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# A configurational approach to strategic change in family firms

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**ABSTRACT**

Strategic change is essential for an organization's long-term performance and survival. Research has investigated how governance structures, organizational values, capabilities, and firm size, in isolation from one another, influence family firms' strategic change, yet insights in family firm literature suggest the need to examine the fit among these dimensions. We employ a configurational approach and a framework built from models of fit in family firm literature to examine the interdependence among these dimensions. Using a primary dataset of 275 Belgian private family firms and fuzzy-set qualitative comparative analysis (fsQCA), we identify six configurations leading to high levels of strategic change and three configurations explaining low levels of strategic change. This study contributes to the literature by advancing our understanding of how multiple interdependent dimensions, namely, governance structures, organizational values, capabilities, and firm size, combine to better explain strategic change levels in family firms. The findings also provide concrete formulas for practitioners to create a fit among specific factors in these dimensions to promote strategic change.

**KEYWORDS**

Strategic change; governance structures; organizational values; capabilities; firm size; configurational approach; family firms

## Introduction

Family firms are the most prevalent business organizations worldwide (Chua et al., 1999; Jansen et al., 2023). However, the family's involvement in the business often creates a challenging trade-off between preserving the shared family and firm history, values, and traditions and the imperative for organizational strategic change (Kotlar & Chrisman, 2019). Given the importance of strategic change as a powerful means for a sustainable competitive advantage and, thus, long-term performance (Haynes & Hillman, 2010; Helfat & Martin, 2014), it is essential to examine factors driving strategic change in family firms.

Extant studies offer only a fragmented view of the determinants of strategic change in family firms, as they tend to consider governance structures

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(for example, Scholes et al., 2010), organizational values (for example, Sasaki et al., 2020), capabilities (for example, Duarte Alonso et al., 2018), and other notable organizational characteristics such as firm size (for example, Kotlar et al., 2014) in isolation from one another. Consequently, research has not always concurred on the impact of these factors on strategic change. For instance, on the one hand, family firms' attachment to tradition has long been advocated as a source of change resistance (Istipliler et al., 2023; Lumpkin et al., 2008); on the other hand, emerging literature pinpoints how some of the world's leading change champions are family firms that embrace their tradition (De Massis et al., 2016; Erdogan et al., 2019). In a similar vein, the impact of firm size on strategic change has been inconsistent, with evidence supporting both positive and negative effects (for example, Brunninge et al., 2007; Haynes & Hillman, 2010).

We argue that the paradoxical results likely stem from the isolated examination of these determinants and that a more holistic approach is needed to reconcile these findings. Our view is in line with the growing conversation in family firm literature, which emphasizes that family firms' behaviors and performance depend on the fit between the organization's values, governance structures, and resources and capabilities (Kammerlander et al., 2015; Sharma & Nordqvist, 2008). From this "fit" perspective, it stands to reason that the influence of firm size, a common proxy for resources (Skorodziyevskiy et al., 2024), and organizational values such as tradition on strategic change potentially depends on their complex combination with other factors such as governance structures or capabilities. This leads to our research question: "*Which configurations of governance structures, organizational values, capabilities, and firm size foster or hinder strategic change in family firms?*"

To address this question, we adopt a configurational perspective that can embrace the causal complexity underlying the phenomenon of strategic change (Misangyi et al., 2017). This approach has three unique features: 1) conjunction when organizational phenomena result from multiple interdependent conditions; 2) equifinality where different combinations of conditions may lead to the same outcome; and 3) asymmetric causality where combinations that lead to the presence of an outcome (for example, high levels of strategic change) are not simply the opposite of those leading to its absence (for example, low levels of strategic change). As such, this perspective provides a valuable conceptual approach and empirical methodology for modeling not only complex interdependencies but also equifinality and asymmetric causality (see Misangyi et al., 2017, for a comprehensive review).

Next, to determine which governance structure, organizational values, and capabilities to evaluate in our analysis of potential strategic change configurations, we build on the models of fit of Sharma and Nordqvist (2008) and Kammerlander et al. (2015), which draw on contingency theory (Drazin & Van de Ven, 1985; Gresov, 1989) and underscore the interdependence of the governance structures, organizational values, and resources and capabilities in shaping organizational behaviors such as strategic change in family firms.

Hence, they serve as useful models for investigating strategic change decisions that lie at the nexus between these dimensions. Importantly, from these guiding frameworks, we identify two governance structures, two organizational values, and one capability that can potentially form combinations (configurations) that facilitate or hinder family firms' strategic change. In addition, many scholars have urged research to acknowledge the significance of firm size in understanding strategic choices and their outcomes. For instance, Dobrev and Carroll (2003, p. 541) assert that organizational size is "perhaps the most powerful explanatory organizational covariate in strategic analysis," while Josefy et al. (2015, p. 716) describe organizational size as "a central tenet of research on organizations." In line with prior configurational research on strategy (for example, Leppänen et al., 2021; Pittino et al., 2017), we also included this essential organizational characteristic alongside the chosen research framework. Firm size is particularly relevant to our study due to the mixed findings regarding its influence on strategic change (for example, Brunninge et al., 2007; Haynes & Hillman, 2010). Moreover, recent literature underscores that firm size's impact on family firms' strategic change hinges on other factors (Skorodziyevskiy et al., 2024). As firm size is often related to firm resources (Skorodziyevskiy et al., 2024), based on the models of fit of Sharma and Nordqvist (2008) and Kammerlander et al. (2015), it is reasonable to consider firm size in combination with governance structure, organizational values, and capabilities.

The analysis was conducted on a sample of 275 Belgian private family firms. Conforming with our aim to identify configurations of factors, we adopt fuzzy-set Qualitative Comparative Analysis (fsQCA) as a methodological approach. Employing an abductive approach, an "ampliative and conjectural mode of inquiry" through which the researcher explores "hunches, explanatory propositions, ideas, and theoretical elements" that arise with the "recognition of puzzling observations that enable us to discern and construct new plots" (Locke et al., 2008, pp. 907–908), we investigate the diverse factors of governance structures, organizational values, and capabilities that collectively shape configurations conducive to high and low levels of strategic change. Indeed, by leveraging the unique properties of set-theoretic methodology (Fiss, 2007), we can analyze the symmetry between configurations that leads to low versus high levels of strategic change. Particularly, we investigate whether what enhances strategic change is merely the opposite of what inhibits it or is composed of distinct configurations of factors. Our findings indicate that no individual factor is necessary or sufficient on its own. Instead, we identify six equifinal configurations sufficient for high levels of strategic change and three distinct ones sufficient for low levels.

Our research makes several contributions. First, our study unveils that strategic change in family firms is shaped by constellations of factors rather than isolated factors. In doing so, we extend the work of Kammerlander et al. (2015) and Sharma and Nordqvist (2008), which emphasizes the necessity of

a holistic approach to understand strategic change in family firms. Specifically, the configurational approach enables us to shed light on prior contradictory findings (Erdogan et al., 2019; Istipliler et al., 2023). More specifically, we reveal that family values, such as tradition, can either enhance or inhibit strategic change depending on their combination with other factors, such as governance mechanisms and capabilities. In the same light, we address the debate about the impact of firm size on strategic change in general (Rajagopalan & Spreitzer, 1997) and in the family firm context (Skorodziyevskiy et al., 2024). Concretely, we explain that whether firm size is an asset or a liability to strategic change hinges on how it is complemented with other factors. We therefore underscore the usefulness of the configurational perspective to reconcile extant conflicting results and produce more fine-grained results (Misangyi et al., 2017). Second, by challenging the negative view of family values on strategic change, we address the recent call of Le Breton-Miller and Miller (2023) to advance family business research by pursuing contrarian insights. This approach leads to insightful re-appraisals, revealing the conditions where family values cease to be a disadvantage. Particularly, when combined with appropriate conditions, such as governance mechanisms, capabilities, and/or other organizational values, family values can transform into a competitive advantage that drives strategic change. In this way, we join the emerging discourse on managing the paradox between tradition and innovation (for example, Erdogan et al., 2019; Rondi et al., 2019; Suddaby & Jaskiewicz, 2020), presenting new frameworks through which family firms can harness their commitment to family values to enhance strategic change. Third, our study makes notable contributions to the corporate governance and family business literature by addressing the question regarding the complementary and substitute effects of contractual (for example, outside directors) and relational (for example, family charters) governance and how various governance mechanisms can combine effectively with each other for the outcome of interest (Bodolica et al., 2020; Misangyi & Acharya, 2014; Sharma & Nordqvist, 2008). Our results not only reinforce recent findings that the relationship between governance mechanisms hinges on other factors (Cao & Lumineau, 2015; Misangyi & Acharya, 2014) but also extend this research line by demonstrating how organizational characteristics such as values and capabilities can complement governance structures. Finally, our study underscores the importance of considering asymmetric causality. When identifying determinants of family firms' strategies and performance, most studies rely on linear regression and its derivatives, implicitly assuming symmetry between factors leading to specified strategies or high performance and those hindering strategies or yielding low performance. Our research showcases that this assumption does not always hold, as the configurations leading to low levels of strategic change are not simply the inverse of those enabling high levels of strategic change. Therefore, we align with the calls in management literature to

adopt fsQCA to capture key elements of causal complexity and shift away from regression-based thinking (for example, Bartkus et al., 2022).

