**Two-Generation Value Creation with G1 and G2 Capabilities in Family Firms**

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**Abstract**

This research focuses on the role of the G1 (first generation) and G2 (second generation) in creating new value in family businesses. The purpose is to investigate the relationship between the capabilities of G1 and G2 and the creation of two-generation value. The study uses a case study method, conducting 13 semi-structured interviews with G1 and G2 members as well as experts from 5 family firms. The data is analyzed using the systematic grounded theory Straus Corbin method. The results show that the creation of two-generation value is influenced by the absorptive capacity of G2 and their awareness of modern technology. G2 is responsible for the search for new value, while G1 plays a role in integrating leadership and allocating resources. The new generation acts as a facilitator of new value creation. G2 is involved in the search for new value and the integration of internal and external knowledge, while G1 provides resources and coordinates the firm's activities. Based on these findings, a conceptual framework, practical suggestions, and future research directions are presented. The study highlights the importance of G1 and G2 capabilities in creating new value in family businesses. It fills a gap in the existing literature by exploring the role of G1 and G2 in value creation. The research contributes to the understanding of business model innovation in family firms and provides insights for practitioners and researchers in this field.

**Keywords:** Generation 1(G1) and Generation 2(G2), capabilities, knowledge, resources, value creation, family firms

# 1. Introduction

The survival of a family business in the new generation depends on the capacity for innovation, creativity, and the ability to respond to rapidly changing environmental conditions. Family firms often face challenges in accepting change to take advantage of opportunities associated with changes in technology and markets (Gamble C., 2020). Family firms must continuously adapt to the dynamic environment by searching, creating, and providing new value (Chirico et al., 2010). Due to the difficulty of activities in the family business, G1 of these firms has challenges to take risks and invest (Soluk et al., 2021).

The entry of a new generation into family businesses creates inevitable challenges. Many firms still need to renew or innovate BM. Many family businesses need help creating value between two generations (Alonso et al., 2020). The ability to create value in generations is the main concern of many firms. Most family-controlled businesses (FCBs) face several challenges to value creation. Two factors, the entry of a new generation and the need to innovate the business model, create challenges. Firms face obstacles in creating value. They need more capabilities to create value. Previous research suggested that value creation should be investigated with the arrival of the new generation (Soluk J., 2022). Previous research showed the differences between these two family and non-family firm groups. However, they have yet to analyze how the entry of G2 together with G1 affects the creation of new value in these firms (Moreno, 2021). G1 and G2 have different effects on innovation processes and results. A distinction must be made between the founding and second generations to analyze their effects on new value-creation processes (Memili, 2015). Two generations influence innovation processes and outcomes. G1 has the feature of path dependence, mentioned in the research on this topic (Feninger M. a., 2019).

The exchange of knowledge between G1 and G2 impacts the innovation of family firms (Sinergie, 2020). It is important to expand the existing knowledge by creating a conceptual framework for creating two generations of value, which researchers suggested (Aparicio, 2021). Considering this knowledge gap, there is a need to explain the relationship between the entry of the new generation and the creation of new values (Alradhi, 2020 ). Previous research focuses on the relationship between specific resources of family firms, such as social capital (Chirico S., 2016). Previous research on family firms focused on multigenerational value creation. More previous research findings need to be found on how two generational values were created (Srisathan et al., 2022). Researchers sought to investigate knowledge-based processes to help create new capabilities and ultimately use these capabilities to create new value (Chirico et al., 2010). There is a need for more insight into how G1 and G2 affect a family firm. A conceptual framework is needed to explain the relationship between intergenerational influence and value creation. The effect of G1 and G2 on value creation should be investigated (Perlines, 2020).

This research emphasized analyzing the role of G1 and G2 in family business to investigate the relationship between value creation and two-generation capabilities. The research helps to clarify the impact of the entry of the new generation, especially the transfer of knowledge between generations, and an explanation of the two-generation value creation provided. A conceptual framework is created that explains the value creation in family firms and the role of the distinctive capabilities of G1 and G2 in the value creation process in family firms. The research aims to investigate the role of G1 and G2 of such firms to create new value. This research examines the process of creating new value (in terms of first and second-generation capabilities) and answers the question: "How is creating new value with first and second-generation capabilities?" It explains how G1 and G2 influence new value creation, thereby contributing to the detailed explanation of two generational value creation in the family firm.

# 2. Literature review

Firms act differently in creating new value in G1 and G2 (Clinton, 2018). Two generations have different trends, forms of decision-making, and views on change (Pongelli, 2016 ). Researchers' findings show that the next generation is essential in creating new value and business survival (Soluk J., 2020). Family firms' management and decision-making methods change with the entry of a new generation (Joshi, 2015). G1 and G2, with the ability to innovate and have the capabilities to participate in decision-making, have positive results (Gerulaitiene et al., 2020). Table 1 shows the literature review findings on the value creation capabilities of G1 and G2 using the dimensions of the Whetten framework.

