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"In Search of a dynamic Equilibrium: Exploring and Managing Tensions in Entrepreneurship and SMEs"

"Balancing stability and change in family owned firms - strategic practices shaping dualities"

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Abstract
In this paper we explore strategic dynamism as an organizational capability in family firms, building on a literature review on how change, stability and adaptation have been addressed in family business research. We acknowledge that the prevailing view of family firms highlights stability over change, and that the two concepts are usually seen as opposites. In contrast, we propose a duality view, whereby stability and change co-determine family business dynamic continuity. Our review of the literature offers novel insights on the sources of family business continuity and on dynamic organizational adaptation, which we describe as supported by specific dynamic family capabilities seen as the micro-foundations and critical practices that shape the necessary dynamism for development over generations.

Debating points
1. The paper suggests that we should see stability and change from a duality perspective rather than the traditional dual view that dichotomizes the two. What implications have the duality perspective for understanding family businesses?
2. What practices are critical in a successful dynamic evolution of a (family) firm where stability and change are supporting each other.
3. Is the family firm a special (strong) case of the stability and change duality?

Introduction

The role of strategic dynamism—an organization's ability to deal with dynamic adaptation and change—is not evident in current accounts of the nature of family owned businesses (FOBs). Nor has the emerging view in literature on strategic change and organizational flexibility, seeing stability and change as a fruitful duality (Farjoun, 2010) been introduced in family business studies. Family firms are usually described as better at doing more of the same, than at dynamically evolving. This preference for stability over change embraces both positive and negative views on FOBs performance and survivability. The field is split among those who consider stability as a positive feature in shaping FOBs success and survival, and those who see it as conducive of lower performance and survival problems (Gersick, Lansberg, Desjardins & Dunn, 1999; Hoy & Sharma, 2010; Miller, Le Breton-Miller & Scholnick, 2008).

This split view has hindered the emergence of theory about FOBs dynamic adaptation (Davis & Stern, 1988; Distelberg & Sorenson, 2009). The predominant assumption that FOBs tend to favour stability over change has prevented the field from developing a convincing explanation of how FOBs actually survive and prosper in their environments, or how they can even be engines of change and transformation (Collins & Porras, 1994; Hoy & Sharma, 2010; Nordqvist & Zellweger, 2010).

In our view the field is suffering from an apparently inescapable contradiction: family firms are often found to over-perform and to outlive their non-family counterparts by surviving or even anticipating endogenous or exogenous shocks (e.g., Miller & Le Breton-Miller, 2006; Anderson & Reeb, 2003; Sciascia & Mazzola, 2008). Yet, all that seems valuable in these firms is stability, legacy, longevity, mission and tradition, which may however also determine stagnation and failure (Miller et al., 2008). This unexplored paradox (cf. Zellweger, 2013) prevents a deeper understanding of how FOBs can behave dynamically based on their key features, which seem to promote stability (Drozdow, 1998). Hence, two fundamental questions for the family business scholarly field remain unanswered: *What makes FOBs dynamically adaptive, eg., able to match and even create market change? How do stability and change coexist and interact in shaping dynamic adaptation of FOBs?*

In this paper we aim to provide a comprehensive review of how dynamic adaptation has been addressed by past research on FOBs. We contend that a *dualistic* view opposing stability and change (Farjoun, 2010) has prevailed, resulting in contradictory accounts of FOBs success and survival. Building on this literature, we propose a *duality* view whereby stability and change coexist (Janssens & Steyaert, 1999; Farjoun, 2010) and co-determine family firms' dynamic adaptation. A duality is the twofold character of an object of study without separation, whereby the two essential elements constituting the object are seen as interdependent, rather than separate and opposed (Farjoun, 2010: 203; Jackson, 1999, Achtenhagen & Melin, 2003). By introducing a duality view we provide research guidance to further our understanding of the dynamic features of FOBs, i.e. their dynamic strategic change capabilities despite well-known FOB characteristics that represent stability.

Our aim is hence to redress the prevailing imbalanced view by exploring the roots of FOBs dynamism, without denying their strong and inherent tendency towards stability. *Dynamism* is here defined as a combination of organizational and managerial capabilities allowing some organizations to systematically renew themselves so as to create and re-create congruence with their changing business environments (Eisenhardt & Martin, 2000; Teece, Pisano & Shuen, 1997; Zollo & Winter, 2002). Dynamism is hence essential to organizational survival and prosperity. In developing this novel duality view of FOBs – where stability and change not only coexist, but are mutually enabling and a constituent of one another – we draw on different approaches to organizational change. In particular, we relate the key family-specific characteristics determining the essence, components and outcomes of FOBs, on one side, with determinants of stability and change, on the other. Our interpretation suggests that stability and change are not antithetical as suggested by prevailing interpretations of FOB. Rather, the same family-specific elements that determine stability in FOBs may also play the role of enablers of change and dynamic outcomes. This interpretation is in line with efforts at questioning the opposite nature of stability and change (e.g., Farjouon, 2010; Graetz & Smith, 2008; Pettigrew, Whittington & Melin, 2003; Janssens & Steyaert, 1999), by viewing them as a *duality*.

Developing a deeper knowledge of FOB features and practices that enable dynamic adaptation allows to leverage the growing body of research on dynamic organizational adaptation and change, including the dynamic capabilities literature, to enhance our understanding of the determinants of FOBs success and survival. In return, understanding practices allowing FOBs to address the dynamics of their environments will illuminate some of the key controversies that have enlivened the debate on dynamic organizational adaptation and dynamic capabilities to date.