## Theoretical background

### *Configurations of governance structures, organizational values, capabilities, and firm size as drivers of strategic change*

In line with the state of the art of strategic change and family business literature, our research is driven by the idea that identifying a configuration of factors instead of individual factors is crucial to advance the understanding of strategic change's drivers in family firms. According to Gioia et al. (1994, p. 364), strategic change involves "either a redefinition of organizational mission or a substantial shift in overall priorities and goals to reflect new emphases or direction." It is "measured through discrete changes in a firm's business, corporate, or collective strategies" (Rajagopalan & Spreitzer, 1997, p. 50). Since strategic change can have profound consequences for an organization's long-term performance and survival (Haynes & Hillman, 2010; Helfat & Martin, 2014), significant efforts have been dedicated to examining drivers of strategic change. Yet, strategic change literature continues to accumulate isolated, ambiguous, and sometimes even contradictory findings, such as whether firm size or board diversity are sources of inertia or drivers of strategic change (Müller & Kunisch, 2018; Rajagopalan & Spreitzer, 1997), pointing to the need for a more holistic approach and an integrative framework that account for multiple antecedents and dimensions.

Likewise, conflicting evidence concerning whether organizational values such as tradition are a source of change resistance (Istipliler et al., 2023; Lumpkin et al., 2008) or change enabler (De Massis et al., 2016; Erdogan et al., 2019) exists in the family business literature. Moreover, the prevailing attempts, which investigate governance structures (for example, Scholes et al., 2010), organizational values (for example, Sasaki et al., 2020), capabilities (for example, Duarte Alonso et al., 2018), and firm size (for example, Kotlar et al., 2014) in isolation from one another, run counter to foundational frameworks that highlight that the behaviors and performance of family firms are shaped by the fit among the guiding organizational values, the governance structures, and their resources and capabilities (Kammerlander et al., 2015; Sharma & Nordqvist, 2008).

The central tenet of these frameworks is that family firms are distinct from other types of business organizations due to the notable influence of the family on the governance mechanisms, organizational values, and resources and capabilities. Their performance largely hinges on the fit among these dimensions. This argument is grounded in contingency theory (Drazin & Van de Ven, 1985; Gresov, 1989), which urges scholars to avoid examining isolated effects and instead focus on the effects of the "fit" among these various aspects.

To illustrate their points, Sharma and Nordqvist (2008), for instance, advocate that family firms guided by business values gain more benefits from outside directors regarding firm performance than those guided by family values. This is because family firms guided by business values are more apt to promote an environment of openness and flexibility to outside advice. Hence, the input of outside directors will be appreciated and realized to its full potential in these firms. In other words, business values and outside directors are a better fit for family firms' performance than family values and outside directors. Similarly, Kammerlander et al. (2015) stress the importance of the fit between governance structures and resources. For example, specific governance structures, such as professionalized nonfamily management, can have favorable effects on some aspects of resource orchestration, such as resource acquisition. Simultaneously, this same governance structure may adversely affect the coordination and deployment of resources. In all, family firms with coherence among these dimensions are more likely to achieve their desired organizational outcomes.

Therefore, our study utilizes these frameworks together with the state-of-the-art literature on strategic change (for example, Schweiger et al., 2023; Skorodziyevskiy et al., 2024) to guide our choices of factors in each dimension of governance structures, organizational values, and capabilities.[1] Subsequently, employing an abductive methodology, we refrain from presenting distinct falsifiable hypotheses, aligning with the prevailing trend in fsQCA studies (Misangyi et al., 2017). Instead, within our empirical investigation, we explore how the identified factors form specific configurations to promote or hinder strategic change in family firms and use these findings to develop ideas for future research.

## The building blocks of strategic change in family firms

### Governance structures

"Corporate governance is a system of structures and processes to direct and control corporations and to account for them" (Neubauer & Lank, 1998, p. 60). The predominant role of governance structures in shaping an organization's ability to change its strategy in line with evolving internal capabilities and environmental conditions has been broadly acknowledged in the literature (Brunninge et al., 2007). Several types of governance structures that influence family firms' performance and behaviors have been identified in Sharma and Nordqvist's (2008) model. In the context of strategic change, researchers have issued calls to understand the roles of board structure and family governance (Schweiger et al., 2023). Thus, we will focus on the *presence*

[1]The model of fit of Kammerlander et al. (2015) study highlights the fit among organizational goals, governance, and resources and capabilities, while the model of fit of Sharma and Nordqvist (2008) stresses the interdependence among values, family involvement, and governance.

*of outside board members* and a *family charter*. Since the presence of outside directors and a family charter represent formal contracts and relational governance, respectively, findings may reconcile the debate regarding whether formal contracts and relational governance function as substitutes or complements (Poppo & Zenger, 2002) and address Sharma and Nordqvist's (2008) question regarding whether the combination of these governance structures is necessary for governance supporting the desired outcomes in family firms.

*Outside board members*, detached from the firm's day-to-day operations, are inclined to think more independently regarding strategic alternatives (Forbes & Milliken, 1999). Their experiences outside the company can generate fresh perspectives and ideas, fostering cognitive diversity within the board. Hence, they can spot new strategic directions and offer valuable information and advice during periods of change (Borch & Huse, 1993). Leveraging their personal networks, they can establish connections between the company and key stakeholders in its environment (Borch & Huse, 1993; Zahra & Pearce, 1989), supporting resource acquisition (Goodstein & Boeker, 1991) and enhancing the organization's legitimacy (Pfeffer & Salancik, 1978), thereby creating favorable external conditions for strategic change. Empirical research also points to a positive relationship between the presence of outside board members and high levels of strategic change (Brunninge et al., 2007).

A *family charter* is a normative agreement that provides a framework and a rulebook to govern the relationship between the family and the business (Berent-Braun & Uhlaner, 2012; Botero et al., 2015). It usually addresses fundamental issues such as the future vision of the family firm, its mission and values, the norms and rules for family members regarding, for instance, their incorporation into the business, and shareholder agreements (Arteaga & Menéndez-Requejo, 2017; Rodriguez-Garcia & Menéndez-Requejo, 2023). A family charter serves as an essential communication practice since it generally develops structures that promote effective communication within and between the family and the firm (Arteaga & Menéndez-Requejo, 2017), and it is the outcome of a dynamic development process (Fleischer, 2023; Jansen et al., 2023; Van der Heyden et al., 2005). By promoting social interactions and shared visions, family charters have been found to positively impact decision-making quality in family firms (Mustakallio et al., 2002). Therefore, the communication process facilitated by family charters can resolve ambiguity, such as the paradox between the preservation of family traditions and the imperatives for strategic change, unlock the rigid mental models of the status quo advocates, and enable family firms to reinterpret family traditions in a way that makes these traditions and values a resource rather than a constraint to strategic change. Furthermore, family charters are mainly constructed to facilitate business continuity over family generations (Arteaga & Menéndez-Requejo, 2017; Rodriguez-Garcia & Menéndez-Requejo, 2023); hence, they promote decisions with a long-term orientation (Hernandez, 2012). Consequently, family charters can enable family firms to assign greater

legitimacy or priority to strategic change decisions over other factors hindering business growth if the changes are meant to perpetuate the family business. In short, family charters are expected to enhance the extent of strategic changes in family firms.

### *Organizational values*

As one of the core specificities of family firms (Rau et al., 2019), values derived from the family provide reference points for strategic decisions and behaviors (Rau et al., 2019; Yuan & Wu, 2017). Hence, values can determine family firms' competitive advantage (Sharma & Nordqvist, 2008) and performance (Habbershon et al., 2003). Controlling families, usually in charge over a long period, are deemed to instill and cultivate core values for their family firms (Ruf et al., 2020). Infusing values by controlling families into their businesses leads to varying structures and strategies (Klein, 1991), which can explain the notable heterogeneity observed within and between family businesses (Chua et al., 2012). Among the guiding organizational values most prominent in a family and/or its business, highlighted by Sharma and Nordqvist (2008), are *family* and *business values*. Indeed, family businesses consist of two social systems—the family and the business—which adhere to different values (Zellweger, 2017).

Family firms guided by *family values* prioritize values that support the family (Sharma & Nordqvist, 2008). Family values include, for example, a focus on tradition, family, and home. There are contradictory views on how family values affect strategic change in family firms. On the one hand, family values serve as a "guidepost" (Sinha et al., 2020), which may divert family firms' attention from changing market needs and emerging opportunities (Deshpandé et al., 1993); reinforce their focus on the family history, customs, and origins; and eventually reduce the magnitude of strategic change that family firms undertake. As "a father-founder hands over to his child not only the company keys but also all the traditional values to count on" (Rondi et al., 2019, p. 8), the successors may perceive the protection of family values "as a bequest from past generations to be shielded and bequeathed to subsequent generations" (Erdogan et al., 2019, p. 23). Hence, products, services, or routines that would normally be prone to change are usually signs of the family history and identity stemming from the past (Erdogan et al., 2019). Consequently, the successors may hesitate to speak up or question the perpetuation of these values and legacies to avoid disrupting the homeostasis of the family system (Lumpkin et al., 2008), let alone take venturing risks. In light of this view, family firms will be less apt to undertake strategic change to perpetuate family values. On the other hand, emerging qualitative studies showcase different ways, such as adopting retrospective and prospective approaches simultaneously (Erdogan et al., 2019), applying discursive strategies (Sasaki et al., 2020), using rhetorical narratives to modify their history

(Sinha et al., 2020), or interiorizing and reinterpreting past knowledge (De Massis et al., 2016), which enable family firms to leverage their long-standing traditions and embrace the family values as a resource for change and innovation. Thus, this literature stream points in the opposite direction: strategic change can occur thanks to family values.

