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How Family Influence Impacts Dynamic Capabilities for Service Innovation

- A single case study in the hospitality industry

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Abstract

Introduction: With technological advancements rendering customer expectations ever more sophisticated, firms must compete with increasingly complex service offerings to secure their position in the market. For firms in the hospitality industry, innovating their service offerings to cater to these changing customer demands has therefore become a prerequisite to survive. This paper takes a dynamic capability perspective to examine how family firms fare in this rapidly changing environment by examining the role of family influence on their capabilities to engage in service innovation.

Purpose: The purpose of the study was to describe and explain how family influence impacts dynamic capabilities for service innovation in a family firm within the hospitality industry. The aim of the study was to derive insights on how family influence impacts family firms' innovation capacity and to stimulate future work in the field of research.

Methodology: This study is based on an in-depth single case study approach. Empirical data was gathered through semi-structured interviews. Based on a qualitative explorative study using an abductive approach, we were able to develop new combinations of established theoretical models and concepts with findings from our theory and empirical data.

Findings: Five attributes of family influence were identified that impact family firms' capabilities for service innovation - both positively and negatively. The results indicate that family influence can positively impact dynamic sensing capabilitites for service innovation, while the impact of family influence on dynamic seizing and dynamic transforming capabilities for service innovation can be ambiguous. The findings call for continued exploration of the role of family influence on dynamic capabilities for service innovation and family firms' innovation capacity in general.

Abbreviations: SEW (Socio-emotional wealth), SI (Service innovation)

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1. Introduction

The introductory chapter provides an overview of family firms and the role of services, service innovation and dynamic capabilities. The chapter starts with a description of the background of the topic and continues with the research problem and purpose. At the end, the research question is outlined.

1.1 Background

Today, services have become an increasingly important component in firms' business models. The service sector encompasses a wide variety of industries and activities ranging from consumer services such as those offered by the hospitality industry, business services including IT and legal offerings, and public sector services such as for health and education (Randhawa & Scerri, 2015). According to the European Central Bank (2019), services in the eurozone account for more than 50% of final consumption and the service sector is projected to become even more important for aggregate economic activity.

Simultaneously, the nature of services has changed due to increased customer expectations concerning convenience, customization, personalization, and mobility of services on demand (McKinsey & Company, 2015). As a result, services have become more complex and increasingly resemble each other. The pace of evolving customer demands in combination with technological advancements force firms to regularly improve and renew their service offerings in order to survive and remain competitive (Pikkemaat & Zehrer, 2016). Not surprisingly, the need for adaptation to new technologies and changing customer demands are especially crucial for firms in service-driven industries, as the competitive success of any service provider has been found to depend on customer satisfaction - which ultimately is determined by consumers' experiences with services (Pikkemaat & Zehrer, 2016; Alrawadieh & Law 2019).

One way for firms to better manage customer demand is to engage in service innovation (SI) - an innovation strategy that entails development of new processes and new technology aimed towards implementing continuous streams of new service offerings that create value for customers. The SI concept has been developed over the past decades, as firms within various sectors increasingly started to recognize services as an important source for profit. In literature, SI is widely referred to with the definition developed by Den Hertog et al. (2010), who describes it as “a new service experience or service solution that consists of one or several of the following dimensions: new service concept, new customer interaction, new value system/business partners, new revenue model, new organizational or technological service delivery system”. Hence, although there exist different perspectives of the concept, the most predominant view of SI suggests it constitutes innovations of varied novelty levels across different dimensions. Moreover, the concept is applicable to all types of firms that strive to gain an advantage on the market from renewing their services (Den Hertog et al., 2010; Kindström et al., 2013).

To frame the discussion, we define family firms as businesses dominantly controlled by members from the same family in line with Chua et al. (1999). In line with Hemmington (2007), the hospitality industry can be defined as a broad category of fields within the service sector embracing the service of accommodation, food and tourism. SI for survival and competitive advantage is especially important for family firms within the hospitality industry for various reasons: Unique to family firms is their strive for transgenerational success, i.e. their desire to hand off the business to subsequent generations. Additionally, family firms compared to non-family firms often have to cope with competitive disadvantages, namely limited access to capital markets, poor economies of scale and scope, and minimum potential for diversification - weaknesses that may be reduced by changing organizational structures and engaging in innovation (Hallak et al., 2014). This is especially important in the hospitality industry which is in many European countries dominated by small medium-sized enterprises (SME), businesses with 50 up to 249 employees, with the majority of firms being family controlled (Eurostat, 2011). Moreover, empirical evidence shows that innovative firms in the hospitality industry may perform better financially than their non-innovative peers (Grissemann et al., 2013; Pikkemaat & Zehrer, 2016;).

However, in order to gain a competitive advantage from SI, implementing continuous streams of new services on multiple dimensions is a prerequisite (Den Hertog et al., 2010). Further, SI constitutes a process that requires specific knowledge and competences on an organizational level (Den Hertog et al., 2010; Kindström et al., 2013; Fischer et al., 2010; Janssen et al., 2016). Put differently, successful implementation of SI requires various dynamic capabilities, i.e. abilities that enable adaptation to fast changing environments. These abilities are often broadly divided into abilities of sensing opportunities, seizing opportunities, and transforming procedures to sustain innovation efforts (Teece, 2007). With today's rapidly changing business environments and the dissemination of technologies, the firm's ability to adapt to fast changing environments can be seen as the main source for sustaining the firm's competitive advantage (Qaiyum & Wang, 2018). Therefore, firms should strive to evaluate and improve their dynamic capabilities, especially family firms due to their unique characteristics (Chirico & Nordqvist, 2010; Chirco et al., 2012). This also holds true for managing SI, as innovation in services have been found to require specific sets of dynamic capabilities (Den Hertog et al., 2010; Kindström et al., 2013).

The influence of the business family on firm innovation and performance was extensively neglected in research of SMEs (De Massis et al., 2013). Today, researchers acknowledge that family firms differ from non-family firms due to family firms' unique pursuance of non-economic goals that reflect the interests of the business families (Chrisman et al, 2012; Craig et al., 2014; Fuetsch & Suess-Reyes, 2017; Chua et al., 2018). In the literature, family firms' unique characteristics are often attributed to the concept referred to as socio-emotional wealth (SEW) introduced by Gomez-Mejia et al. (2007). In 2007, the authors contributed significantly to the understanding that family firms are more complex than previously thought, as they acknowledged that family firms consider gains and losses in non-economic terms related to the goals of the business family.

Family firms' intentions for SEW make them show strong concern for the long-term future of the firm, for remaining competitive, and for the wellbeing of the business family (Chrisman & Patel 2012; Lambrechts et al., 2017). In addition, family owners have been found to greatly influence their organization's mission, decision-making, and resource allocation (Berrone et al., 2012) as the business family's intentions for SEW permeate throughout the firm and influence the direction of the organisation. Scholars label this effect that the business family has on the family firm as *family influence* on the firm (Astrachan et al., 2002; Berrone et al., 2012; Gomez-Mejia et al., 2019).

More intriguing, the unique pursuance of SEW amoing family firms seem to drive abilities and characteristics that drive innovation (Chen & Hsu, 2009; Matzler et al., 2015) and increase firm performance (Sirmon & Hitt, 2003; Miller & Breton-Miller, 2005). Despite resource constraints, family SMEs are associated with innovativeness (Kellermanns, et al., 2012) and extraordinary commitment (Lattuch, 2019), which is exemplified by superior innovation behaviour on global markets compared to non-family firms (De Massis et al., 2018).

The reasoning above suggests family firms would favour activities that drive innovation and facilitate adaptation to evolving markets, technologies, and customer demands (Serrano-Bedia et al., 2016). On the contrary, the characteristics that come with family firms' pursuance of SEW are often seen as weaknesses in family firms among scholars (König et al., 2013; Holt & Daspit 2015) as they are known to cause inferior innovation behaviour in family firms. In other words, there is a common recognition that family firms' intentions for SEW result in lower willingness to innovate than other types of firms (Zellweger et al., 2012; König et al., 2013; De Massis et al., 2016). This line of reasoning suggests family influence could be a hindrance for family firms to engage in SI, as family involvement seems to make family firms less willing to engage in innovation.

1.2 Research Problem

Overall, existing research contributions present rather ambiguous and contradicting results on how involvement of the business family affect innovation in family firms (Filser et al., 2016; Calabrò et al., 2017), revealing family firms' inferior innovation behaviour. Notably, family influence seems to create an innovation paradox in family firms (Zellweger et al., 2012; De Massis & Kotlar 2014). On one note, family involvement seems to have a positive influence on innovation output (De Massis et al., 2013) and family firms have been found to innovate more effectively than non-family firms (Duran et al., 2016; Chen & Hsu, 2009; Matzler et al., 2015). On the contrary, family involvement has been found to cause reduced speed of recognition, aggressiveness, and flexibility in the adoption process of disruptive technologies (Chrisman et al., 2015; Kammerlander et al., 2015). This suggests that family management inhibits innovation efforts (Diéguez-Soto et al., 2016; Nieto et al., 2015; Decker & Günther, 2017), yet indicates that family firms have higher productivity than non-family firms (De Massis et al., 2013).

Scholarly work reasons that family firms' lower innovation intensity is the result of their more important goal of pursuing SEW (Cassia et al., 2012; De Massis et al., 2015a). Conforming this understanding, family firms' ambiguous innovation behaviour is explained to emanate from the overlap of family and business systems (Chirico & Nordqvist, 2010; De Massis et al., 2013) which in turn creates an innovation paradox (Zellweger et al., 2012; König et al., 2013; De Massi et al., 2016). More specifically, the innovation paradox occurs as management of family firms is trying to balance the wish for stability and continuity with adapting to changing business environments (Zellweger et al., 2012). In line with these findings, inferior innovation behaviour in family firms can be argued for with the ability willingness paradox that state that family firms tend to have greater ability to pursue innovation compared to non-family firms, but lower willingness (Chrisman et al, 2015; De Massis & Kotlar 2014; De Massis, et al., 2015b).

The contradicting contributions on how involvement of the business family affect innovation in family firms appoints for further exploration and evaluation of the phenomenon. Neither the ability-willingness paradox theory or the evidence showing how family firms' intentions for SEW have reversed effects on innovation, manage to fully uncover the complex relationship between family influence and innovation. Moreover, scholarly work on family firms primarily addresses how family influence impacts innovation output. The impact of family influence on how family firms approach the innovation process have often been overlooked (Nieto et al., 2015).

Viewing family firm's innovation behaviour from a different perspective, the concept innovation can be referred to as a process that requires reconfiguring of internal and external resources, competences and skills to match the changing environment (Qaiyum & Wang, 2018). Yet, research contributions on the role of innovation capabilities in family firms is remarkably low. Nevertheless, innovation capacity has been found to be impacted by the degree of family involvement (Lichtenthaler & Muethel, 2012). That is, the degree of family influence has been found to facilitate but also potentially hinder innovation capacity divided into components of sensing, seizing and transforming. Family firms with high family influence have been found to have higher sensing and transforming capacity compared to family firms with low family influence (Lichtenthaler & Muethel, 2012). That is, higher ability to generate innovation opportunities and renew their innovation processes.

The reason behind family influenced firms' favourable position for sensing new opportunities and transform their innovation processes have been attributed to family firms' long-term orientation, unification of ownership and control that increases the top-management's discretion (Miller et al., 2015; Lichtenthaler & Muethel, 2012). Specifically, family firms' strategic long-term commitment to their customers, suppliers and other stakeholders has been found to act as valuable sources of information and networks (Lichtenthaler & Ernst, 2012).

In contrast, firms with high family influence may have lower capacity to capitalize on their seizing capacities (Lichtenthaler & Muethel, 2012). One explanation to this observation is that seizing capacity generally requires proactiveness and substantial investments (Miller et al., 2015). As family firms are known to be resourceful, responsive and have limited resources, high family involvement might be a disadvantage for building seizing capacity (Miller et al., 2015; Lichtenthaler & Muethel, 2012). However, the impact of family influence on SI has not yet been analyzed through the lens of dynamic capabilities.

1.3 Purpose

Despite continuous research contributions on innovation in family firms, little attention has been given to uncover how family influence affects family firms' innovation capacity. To date, scholars highlight the need to continue exploring innovation behaviour in family firms, particularly what causes their inferior innovation behaviour (Chrisman, et al., 2015; Nieto et al., 2015; Miller et al., 2015; Lichtenthaler & Muethel, 2012). Firstly, to develop the understanding of how family influence affects family firms' innovation behaviour, in order to yield new insights about innovation management in family firms in general. Secondly, contributions within the research field is essential in order to provide business owners and managers of family SMEs within the hospitality industry with practical guidance on how to approach innovation, particularly in services (Thomas & Wood, 2014). The latter, since the need for adaptation is more present than ever for family firms in today's ever-changing business environment (Chrisman et al., 2015) in order to meet increased customer expectations for convenience and service on demand (Agarwal el al., 2015) - and since conceptual works aimed to develop an appropriate innovation approach for SME within the hospitality sector hardly exist (Thomas & Wood, 2014).

Research on how family influence impacts family firms' capabilities to pursue innovation is underdeveloped, particularly in the context of SI. Nonetheless, understanding how family influence impacts family firms' dynamic capabilities is crucial in order to truly uncover the reoccurring innovation paradox noted in research (Lichtenthaler & Muethel, 2012). Scholars emphasize the need for a more integrated approach to understand innovation in family SMEs (Thomas & Wood, 2014; Pikkemaat & Zehrer, 2016). Currently, research on family firms in the hospitality sector mainly address organisational challenges concerning succession planning, social capital and governance (Thomas & Wood, 2014). This is problematic as innovation is an important organizational challenge for family firms that needs to be addressed for various reasons.

Little is known about how family firms resolve the paradox family involvement poses on innovation (De Massis, et al., 2015b; Nieto et al., 2015; Chrisman et al., 2015). Further, family firms make up a crucial cornerstone of the global economy and are estimated to be the most prevalent type of firm in the hospitality sector (Eurostat, 2011). As these family firms experience increased service demands, they will presumably look to SI for survival and competitive advantage (Pikkemaat & Zehrer, 2016). Therefore, the understanding of how family influence impacts family firms' innovation capacity is crucial to develop in order to provide managers of family firms and business families with insights and practical guidance on how to approach SI (Lichtenthaler & Muethel, 2012). Hence, given the potential that family influence impacts family firms' dynamic capabilities, investigating SI through the dynamic capability perspective could provide various, valuable insights towards uncovering family firms' inferior innovation behaviour.

Following the reasoning above, the purpose of this study is to examine how family influence impacts family firms' dynamic capabilities for SI. The purpose of this study is exploratory, as we intend to describe and explain how family influence impacts family firms' innovation capacity for SI. Ultimately, the aim of this thesis is to derive insights that contribute to uncovering family firms' observed, inferior innovation behaviour, and to shed light in the direction of family firms and dynamic capabilities for SI, to stimulate future research directions in the field of research. Our hope is to point researchers to family firms and the dynamic capability perspective, to derive insights that subsequently can provide managers and business families with practical guidance on how to successfully approach innovation, and SI in particular.

This study will be conducted from a management perspective, building on the dynamic capability view in the context of a family firm in the hospitality industry experiencing increased service demands and the need for SI. We intend to identify implications of family influence in our chosen case firm and examine how family influence impacts the firm's specific dynamic capabilities that enable and facilitate SI. Thus, we emphasize the internal processes for facilitating and implementing SI, rather than studying the firm's realized innovation output.

