subsequently, the theoretical and practical implications, research limitations and potential courses of action will be discussed in chapter 6.

2. Literature review

2.1 Dynamic capabilities

The resource-based view of the firm (RBV) (Wernerfelt, 1984), is a widely accepted and influential theoretical framework for comprehending how organisations can gain and maintain a competitive advantage, and lays the groundwork for the concept of dynamic capabilities (Teece et al., 1997). According to RBV, organisations should be viewed as a collection of resources that are not evenly distributed between competitors. These resources include the abilities that are inherent to the competitive advantage of an organisation (Barney, 2001). RBV suggests that, organisations that have resources that are valuable, rare, inimitable and non-substitutable (VRIN attributes), can create a long-lasting competitive advantage by taking advantage of these resources and capabilities (Barney, 2001). However, RBV has some shortcomings. The RBV insufficiently explains the competitiveness of organisations in changing environments. The concept of dynamic capabilities was developed in response to these critics, extending the RBV to dynamic markets (Winter, 2003). The dynamic capabilities perspective holds that organisations can gain advantage through their ability to adjust and reconfigure their resources and capabilities to meet the needs of a fluctuating environment (Eisenhardt & Martin, 2000). Teece et al. (1997), defines dynamic capabilities as a company's capability to create, combine and reconfigure internal and external competencies to tackle swiftly changing situations.

Strategic management literature often distinguishes ordinary capabilities from dynamic capabilities (Schilke et al., 2018; Winter, 2003). Ordinary capabilities allow organisations to continually carry out tasks in the same, offering existing products and services to the same customer base (Helfat & Winter, 2011). Dynamic capabilities refer to an organisation's capability to construct, organise, integrate and reconfigure its existing capabilities and competences to adapt to turbulence and uncertainty, thus allowing it to gain and maintain a competitive edge (Barreto, 2010; Lin & Wu, 2014; Makadok, 2001; Zollo & Winter, 2002). These capabilities help an organisation to improve its performance through the effectiveness, speed and timeliness with which it responds to environmental instability (Winter, 2003).

Despite the passage of time, scholars still show a great deal of attention to studying dynamic capabilities (Chesbrough et al., 2021; Easterby-Smith et al., 2009; Matarazzo et al., 2021; Montreuil et al., 2020). Examining the ongoing discussion regarding dynamic capabilities, the concept also faces critical opposition, which results in ongoing efforts to redefine the concept (Ambrosini & Bowman, 2009; Helfat & Martin, 2015; Wang & Ahmed, 2007; Yeow et al., 2018). However, the primary point of reference for dynamic capabilities is generally the definition given by Teece et al. (1997). For this research, the dimension of dynamic capabilities defined by Teece (2007) will be used. Teece (2007,

2014) divides the concept of dynamic capabilities into three dimensions: 1) sensing, 2) seizing and 3) reconfiguring/transforming.

2.1.1 Sensing

Sensing refers to identifying and shaping opportunities and threats in the environment (Teece, 2007). To identify and shape opportunities and threats, businesses need to carry out sensing activities which include scanning/monitoring the environment and search/explore activities across markets and technologies. The ability to sense opportunities and anticipate threats and changes in the environment, before they occur, is a crucial component of dynamic capabilities. Therefore, to be able to recognize opportunities and anticipate on threats, environmental scanning and scanning tools are essential (Peteraf & Bergen, 2003). Recognising patterns in the environment helps sensing opportunities and threats in the environment, as it can help identifying them early on (Baron, 2006).

Sensing enables organisations to anticipate and proactively respond to market developments before they become significant challenges. It allows organisations to gain valuable insights and information, enabling them to make more informed decisions. Therefore, identifying opportunities and threats at an early stage allows organisations to make timely and well-informed decisions in order to adapt its processes, structure and strategies to align with the changing organisational environment.

2.1.2 Seizing

Seizing, as defined by Teece (2007), refers to developing and pursuing opportunities that align well with the organisation's environment and its strengths and weaknesses. Moreover, it involves dealing with potential threats and acting accordingly in order to elude them. Seizing integrates both internal and external information/knowledge in order to evaluate the opportunities and threats in the environment. The prior and new knowledge, gathered by sensing activities, assist in the selection from a variety of strategic options. These strategic options often necessitate investing in activities related to development and implementation (Teece, 2007). Seizing opportunities involves the examination of both existing and emerging capabilities, as well as the potential opportunities or threats (O'Reilly & Tushman, 2008; Teece, 2007). Integrating both internal/ externa and existing/new knowledge allows organizations to adapt more effectively. At this point, one can gain a comprehensive understanding of potential business opportunities and determine the extent of the necessary modifications that need to be made (Teece, 2007, 2014).

2.1.3 Reconfiguring

Reconfiguring refers to the organisation's capabilities to reconfigure, recombine and redeploy its existing resources and operating capabilities (Teece, 2007). According to Teece (2007,2014), it is a process of continual renewal, including asset orchestration. Asset orchestration pertains to the



selection, configuration, alignment and modification of both intangible and tangible assets (Helfat et al., 2009). Reconfiguring allows organisational adaptability by promoting resource optimisation, recombination and redeployment. It ensures that the organisations hold the right resources and capabilities to effectively exploit new opportunities (Teece, 2007).

2.2 Family businesses

There is a substantial body of research on family businesses with Astrachan et al. (2002), Carr and Sequeira (2007) and Sharma (2004) offering various ways to conceptualise them. Some researchers in the domain of family businesses theorise that family businesses possess skills that allow them to adjust to changes (Chirico & Bau, 2014; Wang & Poutziouris, 2010), while others argue that family businesses are hesitant and inward-looking (Miller & Le Breton-Miller, 2005) as they often depend on well-established capabilities and are unwilling to adjust to a changing environment (Chirico & Salvato, 2008). Chua et al. (1999), define family businesses as organisations that are managed and operated by members of the same family or a small number of families, with the goal of preserving and developing the shared vision of the organisation in a way that is likely to last throughout multiple generations. However, other authors define family businesses based on objective criteria, such as the number of family members in managerial and board positions and the degree of family ownership (Dyer, 2006). In addition, some scholars have employed the intention to pass on ownership to the next generation as a criteria (Kellermanns et al., 2012; Litz, 1995). Despite the different definitions of family businesses in management literature, there are some main characteristics that are often mentioned by scholars.

2.2.1 Family business characteristics

Although there is some discussion about what constitutes a family business, the majority of definitions revolve around family members owning and managing an organisation. The combination of the family, family members and the organisation, holds the unique characteristics that define family businesses (Habbershon et al., 2003). Table 1 shows an overview of the main family business characteristics described in management literature.

Table 1

Overview main family business characteristics

| Characteristic | Description | Studies |
|-----------------------|---|--|
| Ownership and control | Family businesses are often owned by one or more family members who hold a considerable percentage of the equity. Therefore, family members have often large control over determining the family business' strategic direction. | (Gómez-Mejía et al., 2007; Voordeckers et al., 2014) |



| | | |
|--------------------------------------|--|--|
| Management and governance structures | The management and governance structure of family businesses is often subject to a high degree of family involvement. Family businesses often have multiple family members holding management positions. | (Kellemarnns et al., 2012; McConaughy et al., 1998; Miller et al., 2007; Schulze et al., 2002; Villalonga & Amit, 2006) |
| Transgenerational succession | Family businesses have the desire to transfer the ownership and values of the businesses to the next generation. | (Astrachan & Shanker, 2003; Chrisman et al., 2002; Chua et al., 1999; Handler, 1989; Litz, 1995) |
| Temporal orientation | Family businesses adopt a long-term orientation in order to ensure the survivability of their family business. | (Brigham et al., 2014; Craig & Dibrell, 2006; Kellermanns et al., 2008; Lumpkin & Brigham, 2011; Lumpkin et al., 2010; Sirmon & Hitt, 2003; Wilson et al., 2013; Zellweger & Sieger, 2012) |
| Risk-taking behaviour | Family business are motivated to reduce strategic risk in order to ensure their survivability and to maintain the reputation and wealth of the family. They are often perceived as risk-averse. | Anderson et al., 2012; Hiebl, 2013; Jones et al., 2008; Kaye & Hamilton, 2004; Naldi et al., 2007; Short et al., 2009; Tsai et al., 2009) |

As scholars already studied how ownership, management- and governance structures of family businesses influences their dynamic capabilities (Camisón-Zornoza et al., 2020), this research will delve deeper into two other characteristics that may influence the dynamic capabilities of family businesses and have not been studied yet. To add to the literature, this research will examine the influence of the family business' temporal orientation and risk-taking behaviour on their dynamic capabilities.

2.3 Family businesses and dynamic capabilities

2.3.1 Temporal orientation

The temporal orientation of family businesses refer to the short-term orientation towards the present or a long-term orientation towards the future. These time horizons are critical for the strategic orientation as they influence the strategic behaviour of the organisation (Nadkarni et al., 2016). A short-term orientation focuses on meeting short-term goals, such as short-term earnings, stock market performance and reducing costs (Flammer & Bansal, 2017). According to Le Bretton-Miller and Miller

(2006), long-term orientation can be defined as a set of goals, priorities and investments that are realized over a prolonged period. Businesses with a long-term orientation prioritize their future goals and interests over their short term interests.