Family firms emphasizing *business values* support what they believe is best for the firm (Sharma & Nordqvist, 2008). Generally, business values entail a focus on, for example, ambition, creativity and exploration, success, and being challenged. Business values emphasizing creativity and exploration enhance firms' ability to find new market transactions (Deshpandé et al., 1993) and recognize and exploit market opportunities (Doz & Kosonen, 2008). An orientation toward ambition and success nurtures the aspiration for growth and achievement, which in turn encourages the pursuit of new opportunities and markets (Tucker, 2002), driving strategic changes that align with these values. Values encouraging organizations to embrace challenges create a resilient and adaptable organizational culture (Ateke & Nwulu, 2018). In the face of challenges, organizations may implement strategic changes such as restructuring and process improvements to overcome obstacles and maintain a competitive edge (Hitt et al., 1998). Overall, family firms that emphasize business values are expected to undertake more strategic changes.

### *Capabilities*

Kammerlander et al. (2015) stress that family firms must develop capabilities (Eisenhardt & Martin, 2000) to support the efficacious use of resources and adaptable governance structures. Within the context of strategic change, *strategic entrepreneurial behavior* (SEB) is potentially a crucial capability (B. S. Anderson et al., 2009).

The SEB construct "is the firm's exploitation of new product-market opportunities through the intended commercialization of its product innovations" (or service, if a service-based firm) and captures a firm's "sustained behavioral tendency to engage in product/market entrepreneurial activity" (B. S. Anderson et al., 2019, pp. 200–203). Hence, SEB can present a firm's entrepreneurial capability, which exists "when an organization exhibits a systematic capacity to recognize and exploit opportunity" (J. Covin & Slevin, 2002, p. 311). A tendency to introduce product-market innovations, as a manifestation of high SEB levels, will draw decision-makers attention to new product-market opportunities and prompt organizations to take entrepreneurial actions such as entering a new market, reducing costs, or carrying out changes, in particular, to get ahead of competitors. These entrepreneurial initiatives can then trigger more strategic changes (B. S. Anderson et al., 2009), such as adjusting internal operations or cutting down ineffective businesses. As such, the levels of SEBs will be positively related to the extent of strategic change that family firms undertake. Additionally, recall that the SEB construct

denotes "a *sustained* behavioral tendency" toward entrepreneurial activities (B. S. Anderson et al., 2019, p. 200); the sustainability or continuity of entrepreneurial tendencies, as exhibited in high SEB levels, may enhance the frequency of the search for alternative solutions and opportunities, thereby increasing the extent to which family firms undertake strategic change.

### *Firm size*

Beyond the above building blocks, literature has pinpointed the vital role of *firm size* (Josefy et al., 2015) and its interdependence with other factors in shaping strategic change in family firms (Skorodziyevskiy et al., 2024). Given that firm size is frequently associated with firm resources (Skorodziyevskiy et al., 2024), and drawing on the models of fit of Sharma and Nordqvist (2008) and Kammerlander et al. (2015), its influence on strategic change in family firms is likely contingent on its interaction with governance structures, organizational values, and capabilities.

In general, it is well documented that firm size often constitutes an important explanatory factor in studies on strategic change (Rajagopalan & Spreitzer, 1997). On the one hand, the ease of change is advocated to be higher in smaller firms, whereas larger, more bureaucratic, and inertial organizations face greater challenges in adapting and undergoing transformations. On the other hand, larger firms are more likely to be in control of extensive resources, making initiating and sustaining change easier. Empirical studies support both arguments (for example, Brunninge et al., 2007; Haynes & Hillman, 2010).

This debate also applies to the context of family firms. Specifically, Kammerlander et al. (2015) underline that smaller family firms tend to face higher resource constraints that could hinder their strategies, such as innovation (De Massis et al., 2018; König et al., 2013). Nonetheless, there is evidence suggesting that smaller family firms can be more aggressive in their innovation activities compared to larger family firms, especially under favorable external conditions (Skorodziyevskiy et al., 2024). This aggressiveness may stem from the greater growth aspirations and ambitions for transgenerational succession often found in family small and medium-sized enterprises (SMEs), along with their ability to leverage institutional protections for both economic and noneconomic endowments in strong institutional environments. This finding substantiates our argument that firm size needs to be considered in tandem with the above building blocks to develop a more comprehensive understanding of strategic change in family firms. In all, calls have been issued to investigate the contingent role of firm size on strategic change in family firms (for example, Kotlar & Chrisman, 2019).

In summary, extant literature provides various insights into the potential impacts of individual building blocks of strategic change in family firms. Nonetheless, the individual effects of some building blocks (for example, family values and firm size) are ambiguous or conflicting. Moreover, the current

literature still lacks an understanding of the combined effects of these factors on strategic change. Based on the models of Sharma and Nordqvist (2008) and Kammerlander et al. (2015) and the configurational perspective (Fiss, 2011; Hughes et al., 2018), it is likely that the level of strategic change in family firms is the outcome of the interplay among these attributes. Therefore, we propose the following:

**Proposition 1:** The presence of outside directors, a family charter, family values, business values, SEB capability, or firm size can be catalysts or inhibitors of family firms' strategic change but are not sufficient components on their own.

**Proposition 2:** There are multiple combinations of governance mechanisms, organizational values, capabilities, and firm size that lead to high or low levels of family firms' strategic change.

## Methods

### *Sample*

After establishing our criteria—Belgian private enterprises with a minimum of 10 employees,[2] excluding financial and governmental institutions[3]—we obtained a list of CEO e-mail addresses from Trends Top, a Belgium-based provider of business information (Kelleci et al., 2018). A survey was sent to the CEOs of 3,860 Belgian private firms, randomly selected from the provided list during the period between October 2020 and January 2021. The final response rate was 21.4 percent, or 824 companies, of which 506 firms filled in the questionnaire. We also excluded firms in construction industries (47 observations), as these firms have significantly lower levels of strategic change than those in other industries in the sample (services, manufacturing, and retail), thus minimizing potential industry effects that might confound the study results (Huang et al., 2023; Wang et al., 2023). Family firms were identified based on the ownership stake of the controlling family (R. C. Anderson & Reeb, 2003). Thus, the final sample included 275 family firms where a single family (more than one family member) controls 50 percent or more of the shares (Dekker et al., 2015; Salvato et al., 2020).

The characteristics of the sample, including industry and firm age, are detailed in Tables 1 and 2. In terms of industry distribution, 35.64 percent of the firms operated in the production sector, 32 percent in retail, and

[2]We excluded firms with fewer than 10 employees because such small firms usually do not have a well-defined strategy (J. G. Covin et al., 2006).

[3]Following the common practice (for example, Abernethy et al., 2020; Hutzschenreuter & Horstkotte, 2013), we excluded financial and governmental institutions.

32.36 percent in services. As for firm age, 23.27 percent of the companies were 20 years old or younger, 50.91 percent were between 21 and 40 years old, and 25.82 percent were over 40 years old.

## Outcome and determinants

### Outcome

The outcome variable of our research is *strategic change*. Following Brunninge et al. (2007), we asked whether the firm introduced changes along 13 dimensions during the last two years, with a dichotomous yes/no response format (see Appendix A for the survey items). Two years is a suitable time span for strategic changes to occur in the firm (Gordon et al., 2000). The index was measured as the sum of 13 items.

### Determinants

The determinants are the relevant attributes of governance structures, organizational values, capabilities, and firm size identified in the theoretical background.

*Governance structures.* *The presence of outside board members* is measured by a dummy variable coded "'0'" for firms with no outside directors and "'1'" for

**Table 1.** Characteristics of the sample – industry distribution.

| Industry | % of firms |
|---|---|
| **Production** | **35.64** |
| Manufacturing | 34.18 |
| Water supply; sewerage, waste management, and remediation activities | 0.73 |
| Agriculture, forestry, and fishing | 0.73 |
| **Retail** | **32.00** |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 32.00 |
| **Service** | **32.36** |
| Accommodation and food service activities | 2.18 |
| Arts, entertainment, and recreation | 1.82 |
| Transportation and storage | 10.18 |
| Information and communication | 4.36 |
| Professional, scientific, and technical activities | 5.09 |
| Administrative and support service activities | 5.45 |
| Human health and social work activities | 1.45 |
| Other service activities | 1.82 |

**Table 2.** Characteristics of the sample–firm age distribution.

| Firm age (years) | % of firms |
|---|---|
| ≤10 | 6.18 |
| 11–20 | 17.09 |
| 21–30 | 31.64 |
| 31–40 | 19.27 |
| 41–50 | 13.82 |
| >50 | 12.00 |

those with outside directors. *The presence of a family charter* is also coded as a dummy variable (0: no charter, 1: charter present).