Table 1- Research findings in the field of G1, G2 value creation capabilities

| **How** | **What** | **Base theory** | **Where/****analysis level** | **Research Method** | **The aim/problem of the research** | **Author** |
| --- | --- | --- | --- | --- | --- | --- |
| New generation participation provides skills for value creation for firms. | Capabilities of the G1,G2 | Innovation | Firm | Qualitative- | Market orientation and innovation in family firms | (Suárez K.-P. , 2018) |
| The entry of new generations is the factor of creating new capabilities, developing new products, forming alliances and creating value in a dynamic and adaptive environment. | Capabilities of the New generations | Dynamic capabilities | Firm | Qualitative | Creating multi-generational value |  (Chirico F. , 2013) |
| New generations with higher entrepreneurial and innovative tendencies, customer communication capabilities and strategic partnerships play a role in creating value | Capabilities  | Dynamic capabilities | Firm | Qualitative | Capabilities of innovation |  (Singh, 2020) |
| Family firms are adaptable and flexible due to special family employees and have the ability to search and create more value | Capabilities | Dynamic capabilities | Firm | Qualitative | Investigating dynamic capabilities in business model innovation | (Soluk J. , 2022) |
| External managers are the main factor in optimizing activities by providing the necessary knowledge and expertise to create new value. | Capabilities of the External managers | Dynamic capabilities | Firm | Qualitative- | Internationalization of family firms | (Marletta, 2018) |
| Knowledge is an important factor that leads to risk management due to value creation. G1 firms engage G2 and employees in specialized technical and market training, which is mostly obtained by combining knowledge and interactions. They use these capabilities to understand the changes necessary to satisfy the end customer. | Capabilities  | Dynamic capabilities | Firm | Qualitative | Capabilities of innovation | (Casprini, 2017) |
| With experiential learning and knowledge-based capabilities obtained from interactions with the market, managers gain the necessary motivation and create value. | Capabilities of managers | Dynamic capabilities | Firm | Qualitative- | Internationalization of family firms | (Floris, 2020) |
| In family firms, integrating knowledge causes changes in capabilities and increases business motivation and leads to the creation of multigenerational value. Firms that integrate the specialized knowledge of family members and employees are able to create capabilities to create new value. The patriarchal cultural characteristic is a negative moderating factor and the entrepreneurship of family firms is a positive moderating factor | Capabilities | Dynamic capabilities | Firm | Qualitative | Creating multi-generational value- Investigating the role of knowledge and capabilities in family firms | (Chirico N. M., 2010) |
| Non-family experts are the cause of change and renovation and have a consulting role in the firm, by accessing knowledge and a set of new resources and capabilities; they realize the creation of new value and are the cause of change. | Capabilities of non familymanagers | Dynamic capabilities | Firm | Qualitative- | Role of non familymanagers | (Sievinen, 2020) |

The results show that the realization of opportunities depends on the capabilities, knowledge, and expertise of G1 and G2. The resources and capabilities that result from the interaction between generations of the family lead to the creation of value by synergy between generations. The existence of multiple generations is an important factor in creating an atmosphere of knowledge exchange, and the factor of using capabilities and resources and creating new value depends on the capabilities, knowledge, and expertise of G1 and G2. New generations and long-term attitudes lead to the search and creation of new values. The new generation acts as a facilitator of new value creation. Creativity to create new ideas and new generation capabilities in knowledge management can enable family firms to create new value. Using G2 professionals is an important step in applying and consolidating knowledge. It can create capabilities of value creation. These creative processes increase family firms' innovation, bringing adaptation to the market and new technology by creating new value. The lack of interaction between the older and younger generations limits the continuity of innovation.

# 3. Research Method

To investigate the above relationships, the case study method of 5 firms in the publishing industry was used with 13 semi-structured interviews with the G1 and G2 experts. Using the construct of "G1 and G2 capabilities in value creation" and the construct of "5 management levers of innovation (mission, goals and strategy, structure and systems; allocation of resources, and organizational culture, learning, and tools of knowledge management and ideation)" at the level of family firm analysis, based on the findings of axial and selective coding, a conceptual framework presented.

The steps of the research implementation are 1- Literature review and analysis based on the Wetten framework and development of the interview protocol; 2- Initial interview with the G1, G2, and specialists of one of the firms based on the developed protocol and modification of the questions 3- Case study of 5 firms with 13 semi-structured interviews of 10 G1 an G2 and three experts familiar with the information technology of these firms 4- theoretical triangulation and matching the findings of the interviews in order to ensure the accuracy of the findings 5- axial and selective coding with analysis of the results findings using the systematic grounded theory method of the Granrer, Strass Corbin 5- Presentation of the conceptual framework and results. The findings were analyzed using an analytical approach. Analyzing the data using the Graner Strass Corbin Systematic grounded theory method provided a conceptual framework. Results were obtained by analyzing the findings from the interviews with G1 and G2 in value-creation events. Interviews did information collection, and available evidence was also used. Also, the protocol of asking the why and how question used in the question definition. In order to measure external validity, the theoretical triangulation of case study findings is done with the findings of interviews, documents, and website information, and to measure the internal validity, matching of findings with theoretical perspectives was done..

# 4. Result and Discussion

The case study's findings show that the results align with the literature's findings. In this section, we will analyze the findings. In the case of participating family firms, both the tacit knowledge of G1 and the newly acquired knowledge of G2 allow their ownership to anticipate potentially important events (firms 2, 3, and 4). Due to the family nature of all four firms, the firms' learning processes are collective and, in some cases (firm 2, firm 3), enhanced by contributions from outside the firm. The more firms are committed, the passion and hard work of the new generation leads to the search for new value. Firms are more successful in finding, creating, and providing new value with the interaction of G1 and G2.

They usually enjoy an environment where they can learn by doing. Learning for BMI is how managers are required to incorporate new knowledge and skills into structures and procedures. In line with their reasons for innovation, all firms are involved in continuous learning, as well as investment, to address the changes caused by the customer's needs and demands. The expansion of the firm's knowledge is based on the entry of the G2. G2 positively affects the successor and the firm's innovation capacity.