1.4 Research Question

The research question to be answered in this work therefore is: *How does family influence impact dynamic capabilities for service innovation?*

2. Theoretical Framework

The following sections in the chapter provide an overview of the current literature. It starts with a general description of family firms and family influence and what is known about family influence and innovation, moves over to service innovation, and lastly dynamic capabilities and dynamic capabilities for service innovation.

2.1 Family Firms and Family Influence

2.1.1 Family Influenced Family Firms

Family firms are usually characterized by high family involvement in ownership, management, and governance (De Massis et al., 2016) which gives the family owners the authority to determine the goals and strategy of the firm (Roessl et al., 2010; Lambrechts et al., 2017). The unique characteristics of family firms derive from the family firm's pursuit of generating and preserving the family firm's SEW (Gomez-Mejia et al., 2007). The concept refers to the non-economic value the business family acquires from their ownership (Berrone, et al., 2012a) which they do in striving for maintaining authority, control and influence over the family firm (Lambrechts et al., 2017; Chrisman & Patel 2012).

It is important to understand that family firms are a heterogenous group of companies and we generally see them resulting in three types; the founder-centered family firm, the sibling or cousin consortium, and the open family firm (Corbetta & Salvato, 2004; Penney & Combs, 2013; Li & Daspit, 2016). Depending on the various combinations of family involvement, it also gives rise to different influences the families have on the firm's strategic behavior, (Chrisman et al., 2012) capabilities (Chirico & Nordqvist, 2010) and ability to innovate (Li & Daspit, 2016).

Family firms are often criticized for being reluctant to invest in innovation and assume risk (De Massis, et al., 2015a). This indicates that they are less willing to engage in behavior that can support their business and prosper growth. However, findings also suggest that there is a more complex view of family firms and their tendency towards risk (Kellermanns et al., 2012; Gomez-Mejia et al., 2007). Since the business family is highly dependent on the firm, this could be due to family executives placing higher value on avoiding the business risk, since potential negative outcomes could outweigh the benefits of potential returns (Gomes-Mejia et al., 2007).

In summarization, family firms tend to place great focus on non-economic goals (Berrone, et al., 2012a). They see the family's wellbeing as an important factor of success and make decisions accordingly (Kellermanns et al., 2012; Lambrechts et al., 2017). As a result, the various characteristics of family firms will influence the effectiveness of the business in terms of performance (Kellermanns et al., 2012; De Massis et al., 2013). Thus, family involvement can be both of help and hindrance to the family firm's development.

2.1.2 Socio-Emotional Wealth

Family firms have been noted to take bold steps to preserve their independence when they are facing economic and non-economic concerns surrounding retaining family control. This could be such as care for future generations and the social capital created by their familiness (Kellermanns et al., 2012). With this said, family firms uniquely place high emphasis on their socioemotional wealth (SEW), a concept first introduced by Gomes-Mejia et al. (2007) describing the family's non-economic utility function that affect family firms' strategic behavior. The authors argue that family firms not only consider strategic activities in terms of financial performance, but in non-economic gains and losses for the business family. The concept of SEW is multidimensional. Some family influenced firms place high value on being able to exercise authority, preserve family dynasty, and social capital; others place value on the satisfaction of belonging, affect and intimacy (Gomes-Mejia et al., 2007). Therefore, family firms are distinguished for their appeal to SEW objectives (Li & Daspit, 2016).

Family firms' intentions for SEW make them show strong concern for the long-term future of the firm, remaining competitive and the wellbeing of the business family (Chrisman & Patel 2012; Lambrechts et al., 2017). Hence, preserving SEW endowment is critical in family firms as it shapes their framing reference point for guiding managerial choices (Cennamo et al., 2012). Depending on the business family's goals, preservation of SEW can either benefit or harm their economical wealth. When threat occurs to that endowment, or potential gain, families may engage in decisions that are not driven by economic logic. They may even be willing to put the firm's economic interest at risk if this means they would keep that endowment of SEW (Cennamo et al., 2012). Prior research has identified and developed four distinct dimensions of SEW relating to family firms (Berrone et al., 2010; Gomez-Mejia et al., 2011; Berrone & Gomes-Mejia, 2012b).

Preservation of family ties refers to the business family's tendency to be altruistic towards family members and the family's desire to hand over the firm to next generations (Gomez-Mejia et al., 2011). Therefore, the business family tends to provide family members with jobs and value non-economic goals that favor the wellbeing of the extended family over financial returns.

Preservation of power and influence on the organization denotes the business family's desire to remain in control of the firm (Gomez-Mejia et al., 2011). As indicated, business families might largely depend on the organization for welfare (Gomes-Mejia et al., 2007). Therefore, family members tend to strive for managing positions as they exert value from their ownership.

Preservation of status and reputation denote the family owners' concerns for the reputation of the firm as it implicates their own status (Gomez-Mejia et al., 2011). Family owners are often tied to the organization in inextricable ways, and often identify the organization as an extension of themselves (Berrone et al., 2010). Therefore, members of the business family are particularly concerned about the reputation of the firm, which in turn influences their behaviour.

Preservation of affect and emotions refers to family owners' attachment to the firm and their desire to preserve the firm according to these associated emotions (Gomez-Mejia et al., 2011). As the boundaries between the family and the business is blurred, emotions tend to be present in the entire business system influencing the family firm's decision-making processes

(Berrone et al., 2010; Barros et al., 2016).

2.1.3 4Cs Framework

Family centered non-economic goals that have been highlighted in the literature and are the 4Cs introduced by Miller and Breton-Miller (2005). The model sheds light on the importance of family firms' intention for continuity, community, connection and command for long-term success. Yet, these are the same characteristics that are often seen as weaknesses in family firms among scholars (König et al., 2013; Holt & Daspit 2015). Family firms' aim for continuity can become stagnation, their aim for community, clannish insularity, while their informal connections and power centralization can lead to dependence and carelessness (Miller & Breton-Miller, 2005).

Continuity represents the business family's desire for sustainability of control of the firm over time. It refers to the long-term orientation of the firm based on their desire to pass on the family firm to future generations and keep wealth within the family (Miller & Breton-Miller, 2005). Long-term orientation to business strategy is therefore commonly seen among family firms (Zellweger et al., 2011). To secure the survival and control of the firm, business families often act resourcefully and are reluctant to take on debt (Miller et al., 2015). Continuity is also linked to the business family's desire to preserve family ties, as that is one way of securing the continuity and control of the firm over time. However, this behaviour has been found to lead to altruistic behaviour which risks the continuity of the firm. Essentially, family firms tend to appoint unqualified relatives to key positions rather than non-family managers, although it may harm their economic wealth (Debicki et al., 2016; Berrone et al., 2012).

Community represents the business family's desire to nurture a caring collective. It refers to the level of cohesion among the employees in the firm across different hierarchy levels, which is based on the family firm's culture and desire to unite the tribe (Miller & Breton-Miller, 2005). This is linked to the business family's desire to preserve status and reputation as well as affect and emotion, since family firms pursue welfare of those around them without obvious economic reasons (Berrone et al., 2012). Moreover, findings show that the business family's sense of belonging and identity are often shared by non-family employees, which promotes commitment to the firm (Berrone et al., 2010). In turn, a strong organisational identity creates familiness in the firm (Zellweger et al., 2010) that can become a competitive advantage, as it is linked to cause stewardship behaviour throughout the organisation (Eddleston & Kellermanns, 2007).

Connection represents the business family's desire to secure generous relationships with outsiders. It refers to the level of depth to external key actors based on family firms' desire to build mutually beneficial relationships (Miller & Breton-Miller, 2005). The business family's aim for connection is linked to their desire to preserve status and reputation. Findings show that family firm owners are sensitive to the external image they project to customers, suppliers and external stakeholders (Micelotta & Raynard, 2011) as well as the image of themselves when it comes to employee interactions and quality of their offerings (Berrone et al., 2010). As a result, family firms are known to care for their community and develop generous relationships with those in their surroundings.

Command represents the business family's desire to bridge social capital with decision-making. In other words, it refers to family firms' discretion to act and make decisions independently (Miller & Breton-Miller, 2005). Therefore, family owners to a greater extent than owners of non-family firm's shape their organizations' decision-making processes and resource allocation (Berrone & Gomez-Mejia, 2012a). Family members tend to favour control and influence of the firm over financial returns, and their desire for command also impacts strategic choices (Cennamo et al., 2012). For instance, family firms have been found to diversify less than non-family firms, as they prefer to appoint family members to management positions in order to sustain family influence on the firm (Gomez-Mejia et al., 2010) although this behavior increases business risk.

2.1.4 Family Influence and Innovation

The debate about what an innovation is and how it should be defined goes back almost a century. Schumpeter (1934) argued that an innovation is a novel combination of new and existing knowledge translated to a new offer on the market that has inherent value. This view is still most predominant in innovation research (Witell et al., 2016) and since 2005, the standard definition for innovation developed for European innovation studies is "the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations" (Eurostat/OECD, 2005). However, the organizational innovation process can be divided into different stages. That is, the innovation input stage referring to how the firm allocates resources for innovation, the innovation activity stage describing how the firm uses these resources to create value, and innovation output stage referring to the final form of the innovation (Lumpkin et al., 2011).

Innovation is a powerful strategic tool to maintain competitive advantage, but it also entails significant risk and requires strong commitment of both time and resources (Chrisman et al., 2015). When it comes to innovation in family firms, the business family has direct influence on innovation input, the innovation activity stage and innovation output (De Massis et al., 2013). Various studies agree that family influence impacts the firm's risk preference, their goal orientation, and the resources they endow to innovation (Li & Daspit, 2016; Gómez-Mejía et al., 2007; Miller & Le Breton-Miller, 2005). Consequently, the family firm's intention to persevere SEW affect family firms' innovative decisions (Li & Daspit, 2016) and ultimately innovation behaviour (Kallmuenzer & Scholl-Grissemann, 2017).

Business families tend to focus on incentives that have long-term interest in the firm rather than short-term (Nieto et al., 2015). As a result, they are more likely to engage in innovation when they are long-term oriented and share common family values, and desire for improvement (Cassia et al., 2011). Moreover, family firms that focus on long-term goals are more willing to make riskier investments in the firm (Chrisman & Patel, 2012). However, there is a distinct independent difference between economic and SEW objectives. In the short-term, families may be interested in keeping control to avoid SEW loss (Gomez-Mejia et al., 2019). As a result, family firms tend to make less risky decisions that sometimes will cause less economic benefit (Zellweger et al., 2012; König et al., 2013; De Massi et al., 2016).

In accordance with above, family firms have been found to have superior ability, yet lower willingness to engage in innovation (Chrisman et al., 2015). The lower willingness attributes family owners' risk aversion, rigidity and reluctance to share control (De Massis, et al., 2015a). The higher ability refers to family owners' discretion to set the goals of the firm, direct, allocate and dispose of the firm's resources (De Massis & Kotlar 2014) which result in superior decision-making abilities and power to act (Roessl et al., 2010). Further, the greater ability of family firms to pursue innovation is explained to emanate from family firms' centralized control, organizational slack and the capabilities of the controlling business families (Chrisman et al, 2015). Ultimately, willingness to innovate seems to be a contingency with the family belief of appropriateness and benefit of the innovation, and the non-family members belief in the family. Therefore, it is crucial that these beliefs are aligned in order for willingness to occur (Holt & Daspit, 2015).

2.2 Service Innovation

Service innovation (SI) is a concept that entails development of technology and processes to better manage current demand and changing customer wants and needs (Trott, 2012). The concept of SI has evolved through diverse research disciplines such as services marketing, service management and operations management (Randhawa & Scerri, 2015). While theory building on SI in the literature is still under development (Witell et al, 2016), the widespread interest for the topic across research disciplines can be traced back to the shift from a goods-dominant logic perspective in marketing to a service-dominant logic in the early 1990s (Vargo & Lush, 2004). Ultimately, the recognition of services as a component that could be exchanged for profit led to an increased service centered view among companies from various industries, to promote growth and operational efficiency (Baunsgaard & Clegg, 2015). However, the varied focus on SI in the literature has led to multiple perspectives and definitions of the phenomenon of SI.

Building on the definition of a service as "the application of specialized competencies (knowledge and skills) through deeds, processes and performances for the benefit of another entity or the entity itself" (Vargo & Lusch, 2004) the literature on SI can be divided into three perspectives that have emerged over time. Namely, the assimilation perspective, the demarcation perspective and synthesis perspective (Coombs & Miles, 2000).

The basic idea of the assimilation perspective is that SI is fundamentally similar to product innovation. In contrast, the demarcation perspective promotes the approach that SI is highly distinctive from product innovation and that SI often constitutes a small process adoption, rather than a radical innovation. Lastly, the synthesis perspective provides an integrated perspective suggesting SI encompasses innovation processes, such as developing new skills, and innovation outcomes of varied novelty levels in both services and manufacturing firms (Witell et al., 2016). This is the most predominant understanding of SI today. The synthesis perspective established the general acceptance of services as an important driver of economic growth and competitive advantage, which made the question whether SI is different or similar to product innovation less important (Kindstrom et al., 2013). In other words, the synthesis perspective offers a multidimensional approach to innovation that is applicable to both manufacturing and service firms as a means to reach competitive advantage (Gallouj & Djellal, 2010; Kindstrom et al., 2013).

In our view, SI defines a new way of creating value for customers meanwhile the novelty of the service innovation either can be new to the firm, the industry, country or the world. Furthermore, we believe SI potentially concerns all companies and is not restricted to companies working in the service industry. Hence, we have decided to adopt the synthesis perspective and will adopt the definition of SI introduced by Den Hertog et al. (2010) as follows: “A new service experience or service solution that consists of one or several of the following dimensions: new service concept, new customer interaction, new value system/business partners, new revenue model, new organizational or technological service delivery system”. According to Den Hertog et al. (2010) an innovation can involve one dimension only, but often a SI is multidimensional. Therefore, SI often encompasses simultaneous innovation efforts along several dimensions (Gallouj & Djellal, 2010).

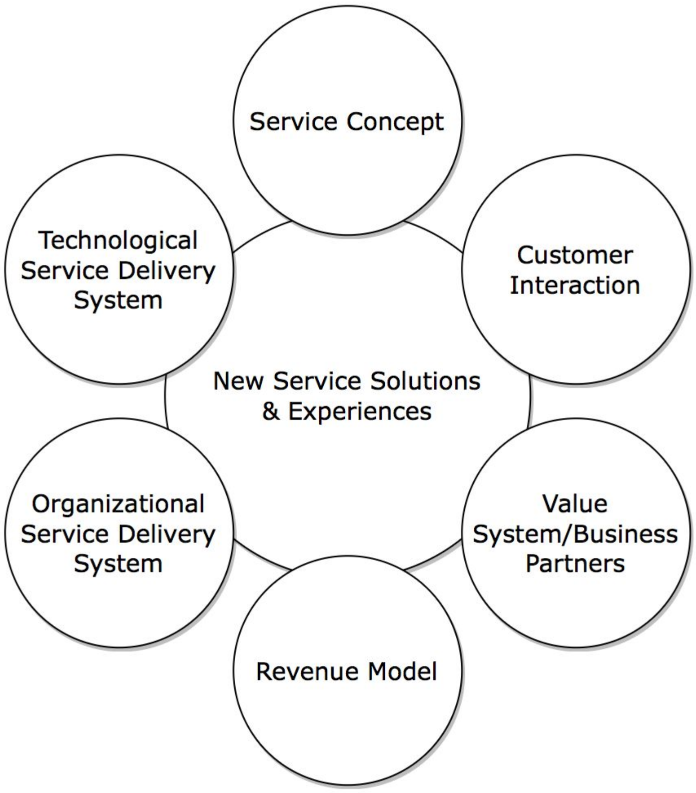

Figure 1, dimensions of service innovations based on the work of Den Hertog et al. (2010).

