HPWP’s Role on Product Innovation in Family Firms

A Study of Swedish Family Firms
Master Thesis within Business Administration

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Date: 2017-05-22

Key terms: HPWP, product innovation, family firms, familiness, interplay

Abstract

Innovation is of central concern for all businesses. The concern for innovation is particularly sensitive for family firms as they often face the challenge of being less entrepreneurial and innovative than non-family firms due to their, sometimes contradictory goals, between economic efficiency and family interest. Researchers has begun to acknowledge the importance of professional human resource (HR) practices regarding innovation. However, academia becomes short in understanding how these practices affects a firm’s product innovation, especially in a family business context. Therefore, this thesis aims to enlarge how high performance work practices (HPWP), consisting of five practices, influences product innovation in family firms. To achieve this, our study included a multiple-comparative case study of three Swedish family firms, plus two expert interviews to reach further support to our findings. Moreover, for these cases, we conducted semi-structured interviews, observation and secondary data using an abductive approach. Based on previous theoretical standpoints, we derived our own model which served as an analytic tool to our empirical data. From our analysis, we conducted a new, slightly modified, model to support and illustrate our empirical findings. To make a thorough and accurate analysis, we separated each practice of HPWP and found every practice’s unique influence on product innovation in family firms. Additionally, we contribute to the HPWP literature by revealing an interplay between these five practices where they appear to strengthen and support each other. From a practitioner's point of view, our study is helpful to achieve a higher person-organizational fit for family firms and it can provide practical insights of how HPWP affects the product innovation process.
Acknowledgement

After five months of blood, sweat and tears, an unforgettable journey has come to an end. After a challenging, but enriching spring, we can proudly present our master thesis. The thesis would not have been written without all the support we have received from others. Therefore, we would like to express our appreciation to those people.

Above all, we would like to show our gratitude to our supervisor, Daniel Pittino, who through his support, pedagogical ability and extensive knowledge about our topic, always steered us in the right direction. His expertise in the family business field along with his humble and caring attitude has played a vital role in the quality of our thesis. Thank you Daniel, it has truly been a pleasure.

Furthermore, we want to aim our thankfulness to all interviewees from the case companies who all gave us a warm welcome. The time and effort the respondents put into our interviews gave us exceptionally helpful insights, which we will not easily forget. With that, we truly hope and expect that our thesis will give value to their specific businesses.

Our thesis has received additional support from several teachers on the 6th floor, which we would like to thank. Their diverse perspective added important features to our thesis which made us rethink and improve our approach. We are especially grateful for the insights about the family business culture we obtained from Lucia Naldi and Ethel Brundin.

Finally, I, Oscar Eriksson, would like to express a genuine thank you to my thesis partner Sander van Leuven, who through an inimitable hard-working attitude drove our thesis forward every single day. Also, I, Sander van Leuven, want to thank Oscar Eriksson for all the hard work and enjoyable teamwork. In my opinion, we have complemented each other very well and with your discipline, we have achieved excellent teamwork.

______________________________  ______________________
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Table of Contents

1. **Introduction** ........................................................................................................... 1

2. **Background** ........................................................................................................... 3
2.1 Defining a Family Business ......................................................................................... 3
2.2 Defining Product Innovation ....................................................................................... 5
2.3 From Professionalization to HPWP ............................................................................ 5
2.4 Why Study HPWP in a Family Business Context? .................................................... 7

3. **Problem** ............................................................................................................... 8

4. **Research Purpose & Research Questions** ............................................................ 9
4.1 Delimitations ............................................................................................................. 10

5. **Frame of Reference** ............................................................................................. 11
5.1 Innovation in Family Firms ....................................................................................... 11
5.2 HPWP ...................................................................................................................... 12
5.2.1 Selective Staffing .................................................................................................. 12
5.2.2 Training ................................................................................................................. 13
5.2.3 Employee Participation .......................................................................................... 13
5.2.4 Performance-based Rewards ................................................................................ 14
5.2.5 Team Development ............................................................................................... 14
5.3 HPWP & Product Innovation ................................................................................... 15
5.4 HPWP in Family Firms ............................................................................................. 17
5.5 Resource-based View ............................................................................................... 19
5.6 Human Capital Theory ............................................................................................. 19
5.7 Social Capital Theory ............................................................................................... 21
5.8 Contemporary Models of HPWP ............................................................................... 22
5.9 Our Model ............................................................................................................... 24

6. **Methodology** ....................................................................................................... 26
6.1 Research Philosophy ................................................................................................. 26
6.2 Subjectivity vs. Objectivity ....................................................................................... 27
6.3 Research Approach .................................................................................................. 28
6.4 Research Strategy ..................................................................................................... 29
6.5 Research Methods ................................................................................................... 31
6.5.1 Semi-structured Interviews .................................................................................. 31
6.5.2 Observations ........................................................................................................ 33
6.5.3 Secondary Data .................................................................................................... 34
6.6 Selection of Cases .................................................................................................... 34
6.6.1 Company 1 .......................................................................................................... 35
6.6.2 Company 2 .......................................................................................................... 35
6.6.3 Company 3 .......................................................................................................... 36
6.7 Data Collection ......................................................................................................... 36
6.8 Data Analysis ........................................................................................................... 39
6.9 Research Ethics ....................................................................................................... 40
6.10 Research Quality ..................................................................................................... 41
6.10.1 Credibility .......................................................................................................... 41
6.10.2 Transferability ..................................................................................................... 41
6.10.3 Dependability ..................................................................................................... 42
6.10.4 Confirmability ..................................................................................................... 42
7. Empirical Findings .................................................................................43
  7.1 Company 1 ......................................................................................43
    7.1.1 Interviews Company 1 ...............................................................44
      7.1.1.1 Family Factor ....................................................................44
      7.1.1.2 Selective Staffing ...............................................................45
      7.1.1.3 Training .............................................................................46
      7.1.1.4 Employee Participation .....................................................46
      7.1.1.5 Performance-based Rewards .............................................48
      7.1.1.6 Team Development .........................................................48
  7.2 Company 2 ......................................................................................49
    7.2.1 Interviews Company 2 ...............................................................51
      7.2.1.1 Family Factor ....................................................................51
      7.2.1.2 Selective staffing ...............................................................52
      7.2.1.3 Training .............................................................................53
      7.2.1.4 Employee participation .....................................................54
      7.2.1.5 Performance-based Rewards .............................................56
    7.2.2 Team Development ....................................................................57
  7.3 Company 3 ......................................................................................58
    7.3.1 Interviews Company 3 ...............................................................58
      7.3.1.1 Family Factor ....................................................................58
      7.3.1.2 Selective staffing ...............................................................59
      7.3.1.3 Training .............................................................................60
      7.3.1.4 Employee participation .....................................................60
      7.3.1.5 Performance-based Rewards .............................................61
    7.3.2 Team Development ....................................................................62
  7.4 Expert Interview Company 4 ...........................................................63
    7.4.1 Expert Interview .......................................................................63
      7.4.1.1 Family Factor ....................................................................63
      7.4.1.2 Selective staffing ...............................................................64
      7.4.1.3 Training .............................................................................65
      7.4.1.4 Employee participation .....................................................66
      7.4.1.5 Performance-based Rewards .............................................66
    7.4.2 Team development .....................................................................66
  8. Analysis .............................................................................................68
    8.1 HPWP’s Influence on Product Innovation ......................................68
      8.1.1 Selective Staffing ...................................................................68
      8.1.2 Training ................................................................................69
      8.1.3 Employee Participation .........................................................70
      8.1.4 Performance-based Rewards ................................................71
      8.1.5 Team Development ................................................................71
    8.2 Familiness’ Influence on HPWP .....................................................73
    8.3 Familiness’ Influence on Product Innovation ...................................75
    8.4 Familiness’ Influence on H.C. & S.C. .............................................76
    8.5 HPWP’s Influence on H.C. & S.C. ..................................................77
    8.6 H.C. & S.C.’s Influence on The Link of HPWP & Product Innovation ...78
    8.7 Our New Model ...........................................................................79
      8.7.1 Familiness .............................................................................79
      8.7.2 HPWP & H.C. & S.C. ...............................................................80
9. Discussion ..............................................................................................................................82
10. Conclusion ..........................................................................................................................85
    10.1 Practical Implications .................................................................................................. 86
    10.2 Limitations & Future Research .................................................................................. 86
11. Reference List .....................................................................................................................88
Figures
Figure 1: Theoretical model linking HPWP to firm performance ........................................ 23
Figure 2: Resourced-Based View Model of Familiness ......................................................... 24
Figure 3: Model of HPWP & Product Innovation in Family Firms ...................................... 25
Figure 4: HPWP & Product Innovation ................................................................................ 68
Figure 5: Familiness’ influence on HPWP ............................................................................ 73
Figure 6: Familiness & Product Innovation ......................................................................... 75
Figure 7: Familiness & H.C. & S.C. .................................................................................... 76
Figure 8: HPWP & H.C. & S.C. .......................................................................................... 77
Figure 9: H.C. & S.C. Link of HPWP & Product Innovation .............................................. 78
Figure 10: Model of HPWP Interplay Box’s Influence on Product Innovation in FF .... 81

Tables
Table 1: Observation Overview ............................................................................................. 33
Table 2: General Information of Case Companies ................................................................ 36
Table 3: Interviewee Overview ............................................................................................. 38
Table 4: Respondents of Company 1 ................................................................................... 43
Table 5: Respondents of Company 2 ................................................................................... 50
Table 6: Respondents of Company 3 ................................................................................... 58
Table 7: Respondents of Company 4 ................................................................................... 63

Appendix
Appendix 1 - Interview Questions ........................................................................................ 101
Appendix 2 - Process of Analyzing Data .............................................................................. 109
1. Introduction

The section serves as an introduction to our topic, in which we introduce the concepts of family firms, product innovation and HPWP.