Family business scholars have suggested that family businesses adopt a long-term orientation to ensure the survivability of their family business (Sirmon & Hitt, 2003; Wilson et al., 2013). Family businesses tend to be more long-term-oriented than non-family businesses (Kellermanns et al., 2008) due to longer CEO tenures, longer investment horizons and transgenerational succession desires (Lumpkin et al., 2010). Family business CEOs often focus on long-term objectives to create a sustainable and healthy business as they have a desire to transfer the ownership to the next generation (Astrachan & Shanker, 2003; Chrisman et al., 2002; Chrisman et al., 2004; Chua et al., 1999; Handler, 1989; Le Breton–Miller & Miller, 2006; Litz, 1995). Therefore, they tend to prioritize accumulating wealth for the family and safeguarding it for the future generations (Camisón-Zornoza et al., 2020). Family businesses with intergenerational succession tend to focus more on wealth preservation than further wealth creation (Diéguez-Soto et al., 2015). This again shows the long-term orientation of family businesses, especially in cases where a family CEO or chairman runs the business and intends to pass it down to their own offspring.

As the temporal orientation is critical for the strategic behaviour of a business and therefore influences the way business act upon potential market developments, the temporal orientation may influence the dynamic capabilities of a business. The temporal orientation of family businesses, for example, may influence their sensing capabilities, as it might impact their prioritization of either long-term or short-term sensing. Therefore, the temporal orientation of family businesses may influence how they anticipate changes in the environment. Moreover, the temporal orientation of family businesses may affect which opportunities are being seized. Additionally, it can also influence the extent to which family businesses anticipate potential market developments and adequately prepare in advance. Lastly, the temporal orientation of family businesses may influence their reconfiguring capabilities. Their temporal orientation could show a preference in their reconfiguring capabilities that serve to achieve process optimisation and cost reduction (short-term orientation) or achieving long-term goals and investments (long-term orientation).

However, it should be clearly mentioned that the relationship between the temporal orientation of family businesses and their dynamic capabilities has not been studied yet. Therefore it is impossible to develop any well-grounded propositions. The current state of management literature is not able to elucidate the relationship, hence it is not possible to estimate what the relationship looks like. In order to fill this gap in the management literature, this study aims to extensively examine the impact of family business' temporal orientation on their dynamic capabilities.

2.3.2 Risk-taking behaviour

The risk-taking behaviour of a business refer to the decisions and investments that an organisation make, which can positively or negatively impact the organisation's performance (Le Breton–Miller & Miller, 2006; Palmer & Wiseman, 1999). Several studies have examined the risk-taking behaviours of family businesses and non-family businesses and concluded that family businesses are less inclined to take risk than their non-family counterparts (e.g., Anderson et al., 2012; Hiebl, 2013; Jones et al., 2008; Naldi et al., 2007; Short et al., 2009). According to Tsai et al. (2009), family business are motivated to reduce risks in order to ensure their survivability and to maintain the reputation and wealth of the family. The trans-generational succession, which characterizes family businesses, also impacts their risk-taking behaviour, as Kaye and Hamilton (2004) find that family business tend to be more risk-averse after succession. Family businesses with intergenerational succession tend to focus more on wealth preservation than further wealth creation (Diéguez-Soto et al., 2015). Preserving accumulated wealth for the future generations and the focus on long-term survival can lead to reluctance to invest in potentially lucrative opportunities if there is any risk that these investments could jeopardize the wealth of the controlling family (Camisón-Zornoza et al., 2020). This attitude of caution leads to a greater aversion to risk (Bertrand & Schoar, 2006).

Since, the risk-taking behaviour of a business influences their decision-making and willingness to explore new opportunities, its seems very likely that the risk-taking behaviour of family businesses could influence their dynamic capabilities. As acting upon new opportunities, threats and changes in the environment brings some kind of risk, the risk-taking behaviour of family business could influence the dynamic capabilities to cope with these market developments. For example, the risk-taking behaviour of family business may impact how actively they scan the environment or invest in market research in order to identify emerging opportunities in the environment and explore new uncharted markets, thus influencing their sensing capabilities. The risk-taking behaviour of family business could also influence their seizing capabilities, as seizing opportunities inevitably comes with certain risks. The risk-taking behaviour could show a preference for seizing opportunities in well-established markets that guarantee predictability and certainty or seizing less certain opportunities in new unexplored markets or disruptive technologies. On top of that, the risk attitudes could also influence the evaluation of potential opportunities, as it can shape the perception of the level of risk involved. Furthermore, the risk attitudes of family businesses could also impact their reconfiguring capabilities. The risk attitudes may impact to what extend family business are willing to make significant changes to their current business processes and undertake major reconfigurations.

However, as with the temporal orientation, the relationship between the risk-taking behaviour of family businesses and their dynamic capabilities has not been studied yet. Therefore, it is unclear

how the risk-taking behaviour affects the dynamic capabilities. As this relationship has not been studied in the management literature, it is impossible to formulate any well-grounded propositions. Hence, in order to fill this void in the existing management literature, this study aims to thoroughly examine this relationship.

3. Methodology

3.1 Methodological approach

This study tried to examine the influence of family business' temporal orientation and risk-taking behaviour on their dynamic capabilities. To achieve this, a qualitative interview study has been conducted. A qualitative approach is most suited here, since this research requires in-depth knowledge about the dynamic capabilities of family businesses and how these are influenced by their temporal orientation and risk-taking behaviour. Studying this relationship is hard to quantify, as it requires knowledge about what this influence looks like, rather than acknowledging its existence (Bleijenbergh, 2016). Moreover, qualitative research is about gathering and interpreting data from a limited number of observations in order to draw certain conclusions (Bleijenbergh, 2016). Therefore, this research design is particularly useful to gain a comprehensive understanding about the concepts being studied.

Furthermore, this research utilised both a deductive approach as well as an inductive research approach. Concerning the deductive approach, this study used the existing literature and theories, regarding dynamic capabilities, family businesses and their temporal orientation and risk-taking behaviour. However, contradictory to traditional deductive research methods, the objective of this study is not to validate or falsify existing theories. Instead, it focuses on advancing knowledge about a phenomenon by building upon concepts and theories from existing literature. To further advance this knowledge, an inductive approach is being used to examine how the temporal orientation and risk-taking behaviour of family businesses influences their dynamic capabilities. As these relationships have not been studied before, this research aims to identify patterns and develop new knowledge.

3.2 Research design

3.2.1 Research units

The research units in this study are Dutch family businesses operating in volatile markets. In this research, a business is considered a family business when the family members hold the majority of the voting rights, hold a considerable percentage of the equity and at least two family members are formally involved with the management of the business. In the process of selecting respondents, only one criterium was utilised, which was an annual revenue ranging from 10 to 200 million euros. In collaboration with BDO Advisory, multiple family businesses that met this requirement have been contacted. In order to gather the most informative knowledge, this research conducted 11 interviews with members of the management team (MT) or the managing board of family businesses. Members of the MT or the managing board possess the most valuable insights regarding their temporal orientation, risk-taking behaviour and their dynamic capabilities, as they are the ones responsible for making decision in these areas. Table 2 gives an overview of the respondents that have been studied.

Table 2*Overview of respondents*

| # | Type of company | Function |
|----|--|-------------------------------|
| 1 | Construction and mining | Director |
| 2 | Supplier of exclusive watch and jewellery brands | Member of the managing board |
| 3 | Construction | Director |
| 4 | Transport and supply chain | Director |
| 5 | Façade engineering company | Director |
| 6 | Investment | Member of the management team |
| 7 | Construction | Director |
| 8 | Technological business improvement | Member of the managing board |
| 9 | Interior design | Director |
| 10 | Wholesale seafood | Director |
| 11 | Painting | Member of the managing board |

3.2.2 Data collection

The data for this research has been collected through conducting 11 semi-structured interviews with MT or board members of Dutch family businesses (see interview questions in Appendix B). The interview questions are formulated based on the operationalisation derived from the literature (see Appendix A). In qualitative research, semi-structured interviews are seen as most beneficial when researching the perceptions of the research participants (Vennix, 2011). In this research, the semi-structured interview yield the most results as a more formal interview with a strict chronological set of questions may result in less in-depth information regarding the dynamic capabilities of the family businesses. A wholly non-structured interview, may result in scientifically less valid results, which could harm the internal validity of this research (Vennix, 2011).

Most interviews have been conducted using the online program Microsoft Teams and a few have been conducted face-to-face. The duration of the interviews was estimated at 60 minutes, with the actual interviews taking between 40 and 75 minutes. Moreover, all interviews were conducted in the native language of the respondents, being Dutch. These interviews have been recorded, with consent of the respondents, in order to transcribe the interviews afterwards. After each interview, the respondents were invited to share further information on the specific topics discussed during the interview that they felt needed elaboration. This was done to gather any potential supplementary

insights. Additionally, respondents were encouraged to provide feedback to the researcher at the end of each interview, with the goal of continually improving the research process.