The new service concept refers to a new way of solving customers' problems or better meeting customer's needs. According to Den Hertog et al. (2010) this is often accomplished by combining existing services in a new configuration.

New customer interactions refer to innovation in the interaction process between customers and the service provider. In this dimension, the current customers may be an important source for innovation efforts to result in increased value for the customers. Hence, the authors suggest firms to consider the alternative to co-producing new services or concepts with customers.

New value systems/business partners refer to SI made in co-production with external business partners (Den Hertog et al., 2010). New services important to the firm can advantageously be made in collaboration with external parties, as it provides the firm with resources and networks needed in order to innovate effectively.

New revenue models refer to innovations in the firm's revenue model in order to effectively charge for the new service or service concept (Den Hertog et al., 2010). When multiple actors are involved, it is especially important costs and revenues are aligned.

New organizational service delivery systems describe the alignment of management and employees in order to enable SI (Den Hertog et al., 2010). The dimension may require new organizational structures and team skills if the firm is to develop and offer innovative services.

Lastly, the new technological service delivery system refers to the application of new technologies to allow for improved use of services (Den Hertog et al., 2010). Predominantly, but not exclusively information technology that may provide the firm with new interfaces and solutions for service production and delivery.

2.2.1 The Nature of Service Innovation

Although the synthesis perspective of SI offers an all-encompassing definition of the concept, some inherent features of services cannot be neglected. SI is fundamentally different from product innovation due to services inherent intangibility, perishability and heterogeneity due to customization (Coombs & Miles, 2000). Services are produced, delivered, and consumed simultaneously, which means they cannot be stored or resold (Randhawa & Scerri, 2015). As a result, the outcome of SI and the process of development is hard to distinguish. Consequently, SI requires a more dynamic approach and different capabilities than for that of product innovation (Trott, 2012; Baunsgaard & Clegg, 2015).

Successfully implementing SI requires organizational knowledge and practices to manage the broad set of activities needed in order to innovate on multiple dimensions (Den Hertog et al., 2010; Kindström et al., 2013). Essentially, SI is mainly created through intangible resources and processes such as knowledge and learning (Baunsgaard & Clegg, 2015). Producing a new service requires a high degree of interactivity between the service supplier and the customers, as the new service needs to be tailored to different service contexts (Den Hertog et al., 2010;

Kindström et al., 2013). In addition, SI is generally tested in the actual market rather than in the research and development laboratory due to their intangibility (Randhawa & Scerri, 2015). Hence, while product innovation to large extent rely on technological expertise and professional capabilities to create novelty, SI largely relies on human capital capabilities such as interpersonal skills (Baunsgaard & Clegg, 2015) and specific dynamic capabilities for SI (Coombs & Miles, 2000; Den Hertog et al., 2010).

2.3 Dynamic Capabilities

Organizational dynamic capabilities are defined as the capacity to deploy resources in different combinations to achieve desired outcome (Qaiyum & Wang, 2018). The resource-based view and the dynamic capability view have according to Qaiyum & Wang (2018) focused on two broad categories of organizational capabilities essential for business performance. That is, ordinary capabilities and dynamic capabilities. Ordinary capabilities are responsible for exploiting a firm's current strategic assets throughout day to day operations while dynamic capabilities require the firm to alter the resource base and reconfigure competences (Qaiyum & Wang, 2018). The dynamic capabilities are very strategic and distinct compared to ordinary capabilities. Companies can extend competitive advantage by layering dynamic capabilities on top of their ordinary capabilities (Teece, 2012). Strong dynamic capabilities are crucial to future success, especially when breaking ground for new markets or new product categories (Teece, 2012).

The concept of dynamic capabilities was agreeably first introduced by Teece et al. (1997) with the purpose of trying to explain how successful firms manage to adjust and succeed in competitive environments (Qaiyum & Wang, 2018; Bendig et al., 2018). Enterprises that achieve strong dynamic capabilities are extremely entrepreneurial (Teece, 2007). Dynamic capabilities enable businesses to create, deploy and protect their intangible assets and support long-term performance. The underlying acquisitions of talent, skills and knowledge in combination become factors for building dynamic capabilities, which facilitates the process of enactment and development.

The basic definition of dynamic capabilities is defined as “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Teece, et al., 1997, p. 516). It reflects the firm’s ability to achieve and innovate new ways to attain competitive advantage (Leonard-Barton et al., 1992). Examples of dynamic capabilities are abilities that enable and facilitate product development, strategic decisions and alliances that create value for firms in dynamic markets (Chirico & Nordqvist, 2010; Chirico et al., 2012). The *dynamic* component refers to the constant change and renewal to adapt to the business environment, and the *capabilities* refer to the ability to reconfigure internal and external resources, competences and skills to match the changing environment (Ambrosini & Bowman, 2009). It is the firm’s potential to solve problems, by firsthand identifying opportunities and threats, and make timely market-oriented decisions to be able to change their resource base accordingly (Roy & Khokle, 2016; Eisenhardt & Martin, 2000; Teece, 2012). These dynamic capabilities are generally divided into three separate actions, namely, sensing, seizing, and transforming (Teece, 2012). A company first uses its dynamic capabilities to identify and assess an opportunity, then mobilize their resources to address the opportunity, and then continue to renew procedures in order to gain a competitive advantage in the marketplace (Teece, 2007).

2.3.1 Dynamic Capabilities and Family Firms

The role of organizational knowledge has shown to be a crucial component for dynamic capability building in family firms. The one thing that ultimately gives an organization competitive advantage, is what it knows and how fast it can learn new things (Chirico & Nordqvist, 2010). However, having knowledge is crucial, but rarely enough to sustain competitive advantage, as it also requires that organisations build dynamic capabilities to better use their resources. These capabilities are embedded in organisational processes, which allow transformation of resources that require change. Therefore, family firms need to develop change capabilities in order to deploy resources over time, but also to remove resources, since they can become obsolete in developing markets (Chirico & Nordqvist, 2010).

Family firms' dynamic capabilities result from the mechanism of knowledge sharing, experiences, and collective learning that transfer through recombinging resources (Chirico et al., 2012). However, since family and business life are not always separate in family firms, the family system has been found to impact the resource combination process (Chirico & Nordqvist, 2010). Because of this, in order to realize the potential value of the dynamic capabilities, effective strategies of the bundling and deployment of resources is especially necessary in family firms (Chirico et al., 2012).

Another important factor for building dynamic capabilities in family firms, is family firm's SEW preservation. The family firm literature acknowledges that preservation of the family dynasty and values through the firm foster firm commitment that build capabilities (Barros et al., 2016). As the business family is emotionally, economically, and socially attached to the firm, they develop unique learning mechanisms that are difficult to replicate (Barros et al., 2016). Hence, gains or losses of family SEW represents the main frame of reference that family firms use when making strategic choices. In other words, the business family will make strategic decisions when building dynamic capabilities to preserve their SEW (Barros et al., 2016).

2.4 Dynamic Capabilities for Service Innovation

Service innovators must introduce and exploit SIs repeatedly in order to gain a competitive advantage (Kindström et al., 2013; Baunsgaard & Clegg, 2015). At the same time, sustained SI requires firms to develop various dynamic capabilities. Hence, dynamic capabilities conceptualized by Teece (1997) are key concerns for many firms today and some researchers cite them as key drivers of consistent high performance over time (Kindström et al., 2013). However, research aimed to define needed dynamic capabilities for services have mainly been conducted in the context of manufacturing firms about to move to a service-oriented business model (Filser et al., 2016; Kanninen et al., 2017; Saul & Gebauer, 2018). Therefore, building on the dynamic capability perspective, only a few contributions in the field of research have been aimed to define relevant sets of capabilities for the specific process of implementing SI in service firms (Kindström et al., 2013; Den Hertog et al., 2010).

A recognized conceptual framework for SI strategy is the six-dimensional framework introduced by Den Hertog et al. (2010) proposed as a representation of a firm's capacity to acquire and apply new knowledge in novel services. The dynamic capabilities can be considered a complement to the more generic dynamic innovation capabilities (Randhawa & Scerri, 2015), yet they better grasp the idiosyncrasies of intangibles as they are aimed to foster SI in a sustained way (Janssen et al., 2016). The six dynamic capabilities emphasize signaling user needs and technological options for identifying unmet user needs, dominant trends and new technology configurations; conceptualizing capacity for testing and successfully implement the new service or service configuration; bundling capacity for creating smart service combinations; co-producing and orchestrating for organizing coproduction and acting in open service systems; scaling and stretching for spreading awareness through branding and communicating service offerings; and lastly learning and adapting for sustaining the SI process.

A more recent study made by Kindström et al. (2013) found ten microfoundations of dynamic capabilities that can enable and facilitate SI in both product centric firms and firms within the service sector. The eleven microfoundations of dynamic capabilities found in the authors multiple case study overlap and extend the dynamic capabilities introduced by Den Hertog et al. (2010) and describe the analyzed behavior of individual firms linked to the dynamic capability processes of sensing, seizing and transforming. Hence, the authors highlight how the identified dynamic capabilities for SI are connected to the different dynamic capability processes. The sensing microfoundations refers to sensing activities related to identifying opportunities internally and externally in the service system. The seizing part describes the importance of managing and structuring service processes and adopting new revenue mechanisms. Lastly, the reconfiguration part describes the importance of orchestrating the service system. Although the framework is conceptualized in the context of manufacturing firms, Kindström et al. (2013) argue that the approach can facilitate and support SI also in service intense firms. Hence, we decided to combine the framework of Kindström et al. (2013) with that of Den Hertog et al. (2010) to provide a thorough understanding of the dynamic capabilities needed for SI.

Dynamic Capability Process	**Dynamic Capability for Service Innovation**	**Description**
Sensing	Signaling dominant trends Signaling user needs Signaling technological options	See dominant trends, unmet needs and promising technological options for new service configurations.
	Internal service sensing Service system sensing	Detect opportunities emerging from decentralized initiatives and external partners in the service system.
Seizing	Manage internal and external resources	Structure internal and external resources to seize and exploit identified opportunities.
	Co-develop new services with customers	Co-develop new services with customers to understand value propositions.
	Conceptualizing new services Bundling new services	Conceptualize and bundle new services to deliver value propositions.
	Adopting new revenue mechanisms	Visualize the value of new services to develop new revenue models.
Transforming	Orchestrating the service system	Manage and transform the service system of processes and competences to facilitate service innovation efforts.
	Co-producing new services	Manage and act in temporary partnerships and alliances to co-produce new services.
	Scaling and stretching	Scale up successful service innovations to increase efficiency and brand association.
	Learning and adopting	Learn from service innovation efforts in order to adapt the overall service innovation process.

Figure 2, dynamic capabilities for managing service innovation based on the work of Den Hertog et al. (2010) and Kindström et al. (2013).

Kindström et al. (2013) suggest that firms that look to SI to generate opportunities for enhancing the value of their services foremost require sensing activities and competences for generating opportunities. According to Den Hertog et al. (2010) that is the *capability to see dominant trends, unmet needs and promising technological options for new service configurations.* In turn, in order to capitalize on identified SI opportunities, firms need to build organizational skills and employ resources. That is, the *capability to structure internal and external resources to seize and exploit identified opportunities* (Kindström et al.. 2013). Lastly, in order to sustain SI processes over time, firms need processes and competences that will allow them to transform and reconfigure their resources. That is, the *capability to manage and transform the service system of processes and competences.*

2.4.1 Sensing Capabilities for Service Innovation

Sensing customer needs refer to the ability to understand and capture customers' service demands (Den Hertog et al. 2010). When it comes to the hospitality sector, focusing on customers' needs have been found to positively influence hotels' innovation behaviour and directly affect financial performance, customer retention and reputation (Grissemann et al., 2013). In line with these findings, Kindström et al. (2013) suggest that building up deep customer knowledge, new organizational roles, and processes to continuously capture customer demands is a prerequisite for creating customer value.

Sensing capacity for SI also includes *scanning and exploring technological frontiers* that might generate SI opportunities. Both learning about and adopting information technologies can generate opportunities for new services and service development processes (Kindström et al., 2013). For instance, technological options can provide new ways of interacting with clients, on demand production, enriching service dialogues or offering opportunities for customized services (Den Hertog et al., 2010). Such improvements of the service portfolio sometimes also go hand in hand with new options for self-service.

Moreover, Kindström et al. (2013) emphasise the need for firms to *build internal sensing capacity* to detect opportunities emerging from decentralized initiatives. This includes employing activities to capture ideas and initiatives within the firm, to recognize service initiatives that otherwise would get limited attention from the firm management. The authors also highlight the need for building up an understanding of the firm's service system as a whole. *Service system sensing* includes gaining an understanding of partners, suppliers and other key actors, such as consultants, as they might be advantageously involved in the process of developing new services. This, since involvement of other parties in the development of new services can constitute a source of sensing SI opportunities and allow for co-production.

2.4.2 Seizing Capabilities for Service Innovation

To capitalize on new services opportunities, firms need to have the ability to *manage internal and external resources* in the organization. Obtaining a productive service delivery process requires firms to use its resources wisely, in order to reach a balance between service quality and cost efficiency (Kindström et al. 2013). The process includes making decisions of what services to maintain inhouse and what to outsource. Similarly, Hertog et al. (2010) suggest new services may require new organizational structures, personal capabilities or team skills.

Involving customers in the creation of a new service or service concepts is also an important part of sensing and seizing SI, as it aids in tailoring the service to meet the customer's needs (Den Hertog et al., 2010). In fact, *co-developing new services with customers s*eems to be a means to overcome size deficits in family-run businesses (Pikkemaat & Zehrer, 2016) given that the service experience is appropriately managed by collecting and evaluating relevant data on customers' needs, expectations and satisfactions. Thus, co-developing with customers can make the firm understand, visualize, and ultimately deliver value. However, this process requires interactions with customers and other actors in the service system. Firms should therefore strive to build interaction capabilities and be open-minded for changes in order to exploit opportunities found in service interactions, in order to change together with customers (Kindström et al., 2013).

Den Hertog et al. (2010) also highlight that *conceptualizing new services* including designing, prototyping or testing intangible innovations is a specific capability necessary for service innovators. This, as services cannot be developed and tested in the same way as physical goods. This, as it is impossible for a customer to assess the experience of a service in advance, service innovators need the ability to turn an idea of a new service into a viable service offering. This often requires the firm to think out of the box and combine new and old service into smart service configurations, also called bundling. Being able to *bundle services* is another important capability for service innovators. This means creating smart service combinations that allow for customization. For instance, allowing customers to select standardized services in combination with other services in order to provide highly specialized services.

Finally, for a firm to truly seize on a SI, it has to generate revenue from the new service or service concept (Kindström et al., 2013). Hence, SI also requires firms to *develop new revenue models*, which refers to the ability to visualize the value of a new service or service process for the firm's customers (Den Hertog et al. 2010). Many new service ideas fail early in the process as costs exceed the new services potential revenue (Kindström et al., 2013). Developing a revenue model that fit the new service concept takes experimentation to find what value customers are interested in (Den Hertog et al. 2010). Often, it also includes a shift from a standardized revenue model towards a more customized revenue model.