It is an interesting time to be studying family firms. The family business literature has flourished in recent years and there is a growing acknowledgement about family firms’ crucial role across all economies in the world (Zahra & Sharma, 2004; De Massis, Frattini, Pizzurno & Cassia, 2015). The significant role of family businesses are visible in the statistics which illustrate that family firms account for 85% of the companies worldwide and 65% of the GDP in Europe (Bañegil Palacios, Barroso Martínez, & Luis Tato Jiménez, 2013). Therefore, the family business field becomes an important area for investigation (Chrisman, Chua & Sharma, 2005a). Furthermore, much of the existing literature seems to criticize the lack of innovation in family firms (Kraus, Pohjola & Koponen, 2012). Notwithstanding the criticism, family firms are commonly acknowledged as a main contributor to economic development and technological innovations (Zahra, 2005). Although, innovation has been stated as an important organizational issue for family firms (Litz & Kleysen, 2001; Kellermanns, Eddleston, Sarathy & Murphy, 2012), it was only until recently that family businesses were included in the literature of innovation (Carnes & Ireland, 2013).

As indicated, innovation has been seen as a key issue and a central managerial concern by business practitioners and academics for many years (Litz & Kleysen, 2001). It is also described as a key driver to the development of competitive advantages and survivability of the firm (Carnes & Ireland, 2013). The interest among scholars and practitioners in understanding the factors linked to innovation has increased along with the dynamic, competitive and constantly changing marketplace (Craig & Moores, 2006; Sirmon & Hitt, 2003). To keep up with this competitive environment, organizations in all industries must foster innovation to develop and exploit the necessary knowledge to develop the firm (Craig & Moores, 2006). Even though there are various types of innovations, we focus on product innovation as it is acknowledged as the primary mean to a firm’s innovation (Danneels, 2002). From a family business context, Kellermanns et al. (2012) argue for the importance of understanding how the unique characteristics of a family firm can influence product
innovation, as innovations contribute to renew companies, support growth, create new opportunities for employment, and engender wealth. The most distinguishing feature of a family business is the family involvement in ownership, management and/or governance (Chua, Chrisman & Sharma, 1999) which functions as an influential factor on the product innovation process (De Massis et al., 2015). The family aspect also leads to that family firms must constantly manage the, sometimes, contradictory goals between economic efficiency and family interest (Kellermanns et al., 2012). Although, the academic interest about innovation in family firms is increasing (Craig & Moores, 2006), there is still inadequate understanding about the hindering and supporting factors of product innovation (König, Kammerlander, & Enders, 2013). One element that influences the innovativeness and deserves more attention is the firm’s HRM strategy and more specifically, the establishment of professional HR practices (Antonioli, Mancinelli & Mazzanti, 2013; Walsworth & Verma, 2007).

Concerning the HRM research, one of the remaining questions is if a particular collection of practices can or cannot be accepted as the best universal approach of the managing of people (De Kok, Uhlaner & Thurik, 2006). Several studies stress the importance of establishing high performance work practices (HPWP) to facilitate the innovative behavior in a business (Messersmith & Guthrie, 2010; Antonioli et al., 2013; Jensen & Vinding, 2007). Nevertheless, from a family business perspective, the settings concerning HRM are different compared to non-family businesses (Astrachan & Kolenko, 1994). One of the differences is that family firms tend to rely less on HPWP than non-family firms (Reid & Adams, 2001; Pittino, Visintin, Lenger & Sternad, 2016). However, there is not enough research in the sphere to determine if HPWP is better or worse for the family business (De Kok et al., 2006) as research has paid little attention to the family factor in the HR academic field (Dyer, 2003). Therefore, we aim to close the gap in the literature by investigating how HPWP can influence product innovation from a family business point of view.
2. Background

The background deals with defining relevant concepts such as family businesses, product innovation and HPWP. With this, we aim to clarify concerning these topics throughout our paper. Moreover, we discuss the importance for studying our topic in a family business context.

2.1 Defining a Family Business

It is commonly acknowledged that family businesses play a significant role in the world’s marketplace and are main contributors to the development of all economies across the world (Zahra & Sharma, 2004; De Massis et al., 2015). A fact that is further support by Bañegil Palacios et al. (2013) who state that most of the firms worldwide are family firms. It has been shown that family businesses possess unique characteristics and differ not only from non-family businesses (Chua et al., 1999), but among themselves as well (Nordqvist, Hall & Melin, 2009). In its simplest form, the uniqueness in a family business is encapsulated in the interaction of three overlapping entities: the family, individual members and the business, which is often referred to as familiness (Habbershon, Williams & MacMillan, 2003). Other differences are visible in the unique pattern of ownership, governance, succession, structure and strategies (Naldi, Nordqvist, Sjöberg & Wiklund, 2007), and the involvement of emotions and non-financial goals (Whiteside & Brown, 1991). These features engender unique challenges which family firms have to overcome to ensure the survival and continuity through generations (Bañegil Palacios et al., 2013). Most of the challenges are linked or related to the family involvement (Chua et al., 1999; Bañegil Palacios et al., 2013). Another more specific challenge centers around the conservative behavior that many family firms develop over time (Zahra, Hayton & Salvato, 2004).

To be able to understand and discuss family businesses, it is important to first describe and define the phenomenon. Over the years, researches in the family business field have defined a family business in various ways and therefore, faced the challenge of finding a widely-accepted definition (Astrachan, Klein & Smyrnios, 2002). In early work by Beckhard and Dyer (1983), a family business is defined as the system that includes a business, a founder, a family and a board of directors. The definitions have developed over the years and most definitions up-to-date seem to include family involvement in ownership and management (Miller & Le Breton-Miller, 2005). Other definitions add the factor of a family successor
(Churchill & Hatten, 1997). Furthermore, Chua et al. (1999) argue that to be able to define a family business, it is important to capture its uniqueness which includes the unique pattern of ownership, management, governance and succession that influences the goals, structure and strategies.

To avoid ambiguity, it is important to clearly present how a family business will be defined throughout this paper. To be able to capture the unique patterns described by Chua et al. (1999) and what a family firm consist of, we apply a frequently used definition from Chrisman, Chua and Sharma (1999). We regard a family business as a:

“...business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families” (Chrisman et al., 1999, p. 25)

In the light of our study, we acknowledge the concept of socioemotional wealth in family firms due to the relevance of the non-financial goals in family firms (Berrone, Cruz & Gómez-Mejía, 2012). Moreover, socioemotional wealth is a concept that can explain the risk-willing behavior of family firm control and with it, its innovative behavior (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson & Moyano-Fuentes, 2007) as well as the connection to HR as it leads to higher employee retention rates (Pittino et al., 2016). Although the disperse conceptualization of socioemotional wealth, it includes the ability to exercise authority, needs of belonging, affect and intimacy, the continuation of family values and continuation of the family business, maintaining the social capital, and altruism to family members (Gómez-Mejía et al., 2007). In short, socioemotional wealth includes the interaction between the non-financial goals of a family firm. Since the socioemotional wealth plays a vital role in family firms as it partly explains the unique entity (Berrone et al., 2012), family firms want to preserve their socioemotional wealth (Gómez-Mejía et al., 2007). The preservation of socioemotional wealth is dependent on both the risk willingness and risk averseness (Gómez-Mejía et al., 2007). Therefore, socioemotional wealth is a well-established feature of a family firm that explains the innovative behavior of a family firm from a different angle. As such, we cannot assume professional HR practices to be a replacement of this concept nor neglect this concept and its impact on innovation.
2.2 Defining Product Innovation

Another central concept in our paper is product innovation. Product innovation seems to be the most suitable type of innovation for our research for three main reasons. First, it is acknowledged as a primary means to a firm’s innovation (Danneels, 2002). Second, the influential connection to HPWP (Lau & Ngo, 2004). Third, product innovation allows more in-depth analysis of the empirical evidence due to the extended research upon it (De Massis et al., 2015). In addition, product innovation deals with the same problems as process innovation on the organization and management of it, but poses challenges concerning interaction and engagement with external market aspects such as providers of complementary goods, distributors and clients (De Massis et al., 2015). To prevent uncertainty, we aim to clearly explain and present a definition of the concept. Throughout this paper, we define product innovation following Diéguez-Soto, Duréndez, Garcia-Pérez-de-Lema and Ruiz-Palomo’s (2016, p. 335) definition:

*“the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended use”*

2.3 From Professionalization to HPWP

As the business grows and develops, its operations become more complex which strengthens the need for competent management and well-functioning organizational systems (Dekker, Lybeart, Steijvers & Depaire, 2015). Consequently, to be able to manage this increased complexity, there must be a shift towards firm professionalization (Dekker et al., 2015). Traditionally in the family business literature, professionalization has been described as the presence of a non-family manager, non-family members or non-family owners (Hall & Nordqvist, 2008). However, Hall and Nordqvist (2008) point out that the traditional view of professionalization is outdated and that the concept needs to be expanded. This notion is supported by Dekker et al. (2015) as well as Stewart and Hitt (2012) who state that most research has the tendency to oversimplify professionalization by solely focusing on having non-family involvement. As such, Dekker et al. (2015) argue that professionalization should be seen as a multidimensional construct which centers around a formalized, structured and institutionalized organization. This newly found definition includes Hall and Nordqvist’s (2008) argument that both a family- and a non-family member can be qualified as professional. They are perceived as professional as long as they act in a formal and cultural competent manner by having formal training and education and abide to the family values
and norms (Hall & Nordqvist, 2008). In line with Hall and Nordqvist’s (2008) and Dekker et al. (2015), Stewart and Hitt (2012) argue that the multidimensional definition of professionalization deals with formal training, formalized structures, meritocratic values (incentive-based payment), and independent directors.