***Organizational values.*** *Family and business values'* measurements are inspired by Rau et al. (2019). We asked respondents to rate the importance of a wide range of value dimensions in family firms on an 8-point Likert scale ranging from (1) opposed to the firms' principles to (8) of superior importance. Exploratory factor analysis uncovers four underlying value categories, which account for 55.8 percent of the total variance (see Appendix B). To improve the instrument's convergent validity and discriminant validity, we apply the common practices (Hair et al., 2010; Straub, 1989) to exclude items that load lower than 0.5 or cross-load on two or more factors. The direct oblimin factor rotation shows that "tradition, family, and home" value items load together on one factor, coined "family values" in our study. The Cronbach's alpha for this construct is .73, which confirms the internal reliability of this scale (Nunnally, 1967). "Ambition, creativity and exploration, success, and being challenged" value items load together on one factor, coined "business values" in our study. The Cronbach's alpha for this construct is .69, which is still within the acceptable range (Jones & James, 1979; McGuirk et al., 2015; Schmitt, 1996).[4]

***Capabilities.*** *Strategic entrepreneurial behavior* (SEB) is measured by the scale developed by B. S. Anderson et al. (2019). We asked respondents to indicate their position on the following statements regarding their product introductions and innovations (or services in case of a service-based firm): (i) In general, the top managers of my firm have a bias toward leading our industry in new product introductions; (ii) In general, my firm is often the first to introduce new products in our industry; (iii) In general, the top managers of my firm respond to competitors by introducing new product innovations; and (iv) In general, the top managers of my firm have a bias toward being ahead of the competition when introducing new products. These items are measured on a 7-point Likert scale ranging from (1) strongly disagree to (7) strongly agree. One factor is extracted, which explains 67.34 percent of the variance. The Cronbach's alpha for this four-item scale is .84, which also confirms the internal reliability of this scale (Nunnally, 1967).

***Firm size.*** This is measured by the number of full-time employees.

### Validation of the measures

Next, we analyzed the validity of the multi-item constructs: family values, business values, and SEB. Composite reliability (CR) ranges from .80 to .88, which meets the acceptable level of .60 (Fornell & Larcker, 1981). The average variance

[4]Two other factors explain other values that are irrelevant to our study; hence, we do not delve into these factors.

extracted (AVE) values range from .50 to .66, demonstrating convergent validity (Fornell & Larcker, 1981; Hair et al., 2010; Lam, 2012). To assess the discriminant validity of our constructs, AVE scores were compared to the squared interconstruct correlations. As all AVE scores exceed the squared interconstruct correlations, discriminant validity is established (Fornell & Larcker, 1981).

Descriptive statistics and correlations among the variables are reported in Table 3.

### Common method variance

Given that data for both our predictor and criterion variables were acquired from the same source, it was necessary to implement procedural remedies, as suggested by Podsakoff et al. (2011), to minimize the potential effect of common method variance (CMV) on our research. First, we presented the scale items in diverse formats (dichotomous, 7-point, and 8-point Likert scales) and ensured the anonymity and confidentiality of the data.

Second, we ran three ex-post CMV tests. As a first test, we performed a Harman single-factor test, one of the most widely used techniques to address the issue of CMV, on our multi-item constructs (Podsakoff & Organ, 1986). This test shows that one general factor would explain 19.03 percent of the total variance among the measures, which is below the cutoff value of 50 percent (Podsakoff & Organ, 1986). For a second test, we ran an unmeasured latent method factor model on the four variables of our research model for which CMV could be a problem (family values, business values, SEBs, and strategic change) (Podsakoff et al., 2011). The result shows a common factor value of 0.21, representing a common variance of $(0.21)^2 = 0.0441$, or 4.4 percent. Lastly, we applied the common marker variable technique (Lindell & Whitney, 2001), identifying a variable in our dataset that could serve as a viable marker variable for this test: we asked our respondents three questions gauging the frequency with which they used the web to search for financial information (Simmering et al., 2014) and composed a web use variable with these three items. These items are not (business values, SEBs, and strategic change) or only weakly (family values) correlated with our multi-item variables and are expected to share potential common rater, common item method, and social desirability bias with them (Podsakoff et al., 2011). Thus, this variable makes for a suitable marker variable. The analysis shows a common factor value of 0.22 and a common variance of 4.8 percent. Altogether, these CMV tests further suggest that common method bias is not an obstacle for this study.

### Analytical approach

To identify configurations of governance structures, organizational values, capabilities, and firm size conducive to high and low levels of strategic change,

**Table 3.** Descriptive statistics, correlations for uncalibrated measures, and calibration thresholds.

| | Descriptive statistics, correlations for uncalibrated measures | | | | | | | | | Calibration thresholds | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Variables | Mean | SD | (1) | (2) | (3) | (4) | (5) | (6) | (7) | Fully out | Cross over | Fully in |
| (1) Strategic change | 5.33 | 3.35 | 1 | | | | | | | 2 | 5 | 8 |
| (2) Family charters | 0.24 | 0.43 | 0.13* | 1 | | | | | | 0 | n/a | 1 |
| (3) Outside directors | 0.29 | 0.45 | 0.16** | 0.04 | 1 | | | | | 0 | n/a | 1 |
| (4) Family values | 5.81 | 1.23 | –0.11† | 0.25*** | –0.16** | 1 | | | | 4.7 | 6.0 | 7.0 |
| (5) Business values | 6.72 | 0.77 | 0.16** | 0.09* | -0.02 | 0.23*** | 1 | | | 6.0 | 6.8 | 7.5 |
| (6) SEB | 4.63 | 1.09 | 0.26*** | 0.13* | 0.05 | 0.01 | 0.31*** | 1 | | 3.8 | 4.8 | 5.5 |
| (7) Firm size | 61.76 | 84.70 | 0.17** | 0.15* | 0.23*** | –0.06 | –0.04 | 0.06 | 1 | 20 | 35 | 79.6 |

$n = 275$, ***$p < .001$, **$p < .01$, *$p < .05$, †$p < .1$.

we rely on fuzzy set Qualitative Comparative Analysis (fsQCA), a set-theoretic approach that assesses how different combinations of conditions lead to a specific outcome (Fiss, 2007, 2011). This method represents a distinctive blend of quantitative and qualitative methodologies, enabling systematic and reliable inferences (Ragin, 2009) while facilitating an iterative process between guiding theory and emergent findings. The application of fsQCA has increased rapidly in business and management research (Douglas et al., 2020; Kraus et al., 2018; S. Kumar et al., 2022) to examine the causal complexity of diverse subjects (Misangyi et al., 2017) such as configurations of resources (Pahnke et al., 2023) and corporate governance (Misangyi & Acharya, 2014).

The primary analyses for this study were performed using the software fsQCA 4.0 (fsqca.com). The first step of fsQCA is to calibrate the data, which involves converting raw data into set membership scores ranging from 0.0 to 1.0 (Ragin, 2009). Specifically, the process of calibrating variables requires specifying the values of an interval-scale variable that correspond to three qualitative breakpoints that structure a fuzzy set: full membership, crossover anchors, and full nonmembership, and the fsQCA software performs the calibration based on the log-odds of full membership.[5] In the case of binary variables (that is, outside board members and family charters), we attributed full membership to the cases that presented the attribute of interest and complete nonmembership to those in which the condition was absent. In the case of the Likert scales and continuous conditions (that is, family value, business value, SEB, firm size, and strategic change), to address the potential issue of skewness, we used the 20th, 50th, and 80th percentiles to define the threshold for full nonmembership, the crossover point, and the threshold for full membership, respectively (Pappas & Woodside, 2021). Table 3 provides information on the calibration of the outcome and the predictor conditions used in this study.

In the second step, we first conducted the necessary analyses, applying the recommended consistency benchmark of 0.90 (Schneider & Wagemann, 2012). The analysis of necessary conditions allows identifying those conditions that are necessary to obtain the outcomes. None of the conditions in the analysis nor their negations appear necessary to achieve either of the two outcomes. Then, we constructed the truth table, which is a Boolean property space comprising $2^k$ logically possible combinations in each truth table, where $k$ is the number of causal attributes under consideration. Our truth table has $2^6$ configurations, as six is the number of conditions considered. Adhering to best practices (Pappas & Woodside, 2021; Ragin, 2009), we then consolidated the truth tables by (1) specifying the minimum number of cases required per row (configuration) for a given solution to be acknowledged, thereby ensuring that exceptionally rare cases do not drive our solutions, and (2) determining the minimum level of

[5]Following prior work (for exaple, Bartkus et al., 2022; Fiss, 2011), a small constant (.001) was added to all the exact values of .50 to ensure these observations were not dropped from the analyses for technical reasons.

consistency. We excluded the configurations linked to fewer than three cases from the analysis and applied a consistency threshold of .80 (Ragin, 2009). The value of .80 signifies that if 10 cases share the same combination of conditions (configuration), and the anticipated outcome is met in fewer than 8 out of those 10 cases, the configuration is entered in the algorithm as "not leading to the outcome."

Finally, the software fsQCA logically reduced the truth table rows using the Boolean algorithm, which is based on counterfactual analysis. This analysis produces three solutions: complex, intermediate, and parsimonious. In line with the majority of the literature, our tables encompass both the intermediate and parsimonious solutions. The intermediate solution, positioned between the complexity and parsimony extremes, differs from the complex solution by excluding causal conditions that contradict existing knowledge (Ragin, 2017). In contrast, the parsimonious solution employs all simplifying assumptions, comprising those that are "easy" and "difficult" counterfactuals, thereby representing the most reduced form of the solution (Schneider & Wagemann, 2012). These two solutions enable us to identify which conditions are core to the configurations and which are peripheral. Core conditions are those included in both parsimonious and intermediate solutions, while peripheral conditions are excluded in the parsimonious solution and thus only appear in the intermediate solution (Fiss, 2011). Core conditions are those "for which the evidence indicates a strong causal relationship with the outcome of interest. In contrast, peripheral conditions are those for which the evidence of a causal relationship with the outcome is weaker" (Fiss, 2011, p. 398). This differentiation is illustrated graphically, as elaborated in Table 5 in the next section.