In Firm 1, the new generation, still in their early 20s, developed a strong interest in technology, creating a new online product sales program. Because of the special family environment, G1 often provides the resources and opportunities needed for the next generation, enthusiasm, and trust in their commitment to the business. Of course, in firms the second generation entered since childhood, G2 is enthusiastic and committed and seeks training outside the firm and acquiring specialized information technology knowledge to adapt the firm with new ideas to the digital environment. G2's work and educational experiences outside the family business are important for finding new ideas when they enter the family business. G2 cooperates with several non-family specialists, and they have more specialized knowledge, such as information technology, compared to G1 and a greater ability to maintain specialist forces, use their abilities, and retain the best specialists. In most cases, the next generation spends a significant amount of time outside the family business before taking on a significant role in the family business, and experiences and explicit knowledge gained from outside the firm play an important role in creating new value, providing ways forward, and having innovative solutions.

G2, with expert forces from outside the firm, practical experience, collaborations, and trial and error, significantly contribute to creating new firm value. When the next generation enters the firm, they have different motivations than the founders. It can lead a family business to new ways, such as entering digital business and new ways of acting and thinking. In many cases, G2 has a team of experts who cooperate with him in idea generation, search, and creation of innovative methods, especially in customer relationships and new ways to sell online and in virtual space. Firms that do not introduce G2 into the firm and do not create an incentive to enter the firm in G2, these firms are not successful in transferring business to the new generation, and in firms where G2 entered specialized training, especially in information technology, moreover, with the trust that G1 and the high commitment of G2 with the expert team, they have succeeded in launching new projects. Firms that bring in the second generation with IT expertise are more successful in making changes, such as launching internet sales and advertising in virtual networks. Table 2 shows the results of a case study in the field of creating new value.

Table 2. The role of G1, G2 and specialists in searching, creating and providing new value to the customer (research findings)

| **The role of experts** | **The role of G2** | **The role of G1** | **The case of study** |
| --- | --- | --- | --- |
| Specialists are cooperating with the firm in support in launching the new website | G2 is an information technology specialist and is responsible for ideation, search, design and implementation of new projects | G1 has agreed with the activities of launching the website and has invested in this field and is currently supporting the implementation of the project. | Firm 1 |
| It is a team that is constantly learning and looking for new ways to create better and more efficient services with the help of G2. It is a team that designs and implements new projects with G2 | G2 is an IT specialist, has an expert team and is constantly learning to find new services to add to the site's features. First, he launched a site for online sales, and currently he has created 8 online sales websites. is constantly looking for new ways to launch services that are more efficient. He is responsible for managing the entire project from the beginning of ideation and design to implementation and presentation to the customer | G1 believes that with the help of G2 and with the trust it had in him, it has been able to draw conclusions from the expenses incurred, and by receiving the cost estimate and return time from G2, according to the trust it has in him, in the field of launching new investment projects. He has the role of financial and non-financial support | Firm 2 |
| Specialists are a team who are constantly looking for new ideas, designing and launching them as a group together with G2 | G2 is an IT specialist and has a team of experts who entered the firm on a trial basis with the encouragement of the G1 and launched new online sales site projects. | G1 is responsible for the executive management of the project team and the financial and non-financial support of the team. It encourages G2 to learn and helps G2 and its expert team in launching and implementing projects | Firm 3 |
| With the decision of G2, a number of IT specialists have been hired and are responsible for the design and launch of website projects | G2 is an information technology specialist, has ideas for entering new product supply channels and digitization of books, has decided to start new projects, and has the role of managing and supervising design and implementation. | G1 operates in a traditional way and with the expansion of firms' entry into online sales and virtual space; it has agreed to invest in setting up a website and entering the virtual space and providing new solutions for selling and communicating with customers in the virtual space. | Firm 4 |
| The expert team cooperates in supporting projects and presenting new ideas. | The G2 has received special training and helps in ideation and implementation. G2 is also an expert force that is responsible for making decisions for the launch of new projects, and has hired an expert force and manages all the steps. | The G1 is in charge of all matters and gets help from the G2 in ideation and implementation. | Firm5 |

In this case, G1 played a motivating role for G2 to enter the firm, and the management was the responsibility of G1. In the 1st, 2nd, third, and fourth firms, G2 in all of them is IT specialist, and the expertise of the new generation and its relationship with the expert team created new value. The design and implementation of projects have been the responsibility of G2 and its expert team. In the fourth firm, a second generation was responsible for the decision to launch new projects, hired an expert staff, and managed all the steps. In all cases, G2 participated in learning and absorbing knowledge from the outside, and G1 had support and risk management roles.

## 4.1. Axial Coding

This research used a case study method with an interview tool to collect information. The interviewees were 13 people, G1, G2, and specialists, and the interviews were semi-structured. The final interview also showed completely repetitive data, characteristic of theoretical saturation. Saturation means that no new and important data is obtained and received enough data to create a conceptual model. Table 3 summarizes the results of axial coding as two-generation value creation factors from the research findings.