These aspects of professionalization are closely tied to professional HR, which can include selection, meritocratic payment, training and development, job enrichment, and empowerment (Tsao, Chen, Lin & Hyde, 2009). Thus, we argue that the multidimensional definition of professionalization can be naturally linked to the professional human resource (HR) practices. This connection between professionalization and HR practices gains further support from Dekker, Lybaert, Steijvers, Depaire and Mercken’s (2013), stating that professionalization is “...the establishment of formal human resource control mechanisms” (p. 84). Therefore, we link the definition of professionalization to the professional HR practices, such as formal training, formalized structure, meritocratic values, and independent directors. To funnel down even further, we focus on one relevant professional HR practice which is the high performance work practices, or short HPWP. The definition of HPWP varies in the literature. Therefore, to prevent ambiguity when referring to HPWP throughout the paper, we define it as:

*selective staffing, employee participation (Combs, Liu, Hall & Ketchen, 2006), training, performance-based rewards, team development (Lau & Ngo, 2004).*

With support from Lau and Ngo (2004), we argue that these factors are the most relevant HR practices that support innovative-oriented HR systems. First, selective staffing contributes to the creation of knowledge, skills and abilities in a firm that are necessary to get the right people (Combs et al., 2006). Second, employee participation refers to the empowerment of employees to participate in the decision-making process in the firm (Combs et al., 2006). Third, training employees increases the skills and knowledge which are essential to new product development (Lau & Ngo, 2004). Fourth, performance-based rewards function as an incentive for creativity and innovation which stimulates the innovative performance (Lau & Ngo, 2004). Fifth, team development can combine knowledge of employees to facilitate product innovation in firms (Lau & Ngo, 2004).
2.4 Why Study HPWP in a Family Business Context?

By scrutinizing existing literature regarding these five practices of HPWP, it seems that the vast majority of researches perceive HPWP as a positive phenomenon with positive effects on a firm’s performance and innovation (Richard & Johnson, 2004). However, as family firms often apply informal HR practices (Pittino et al., 2016), HPWP’s effect in a family business context remains unclear. As family firms are the most common types of businesses today and serve as a backbone to the world economies (De Massis et al., 2015), we believe it is important to investigate the role of HPWP in their specific context. Moreover, family businesses differ with regard to product innovations from non-family firms due to their unique characteristics and their lower investment in R&D (De Massis et al., 2015). Further, we also study this topic in family firms instead of non-family firms due to three reasons stated by Tsao et al. (2009). First, HRM is an important, but a neglected factor, in the success of a family business. Second, HPWP is a central moderator that influences family ownership and organizational performance. Third, current literature seems to have disregarded the family aspect of the relationship between HPWP and innovation.
3. Problem

This chapter provides insight into the reason for studying HPWP’s effect on product innovation in family firms.

Even though innovation in family firms is important (Litz & Kleysen, 2001), family firms are often characterized as being less entrepreneurial, more risk averse, incapable to keep up with the globalized and constantly changing markets and less innovative than non-family firms (Kraus et al., 2012; Chrisman, Chua, De Massis, Frattini & Wright, 2015; Duran, Kammerlander, Van Essen & Zellweger, 2016). In support, Classen Carree, Van Gils and Peters (2014) state that the capacity to innovate is a frequent challenge in family firms. Although the issue of innovation in family firm has received more attention recently (Craig & Moores, 2006), the understanding about the influential factors of innovation are still short in literature (König et al., 2013). One factor that has shown to have a significant effect on a firm’s product innovation is HPWP (Messersmith & Guthrie, 2010). However, there is not enough research in the field to understand and describe the relationship between HPWP and product innovation in family businesses (De Kok et al., 2006).

With support from Colombo, Delmastro and Rabbiosi (2007), we believe that the reason for this lies in the extensive amount of quantitative studies concerning product innovation and HPWP. Due to the large majority of quantitative studies concerning product innovation and HPWP, we argue for the importance to grasp the underlying factors of the product innovation process. Hence, De Massis and Kotlar (2014) state that using a qualitative approach is valuable in the family business literature when highlighting a complex phenomenon, a theory development or refine and extend present theories. The research comes short in conceptual and qualitative approaches that could explain influential factors as well as theoretically support a more sufficient understanding about the existing findings in literature (De Massis, Frattini & Lichtenthaler, 2013). With our study, we want to enrich the findings built on a quantitative study, by applying a qualitative approach. By doing this, we can provide an enlarged perspective and shed light on the complex and insufficiently researched relationship between product innovation and HPWP (Cooke & Saini, 2010).
4. Research Purpose & Research Questions

The purpose of our study is to investigate how HPWP influences product innovation in family firms. To achieve a rich understanding of this relationship, we will examine specific underlying reasons for the connection between HPWP and product innovation. Based on our purpose, the research question is:

“How does HPWP influence product innovation in family firms?”

To answer this question, we will answer the five sub-questions that contain the five practices of HPWP as we defined it:

1. How does selective staffing influence product innovation in family firms?
2. How does employee participation influence product innovation in family firms?
3. How does training influence product innovation in family firms?
4. How do performance-based rewards influence product innovation in family firms?
5. How does team development influence product innovation in family firms?

By separating each practice of HPWP when illustrating the link between HPWP and product innovation, we build upon earlier research from Walsworth and Verma (2007) who stated that each practice cannot be seen as a homogenous group. Furthermore, with our research questions, we respond to the demand of Fu, Flood, Bosak, Morris and O’regan (2015) who point out that additional work is needed to understand how HPWP affects innovation. Moreover, we strive to complement HPWP literature. In addition, as we include the family factor, we also aim to enlarge the family business literature.
4.1 Delimitations

First, our thesis focuses on HPWP to delimit the broad definition of professional HR and as HPWP is relevant for a firm’s innovation (Fu et al., 2015). The definition of HPWP varies in literature, where researchers include different practices in the concept. This means that HPWP can be regarded as a subjective notion. Nevertheless, we delimit the HPWP definition with the five practices that we deem to be most relevant by combining findings from Combs et al. (2006) and Lau and Ngo (2004).

Second, another delimitation concerns the innovation aspect. We focus on product innovation to differentiate between the diverse types of innovation. Apart from product innovation, there are two types of innovation, namely: process innovation, and management innovation. The first innovation, process innovation, deals with the implementation of new or substantially improved production or delivery method (Diéguez-Soto et al., 2016). The second innovation, management innovation, concerns the new practices, processes, and structures that change the workplace (Diéguez-Soto et al., 2016). Even though we are aware of the other types of innovation, we focus on product innovation due to earlier reasoning when defining product innovation.
5. Frame of Reference

This section will present and discuss relevant findings from previous studies, appropriate theories and models that support the purpose of this study. All of this will, at a later point, be used as a theoretical base to analyze our empirical findings.

5.1 Innovation in Family Firms

Even though many family firms have been founded due to innovative ideas (Kellermanns, & Eddleston, 2006), after some time, they develop a conservative behaviour which makes them unable to maintain their entrepreneurial momentum (Zahra et al., 2004). One reason to the conservative behaviour is that family managers want to retain control over the business (De Massis et al., 2015) or that they perceive the risk of threatening the economic and social well-being of future generation as too high (Naldi et al., 2007). Another factor which hinders the innovativeness is the entrepreneurial investments that are made with the family’s own money, which makes them more cautious on how they allocate their resources (Chrisman, Chua & Steier, 2005). Therefore, in times of crisis, one of the first cuts is the investment in innovation (Dess & Lumpkin, 2005). Another perspective is given by Duran et al. (2016) who found that, on the one hand, family firms tend to invest less in innovation because they value the non-economic goals, concentrate on wealth and importance of high level of control. On the other hand, Duran et al. (2016) show that, although the innovation input is smaller in family firms, they utilize the investment more efficiently and thus, receive a higher innovation output compared to non-family firms.

As indicated above, family firms possess characteristics which can impede their innovativeness. However, recent research shows a more multifaceted view of family firms’ risk behavior (Kellermanns et al., 2012). For example, Gómez-Mejía et al. (2007) found that when dealing with financial and non-financial issues regarding family control, many family businesses take risky initiatives to sustain their independence. One reason for their risk-willing behaviour regarding family control, is explained by the socioemotional wealth occurring in family firms (Gómez-Mejía et al., 2007). Furthermore, for some family firms, the preservation for future generation can be a facilitating factor to encourage the innovative behavior (Kellermanns et al. 2012). Hall, Melin and Nordqvist (2001) argue that the behavior can be influenced by the family core values as it affects employees’ commitment and
willingness to strive the family business forward. Another supporting factor to family firm’s innovativeness is brought up by Craig and Dibrell (2006), who found that the involvement of family had a positive effect on the flexibility in decision-making processes and structures. This flexibility is needed to successfully act upon innovation opportunities as the firm must be flexible in shifting focus and methods when opportunities arise (Carnes & Ireland, 2013).