After describing the methodology of our review of the literature on stability and change in FOBs in the next section, we later suggest how elements of stability and change are co-present in prevailing conceptualizations of FOB essence, behavior and outcomes. We highlight how the coexistence of stability and change helps developing a view of FOBs in which the two apparently contrasting dimensions are not opposing, but mutually reinforcing. Next we develop this view of dynamic adaptation as a duality of stability and change, supported by the example of an established family firm that balanced these opposing forces over generations of entrepreneurial activity. We define this ability as *Dynamic Family Capability (DFC)*, resulting from the interplay of a FOB's cognitive attitudes, patterns of action, and key FOB actors. We conclude with a discussion of the contributions of our analysis to family business and to organizational adaptation and change literatures, and the possible managerial implications of our framework.

Methodology of the literature review

Issues of change and stability are dispersed across multiple areas within the family business literature, including, for instance, capabilities and competitive advantage (e.g., Chirico & Salvato, 2008), culture (e.g., Hall, Melin & Nordqvist, 2001), entrepreneurship (e.g., Hoy & Sharma, 2010), financial performance (e.g., Anderson & Reeb, 2003), strategic decisions (e.g., Gomez-Mejia, Makri & Larraza, 2010), values (e.g., Gersick et al., 1999), and several others. Given this variance, we relied on different criteria to determine which works to examine in our survey of the family business literature.

First, we studied articles included in recent reviews of family business survival, long-term adaptation and entrepreneurial dynamism (Distelberg & Sorenson, 2009; Hoy & Sharma, 2010; Lumpkin, Brigham & Moss, 2010; Miller et al., 2008; Nordqvist & Melin, 2010). Second, we explored all issues of the Family Business Review through SAGE Journals Online by searching the following terms in the title: Change (7 papers), Renewal (0), Dynamism/Dynamic (8), Adaptation/Adaptability (4), Stability (1), Continuity (14), Conservatism (0), Entrepreneurship/Entrepreneurial (4). After we excluded overlaps and work that was clearly irrelevant, we reviewed 22 FBR articles. Third, we electronically searched for articles, relevant to our aims, that include the term “family” in the title, within all major international journals that published special issues on family firms over the past decade, in order to identify those that focused on the above terms: Entrepreneurship and Regional Development (9 papers with “family” in title/4 papers relevant to our review), Entrepreneurship Theory & Practice (82/14), Journal of Business Research (11/2), Journal of Business Venturing (26/11), Journal of Management Studies (17/7). Fourth, we also examined the reference lists of all relevant works for leads to other relevant related articles in these and other major academic journals. Altogether, we systematically reviewed 60 papers and consulted several others.

This approach resulted in a vast coverage of the family business literature over the past 25 years. However, given the broad purpose of our study we are aware that some relevant works may not have emerged from our search. Yet we are confident that our interpretation of how issues of family business dynamic adaptation, stability and change have been addressed is based on an encompassing coverage of the main existing literature, as peer-reviews by several family business scholars confirmed.

All works relevant to our study are listed in our references. We examined each relevant work for its appropriateness in light of the objectives of this article. This search helped us consider if and how issues of dynamic adaptation and change have been explicitly addressed in the family business literature, and if frameworks were developed to address how stability and change interact in shaping the dynamic adaptation of the family enterprise. We paid particular attention to how past research addressed the apparent paradox of the description of family firms as simultaneously prone to inertia and stagnation, while thriving on elements of stability and tradition. Our analysis of this literature let us highlight interesting gaps and controversies and develop related research questions.

Our extensive literature review revealed that the dynamic adaptation of family firms to their environment has not been a separate issue of attention in family business research. As a result, the family business field lacks systematic frameworks on FOBs dynamic adaptation. Hence, in the next section we highlight what is missing in our understanding of how family firms adapt (or fail to adapt) to their dynamic environments. We do so by highlighting a paradox emerging from our review: both elements of stability and elements of change are adopted to describe the essence, components and outcomes of FOBs—a paradox that we later in the paper transform to a fruitful duality.

Stability and change as opposites: FOB dynamic adaptation in current family business literature

Dynamic adaptation to environmental change is essential to firm survival and performance. The literature on strategic change has long investigated the determinants of dynamic adaptation, focusing attention to particularly adaptive organizations conceptualized as *flexible firms* (Volberda, 1999), *innovative firms* (Pettigrew & Fenton, 2000), or *adaptive firms* (Haeckel, 1999) showing *corporate entrepreneurship capacity* (Stopford & Baden-Fuller, 1994). Family businesses are seldom in focus in these studies with one exception, a study of adaptation of FOBs under environmental turmoil, where Hatum & Pettigrew (2004) found two types of determinants of the needed: (1) Flexible structural design, and (2) New managerial capabilities. Discussing the determinants of organizational flexibility they emphasize the constructive tension between identity (composed of strong enduring values) and change. Yet family ownership and control are more often characterized as prone to stagnation and inertia, than as conducive of dynamic adaptation and change. FOBs' culture and behaviour are often depicted as opposite to the features emerging from literature on strategic change. However, as we will argue later in the paper, family firms may be able to combine and balance strategic persistence, so typical for FOBs (Nordqvist, 2005), with a momentum of strategic change where energy is associated with the pursuit of change (Jansen, 2004).

Over the past 25 years, family business literature has failed to see adaptation and flexibility as central issues worth being directly addressed (Davis & Stern, 1988; Distelberg &

Sorenson, 2009). Most questions related to the flexible capabilities allowing FOBs to adapt to environmental change are hence still open.

Despite a prevailing description of family firms as better at continuing tradition than at anticipating and managing change, a limited number of accounts of dynamic FOBs behaviour shed some light on determinants of FOBs' dynamic adaptation such as vision, strong values and beliefs, attitudes, core capabilities, patient capital, lengthy executive tenures, network and embeddedness in local communities (e.g., Collins & Porras, 1994; Corbetta, 2010; Hoy & Sharma, 2010; Miller & Le-Breton Miller, 2005). However, most of these determinants of FOBs' change, adaptability and flexibility can also be interpreted – as suggested by other works (e.g., Miller et al., 2003, 2008) – as determinants of stability, if not stagnation. Stability and change are hence interpreted as opposites by the current literature, determining a significant amount of confusion in describing and predicting FOBs' behaviors and outcomes.