3.2.3 Data analyses

The data analyses involved a thorough examination of the interview data, along with a detailed coding process. By interviewing the participants in their first language, any language barriers and misinterpretations from any side could be prevented. The interviews are recorded and transcribed verbatim in the Dutch language, again to minimize the risk of misinterpretations or false translations. The transcribed interview data (see Appendix D) has been analysed with the program ATLAS.ti. This program enables a systematic analysis of the interview data using codes. This systematic analysis included within-case analyses and cross-case analyses, with the first one focusing on case specific aspects and the latter focussing on differences and similarities between the different cases. During the coding process, a combination of both deductive and inductive coding methods was employed. Deductive codes, were derived from existing theories to establish a foundation. Subsequently, inductive codes were used to analyse the influence of family business' temporal orientation and risk-taking behaviour on their dynamic capabilities. The code trees can be found in Appendix C. Thereafter, the interview data has been analysed in English to incorporate the data in the results of this research. The translations of the data has been carefully done to reduce the risk of misinterpretations and meanings going lost. This method of data analyses enhanced the reliability of this research.

3.3 Research ethics

Research ethics are a key part of qualitative research. Ethical issues may arise during each step of the research (Von Unger, 2016). Therefore, a critical part of conducting a qualitative research, particularly when other individuals are involved, is having a solid comprehension of the ethical considerations at hand. Before each interview, consent regarding the recording and the use of the data of the interviews has been asked. Moreover, the respondents were told to be free to withdraw from the research at any time during the research process. Furthermore, to make sure that the interviewees were able to talk freely, without having to worry about any consequences their answers could have, the results have been anonymised. The term anonymization may lead to ambiguity between anonymity and confidentiality. True anonymity is attained when the identities of the research participants are completely unknown, such as in completely anonymous questionnaires. However, this is rarely the case in qualitative research. Confidentiality, refers to the fact that researchers are aware of the identity of the participants but assure to not disclose their involvement or identity (Roth & Von Unger, 2018). Therefore, the results are not truly anonymous, but the results have been handled in a confidential way to ensure the highest possible anonymisation. Furthermore, the research participants have been

thoroughly informed about the extent the data will be used, to what purpose and the degree of publicity of this research. The respondents have been assured that they can access information, regarding the data usage, throughout the entire research process.

3.4 Reliability and validity

Reliability is an important concept in qualitative research. Reliability concerns the credibility and sincerity of the research process and the research findings (Roberts & Priest, 2006). A research is reliable when it can produce the same findings when repeated under the same conditions (Fink & Litwin, 1995). This research guaranteed the reliability by outlining a detailed research design, including each step of the data collection and the data analyses. By providing a clear methodological approach and a detailed research design, this research can be repeated to a considerable degree. However, the conditions in which the participants have been interviewed cannot be controlled completely, as the personal circumstances of the participants may vary. This does affect the reliability of this research when repeated, as the participants may answer differently.

In contrast to quantitative research, the role of the researcher in qualitative research is more implicated. When conducting a qualitative research, concepts and results will be investigated and analysed based on values and interpretations of the researcher (Vennix, 2011). This means that one researcher may interpret information and results differently than another. This does affect the repeatability and therefore the reliability of this research (Brink, 1993). To minimise the negative effects of interpretation, the interviews have been recorded and transcribed verbatim to enable an in-depth analysis. The transcripts of the interviews are accessible to increase the transparency and therefore the reliability of this research.

Validity refers to the credibility and accuracy of the research findings (LeCompte & Goetz, 1982). This research assured its validity by setting up in-depth interview questions, based on the relevant literature that is covered in the previous chapter. This enabled the interview to measure exactly what it was supposed to measure. Follow-up questions helped with clarification and context if necessary. The interviewees have been given the exact same information and have been asked the same questions to ensure that the participants have been interviewed under the same conditions. Moreover, the interviewees were allowed to ask questions, if something was unclear, throughout the whole interview. This increased the internal validity of this research. However, the personal circumstances of the participants may vary and the risk of socially desirable answers is present. This could harm the internal validity of this research. To counter these risks, the interview data has been anonymised to reduce the chance of socially desirable answers or any related circumstances.

The external validity of this study is fairly limited. This research conducted interviews at 11 family businesses, with an annual revenue ranging from 10 to 200 million euros. Meaning that no

assumptions can be made about smaller or bigger family businesses. Further, the data for this research has been gathered solely from Dutch family businesses, which limits the generalisability of the findings to other countries. Contextual differences between countries, cultures and institutions could influence the risk-taking behaviours, temporal orientations and the dynamic capabilities of family businesses, resulting in different outcomes.

4. Results

4.1 Temporal orientation

The analysis of the interviews reveals that family businesses generally exhibit a long-term orientation, showing patterns across the interviews.

Long-term objectives and strategy. Family business emphasize the importance of long-term objectives. While the family businesses have a long-term orientation, they do realize that attaining these long-term objectives relies on successfully achieving short-term objectives (R3,R5,R6,R7,R9). All family businesses, except respondent 11, indicate to create a strategy and objectives that extend beyond the immediate future, ranging from 2 up to 10 years into the future. However, what is remarkable, is that multiple family businesses do have a long-term strategy without having it explicitly written down (R2,R4,R6,R7,R8,R10,R11). It appears that several family businesses are lacking an explicit strategy, instead they rely on an implicit strategy that primarily resides within the thoughts of the family or director (see table 3).

Future-focused. The family business indicate to be future-focused, which means that they are actively looking ahead to identify potential opportunities and threats and take proactive measures to address them. This will become more clear when the dynamic capabilities will be discussed later on.

Continuity and sustainability. The continuity and sustainability of the business is a primary objective of family businesses (R1,R3,R7,R8,R10,R11). Family businesses aim to ensure the business sustains healthy in order to eventually pass it down to the next generations (R8,R10,R11). The focus on continuity underscores their commitment to a long-term orientation (see table 3). As one respondent puts it:

... And sometimes, we have to prioritize continuity over financial results. These decisions can be really difficult to make and requires some time to truly process and come to terms with. However, eventually it does contribute to the continuity of the businesses. (3)

However, it should be noted that while long-term orientation is prevalent, there are some variations in the temporal orientation of family businesses. One family business described themselves as short-term oriented, but continued to elaborate the importance of their long-term objectives, their strong focus on the future and their primary aim to pass the company down to the next generation (R10). Whilst this family business described themselves as short-term oriented, they actually show a more long-term orientation. Furthermore, another family businesses does have a short-term orientation, setting objectives for only six months to a year ahead in the future. Nevertheless, they do emphasise the importance of continuity (R11). Another family business stated to have a long-term orientation,



but recently had to focus a little more on short-term actions as well due to a worsening financial situation (R9).

Table 3

Temporal orientation

| Patterns | Quotations |
|---------------------------------|---|
| | <p>The difficult thing about a family business, is we all know where we are headed, but we often discuss these things at the kitchen table. You understand each other really well, you only need two words. So, what is often lacking at a family businesses, is that it is not very clear and professionally documented on paper (R1)</p> |
| Long-term objectives & strategy | <p>... However, nearly everything resides in my father's thoughts. So he does not write down a yearly plan and follows this and shares this with us. He manages things on the go, it is that quick decision-making of an entrepreneur, rather than formalizing things on paper. (R2)</p> <p>That is a clear multi-year strategy, as achieving that, is not feasible within three to five years. You really need to have a long-term orientation for that. Speaking of a first characteristic of a family business. (R6)</p> |
| Future-focused | <p>... Yes most of the time. You have to learn from history. However, eventually the hope lies in the future. So we continuously try to approach it as creatively as possible. (R9)</p> |
| Continuity | <p>Yes, it is absolutely a long-term orientation. We are truly looking at [COMPANY NAME] at the long-term. I have already discussed with my sister; the main objective is, we do not have personal goals with [COMPANY NAME], to pass the business on to the next generation. (R8)</p> |



... And of course the question, what is the vision? That the children take over a portion of the business. We are already working on that for 5 years. But that is a strategy regarding the continuity of the business. (R10)

... And the vision is to create a future-proof business that can be passed down to the next generation. (R11)

4.1.1 Sensing capabilities

The findings unveil a variety of activities and strategies employed by these family businesses to actively engage in knowledge acquisitions and monitoring the market. The family business carry out sensing activities like closely following the local and national news and reading articles (R1,R3,R4,R5,R7,R11).

The long-term orientation and clear future orientation of family businesses drives a more proactive approach to sensing activities, instead of solely reactive sensing activities, like following the news. The long-term orientation of family businesses bolsters their sensing capabilities, by creating new activities or functions that focus on actively seeking new business opportunities or signals that indicate potential future changes. The focus on the future of family businesses encourages them to invest more time, energy and resources in the sensing activities in order to enhance their awareness of future market developments. They dedicate additional time to active sensing activities like engaging with partners, suppliers, customers and competitors to gain and share information (R1,R3,R5,R6,R7,R9,R10), and attending trade fairs to acquire information regarding ongoing market developments (R2,R4,R9). They are closely monitoring the market developments, showing an external focus:

We are always carefully monitoring the market. De current situation, the politics, you name it. Everything which is related to it. We are keeping a very close eye on that. In that regard, we are actually quite externally focused. (R7)

Multiple respondents gave examples of investments in sensing activities to enhance their awareness (see table 4), like investing in a tool that can help better predict future changes (R2), rearranging job roles and activities to more effectively detect and process signals (R2,R3), dedicating additional time within the teams to engage in sensing activities and contemplate new innovative solutions (R8), and even creating a completely new function within the organisation that solely focusses seeking new business opportunities or potential threats: We also brought in a new business professional. Their primary role was to monitor external developments around us. This person also attends trade fairs and maintains contact with the industry association (R9).