Altogether the results and perspectives about family firms and their innovative behaviour vary in literature, scholars seem to agree that there are differences between family firms and non-family firms in several aspects of the product innovation process and how they decide to allocate and manage the resources concerning that process (Carnes & Ireland, 2013). Yet, there is still limited understanding about the factors that influence product innovation in family firms (König et al., 2013). Therefore, it would be important to enlarge our understanding about how influential factors, such as HPWP (Antonioli et al., 2013; Walsworth & Verma, 2007), affect a family firm's product innovation.

5.2 HPWP

To provide clarity, we believe it is important to give a deeper description of the five practices of HPWP. As mentioned before, the five practices we focus on are selective staffing, employee participation (Combs et al., 2006), training, performance-based rewards, and team development (Lau & Ngo, 2004) which will be presented below.

5.2.1 Selective Staffing

The first element of HPWP is selective staffing, which refers to the recruitment process within firms to select and retain people (Combs et al., 2006). Selective staffing deals with formally screening applicants on criteria such as experience, knowledge, and skills as well as screening on personality, value and interpersonal skills that can affect one’s capacity to integrate in the firm and build relationships (Jiang & Liu, 2015). Moreover, Pittino et al. (2016) argue that selective staffing can enhance the commitment of new and existing employees as the recruitment process can indicate that only the best people are chosen. Related to this, Jiang and Liu (2015) state that selective staffing includes person-organization fit to identify the applications that are most in line with the company values. Apart from that, selective staffing shows that (1) organizations have solid job opportunities, (2) there is a culture of high performance, and (3) employees are important (Pittino et al., 2016). The selective staffing encourages the flow of employees which Rao and Drazin (2002) note as the
second most frequently used method to promote product innovations after team development. This is due to the new information, routines, capabilities and knowledge new employees bring into the company (Rao & Drazin, 2002).

5.2.2 Training

The second element is training, which is deemed to be an important aspect in firms as it has been proven that high performing companies invest more in training and education of personnel (Lau & Ngo, 2004). Examples of training are coaching, mentoring, class room lectures, on job training, and practical demonstrations (Kumar, 2014). Training can support the learning abilities in organizations and should be in line with the company’s strategy. Building on to that, by investing in training it can increase a positive employee attitude (Beugelsdijk, 2008) and employees can commit more to the firm in order to achieve a higher performance (Lau & Ngo, 2004) as well as gain a competitive advantage (Tregaskis, 1997). According to Beugelsdijk (2008), developing skills and knowledge of employees are essential criteria to new product developments. Thus, Beugelsdijk (2008) argues that training leads to a higher innovative performance. Moreover, Wright, Dunford and Snell (2001) argue that more intensive training leads to higher levels of human capital, as it increases the skills, knowledge and abilities of employees. However, training does not come without constraints as it can be expensive to implement and are thus, highly dependent on the financial performance of a firm (Wright, Gardner, Moynihan & Allen, 2005).

5.2.3 Employee Participation

The third aspect of HPWP refers to employee participation, which is seen as empowering the employees by giving them more responsibilities and decentralizing the decision-making in the business (Richard & Johnson, 2004). Richard and Johnson (2004) mean that this part of HPWP works as a facilitating factor in the product innovation process as it allows employees to realize and use their knowledge. By shifting the decision making down, the organization becomes faster in pursuing their innovative ideas (Richard & Johnson, 2004). This is supported by De Massis et al. (2015), who argue that giving empowerment to employees in family firms enhances the flexibility and speed of innovation. Furthermore, Pittino et al. (2016) note that HPWP can be particularly important to increase the involvement of employees. Thus, Beugelsdijk (2008) argues that firms employing employee participation, such as task autonomy and flexible working hours, can expect more product innovations. Moreover, empowerment and task autonomy increase the exploratory learning
in organizations which is needed to foster innovation (Beugelsdijk, 2008). Additionally, Beugelsdijk (2008) note that employee participation results in improved adaptivity and proactivity among employees which can help firms to innovate.

5.2.4 Performance-based Rewards

The fourth factor of HPWP is the performance-based rewards, which refers to that the firm financially compensate their employees based on their performance (Lau & Ngo, 2004). This has shown to have a positive effect on a firm’s product innovation (Lau & Ngo, 2004). Better competencies in the organizations can help to sustain competitiveness and needs to be rewarded. Hence, performance-based rewards are incentives for creativity and innovation and is therefore found in the HR of innovative companies (Lau & Ngo, 2004). Even though Lau and Ngo (2004) argue for the importance of performance-based rewards in innovation firms, Beugelsdijk (2008) points out that the relationship between performance-based rewards and innovation can be more complex. The reasoning behind this is that individual rewards can hinder the willingness to solve collective problems (Beugelsdijk, 2008). Moreover, rewards that are focused on short-term performance and/or consist of equal rewards for all employees both have a negative effect on innovation (Tushman & Nadler, 1986).

5.2.5 Team Development

The fifth aspect of HPWP is the team development which is described as extensively promoting and organizing teamwork throughout the whole organization by having team-related tasks (Evans & Davis, 2005). Team development can stimulate creativity by employing different perspectives and information of employees (Beugelsdijk, 2008). By focusing on teamwork, a firm can increase its innovative behavior (Lau & Ngo, 2004). Especially, cross-functional teams, teams that consist of various functions for example marketing & sales, R&D, production (De Massis et al., 2015), are mentioned as an effective manner to highlight training and development (Lau & Ngo, 2004). Moreover, cross-functional teams promote diversity which means that employees can foster creativity and innovation (Lau & Ngo, 2004). By working in teams, emphasis is put on the variety of employees and with it employees are less reluctant to change (Beugelsdijk, 2008). However, working in teams can have a negative effect on creativity since working together can distract team members and block creativity (Leenders, Van Engelen & Kratzer, 2003). As such, the
team members can get distracted by being around other people and this can disrupt the performance and creativity.

5.3 HPWP & Product Innovation

Albeit the divided opinions about the outcomes of HPWP, several scholars have argued for the positive impact of HPWP on product innovation in firms (Antonioli et al., 2013; Walsworth & Verma, 2007; Messersmith & Guthrie, 2010). In our study, we consider the selective staffing, employee participation, training, reward systems and team development as dimensions of HPWP. These aspects can be used to enhance product innovation in firms (Lau & Ngo, 2004). As such, Messersmith and Guthrie (2010) and Hayton (2005) claim that product innovation can be enhanced through the use of a performance-based reward or incentive-based compensation. Moreover, more teamwork related tasks are positively linked to product innovation (Messersmith & Guthrie, 2010; Richard & Johnson, 2004). In addition, it is argued that HR systems which include the dimensions of HPWP are relevant to create an organizational culture that is focused on product innovation (Lau & Ngo, 2004).

To create an organizational culture, employees are an essential part as their knowledge and skills are important to develop new products, and thus contribute to product innovations (Lau & Ngo, 2004). In regard to this, Hayton (2005) stresses that the different elements of HPWP all have their own level of influence on innovation. Thus, the implication of HPWP would differ depending on the type of firm (Hayton, 2005). For example, it is argued that teamwork is positively related to innovation in medium knowledge intensity industries, while reward systems work best in high knowledge intensity businesses (Hayton, 2005). Even though HPWP has an impact on product innovation, Walsworth and Verma (2007) argue that it can be problematic to regard all practices of HPWP as a homogenous group since HPWP consists of multiple elements. These diverse aspects have different impacts on a firm’s product innovations. Yet, Lau and Ngo (2004) stated the importance of considering all dimensions to reach a higher level of product innovations.

When scanning and scrutinizing the existing literature about HPWP’s effects on product innovation, the vast majority of the scholars seem to agree that HPWP has a positive influence on firm’s performance and innovation (Richard & Johnson, 2004). As Messersmith and Guthrie (2010) argue, firms which are selective when hiring individuals, offer training to their employees and, reward their employees develop can expect to have a higher degree of
product innovation compared to organizations who lack these aspects of HPWP. In addition, Lau and Ngo (2004) argue for the importance of team-based work, as HR managers should emphasize this to increase innovation in the firm. Building on to that, Richard and Johnson (2004) state that employee participation can increase innovation by decentralizing the decision-making process, which allows employees to discover and use knowledge. Furthermore, Hayton (2005) states that HPWP is often times linked to contexts that promote organizational citizenship behavior, a behavior that represents an employee’s voluntary commitment to tasks which is not part of their contractual responsibilities, which give rise to innovative ideas. Moreover, other research shows that HPWP has been positively associated to the intrapreneurial behavior of the firm (Messersmith & Guthrie, 2010). As repeatedly noted by Messersmith and Guthrie (2010), more research about HPWP and its effects on innovation is needed, in particular their findings stress the importance of a larger weight on HPWP’s role on entrepreneurial outcomes, such as product innovation.