To reframe this dualistic view of stability and change, which are seen as "either-or" alternatives over a FOB's lifecycle, in this section we illustrate how 10 key family-specific characteristics that make FOBs unique in terms of their essence, components and outcomes encompass both elements of stability and elements of change (Chrisman, Chua & Sharma, 2005; Chrisman, Chua & Steier, 2003; Chrisman, Steier & Chua, 2006; Chua, Chrisman & Sharma, 1999). The first four family-specific characteristics (Mission of the controlling family, Concern for subsequent generations, Role of the founder, Community culture) are usually considered among the key determinants of the *essence* of family firms (Chua et al., 1999). The following five (Social capital, Significant ownership stake, Family and CEO voting control, Long CEO tenure, Professionalization and delegation) are often referred to as key defining *components* of family firms. The last one (Socioemotional wealth) is increasingly interpreted as the most typical component of a FOB's *outcome* function (Gomez-Mejia, Haynes et al., 2007).

Each of these key defining characteristics of FOBs has been carefully reviewed as a possible determinant of dynamic adaptation; each of them resulted as supporting both stability and change. The insight emerging from our analysis is that dynamic adaptation in FOBs is *better interpreted as duality*—a "both-and" logic (Farjoun, 2010; Achtenhagen & Melin, 2003). In other words, a combined reading of these literatures shows that components of stability highlighted by some authors are seen by others as supporting change, and vice-versa. Table 1 illustrates the structure and main outcomes of our analysis, which is more extensively illustrated in this section.

--- Table 1 about here ---

1. Mission of the controlling family. Substantive missions stem from deeply-seated values residing in generations of family owners. As such, they are typically immovable and may hence be a source of inertia and stagnation (Parada, Nordqvist & Gimeno, 2010). Although missions may be rooted in objectives such as offering superior products and services, pioneering new technologies or establishing a respected brand, environmental changes sometimes challenge the priorities defined by the mission, which may become focused on the wrong targets, meaning that the FOB strategy becomes focused on conservatism and preservation, rather than evolution and adaptation (Miller et al., 2008)

In contrast, a substantive mission connected with the family's history and reputation may drive the renewal of a family's entrepreneurial abilities by being focused on targets for continuous improvement such as making a difference in scientific and social progress, in the quality of life (Miller & Le-Breton Miller, 2005). A mission v´based in values supporting entrepreneurial activities may foster strategic change (Hall, et al, 2001).

2. A concern for subsequent generations – a long term orientation. One of the key defining features of family firms, and of families more broadly, is parents' concern for members of subsequent generations (Litz, 1995; Miller et al., 2008) implying a genuinely long term perspective on the family business. This concern has been conceptualized and even measured through the concept of altruism, broadly defined as concern for the welfare of members of subsequent generations (Corbetta & Salvato, 2004; Schulze, Lubatkin & Dino, 2003). Yet the interpretation of the role altruism plays in shaping FOBs identities and as a driving force of their behaviour is radically split in the literature.

According to some authors, the long term orientation and concern for future generations may promote stability, inertia and stagnation. Concern for transferring an intact business to future generations may, for instance, prevent new, risky, radical innovations, procrastinating investments in innovation and promoting a culture where preservation of old strategic concepts prevails (Gomez-Mejia et al., 2007). Some authors emphasize specific characteristics as defining features of FOBs, and that inescapably lead to inertia, stagnation and, at times, failure (Greenwood, 2003): the possibility that family members without the best qualifications are appointed to top managerial positions; the possibility that next generation family members may shirk or free ride in their managerial roles; the possibility of senior owners interfering with younger family members charged with managing the firm, to exert their parental power and alleviate decision responsibility.

In contrast, several authors propose that te concern for subsequent generations make FOBs more likely to take a long-term orientation in making strategic investments, arguing that long term orientation goes hand in hand with both innovativeness and proactiveness (Lumpkin et al., 2010). In turn, the nature of these long-term investment and strategic projects help FOBs develop the sustainable capabilities required to compete in dynamic environments (Chrisman et al., 2006; Le Breton-Miller & Miller, 2006). Specifically, this view proposes that stewardship theory may be a particularly suitable vantage point in explaining how concern for subsequent generations may determine specific organizational decisions and actions. Stewardship theory applied to FOBs proposes that individuals in organizations act as stewards who maximize their own utility by acting in the FOB's best interest by performing activities aimed at enhancing entrepreneurship, innovation, growth, and profitability (Corbetta & Salvato, 2004; Eddleston & Kellermanns, 2007). It is based on the assumption that concern for subsequent generations is motivated by an "unselfish concern and devotion to others without expected return … whose primary effect is a strong sense of identification and high value commitment towards the firm" (Corbetta & Salvato, 2004, p. 358). Altruistic family members in FOBs are highly dedicated to the firm and believe they have a common family responsibility to advance the firm and to work in the direction of relentlessly improving its competitive position through investments in innovative opportunities (Eddleston et al., 2008), pursuing a long term orientation (Lumpkin et al., 2010).

3. Role of the founder. A FOB's culture is strongly determined by the founder, who makes the original decisions regarding the firm's mission, goals, strategies and structure, as well as the myriad daily operating decisions that influence the FOB as it grows and evolves (Davis & Harveston, 1999; Schein, 1983). A FOB's culture is hence a reflection of the interplay of founder's values, firm's history, and environmental conditions (Zahra, Hayton & Salvato, 2004; Zahra, Hayton et al., 2008). This influence is quite enduring, since the founder's values are transferred to new organizational members, and reiterate their effects both when the founder is still active, and when he or she retired or died (Kelly, Athanassiou & Crittenden, 2000). Hence, a strong organizational identity shaped by the founder can hamper a firm's ability to track important cues in the external environment, impeding organizational change (Zahra et al., 2008). This pattern is particularly evident in so-called "conservative successions" (Miller et al., 2003), where next-generation CEOs remain in many ways dependent on the founder, even after the latter has quit or died. In these cases the shadow of the founder lingers, often resulting in periods of stability and conservatism in which strategies and organizational solutions are locked in the past.