Table 3. Axial Coding results

| **Axial code** | **Dimensions** | **Concepts** |
| --- | --- | --- |
| Background factors | Two-generation capabilities and resource allocation | G2 knowledge management capabilities, capabilities of expert managers outside the family |
| G2 capabilities in using expertise and experiences from outside the firm |
| Risk management and problem solving capabilities of G1 |
| Creation of cooperation with external agents and expert team by G2Creating access to expert and technical resources by G1 |
| Creating a context for easy access to capital and allocating funds and creating a change team by G1 |
| Structures and systems: | Using specialized capabilities and resources, the capabilities of specialist managers outside the family, |
| Creating the ground for the presence of the G2 and specialists |
| Resource management ability and G1 investment |
| The entry of the G2 and specialist managers outside the family |
| Collaborative problem solving ability - high level of trust, acceptance of new knowledge from the next generation by the senior generation, |
| Innovative culture | Trust of the previous generation in the new generation |
| Flexibility and communication between generations - innovative tendencies of the new generation |
| The long-term attitude of G1 is the factor of investment acceptance for the new generation |
| Succession factors and the managerial role of the G2 in creating an entrepreneurial culture |
| The effect of the G2 in reducing the risk aversion of the G1 |
| Learning tools and knowledge management |  Acquisition of new organizational and management skills and active actions by generation |
| Paying attention to external opportunities, encouraging new ideas by the G2.  |
| Sensing and accurate evaluation of the information of resources and environmental factors by the G2 managers |
| Identifying new technology needs and changes to meet the needs of the G2 |
| Interaction between G1 and G2 and knowledge transfer between them - |
| Learning G2 from employees and consultants outside the firm and exchanging information about G2 with outside the firm. |
|  Access to up-to-date information sources and the capacity and ability of G2 to absorb information from outside the firm |
| Vision, goals and motivation | Motivation by learning - the motivation to change G2 , the enthusiasm and hard work of the new generation, -The motivation to change the G2 is commitment to the family business |
| The long-term vision of G1 to business and creating job opportunities for the family for the next generations |
| Flexibility and commitment to change, agreement and willingness to change in G2 |
| The G2 has a more entrepreneurial vision and professionals than the previous generations |
| New generation's eagerness and diligence in seeking information - intention, motivation, formal education of G2 |
| Inhibiting factors | Contradictions | Conflicts between two generations and conflict between generations. |
| Different interests of generations, lack of motivation of the second generation, not paying attention to succession |
| Resistance to Change of G1 | Lack of awareness and lack of specialized knowledge of G1 - lack of capabilities of G1  |
| Lack of resources and risk aversion of G1 |
| Barriers to G1 Change and Patriarchal Culture Path Dependence and Resistance to G1 Change |
| The main category | The role of experts | Sing the ideation of expert non-family managers,Searching for value using the ideation of expert non-family managers- |
| Using the expertise and experiences of experts outside the firm with unique skills and knowledge by G2 |
| The role of the G2 of search and value recognition | Capabilities, knowledge and expertise of G2 managers, G2 power in searching for value |
| Searching and evaluating innovative opportunities to respond to customer needs by G2 |
| Rapid information exchange with outside the firm, technology and market monitoring to identify new value |
| Perception of G2 managers and continuous search of G2 for problem solving ideas, initiatives |
| The great interest of the G2 in finding new solutions and ideas to advance the business. |
| Searching and finding new value and receiving business information outside of traditional trends by G2 |
| Identifying technological opportunities and finding new value is mainly due to the perception of G2 managers |
| presenting new ideas by G2 and expert forces |
| Capabilities of G1 and the role of G1 in creating value | Training and paying more attention to employees and the new generation by G1.Allocation of necessary resources and use of resources to create new value by G1 |
| Reducing the risk and cost of new value by using strong internal management power and the experience of G1- |
| Making decisions for the supply of resources and the justification of investment in new technology by the first generation |
| Coordination of the firm and activities and effective management of resources and risk in the value creation process by G1 |
| Exploiting new technology and creating G1 technical support capabilities |
| Searching for financial support and innovative capabilities - using partners' technology by G1 |
| The support of the senior managers of G1 in the specialized field and the ideas of the G2 based on experience. |
| G2 expertise and experiences from outside the firm, involving the new generation |
| The adherence of G1 to the business is the reason for the interest in the work of the industry and the sense of ownership |
| Using implicit knowledge of G1 to solve the problemThe integrity of leadership and the ability of the G1 to create and provide new value |
| Balance between efficiency and agility by G1 |
| The ability to properly manage problems - interest in optimal management of financial and non-financial resources - problem solving skills |
| Implementation and optimal use of resources to respond to changes by G1 |
| Alignment of internal and external factors to optimize value creation with G1 management |
| Greater experience and skill level of the more experienced G1 - Ability to make quick decisions by G1 |
| G2 capabilities in searching and creating new value | Perseverance, motivation and interest in innovation by nurturing the G2Ability to acquire new skills of the G2  |
| The intelligence of the G2 market and the readiness for changes and the agility of the G2 |
| G2 Ability to discover new technology and technological ideas and promote creative thinking. |
|  Capability of information technology of the G2 |
| Higher education and the efforts of the G2 to change procedures and create new value |
|  Risk taking and optimism of the G2 |
|  G2 capabilities in using expertise and experiences from outside the firm |
| Technological flexibility of the G2 - searching for value by discovering the technological ideas of the G2 |
| Causal factors | Cooperation of two generations | Two generations work together simultaneously and share their ideas - decisions with the participation of two generation |
|  Participatory decision-making and obligations of two generations |
| Interaction between the G1 and G2 and synergy between the founder and successor of the G2 |
| G1's willingness to support new ideas of G2 and experts Interaction between generations, strong connection between the interactions of G1 and G2 |
| Creating flexibility in G1 | Increasing readiness and reducing the risk aversion of the G1 |
| Increasing the understanding of the attractiveness and feasibility of new value in the G1, creating vision and motivation in the G1 |
| Increased willingness to change in G1 despite lack of resources and risk |
| -Engaging and getting G1 adoption for innovation creating new value |
| Sources of two generations | Implicit knowledge and experience of G1 |
| Explicit knowledge of G2 and expert forces |
| The entry of G2 | Entering the G2 with professionals with high commitment to change |
| The entry of the G2 of catalysts for change |
| The entry of the G2 increases risk taking and use of new opportunities |
| Actions and interactions | Synergy and partnership of two generations | Interaction between G1 entrepreneur and G2 managers |
| The exchange of tacit knowledge and ideas between generations and the integration of knowledge and the sharing of knowledge and innovative capabilities of the G2 |
| Creating conditions for cooperation and flexibility of G1 to create value |
| Synergy and cooperation between generations and with specialist managers outside the family |
| Creating a context for value creation | Creating the context for creating new value with cooperation and interaction between generations |
| Employing the new generation and trusting and supporting the ideas of the G2 |
| Creating the ability to accept ideas in the G1 - creating flexibility in the G1 |
| Attracting and sharing knowledge and ideas and sharing information  |
| Creating new value with efficiency management | Optimum management of innovation/efficiency by G1 |
| Management of value creation along with efficiency and balance of innovation |
| Consequences | Creating value and delivering to the customer | Innovation in creating and providing new value to the customer |
| Synchronization with the digital space |
| Solving problems and adapting to the market |
| Creating value by digitizing and providing digital services |
| Delivering value through innovation in customer service |
| Optimal management | Transfer of ownership, leadership and control to the successor of the next generation |
| Performance management with change, balance between resources and value creation by G1 |
| Optimizing value creation with G1 management |