Although most literature regard HPWP as a positive phenomenon, there are a few studies that question its practical applicability. For example, Sels, De Winne, Maes, Delmotte, Faems & Forrier (2006) note that the large costs associated with implementing HPWP are often neglected in the literature. Yet, due to these high costs, the adoption of HPWP is not always a good investment and is only beneficial if it pays off in the long-term (Sels et al., 2006). Contemporary studies disregard the negative effects of HPWP and argue that HPWP often results in higher expectations on employee outcomes, which can cause stress, job strain (Ramsay, Scholarious & Harley, 2000), job dissatisfaction, emotional exhaustion and work disengagement (Zhang, Zhu, Dowling & Bartram, 2013). Furthermore, if a manager does not possess the required skills to implement HPWP, it can extensively constrain a firm’s innovative potential (Ramsay et al., 2000). Regarding HPWP’s effect on innovation, Antonioli, Mazzanti and Pini (2011) express their concern for the mental strain that HPWP can cause among employees, which can reduce the innovative behavior.

Most contemporary studies seem to have failed to address the practical challenges of HPWP and therefore, it can thus be relevant to assign a more unbiased perspective of HPWP’s role in organizations. In particular, research about HPWP’s effect on product innovation appear to be widely positive and to our knowledge, only a very few authors question HPWP as a positive phenomenon. As our study takes a neutral stance concerning HPWP, we regard
HPWP as neither positive nor negative. By doing so, we are able to investigate the process between HPWP and product innovation in family firms from a more unbiased point of view.

5.4 HPWP in Family Firms

Even though the advantages of HPWP seem to be significant, family firms favor informal measurements over HPWP (Pittino et al., 2016). One explanation for this is the size of a family firm, which is normally smaller than a non-family business due to resource limitations for family firms (De Kok et al., 2006). However, it should be noted that the size of the firm is not the only factor that influences the use of HPWP (Pittino et al., 2016). Therefore, Pittino and Visintin (2013) note two reasons why family firms adopt less HPWPs. First, since HPWP is commonly used to guide employees and managers towards the same goals, family firms require less formal practices because they are capable of fostering a loyal organizational culture where the employees are aligned with the goals of both the family and the business (Pittino & Visintin, 2013). Second, HPWP often needs a decentralization of decision power and a formal involvement of employees. As family firm leaders generally prefer to remain control over the employees, this structure could be in conflict with the manager’s approach and thus, HPWP is not utilized to the same extent (Pittino & Visintin, 2013).

For example, regarding the recruitment process, family firms have a tendency to heavily depend on their social network instead of relying on specific and formal criteria when selecting future personnel (Gomez-Mejia, Cruz, Berrone & De Castro, 2011). Moreover, family firms tend to attract people who fit within the family culture and values, which is known as person-organization fit (PO-fit) (Pittino et al., 2016). The PO-fit can influences the selective staffing and explain earlier reasoning for family firm’s lesser use of HPWP (Pittino et al., 2016). Family firms tend to put more focus on informal training and value the mentoring relationships (Gomez-Mejia et al., 2011). Moreover, family manager’s desire to retain control over their firm can decrease and hinder employee to participate in the decision-making process (De Massis et al., 2015). Concerning the reward systems, family firms often emphasize non-monetary rewards and consider the age or the length of the employment as guiding criteria when determining wages and promotions (Gomez-Mejia et al., 2011). About team development, even though many family firms use informal teams, Kellermanns et al. (2012) argue that highly coordinated teams in family firms are a foundation to the firm’s innovative ability.
Furthermore, Harris and Reid (2008) say that family businesses differ from non-family businesses in the sense that they communicate with their employees in an informal way through spontaneous meetings and daily coaching, instead of using formal systems, such as annual meetings and performance measurements. All these informal measurements in family firms often lead to an unfair reward system, managerial entrenchment, nepotism, accusing non-family members, and lower engagement and work development of non-family members (Pittino et al., 2016). For these reasons, an increasing amount of scholars have started to investigate the need of introducing formal practices in the business (Pittino et al., 2016).

The results of the formal practices vary in the family business literature where some argue for the importance of establishing more professional practices, while others claim that more formality in the HRM would do more harm than good (De Kok et al., 2006). Some scholars argue that due to a family firm’s characteristics, family firms treat their employees better than non-family firms (Miller & Le Breton-Miller, 2005). As such, Pittino et al. (2016) state that family firms, even though lack of HPWP, accomplish higher retention rates because of the socioemotional wealth factor. The reason behind this is that the socioemotional wealth includes long-lasting relationships with employees and are thus, less likely to leave the firm (Pittino et al., 2016). Moreover, Antonioli et al. (2011) say that HPWP does not automatically lead to higher level of workers’ involvement. Related to this, Kalmi and Kauhanen (2008) argue that HPWP creates a monitor function among employees which increases stress in a firm.

Altogether, family firm managers need to possess the skills to effectively exploit the firm-specific resources to utilize HPWP (DeNoble, Ehrlich & Singh, 2007). In order to effectively manage the resources, a family firm could take advantage of both the human and social capital within a firm (DeNoble et al., 2007). Hornsby and Messersmith (2014) argue that HPWP is positively connected to human and social capital embodied in the employees, which in turn can help to enhance creativity, innovation and entrepreneurial behavior. As HPWP stimulates firm performance by enhancing the human and social capital levels (Messersmith & Guthrie, 2010) and because HRM is embodied in these two theories, we take the human-and social capital theory into account and describe their relevancy below.
5.5 Resource-based View

The resource-based view (RBV) is seen as one of the key theories in HR research (De Kok et al., 2006) and has been closely linked to the innovation in firms (Hadjimanolis, 2000). According to Sirmon and Hitt (2003), RBV “suggest that returns achieved by firms are largely attributable to their resources” (p. 340).

The connection between RBV, innovation, and HR can be found in Beugelsdijk’s (2008) argument that human resources are a central aspect to a firm’s ability to be innovative. One of the main weaknesses of RBV is the assumption that wealth creation is the only objective of family firms and therefore, the RBV does not take the important factor of socioemotional wealth into account (Chrisman et al., 2005a). Notwithstanding the neglect of socioemotional wealth, RBV’s connection to product innovation (Carnes & Ireland, 2013) and to HPWP (Kroon, Van De Voorde & Timmers, 2013) cannot be disregarded.

Altogether, family firm managers need to possess the skills to effectively exploit the firm-specific resources to utilize HPWP (DeNoble et al., 2007). To effectively manage the resources, a family firm could take advantage of both the human- and social capital within a firm (DeNoble et al., 2007). The RBV framework serves as an introduction to two relevant theories connected to HPWP and innovation, namely human- and social capital.

5.6 Human Capital Theory

In this theory, the five practices of HPWP are of important concern to efficiently manage the human capital within the firm (Batt, 2002). Human capital is described as a compilation of traits that the individual possesses (Becker, 1964), referring to the knowledge, experiences, skills, abilities, judgement, training and wisdom (Gimeno, Folta, Cooper & Woo, 1997). Shortly put, human capital theory studies individuals and their decisions concerning investments in skills and knowledge, such as training or schooling, with the aim of improving performance (Gimeno et al., 1997). The theory also includes how other work characteristics, such as wages and hours of work, influence the performance (Gimeno et al., 1997). This relates to our definition of HPWP in three ways. First, training human capital helps to develop skills and knowledge of employees which are essential for new product development (Beugelsdijk, 2008). Second, developing the human capital increases the competencies of individuals in the firm (Lau & Ngo, 2004). This often leads to an improved performance, which consequently comes with an appropriate reward. As such, performance-based rewards
are used to commit employees to give incentives for creativity and innovation (Lau & Ngo, 2004). Third, human capital can be deployed through the use of team-based work, which are meant to stimulate diversity and learning to reach innovative behavior in firms (Lau & Ngo, 2004).

Since the human capital are traits an individual can possess, it can be embodied in employees and form a basis for an innovative organization which can benefit from a strong skill-base (Antonioli et al., 2013). Furthermore, the more human capital an individual possesses, the better the individual is at perceiving lucrative and profitable opportunities (Davidsson & Honig, 2003). However, research has shown that this assumption is not always true and that there is a risk of both an over- and/or underinvestment in human capital (Davidsson & Honig, 2003). For example, an overinvestment can result in a high degree of certification which consequently could discourage risk-taking (Davidsson & Honig, 2003).

Connecting the theory to the family businesses context, human capital in a family firm is seen as complicated due to the overlapping interaction between family and the business (Sirmon & Hitt, 2003). Family members are simultaneously involved in family and business relationships, both at and outside the workplace (Sirmon & Hitt, 2003). This relationship increases the complexity and makes the context for human capital unique and different from non-family firms, leading to both positive and negative effects (Sirmon & Hitt, 2003). One of the positive effects is that the human capital in family firms involve extraordinary engagement from the employees and deeper and closer relationships (Horton, 1986). Other advantages are that human capital embodied in the employees of family firms makes the employees more loyal, the opportunity for women is better, and there is a perception that family firms offer higher-quality products (Covin, 1994). However, Sirmon and Hitt (2003) state that potential future employees avoid family firms because of the lack of perceived professionalism and the limited opportunities for individual training and personal growth. Furthermore, Dyer (2006) says that many family firms have difficulties in integrating non-family employees into the firm which results in a loss of potential talent. As indicated, the attributes of human capital in family firms are multifaceted which strengthens the importance of managing human capital in an efficient way to ensure the success of the business (Astrachan & Kolenko, 1994).
5.7 Social Capital Theory

Another central resource of a family firm’s capital is the social capital (Sirmon & Hitt, 2003), which is “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (Nahapiet & Ghoshal, 1998, p. 243). It can work as a facilitating factor to creativity and innovation (Zheng, 2010) and according to Pearson, Carr and Shaw (2008), social capital theory can be used to pinpoint unique behavioral resources and capabilities in family firms. Unlike human capital, social capital includes the resources between people and networks, instead of merely focusing on the individual level (Zheng, 2010). Therefore, social capital relates to relationships inside an organization and facilitates knowledge sharing and employee interaction (Messersmith & Guthrie, 2010). The interaction among employees can be derived from Lau and Ngo’s (2004) team development, which we defined as a part of HPWP, which is an essential link to our study concerning HPWP. Furthermore, the link is also present with product innovation as teamwork requires creating a “we” feeling which is essential in knowledge sharing and product innovation (Beugelsdijk, 2008). By promoting diversity of perspectives in teams, an organization has access to multiple resources and is therefore, more likely to be creative and innovative (Beugelsdijk, 2008). A structure to select teams comes from Reagan and Zuckerman (2001), who argue that multicultural groups benefit from different skills, experience and information which consequently leads to more creativity. Along with the team development comes the reward systems, where Beugelsdijk (2008) notes that team rewards can improve the team’s performance and increase creativity (Beugelsdijk, 2008).