On the opposite, the founder's legacy may also be a source of flexibility and change, as flexible FOBs are characterized by a strong identity based on a set of core values transmitted by the founder and shared with subsequent generations. (Hatum & Pettigrew, 2004). The dynamic role of the founder's legacy has been related to his or her role of a transformational leader (Eddleston, 2008). Transformational leaders are characterized by four main features: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. A founder who is, or was a transformational leader is able to establish a common purpose, identity and shared sense of destiny among family members that facilitates the creation a positive family cultures embodying commitment, stewardship, and strategic flexibility (Eddleston & Kellermans, 2007). Succession also plays a key role in determining dynamic continuity (Poza & Messer, 2001). High levels of successor managerial discretion (Mitchell et al., 2009) or a "rebellious" succession pattern (Miller et al., 2003) increase the chances that successors distance themselves from the founder's shadow, hence pursuing radical change and innovative strategies.

4. Community oriented culture. One of the essential features of FOBs is their tendency to form strong links with both employees and the broader community (Miller & Le-Breton Miller, 2005). A strong community culture favors stability. It may hence determine excessive rigidity in leveraging relationships to employees and local communities with the purpose of enacting radical change (Dyer, 1988). This inertial outcome of a strong community culture is evident in examples of family firms that failed to quickly exit from declining industries, even after several waves of market and financial crises (Salvato, Chirico, Sharma, 2010).

In contrast, systematic investments in training, broader jobs and responsibilities and a flexible inclusive culture may facilitate rapid adaptation to unexpected environmental contingencies (Dyer, 1988). In a similar vein, social responsibility enhances resources available from the external environment (e.g. state and local communities) by developing relationships with more loyal partners and a strong reputation resulting from mutual familiarity (Arregle et al., 2007; Miller et al., 2008; Sirmon & Hitt, 2003).

5. Social capital. Social capital, which is the goodwill and resources made available to an actor via reciprocal, trusting relationships, is often argued to significantly affect a firm's outcomes. The presence of a dominant group (coalition) within the FOB (i.e., the family, whose members occupy key positions as owners, employees, managers, directors) has important effects on the creation and effects of social capital (Arregle et al., 2007). On one side, long-term commitments to specific actors – i.e., executives, inside the firm, or customers and suppliers, outside the FOB – may hamper a FOB's ability to quickly adapt to new market situations (Salvato & Melin, 2008). Similarly, trust is sometimes founded on specific person-to-person relationships that may evaporate as individuals retire or die. The values on which mutual relationships are based, and on which FOB social capital is grounded, become more open ended and negotiable. To restore social capital that risks getting lost FOBs often engage in strategies aimed at reconciling personal autonomy and democratization, on the one hand, with family business solidarity and continuity, on the other. These strategies often determine the emergence of new organizational solutions such as family retreats, family meetings, family assemblies, codes of conduct and family councils (Gilding, 2000).

On the opposite, long-term associations, based on trust, with customers, suppliers, bankers and local communities may also be conducive of dynamic outcomes and successful adaptation (Zahra, 2010). First, long-lasting social capital may provide valuable resources and stability for long-term investments (Le Breton-Miller & Miller, 2006; Sirmon & Hitt, 2003).

Second, it may facilitate the transition to next generations, as trust relationships with key employees and managers, and with the business and social community are already in place. Third, by increasing understanding between actors and reducing the time and effort associated with developing an agreement in the network, social capital facilitates taking quick decision to face unexpected environmental dynamism (Chirico & Salvato, 2008). Finally, social capital may make the FOB more resilient in times of troubles, given the chance to resort to established business relationships for restoring financial and other resources (Arregle et al., 2007).

6. Significant ownership stake and family voting control A significant family ownership stake is one of the main components used to explain family firms and their behaviour (Chua et al., 1999). Ownership determines opposite predictions in terms of FOBs dynamism.

A significant ownership stake determines stability, if not inertia, for at least two reasons: FOB-specific agency costs and socioemotional wealth. Agency theory predicts that a large ownership stake concentrated in the hands of one or few individuals will increase agency costs raising between majority and minority stakeholders, where majority owners may tend to engage in entrenchment. Such practices reduce resources available to invest in capabilities and dynamic innovative strategies (Chrisman et al., 2007; Schulze et al., 2003). The behavioural agency model (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2010) also predict stability and inertia, but for different reasons. According to this view, for family firms the main reference point in making strategic decisions is the potential loss of socio-emotional wealth, defined as the stock of affect-related value a family derives from its ownership position in a particular FOB. Applying this logic, Gomez-Mejia and colleagues (2007, 2010) propose that FOBs are more likely to accept threats to the firm’s financial well-being in order to prevent loss of socio-emotional wealth. This results in conservative strategies aimed at preserving owners' direct control over the firm's strategies, reduced strategic risk-taking, stability and lack of radical change.

The opposite view is that significant ownership may determine change and. According to a traditional agency-theoretical approach, majority ownership determines a reduction of agency costs and, hence, more resources available to pursue entrepreneurial opportunities with delayed paybacks (Chrisman et al., 2007).

A radically different approach focuses on the family ownership group as the unit of analysis. This focus allows the enterprising family to conceive dynamic entrepreneurial strategies aimed at quickly shifting investment focus based on changing environmental contingencies, yet leveraging a common pool of familiness resources (Habbershon & Pistrui, 2002; Nordqvist & Zellweger, 2010; Rogoff & Heck, 2003). These dynamics are possible provided identity conflicts between the enterprising family and the businesses in which it invests are positively solved (Reay, 2009; Shepherd & Haynie, 2009).