## Results

We executed two parallel analyses using fsQCA. In the first analysis, the outcome is the high levels of strategic change, whereas in the second one, the outcome reflects the low levels of strategic change.

### *Analysis of necessary conditions*

Necessary conditions are conditions that must be present for the desired outcome to occur. As per Schneider and Wagemann (2012), a causal condition is deemed necessary for the outcome when the consistency score surpasses .90. However, Table 4 shows that none of the conditions (or their absence) are deemed necessary for the outcomes of interest. While the condition "lack of family charter" attains the highest score of .81 in the outcome of low levels of strategic change, it still falls short of the .90 threshold.

**Table 4.** Analysis of necessary conditions.

| | High levels of strategic change | | Low levels of strategic change | |
|---|---|---|---|---|
| Conditions | Consistency | Coverage | Consistency | Coverage |
| *Governance structures* | | | | |
| Outside director | .35 | .63 | .22 | .37 |
| ~Outside director | .65 | .47 | .78 | .53 |
| Charter | .28 | .60 | .19 | .40 |
| ~Charter | .72 | .49 | .81 | .51 |
| *Organizational values* | | | | |
| Family values | .54 | .56 | .61 | .59 |
| ~Family values | .60 | .62 | .54 | .53 |
| Business values | .62 | .62 | .54 | .51 |
| ~Business values | .52 | .54 | .60 | .60 |
| *Capabilities* | | | | |
| SEB | .61 | .65 | .48 | .48 |
| ~SEB | .51 | .51 | .65 | .61 |
| *Firm size* | | | | |
| Firm size | .60 | .65 | .48 | .49 |
| ~Firm size | .53 | .52 | .66 | .61 |

The symbol ~ indicates the absence of the condition.

**Table 5.** Configurations leading to high and low levels of strategic change.

| | High levels of strategic change | | | | | | Low levels of strategic change | | |
|---|---|---|---|---|---|---|---|---|---|
| Configuration | 1 | 2 | 3a | 3b | 4 | 5 | 6 | 7 | 8 |
| *Governance structures* | | | | | | | | | |
| Outside director | ● | ● | ● | ● | ⊗ | • | ⊗ | ⊗ | ⊗ |
| Charter | | ⊗ | ⊗ | ⊗ | ● | ● | ⊗ | ⊗ | ⊗ |
| *Organizational values* | | | | | | | | | |
| Family values | ● | ⊗ | • | | | ● | ● | ● | |
| Business values | ● | ⊗ | | ● | ⊗ | | | ⊗ | ⊗ |
| *Capabilities* | | | | | | | | | |
| SEB | | ● | ● | ● | • | ⊗ | ⊗ | | ⊗ |
| *Firm size* | | | | | | | | | |
| Firm size | ● | ⊗ | ● | ● | ● | ● | | | ● |
| Raw coverage | .10 | .05 | .06 | .08 | .06 | .04 | .29 | .25 | .16 |
| Unique coverage | .02 | .03 | .02 | .03 | .01 | .01 | .09 | .05 | .05 |
| Consistency | .85 | .84 | .91 | .94 | .90 | .87 | .82 | .84 | .81 |
| Overall solution coverage | | | | **.30** | | | | **.39** | |
| Overall solution consistency | | | | **.88** | | | | **.80** | |

Black circles (●) indicate the presence of a condition, and circles with "x" (⊗) indicate its absence. Large circles suggest core conditions, and small circles indicate peripheral conditions. Blank space indicates "do not care," that is, the condition is not relevant to that particular configuration.

### *Analysis of sufficient configurations*

Table 5 reports the configurations identified in our analyses. We adhere to the notation used by Fiss (2011) and subsequent research, where "●" represents the presence of a condition, "⊗" represents its absence, and a blank space indicates a "do not care" situation, that is, a given condition can be either present or absent (that is, it is not causally related to the outcome). Additionally, larger circles signify that the condition is central to a given configuration, while smaller circles denote a peripheral role. Unless there is a strong prior theory suggesting

core conditions as being theoretically more important than peripheral conditions, they should be interpreted as equal components of the configuration (Misangyi et al., 2017). Both models of fit of Kammerlander et al. (2015) and Sharma and Nordqvist (2008) emphasize the equal importance of each dimension—governance, values, resources, and capabilities—in shaping family firm behavior and performance. Therefore, in line with prior research (for example, Dwivedi et al., 2018; Pahnke et al., 2023), we report the core-peripheral distinction for transparency reasons but do not focus on this distinction in our theoretical interpretations.

We find six configurations leading to high levels of strategic change and three configurations resulting in low levels. Given multiple paths to high and low levels of strategic change, equifinality is clearly present in our study, which supports Proposition 2 that multiple combinations of governance mechanisms, organizational values, capabilities, and firm size lead to high or low levels of family firms' strategic change. Also, the findings underline asymmetric causality, that is, the constellations of factors are asymmetric in high and low levels of strategic change configurations and not merely each other's opposites.

We report measures of consistency and coverage for each configuration and the solution as a whole. The consistency evaluates "the degree to which the solution terms and the solution as a whole are subsets of the outcome" (Ragin, 2017, p. 60). Put differently, it gauges the extent to which a condition or a combination of conditions consistently yields the desired outcome. The coverage measures how much of the outcome is covered (or explained) by each solution term and the whole solution. For example, a coverage of 1 is where all the instances of the outcome are accounted for (thus, conceptually, it would be analogous to an R-squared equal to 1). Similar to how variance explained is partitioned in multiple regression, coverage can be subdivided into "raw" and "unique" components. The raw coverage quantifies the proportion of memberships in the outcome explained by each term of the configuration, while unique coverage elucidates memberships in the outcome that are not covered by other solution terms or configurations, indicating the relative empirical "weight" of each path (Ragin, 2006). Table 5 shows that the consistency values for each configuration exceed .80, suggesting that these configurations are sufficient recipes leading to high/low levels of strategic change. Additionally, the overall solution consistency exceeds .80, and solution coverage exceeds .30, representing appropriate values for both indicators and indicating that the model is informative in explaining high/low levels of strategic change (Ragin, 2009).

From the set of configurations leading to *high* levels of strategic change, Configurations 1 to 3 reveal the presence of outside board members as one of the core conditions, while Configurations 4 and 5 exhibit the presence of

family charters as one of the core conditions. Moreover, Configurations 1 to 5 highlight that the presence of governance mechanisms needs to be complemented with other specific conditions in other dimensions, namely, organizational values, capabilities, and firm size, to be sufficient for high levels of strategic change, providing support for Proposition 1 that a single condition is not sufficient for strategic change. In other words, there needs to be a fit between the guiding values, the governance structures, their capabilities, and firm size, which affirms our choice of the configurational approach.

In detail, Configuration 1 includes the presence of outside directors, family values, business values, and larger firm size as core conditions. A prime example of family firms in this path is the case of JM Smucker, as documented by Jaffe and Habbershon (2002). This large, family-controlled business puts values composed of both family and business values at the organization's core and has these values guide its strategic change decisions. Moreover, their board of directors, wherein the majority are outside directors, does not only perform the conventional roles of strategy advisory but also acts as an agent of value, recruiting board candidates and employees who understand the organizational values and design strategies that align with the firm's values and the long-term focus of the business family. As Jaffe and Habbershon (2002, p. 7) put it, this case represents "how family involvement and clear governance can set up and sustain a powerful corporate culture, based on a set of values first defined by the founding family."

Contrary to Configuration 1, Configuration 2 embodies neither organizational values nor larger firm size. The presence of outside directors and SEB as a core condition and the lack of a family charter as a peripheral condition are sufficient to lead to high levels of strategic change. Firms in this path have been captured in governance literature in general. The involvement of outside directors has been reported to increase the board discussion of entrepreneurial issues (Tuggle et al., 2010); thereby, these directors can be important catalysts to leverage SEB capability. Firms with high SEB capability will benefit from outside directors on the board (Brunninge & Nordqvist, 2004). Particularly in smaller firms going through the strategic change process, outside directors appear to have an important role in reducing the uncertainty associated with strategic change strategies via their insightful advice (Deakins et al., 2000).

Configurations 3a and 3b, called neutral permutations (Fiss, 2011), share the same core conditions and differ only in their peripheral conditions. They both have outside directors, SEB capability, and larger firm size as core ingredients. These core conditions conform with governance literature, which emphasizes board roles as resource providers in strategic change (Klarner et al., 2023). Regarding peripheral conditions, family charters are absent in both paths, whereas family values are present in Configuration 3a, and business values are present in Configuration 3b.