Additionally, social capital can contribute to knowledge creation and information sharing, which can be used “to exploit knowledge in the forms of new product development, technological distinctiveness, and cost-efficiency” (Messersmith & Guthrie, 2010, p. 245). Moreover, other scholars claim that social capital is the “bedrock of innovation” (Zheng, 2010, p. 151) and social capital allows the convergence of multiple types of knowledge, which leads to innovation (Zheng, 2010). Even though several scholars argue for social capital’s impact on product innovation, Hauser, Tappeiner and Walde’s (2007) study shows a relative weak link between social capital and innovation. Yet, Zheng’s (2010) argument that human capital and social capital are complementary should be taken into account and is a further reason for inclusion in our framework.
5.8 Contemporary Models of HPWP

A model that combines human- and social capital with HPWP comes from Messersmith and Guthrie (2010), in which they explain the effect of HPWP systems (HPWS) on a firm’s performance. In their model, displayed in Figure 1, components of a HPWS such as selection, training & development, and performance management are included. In order to examine the link between a firm’s performance, human capital and social capital are reviewed as well as the behaviors in the firm (Messersmith & Guthrie, 2010). According to Messersmith and Guthrie (2010), the model describes that HPWS facilitates a firm’s performance by increasing the human- and social capital and stimulating the behavior that uses an organization’s resources congruent with the strategy. On the one hand, the human capital in this model includes the knowledge, skills and abilities which results from educating and training employees (Messersmith & Guthrie, 2010). Human capital is important, because it detects assets within the firm to create resources that lead to a competitive advantage (Messersmith & Guthrie, 2010). Social capital, on the other hand, refers to the knowledge sharing and employee interaction which strengthens the relationships in the firm (Messersmith & Guthrie, 2010). The social capital helps to build social ties, which stimulates higher levels of teamwork and is captured as relational capital in the model (Messersmith & Guthrie, 2010).

The model is relevant for our study as it describes components of HPWS and the antecedents of it on firm performance. However, its focus lies outside our scope since it describes the connection between HPWS and firm performance. Instead, we are interested in the process between HPWP and product innovation in family firms. Additionally, in this model, the family factor is neglected. Furthermore, we cannot assume a non-family environment to be the same as a family firm environment. Therefore, this model has a different focus than our study is aiming at.
Figure 1: Theoretical model linking HPWP to firm performance

Source: Messersmith and Guthrie (2010).

The second model, illustrated in Figure 2, the resource-based view (RBV) model of familiness, is from Pearson et al. (2008). An essential term in the model by Pearson et al. (2008) is familiness which originally has been developed by Habbershon and Williams (1999) and has been extended by Habbershon et al. (2003). Pearson et al. (2008) emphasize the importance of the concept and state the identification of familiness as ground-breaking for the family business academia. The term is rooted in the RBV and has been widely accepted to explain the unique set of resources a family firm possess due to their unique systems, which involves the distinguishing feature of interaction between family, business and individual members (Tokarczyk, Hansen, Green & Down, 2007). In Pearson et al.’s (2008) model, they describe the “black box” of familiness with family firm resources and capabilities that lead to a competitive advantage and influence the performance of a family firm. To uncover the black box, Pearson et al. (2008) answer what the resources and capabilities in family firms are by taking a social capital perspective. Within the black box, Pearson et al. (2008) identify three dimensions of social capital that can be seen as the familiness resources. The dimensions are: structural dimension, cognitive dimension and relational dimension.

The first dimension, structural dimension, refers to the social interactions among employees (Pearson et al., 2008). Moreover, it describes the density and connectivity of social ties to create a network which can be transferred to other dimensions in the family firm (Pearson et al., 2008). The second dimension, cognitive dimension, encompasses the group’s shared vision, purpose, unique language, stories and culture (Pearson et al., 2008). The third dimension is the relational dimension, which describes the resources created through
personal relationships such as norms, trust, identity and obligations (Pearson et al., 2008). These three dimensions lead to organizational capabilities that can create superior firm performance (Pearson et al., 2008).

Figure 2: Resourced-Based View Model of Familiness


From these two models, we have adopted relevant aspects of each framework to create our own model with the aim to accurately answer our research question. Regarding the model of Messersmith and Guthrie (2010), it is important to consider the factor of family involvement. Therefore, we take Pearson et al.’s (2008) factor of familiness and the family firm’s unique set of resources into account when studying how HPWP affects product innovation. In line with Pearson et al. (2008), we adopt social capital theory to investigate the product innovation of the family firm. Furthermore, due to HPWP’s importance and close connection to the human capital within the firm (Batt, 2002), we also adopt human capital theory. Both social- and human capital theory has been tied as appropriate theories in research regarding HR systems and product innovation (Hayton, 2005) which makes them suitable elements to include in our study as well. Moreover, our model considers Zheng’s (2010) argument that human capital and social capital are complementary frameworks.

5.9 Our Model

With this model, we have aimed at combining Messersmith and Guthrie’s (2010) and Pearson et al.’s (2008) models to create a variant that takes the context dependency of family firms into account. The arrows represent the linkage between the different components and with it, we aim to understand the process of how HPWP influences product innovation by drawing upon human and social capital theory.

Considering the proposed theory and models from earlier studies, we have derived our own conceptual model regarding HPWP’s influence on product innovation, as can be seen in
Figure 3. Overall, this model displays the link between four important dimensions within our study, namely: familiness, HPWP, human capital and social capital (H.C. respectively S.C. in the model) and product innovation. The familiness is reflected in all aspects of the model and is an influential factor to the use of HPWP and product innovation in family firms. Therefore, this model is made for family business research purpose and functions as a basis for our empirical research, which serves as a guideline for analyzing the empirical data.

First, the familiness represents the unique family business characteristics which has an influence on every other aspect. Therefore, we connected this to every other dimension. Second, HPWP can be seen from a social and human capital perspective as these are essential resources for product innovation (Zheng, 2010; Antonioli et al., 2013). Hence, a connection has been made between HPWP and human and social capital. Moreover, an arrow can be seen from human and social capital to represent the link between HPWP and product innovation. This has been done to reveal the process of how HPWP influences product innovation from a human and social capital perspective. Third, this model includes a direct link between HPWP and product innovation. This line of argument is supported by Antonioli et al. (2013), who state that HPWP is often regarded as a factor for product innovation.

Figure 3: Model of HPWP & Product Innovation in Family Firms
6. Methodology

In this section, the methodology is described. A detailed outline of the choices on how to collect and analyse our data is made. This is done to provide valuable insights in the structure of our report.

6.1 Research Philosophy

As we try to unfold and understand the phenomenon of HPWP and its influence on product innovation in family firms, with support from Ponterotto (2005) and McKenna, Singh and Richardson (2008), we adopt the constructivist/interpretivist view throughout our thesis. This has been chosen, because an interpretive view is used to gain a deeper understanding of a phenomenon where the researcher considers that our knowledge about reality is built on multiple social constructions by human actors (Skok & Legge, 2001). The interpretivist view assumes that there are multiple, equally valid and comprehensible realities (Ponterotto, 2005). Ponterotto (2005) explains that the meaning is often hidden and can be brought up through deep reflection between researcher and participant. As our study is closely linked to HRM, where human behavior and social interactions are well-presented, Dawson and Hjorth (2012) note that this philosophical perspective can help us to understand our dynamic and complex phenomenon of HPWP. In a family business context, Nordqvist et al. (2009) claim that the interpretivist view could be particularly valuable to adopt, and state two main reasons for that. First, it is useful to capture the unique characteristics of family businesses and the complexity it causes. Second, it helps to manage the heterogeneity among family firms. As mentioned, family firms differ among each other and therefore, an interpretive study can provide insights about the features and challenges, specific to various types of family firms (Nordqvist et al., 2009). For our thesis, these qualities of the interpretive approach are appropriate as we strive to achieve a richer understanding about the influential process between HPWP and product innovation in the dynamic reality of family businesses (Nordqvist et al., 2009).

Throughout this paper, the interpretive approach will be consistent and taken into account. We are aware that our data is influenced by the reality of other people's' realities, as expressed by Walsham (2006) “What we call our data are really our own constructions of other people’s constructions of what they and their compatriots are up to” (p. 320). In the light of our research, this means that our findings of the primary and secondary data are based on how our respondents and the
adopted academic researchers perceive the topic. In addition, we do not try to unearth a single truth or reality from the empirical data (Ponterotto, 2005) and thus, the different perspectives and realities upon the phenomenon will be regarded in the empirical research. Along with adopting different perspectives comes a limitation of the interpretivist view, which is the multiple interpretations of the data that we, as researchers, can experience (Ponterotto, 2005). This can lead to a different interpretation than it was intended to be (Walsham, 1995).