Family voting control is the level of power held by family firm members in running the firm through both strategic and operating decisions (Gersick et al., 1997). Although the degree of voting control greatly varies among different types of family firms, it is usually recognized as one of the key defining variables of FOBs. As all other characteristcs, voting control also seems to have opposite effects on dynamic adaptation.

On one hand, and according to an agency perspective, family voting control with little ownership (through pyramiding and super-voting shares) reduces the will to invest for the long term (Le Breton-Miller & Miller, 2006). On the other hand, stewardship theory predicts that control explains the motivation for members to act as stewards of the firm, versus their propensity to act antagonistically (Corbetta & Salvato, 2004). This opposite prediction suggests that discretion to invest rapidly in new entrepreneurial opportunities with delayed paybacks may increase dynamism of strategic choices made by the FOB (Casillas & Moreno, 2010; Lumpkin et al., 2010).

7. Long CEO tenure. A striking feature of many FOBs are uniquely lengthy top executive apprenticeships and tenures. In several instances, one generation manages the firm until the subsequent one is ready to take over (Miller & Le-Breton Miller, 2005). Lengthy CEO tenures may result in stability. Following an agency perspective, several authors have noted that longer tenures may determine stability if not stagnation, due to characteristics such as entrenchment, cronyism, and altruism (Chrisman et al., 2007; Lubatkin, Ling & Schulze, 2007; Schulze & Gedajlovic, 2010). Managerial entrenchment may engender a reluctance to engage in risky investments and a conservative financial leverage. Asymmetrical altruism towards next generation family members may determine an assiduous preservation of resources (Schulze et al., 2003). Although the sustainability of strategy ensuing from longer CEO tenures may lead to improved long-term performance (Le Breton-Miller & Miller, 2006), such stability would be obtained at the expense of pursuing more promising opportunities for higher-than-average profitability (Gomez-Mejia et al., 2007, 2010).

In contrast, based on a stewardship perspective, long tenure may yield dynamic outcomes for the FOB, through the higher levels of innovation and adaptability determined by greater long-term emphasis on R&D and product development (Chrisman et al., 2007; Le Breton-Miller and Miller, 2006; Lumpkin et al., 2010). In addition, the chance to affect strategic choices over long periods of time may stimulate the persistence to create superior competencies and the capacity to sustain these competencies across generations (Miller et al., 2008). Low levels of task conflict within the executive team, however, seem to be essential in determining the positive impacts of longer CEO tenures in FOBs (Ensley, 2006).

8. Socioemotional wealth. Family goals and organizational outcomes have also been interpreted as having mixed effects on stability and change. Family firms have both economic and noneconomic goals. The interpretation of outcomes of FOBs behaviour is hence much more complex than in non-family firms, because family firms may be willing to trade economic performance for social and emotional outcomes (Chrisman et al., 2005) based on strong emotional bonding to the firm. To systematically address this balance of economic and non-economic goals, the concept of socioemotional wealth has recently been suggested, defined as the non-financial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynamism (Gòmez-Mejìa et al., 2007).

Socioemotional wealth may foster risk aversion and, hence, stability. According to this view, FOBs may oppose promising projects that increase performance variability (e.g., new ventures) even when facing disappointing (below-target) performance, to avoid loss in socioemotional wealth (Gomez-Mejia et al., 2007).

In contrast, socioemotional wealth may increase risk willingness and dynamism. According to this opposing role of socioemotional wealth, hypothesized by the same authors (Gomez-Mejia et al., 2007), FOBs may be willing to incur a greater performance hazard to protect socioemotional wealth. In other words, the need to protect socioemotional wealth may spur FOBs to pursue entrepreneurial initiatives that forecast temporary, or even permanent below-target performance, to facilitate meeting nonfinancial goals.

To sum up, the 8 core characteristic of FOB discussed in this section have been interpreted by family business literature as a dualism of stability and change. This results in a split view of the ability FOBs have, or lack to accomplish dynamic adaptation. The dualistic view has been predominant also in the more general literature on strategic adaptation, change and renewal. But recently an alternative view has been suggested that form the bases for our framework, a duality view for understanding how stability and change rather interact in determining the dynamic adaptation of FOBs (Farjoun, 2010; Pettigrew et al, 2003). This alternative view goes beyond a simple dualistic view of a dichotomous choice between seemingly contradictory dimensions such as stability and change, beyond the either/or situation of dilemmas (Sánchez-Runde & Pettigrew, 2003). Looking at two opposite principles as dualities means that they form an entity of two interdependent and complementary but still conceptually distinct elements/dimensions (Achtenhagen & Melin, 2003; Jackson, 1999). The framework we present in the following section elaborate the process dualities of stability and change in the dynamic adaptation of a FOB.

A new framework for understanding dynamic adaptation in FOBs: Dynamic family capabilities

In this section we build a conceptual framework aiming to explain why and how FOBs are a source of change as well as stability and how the balancing of change and stability from a duality perspective reinforces the capability of the FOB for dynamic adaptation. We adopt a distinction between three dimensions of dynamic organizational adaptation in FOBs (Bourdieu, 1990; Giddens, 1984; Hoy & Sharma, 2010; Nordqvist & Melin, 2010) (see Figure 1): (1) cognitive attitudes of family firms (*FOB attitudes*) – incorporated in their beliefs, values, vision, identity and entrepreneurial orientation, (2) behavioural patterns of action (*FOB action patterns*) – incorporated in their realized strategies, (3) key individuals (*Key FOB actors*) involved in enacting FOB attitudes and action patterns through *specific activities* such as entry in a new business, exit from an existing business, specific strategic investments, specific mergers and acquisitions. Key FOB actors include the enterprising family members, in particular, but also some key non-family members such as non-family executives and non-family shareholders.