The findings indicate that the long-term orientation of family businesses does influence their sensing capabilities, promoting a more proactive approach towards sensing activities. However, it is important to acknowledge that the impact of long-term orientation on the sensing capabilities is not universally consistent across all family businesses. One family business mentions that their conservative market and reliance on their supplier, for technological developments, limits their sensing capabilities, as they do not have the urge to actively seek new business opportunities or threats in the future. Another family business also mentions to solely focus on the market developments in the present due to the nature of the market they operate in.

Table 4*Sensing capabilities*

| Patterns | Quotations |
|------------------------------|---|
| | We have so many products, we need to invest in a software tool that can help us better predict future needs, future sales and what we need to purchase as result. We have done that now. (R2) |
| | ... So training people to be more specialized, so they are better at processing these signals. Instead of everyone have a little bit of knowledge. (R2) |
| Proactive sensing activities | We really want to know how it works, what is required, we want to obtain the knowledge and the know-how, we want to be able to work with it. That makes us flexible. (R3) |
| | We do not have a so called innovation group. However, we do offer additional time within the team clusters to engage in and contemplate new innovative solutions, as hours are allocated for that. (R8) |

4.1.2 Seizing capabilities

All family businesses are actively engaged in evaluating potential opportunities and threats in the external environment, determining whether action is necessary and if the business possesses the appropriate resources and capabilities to address them. Remarkably, several family businesses assess these potential opportunities and threats solely based on experience and intuition, rather than specific procedures (R1,R4,R7,R10,R11,). Family businesses evaluate their existing resources and capabilities when confronted with a potential opportunity or threat, and if found inadequate, they consider obtaining or developing the required capabilities. Moreover, the long-term orientation of family businesses influences their seizing capabilities, as it stimulates preparing, assessing and anticipating changes by proactively evaluating them in advance. By looking ahead into the future and assessing if the business possesses the appropriate resources and capabilities, family businesses can effectively prepare for and respond to changes in a timely and effective manner:

First we carefully assess in advance what the actual requirements are, regarding external expertise for example. For instance in high-rise projects, we brought in external specialists, that were really experienced in that area with other companies, and we hired them early on. (R7)

Due to the long-term orientation, family businesses take proactive steps to anticipate upcoming innovations and market developments. Some of these family businesses mentioned that they engage in small-scale investments to acquire information about the workings and the required capabilities (R1,R3,R10) (see table 5). This way, these family businesses can experiment a little, but minimize the resource losses when these ventures do not yield the desired outcomes. By experimenting like this, family business can swiftly respond to potential future opportunities as they already acquired the necessary knowledge and capabilities:

What is important for us, is to know what we need to do, to keep up with the innovations. For example, we have a 3D printer to examine the requirements to work with it. This way, we understand the concepts, how to work with it and what is required, but we will never set up a 3D printing company. We just want to understand how it works and what is required. ... So we are pioneering in various technology fields to keep up with the market innovations. (R3)

However, one respondent stated that they do seek new opportunities for the future, but they do not always act on them because the market in which they operate has not developed enough to make some opportunities lucrative (R1). The short-term orientation of one family businesses merely enables them to quickly respond in the present.

Table 5

Seizing capabilities

| Patterns | Quotations |
|------------------------------|---|
| | ... So we can rapidly adapt. And in our scenario, we have a practical setup for example, so we can quickly create a demo model in the workshop to see if we can address the issue. (R1) |
| Proactive seizing activities | We are constantly trying to respond to these trends and, as outlined in our mission and vision, aim to be the frontrunner. Embracing and addressing these developments as one of the first. (R9) |
| | We had a project with [A CLIENT] for half a year. To address this, we first rented or leased a new machine, which is not something we normally do. Eventually, the quantities turned out to be very low which was not interesting for us. So after half a year-year we discontinued it. (R10) |

4.1.3 Reconfiguring capabilities

Overall, family business possess reconfiguring capabilities, which are influenced by their long-term orientation. The long-term orientation drives a proactive approach to developing internal capabilities, preparing for anticipated market developments and strategically redeploying their capabilities. The short-term orientation shows no impact.

Developing resources and capabilities. Generally, the long-term orientation enables family businesses to proactively anticipate changes and prepare for future market developments. The long-term orientation drives family businesses to proactively implement internal changes, anticipating the requirements of future market developments. In order to meet these future requirements, family businesses are proactively developing the necessary capabilities by providing internal training, educating their employees and recruiting individuals with the necessary capabilities (see table 6):



If we are expecting to receive a lot of request in the future for a specific market segment, in which we currently have little involvement, you need to make sure you provide your employees training in order to acquire that knowledge and expertise. (R5)

Recombining resources and capabilities. One family businesses indicated that the long-term orientation enables them to anticipate future market developments by strategically recombining their resources and processes to meet future requirements, as they state: ... We are not necessarily hiring new personnel, instead we combine specific processes. With one member taking on multiple roles (R2).

Redeploying resources and capabilities. Furthermore, the long-term orientation drives several family businesses to maintain flexible resources and capabilities to meet future market requirements. They are able to leverage and redeploy their resources and capabilities across different market segments, allowing them quickly respond to potential future opportunities or challenging conditions in specific markets (see table 6).

Table 6

Reconfiguring capabilities

| Patterns | Quotations |
|---------------------------------------|---|
| | It includes, for example, the management team that we have put in place, scouting and hiring individuals software developers, as we are now more focused IT, instead of execution roles. We have a mathematician on staff to work with data. What does the data tell us? How can we enable the system to forecast? (R4) |
| Developing resources and capabilities | ... It requires a somewhat different approach, especially in your work preparation process. We have 2 people that are capable of doing that. However, we may need 3 or 4 people for that in the future. So we are slowly training other employees to be able to do that, as we suspect that the demand is going to increase in the future. (R5) |
| | ... We have consistently monitored that. We always emphasize having an internal core of employees. While |

we aim to possess certain know-how, for specialized activities or knowledge, we are always willing and flexible to hire external experts. (R7)

We are a financial healthy businesses. Which means that if we identify an activity, we can either do it ourselves or we can make an acquisition, the so-called make or buy decision. And if we can accelerate a certain domain through an acquisition, resources are allocated for that. (R8)

... We protect ourselves against that by being versatile. Many employees are attracted to working with us due to this versatility. This diversity also contributes to our flexibility. So if things become challenging in the healthcare sector, we can easily switch to more office-related projects. However, currently the office-related market is struggling due to interest rates and investment funds being tied up. Therefore, we can easily shift back to healthcare projects or our maintenance division grows. This illustrates how easily we can deploy our workforce. (R3)

Redeploying resources and capabilities

We can consider shifting our focus to different market segments, carrying out tasks more extensively in those areas. For example, from new construction to renovation, maintenance, sustainability and upkeep. So we are flexible in those aspects. (R7)

You need to be able to adopt your organizational structure. One thing we employed was establishing a flexible layer around the company, enabling us to effectively manage fluctuations and assess the type of individuals, knowledge and expertise required to accomplish certain tasks. So, we maintained a pool of



individuals available for hire, allowing us to respond to ideas or incoming leads or businesses requests in a proactive manner. (R9)

4.2 Risk attitudes

Family businesses generally tend to exhibit risk-averse behaviour. This risk aversion is evident in their cautious approach towards new projects and investments and their inclination to steer clear of unfamiliar ventures. As one interviewee puts it: We are a risk-averse businesses. Meaning, we will not engage in projects that are completely new to us without careful consideration (R5). Although these family businesses are generally risk-averse, they do recognize that occasionally taking small risks is necessary to move forward, but never risks that could harm the continuity of the business. Preserving the continuity of the business is their primary objective and family businesses take precautions to avoid jeopardizing it, as one interviewee clearly illustrates: Our mission is not to take risks; our mission revolves of course around safeguarding the family capital and ideally expanding it (R10). However, there is one family business that stands out as exceptionally risk-seeking. They disclosed their financial struggles and the challenging circumstances they are currently facing. Given their situation, they cannot afford to be risk-averse. Instead, they have to embrace risks to ensure their survival. They feel compelled to seize every opportunity that arises, which consequently entails continuously taking risks:

We are risk-seeking, especially due to the situation we are in. We did not have the time nor the luxury to sit back and calmly observe what was happening around us. We needed to take action, which subsequently meant taking risks. (R9)

4.2.1 Sensing capabilities

Overall, the examination of the interviews reveal that the risk-taking behaviour of family businesses slightly influences their sensing capabilities. However, this influence is not particularly substantial and is not universally consistent across all family businesses, as the extent to which it exerts an influence varies.

The family businesses, that display risk-averse behaviour, express that their desire to minimise risks motivates them to actively monitor the external environment to detect potential threats and changes. By actively monitoring the external landscape, these family businesses aim to mitigate risks and increase their environmental awareness (R3,R4,R6). However, the risk-averse behaviour of these family businesses solely motivates them to actively carry out sensing activities, limiting the influence to only ensuring adequate execution of sensing activities. The risk-averse behaviour of these family businesses does not lead to alterations in the sensing capabilities or sensing activities. Furthermore,

the risk-seeking behaviour of one family business had a slightly more pronounced influence on their sensing capabilities. The business' risk-seeking behaviour leads them to be consistently focused on acquiring new business opportunities. Consequently, they are highly engaged in monitoring the external environment to identify new business opportunities and potential threats: If you are not in a comfortable position and you have to perform, you try everything to acquire new opportunities. In such circumstances you are more driven than when you do not have this imperative (R9).