2.4.3 Transforming Capabilities for Service Innovation

Firms need to manage and transform the service system in which opportunities for new services are generated and realized to gain a competitive advantage from SI. Therefore, firms need the capability of *orchestrating the service system* to extend the use of internal resources and form alliances to incorporate needed resources and knowledge According to Kindström et al. (2013) this is one of the most complex competencies demanded for SI as it requires pronounced changes. Orchestrating, also known as alliancing, often includes reconfiguration of resources, roles, locus of control and power in the service system. However, the authors argue that firms should reconfigure roles in the organization to increase emphasis on value creation in the service system. Further, Hertog et al. (2010) suggest that firms should engage in alliances and networks as it makes them invested in a set of actors that could be potential partners for developing new services, service experiences or solutions in the future.

Managing and engaging in networks is a key dynamic capability according to Den Hertog et al. (2010) for being able to bring new concepts of services to the market, since it corresponds to a key characteristic of SI. That is, that services often constitute multiple service elements and involvement of different service providers. Therefore, firms that look to SI also need the capability of *co-producing new services* with key partners and other service suppliers. According to the authors, value creation takes place in networks of service providers, service partners and customers. Hence, being open towards co-developing and co-designing new services or service configurations with external partners is vital in order to deliver value to the end customer.

Another dynamic capability for SI is the ability to scale up successful SIs to increase efficiency and brand association. Den Hertog et al. (2010) refer to this capability as *scaling and stretching* which means the firm needs to introduce new services and service concepts firm-wide in order to fully gain a competitive advantage from SI. The scaling process requires that firms make their innovative concepts and practices that their realized SIs constitute available to the entire organisation, as a means to create consistent service experiences. In turn, the stretching process requires the ability to build up a service brand that customers associate with certain sets of services of value and quality. According to the authors, building a strong service brand is essential for stretching the core service offering. That is, launching new service concepts or entering new, related service markets. The authors emphasize that although branding might require substantial investments and a consistent strategy, it allows for replication and further exploitation of realized SIs through stretching the firm's service offerings.

The last dynamic capability for SI is *learning and adopting* the way SIs are managed. Den Hertog et al. (2010) define this capability as the capability to deliberately learn from how SI is currently managed at the firm, in order to adapt the process in which new services and service concepts are created. In other words, learning and adapting refers to evaluating and improving the SI process. Similarly, Kindstrsöm et al. (2013) emphasise the importance of organisational learning for transforming values, norms, and business logic and adapt more effective behaviours. In practice, learning and adapting require willingness to change, consistent evaluation efforts (Kindstrsöm et al., 2013) and experimentation of existing business models, bundling offers and the firm's overall processes (Den Hertog et al., 2010).

3. Methodology

This section presents the philosophical approach, research design, case selection and method for data collection for this study. It also depicts our analytical approach as well as a presentation on how we protected the integrity of the study.

3.1 Research Philosophy

Philosophy is an old word that roots back to ancient Greek history, and it translates to love and compassion for wisdom (Easterby-Smith et al., 2018). Understanding research philosophy is highly beneficial in order to understand the performed research better. It helps to clarify and set out specific research designs and pave the way for analyzing results in a way that challenges already pre-existing assumptions (Easterby-Smith et al., 2018).

Philosophy can be categorized into two parts. Starting with the core, ontology, which is a philosophical assumption about the nature of reality (Easterby-Smith et al., 2018). Following is epistemology, which is the second layer to research philosophy where there is a general set of assumptions that we acquire into the world, which corresponds to the philosophy of knowing and understanding (Easterby-Smith et al., 2018). We believe that the existing gap in the literature of this research calls for an epistemological approach since it aims to understand the underlying factors of how family influence impacts dynamic capabilities for SI.

However, within epistemology there are two different viewpoints, positivism and social constructionism. According to Easterby-Smith et al. (2018) these are two contrasting views. Positivism has a key idea that the social world exists externally, and that its possessions should be measured through objective methods. In contrast, a social constructionist view has the theory that the reality has to be determined and given meaning to by the people in it (Easterby-Smith et al., 2018).

It has already been established in the literature that there is a connection between family influence and innovation capacity. This paper will therefore explore and exploit the given topic through constructionistic eyes, and thereby be able to build our own set of understanding regarding the presented topic, with respect to already existing literature. Furthermore, the perspective of social constructionism falls under the philosophical orientation called interpretivism (Suter, 2012). This orientation honors the understanding of the entire phenomenon via the perspective of those who live and make sense of it, and actually construct its meaning and interpret it personally (Suter, 2012). Interpretivism usually calls for in-depth interviews where the main idea is to give rich detail, meaningful and historical context and experiences, and analyze the emerging themes, patterns and insights to an understanding (Suter, 2012; Bluhm, et al., 2011).

3.2 Research Design

Qualitative research has the main goal to uncover emerging themes, patterns, concepts and insights (Suter, 2012). Due to the nature of the phenomenon we intend to examine, this study will be conducted through a qualitative approach. Qualitative studies often use analytical frameworks to understand an underlying process, or sequence of events to understand how they relate (Suter, 2012). Therefore, the approach calls for recognizing an existing gap or problem in the body of literature (Easterby-Smith et al., 2018). Qualitative research follows by creating a research question, collecting data, analyzing data, and the concluding findings (Easterby-Smith et al., 2018). We decided to use a qualitative approach since we wanted to get a deeper understanding of the connection between above stated. This approach will help us rely on received information in the natural context to uncover its underlying meaning (Suter, 2012). Moreover, Bluhm et al. (2011) argue that qualitative research is distinguished by the revealing process in the organization and trying to understand the deeper meaning.

Furthermore, qualitative research gives the researcher the ability to uncover the underlying meaning in its natural context, and explain its meaning by descriptive, exploratory, or explanatory procedures, although not intended to generalize to the larger population as large scaled surveys would (Suter, 2012). However, pursuing a qualitative methodology will allow us to go back to the literature and adapt and add to our concept, which will allow for further elaborating on collected data in the analysis (Bluhm et al., 2011). Qualitative research values case studies because it is a methodology which emphasizes the importance of deep learning, and is particularly valuable when illustrating new ideas, emphasizing concepts and demonstrating significance (Easterby-Smith et al, 2018). Due to the subject that we want to investigate, we find this method arguably suitable. Hence, his paper will follow a single case study method. The case has been selected in a purposive manner since we aim to examine the applicability of existing body of literature (Easterby-Smith et al., 2018; Suter, 2012) on a family owned SME in the service and hospitality industry in Sweden.

We chose a single case study approach for this study as it allows for in-depth examination of a specific phenomenon (Easterby-Smith et al., 2018; Babin & Zikmund, 2010). The approach is highly relevant for the purpose of this study, as we aim to investigate the role of family influence on the specific dynamic capabilities for SI, which has yet not been studied. In addition, a single case study approach often derives rich, context-specific findings. Further, by extracting more abstract levels of ideas from single case studies, they can in fact be generalized and transferred to greater contexts (Bluhm et al., 2011). Therefore, conducting a single case study was decided based upon the purpose of the study and our intention to explore the stated phenomenon in-depth in a specific context.

A case study can be divided into two sections, instrumental and expressive (Easterby-Smith et al., 2018). Instrumental case studies look at specific cases in order to develop general principles. Expressive studies involve investigating cases because of unique features. The findings may or may not be able to be generalized and transferred to another context, although abstract ideas will (Easterby-Smith et al., 2018). Hence, this paper will involve the perspective of an expressive case study. This, since the subject of family influence on dynamic capabilities has previously been researched and discussed in a broad context, but has not been elaborated and explored in the hospitality industry on SMEs, with the specific purpose to observe family influence on dynamic capabilities for SI.

The qualitative approach for gathering primary data is through purposive or non-probability sampling (Easterby-Smith et al., 2018; Suter, 2012). In purposive sampling there is less emphasis on the generalization from the sample to the greater population, but greater attention to yield potential insight from its illuminative and rich informative source. This, to be able to maximize value of data for theory development and uncover potential relationships

(Suter, 2012). As we will mainly be focusing on theory and theory development, we will gather data through purposive sampling, since it gives authors the possibility to further extend light on theories that could explore and develop the literature further (Easterby-Smith et al., 2018). In addition, we will gather secondary data through peer reviewed articles, scientific books, and reports through utilizing databases such as web of science, google scholar, and company websites.

Qualitative research mostly follows an inductive approach as supposed to deductive (Suter, 2012). This is because explicit theories are not imposed on the data in a test of a specific hypothesis. Rather, it allows the data to tell its own story by emergence of conceptual categories and descriptive themes (Suter, 2012). However, another approach that is closely related is the abductive approach, which is highly useful when the objective is to discover new variables, and relationships (Dubois & Gadde, 2002). This paper is using an abductive approach since we draw several assumptions from the observations, and it is up to the researcher to excerpt and conclude with complete explanation (Dubois & Gadde, 2002).

This approach offers advantages such as it offers the possibility to extend the case or change direction when the insights point in such a direction. Hence, the approach paves the way for providing a deeper understanding of processes in organization when letting the case evolve throughout the way (Dubois & Gadde, 2002). Our main idea is more related to development of theory, rather than confirming theory, since we have encountered empirical phenomena that have not yet been fully established in the literature and theories. In addition, this approach also allows us to create new developed combinations, which is a mix of established theoretical models and concepts and new findings (Dubois & Gadde, 2002).

3.3 Case Selection

In order to thoroughly examine how family influence impacts family firms' dynamic capabilities for SI, we found it crucial to sample our single case study based on purposive selection. The method is effectively used in qualitative research as mentioned above. Hence, we purposely selected a family firm within the hospitality industry for our case study based on a set of criteria. The company chosen is a family firm SME operating in Sweden in the hospitality industry. The company met our fundamental criteria for selecting a case.

Firstly, the firm is a family controlled firm with 4th generation present in the firm. It is a company that shows dynamic movement since it has experienced succession across three generations so far, which will allow us to examine relevant experience in regard to family influence on the firm. Secondly, the firm is a SME, operating in the Swedish market for the hospitality industry with SEW ties present. Thirdly, it is present in the service industry where the competition is intense, and there is pressure for SI. And lastly, the company has experienced tremendous growth the past few years, through innovation which serves the purpose for exploring the use of their dynamic capabilities. This will allow us to examine the dynamic capabilities for SI of the firm for and the role of their family influence on these capabilities.

Based on these criteria, we believe that the company is arguably suitable for the study. We also assume that the research can be reasonably applicable to similar companies in the same industry. This with respect to the company showing the same characteristics for family firm influence on dynamic capabilities for SI that we have stated above. Even though a constructivist case study cannot assume the truth and findings to be fully transferable to other cases (Easterby-Smith et al, 2018; Suter, 2012), its aim is to enable authors to create a deep understanding of how family influence impacts dynamic capabilities for SI.

3.4 Data Collection

Our aim is to get deep insights into the organization to be able to explore the role of family influence on dynamic capabilities for SI, and for that we will gather primary data. Primary data has the advantage that the researchers can have control over the content (Easterby-Smith et al., 2018). Further we will also be gathering secondary data to complement the findings.

3.4.1 Primary Data

Considering the topic of our research we decided to collect primary data through semi-structured interviews within a case study approach. This approach allows researchers to observe and uncover underlying meaning where new themes can emerge (Easterby-Smith et al., 2018; Suter, 2012). The approach is based on a looser framework where the respondents are asked guided open-ended questions where a selection of topics are covered (Easterby-Smith et al., 2018). A structured or unstructured approach would not serve our purpose since too much structure would risk missing underlying themes with predefined structure, or that we simply do not get useful information from individual conversation where the respondent direct the conversation in an unstructured approach (Easterby-Smith et al., 2018).

Before the interviews were conducted, we created an interview guide that can be found in appendix 1, with the aim to uncover the themes of our study provided in our frame of reference. We aimed to gather information through our open-ended questions that were created for the respondents to further elaborate on. The questions were created to be able to uncover new themes and to be able to analyze how family influence affects the specific dynamic capabilities for SI. Hence, the purpose of the questions included was to identify abilities to sense and seize opportunities for SI and ability to transform processes and competences in the firm to facilitate SI efforts. To investigate the role of family influence on these capabilities further, we were also interested in the interviewees' perceptions of the family involvement in the firm, their goals and perceived challenges. Thus, questions related to family influence were also included in the interview guide.

The interviews were conducted with different people throughout the organization. Family owners across two generations, non-owning family members across three generations and employed non-family members. The interviews ranged from 50 to 75 minutes in a combination of virtual and present setting. They were conducted close in time, only five days apart. This was an advantage for us to gather unbiased information, also considering the rapidly changing times of Covid-19. This allowed us to ensure the situation in the society, and also that the business remained rather similar throughout the period the interviews were conducted, which calls for more unbiased answers.

The interviews were conducted in Swedish and translated to English for the purpose of this paper. This, since we found it important that the respondents' answers would not be biased to the language barrier, since some were not comfortable with the English language. Hence, that is arguably a limitation to the study, as the exact wording and meaning may not be able to be replicated in a different language. Yet, the fact that the in depth interviews were conducted within the same period of time allow for comparison of the respondents' views of the studied phenomenon at the time. Moreover, some interviews were conducted partially virtual, some were conducted fully virtual. This, due to the reason of us authors being present in different cities, as well as the respondents - and with respect to the regulation of covid-19 and those in risk groups. Please see below for further information regarding the interviews.

Interview	Position/ relationship	Active in daily business	Owner	Gen	Time	Presence
A	Employee	Yes	No	4	58:17	Respondent present / one author present / one author skype
B	Board Member	No	Yes	3	60:38	Respondent present / one author present / one author skype
C	Deputy	No	Yes	3	51:05	Respondent present / one author present / one author skype
D	Employee	Yes	No	n/a	56:10	All Virtual - Teams
E	Deputy/ Employee	Yes	Yes	3	51:37	Respondent present / one author present / one author skype
F	Board member/CEO	Yes	Yes	3	50:03	Respondent present / one author present / one author skype
G	Employee	Yes	No	3	54:08	Respondent present / one author present / one author skype
H	Employee	Yes	No	n/a	59:29	Respondent present / one author present / one author skype

I	Board member	No	Yes	2	55:11	All Virtual - FaceTime
J	Employee	Yes	No	n/a	58:48	Respondent present / one author present / one author skype
K	Board member	No	No	n/a	73:36	All Virtual - FaceTime

Figure 3, overview of the eleven respondents.

Each interview started out with a presentation of the broad theme and purpose of the study. And before each interview, an informed consent was reached to ensure the interviewees that we act ethically correct (Easterby-Smith, et al., 2018). After that, we proceeded to ask if they had any questions before starting. The interview continues with general questions, to be able to capture some more information about background. Further, we asked open ended questions about family influence, and SI which could also help us spot the dynamic capabilities. Continuing, throughout the interviews we were able to better understand the concept and themes. However, we have made sure the analysis will only be based on distinct materials from quotations which aims to depict our analysis. We also informed the participants how the research would continue and offered to provide them with the concluded research when finished.

3.4.2 Secondary Data

Moreover, we have also gathered secondary data as a complement to our primary data in the form of a company report concerning the selected case company's stated firm goals and vision. Gathering secondary data as a complement to primary data is valuable as the analysis of the secondary data provides a source of new insights. Further, secondary data related to the case can confirm, modify or contradict primary data, resulting in more robust research findings (O'Gorman & MacIntosh, 2015).

3.5 Data Analysis

With respect to our philosophical considerations and the aim of our exploratory study of family influence and dynamic capabilities for SI in Company Z, we opt to conduct a single case analysis (Easterby-Smith, et al., 2018; Ayres et al., 2003). As earlier mentioned, case studies are commonly applied in business research as it allows for in-depth examinations (Babin & Zikmund, 2010). Within qualitative data analysis of cases include open coding and creation of categories for inductive approaches (Elo & Kyngäs, 2008), where data is allowed to speak for itself, by the emergence of descriptive themes and categories (Suter, 2012).