-- Figure 1 about here --

Attitudes embody what we typically think of as structural aspects of organizations (Bourdieu, 1990; Giddens, 1984) related to both stability and change. *Action patterns* embody the specific actions by *key FOB actors*, at specific times and places, which bring the structure to life. We argue that attitudes enable key FOB actors to guide and monitor specific actions, and that the resulting action patterns create, maintain and modify the attitudes. We also argue that the relationship between attitudes and actions creates an ongoing opportunity for introducing new practices and patterns of action and allows FOBs to generate a wide range of outcomes, from apparent stability to considerable change. This revised ontology of FOBs' dynamic adaptation provides a possible explanation of recent empirical findings on the superior performance of some FOBs than existing theories (e.g., Anderson & Reeb, 2003; Casillas & Moreno, 2010; Cruz, Justo & De Castro, 2010; Eddleston & Kellermanns, 2007; Naldi et al., 2007) and has implications for theories of strategic change and dynamic adaptation.

The resulting framework we propose for understanding dynamic adaptation in FOBs advances the concept of *Dynamic Family Capabilities (DFC)* (Figure 1), and will be detailed in the following four sub-sections. In the next sub-section we first propose an overall description and definition of DFC. Then we focus on the central part of Figure 1, illustrating the interplay of actions and attitudes in determining outcomes of both stability and change. In the third sub-section, we focus on the micro-foundations of DFCs, addressed as the specific activities performed by key FOB members, who are hence able to enact their subjectivity, agency and power (Felin & Foss, 2005). In the last sub-section we both describe typical practices related to attitudes and actions, and characteristics and roles of actors and their activities.

Dynamic Family Capability as a duality of attitudes and actions.

Adding to traditional views of FOBs, which emphasize the stability of cognitive structures (e.g., founder's values, beliefs, vision and tradition), our framework places human agency, and therefore subjectivity and power at center stage. Human agency involves the ability of key FOB actors not only to remember the past but also partly living the history, to imagine the future, and respond to present circumstances without being excessively constrained by existing cognitive and behavioural structures (Emirbayers & Mische, 1998). While FOBs are commonly viewed as continuously re-enacting the past, actions by key FOB actors can, at times, involve dynamically adapting to contexts that require changes and reflecting on the meanings of actions for the future of the FOB. Similarly, while FOBs are commonly portrayed as promoting the simple reiteration of past cognitive frameworks, they may entail behaviour and open cultures aimed at challenging the taken-for-granted past through a self-reflective or other-reflective attitude (Giddens, 1984; Hall et al., 2001). As a result of the interaction among past cognitive frameworks and actions performed by key actors, FOBs are inherently capable of endogenous change and dynamic adaptation. Dualities of stability and change, both content and process wise, are continuously in play.

Over generations the successful FOB display a dynamic family capability—the capability to dynamically adapt to its external environment and internal conditions, by combining determinants of stability (and threatening) stagnation with determinants of change and dynamic adaptation. A *"Dynamic Family Capability" (DFC) is the ongoing process of interaction between FOB attitudes and FOB patterns of actions, enacted by key FOB actors, which allows the dynamic transformation of family firms*. The DFC concept is visually represented in Figure 1. According to this approach, FOBs cannot be understood as inherently static, inertial and unchanging social entities, but rather as being able to build on the duality of evolutionary change and tradition, which means that they have potential capabilities for dynamic adaptation.

A survey of the management literature reveals that elements of stability and elements of renewal are co-present in several explanations of strategic change. This apparent paradox is particularly evident in the dynamic capabilities concept, which is currently the most established framework adopted to account for the dynamic adaptation of even old, large and established organizations. All established definitions of dynamic capabilities developed between 1997 (Teece et al., 1997) and 2010 (Barreto, 2010) suggest that *stability* – such as in the higher-level routines constituting dynamic capabilities – may enable *dynamic adaptation* – such as in the resource recombinations allowed by dynamic capabilities. The dynamic capability concept is hence described as having the inherent nature of a duality.

The interplay of FOB attitudes and FOB action patterns.

In line with prevailing definitions of recognizable patterns of interdependent actions involving multiple actors (Feldman & Pentland, 2003), DFCs consist of two aspects (Figure 1): a "cognitive" aspect (*FOB attitudes*) and a "behavioural" or performative aspect (*FOB patterns of action*).

Attitudes—the cognitive aspect—can be seen as the ideal or schematic form of action (e.g., "Our FOB is a steel company" or "We are an enterprising family active in different businesses"). It is the abstract, generalized idea of "how do we accomplish stability and change in this family firm". It is the DFC in principle. Action patterns—the behavioural or performative aspect—consist of streams of specific activities, by specific key FOB actors, in specific places or arenas, at specific times (cf. Melander et al, 2011). It is the DFC in practice. Both of these aspects are jointly necessary for implementing dynamic adaptation, and must be jointly taken into account for explaining such dynamic adaptation. However, each aspect *alone* will only determine and explain either inertia and stability, or discontinuity and change.

In other words, dynamism is in the interaction of attitudes and actions, not in either dimension in isolation. Dynamism is hence shaped by dualities in action.

As illustrated so far, the cognitive aspect of the DFC is the idea, while the behavioural aspect is the enactment of the idea. Both aspects are necessary to constitute what we define a DFC. Our point is not that these two categories, and the role played by key actors, are novel but they are all jointly necessary to explain the dynamic adaptation of family firms. Without making this distinction, the parts—the attitudes, actions, and actors—can be mistaken for the whole, in explaining FOB behaviour and outcomes.