Configurations 4 and 5 underscore the role of family charters in larger family firms. Moreover, in Configuration 4, both outside directors and

business values are absent as core conditions, while SEB is present as a peripheral condition. This path conforms with the prior suggestion that family governance practices such as family charters can enhance resources (as expressed in larger firm size), especially patient financial capital in family firms via facilitating the open discussion about dividend payment or reinvestment preferences while concurrently aligning the interests and building a shared vision among family shareholders (Michiels et al., 2015), which may further boost strategic change levels. Configuration 5 presents the presence of family values as a complementary core condition to family charter and larger firm size, while the presence of outside directors and the absence of SEB are peripheral conditions. The literature remains silent about these cases. It is plausible that the outside directors, with their external experiences and network, can help to identify and implement new strategic directions (Brunninge et al., 2007; Pfeffer & Salancik, 1978), thereby compensating for the lack of SEB. A family charter plays a vital role in reaching family unity concerning crucial business topics such as strategic change, facilitating communication between the family and the business, and aligning the long-term goals and visions (Michiels et al., 2015; Mustakallio et al., 2002), thus reconciling the paradox between the preservation of family values and the imperatives for strategic change. In this respect, a family charter that complements the presence of outside directors will facilitate change.

Arising from three configurations leading to *low* levels of strategic change is the absence of both governance mechanisms. Combined with the emphasis on family values and the lack of SEB capability, family firms in Configuration 6 are prone to low levels of strategic change. Similarly, family firms in Configuration 7 stress the significance of family values, yet they undermine the role of business values, ending up with a lower strategic change level. These paths support the gloomy view that family firms that focus on family values will, sooner or later, fall prey to strategic inertia (Martin & Lumpkin, 2003). Family firms in Configuration 8 tend to be the large ones that overlook both business values and SEB capability; without the guidance of governance structures, they are also subject to lower strategic change levels. These firms exemplify the negative impact of firm size alone on strategic change (Rajagopalan & Spreitzer, 1997).

Finally, the models in Table 5 suggest the existence of a possible necessary condition that is shared across all configurations leading to low levels of strategic change, that is, the absence of outside directors. However, in line with the literature (for example, Fiss, 2011), we do not consider it a necessary condition. This is because the solutions do not encompass all possible configurations that lead to the desired outcomes, and there are other configurations that, despite not meeting the paper's consistency and frequency thresholds, still result in the investigated outcomes. We discuss those rare configurations briefly in our robustness tests.

### Robustness tests

To ensure our findings were not driven by the specification of these thresholds, we recalibrated all skewed conditions using different thresholds. Concretely, we altered the upper and lower thresholds of all the Likert scales and continuous conditions from .80 and .20 to .95 and .05, the commonly used cutoff points (Hsueh et al., 2023; Pappas & Woodside, 2021). The results remain consistent.

We further adjusted the consistency threshold from .80 to both .75 and .90. As expected, the number of configurations in the final solution changed, but the key findings remained unchanged. Next, we lowered the frequency threshold from three to two or one, additional configurations emerged. Nevertheless, we observed similar patterns, confirming that our key findings remain consistent. Besides, we observed a few rare configurations leading to low levels of strategic change with the presence of outside directors. These results show that even with outside directors on board, family firms may still fail to achieve high levels of strategic change if this governance mechanism does not fit with other building blocks, and the absence of outside directors is indeed not a necessary condition for low levels of strategic change.

As a final robustness check, we reran the fsQCA, incorporating another commonly studied organizational characteristic—firm age. The analysis of necessary conditions reveals that neither older nor younger firms (that is, the presence or absence of "firm age") are necessary conditions for high or low levels of strategic change. Since "a condition, or variable, is necessary when the outcome does not exist without it" (Vis & Dul, 2016, p. 873), the results of the analysis of necessary conditions alleviate concerns that we leave out a critical condition. Furthermore, the results of configurations leading to high and low levels of strategic change for family firms with firm age as an additional condition align closely with our main findings. Additionally, both older and younger firms can achieve high or low levels of strategic change, depending on how firm age interacts with other conditions. While including firm age would yield more solutions, that is, configurations, we chose to focus on the most salient conditions to maintain clarity and ensure a focused discussion.[6]

### A post hoc analysis

As previously mentioned, we excluded firms in construction industries (47 observations) from our final sample. This decision was based on their significantly lower strategic change levels than firms in other industries within the sample (services, manufacturing, and retail). Excluding these firms helps

[6]The results of all robustness tests are available on request.

minimize potential industry effects that could confound the study's results. As a post hoc analysis, we conducted a fsQCA on the sample of family firms within the construction industry to assess whether the findings from the construction sector deviate from those observed in the studied industries. Applying our family firm definition, 44 out of 47 firms in the construction industry met this criterion. The analytical approach remained consistent with the methods used for other industries, with the exception of the minimum number of cases required per row (configuration) for a given solution to be acknowledged. Following the suggestion of Pappas and Woodside (2021), this value is set at 1, given the small sample size. The results of the "analysis of necessary conditions" and "configurations leading to high and low levels of strategic change for family firms" for the construction industry are presented in Tables 6 and 7, respectively.

The findings in the construction sector align with both of our propositions. First, neither a single condition nor a single dimension of governance, values, capabilities, and firm size is sufficient for strategic change. Second, multiple combinations of governance mechanisms, organizational values, capabilities, and firm size lead to high levels of strategic change in family firms.

While there are minor differences in the specific components of each configuration, the core insights drawn from these configurations are consistent with those from other industries. For example, whether family values are catalysts (Configuration 2) or inhibitors (Configurations 5, 6, and 8) of strategic change depends on their combination with other factors. The results in the construction industry also reveal that whether contractual and relational governance structures complement (Configurations 2 and 3) or substitute

**Table 6.** Analysis of necessary conditions for family firms in the construction industry.

| | High levels of strategic change | | Low levels of strategic change | |
|---|---|---|---|---|
| Conditions | Consistency | Coverage | Consistency | Coverage |
| *Governance structures* | | | | |
| Outside director | .41 | .81 | .05 | .19 |
| ~Outside director | .59 | .26 | .95 | .74 |
| Charter | .19 | .50 | .11 | .50 |
| ~Charter | .81 | .34 | .89 | .66 |
| *Organizational values* | | | | |
| Family values | .70 | .50 | .56 | .70 |
| ~Family values | .57 | .43 | .60 | .78 |
| Business values | .74 | .51 | .59 | .71 |
| ~Business values | .58 | .45 | .60 | .80 |
| *Capabilties* | | | | |
| SEB | .69 | 0.49 | 0.56 | 0.70 |
| ~SEB | .58 | 0.43 | 0.60 | 0.77 |
| *Firm size* | | | | |
| Firm size | .80 | .60 | .39 | .51 |
| ~Firm size | .35 | .25 | .70 | .86 |

The symbol ~ indicates the absence of the condition.

**Table 7.** Configurations leading to high and low levels of strategic change for family firms in the construction industry.

| | High levels of strategic change | | | | Low levels of strategic change | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Configuration | 1a | 1b | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| *Governance structures* | | | | | | | | | |
| Outside director | ● | ● | ● | • | ⊗ | ⊗ | ⊗ | ⊗ | ⊗ |
| Charter | ⊗ | ⊗ | | ● | ⊗ | | ⊗ | ⊗ | |
| *Organizational values* | | | | | | | | | |
| Family values | | ⊗ | ● | | | ● | ● | ⊗ | ● |
| Business values | ⊗ | ⊗ | ● | ● | | ⊗ | ⊗ | ● | ● |
| *Capabilities* | | | | | | | | | |
| SEB | ⊗ | | ● | ● | | ⊗ | ⊗ | ⊗ | ● |
| *Firm size* | | | | | | | | | |
| Firm size | ● | ● | ● | ● | ⊗ | ⊗ | | | ⊗ |
| Raw coverage | .09 | .10 | .13 | .08 | .64 | .28 | .30 | .26 | .29 |
| Unique coverage | .02 | .03 | .04 | .02 | .26 | .02 | .02 | .02 | .02 |
| Consistency | 1.00 | 1.00 | .94 | .90 | .85 | .99 | .91 | .89 | .92 |
| Overall solution coverage | | **.23** | | | | | **.75** | | |
| Overall solution consistency | | **.96** | | | | | **.83** | | |

Black circles (●) indicate the presence of a condition, and circles with "x" (⊗) indicate its absence. Large circles suggest core conditions, and small circles indicate peripheral conditions. Blank space indicates "do not care," that is, the condition is not relevant to that particular configuration.

(Configurations 1a and 1b) each other depends on the presence/absence of other specific organizational values, capabilities, and firm size.

A notable difference in the construction industry is that larger firm size is required in all paths leading to high levels of strategic change. The presence of outside directors is consistently observed in all paths leading to high levels of strategic change, and the absence of outside directors is a necessary condition for low levels of strategic change (its consistency value is higher than .90). First, since construction is a labor-intensive industry (Alaghbari et al., 2019) with numerous activities becoming more equipment-intensive (K. P. Kumar & Mouli, 2019), it is unsurprising that strategic change is more prevalent in larger firms. Second, construction companies often face high levels of risk and capital-intensive projects (Winch, 2012). Hence, outside directors, with their diverse expertise and experience, can potentially enhance strategic change by facilitating more robust discussions around risk management, financial planning, and investment in new initiatives.

In short, although the post hoc analysis offers additional nuanced insights, the primary findings within the construction industry are consistent with both of our propositions. Since our research does not aim to compare between the industry with higher levels of strategic change and those with lower levels of strategic change, we have acknowledged this research boundary in the Limitations section below.