However, we are conducting an abductive approach which can also be combined with case analysis (Dubois & Gadde, 2002). Qualitative researchers become skilled at coding, forming categories, and linking categories that can be interpreted as derived frameworks with reference to previous theory (Suter, 2012). Many interpretations are typically considered before the researcher builds a coherent argument, which they try to do in the most transparent way possible, revealing how the conclusion is reached so that others can interpret the validity of the study (Suter, 2012).

We started by transcribing all interviews to be able to lay ground for open coding in two parts codes. We firstly analyzed the interviews and coded them and then grouped the codes into emerging categories, to be able to structure, and understand the raw data better for analysis (Suter, 2012). We then depict the analysis by formulating a general description of the different data in each category (Elo & Kyngäs, 2008). Throughout this process we were continuously looking for recurring coded information and connections across the data and between the different codes (Bell & Bryman, 2007). These themes were then used to address the research question (Suter, 2012). How data emerged can be found examples of in Appendix 2. In order to make the reasoning in the analysis comprehensible, the abstractions made are supported by quotes from primary collected data (Elo & Kyngäs, 2008). We were then able to develop a framework based on our findings of the impact of family influence on dynamic capabilities for SI, which is presented in our discussion.

3.6 Trustworthiness

In order to establish trustworthiness in this paper, several measures have been taken. There are differences between quantitative and qualitative studies when it comes to trustworthiness. Qualitative studies need to establish this by following a set of criteria (Easterby-Smith, et al., 2018). Qualitative researchers commonly agree that trustworthiness is evident by establishing trust in the following criteria: transferability, dependability, confirmability, and credibility (Suter, 2012; Lincoln & Guba, 1985). However, due to limited time-frame and scope of this research, these criteria cannot be fully satisfied. However, considerable efforts are taken to be able to satisfy them to the highest possible standard.

Following the above mentioned, transferability is met by conducting purposive sampling to ensure that we can provide a rich picture of the context and relevant findings (Easterby-Smith, et al., 2018; Elo & Kyngäs, 2008). Transferability is also enhanced by providing detailed descriptions that enable judgments to see fit with other contexts (Suter, 2012). Furthermore, dependability is enhanced by providing a detailed description of how the study has been conducted, and evidence is also gathered to support our claim with similar findings (Easterby-Smith, et al., 2018; Suter, 2012). Considering confirmability, it refers to objectivity, and control for researcher bias (Suter, 2012). It is an ever-present concern in qualitative research (Suter, 2012), but by providing contradictory arguments and factored into the design of the study and depicting different worldviews, we managed to enhance the confirmability. We also provide an underlying description of our epistemological approach, which lays ground for the research. Confirmability is also enhanced by consistency with quantitative research findings that reach similar conclusions and other evidence from qualitative consensus researched by peer reviewed materials (Suter, 2012), which we have provided in our paper.

Lastly, credibility is convinced through believability from the conclusions that come from the consensus of the participants, the analysis of multiple sources of data, and predictions based on relevant theoretical models (Suter, 2012). This is related to constructing validity and uncovering evidence that reveal the studies, which the theory presumes exist (Suter, 2012).

Thus, credibility is arguably the most important criterion for judging a qualitative study, and it is enhanced through a well conducted literature review in our frame of reference chapter. Accordingly, by gathering in-depth material, and getting peer-reviewed throughout the course of this thesis, we increased our level of credibility (Suter, 2012). Enhancement of credibility is also shown in the in-dept frame of reference.

3.7 Ethical Considerations

This paper holds high ethical concerns and considerations. In the past research ethics were more considered in medical research, but has lately been more predominant in business and management research (Easterby-Smith, et al., 2018). Ethics are in general concerned with following a set of principles that governs the individual's way of acting. Bell and Bryman (2007) have identified ten principles to follow for ethical practice. These include ensuring that no harm comes to participants that participate in the study, by making sure to respect their dignity, protecting their privacy and ensuring full protection of privacy and confidentiality of research data while protecting their anonymity. It also states that the researchers must avoid deception about the nature of the research and declare any financial affiliation or funding sources that can cause potential conflicts of interest. Moreover, avoiding misleading or false reporting of research findings and making sure to remain transparent and honest in the research community (Bell and Bryman, 2007; Easterby-Smith, et al., 2018; Suter, 2012).

We take several considerable measures to live up to high ethical concerns and considerations. This research actively ensures that no harm is done to the participant of the study. We ensured fully informed consent from research participants, by taking actionable measures to protect privacy, anonymity, and confidentiality of the data (Byrne, 2016). We ensured that all materials are protected, and that no third party will be able to access the data. We also provided the interviewees with the full possibility of not answering any questions that they were not comfortable answering. The interviews were also conducted ensuring that no particularly leading questions were asked to avoid becoming biased (Easterby-Smith, et al., 2018). Thus, throughout this paper, all in text citations clarify and give full credit to respective authors.

4. Empirical findings

This section aims to provide a descriptive overview of the selected case company regarding its history, industry, services provided, and the structure of the organisation. Company Z refers to the selected case of this study. This section will also depict the family structure that lay ground for the chapter of analysis.

4.1 Case Description

This section will describe the background of Company Z, both from a performance perspective, but also from a family perspective, as that is essential information to be able to understand further sections of this paper.

Company Z is a resort located in the south of Sweden. The resort provides accommodation and food services, as well as conference services, relaxation activities, and outdoor activities. During the past few years, the company has grown and they have been able to make generous investments in order to further develop their services.

The family has been in the hospitality industry since the 1960s, coming down to the 4th generation now present and operative in the firm (Interview I). It is 100% family owned with shares split between the two married members of generation two, and their four children (Interview B, C, E, F), making each of the six owners holding 16.66% of shares. Generation 2 had four sons where the three oldest (Gen 3) are married with two children each (Interview I). Generation four is between 25 and 14 years of age. The youngest son has a cohabiting partner who has previous children (Interview I, C).

Currently four out of all family members are operative in the business (Interviews E), others are not operative, but part of the board, deputies (Interview B), or non owners. Involved in daily business are generation three, first and third brother, third brother's wife, and generation four first brothers first child. Second son served as a CEO between 2006 and 2010, and the first son took over after, and is still present (Interview F, I, K). However, this has been a dynamic process, over time almost all family members have worked in the company, either full-time or part time (Interview I).

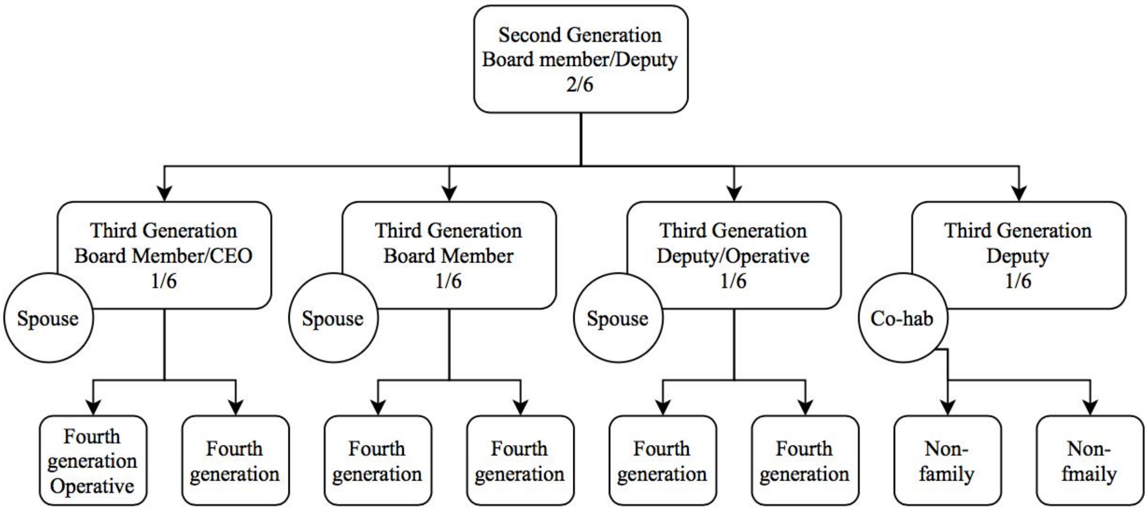

Figure 4, Family chart - Illustrated based on information from interviews B, C, E, F, I, K.

The board is composed of five people, three of the part owners, which are all family members, and two externals. The other three part owners are deputies to the board. One of the external is the chairman of the board, and he has been at his position since 2005 (Interview K). Since then a lot of work has been done to structure the company from being very family driven and unstructured, to becoming a more professional (Interview B, K). During this time the company has also made investments for over 100MSEK (Interview B, E, F, I,) which have resulted in the company doubling its revenue from around 5 years ago until today (Interview B, C, D, E, F, I, K). Up until this year, which is affected by Covid-19, the owners have been able to collect a stable dividend every year since 2016 (Interview B).

Since the family does not follow a linear line, and generation four is getting rather large, there are no clear answers on how a succession would take place. First and foremost, the succession away from generation two will take place relatively soon (Interview B, K). The inclusion of generation four is something that is not really close by in time, but something that is being discussed and touched upon sometimes (Interview E).

5. Analysis

This section aims to provide a comprehensive analysis on the collected data of family influence and dynamic capabilities for SI in Company Z. Furthermore, it aims to review the applicability of existing literature with the findings of this case.

5.1 Family Influence

5.1.1 Continuity

Continuity in a family firm context, describes the family owners desire to pass on the firm to future generations. Different manifestations and effects of long-term orientation could be observed in Company Z. Namely, long-term orientation to ensure the continuity of the firm, different levels of long-term orientation among the stakeholder groups and long-term orientation and attitude towards innovation.

5.1.1.1 Long-term Orientation to Ensure the Continuity of the Firm

A clear finding in the empirical data is the long-term orientation of Company Z deriving from the family members' approach to their business. This holds true for both the actively working family members as well as for those that are merely stakeholders, and interestingly also for non-family members working at company Z. All three groups clearly pursue their engagement at company Z with long-term outcomes in mind and are aligned with owner I, who states: "*We have been running Company Z since the 1960s in our family and we have had a long-term plan for Company Z. We are not looking for quick cash. It is a stewardship and a refinement work, you might say*". Similarly, interviewee K, external chairman of the firm, explicitly states that the firm is not perceived as mainly a source of profits, but rather as an object of stewardship that exists for the wellbeing of those involved. According to him *"[Company Z] is not perceived as something that should generate fast cash and then sell, this is something that you try to care for. The main purpose is that it should live on and be a good facility that you can be proud of. And it may be a little at the expense of the return.".* This statement confirms the findings of Miller et al. (2015), implicating business families' desire of securing the survival of the firm over time. The statement also manifests that the survival of Company Z is not only tied to monetary success, but also the preservation of the firm's culture, the business family's reputation and internal integrity (Berrone et al., 2010).

The strive for long-term orientation also becomes obvious from owner B's statement on company structure and the commitment to secure the sustainability of the firm even in times of crisis: *"We have always tried to build a solid company, which is also why we have several companies in the structure. If one company goes to hell, you can probably save the whole thing by putting new money into that company only. Worst case scenario, the family must be prepared to put in some more money."*.

This behaviour further links to the findings of Miller et al. (2015). The authors state that the reluctance among family firms to take on external capital is a well-founded strategic decision to foster the long-term prosperity of the firm. As family members are financially dependent on the success of the firm (Gomes-Mejia et al., 2007), reducing money outflows or tapping into private wealth reserves as inflows can ensure extra liquidity of the firm. As a result of these instruments, Company Z is expected to present positive digits in their annual report 2020, despite being severely affected by the pandemic covid-19. Due to the family firm's absence of responsibilities towards external shareholders, the business family is confident of its resilience as stated by owner I: "*There will be a little dip from covid-19, which may result in no yield of dividend this year, but that is part of the risk. Our Ceo F is not worried."*.

5.1.1.2 Long-term Orientation Among the Different Stakeholder Groups

While all interviewees seem aligned on their overarching goal of securing survival of the firm, their perception of what the firm ultimately should fulfill seems to differ. This is confirmed in the research of Chrisman et al. (2012) who argue that the firm members' interests depend on the extent to which they participate in the firm, which can result in diverging goals. Firm members working in the firm have their wellbeing affected by various soft factors, while non-working owners are mostly impacted by the company's financial returns. Accordingly, we found different perceptions among the active owners, non-active owners and non-family members of what role the firm should be fulfilling.

For instance, owner E proclaims that "*family welfare is the most important thing.*". Similarly, owner I emphasizes the satisfaction in collectively running the business as an important measure for wellbeing: *"The goal is that everyone in the family should think it's fun to run Company Z."*. In turn, Owner B, C and F show more concern over securing the firm's financials. Yet, in different ways. Owner B and C seem to view revenue as a prerequisite for investment and growth, while owner F seems to see revenue as a prerequisite to ensure the wellbeing of the employees and the image of the firm. Owner B states: *"You can never deny that you have to achieve your financial goals in order to develop the business and secure the company's finances, future and opportunity to invest."*. Similarly, owner C emphasizes the financial goals and stresses that *"it is important to get enough guests so we can renovate and keep the guest going."*. This understanding is shared with interviewee F who states: *"We have to make money, because we have to invest that money in the product, as we want very satisfied guests and employees."*. Yet, as he reflects upon the family goals of Company Z, owner F adds:

"I don't think everyone has exactly the same goal with their family ownership. Some may think that some quick cash is not wrong… but the important thing is that Company Z is doing well over a long period of time, and that it is a value in the firm.". This understanding is shared with interviewee K who proclaims the owners' different views on their ownership may be complicating operations in the firms: *"It can be a problem... It ranges from, with a big heart, to it is a part of my life that I could imagine letting go for money. It greatly affects how you reason on different issues."*

In turn, the employed non-family members in Company Z also seem to have different views of what the goals of Company Z are. Interviewee D states: *"Most important is that 100% of the guests come back. Looking at it from a higher level, it is not a charity."*. In contrast, employee G proclaims: *You don't just want lots of guests and money. The important thing is to keep the employees and get continuity in it."*.

Hence, while the long-term orientation among the stakeholder groups is obvious, it seems to differ depending on the position the interviewees have in the firm. According to general economic theory, as outlined by Friedman (1970, p.2) "the social responsibility of a business is to increase its profits". When it comes to family firms, this does not always hold true. For those family members and employees actively working at company Z, the firm is not only a means to financial return, but also a means to their personal wellbeing and a purpose in life (Lambrechts et al., 2017). To tie these findings back to Chrisman et al. (2012), these diverging interests of the family members is what make family firms heterogeneous, and they influence the pursued goals of the firm.

5.1.1.3 Long-term Orientations and Attitude Towards Innovation

When it comes to family firms, their strive for long-term orientation can become stagnation. Investing in innovation and adaptation to new technologies can be met by reluctance, as it may be perceived as putting the entire future of the firm in danger (Chrisman & Patel, 2012). Moreover, the business family might not want to change the firm, as they are attached to its current state (Barros et al., 2016). As a consequence, risk aversion and conservativeness are commonly observed in family firms, affecting their innovation behaviour (Li & Daspit, 2016), something we also found in our empirical findings.