In our view, the most common misunderstanding in the family business literature has been to take the cognitive dimension (e.g., a FOB's vision, core values, and identity) for the action dimension, or, differently put, to mistake the way in which actions are *cognitively framed* (e.g., accounts of "who we are" and "what we do" by key family actors) for the ways actions are *actually performed*. This mistake is relevant to our (mis)understanding of FOB dynamic adaptation. Overestimating the importance of the family business' cognitive representations incorporated in its mission, vision, culture and identity (e.g., "FALCK is a steel company and the Falck family has a long entrepreneurial tradition in steel") leads managers and scholars to underestimate the importance of the actions, adjustments and improvisations that key FOB actors undertake to make the vision work. In addition, unless we separate attitudes and actions, we cannot investigate the relationship between them. Understanding this relationship is important because it can help family business scholars capture the role of variation in FOBs' strategic actions and to go beyond the dual view of the interplay of stability and change. Ultimately, applying a duality perspective helps us understand more about dynamic adaptation in FOBs.

The interplay of specific activities and key FOB actors.

As illustrated by several cases of FOBs facing unforeseen contingencies, variations are often necessary to manage unexpected exceptions. In these instances, the ability some key FOB actors have to improvise specific activities in response to the unexpected event is a valuable skill. In addition, to the extent that key FOB actors or groups of actors can generate novel activities, they can influence the future direction of the FOB in dynamic terms.

Hence, in contrast to the prevailing view of FOBs, which suggests that FOB attitudes are simply followed or reproduced, our proposed theory points to the central importance of subjectivity, human agency, and power as influences on the dynamic adaptation of FOBs. This important dimension is captured by the interplay of specific activities and key FOB actors in Figure 1.

As a collective entity, the FOB and its attitudes are energized and guided by the subjective perceptions of key FOB actors, and by their ongoing activities. Subjectivity and subjective activities are hence central to the existence of FOBs and their attitudes.

By highlighting the active engagement of key FOB actors in carrying out on-going activities, our framework in Figure 1 is also consistent with current perspectives on human agency (Emirbayers & Mische, 1998), which highlight the power individuals have in shaping their action patterns even within the constraints provided by organizational and environmental structures. Within our framework agency is apparent in each key FOB actor's choice of specific activities and in the reflective self-monitoring of those activities.

Finally, power is also important in determining dynamic adaptation and change. Not all new specific activities performed by key FOB actors are later retained as part of the FOB's attitudes or action patterns. Whether innovative actions become, or do not become, a recognized part of FOB attitudes and action patterns depends on the power of particular individuals or groups to define performances as legitimate or appropriate. Individuals or groups with the power to identify specific activities as part of a renewed FOB pattern have the power to turn experiments into stable attitudes, to enact the organization in ways they see as appropriate.

A dynamic practice view of FOBs as dualities of stability and change.

The prevailing understanding of family firms sees them as significantly constrained by their legacy of attitudes, values and beliefs. FOBs whose vision and culture is premised on strong and shared values of change and adaptation will be able to navigate their dynamic environments by continuously referring to their valuable attitude for strategic guidance. In contrast, FOBs whose vision and culture is anchored to stability and preservation of the old will have to do their best to perform strategic activities *despite* the prevailing inertial attitude. As we contend in this essay, this view prevents developing a dynamic understanding of FOBs, as both FOB attitudes and patterns of action are traditionally seen as constraining forces determining either change or stability. We propose a different view of FOBs and their strategic behaviour as dualities of stability and change.

FOB attitudes—their values, beliefs, vision and identity—are not only a constraining force that nearly deterministically drives the fates of an FOB towards a pre-determined and significantly stable strategic pattern. Returning to Figure 1, attitudes may also play an enabling role for change, by *directing, justifying and explaining* novel strategic patterns (Feldman & Pentland, 2003). First, FOB attitudes *direct* the actions to be taken. The founder's vision, for instance, provides a template for behaviour, or a normative goal. However, our framework suggests that strong as they may be, FOB attitudes serve only as a guide. Yet, they cannot specify the details of the performance, which key FOB actors must always choose through reflexive self-monitoring (Giddens, 1984). Second, FOB attitudes may act as a guide to *justify* and to *explain* actions already taken. A key FOB actor may refer to the family's long-standing entrepreneurial tradition to justify radical change (such as exit from the founder’s business) aimed at avoiding failure and the interruption of the family’s business activities.

In a similar vein, FOB patterns of action (such as established business strategies) are not necessarily only a constraining force. Rather, they may also play a crucial role in *shaping, perpetuating and adapting* FOB attitudes (Figure 1). First, repeated patterns of action (such as a number of consistent investments in a new line of business), which are recognized by FOB actors as systematic and coherent, contribute to *shaping* new FOB attitudes (Feldman & Pentland, 2003). Second, repeated choices confirm the original insights and experiments by key FOB actors, hence *perpetuating* either an established, or a novel FOB attitude. Third, when key FOB actors enact an established FOB attitude, they can maintain it, or they can choose to deviate from it. When key FOB do new things (such as suggesting exit from the founder’s business), whether in response to external shocks or in response to reflexive self-monitoring, they contribute to *adapting* the FOB pattern of actions that creates and recreates prevailing FOB attitudes.

The dynamic view of the FOB emerging from this framework is rooted in a strong personalistic view (Chrisman et al., 2006). It is grounded in understandings of the relation between structure and action provided by authors such as Bourdieu (1990) and Giddens (1984), and in the philosophy of Personalism (e.g., Wojtyla, 1979). According to these ontologies, there is an irreducible element of agency or self-determination in organizational agents. This implies that FOB actors may always use FOB attitudes to check up on themselves (or other actors) as they go about their activities, which outcomes are hence never determined by attitudes themselves.

Discussion and conclusion

In this paper we suggest there is "duality" rather than "dualism" (Farjoun, 2010) between elements driving stability and change when interpreting how family firms dynamically adapt, or fail to adapt, to their environments. Ten central family-specific elements determining stability and, at times, stagnation, are the same elements that determine dynamic adaptation and change (Table 1). We hence challenge the prevailing understanding of family firms as mainly creating stability, inertia and stagnation. Matching elements of change and stability in FOBs nature and practices allows us to develop a dynamic view of FOBs. In turn, this view of FOBs illuminates key concepts in the strategic change literature—dynamic capabilities in particular.