In line with most interpretative studies we conduct qualitative research for our thesis. In the family business literature, the majority of the studies are quantitative in nature (87.3%), which implies that few qualitative studies have in-depth explored the process between two factors (De Massis, Sharma, Chua & Chrisman, 2012). It seems that most researchers have established the link between HPWP and product innovation in a quantitative manner, describing HPWP as a positive phenomenon (Richard & Johnson, 2004). However, there appear to be few studies of qualitative nature investigating how HPWP affect the business. In line with Reay (2014), we expect that our qualitative research provides important insights into concealed interaction between business and family and move theory concerning family firms forward. By taking both the interpretative approach and the highly underrepresented qualitative studies in the family business literature into account, our research can be used to extend previous findings (Hall & Nordqvist, 2008) and enlarge the conceptual understanding of how HPWP affects product innovation in family firms.

6.2 Subjectivity vs. Objectivity

As we adopt the interpretivist view, the reality is based on other people’s reality which is important to understand for our sense-making process about HPWP’s effect on product innovation in family firms (Buchanan, Henig & Henig, 1998). A way to grasp this sense-making process is by looking at the subjectivity-objectivity continuum (Nonaka & Peltokorpi, 2006). On the one hand, subjectivity is someone’s account of his/her own perception of reality (Buchanan et al., 1998) which means that every person has their own perception of what reality is. On the other hand, objectivity poses that there is one reality shared by all people (Buchanan et al., 1998). Since our study will take an interpretivist point-of-view, it can be argued that subjectivity would fit our thesis best because everyone has a different perception of reality. This argument is in line with Ponterotto (2005) who states that interpretivism is “subjective and influenced by the context of the situation, namely the
individual’s experience and perceptions, the social environment, and the interaction between the individual and the researcher” (p. 130). However, this does not encapsulate that there are multiple persons with the same reality. Therefore, Nonaka and Peltokorpi (2006) suggest that the perspectives of objectivity and subjectivity is a continuum. Moreover, the interpretivist perspective leans more towards a subjective stance (Nonaka & Peltokorpi, 2006). As such, our research will adopt a subjective stance while taking into account that multiple individuals can share the same reality.

A study that solely focuses on a subjective approach might give incomplete and non-objective results, which makes it impossible to check the authenticity of the findings (Cutcliffe & McKenna, 1999). Hence, it is important to find a balance between subjectivity and objectivity with an interpretivist philosophy (Walsham, 2006). It is argued that both qualitative and quantitative research is subject to bias of the researchers (Morrow, 2005). Ponterotto (2005) stresses that it is unlikely to eliminate all biases researchers have, even if the interpretivist view is adopted. One way of limiting our biases is done by being reflexive, which deals with reflecting upon yourself (Morrow, 2005). We use reflection by listening to each interview afterwards and in this manner, we can analyze how we pose the questions and how we can improve for coming interviews. Moreover, by being aware of bias, we use this as means to enter a dialogue with the participants (Ponterotto, 2005).

6.3 Research Approach

To complement our research philosophy, we adopt the abductive approach which is commonly combined with the interpretive view (Kovács & Spens, 2005). An abductive approach aims at understanding a new phenomenon by continuously switching back and forth between theory framework, analysis and data sources (Kovács & Spens, 2005). This switching is known as theory matching or systematic combining (Dubois & Gadde, 2002). Dubois and Gadde (2002) describe the abductive approach as a combination of induction and deduction. First, the deductive approach is used for testing theories and applied to a specific case (Kovács & Spens, 2005). Thus, deductive research derives conclusions from theory and presents hypotheses and propositions (Kovács & Spens, 2005). Second, the inductive approach focuses on collecting observations to create a general theory about it (Kovács & Spens, 2005). By combining the deductive and inductive approach, abductive research will result in new insights about existing phenomena by adopting a new perspective (Kovács & Spens, 2005).
In our paper, solely testing a theory is not applicable because we want to understand how HPWP can influence product innovation. Moreover, the interpretivist view rejects the positivism perspective, which is often used in the deductive approach (Amaratunga, Baldry, Sarshar & Newton, 2002). A deductive approach focuses on testing a theory by scanning and deriving conclusions based on that theory, to accept or reject the hypotheses and propositions (Kovács & Spens, 2005). It is, therefore, that deduction is used for quantitative research (Amaratunga et al., 2002). On the other hand, the inductive approach is normally applied in qualitative research and needs a relatively small pre-understanding and examination of already existing theories (Van Maanen, Sørensen, & Mitchell, 2007). In general, an inductive approach aims to develop new theories from the empirical data (Dubois & Gadde, 2002). Connecting both approaches to our study, a solely deductive research is not in line with our study, because it focuses on theory testing and not understanding the concept which is one of our study’s primary aims (Kovács & Spens, 2005). Additionally, inductive research creates new theories out of empirical data and is therefore not as suitable as we rely on previous theories as well. Thus, in our qualitative research, the most appropriate approach is the abductive method since it focuses on understanding the process and the underlying factors while taking into account existing theories when building our conclusions (Dubois & Gadde, 2002).

One challenge with the abductive approach is that we should consider that the answer to our research question might lie outside the existing theories (Psillos, 1996). In addition, Van Maanen et al. (2007) argue that it is important to find a correct balance between theory and method. To tackle these challenges, we draw upon multiple data sources such as semi-structured interviews, observations and secondary data to prevent that our findings might lie outside the existing theories. Further, we constantly switch back and forth between theory and method to ensure an appropriate balance between these two.

### 6.4 Research Strategy

As our purpose is to explore and understand the process of how HPWP influences product innovation in family firms, we apply an exploratory study. According to Baxter and Jack (2008), an exploratory case study explores situations in which there are no clear, single set of outcomes. As there is limited understanding about this process in academia, our selection of strategy is supported by Baxter and Jack (2008) who argue that the exploratory research is
suitable if there is little comprehension about a phenomenon. Moreover, exploratory research is useful in situations where “no clear, single set of outcomes” (Baxter & Jack, 2008, p.548) are visible. As such, we argue that a qualitative research is the most appropriate method for us to gain new insights and answer the “how” question from different perspectives.

As support to our selection of method, De Massis and Kotlar (2014) reason for the importance of case studies in the qualitative research. First, De Massis and Kotlar (2014) explain that case studies are one of the most applied methods and it has generated the ground-breaking discoveries in the management research field. Second, they state that case studies can generate deep insights about a phenomenon within its real-life context. Furthermore, in terms of qualitative research, case studies adopt multiple views to unveil and grasp a phenomenon (Baxter & Jack, 2008). As such, Eisenhardt (1989) argues for the multiple facets that case studies can be used for, which is to provide a description, test a theory or generate a theory. In addition, Eisenhardt (1989) state that case studies stress the understanding of the dynamics that occur within the study. Due to the complex dynamics and heterogeneity of family firms (Nordqvist et al., 2009), we argue that it is fruitful to apply case studies in a family business context. This diversity should be acknowledged in a way which case studies does (De Massis & Kotlar, 2014). Moreover, within our research, a case study fits well with the subjective perspective, the interpretivist view (Flyvbjerg, 2006) and the abductive approach that we take in this report (Dubois & Gadde, 2002). The subjective approach fits well, since our findings are based on the realities of others (Walsham, 2006). The interpretivist view is a good fit as we try to grasp the phenomenon from the interviewees’ perspectives (Baxter & Jack, 2008). Furthermore, by adopting the abductive approach we can tackle the difficulties of a case study which is the interrelatedness of different elements (Dubois & Gadde, 2002). However, case studies have been criticized due to the difficulty of constructing generalization from one single case (Flyvbjerg, 2006). Therefore, we conduct three case studies to decrease the generalization problem. By applying three cases, we focus on a multiple comparative case study strategy to compare the results and understand the differences and similarities within and across the cases (Baxter & Jack, 2008). Moreover, we make use of two experts to strengthen or question our case study findings.

According to Eisenhardt (1989), there are three main advantages with conducting case studies. The first advantage of a case study is the strength of theory building due to the possibility of generating a new and innovative theory. The second strength is that the theory
can be tested with hypotheses by other researchers. The third advantage is that the new theory is empirically valid, because the theory building is linked with the empirical evidence. Apart from the advantages, case studies can pose certain challenges. As such, Eisenhardt (1989) states two disadvantages of case studies which we need to take into account. First, case studies can gain insight in overly complex data which makes it challenging to analyze all the different perspectives. Second, it can lead to narrow and peculiar theories. Another disadvantage of multiple-case studies comes from Baxter and Jack (2008), who express their concern about how time-consuming it is to conduct multiple case studies.

Being aware of these challenges and downsides of case studies, we believe it is the most appropriate strategy for us as Lambrecht (2005) argues that case studies answer the “how” and “why” questions. Additionally, the rather scarce theories within the field of HPWP and product innovation in family firms makes our adoption of case studies a relevant step (Lambrecht, 2005). Finally, as our purpose is to understand how HPWP affects product innovation in family firms, case studies highlight influential factors and thus, generate different perspectives (Lambrecht, 2005).

6.5 Research Methods

In this section, the various used research methods are described. Our conducted case study exists of a combination of empirical data collection in form of semi-structured interviews, observations and secondary data.