A distinct finding from our empirical data, is that the willingness to change among the owning family members reflected their varied interests in the firm. The owners that did not work at the firm, seemed to be more prone towards innovation and change than the other owners. This manifested in our empirical data when we asked our respondents about perceived, major future challenges. Active owner E: *"I haven't even thought about that. Many years ago we thought we were having a great time then, and would just let it roll on. Now we think this is good. What would it give us to be further ahead in terms of new trending technologies?".* Similarly, owner and CEO F, perceived the major challenge to be that of finding competent employees rather than challenges linked to innovation. In general, active owner F did not seem to perceive innovation as a crucial means to develop and adapt the firm to the external environment. Instead, he seemed to prefer slow and predictable changes. For instance, when asked how he perceived the year long process of finalizing a large project that would provide Company Z with a winter activity, he responded: *"Good, nice and tidy. Rather a little slow and that it will be done correctly"*. In contrast, Owner B and C empazished innovation as a challenge and seem to want more realized initiatives and faster development of the firm. B states:

"[Owner C] and I, we are not in the daily operation. Because of that we probably want to see faster development than the others. They are more conservative. You can often hear that, this is how it has always worked... It can also be a strength, because if you had only let me on the board, maybe I had over-invested in innovative solutions.".

All owners seem to want to secure the future of the firm to a great extent, but again, their interests do not fully unite - which in turn seem to affect their attitude towards change and innovation. Interviewee K, chairman of Company Z states: *"We need to sustain the change that we have witnessed. We've had positive economic development, and need to continue with it going forward. It's not easy, because some owners think it's good as it is."*. This statement strengthens the analysis of the finding from our interviews with the owners and resembles with the findings from Cennamo et al. (2012). That is, that the long-term orientation found in Company Z can become stagnation.

5.1.2 Community

The desire to build a community is a distinct characteristic of family firm's that derive from the business family's desire to nurture a caring collective. Findings from our empirical data show that there is a clear social cohesion among employees and the business family in Company Z, revealing a high level of familiness in the firm.

5.1.2.1 Firm Familiness

One of the recurring themes in Company Z was that the employees and the business family referred to the firm as family friendly. According to Zellweger et al. (2010), familiness can be described as the bundle of resources and capabilities that family involvement poses on the firm, on which the firm builds an organizational identity. In turn, the organizational identity that familiness gives rise to reflects how the business family views and defines the firm (Zellweger et al., 2010). Along these lines, the business family seems to view the organisation as an extension of the family. Owner E states that they care deeply for their employees that they often hear from the staff *"that they enjoy working here"* and *"feel like a part of the family."* Similarly, owner C proclaims that *"many employees think it is fun to work here and have worked here for a long time"* and emphasizes that it is *"nice"* that everyone at the company knows each other. This understanding seems to be shared among the employees, as all of them expressed joy in working at Company Z due to the firm's cohesion. Interviewee and employee J especially pointed this out as she stated: *"It's a very good company. [The family] is caring. There are many who remain here, and that is also a sign that people are happy."*.

The obvious findings pointing towards the business family's desire to unite the organisation, is that employees enjoy working at the firm. However, from our empirical data we could further distinguish that the employees viewed themselves as extended family, which resembles the findings of Eddleston and Kellermanns (2007). When family members view their businesses as an extension of themselves, they go to great lengths to maintain a positive organizational identity. According to the authors, business families often extend their concept of family to non-family members of the firm, and make the entire organization embrace their values and goals. For instance, employee H who works with human resources states: *"Those who have worked here for a long time truly feel like extended family"*. Similarly employee J expresses that she feels like *"a part of the X family"*, which points towards the fact that there is a distinct organisational identity sprung from the familiness of the firm.

Moreover, according to Zellweger et al. (2010) a strong family identity can result in a competitive advantage, as the familiness generates stewardship behaviour from employees. This seems to be the case in Company Z, as the employees seem to take extra good care of their guests. As employee G states: *It feels family-friendly, you are close to the guest. It feels personal and I think the guests feel cared for."*. Family member and employee A confirms this understanding by stating that *"you hear about the family feeling from our staff but all our guests notice it too"*.

A negative aspect of building close relationships in a family firm however, is that it blurs the line between the private ties and professional ties (Berrone, 2010). For example, the business family can find it difficult to stay professional in relation to employees that do not live up to expectations. Along these lines, these difficulties manifested in Company Z. For instance, Family member A expressed that letting employees go is difficult since *"you do not want to disappoint anyone"*. In the same context owner B stated: *"You do not really get the same hunt for efficiency in family companies. Although we operate relatively business oriented, it is not enough"*. In conclusion, family involvement in Company Z seems to have resulted in familiness and a strong organisational identity where employees act in favour of the organisation's mission, continuity and stakeholders (Miller & Le Breton-Miller, 2006). However, the close ties between employees and the business family seem to sometimes make it difficult for the business family to prioritize efficiency and stay professional in relation to their employees.

5.1.3 Connection

Connection is a concept used to describe the business family's desire to secure lasting, generous relationships with outsiders. Findings from our empirical data show that Company Z shows strong concern for their customers and building generous relationships with partners in their community and niche market.

5.1.3.1 Desire to Build Generous Relationships with Guests and Partners

From our empirical findings it became clear that Company Z provides their services with hospitality and customer satisfaction in mind. As owner I states: *"We have always said that we should have this Company Z spirit, that we see the guest and that we are a little extra on our toes."*. Owner E seems to share this understanding as he proclaims: *"It feels family-friendly, you are close to the guest and it feels personal and I think the guests feel cared for."*. From our findings, we could further distinguish that also the employees have embraced the vision of keeping it family friendly and take good care of the guests. For instance, employee D states: *"Towards guests we create a lot of heart and security, and loyalty"*.

Moreover, the employees and business family of Company Z place great effort in ensuring their services not only meet, but also exceed their customers' expectations. The statement of owner E is a good example of this finding: *"We want our guests to feel like they are not only a guest in the line. We want them to feel important. Much of it is really woven into the marrow of our employees to really take care of the guests. Doing the little extra with the smile goes a long way! That's why we say we're a 4 star hotel, although we deliver 5 stars. And we only want to declare that we have 4 stars, because we want the guests to feel more satisfied when they leave."*. This suggests that the business family of company Z show strong concern for the wellbeing of their customers. They want their customers to feel satisfied. However, the statement also indicates that they are concerned for not being able to deliver in line with their customers' expectations. This implies that the business family shows strong concern for their reputation.

The statements of owner B and C strengthen this finding: Owner B: *"When guests come for an experience, it is important that we exceed the expectations of that experience."*. Owner C: *"Once the customer is in place, we do a lot for the customer, go the extra mile, more than you might do in a large hotel."*. These implications resemble the findings of Micelotta & Raynard (2011) and Berrone et al. (2010), who argue that family owners are sensitive to the external image they project to customers. Further, as family owners often identify the organisation as an extension of themselves, they are particularly concerned about the reputation of the firm and therefore want to ensure high quality.

Barrone et al. (2010) and Cennamo et al. (2012) furthermore suggest that family owners' concern for their reputation and image influences their desire to develop generous relationships with those in their surroundings. Accordingly, from our findings it is clear that the business family wants to build generous relationships with their customers. Owner I again: *"We go and pick up guests at the station, which is very much appreciated, for free of course. And if something happens, there is always someone in the family who can move in and help and do something."*. In addition, they seem to build lasting relationships with their customers and partners. Owner C: *"We are a family firm filled with private guests and firms that have been here for many, many years, who are used to even my mum and dad being here. They think it is very fun and nice..."*.

The business family also seems to want to secure generous relationships with external partners in their surroundings. For instance, Company Z is involved in various mutually beneficial local partnerships and has trusted consultants and suppliers in their network. And they seem to desire lasting relationships, as CEO F proclaims: *"We stick with the suppliers that have delivered to us before and that we like. For example, we have kept the same constructing firm for 12 years.".* However, securing lasting relationships with their customers seem to have grown more difficult over the years. Owner C explains: "*Now we are very large, so you can not afford to say hi to everyone. In the past, they could be guests who said, oh X how big you have become, and then you could be like 35 years when they said that.".* All in all, this suggests that the family of Company Z shows strong concern for building generous relationships with their guests and partner, but also strong concern for the reputation and perceived quality of the firm.

5.1.4 Command

Command is a concept used to describe the business family's discretion to act and make decisions independently, deriving from the family's desire to remain in control and sustaining family influence over the firm. Findings from our empirical data show that the business family of Company Z has high influence and control over the firm's operations and desires to keep the firm within the family.

5.1.4.1 Desire for Preserving Family Ties

Keeping the firm within the family is an important driver for family owners, as it means the control and wealth stays within the family (Gomes-Mejia et al., 2007). This can, apart from long-term orientation, manifest in altruistic behaviours towards family members, as owning families have been found to provide family members with jobs in order to preserve their influence and control (Gomez-Mejia et al., 2010). This holds in line with the demonstrated behaviour of Company Z, both when it comes to a desire to keep the control of the firm within the family, and the desire to provide family members with jobs.

From our empirical findings we came to understand that there are multiple family members working in different departments and hierarchy levels of the business. For instance, Interviewee G, one of the non-owning family members who works in the business, proclaims that she *"slipped in a bit on a banana peel in the marketing department"* and that she *"probably wouldn't have gotten that job if [she] was searching elsewhere."*. This was 15 years ago, yet the desire to provide family members with jobs seems to be present in Company Z also today. Owner E wants his son to take his role when he goes into retirement: *"If I quit working, I want my son to take my job."*. However, the family members, although provided with jobs, do not seem to get special treatment. Interviewee A, one of the family members from generation 4 who has been working in the family firm for two years proclaims that she is treated like a regular employee. She states: *"I do the same job as the others. That I am a family member doesn't affect that much."*.

Followingly, the employees do not seem to think this behaviour of employing family members is interfering with the better good of the company. Employee H states: *"I think that the family is good at putting the organization first, they do not operate [Company Z] based on their own winning."*. This understanding is also shared with employee J who states: *"The family here, they are like all of us, equal you could say."*. However, owner B raises an issue that comes with having family members employed in the family firm. He states: *"There it is a bit of a risk to have a lot of family involved. It is easier to place demands on externals."*. Interviewee G, who is a family member working at the firm, confirms this understanding by proclaiming: *"Clearly, kicking a family member is not as easy."*.

Overall, these findings point towards a desire to employ family members over external candidates resembling the findings of Gomez-Mejia et al. (2010) and also reveal some nepotism, which worst case scenario can lead to destruction of the firm (Debicki et al., 2016). However, the business family of company Z seem to be aware of the fact that favouring family members might result in negative consequences. Besides treating family member equally to other employees, interviewee I was one out of many family members to draw attention to the fact that there are currently four generations involved in Company Z, and to tell the saying of family firms: *"The first generation builds, the second generation reaps and* *the third generation destroys, so we have to keep that in mind.".*

5.1.4.2 Desire for Control and Influence of the Firm

The desire for control and influence of the firm is also present in the daily operations of Company Z. Our empirical findings show that the family members seem to attach considerable significance to ensuring everything goes to plan at Company Z. Interviewee A states: *"We are very much into it, the CEO especially. He goes around to all departments, listens and wants to be involved.".* Owner C expresses similar commitment: *"We are always in place, so if things get strenuous, we can solve the problem.".* According to owner B, this commitment is hard to find among externals, which is why the family has agreed on that *"the CEO should be a family member as long as it's viable.".*

One intriguing finding however, is that all members of the business family agree that the negative aspect of running the firm, is that they never really have free time. However, the business family do not seem to initiate change by appointing additional staff or resources. Ultimately, this behaviour seems to affect the firm's decision making process, resource allocation and in turn, the middle managers authority.

For instance, this manifests in the way owner E describes the negative aspects of the family firm: *"You can never really relax. It's always someone that needs you and it's not easy.".* Family member I agree: *"You are never really free"* although she adds *"but we have chosen to live as we do.".* CEO F also seems to have accepted the situation and emphasises the positive aspects of always being available: *"Owner E and I are on call around the clock. For the staff, I think it's positive that we are present, available to help when needed. Also, we don't have to have a night-port, so it saves a lot of money.".*

When it comes down to the heart of the issue, it seems like the business family is content with how things are. More precisely, they seem to enjoy being in control and have influence over the firm, which links to the findings of Miller & Breton-Miller (2005) that family members desire to act independently and therefore bridge social capital with decision making. However, the business family's desire for control seems to lead to excessive family involvement at times.

Owner C proclaims: "*Now it is not so bad anymore, but the more family members, the higher the risk of too many cooks"*. Family members I and E confirm this understanding. Former owner I: *"We try to put bands on us to not go and pick in what's not in our responsibility. I have had a bit of trouble, but I think I've improved."*. Owner E: *"If we are to run this professionally, we can't pursue control in daily operations as we have in the past."*. However, employee G reveals that this is not fully the case yet as she proclaims: *"You don't get involved in other employees' responsibilities and change too much, although the CEO may do something like that."*.

Hence, our empirical findings are also in line with Berrone & Gomez-Mejia (2012) who state that the business family as a result of their desire for command, tends to have great influence over the firm's decision making and resource allocation. This is manifested as the business family seem to run the firm top-down and are reluctant to share their control with the department managers of the firm.

Employee D put forward that there sometimes is a frustration among the employees that *"decisions are based on feelings, rather than facts"*. Especially in the past when a lot of decisions *"were made around the kitchen table"*. In his view, employees and department managers today want to be involved in the decision making, *"so if you do not set budgets and make decisions together with the employees, they will never be able to join the journey, and they won't be happy when we succeed.*". This understanding is shared with external chairman K who states: *"The department managers could take greater authority to make decisions. If you want to be able to grow without a controlling organization, they must be able to work autonomously according to the vision and goals of the company. It requires a lot of those in the lead, to dare to let go."*.

Concluding the analysis on command in Company Z, the business family's intentions for control and influence seem to result in high family involvement, both long term and in daily operations. Ultimately, this family influence seems to centralize decision making, which seems to restrict the authority and involvement of the department managers.

5.2 The Impact of Family Influence on Dynamic Capabilities for Service Innovation

5.2.1 Sensing

Sensing capability in the context of SI refers to the ability to be able to scan, recognize, and explore opportunities. That is, being able to see dominant trends, unmet needs, and promising technological options for new service configurations (Den Hertog et al., 2010). Also, be able to detect opportunities emerging from decentralized initiatives and external partners in the service system (Kindström et al., 2013).

Based on our empirical findings we see that company Z places high effort on finding out what the customers' needs are. They place high emphasis on making sure that each and every guest will be able to leave comments in a customer survey after each stay. Owner C says "*We use customer surveys*" and family member A proclaims they *"have genuine interest in hearing and finding out how the guests have experienced their stay."*. Owner E explains that not everyone will respond, but "*the ones that do answer will really tell you what they think."*. Owner B then explains that "*on the board meetings we go through all the customer surveys. We try to look at it from a helicopter perspective where we use a lot of benchmarking",* which will help identify possible opportunities, or needs that they need to fulfil. In addition, the CEO explains that *"our sales people work closely with the customers, and talk to them to make a needs analysis. We have become really good at that, and that is both for current need and future need."*.

In combination with this some respondents agree that they need to continue looking for opportunities in order to stay as competitive as they are today. Owner B believes that they need to bring in the younger generation for a broader perspective: "*We talk a lot on the board meetings about how we can bring in younger people… because we can't just think that us 45 year old men, even if we know a lot, we don't know everything… We have to try to talk to the younger generation."*. Board member K agrees: "*I have actually advised you to bring younger people into the board."*. Owner B also seconds the statement: *"We need to bring in* *the younger generation, because we will certainly benefit from them.".* Looking back a few years, family member and employee G explains: "*when facebook came around… my boss didn't want us to join since he believed that we would get a lot of crap there… but I believed that if we get the crap, it is better that we see it and can handle it and make it an opportunity… when instagram came around we were already online, so I was able to get that through.".* Understanding the younger generation is important because that is where the future customers arise from. Employee K also explains that they "*have to be where the customers are, that is how we are able to meet them and communicate with them… but I remember finding it a little funny how he reasoned being like 10 years older than me back then.".* At that time facebook wasn't a given for the older generation. Comparing that to today, not being on social media, is not even considered an option for most companies.