A contribution to understanding the micro-foundations of dynamic capabilities

In the strategic change literature the capability of successful change is increasingly argued to be directly related to the ability of managing different pairs of dualities, and foremost the dualities within stability and change processes (Farjoun, 2010; Garud & Van de Ven, 2002). This approach is evident in the concept of dynamic capabilities. Dynamic capabilities are interpreted as comprising an element of *stability*—the higher-level routines that play the role of components of dynamic capabilities—allowing *change* in the firm's endowment of resources and capabilities (Barreto, 2010; Schreyögg & Kliesch-Eberl, 2007).

Despite the increasing appeal in strategic management literature, this view of dynamic capabilities raises several conceptual and practical concerns. Routines are seen as the most fundamental building block of dynamic capabilities (Eisenhardt & Martin, 2000; Zollo & Winter, 2002). However, routines (including those composing dynamic capabilities) are based on past experience and repetition (Felin & Foss, 2010): How can they provide a full understanding of change requested by dynamic adaptation? How can they incorporate the intentionality requested to break with existing attitudes and action patterns? How can they determine the creativity and new knowledge needed to envision innovative strategic patterns? Despite almost two decades of research on dynamic capabilities, these fundamental questions persist.

Observing how several FOBs balance stability and change offers insights into how these questions can be answered. The role of key FOB actors and the actions they perform is central in determining the dynamism of otherwise relatively inertial entities such as organizational routines and capabilities. While FOB attitudes and actions patterns would be relatively inertial entities, per se, alterations and experiments intentionally decided by key FOB actors may gradually, and at times radically, modify pre-determined courses of action. These alterations are relatively commonplace in non-family firms, where radical changes in ownership—through mergers and acquisitions, for example—and management teams—e.g., when the CEO is changed by controlling owners to determine needed course of action—often determine equally radical strategic changes. Rarely is radical change observed in non-family firms without such alterations in ownership and top management. It is hence more difficult in these firms to observe how stability and change can be mutually determined and become a duality—that is, how dynamic capabilities work.

On the opposite, in family firms elements of stability may determine change. To understand how this is possible, in this essay we have suggested to focus on the subjectivity, agency and power exerted by key actors, which have the power to leverage and reinterpret deeply rooted values, beliefs and action patterns. Our suggestion is that key questions revolving around the dynamic capabilities concept can be answered through micro-foundational studies of family firms aimed at unveiling the dimension of human agency, free-will and self-determination inherent in organizational action.

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Table 1. Change and stability in key family-specific characteristics in FOBs

STABILITY practices and outcomes	**Family-specific Characteristics**	**CHANGE practices and outcomes**
Investments are a function of the nature of the mission, which can be focused on conservatism and preservation, rather than evolution and adaptation (Miller et al., 2008)	**1. Mission of the controlling family**	A substantive mission connected with the family's history and reputation drives the renewal of a family's entrepreneurial abilities (Guzzo & Abbott, 1990; Lansberg, 1999; Ward, 2004; Le Breton-Miller & Miller, 2006)
Concern for transferring an intact business to future generations prevents new, risky radical innovations (Gomez-Mejia et al., 2007)	**2. A concern for subsequent generations—a long-term orientation**	Investments in long-term projects and capabilities (Le Breton-Miller & Miller, 2006)
The founder's shadow: concepts and values introduced by the founder are transferred as they are to subsequent generations, without questioning their ability to allow dynamic FOB adaptation	**3. Role of the founder**	In first-generation (founder-managed) FOBs the founder is the main source of entrepreneurial orientation and business dynamism. In next-generation FOBs the founder's EO can be transferred to heirs and collaborators.
A strong community culture may determine excessive rigidity in leveraging relationships to employees and local communities for the purpose of radical change (Salvato, Chirico, Sharma, 2010)	**4. Community culture**	Systematic investments in training, broader jobs and responsibilities and a flexible inclusive culture. Social responsibility enhances resources available from the external environment (e.g. state and local communities) (Miller et al., 2008)
Long-term commitments to specific actors may hamper a FOB ability to quickly adapt to new market situations, as such relationships are sometimes difficult to restructure (Salvato & Melin). Trust is sometimes founded on specific person-to-person relationships that may evaporate as individuals retire or die (Carney, 2005).	**5. Social capital**	Long-term associations, based on trust, with customers, suppliers, bankers and local communities: (1) provide valuable resources and stability for long-term investments (Le Breton-Miller & Miller, 2006); (2) facilitate transition to next generations; (3) make the FOB more resilient in times of troubles.
FOB-specific agency costs: Entrenchment and altruism (Schulze et al.) Family voting control with little ownership (through pyramiding and super-voting shares) reduces the will to invest for the long term (Le Breton-Miller & Miller, 2006)	**6. Significant ownership stake and family voting control**	Reduced agency costs: More resources available to pursue entrepreneurial opportunities with delayed paybacks. Discretion to invest rapidly in new entrepreneurial opportunities with delayed paybacks (Habbershon & Pistrui, 2002; Le Breton-Miller & Miller, 2006)
Entrenchment, cronyism, altruism increase conservatism and stagnation (Bertrand & Schoar, 2006; Schulze et al., 2001)	**7. Long CEO tenure**	More emphasis on the need for lengthy change processes, more emphasis on R&D and on the development of new product/service offerings and new businesses Corbetta & Salvato (2004), Fear (1997), James (2006), Danco (1975), Gallo & Vilaseca (1996)
Risk aversion: Aversion to pursue promising projects that increase performance variability (e.g., new ventures) even when facing disappointing (below-target) performance, to avoid loss in socioemotional wealth	**8. Emotional ownership and socioemotional wealth**	Risk willingness: Willingness to incur a greater performance hazard (probability of organizational failure or below-target performance) to protect socioemotional wealth

Figure 1. A framework of *Dynamic Family Capabilities* as dualities of stability and change