Nonetheless, three family businesses state that the risk-averse behaviour does not influence their sensing capabilities (R5,R8,R10). They are not inclined to invest extra time, attention or resources in sensing activities in order to mitigate or identify risks, indicating a more reactive approach. They provided several reasons for this; stating that sensing activities are carried out on a project basis and not proactively planned in advance (R5), other sub-businesses within their organisation perform these activities, which means they are not actively involved themselves (R8) and since risks are unpredictable, dedicating additional time and resources to these activities would not serve a purpose (R10).

4.2.2 Seizing capabilities

The interviews with family businesses show that the risk-taking behaviours of family businesses generally influence their seizing capabilities. The extent of this influence varies among the different family businesses, with two of them stating that it does not impact their seizing capabilities that much. Nevertheless, the findings highlight that risk assessment is a crucial aspect of the seizing capabilities of family businesses.

Cautious approach to seizing opportunities. The risk-averse behaviour of family businesses drives them to dedicate a lot of time and effort in thoroughly analysing the risks associated with potential opportunities and threats. They prioritise assessing whether the businesses possess the appropriate capabilities to effectively manage these developments. Family businesses are extensively engaged in risk assessment, ensuring that, for example, the continuity of the business should never be jeopardized. If such a risk exists, they will refrain from pursuing any further actions. Therefore, the risk-averse behaviour of family businesses leads to a cautious approach in seizing new opportunities, as they are less likely to take on projects that involve significant risks or high levels of uncertainty (see table 7):

We make a risk assessment. We will never seize a project that could jeopardize our business all at once, as it does not ensure our continuity. So Ensuring this continuity is more about not doing things rather than actually doing things. (R3)

However, two family business emphasize that while they value a thorough risk assessment, it does not necessarily make them more cautious when seizing opportunities or responding to market developments. They state to be able to make quick decisions when necessary (R4,R6).

Time-consuming risk assessment. A few family businesses acknowledge that the risk assessment is a lengthy and time-consuming process, which can be both an advantage and a drawback. For instance, one family business indicates that their time-consuming risk assessment negatively influences their response speed. As a result of this time-consuming risk assessment, they encounter delays in the decision-making and are slower in responding to market developments (see table 7). However, two family businesses state that their risk-averse behaviour actually enables them to respond quicker to market developments (R3,R5). They try to act swiftly and address risks as soon as possible to minimise their potential impact:

If we identify a threat or see something developing, I will not sit back and watch the train derail. If we see a threat heading our way, we are going to take action today. We are not going to wait if it resolves itself in a week. If we see it, we will take action. (R3)

Proactive approach to seizing opportunities. The risk-seeking behaviour of one family business motivates them to take a proactive approach in anticipating potential opportunities and market developments. They are actively engaged in assessing their existing resources and capabilities and making necessary changes to capitalize on emerging opportunities and threats (see table 7).

Lacking risk assessment procedure. While the findings show that risk assessment is a crucial aspect of the seizing capabilities of family businesses, a formalised risk assessment procedure is lacking in several family businesses. They indicate to mainly rely on experience, gut feeling and intuition when evaluating risks, and that a formalised risk assessment procedure is non present (R3,R6,R8,R10) (see table 7).

Table 7

Seizing capabilities

| Patterns | Quotations |
|-------------------|---|
| Cautious approach | The same applies in that we do not take huge risks by jumping into something that could potentially be really lucrative. It is all somewhat risk-averse. That is why things often take longer. (R2) |
| | Ensuring the continuity of the business is essentially based on risk assessment. (R3) |

If opportunities arise that are completely out of our own current pattern of activities, we will not seize them. That is too far from our core business activities. (R4)

... Does the project fit with us? Do we have the know-how and expertise? ... Are we going to produce it ourselves? Or are there any big risks that do not fit us. Do we want these risks? Those are some things we carefully assess. Which risks do and do not belong to us. (R5)

We actually have a proper strategy, a procedure to assess the risks of projects. This enables us to identify them, think about how to manage them and the necessary actions. So we carefully examine that beforehand, outlining what is required and who is required. (R7)

... Yes, we will thoroughly discuss the potential gains for us, the outcomes and what kind of impact it has. And you notice, that as a result, the lead time for certain decisions can be quite lengthy or it ends up not being carried out. (R2)

Time-consuming risk assessment

It is a time-consuming process, we do not give up easily. Which is actually also a strength of [COMPANY NAME], but sometimes it might be beneficial to arrive quicker at certain conclusions and part ways with certain activities. (R8)

Proactive approach

If there is a huge opportunity that you believe in, but you do not have the right capabilities at that time, you should consider whether you can quickly acquire the required capabilities. (R9)

| | |
|-----------------------------------|---|
| | <p>Again, we did not have the luxury to sit back and watch it all unveil. We closely monitored to identify developments, assess potential risks and determine the right course of actions, such as increasing the FTEs, internal knowledge, systems and so on. (R9)</p> |
| | <hr/> <p>You evaluate that based on your own experience over the past 40 years. For instance that [CLIENT NAME] project, I had my doubts at the start and in the end it turned out to be true. (R10)</p> |
| Lacking risk assessment procedure | <p>And those risks are somewhat based on gut feeling. If we do not have a good feeling about something, that means something. ... Based this gut feeling we decide to seize something or not. (R3)</p> |
| | <p>Assessing the risk is based on intuition and experience. (R8)</p> |
| | <p>We do not work with balance scorecards or any other matrixes which can be used for risk assessments. This risk assessments happens intuitively, but it is not done explicitly. (R6)</p> |

4.2.3 Reconfiguring capabilities

The findings reveal that the risk-taking behaviours of family businesses have little to no impact on their reconfiguring capabilities. The risk-taking behaviours show no impact on the reconfiguring activities or their execution. Generally, they simply show a preference for incremental changes, rather than radical changes, to ensure and maintain stability (see table 8):

It is not like we are rushing through the building like a storm saying we have identified a new opportunity and we all need to radically change. That creates a lot of turbulence within the organization. You need to continuously take small steps. (R3)

Table 8*Reconfiguring capabilities*

| Patterns | Quotations |
|--------------------|--|
| Incremental change | <p data-bbox="724 376 1394 674">Incremental change is healthy. Radical change is more top-down I would say, as it means that when you decide to go left, the company goes left. However, that does not work with a family business. The employees have been working here for a long time and need to gradually move into the right direction. (R3)</p> <p data-bbox="724 748 1394 992">Looking at our core themes and strategic vision, so the internal changes, we do not radically change 180 degrees. We have a fairly steady path, which suits our organization and our culture. We do not have people that make ad hoc decisions. (R5)</p> <p data-bbox="724 1070 1394 1256">Thats how [COMPANY NAME] operates, maintaining a sense of calm. ... People should not get the feeling they have to make a sudden right turn when they have always been going to the left. (R8)</p> |

5. Conclusion

The aim of this study was to examine how the temporal orientation and risk-taking behaviours of Dutch family businesses influence their dynamic capabilities. Drawing from a combination of an extensive literature study and in-depth interviews, various conclusions can be derived.

5.1 Temporal orientation

This study shows that family businesses generally exhibit a long-term orientation. This long-term orientation is characterised by their long-term strategies, goals, their focus on the future and their primary objective of ensuring continuity (Sirmon & Hitt, 2003; Wilson et al., 2013). However, it should be noted that while long-term orientation is prevalent, there are some variations in the temporal orientation of family businesses.

Concerning the dynamic capabilities of family businesses, this study found that the long-term orientation drives a more proactive approach towards sensing, seizing and reconfiguring activities. Family businesses have the desire to enhance their awareness and anticipate future market developments. Family businesses proactively sense the environment by actively seeking new business opportunities or signals that indicate potential threats. While some family businesses invest more time and energy in proactively sensing the environment, others invest in creating a tool or rearranging jobs and activities to more effectively detect and process future market developments. However, it is important to acknowledge that the impact of long-term orientation on the sensing capabilities is not universally consistent across all family businesses. The findings show that the market in which two family businesses operate may influence whether they actively sense their environment.

Moreover, the long-term orientation also stimulates a proactive approach towards seizing activities. The long-term orientation stimulates family businesses to anticipate future changes by proactively evaluating future market developments and organisational capabilities/resources in advance. The extent of the influence does vary among the various family businesses. Some proactively evaluate future developments while others engage in small-scale investments to acquire information about the workings and required capabilities of future developments.

Furthermore, the long-term orientation also drives a proactive approach towards reconfiguring activities. In order to anticipate future requirements, family businesses are proactively developing necessary capabilities. Moreover, some family business indicate that they strategically recombine their resources and processes and are able to leverage and redeploy their resources and capabilities across different market segments, allowing them quickly respond to future market developments.

5.2 Risk-taking behaviours

This study reveals that family businesses generally tend to exhibit risk-averse behaviour. They show caution towards new opportunities and market developments, avoiding unfamiliar encounters when feasible (Anderson et al., 2012; Hiebl, 2013). They do realise that from time to time, taking small risks is necessary to move forward, but never risks that could harm the continuity of the business (Tsai et al., 2009). It is important to mention that one family business, due to their challenging circumstances, actually shows risk-seeking behaviour as they cannot afford to be risk-averse.