Company Z are not only using customer surveys as insightful information for detecting new opportunities. Owner B explains: "*We don't have anything common in the board, but I keep myself updated through different industry reports that are posted.".* In addition to reading a lot about news and trends, family member A explains that they "*use a booking system called techotel, we keep ourselves updated on how we can advance and change within techotel.".* They work together with their vendors to keep up to date, and make sure they can utilize new functions and systems. Owner I also second this, but adds: *"We also use booking companies that have knowledge of additional needs.".* In addition to this owner E explains: "*We work a lot with the different organizations in the hospitality industry, A, B, C, where we can learn a lot from each other.".* They put high emphasis on trying to learn and detect opportunities as much as possible from externals. Employee D states that they *"work with people that have a perceived knowledge of how the future will look like, listen to our guests, companies, and we also pay attention to what our vendors say.".*

When there is an opportunity, there is a system in place for how initiatives are brought up. Owner E proclaims that "*as a rule of thumb, it's the department managers where initiatives come from, we want them to first hand solve problems or initiatives together with the manager. Then the manager could bring initiatives further if required.*". Family member and employee A confirms and says that *she "first hand takes it with [her] manager.".* In addition, owner E explains that they "*are a rather flat organization.".* He adds: *"I get a lot of ideas* *and initiatives on my table as a manager, then I decide how to move further.".* Owner I explains that if *"there is an idea that lands on the CEOs table, if it's more than 100 000, then it needs to be a board decision".* However, owner and CEO F seconds and explains that " *Investments up to 100 000 sek are things I can decide myself as a CEO.".* The owners seem to work very closely in the organisation, which seem to facilitate processes. Owner B states: "*This process usually goes pretty quick since we work very closely with the board.".*

Currently Company Z is in the start of new initiatives. Family member A explains that *"many people may feel that it takes time, and is a hassle to call and book, then it might be that they don't do it at all. I actually think that online booking will generate more bookings because of that.".* In addition, all owners mention that they are looking into building a new conference facility to expand the opportunity to serve more guests with the same needs at the same time. Owner E states: "*We are looking into building a new conference facility with new modern technologies".* Owner and CEO F proclaims that "*we have identified the need for it… currently we turn down business since the average guest stays more than 24 hours, and we lack space for the transition.".* This shows that they place high emphasis on looking for opportunities that continuously seek new revenue opportunities.

Our findings manifest that it is important for Company Z to meet the needs of their customers. As such, they strive to sense customer needs. Moreover, they seem to sense incremental innovative possibilities in their industry to generate new services and revenue streams. Owner B states: "*I am always looking for innovation… for example meeting coaches... for business conferences at site we could offer them externals that could help them make their stay more effective… meet the customer in a better way to build relationships.".* This is a typical example for radical innovative, possible service offerings that can mean development and continued growth for the firm. Hence, this can be tied to the capacity to see and detect new opportunities. Even though owner B states that *"our industry is very slow… I would like to say, conservative, and it has always been conservative.... the change we have seen historically is mostly actually about upgrading technologies.".* Owner C also believes that nothing radical will happen in the industry, as he adds: "*Of course it will continue to improve with online booking and so on, but nothing radical I don't think*". In summarization, Company Z has the interest in nurturing the firm, and are able to continuously see and detect new emerging opportunities.

5.2.2 Seizing

Seizing capability in the context of SI refers to the capability to structure internal and external resources to seize and exploit identified opportunities for new services and service figurations (kindström et al., 2013). The process includes the capability to co-develop new services with customers to understand value propositions and dynamic capabilities to conceptualize, bundle and visualize the value of new services to develop new revenue models (Den Hertog et al., 2010).

Findings from our empirical data show that the business family of Company Z place great effort into structuring internal and external resources to seize identified opportunities for new SI. However, this ability seems to be relatively recently developed. Around a decade ago, the business family appointed an external chairman to the board, based upon owner B's understanding that the firm was *"in desperate need of external efforts in the corporate group in order to turn things around.."*. The decision turned out to be a turning point. Chairman K proclaims: *"When I entered the firm, it was damn shaky. There was no though behind anything you did and we were struggling from a series of bad investments. So I initiated workshops where we put together a strategy, something called Mission 2015. It acts like a small constitution. Without this directive, the family could do as they please. I slowed that down."*. This understanding is shared among the owners, and owner E expressively states: *"We are more business oriented today and by far better off."*.

The strategic choice drastically changed how the firm is run and operated. Instead of making decisions around the kitchen table, the family firm operates in line with a set vision. From our secondary data we found the aim of the vision is to increase revenue and customer satisfaction through extending service offerings and improving return on investment. The choice to appoint an independent director although it resulted in less freedom for the business family, suggests the owners favor continuity of the firm over control and influence of the firm. This suggests that the capability to structure internal and external resources derive from the business family's long-term orientation, to secure the survival of the firm over time.

Today, increased emphasis is placed on innovation efforts and analyzing customers' and employees' wants and needs to better meet demand. Our empirical findings show that Company Z about a year ago initiated a new role at the firm to manage and attract competent employees. Interviewee H, appointed to the role states: *"My job is to support the managers, especially our department managers since they also work in operations, but also listen to the needs of the employees and establish more roles if needed."*. And more recently, the firm appointed a revenue manager, interviewee J, to the marketing department for improving customer retention and customization through bundling their service offerings. *"We look at the segment to see what kind of guests we have, how and what they book. Then we draw fun statistics to find out where we make the most money and where we make less. And from that we are constantly working to find new packages and offers to our customers"*. Interviewee D who also works at the marketing department adds: *"Everything is packaged behind the scenes, take the online booking where you book by default, but outwardly everything is unique, which means we get a relationship with the guest."*. This behaviour strengthens our findings pointing towards the business family's desire to nurture a caring collective and concern for their status and reputation, which in turn seem to foster dynamic capabilities for seizing opportunities emerging from both identified customer needs and employees.

When it comes to co-developing new services with customers however, the business family and employees of company Z seem to have conflicting views on its potential value. Some interviewees agree with owner E's understanding that they *"find out what the guests want anyway"* while the other half agree with owner B that *"its great*" and that it is something they want to implement in order to increase the value of their service offerings. "*We mostly measure around our own hardware and software, and not so much about the customers specific meeting experience, something I see as a slight weakness today"*. A possible explanation to this observation, that there is some reluctance to co-develop new services with customers, is that they do not want to change the current state of the firm, something that co-developing with customers could lead to (Kindström et al., 2013). In our case, the business family seems to have a clear vision of what they want the firm to be, and they do not seem willing to compromise on what they should deliver. Interviewee I: *"Everything we do, we do with a lot of heart, we call it the [Company Z] spirit"*. In the same context owner C proclaims: *"We need to own our projects, or we won't be able to align it with the family feeling that we want to represent."*. This suggests that the business family's attachment to the firm, deriving from the emotions they associate with the firm, impacts their willingness and hence ability to co-develop services with customers.

In regards to the ability to conceptualize new services and configurations of new services, the management of company Z seems to have the ability to visualize and design new viable services based on identified customer demands. For instance, they are building a new website, have implemented a system for online booking and constantly keep the technologies they provide up to date according to demands. However, this ability is often internalized as we found that Company Z takes on external help when complimenting competencies are needed. As owner F puts it: "W*e are prone to be problem solving. We don't just assume we know everything, we ask those who know"*. However, when externals in fact are involved, realizing new services seem to take time. For instance, when Company Z set out to introduce a new winter activity, owner F proclaimed they dedicated *"almost two years to design the project and additional two years before [they] started digging anywhere"*. From our findings we found that this lengthy process was due to the fact that the family had not really come to terms with whether they wanted the change or not. Owner B: *" It took years to convenience the family that it was a good idea, they could not see how [the winter activity] would add value to them or the company in any way"*. This suggests that the family's desire to keep the current state of the firm negatively impacts their ability to conceptualize new services and service configurations.

In turn, the ability to develop new revenue models from their innovations became obvious as the introduced winter activity doubled the firm's revenues. According to statistics presented by interviewee A, the SI made them able to attract *"a new customer group"* and *"introduce new packaging offers"*. However, their ability to conceptualize and visualize the true value of their new service seems to be limited. This manifested as owner F proclaimed that they *"were unable to foresee these drastic changes in revenu"* the SI would generate. Further, a recurring observation is that the business family seems unwilling to implement additional, drastic changes, especially digital ones, as they state they value the face-to-face interactions. This, although they have noticed an increased demand for digital services, such as remote meetings and availability to check-in online. Owner and CEO F: *“We represent the personal meeting, and that will always beat digital meetings”.* Owner D: *“We will use the technical development to our advantage by providing outstanding, personal meetings”.* Chairman K has a different take on this view: *“Sometimes the problem is that you put your own references on what is right and wrong. It doesn't have to be the way I want it, but it has to be the way the customer wants it.”.* Again, this reveals some of the business family’s conservativeness and desire to keep the firm as it is.

All in all, this suggests that the management of Company Z's abilities to structure resources and bundle new services are positively impacted by the business family’s long-term orientation and concern for their status and reputation. However, the business family’s desire to preserve the current state of the firm seems to negatively impact the dynamic capabilities for co-developing new services with customers, conceptualizing new service configuration and developing new revenue models.

5.2.3 Transforming

In order to sustain SI processes over time, firms need processes and competences that will allow them to transform and reconfigure their resources (Kindström et al., 2013). The transforming process includes the ability to manage and transform the service system, manage and act in temporary partnerships, scale up successful SIs and learn from SI in order to facilitate SI efforts (Den Hertog et al., 2010).

As presented earlier in the analysis, Company Z has created new roles in the firm to better seize opportunities from emerging customer demands and initiatives across the organisation. This observation can be linked to the ability to manage the service system to facilitate SI, as the behavior fosters their ability to transform processes and competences (Den Hertog et al., 2010). New competencies have been realized by taking on an independent chairman and appointing new roles in the marketing department. However, findings from our empirical data reveal that the business family’s desire for control and influence of the firm moderates their ability to transform processes that facilitate SI. Although there are processes in place to detect and realize opportunities from decentralized initiatives, the organisation is notably top-bottom run. For instance, owner B proclaims that the ideas on how to better serve customers in *"90% of all cases come from the board."*. Employee H, on human resources does not seem to agree with this understanding:*"Our employees have great ideas, but when they present their ideas to their department managers, they feel like it comes to a stop."*. She adds: *"Some managers have been at their positions for a long time and want to do what they've always been doing."*. This suggests that the department managers have become comfortable at their positions. When tying this finding back to our findings on family influence, this can be linked to the difficulties of building close relationships with employees. More specifically, that you do not get the same hunt for efficiency, as the boundaries between the family and the firm is blurred. Chairman K also expresses concern in the same context. However, he proclaims that the problem is that the department managers do not have the authority they need to *"work autonomously"* and that those in the lead must *"dare to let go"*. This suggests that the family's desire to build generous relationships with their employees and their desire for control and influence over the firm might inhibit their ability to transform the service system of processes and competences.

From our findings it became evident that Company Z acts in various temporary partnerships and works regularly with key partners to manage their service offerings. According to Den Hertog et al. (2010) the ability to manage partnerships is necessary for SI, as services often constitute multiple service elements and involve different service providers. Company Z seems to manage this by selecting their partners carefully. Or as owner B puts it: *"You should always involve consultants, and we always have two on our team by having two externals on the board."*. In other cases, the partners and suppliers are often local. As CEO F stated: *"We stick with the suppliers that have delivered to us before and that we like. For example, we have kept the same constructing firm for 12 years."*. Moreover, they tend to set up project groups aided by key partners and consultants for evaluating and potentially realizing ideas. CEO F again: *"I always create a project group. It looks different depending on the project of course, but I always involve some department manager and consultant X, who always helps us in our projects nowadays."*. However, as mentioned in a different example, these projects take time, even their small ones. This can be tied back to the findings of the family influence, where it became clear that the family wants to be involved in daily operations and find it difficult at times to not involve themselves in others responsibilities. Partly, also because they want to keep the firm as it is. This behaviour seems to negatively impact their ability to co-produce services, while their desire to build generous relationships with externals seem to foster co-creation.

Being able to scale up successful SIs is a capability that allows firm's to increase efficiency and brand association (Den Hertog et al., 2010). Company Z seems to have managed this, as they gradually seem to have scaled up service configurations that turned out to be successful. Owner D: "*We must constantly create attractive experiences for the guest, and we have done a lot over the last 10 years.".* Owner D then explains how they started innovating one area of their service offering, to then repeat the process throughout the organisation. That they care for their reputation and the long-term survival of the firm again becomes evident in this context as owner E states: *"Everything we earn we try to reinvest in the product to improve the quality and keep the guests and get new guests.".* As a result, they seem to adopt the ability to learn from their SI efforts. And ultimately, all their service offerings are associated with high quality and a strong brand. As owner I states: *"The investments we have made in recent years have led to, on a scale of 0-6, that we're currently at at 5.5 in customer satisfaction. Our guests think the food is better, the service is good, and that we are personal in our hospitality.".* This suggests that the family's concern for their reputation and desire to build generous relationships with guests fosters their ability to scale up services, as they strive for being associated with high quality. However, the findings from our analysis on family influence reveal that the family's intentions for control and desire to keep the firm at its current state moderates this ability, as CEO F expressed: "We *represent the personal meeting, and that will always beat digital meetings.".*

6. Discussion

The purpose of this section is to elaborate on our findings of how family influence affects dynamic capabilities for service innovation. It comprehensively assesses the theoretical contributions to existing literature. Furthermore, it elaborates upon limitation of the study and future research directions.

6.1 How family Influence Impacts Dynamic Capabilities for Service Innovation

The purpose of this thesis was to analyze the impact of family influence on family firms' dynamic capabilities for SI. Based on this purpose we reviewed the current literature concerning family firms and innovation in general, how different aspects of family influence affect family firms' innovation behaviour, the role of dynamic capabilities and the specific capabilities needed for managing SI. The existing literature in the context of family firms and innovation has recognized family firms' inferior innovation behaviour and discussed different concepts of family firms' intentions for SEW. However, the scholarly works on family firms and innovation have mainly been focused on innovation output, while research on dynamic capabilities and the role of family influence in this context is underdeveloped, particularly in the field of research concerning SI. The role of family influence in service innovation from a dynamic capabilities perspective has not been conducted in research, justifying our research purpose.

From our analysis, it can be acknowledged that the influence of the business family permeates the organisation and seemingly affects the firm's innovation behaviour and dynamic capabilities of sensing, seizing and transforming opportunities, and processes for managing SI. From our analysis, we identified five attributes of family influence, seemingly both able to foster and inhibit the firm's dynamic capabilities for SI; the business family's long-term orientation, concern for their reputation, desire for control, desire to keep the current state of the firm and their desire to build generous relationships with their surroundings.