The findings of this research indicate the G1 and G2 learning processes based on the knowledge obtained from internal and external learning of family members and professionals. The acquisition of the external knowledge of G2 and the sharing of the internal knowledge of G1, interactions, and learning, G2 absorptive capacity with vigilance, and active search in the market are the factors that create the field of innovation and find new customers. Combining the tacit knowledge of G1 and the explicit knowledge of G2 is the reason for the success of these firms. The role of the older generation with experience is to teach, guide, and supervise the next generation through close interaction. Integrating the knowledge of two generations improves the creation of new ideas. Using G2 of professionals is an important step in applying and consolidating knowledge in firms. Firms are more successful in creating new value with the interaction of G1 and G2. Use the tacit knowledge of G1 and external experts to solve the problem and bring the experts into decision-making. The creation of two-generation value is due to the sensitivity of G2 managers (awareness and attention of the G2), the integrated leadership commitment of G1, and the ability to make quick decisions and allocate the resources of G1.

**4.2. Selective coding**

Selective coding is selecting a primary category, systematically relating it to other categories, verifying the validity of these relationships, and completing categories that need further refinement and development. Selective coding based on the results of axial coding is the main stage of conceptual model presentation. The results of selective coding are presented in this section based on the findings.

Table 4. Results of selective coding

| **Dimensions** | **Axial codes** | **Selective code** |
| --- | --- | --- |
| Innovative culture  | Background factors | Creating Value with two-generation capabilities |
| Allocation of new resources  |
| Vision, goals and motivation |
| Structures and systems |
| Learning and knowledge management tools |
| Resistance to change G1 | Inhibiting factors |
| Patriarchal culture and lack of change |
| Contradictions |
|  Creating a context for value creation | Actions and interactions |
| Creating a context for two-generation partnership |
| Cooperation and participation of two generations in value creation |
| Flexibility with the interaction of two generation | Causal factors |
| The entry of the G2 and specialists in the firm |
| Interaction and cooperation and participation of two generations |
| Support for G2 |
| G1 capabilities in creating and providing new value | Main category |

Previous experience, leadership power, and capabilities of G1 managers have a positive relationship with innovation results. Firms are more successful in creating new value with the interaction of G1 and G2. Use the tacit knowledge of G1 and external experts to solve the problem. The role of G2 is to search and create new value, and the role of G1 is to cooperate and participate in creating and providing new value to the customer by controlling internal and external resources. Supplying resources, participation, and cooperation in creating and presenting new value, as well as coordinating the firm and activities, are done by G1.

1. **Identifying The Components of The Conceptual Framework**

In this section, the factors, including the background factors, main category, Causal factors, Actions and interactions, and consequences, are discussed in more detail of the role of G1 and G2.

**5.1. Causal Factors**

The interaction, cooperation, and participation of two generations, the entry of G2 and specialists in the firm, G2's commitment to the family business, the degree of acceptance of new knowledge of G2 by the senior generation, the trust of G1 in the new generation, motivation to change of G2, G2 interest in new technology, G2 technology knowledge, need for business transformation because of continuing the business for the G2, and the resourcefulness of G1 are among the important internal causal factors identified.

**5.2**. **Background Factors: Effective Factors in Creating New Value**

Based on resources and knowledge at the level of firm analysis, five management levers (mission, goals and strategy, structure and systems, allocation of resources, and organizational culture, learning, and knowledge management tools) activate the main processes of innovation (Crossan, 2010). Therefore, these factors are used as value-creating backgrounds; we analyze the findings in this section.

**5.2.1. Innovative culture of the new generation**

Firm culture plays an important role in the value creation of family firms. G2 innovative culture is one of the management levers that enable innovation. Often, the G1 of the family has a negative role in the firm's growth due to risk aversion and lack of attention to external opportunities.

**5.2.2.Vision, Goals, and Innovative Strategy of The New Generation**

In firms with the learning and absorptive capacity of G2, the vision for the new business model formed in G2 and non-family experts and transferred to G1 and other employees—the strategic orientation changes with the entry of G2. The desire to survive business in the long term creates an innovative atmosphere and leads to the creation of new value (Calabrò A.., 2020).