Regarding the dynamic capabilities of family businesses, the risk-taking behaviour of family businesses has little impact on their sensing capabilities. It only motivates them carry out sensing activities in order to minimise risks. However, the influence of the risk-seeking behaviour of one family businesses is somewhat more noticeable. The risk-seeking behaviour leads them to be continuously focused on seeking new business opportunities, resulting in a more proactive approach towards sensing activities.

Moreover, the risk-averse behaviour of family businesses leads to a cautious approach in seizing new opportunities, as they are less likely to take on projects that involve big risks or high levels of uncertainty. The risk-averse behaviour drives them to dedicate a considerable amount of time and effort in extensively analysing the risks associated with potential market developments, which for some is a time-consuming process. Nonetheless, the risk-seeking behaviour of one family business results in a proactive approach towards seizing opportunities, actively anticipating future requirements.

Finally, this study found little to no impact of the risk-taking behaviour on reconfiguring capabilities. Overall, family businesses merely display a preference for incremental organisational changes, rather than radical changes, to ensure and maintain stability

6. Discussion

6.1 Theoretical implication

This study tried to examine how the temporal orientation and risk-taking behaviours of Dutch family businesses influence their dynamic capabilities. Doing so, this research tried to address a noticeable gap in management literature, as there has been little research conducted to understand the impact of family business characteristics on their dynamic capabilities. Based on the findings, this study brings forth several theoretical implications to the dynamic capabilities and family business literature.

First of all, this study shows that, generally, family businesses exhibit a long-term orientation, with one exception, supporting previous studies suggesting that family businesses are long-term oriented and aim to assure the survivability of their business (Kellermanns et al., 2008; Sirmon & Hitt, 2003; Wilson et al., 2013). The exception shows that the circumstances and markets in which family business operate, may influence their temporal orientation. However, to solidify this, further research is necessary.

Secondly, although the literature has previously studied the temporal orientation of family businesses, it remains unclear how it impacts their dynamic capabilities. This study found that the temporal orientation of family businesses does influence their dynamic capabilities. Generally, the long-term orientation of family businesses drives a more proactive approach towards sensing, seizing and reconfiguring activities. These findings support previous research that found that family business characteristics influence dynamic capabilities (Camisón-Zornoza et al., 2020). Therefore, the findings suggest that this underexplored research area deserves more attention from scholars and requires further investigation.

Thirdly, the proactive dynamic capability activities indicate a more outward-focused approach of family businesses, challenging previous research suggesting that family businesses are more inward-looking (Miller & Le Breton-Miller, 2005). As family businesses proactively develop, recombine and redeploy resources and capabilities, the findings differ from previous research, suggesting family businesses often depend on well-established capabilities and are unwilling to adjust to a changing environment (Chirico & Salvato, 2008). Moreover, some family businesses undertake small-scale investments to acquire information which bears resemblance to real options, which could be interesting for future research (Trigeorgis & Reuer, 2017).

Finally, while literature already explored the risk-taking behaviour of family businesses, their impact on the dynamic capabilities remains unclear. This study reveals that the risk-taking behaviour of family businesses has little impact on the sensing and reconfiguring capabilities of family businesses, but shows a more pronounced impact on the seizing capabilities, advancing our knowledge on this

relationship. The risk-averse behaviour of family businesses leads to a cautious approach in seizing new opportunities, as they attempt to minimise risks and uncertainties.

6.2 Practical implication

Additionally, this study provides several implications for managerial practice. The findings are particularly interesting for the managers or owners of family businesses. The results raise awareness regarding the dynamic capabilities present within family businesses and shed light on how these activities are conducted. Being aware of and actively engaging in dynamic capability activities is essential for family businesses, as they play a vital role in facilitating organisational adaptability (Brozovic, 2018). Moreover, the findings show managers of family businesses the impact of a long-term orientation and how it fosters their dynamic capabilities. The study demonstrates that having a long-term orientation leads to a proactive approach in sensing, seizing and reconfiguring activities, enabling family businesses to anticipate market developments more effectively and respond swiftly. The findings also provide managers of family businesses with several examples of sensing, seizing and reconfiguring activities that other family businesses implemented in order to successfully anticipate future market changes. Furthermore, the results offer insights into the risk-averse behaviour of family businesses, providing a better understanding of their cautious approach towards change and uncertainties. Additionally, the findings reveal that although family businesses consider an extensive and thorough risk assessment highly important, they often lack a structured procedure for evaluating these risks. By raising awareness about this issue, family businesses can critically assess their own risk management approach and evaluate its appropriateness.

6.3 Limitations and further research

Although this study provides a deeper understanding on the risk-taking behaviour and temporal orientation of family businesses and their impact on the dynamic capabilities, there are some limitations that need to be acknowledged. First of all, the research units that have been examined are fairly narrow and limited. This research studied only 11 family businesses with an annual revenue of 10 to 200 million euros, which means that no assumptions can be made about smaller or bigger family businesses. Smaller or bigger family businesses may have less or more developed dynamic capabilities, leading to potential differences in to what extent the temporal orientation and risk-taking behaviours have an impact. Hence, it could be interesting for future research to investigate the relationship in smaller and larger family businesses.

Secondly, the data for this research has been gathered solely from Dutch family businesses, which limits the generalisability of the findings to other countries. contextual differences between countries may influence the risk-taking behaviours, temporal orientations and the dynamic capabilities

of family businesses, resulting in different outcomes. On top of that, Family businesses are not a homogenous group, so studying different types of family businesses could yield interesting findings. Therefore, it is advisable to be cautious when generalising the findings. The literature could benefit from future research into examining the relationship in different industries and countries. Additionally, it could be interesting to investigate the risk-taking behaviour, temporal orientation and their influence on the dynamic capabilities of both family businesses and non-family businesses, to see whether there are any significant differences.

Thirdly, the interview data is based on the respondents' personal perception of volatility in their environment, which introduces some degree of subjectivity into the data. Future studies should therefore use an objective measure of environmental volatility. On top of that, this study only interviewed members of the management team or managing board, meaning this study only captured the perspective of family business managers. For future research, it could be interesting to carry out case studies, interviewing multiple employees to gather various perspectives.

Fourthly, due to conducting both a master thesis research and a practical research for BDO Advisory. The interview time with respondents had to be divided, resulting in less time for questions regarding the master thesis, compared to solely conducting the master thesis research. Therefore, underlying causes for the risk-taking behaviours and temporal orientations of the family businesses have not been thoroughly examined. This research roughly examined the risk-taking behaviours and temporal orientations of family businesses, disregarding any other, potential deeper, possible causes for this behaviour and orientation. Therefore, future research should attempt a more in-depth examination on potential deeper causes for this behaviour and orientation, which in turn may influence their dynamic capabilities.

Further, this study only examined the impact of risk-taking behaviour and temporal orientation on the dynamic capabilities of family businesses at one point in time. Future researchers can conduct longitudinal or larger scale qualitative studies to improve our understanding of the relationship between the risk-taking behaviour, temporal orientation and the dynamic capabilities of family businesses. With a longitudinal study, the characteristics are observed in multiple points in time. This could also give more accurate results with respect to this relationship and provide more insightful theoretical and practical implications for scholars and business practitioners.

Finally, the measurement of dynamic capabilities lacks consistency in the existing literature and therefore also in this research. This affects both the practical and theoretical implications of the research findings. To improve the legitimacy and strength of dynamic capabilities in this field, scholars need to develop clear and comprehensible measures for dynamic capabilities.



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Appendix A

Operationalisation table

| Variables | Dimension | Indicators | Questions |
|-----------------------------|---------------|--------------------------|--|
| Dynamic capabilities | Sensing | Sensing activities | Temporal orientation: <ul style="list-style-type: none"> ○ Hoe blijft u op de hoogte van veranderingen en trends in de markt? ○ Kijken jullie naar de toekomst (long-term) of het heden (short-term) om kansen of veranderingen te identificeren in de markt? ○ Heeft deze toekomstgerichte/ hedengerichte houding van het bedrijf ook invloed op hoe goed jullie zijn in het identificeren van kansen en veranderingen in de markt? |
| | | | Risk-taking behaviour: <ul style="list-style-type: none"> ○ Hoe blijft u op de hoogte van veranderingen en trends in de markt? ○ Heeft dit ook impact op hoe actief u uw omgeving scant voor kansen en bedreigingen? ○ Besteedt u, door deze risicomijdende/risicozoekende houding, extra moeite of tijd in het scannen van de omgeving voor kansen en bedreigingen? ○ Zou u zeggen dat u door uw risicomijdende/ risico zoekende houding ook beter bent in het identificeren van veranderingen en gevaren in uw omgeving? |
| | Seizing | Seizing activities | Temporal orientation: <ul style="list-style-type: none"> ○ Beïnvloedt deze houding ook het vermogen van uw bedrijf om snel en effectief te reageren op geïdentificeerde kansen of veranderingen in de markt? ○ Hoe wordt beoordeeld of de organisatie de juiste vaardigheden en resources heeft om nieuwe kansen in de markt aan te grijpen? |
| | | | Risk-taking behaviour: <ul style="list-style-type: none"> ○ Wanneer zien jullie een kans/investering/project als risicovol? ○ Hoe wordt beoordeeld of een investering of verandering risicovol is? ○ Hoe lang duurt zo'n evaluatie van de risico's? ○ Denkt u dat de risicomijdende/ risico zoekende houding van uw familiebedrijf het besluitvormingsproces beïnvloed? ○ Heeft het invloed op uw handelingsnelheid? ○ Belemmert of bevordert deze risicomijdende/ risico zoekende houding u om snel en effectief te kunnen reageren op veranderingen of kansen in de markt? |
| | Reconfiguring | Reconfiguring activities | Temporal orientation: <ul style="list-style-type: none"> ○ Hoe zorgt u ervoor dat uw bedrijf in staat is om zich aan te kunnen passen aan de veranderingen in uw omgeving? |