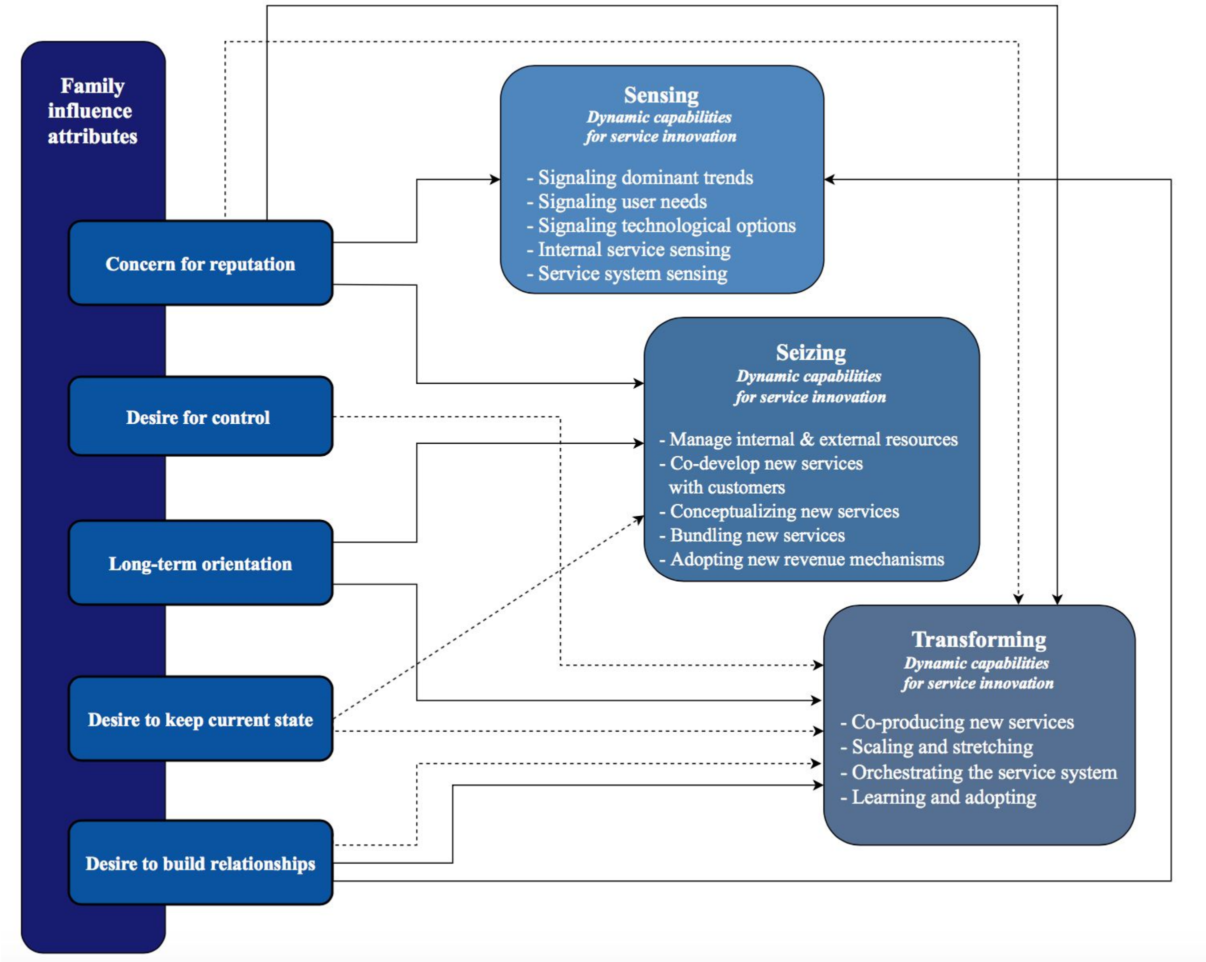

Figure 5, Framework based on our results explaining how family influence impacts dynamic capabilities for service innovation.

The results indicate that the business family's concern for their reputation and how they are perceived by their surroundings positively impact their sensing abilities for SI. This aspect of family influence seems to increase abilities to see dominant trends, unmet needs and promising technological options for new service configurations, as well as the ability to detect opportunities emerging from decentralized initiatives and external partners in the service system. The latter ability furthermore seems to be impacted by the business family's desire to build generous relationships with their surroundings.

When it comes to the family firm's capabilities to seize opportunities for SI, the business family's desire to secure the continuity of the firm over time seems to positively influence the firm's ability to structure internal and external resources to seize identified opportunities. Similarly, the family firm's ability to bundle new services seems to be positively impacted by the business family's concern for their external image. In contrast, the business family's attachment to the firm and desire to maintain its current state seem to negatively impact the firm's dynamic capabilities for co-developing new services with customers, conceptualizing new services and developing new revenue models.

In regards to the transforming capabilities for SI, the firm's capabilities to manage and transform the service system of processes and competences, seem to be negatively impacted by the business family's intentions for control over the firm and desire to build generous relationships with their employees. Further, the firm's ability to manage and act in temporary partnerships and alliances to co-produce new services seem to be negatively impacted by the family's desire to keep the firm as it is, while positively impacted by their desire to secure generous relationships with partners. Meanwhile, the firm's ability to scale up successful SIs seem to be positively impacted by the family's concern for their reputation and for securing generous relationships with guests, while negatively impacted by their desire for control and desire to maintain the current state of the firm. Lastly, the family's concern for their reputation and desire to secure the continuity of the firm, seem to foster the ability to learn from SI efforts and adapt the overall SI system.

6.2 Implications and Theoretical Contributions

This study has shown that family influence can have a positive impact on dynamic capabilities for sensing opportunities for SI. Meanwhile, the role of family influence on dynamic capabilities for seizing opportunities and transforming the service system seem to both foster and inhibit these specific capabilities. Hence, our results endorse the findings of Lichtenthaler and Muethel (2012) showing that family influence is positively related to family firm's dynamic capability to generate innovation opportunities. However, our study was not able to endorse the authors' findings on the relationship between high family influence and strong capacity to transform innovation processes. Yet, our study goes beyond earlier studies that considered dynamic capabilities in family firms, as it is conducted in context of SI. Therefore, our findings on how family influence impacts dynamic capabilities for SI provides an important extension to the existing body of literature.

Firstly, our results contribute to deepening our understanding of the role of dynamic innovation capabilities in family firms. In line with the existing literature on family firms and innovation, our study confirms that family firms' characteristics indisputably impact family firms' innovation behaviour (Gomez-Mejia et al., 2007; Kallmuenzer & Scholl-Grissemann, 2017). In addition, our study emphasises the critical role of dynamic capabilities in family firms for successfully engaging in innovation (Chirico & Nordqvist, 2010; Chirico et al., 2012). In this case, the specific capabilities for managing service innovation. Therefore, our results also contribute to explaining family firms' inferior innovation behaviour noted in family business research.

Secondly, our results provide managerial implications. Specifically, our findings have shown that the business family's desire to keep the current state of the firm and their desire for control and influence of the firm predominantly were found to have a negative impact on the family firm's innovation capacity. Accordingly, it may be assumed that these family influence attributes play a critical role in family firms for achieving seizing and transforming capacity for SI. In this regard, independent directors may be crucial for family firms' to consider, as they are less attached to the firm and therefore can reduce agency costs through monitoring the interests of the business family (Miller & Le Breton-Miller, 2006). From a managerial perspective, this implies that managers of family firms' should assess the family influence in the firm in relation to their dynamic capabilities, in order to weigh the option of appointing independent directors to best capitalize on their family characteristics.

Lastly, our study shed light on new research directions in family business research. Although the dynamic capability perspective has been criticized for being vague and difficult to observe (Kraatz & Zajac, 2001), we argue that the processes of dynamic capabilities developed by Teece (2007) provide a comprehensive theoretical lens to uncover firms' innovation behaviour. We hope this study contributes to the field of research by pointing researchers to family firms and the dynamic capability perspective, so that managers and business families in the future can be provided with comprehensive, practical guidance on how to successfully approach innovation, and SI in particular.

6.3 Conclusion

This research paper has adopted a qualitative approach through a single case study. The main intention of this paper was to answer the research question *"How does family influence affect dynamic capabilities for service innovation?"*. As a result, we found several factors in family influence that both foster and inhibit the dynamic capabilities for SI. The findings suggest that family influence could positively impact dynamic sensing capabilities for SI, while the impact of family influence on dynamic seizing and transforming capabilities for SI were found to both foster and inhibit these specific capabilities. This implies that family influence impacts a firm's overall innovation capacity and can result in strong sensing capabilities for SI. The findings endorse and extend findings from existing literature on family influence and innovation capabilities. Moreover, this study emphasises the critical role of dynamic capabilities in family firms to understand family firms' innovation behaviour and points towards new areas to be explored further in the field of research.

6.4 Limitations and Future Research

Although we are satisfied with our result and have proceeded to answer our research question, there are limitations that need to be acknowledged in accordance with any scientific study that has been conducted (Easterby-Smith et al., 2018). Building on these limitations, we have suggested alternatives for further academic research that should be conducted.

The time constraints that this research has been faced with, namely one semester, is arguably a limitation to the study. Family influence usually evolves over time (Barros et al., 2016), which requires an extended period of observation to deduct a conclusion on evolutions over time. Also, a few weeks into our study, the impact of Covid-19 caused significant constraints throughout the world and may have impacted the observations we made over the course of our study.. Firstly, interviewees tend to lean back in argument to Covid-19 and how that impacts the firm as of now, their answers potentially biased by the current situation.

Secondly, it creates barriers for conducting interviews in person with people that were not comfortable to do so or could not because of the current situation making them work from home.

Because family firms are categorized by their heterogeneity (Corbetta & Salvato, 2004; Penney & Combs, 2013; Li & Daspit, 2016), observing just one firm is arguably a limitation to this study as it decreases the applicability in generalizing the findings to the remaining population. However, the depth of this study moderates this limitation and allows abstract levels of ideas to be generalized and transferred to greater contexts (Bluhm et al., 2011). In addition, since the respondents and the company have remained anonymous, we cannot display full information which could be beneficial in presenting the conduction of our analysis. Another limitation is that the conducted interviews took place in different settings even though all of them were conducted with at least video calls. The company is a Swedish company that may be impacted by Swedish culture and can therefore not be generalized. The interviews have also been translated from Swedish to English which may entail loss in depicting the exact meaning of the respondents answers.

As a result, we want to recommend awareness towards several factors that may be relevant for researchers undertaking future work in the field of research. We suggest that future research is done over longer periods, in order to further examine how the impact of family influence on dynamic capabilities for SI evolves over time. We also urge for conducting comparative, multiple case studies in the hospitality industry including cases on different performance levels, in order to observe differences between different firms regarding the relationships between the level of family influence and the level of dynamic capabilities for SI. Another highly interesting research direction is to conduct comparative studies between family firms and non-family firms to observe if there are significant differences or similarities in innovation capacity that can be due to family influence. Lastly, taking a more quantitative approach to the study of family firms could help generalizing findings to a greater extent.

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Appendices

Appendix 1: Interview Guide

General Questions

- Can you give a short presentation about you?
- What is your role and responsibilities at the company?
- What is your position?
- How long have you worked for the company?
- How active are you in the daily business?
- If family, how is the company ownership organized?
- If family, which generation are you part of?

Company Questions

- What are the company's main services?
- How do you fit into the organization?
- How is the company doing performance wise?
- How many employees are there?

Sensing Capabilities

- How do you perceive that changes in customer expectations and new technologies will come to change your industry within the next coming 5-10 years?
- How do you think that will impact your organization?
- How do you keep yourself up to date about new trends and technologies or other new information about changes in the market which can affect the organization or the industry?
- How do you find out if there are perceived needs or expectations that have not been fulfilled to your customers?
    - How do you make sure these get attention?
    - Do you currently work with external partners to find out what customers' needs are, or to adjust to new technologies? If so, can you explain how?

- How do you work to find out about future customer needs?
- How does the process look for acknowledging ideas and possibilities that are found throughout the organization?

Seizing Capabilities

- How does the process look for realizing ideas and possibilities that are found throughout the organization?
- Does your organization invest in any other projects with the aim to provide better service for you customers?
    - What projects?
- Do you or your organization currently work with digital projects or solutions to be able to offer better services to your customers.
    - If so what projects?
- Can you explain any ideas that have been realized and that have improved the services offered to your customers?
    - Can you explain the process from idea to reality?
    - How have these changes affected the company's sources of income?
- How do you perceive the idea to work together with your customers to produce new or improved services?

Transforming Capabilities

- How does your organization encourage you to bring forward ideas of how you can create better value for your customers?
- How do you determine your ability to be able to drive change in your organization?
- Have you or the organization ever planned to create roles or teams internally dedicated to working on extending the companies services offered?
- How do you perceive the idea of creating temporary alliances with external partners to develop or improve the services offered?

The impact of the Family

- How does Company Z differ from other Hotels within the same industry?
- In your opinion how does it depict in the organizations that it is a family firm?
- Positive and Negative aspects?
- In your opinion which goals does Company Z aim to achieve?
- How does the family's goal impact business goals?

Challenges

- What do you see as the biggest challenge for Company Z moving forward?
- How will this impact the business?
- How will this impact the family?

Appendix 2: Example of Coding

First-level phrase	Coding	Category
People should know that Company Z is damn good. We have to make money, because we have to invest that money in the product, as we want very satisfied guests and employees.	long term orientation	continuity
It's also hard to say, the owners want a return, and I think in this case you would require a lower return than you would if you had the goal to sell the company. It is not perceived as something that should generate fast cash and then sell, this is something that you try to care for. The main purpose is that it should live on and be a good facility that you can be proud of. And it may be a little at the expense of the return.	long term orientation	continuity
On the positive side, we care about our staff and that they enjoy working here, we also hear from guests and our staff that they feel like family, that they feel apart of the family.	guest affection	community
This is a family hotel. If you go to a resort somewhere where there are 700 rooms, then it is a gigantic project to move around. Here at Company Z, everyone knows each other. All staff and all owners and all members of the board know basically all employees. So, it is a little more family friendly, a little nicer maybe even though we need to improve a lot as well.	internal affection	community
Once the customer is in place, we do a lot for the customer, go the extra mile, more than you might do in a large hotel.	generous relationships	connection
It is noticeable that we are a family firm filled with private	generous relationships	connection

guests and firms that have been here for many, many years, who are used to even my mum and dad being here, that they think it is very fun and nice that they are here. The new customers probably don't care.		
The negative is that you are never free yourself, not very negative otherwise. You can never really relax. It's always someone that needs you and it's not easy.	desire for control	command
We try to put bands on us to not go and pick in what's not in our responsibility. I have had a bit of trouble, but I think I've improved.	desire to keep current state	command
We have a genuine interest in finding out what our customers want. Our sales people work closely with the customers, and talk to them to make a needs analysis. We have become really good at that, and that is both for current need and future need.	sensing customer needs build generous relationships	sensing
we have identified the need for it… currently we turn down business since the average guest stays more than 24 hours, and we lack space for the transition	internal service sensing	sensing
When I entered the firm, it was damn shaky. There was no though behind anything you did and we were struggling from a series of bad investments. So I initiated workshops where we put together a strategy, something called Mission 2015. It acts like a small constitution. Without this directive, the family could do as they please. I slowed that down.	manage internal & external resources desire to secure the continuity of the firm concern for their reputation desire for control and influence of the firm	seizing
We look at the segment to see what kind of guests we have, how and what they book. Then we draw fun statistics to find out where we make the most money and where we make less. And	bundling new services	seizing

from that we are constantly working to find new packages and offers to our customers.		
We must constantly create attractive experiences for the guest, and we have done a lot over the last 10 years	scaling and stretching build generous relationships	transforming
Our employees have great ideas, but when they present their ideas to their department managers, they feel like it comes to a stop, some managers have been at their positions for a long time and want to do what they've always been doing	orchestrating the service system desire for control and influence of the firm	transforming