**5.2.3. Learning and Using Knowledge Management Tools**

The entry of expert non-family managers, the continuity of generations and communication, the exchange of knowledge between generations, and the aggregation and accumulation of external knowledge by G2 and internal knowledge by G1 are driving factors for business model innovation. Knowledge sharing between G1 and G2 professionals is a method for family businesses eager to create innovative results. Family firms are more likely to use tacit knowledge to solve problems. Integrating the specialized knowledge of family, employees, and two generations impacts innovative behavior. Two generations have more power in aggregating and integrating the acquired knowledge and transferring it to each other. G2 desire to change and communication between generations is the cause of knowledge integration and leads to adaptation, change, and the creation of new values. Using the second generation of family professionals is an important step towards consolidating firm knowledge, handing over management to future generations, and making flexibility in G1 preparing for new value creation.

**5.2.4.** **Sources of Social and Human Capital and Capabilities of Two Generations**

The high level of social capital and absorptive capacity of G2, the low level of patriarchy, and the lack of dominance of G1 related to the creation of new value (Hıdıroğlu, 2021). The stronger the family ties, the more successful the firms are in creating new value through the interaction of G1 and G2. G2 interactions and absorptive capacity made the background of changing business models. The findings from the interactions with other firms make G1 agree to create and align in implementing new projects (Casprini E. D., 2017)—the knowledge and experience of G1 stored in the form of implicit and valuable knowledge in business. New generations can enhance new knowledge acquired from outside the firm. Family firms acquire external knowledge by G2 and share internal knowledge by G1.

**5.2.5. Structure and Flexible Systems With The Entry of The New Generation**

The two-generation management structure and special capabilities (interactions, knowledge exchange, and absorptive capacity) are effective factors in coordination, control, and change leadership (Asemokha, 2020).

**5.3. Inhibiting Factors**

Disagreement and lack of motivation of G1, barriers to change and resistance of G1, lack of new technology awareness of G1, risk aversion of G1, path dependence of G1, contradictions and conflicts between two genes hindering the cooperation of two generations. In these firms, special family management and carrying out activities traditionally by G1 leads to avoiding risk for entering new projects such as digitizing publishing, launching online sales, and communicating with customers in the virtual space. G1, with experiential learning and the capabilities from interactions with the market, gets the necessary motivation and starts creating value. Often, the G1 of the family has a negative role in the firm's growth due to risk aversion and lack of attention to external opportunities. G2 deals with the factors of the risk-averse culture and the resistance of G1. G2 learns and transfers it to G1 through interactions and helps G1 to understand the attractiveness and feasibility of the new value from a cognitive point of view.

**5.4. Main Category**

**5.4.1. G2 Searching, Finding and Creating New Value**

Family firms can explore and exploit internal and external knowledge. The new generation tends to cooperate with new partners, associated with creating new values. By receiving and sharing information from the outside by G2 and consultants, they identify and implement change agents. The tacit knowledge of G1 leads to ideas for new product creation, and the explicit knowledge of G2 leads to innovative ways to deliver the product in the digital environment.

The entry of non-family experts and G2 becomes essential in optimizing the business model by providing the necessary knowledge and expertise for the activities. G2 strives to create a field of innovation and find new customers and resources with vigilance and active search for new value. The perception of G2 mainly causes the change. G2 seeks value by learning from outside the firm and collaborating with experts. The role of G2 with experts is mainly to search for more value. The absorptive capacity of G2 in identifying new value is the success factor of these firms. G2 learns and pays more attention to customer needs.

G2 and experts accompany the creation of new value. The three factors of learning from the customer, learning from interactions, and knowledge acquisitions from outside the firm related to G2 and implicit learning from the experience of G1 are the factors that form the absorptive capacity and facilitate the value search of these firms. G2 has a sense and accurate evaluation of the information of environmental factors and makes efforts to communicate with the customer. They identify and implement change agents by receiving and sharing information from the outside.

**5.4.2. Two Generations Creating And Delivering New Value To The Customer**

Based on the experience of previous activities, G1 and G2 have the absorptive capacity resulting from learning and interaction, acquiring market knowledge, and innovation of the business model. The lack of active and trained G2 and non-family professionals is the failure to change the business model.

They acquire knowledge by acquiring external knowledge by G2 and sharing internal knowledge by G1. Continuous learning of G2 and experts outside the family and acquiring tacit knowledge from G1 is important in creating new value. Combining the tacit knowledge of G1 and the explicit knowledge of G2 is the reason for the success of these firms. G2, who need more information about the industry, supplier partners, employees, and customers, made mistakes in making decisions alone without exchanging knowledge and interacting with G1. Experiences accumulated by generations are important in the firm as a basis for innovation. The accumulation of internal and external knowledge helps to create new value.

The role of G1 is more important in creating value, investing, and providing value. Continuous learning and creating new value is accompanied by the entry of G2 and experts from outside the family. G1 provides an environment and platform that facilitates the creation of value with the entry of G2. Creating the conditions for the cooperation of G1 and G2 and the flexibility of G1 to create value, synergy, and cooperation between generations and with expert managers outside the family recognized as factors for creating new value.

**5.5. Actions and interactions**

Creating the conditions of cooperation and flexibility of the G1 and G2 to create value, synergy, and cooperation between generations and expert managers outside the family recognized as factors of actions and interactions.

**5.6. Consequences**

The flexibility of G1 resulting from the interaction of two generations, the effective management of resources in the process of value creation and implementation, and the provision of value with digital services are recognized as the results of two generations of value creation.