## Discussion

Previous studies typically consider governance structures, organizational values, capabilities, and firm size individually, and the evidence to date on the impact of these mechanisms on strategic change is not always consistent. Responding to emerging calls in organizational research for a more integrative approach to these foundational elements (Josefy et al., 2015; Marinova et al., 2018; Misangyi & Acharya, 2014; Wilden et al., 2016), we adopt a configurational perspective to uncover the complex interdependencies that exist among these key factors, that is, how the individual building blocks of our framework work together to promote or hindering strategic change. Neglecting these intricate interdependencies can result in "faulty theory and misspecified implications for practice" (Hughes et al., 2018, p. 605). In this regard, our study underlines the promise of a configurational approach to comprehend family firms' strategic change and offers several important new theoretical insights, as detailed below.

Our first crucial theoretical insight is that no single condition was sufficient on its own in any configuration nor necessary across all configurations. These findings underscore that specific configurations are essential for high or low levels of strategic change, and no individual condition alone drives the results. Therefore, these findings substantiate the crucial role that the fit among the organizational values, governance structures, capabilities, and firm size plays in strategic change (Kammerlander et al., 2015; Sharma & Nordqvist, 2008). They also demonstrate how interdependency and equifinality are fundamental to advancing our understanding of this complex phenomenon. Our analyses uncover six equifinal configurations for high levels of strategic change and three configurations leading to low levels of strategic change.

### *Theoretical implications*

Our research extends the family business literature in various ways. First, in support of Proposition 1, the configurations identified in our study show that neither a single condition nor a single dimension of governance, values, capabilities, and firm size is sufficient for strategic change. Thus, our study redirects the focus on examining how individual dimensions such as organizational values influence strategic change in family firms (Rau et al., 2019) to a more holistic approach, especially echoing the calls to study the fit between the guiding values, the governance structures, and their resources and capabilities (Kammerlander et al., 2015; Sharma & Nordqvist, 2008). This does not imply that the single dimensions or factors we consider in this article, or others examined in strategic change literature, are insignificant or unimportant. Rather, the prior findings point to the necessity of examining the complex interdependencies among the

individual factors and dimensions. Concretely, our results cast light on the debate concerning the roles of organizational values such as tradition on strategic change. Configurations 1, 3a, and 5 provide concrete formulas for how family firms can couple their family values (which incorporate tradition) with specific governance structures, capabilities, and firm size to enhance their strategic change outcomes. Configurations 6 and 7 further affirm that family firms embracing family values such as tradition without considering supported governance mechanisms, capabilities, and firm size are subject to change resistance. In other words, whether family values are catalysts or inhibitors of strategic change depends on their combination with other factors. Likewise, our results also address the debate about the impact of firm size on strategic change (Rajagopalan & Spreitzer, 1997; Skorodziyevskiy et al., 2024). While other configurations seem to lean toward the positive effect of larger firms on strategic change, Configuration 2 shows how smaller family firms can champion strategic change. Configuration 8 further underlines that larger firms without other supporting values and governance structures in place are subject to change resistance. Thus, whether firm size is an asset or a liability to strategic change hinges on how it is complemented with other factors.

In this respect, our study particularly contributes to the family business literature. We respond to the recent call of Le Breton-Miller and Miller (2023), thereby advancing family business research by pursuing contrarian insights (here: challenging the negative view of family values on strategic change), which lead to insightful re-appraisals, that is, revealing the conditions where family values no longer pose a disadvantage. Our findings resonate with research on how to manage the tradition and innovation (change) paradox (for example, Erdogan et al., 2019; Rondi et al., 2019; Suddaby & Jaskiewicz, 2020), reinforcing that an attachment to family values does not necessarily oppose to strategic change. Furthermore, we contribute a new theoretical insight to this research stream, underlining the promise of the configurational perspective to reconcile extant debates and advance understanding regarding drivers of strategic change. Extant family business research on how family firms can champion changes by leveraging their tradition and organizational values has primarily focused on discursive strategies (Sasaki et al., 2020), narrative approaches (Sinha et al., 2020), or such capabilities as interiorizing and reinterpreting past knowledge (De Massis et al., 2016). Our findings draw attention to other elemental formulas, that is, the complementary roles of outside directors, family charters, SEB capability, and firm size in supporting these family firms' strategic change.

Second, zooming in on individual dimensions, especially governance mechanisms, our study further contributes to the corporate governance and family business literature by addressing the question regarding the complementary and substitute effects of contractual and relational governance and

how various governance mechanisms can combine effectively with each other for the outcome of interest (Bodolica et al., 2020; Misangyi & Acharya, 2014; Sharma & Nordqvist, 2008). On the one hand, Configurations 2 to 4 point to the substitution effects between contractual (outside directors) and relational (family charters) governance mechanisms. Configuration 5, on the other hand, suggests the complementary role of these mechanisms. Altogether, these configurations reveal that whether contractual and relational governance structures complement or substitute each other depends on the presence/absence of other specific organizational values, capabilities, and firm size. These findings underline Proposition 2 that multiple combinations of governance mechanisms, organizational values, capabilities, and firm size lead to high levels of strategic change in family firms. Further, it is worth highlighting that in family firms with the presence of SEB capability (Configurations 2 to 4) as one of the core/peripheral conditions, these contractual and relational governance systems seem to be substitutes, supporting the notion of Kammerlander et al. (2015) that too much governance may entail bureaucracy and thus hinder entrepreneurship. In short, these findings highlight that the relationship between relational and contractual governance mechanisms is not primarily complementary or substitute as illustrated in prior studies (for example, Gnan et al., 2015; Poppo & Zenger, 2002) and concur with more recent findings that their relationship hinges on other factors. Moreover, while empirical studies have focused on other governance mechanisms (Misangyi & Acharya, 2014) or institutional environments (Cao & Lumineau, 2015) as the contingencies determining the substitute or complementary effects of relational and contractual governance, our study directs attention to organizational values, capabilities, and firm size as potential accompaniments of governance structures that can advance understanding of this topic.

Third, delving into the relationships between the dimensions of governance, values, capabilities, and firm size, our findings answer calls in family business literature to unpack the nexus of these four dimensions. Configurations 2 and 4, in particular, address whether and how governance structures support the efficacious deployment of capabilities (Kammerlander et al., 2015). Configuration 4 suggests that family charters help larger family firms deploy their SEB capability efficiently to enhance their strategic change level. In addition, while the link between outside directors and organizational, entrepreneurial orientation or activities in empirical research is still inconclusive (for example, Deb & Wiklund, 2017; Yang & Wang, 2014; Zahra et al., 2000), Configuration 2 provides evidence that outside directors and SEB can co-exist and support strategic change in family firms. The finding substantiates previous notions that since outside board members' attention is directed mainly to external circumstances and changes (Wincent et al., 2014), family firms' capacity to recognize and exploit entrepreneurial opportunity (that is, SEB) is increased. Eventually, the level of strategic change is also enhanced.

Our results support and further extend Sharma and Nordqvist's (2008) predictions regarding the nexus between governance mechanisms and organizational values. Specifically, Configuration 3b conforms with their notion that family firms oriented toward business values are more likely to benefit from outside directors regarding firm performance than those oriented toward family values. Family firms guided by business values are more likely to foster an environment of openness and flexibility to outside advice. In such cases, the input of outside directors will be appreciated and realized to its full potential. Conversely, the researchers maintain that when family firms neglect business values, "even a board with external advisors that meets frequently is likely to become a rubber-stamp board rather than a strategic influencer of a firm" (Sharma & Nordqvist, 2008, p. 85). Yet, our results further reveal that in the context of strategic change, outside directors can even assist larger family firms guided by family values given the complementary SEB capability (Configuration 3a). This finding supports the early suggestion that outside directors potentially play a more prominent role in monitoring family-oriented desires in private family firms, which tend to have less public scrutiny than public firms (R. C. Anderson & Reeb, 2004). Similarly, Configuration 5 provides empirical evidence for Sharma and Nordqvist's (2008) argument that relational governance mechanisms (that is, family charters) can help family firms guided by family values to enhance their strategic performance. Nevertheless, the findings show nuances, that is, other complementary yet crucial factors and dimensions need to be in place to achieve the desired outcomes, such as the presence of outside directors and larger firm size.

As a final key theoretical contribution, our study is one of the few in family business research that illustrates the value of considering asymmetric causality (Villani et al., 2023). So far, researchers tend to apply linear regression and its derivatives when identifying determinants of family firms' strategies and performance, implicitly assuming that what leads to specified strategies or high performance is symmetric to what hinders the strategies or yields low performance. Our research reinforces that this is not always the case, as the configurations that result in low levels of strategic change differ from those enabling high levels of strategic change. For instance, as the larger-firm condition predominantly leads to high levels of strategic change, a regression approach might suggest that the smaller-firm condition would result in low levels of strategic change. Yet, Configuration 8 shows that the larger-firm condition appears to be one of the core conditions resulting in low levels of strategic change when other crucial conditions are not in place. Likewise, family values serve as a catalyst for high levels of strategic change in Configurations 1 and 5 but also emerge as a core condition hindering strategic change in Configurations 6 and 7. These results cast light on the mixed findings about the roles of firm size and family values in previous research, likely due to the isolated examination of these factors and the

assumption of symmetry. Overall, this study highlights the usefulness of fsQCA in unveiling not only the equifinality but also asymmetric causality to obtain deeper and fine-grained insights regarding organizational strategies and performance.