| | | | |
|-----------------------------|------------------------|------------------------|---|
| | | | <ul style="list-style-type: none"> ○ Heeft uw toekomstgerichte/ hedengerichte houding ook invloed op hoe effectief en efficiënt uw bedrijf zich intern kan aanpassen om met veranderingen in de markt om te gaan? ○ Hoe beïnvloedt de toekomstgerichte houding van uw familiebedrijf de bereidheid om interne veranderingen door te voeren om om te kunnen gaan met veranderende omstandigheden? |
| | | Risk-taking behaviour: | <ul style="list-style-type: none"> ○ Hoe beïnvloedt de risicomijdende/ risico zoekende houding van uw familiebedrijf uw vermogen om interne veranderingen door te voeren om om te kunnen gaan met veranderende omstandigheden? ○ Hoe beoordeelt u de potentiële risico's die gepaard gaan met het reorganiseren van interne middelen en capaciteiten? ○ Belemmert of bevordert de risicomijdende/ risico zoekende houding van uw familiebedrijf het proces van aanpassing en reorganisatie? ○ Heeft u een voorkeur voor radicale veranderingen of incrementele veranderingen binnen de organisatie? |
| Temporal orientation | Long-term orientation | Long-term strategy | <ul style="list-style-type: none"> ○ Bij het maken van de strategie, hoe ver kijken jullie in de toekomst? (Jaren) |
| | | Long-term objectives | <ul style="list-style-type: none"> ○ Wat zijn jullie korte en lange termijn doelen? (korte termijn doelen <1 jaar – lange termijn doelen >1jaar) ○ Hoe balanceren jullie het behalen van deze korte en lange termijn doelen? ○ Hebben korte of lange termijn doelen de grootste prioriteit? |
| | | Future oriented | <ul style="list-style-type: none"> ○ Zou u zeggen dat het bedrijf meer een lange termijn visie heeft of een korte termijn visie? ○ Kijken jullie naar de toekomst (long-term) of het heden (short-term) om kansen of veranderingen te identificeren in de markt? |
| | Short-term orientation | Short-term strategy | <ul style="list-style-type: none"> ○ Bij het maken van de strategie, hoe ver kijken jullie in de toekomst? (Jaren) |
| | | Short-term objectives | <ul style="list-style-type: none"> ○ Wat zijn jullie korte en lange termijn doelen? (korte termijn doelen <1 jaar – lange termijn doelen >1jaar) ○ Hoe balanceren jullie het behalen van deze korte en lange termijn doelen? ○ Hebben korte of lange termijn doelen de grootste prioriteit? |
| | | Present oriented | <ul style="list-style-type: none"> ○ Zou u zeggen dat het bedrijf meer een lange termijn visie heeft of een korte termijn visie? |

| | | | |
|------------------------------|------------------------|--------------------------------------|--|
| | | | <ul style="list-style-type: none"> ○ Kijken jullie naar de toekomst (long-term) of het heden (short-term) om kansen of veranderingen te identificeren in de markt? |
| Risk-taking behaviour | Risk-averse behaviour | Perceives themselves as risk-averse | <ul style="list-style-type: none"> ○ Zou u uw bedrijf als risicomijdend of risico zoekend omschrijven? |
| | | Willingness to take risks | <ul style="list-style-type: none"> ○ Hoe wordt beoordeelt of een investering of verandering risicovol is? ○ Hoe lang duurt zo'n evaluatie van de risico's? |
| | | Own perception of risks | <ul style="list-style-type: none"> ○ Wanneer zien jullie een kans/investering/project als risicovol? |
| | Risk-seeking behaviour | Perceives themselves as risk-seeking | <ul style="list-style-type: none"> ○ Zou u uw bedrijf als risicomijdend of risico zoekend omschrijven? |
| | | Willingness to take risks | <ul style="list-style-type: none"> ○ Hoe wordt beoordeelt of een investering of verandering risicovol is? ○ Hoe lang duurt zo'n evaluatie van de risico's? |
| | | Own perception of risks | <ul style="list-style-type: none"> ○ Wanneer zien jullie een kans/investering/project als risicovol? |

Appendix B

Interview questions

It should be noted that these interview questions include some questions that are irrelevant for this research. In collaboration with BDO Advisory, I conducted both a Master thesis research and a practical research. The practical research was conducted on behalf of BDO Advisory.

Missie, visie en strategie

1. Wat zijn de missie en visie van uw bedrijf?
2. Is er een strategisch plan?
 - Wat wordt in het strategisch plan opgenomen? (Belangrijkste doelen)
3. Bij het maken van de strategie, hoe ver kijken jullie in de toekomst? (Jaren)
4. Zou u zeggen dat het bedrijf meer een lange termijn visie heeft of een korte termijn visie?
5. Wat zijn jullie korte en lange termijn doelen? (korte termijn doelen <1 jaar – lange termijn doelen >1jaar)
 - Hoe balanceren jullie het behalen van deze korte en lange termijn doelen?
 - Hebben korte of lange termijn doelen de grootste prioriteit?
6. Is het strategisch plan flexibel en aanpasbaar?
 - Hoe past uw bedrijf haar strategie aan in reactie op veranderingen in de markt?
 - Hoe vaak wordt de organisatiestrategie geëvalueerd?
7. Hoe meet uw bedrijf het succes van haar strategie?

Onzekerheden in de externe omgeving (en hoe u als bedrijf daarmee omgaat)

8. Ervaart u veranderingen of onzekerheden/risico's in uw omgeving? (Denk aan: concurrentie, technologieën, politieke invloeden, wet- en regelgeving, maatschappelijke uitdagingen, klantvraag)
9. Welke maatregelen (activiteiten) heeft uw bedrijf genomen om om te gaan met onzekerheid/risico en complexiteit in de markt?
10. Hoe blijft u op de hoogte van veranderingen en trends in de markt?
 - Hoe wordt beoordeeld welke informatie belangrijk is en welke niet?
11. Kijken jullie naar de toekomst (long-term) of het heden (short-term) om kansen of veranderingen te identificeren in de markt?
12. Heeft deze toekomstgerichte/ hedengerichte houding van het bedrijf ook invloed op hoe goed jullie zijn in het identificeren van kansen en veranderingen in de markt?

- Kunt u daar voorbeelden van geven?
 - Hoe succesvol zijn deze maatregelen?
13. Beïnvloedt deze houding ook het vermogen van uw bedrijf om snel en effectief te reageren op geïdentificeerde kansen of veranderingen in de markt?
- Hoe ziet dit eruit?
 - Kunt u hier voorbeelden van geven?
14. Hoe wordt beoordeeld of de organisatie de juiste vaardigheden en resources heeft om nieuwe kansen in de markt aan te grijpen?
15. Hoe zorgt u ervoor dat uw bedrijf in staat is om zich aan te kunnen passen aan de veranderingen in uw omgeving?
16. Heeft uw toekomstgerichte/ hedengerichte houding ook invloed op hoe effectief en efficiënt uw bedrijf zich intern kan aanpassen om met veranderingen in de markt om te gaan?
- Hoe ziet deze invloed eruit?
 - Kunt u voorbeelden geven?
17. Hoe beïnvloedt de toekomstgerichte houding van uw familiebedrijf de bereidheid om interne veranderingen door te voeren om om te kunnen gaan met veranderende omstandigheden?

Risico's

18. Zou u uw bedrijf als risicomijdend of risico zoekend omschrijven?
- Kunt u dit toelichten?
19. Heeft dit ook impact op hoe actief u uw omgeving scant voor kansen en bedreigingen?
20. Besteedt u, door deze risicomijdende/risicozoekende houding, extra moeite of tijd in het scannen van de omgeving voor kansen en bedreigingen?
21. Zou u zeggen dat u door uw risicomijdende/ risico zoekende houding ook beter bent in het identificeren van veranderingen en gevaren in uw omgeving?
22. Wanneer zien jullie een kans/investering/project als risicovol?
23. Hoe wordt beoordeeld of een investering of verandering risicovol is?
- Hoe lang duurt zo'n evaluatie van de risico's?
24. Denkt u dat de risicomijdende/ risico zoekende houding van uw familiebedrijf het besluitvormingsproces beïnvloed?
- Heeft het invloed op uw handelingsnelheid?
25. Belemmert of bevordert deze risicomijdende/ risico zoekende houding u om snel en effectief te kunnen reageren op veranderingen of kansen in de markt?
- Kunt u dit toelichten
 - Kunt u voorbeelden geven?