1. **Conceptual Framework**

Based on the findings, a conceptual framework considered value creation with two-generation capabilities of family firms as a three-stage process of "seeking and finding and creating new value, creating and delivering new value to the customer" as the main category and including background factors, causal factors, actions, and interactions and consequences. Fig.1 shows the conceptual framework.

Figure 1. The conceptual framework of creating two generations of value

Source : Author findings

Combining the previous knowledge of G1 and the explicit knowledge of G2 is the reason for the success of these firms. Often, G2 and professionals create new value by exploiting new ideas, feedback, and learning from interactions with people. They acquire market information with the absorptive capacity and market tendency. The accumulation of internal knowledge of G1 and external knowledge of G2 helps to create value. Combining the implicit knowledge of G1 with the knowledge obtained from outside the firm of G2 is an important factor in creating value. G1, in the firm's ownership or management, has more orientation towards the accumulation of internal knowledge, and G2 has external knowledge accumulation. Combining the implicit knowledge of G1 with the knowledge obtained from the outside of G2 is the factor of value creation.

The innovative tendencies of the new generation, the allocation of new resources, flexible structure and systems, vision, innovative goals, and motivation, factors of the firm's innovative culture and G2, and learning to use tools and knowledge management are considered background factors. Aggregating knowledge and absorptive capacity, especially by non-family technical agents and G2, helps these firms create an innovative trend. The interaction, cooperation, and participation of two generations and the entry of G2 and specialists in the firm, G2's motivation to change, G2's commitment to the family business, the degree of acceptance of new knowledge from the next generation by the senior generation, the trust of the previous generation in the new generation and the resourcefulness of G1 are among the important driving and the internal background factors of the firm known.

Long-term attitude, alignment of family and business values, collaborative decision-making of two generations, and trust of the previous generation in the new generation's ability is the mediating factor for the new generation's capabilities and searching, finding, creating, and delivering new value. The search and creation of new value done with the G2 and specialists capabilities, and the creation and delivering of new value done with the capabilities of the G2 and G1 resources and risk management capabilities, G1 has a supportive and managerial role in creating and delivering new value.

1. **Discussion**

While previous family business research based on the resource-based and knowledge-based view often focuses on value creation in family governance (Weimann, 2020), there needs to be more information on the impact of families in terms of new generation capabilities in bi-generational value creation. Despite the importance of this issue, little research addressed value creation in family businesses (Sanchez et al., 2019). The relationship between the capabilities of two generations and the creation of new values is rarely studied. Although few studies have investigated this issue, they have not investigated it yet at the stage of entering the new generation. Therefore, an attempt was make to fill this gap in the background of family firms.

A conceptual framework is needed to explain the relationship between the influence of G1 and G2 and BMI from value creation. Also, the role of G1 and G2 was analyzed with the interactions and exchange of knowledge between them and the absorption capacity of G2 in acquiring and aggregating the knowledge needed to create new value. Mechanisms explained that G1 and G2 affect the value creation and thus help to explain the value creation of the family firm. This research emphasized the importance of value creation analysis with the capabilities of G1 and G2 as a factor of continuity of family firms. The research was conducted to discover the factors that enable firms to create new value with the G2 entry, and according to the perspective of the capabilities of G1 and G2, the value creation process was researched. It enriches current literature by presenting empirical findings from the unique perspective of first and second generations and how they impact creating new value for the customer. A framework presented explains how G1 and G2 can create new value. It was used to analyze and discuss the effect of the absorptive capacity of G2 and the accumulation and sharing of knowledge between the two generations on value creation. By providing theoretical and empirical insight on explaining the background, process, and results of value creation, it explains the mechanisms with G1 and G2 capabilities that lead to value creation.

The findings of this research emphasize different concepts and confirm the significant participation of the new generation. This research helps researchers and family businesses better understand how family participation creates new value. It enriches the literature on value creation because it addresses the intersection of value creation and bi-generational involvement. Second, it specifies the role of the previous generation and new generations' roles in value creation. Third, it contributes to the entrepreneurship literature in family firms by specifying how business models change. The following figure summarizes the findings of the research.

Figure 2. Summarized Findings of The Research



This research result is consistent with the findings of other research, and the findings show that the entry of active and enthusiastic G2 with an expert team can increase the motivation of firms to change and create value. In other research, the founders of family businesses can create value in innovation more than non-family firms. Entrepreneurial capabilities are related to investment results in innovation (Suárez K.-P., 2018). The result of this research is in line with the findings of this research. It shows that firms with active G2 with learning capabilities and absorptive capacity are more successful in value creation, and firms with passive G2 encounter more challenges in value creation. Therefore, the capabilities of the two generations, especially the creation of common innovative mindsets and tendencies of the two generations, are effective in the success of these firms in value creation, which should be paid more attention to in future research.

1. **Conclusion and Implications**

The conceptual framework presents how two generations create value—investigates how G1 and G2 and their capabilities create new value. Considering the absorptive capacity perspective, exchange and aggregate the knowledge of G1 and G2; this research examines the antecedents, process, action, and interactions and results of two-generation value creation. By providing theoretical and empirical insights into the role of knowledge exchange and absorptive capacity and explaining the mechanisms that lead to value creation. Background, causal, and inhibiting environmental factors were also identified, and practical suggestions were presented.