### *Future research directions*

First, the isolated effects of the building blocks, that is, governance, values, capabilities, and firm size, on strategic changes are largely grounded in agency theory (Jensen & Meckling, 1976), value theory (Schwartz & Bilsky, 1987), dynamic capability view (Eisenhardt & Martin, 2000), and resource-based view (Barney, 1991), respectively. By integrating these building blocks—and thus their underlying theories—with a configurational perspective, our study joins the emerging movement in organizational research that adopts a holistic approach to understand how specific designs and combinations of conditions, as configurations, lead to strategic outcomes (Josefy et al., 2015; Marinova et al., 2018; Misangyi & Acharya, 2014; Wilden et al., 2016). Future research could, therefore, follow our trajectory, integrating other dominant theoretical perspectives in the family business field with a configurational perspective to provide comprehensive solutions for ongoing debates. For instance, whether familiness, the unique resources stemming from family involvement (Habbershon & Williams, 1999), facilitates or impedes strategic change is ambiguous (Belling et al., 2021). Complementing the resource-based view, which explains the role of familiness in family firms' strategy, with a configurational perspective may help to identify the configurations under which familiness supports or hinders strategic change in family firms. Similarly, socioemotional wealth (SEW), the nonfinancial aspects of the firm that meet the family's social and affective needs, is a multidimensional concept, encompassing emotional, social, and control elements (Swab et al., 2020). As recent research highlights that "SEW dimensions do not always work in concert" (Davila et al., 2023, p. 2) and may result in conflicting influences on family firms' strategic outcomes (Swab et al., 2020), combining SEW with a configurational approach may offer novel insights into the condition(s) wherein SEW dimensions will reinforce or conflict with one another.

Moreover, as the models of fit of Kammerlander et al. (2015) and Sharma and Nordqvist (2008) can serve as a theoretical guidance in identifying and understanding the interplay between the relevant conditions, we encourage future studies to extend this research line, exploring other configurations of governance mechanisms, organizational values, capabilities, and other organizational characteristics that enhance or hinder strategic change and family firms' performance. For example, new insights can derive from how different governance stages (Voordeckers et al., 2024) should be combined with prevailing family

firm values (Rau et al., 2019) and the multidimensional aspects of absorptive capacity (Pütz & Werner, 2024) to facilitate change. Additionally, traditional approaches often assume that differences in the *level* of determinants explain variances in strategy and performance. However, this overlooks the significant role that differences in the *type* (and combination of types) of determinants can play. In line with calls from previous research to move beyond regression-based thinking (Bartkus et al., 2022), future studies should revisit factors with contradictory effects on strategic change, such as family values and firm size. By examining these factors in conjunction with other determinants, which can be selected based on the models of fit, researchers can gain a more nuanced understanding of their impact on varying levels of strategic decisions.

Second, our analysis indicates that whether the relationship between relational and contractual governance mechanisms is complementary or substitute depends on other factors. Hence, a potential avenue for future research is to uncover other organizational values, resources, capabilities, and organizational characteristics that determine the substitute or complementary relationship between contractual and relational governance systems. In line with Bodolica et al. (2020, pp. 159–160), we advocate for adopting "a configuration approach to determine various typologies of family firms that should rely on some mutually reinforcing attributes of governance, while making others irrelevant."

Third, as we show whether family values or firm size serve as catalysts or hindrances to strategic change hinges on other factors, future research could extend this trajectory by identifying other conditions that can complement or substitute for family values and/or firm size. This avenue is particularly promising, as recent research by Skorodziyevskiy et al. (2024) highlights how the impact of firm size on family firms' approach to strategic change is shaped by critical factors such as institutional environments.

Finally, although notable new insights have emerged regarding the relationships between the studied dimensions, we still lack an understanding of the underlying processes. Thus, future studies can apply complementary methodologies such as case study research (Glaser & Strauss, 1967; Murphy et al., 2019) to offer process-focused insights on the emergence of new evidence in our study. For example, why are outside directors and SEB a good fit for strategic change in smaller family firms that do not stress family and business values (Configuration 2)? Or how do outside directors assist larger family firms guided by family and business values in fostering strategic change (Configuration 1)?

### Implications for practice

First, our research assists family firms in identifying when a combination of specific governance mechanisms, organizational values, capabilities, and firm size facilitates or deters strategic change. It not only offers a comprehensive set of alternative strategic options to improve the level of strategic change but also exemplifies the catastrophic recipes for strategic change.

Second, our study directs managers' attention to the interplay between strategic change antecedents, highlighting their complementary or substitutive effects rather than their individual impacts. Therefore, any attempt to elevate strategic change should move beyond optimizing a single attribute and focus on creating a configuration where the combined effect is greater than the sum of its parts.

Finally, by emphasizing that multiple pathways can lead to high levels of strategic change and that the benefit of an attribute depends on its combination with other elements, we empower managers to select a cost-effective configuration that best fits their organizational circumstances.

### Limitations

Our research does not come without limitations. First, fsQCA research needs to make judicious choices in selecting relevant conditions in the model as model complexity escalates with each additional condition. Consequently, the capability of the study to concurrently study $2^k$ combinations of $k$ conditions in the system comes at the expense of potentially overlooking pertinent control conditions at the firm and industry levels. Second, our sample is confined to the Belgian context; strategic change levels in other countries may depend on different conditions and configurations. To offer relevant insights to family firms in other countries, future studies should carefully assess the conditions specific to their empirical setting and identify requisite sets of conditions accordingly. For instance, Belgium is one of the first countries to implement a corporate governance code for private firms (Code Buysse). This code outlines guidelines regarding the role of a family charter, its development process, and its content, which significantly enhances the chance that the family charter is the outcome of a dynamic development process (Jansen et al., 2023). As a result, the family charter plays a pivotal role in driving strategic change in Belgian family firms. Though this finding may also extend to other countries like Spain, where the use of family charters is encouraged (Arteaga & Menéndez-Requejo, 2017), the generalizability of our results to contexts where family charters are less common remains to be tested. Third, our study does not focus on industries where strategic changes are less prevalent, such as the construction sector. However, our post hoc analysis indicates that the primary findings regarding configurations driving high and low levels of strategic change within the construction industry align with both

of our propositions. This consistency helps alleviate concerns that results from the construction sector might diverge significantly from those in the industries under study. Nonetheless, future research could benefit from comparing the configurations that facilitate or impede strategic change across sectors with different levels of strategic change to offer more tailored solutions for each industry. Finally, new insights could emerge from factors capturing the level of family involvement in the business, such as the role of family members in the company and the generation in charge (Sharma & Nordqvist, 2008).

## Conclusion

In closing, our study highlights that strategic change is driven by complex interdependencies among governance, values, capabilities, and firm size rather than any single factor. By employing a configurational approach, we reconcile the conflicting views on the impact of family values and firm size on strategic change. Our use of fsQCA also underscores the importance of asymmetric causality, revealing that the configurations leading to low levels of strategic change are not merely the opposites of those driving high levels. We hope our study will inspire future research to move beyond isolated factors and instead explore how combinations of conditions fit together to facilitate or hinder family firms' strategic change.

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## Ethics declarations

The research had obtained ethical approval from the Social-Societal Ethics Committee before it was conducted.

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# Appendices

## Appendix A

Strategic change was measured as the sum of these 13 items: (i) conscious staff reductions; (ii) major cost reductions; (iii) cutting down, selling, or cloning down ineffective businesses; (iv) introducing more sophisticated cost control systems; (v) starting doing business with a country the company had previously not done business with; (vi) starting business in a new place within Belgium; (vii) starting marketing oneself in a new way; (viii) carrying out considerable change of the company's organization; (ix) carrying out a considerable change in the company's internal operations; (x) introducing an important new product or service or in any other way substantially changing offerings to customers; (xi) commencing the development of a new important product, service, or similar that has not yet been introduced; (xii) carrying out measures in advance that the company otherwise would have been forced to do sooner or later; and (xiii) carrying out changes in particular to get ahead of competitors (Brunninge et al., 2007).

## Appendix B. Factor loadings for direct oblimin rotated four-factor model of values in family firms

| | *Factors* | | | |
|---|---|---|---|---|
| *Value dimensions* | *F1*[a] | *F2*[a] | *F3* | *F4* |
| Reputation | | | | .557 |
| Competence | | | | .802 |
| Reliability | | | | .689 |
| Responsibility | | | | .610 |
| Community | | | | .589 |
| Tolerance | | | −.782 | |
| Equality | | | −.791 | |
| Respect | | | −.665 | |
| Ambition | | .817 | | |
| Creativity and exploration | | .680 | | |
| Success | | .597 | | |
| Being challenged | | .576 | | |
| Tradition | .825 | | | |
| Family | .734 | | | |
| Home | .700 | | | |

n = 275

Suppress absolute value <.50

[a]Factors 1 and 2 are coined family and business values, respectively. Given the increasing complexity of the fsQCA model with each additional condition, it is essential to make judicious choices in selecting relevant conditions. With regard to the content of Factors 3 and 4, no evidence of a relationship with strategic change is provided in the literature. Accordingly, we focus on the most prominent values associated with strategic change in family firms, namely family and business values (Sharma & Nordqvist, 2008).