26. Hoe beïnvloedt de risicomijdende/ risico zoekende houding van uw familiebedrijf uw vermogen om interne veranderingen door te voeren om om te kunnen gaan met veranderende omstandigheden?
- Kunt u dit toelichten?
 - Kunt u voorbeelden geven?
27. Hoe beoordeelt u de potentiële risico's die gepaard gaan met het reorganiseren van interne middelen en capaciteiten?
28. Belemmert of bevordert de risicomijdende/ risico zoekende houding van uw familiebedrijf het proces van aanpassing en reorganisatie?
- Hoe belemmert/bevordert dat?
 - Kunt u voorbeelden geven?
29. Heeft u een voorkeur voor radicale veranderingen of incrementele veranderingen binnen de organisatie?
- Kunt u dit toelichten?

Interne veranderingen

30. Hoe worden eventuele nodige veranderingen binnen de organisatie doorvertaald in de organisatie?
- Hoe worden de veranderingen geïnitieerd? Wie initieert deze?
 - Zou u zeggen dat de veranderingen meer van bottom-up komen of top-down?
 - Hoe communiceert u met uw werknemers en stakeholders tijdens tijden van verandering in de markt en/of binnen het bedrijf? (Denk aan type communicatie)
31. In hoeverre betreft u uw werknemers tijdens veranderingen binnen de organisatie?
- Hoe creëert u draagvlak?
32. In hoeverre denkt u dat het type medewerkers invloed heeft op uw bedrijf?
33. In hoeverre denkt u dat de cultuur van uw bedrijf invloed heeft op uw bedrijf?
34. In hoeverre denkt u dat de mate van hiërarchie van uw bedrijf invloed heeft op uw bedrijf?

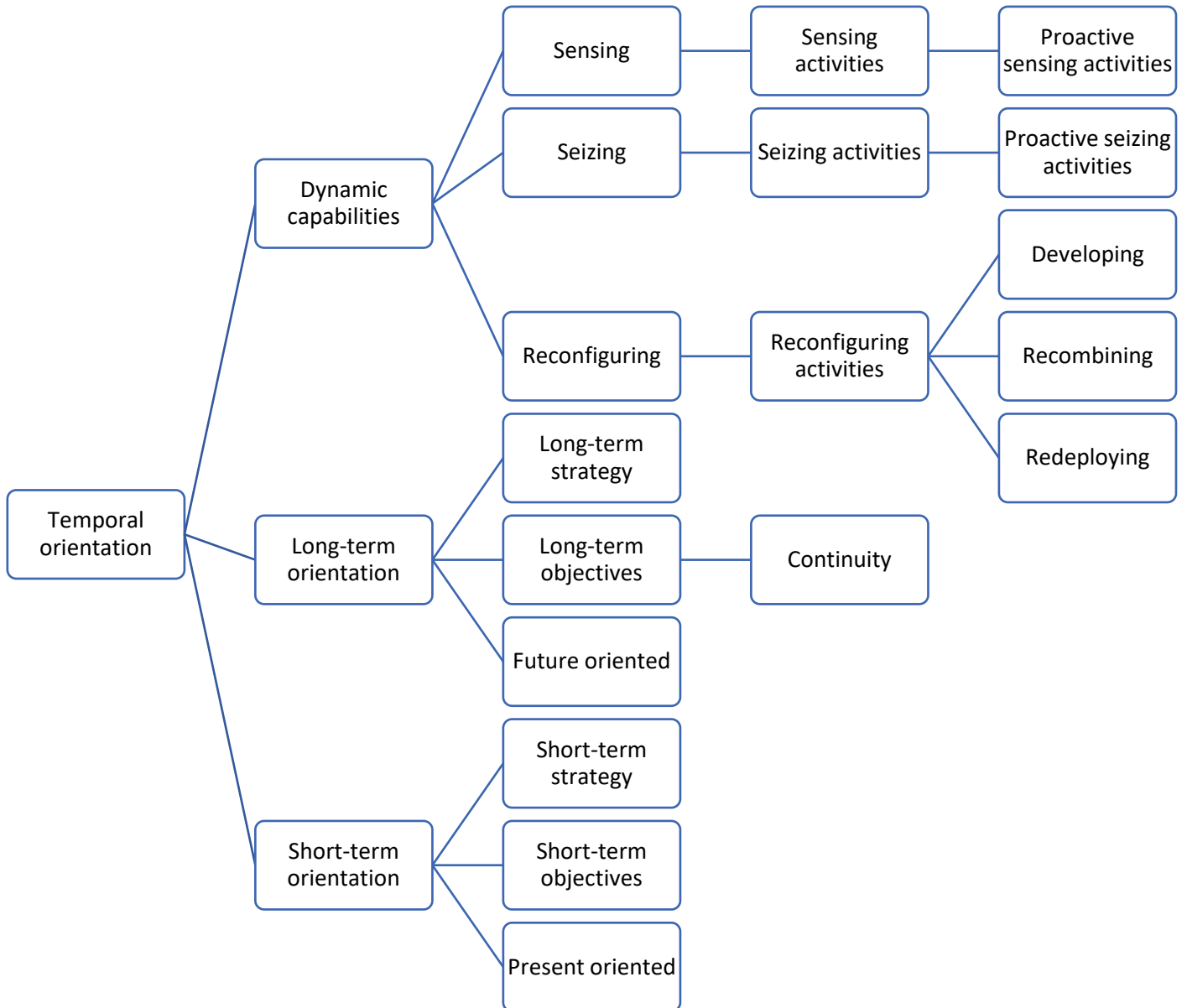
Dit was het interview.

35. Wilt u zelf nog verdere informatie delen?

Appendix C

Code tree

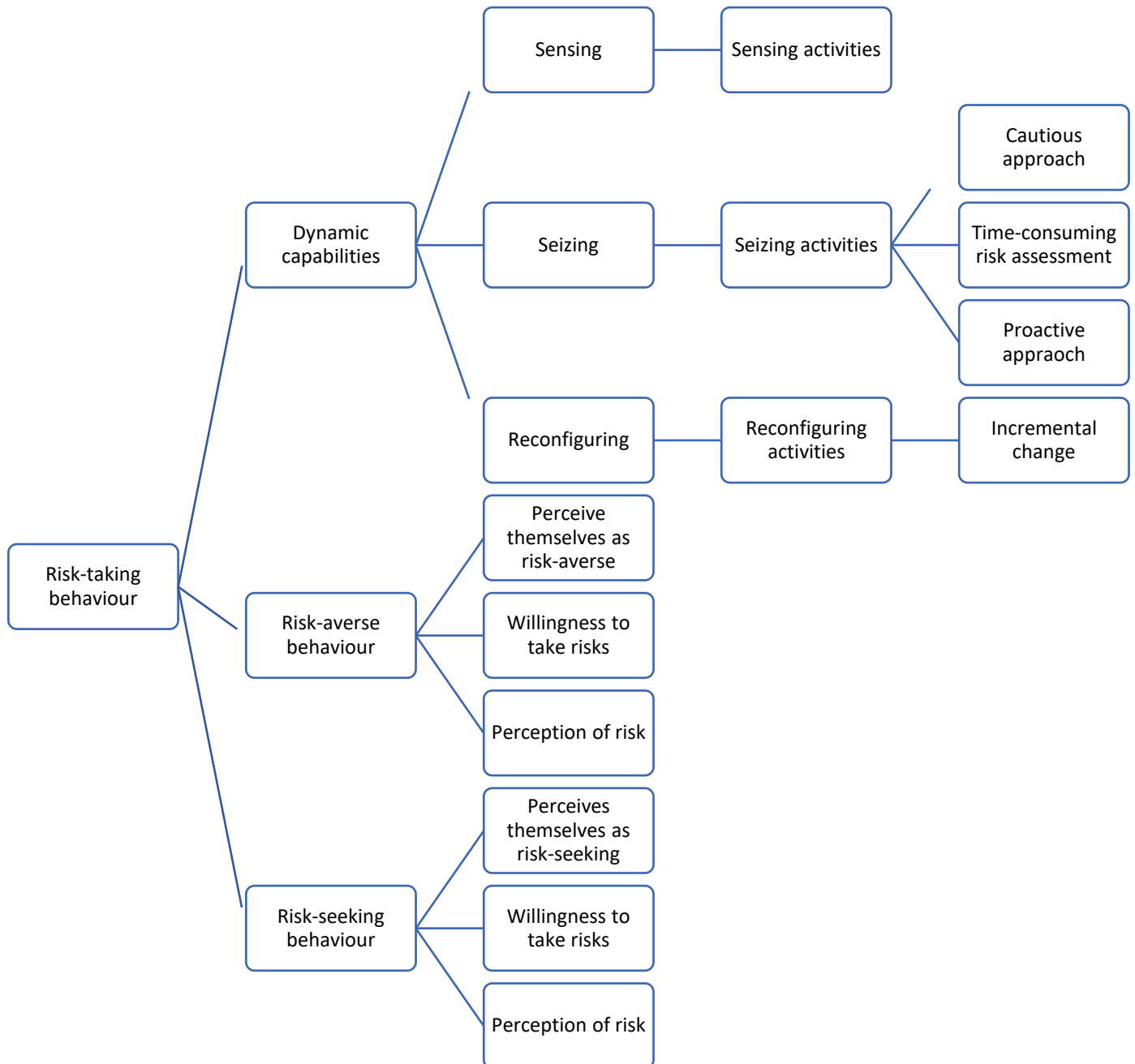
Figure 1: Code tree temporal orientation



Appendix C

Code tree

Figure 2: Code tree risk-taking behaviour



Appendix D

Interview transcripts