The findings of this research show that in this process, the identification of new value and attention to the integration of internal and external knowledge is done by G2 and experts. Suppose the new generation has specialized knowledge, and an expert team enters the firm with motivation. In that case, it plays an essential role in searching for, creating, and providing new value to the customer. G1 has a supporting role in creating new value, investing, acquiring new resources, combining existing resources, and coordinating the firm and its activities mainly done by G1. In cases where the experience and age of G2 could be higher, G1 manages the implementation of the projects. G1 and G2 usually gradually create new business models by learning from experience and combining external and internal knowledge. Participating in two generations in family firms can help expand knowledge, experience, and innovation.

The accumulation of G1 and external knowledge of G2 contribute to value creation. G1 learns due to the entry and absorptive capacity of G2. Entry of G2 into the firm from a cognitive point of view helps G1 to understand the attractiveness and feasibility of new value. Two generations can create new value by G2 acquiring external knowledge and sharing G1's internal knowledge.

The change caused by the perception of G2 and implementation requires the participation of two generations and experts—G2 Searches to acquire knowledge and learn to find new value. Learning in action of G1, combining explicit knowledge of G2 and experts, leads to new ideas to create value. Learning from external events done by G2 and G1 manages other aspects. Creating new value requires identifying and predicting innovation in the face of environmental changes by G2. Cognitive exploratory power related to the second generation and specialists familiar with information technology helps firms create value, especially in the digital environment. G1 makes decisions by learning and gaining new insights in creating new value. With the entry of the new generation, with absorptive capacity and acquired knowledge, risk-taking, and familiarity with communication technology, they have more learning and change.

The findings emphasize the advantage of receiving information from experts and G2 to find innovative ways. Firms are more successful in finding and providing new value with the interaction of G1 and G2. The role of G2 with experts is mainly in finding new ideas and implementing them, often with a team of experts, and the role of G1 is more in investing, creating, and providing new value.

G2 and a team of experts identify the field of new value creation integration of internal and external knowledge. G2, with a team of professionals, plays a crucial role in finding ideas and launching new projects. G1 does support the field of creating and providing new value. The role of G1 is to lead with correct decisions and take action to create new value and flow resources. The education and work experiences of G2 outside the family firm are essential for identifying new ideas and trends. The search for value requires the discovery of technological ideas and the promotion of creative thinking, the acquisition of new skills, which G2 better does, and in contrast to creating value, requires improving quality and reducing costs, continuously checking customer satisfaction, and improving the reliability of products and services done better by G1. Previous experience, leadership power, and capabilities of G1 have a positive relationship with innovation results. They identify and implement change agents by receiving and sharing information from the outside from G2 and consultants. The findings show that absorptive capacity and search for G2 and professionals is the key factor that provides the basis for value creation. It is a process that helps the understanding of collective activity, and information sharing. It becomes a new process of searching and creating value and provides the necessary background for its realization.

By receiving information from the outside and sharing it, G2 identifies and implements change factors. With the entry of the new generation, with absorptive capacity and acquired knowledge, risk-taking, and familiarity with communication technology, they have more learning and change. By receiving information from the outside and sharing it, G2 identifies and implements change agents.

There is a need to focus on the value creation process of firms with the entry of a new generation. Therefore, future research suggested more research on them with more excellent samples in other contexts, including comparing the innovative work behavior of the founder generation with the next generation and the capabilities of the future generation to accept new knowledge and create innovation, and research on the factors of social capital, human capital, and resources and capabilities to create new value in family firms.

Practical implications can help family businesses face rapid change. Therefore, it is expected that this research will help family firm managers understand how they can maximize their results in innovation by promoting synergy between generations. Insights provided into potential success factors and best practices for managing business model innovation in transforming such firms. Based on the findings and evidence, the following suggestions are presented: The previous generation should have the necessary flexibility to discover and accept the new method of managing resources and conducting business of the new generation. The results prove that family firms should carefully manage internal relationships to encourage knowledge acquisition and enhance innovation activities. Having a sufficient educational background and educational activities and experiences of G2 outside the firm should be planned. Firm managers may need to understand how to successfully plan and manage the succession process to survive generational change. The previous and new generations must mutually accept the methods of the other generation. G1 must educate their children, supervise their discipleship, and involve them in teamwork, strategic planning and decision-making processes. Founders who want to prepare family successors should take from this study the powerful effect of stories and conversations in passing on values to the successor generation. Providing independence for G2s to use their highest capacity and ability to absorb and apply knowledge, discover and exploit opportunities, and understand and use internal and external opportunities and threats. These G2s need to learn not only about their business but also about the specific characteristics of the family and how the family members run the firm. G2s should be allowed to observe them at work, participate in daily operations, meetings, and negotiations with partners, find solutions to provide a cooperative environment and exchange tacit knowledge between family and non-family members. Quick response to changes by creating absorptive capacity and encouraging G1 and G2 to track, monitor, and respond to competitors, try to share ideas and create a culture of learning and quick response to technology trends, customer relationship management, and encouraging G2 with rewards for presenting ideas. New business models are among the practical suggestions.

With the entry of G2 and specialists, conditions are provided for applying the knowledge of professionals and exchanging knowledge to find new ideas. G1 firms involve G2 and employees in specialized technical and market training. G1 should improve their cognitive behavioral capabilities. The failure of family firms from the second generation may be due to the family's inability or unwillingness to create, share, and transfer knowledge from one generation to another. The lack of interaction between the older and younger generations may limit the continuity of innovation. Allow new generations to assess environmental changes quickly, create ideas, and combine them well with domestic actions and activities. The creation of knowledge exchange mechanisms occurs with close relationships between two generations and their simultaneous participation in the firm. For optimal use of resources, they must have a knowledge exchange between two generations.

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