6.5.1 Semi-Structured Interviews

First, data are gathered using semi-structured interviews to gain a deeper understanding of the interviewee’s reality as well as the reasoning behind it (Easterby-Smith, Thorpe & Jackson, 2015). There are three types of interviews possible for our study, namely: structured interviews, semi-structured interviews and unstructured interviews (Easterby-Smith et al., 2015). However, the structured and unstructured interviews seem less applicable for our study. The unstructured interviews might lose focus surrounding our topic and the interviewee might drift away from the intended information we want to acquire (Rabionet, 2011). Fully structured interviews, on the other hand, give the interviewee less opportunity to tell their point of view and can come with predefined answers (Easterby-Smith et al., 2015).
To reach a rich understanding throughout the interviews, it is stressed to have an open dialogue with the interviewees which can be achieved through semi-structured interviews (Easterby-Smith et al., 2015). As such, we focus on semi-structured interviews, which are held with relevant family members, HR- and other top managers, and employees in the family firm. We interview both family and non-family members within the firm to gain a broader perspective. A semi-structured interview is depicted by an open interview guide in the form of a list of questions applied in a flexible way (Easterby-Smith et al., 2015). According to Rabionet (2011), semi-structured interviews are effective to narrow down a topic which allows us to be more precise in our interviews. Moreover, during the interviews sessions, the laddering technique is used to gain fruitful interviews. The laddering technique deals with asking follow-up questions to find the underlying reasons by searching for the motives behind the interviewees’ answers (Easterby-Smith et al., 2015). These follow-up questions are not included in the interview guide as these are used for explanatory purposes. This has been done to provide a better understanding of the interviewees’ reality of the relevant topics being discussed. In case the dialogue drifts away from the original topic, we rely on our topic guide to remain focus on the main questions.

Concerning the interview, every interview starts with an introduction. The introduction of the interview is used to gain insight about the interviewee and contributes to a safe and trustworthy environment as Jacob and Furgerson (2012) argue that it stimulates an open dialogue with the interviewees. In this section, questions concerning the interviewees’ role in the company and background are asked.

Thereafter, the interviews proceed with the first topic guide which deals with HPWP and the five relevant practices of our research namely selective staffing, employee participation, training, performance-based rewards and team development. Predefined open questions regarding the presence of HPWP are asked to gain a deep comprehension of the present practices in the firm. By doing so, we are able to grasp how HPWP is applied within the family firm. In this process, we cannot rely on one perspective. Thus, these questions have been asked to all interviewees to gain a holistic view. It is essential that the interviewees respond in the most natural manner and therefore direct questions about HPWP are avoided. It is, therefore, that the term “HPWP” is not mentioned, to prevent bias (Easterby-Smith et al., 2015).
After having gathered information about HPWP, the second topic guide concerns the product innovation in family firms. Here, open questions are also used to gain deeper insight into the firms’ innovation processes concerning product development. Hence, questions regarding how the product innovations are triggered are asked, whether employees can come with product innovations themselves. This results into the third and final topic guideline connecting both HPWP and product innovation. In this section, open questions related to how HPWP influences product innovation are asked.

6.5.2 Observations

Second, observations have long been seen as a tool to collect data and has been described as an appropriate method when exploring a process (Kawulich, 2012). Therefore, in line with Runeson and Höst (2009), we apply observation as a complementary to our interviews and with it, we aim to provide a richer understanding of HPWP’s effect on product innovation in family firms. For observations, there are many different approaches a researcher can apply, depending on the interaction level the researcher chooses to take (Runeson & Höst, 2009). As such, throughout the interviews, we interact both as participants and observers. This approach is described as a participant observation (Kawulich, 2012). As we employ an interpretative view, it is important for us to understand the reality of our participants, which is one of the key benefits of conducting participant observation (Kawulich, 2012). Building on that, Eisenhardt (1989) argues for the importance of taking field notes, notes about the occurring impressions during the interviews, to support the gathered data. Because we are interested in gaining a deep understanding of a process, we use the field notes as a supporting tool to achieve that. In the table below, the date and length of observations are displayed. In section 6.6, more information about the case companies is provided.

Table 1: Observation Overview

<table>
<thead>
<tr>
<th>Company</th>
<th>Length of Observation</th>
<th>Date of Observation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>3 hours</td>
<td>22nd and 23rd of March</td>
</tr>
<tr>
<td>Company 2</td>
<td>1.5 hours</td>
<td>27th of March</td>
</tr>
<tr>
<td>Company 3</td>
<td>3 hours</td>
<td>11th of April</td>
</tr>
</tbody>
</table>
6.5.3 Secondary Data

The final method of gathering data is through secondary data. According to Cowton (1998) secondary data is “data collected by others” (p. 424). The form of secondary data we apply is information from reports, catalogues, family history and other relevant documentations from the company cases. This additional data gives us more background information which helps us to achieve a greater comprehension of the HPWP and product innovation of the respective family firms. These valuable insights are helpful to build upon the acquired information from the interviews and observations. By drawing upon multiple data sources, we aim to reduce the bias of our interpretation, questions or the response during the interviews (De Massis & Kotlar, 2014).

6.6 Selection of Cases

Applying the data gathering techniques, it is of our interest to choose cases that fit to our study. It is argued that random selection often leads to unrepresentative reflection of reality (Seawright & Gerring, 2008). While we are aware of the possibility to select cases randomly, it is preferred to choose cases to make a thorough study (Eisenhardt, 1989). Therefore, to achieve valuable and profound data, we have therefore, carefully chosen three family firms that fit with our purpose, plus a foreign family firm to conduct our expert interview. To fully explore how HPWP affects product innovation in family firms, we argue that it is important to select companies which possess well-established HPWP. To add further understanding to this relationship, we include family firms of different sizes as well as family firms with various levels of HPWP.

To further funnel down, we chose family firms that are governed with the purpose to sustain across generations to stay in line with our definition of a family firm. To sufficiently explore HPWP’s effect on innovation, another criterion for our selection of cases is that the company must maintain aspects of HPWP and have more than 100 million SEK revenue. Additionally, we chose to focus on family firms where product innovation is a central concern for the company. By focusing on companies that value product innovation, the risk of misinterpreting the process of product innovation as our case companies have heterogeneous strategies concerning product innovation is mitigated (De Massis & Kotlar, 2014).

To find the most suitable companies, we did a rough segmentation where we narrowed down the potential cases by: (1) only considering Swedish companies which are in line with
Chrisman et al.’s (1999) definition of family firms, (2) have adopted our definition of HPWP, (3) more than 100 million SEK revenue, and (4) product innovation as central concern. The combination of these four elements has drastically decreased the amount of firms to consider. To select cases, we discussed with relevant people from our network and explored articles, popular press, and websites, to narrow down potential companies further. Another important aspect of our selection was to access the most relevant individuals for our topic. For example, since our purpose involves HPWP and product innovation in family firms, it is relevant to interview the one who is responsible for the company’s HR as well as a family member of the owning family. To access these people, we begun to explore our contacts. Afterwards, we drew upon companies that we have gotten in touch with during our study. As a result, we deem our respondents to be of very high quality with highly relevant positions in the companies.

6.6.1 Company 1

Company 1 has been chosen for three reasons. The first reason is due to the strong family influence in the firm with 100% family ownership. Even though the family values are represented throughout the firm, the family has an external CEO and no family members at managerial positions, but the family is still represented in the board. This makes it a fruitful company to explore since it has brought in external influences and made the business more professional. The second reason is due to Company 1’s well-known product innovations by constantly seeking to bring new technologies to the market. Innovation is a core value for the family firm, which displays the company’s attitude towards this topic. The third reason is the presence of the five practices that we have labelled as HPWP at Company 1.

6.6.2 Company 2

Company 2 is a large company that can add valuable insights to our research and has been chosen mainly for three reasons. First, Company 2 has a special family composition being currently owned by two families. Recently they were partially owned by a private equity firm which can give us another perspective about being privately owned or family owned. Second, Company 2 has an HR-department which has established practices in line with our definition of HPWP. Third, Company 2 focuses on products which is essential to connect HPWP with this type of innovation.
6.6.3 Company 3

Company 3 is a 100% family owned company and has two CEO’s that are family members. The first reason for choosing Company 3 is due to the size of company. This firm is smaller than the other two family firms, which can give new insights regarding HPWP and product innovation. By investigating both top management in Company 3 and members of the owning company, we can obtain valuable information regarding our topic from a different perspective. Second, Company 3 is an innovative company that focuses on product innovations. Third, Company 3 is a fast-growing company in the industry and therefore, HR becomes increasingly important. Altogether, this makes company 3 an appropriate choice to consider as a case study for our research purpose.

Table 2: General Information of Case Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Number of employees</th>
<th>Revenue in SEK ‘14-’15</th>
<th>Ownership</th>
<th>Amount of family members</th>
<th>Family generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>2.300</td>
<td>3,8 billion SEK</td>
<td>100% family owned</td>
<td>3 family employees</td>
<td>2nd &amp; 3rd</td>
</tr>
<tr>
<td>Company 2</td>
<td>2.400</td>
<td>3,3 billion SEK</td>
<td>50% family owned</td>
<td>1 family employee</td>
<td>3rd</td>
</tr>
<tr>
<td>Company 3</td>
<td>69</td>
<td>100 million SEK</td>
<td>100% family owned</td>
<td>2 family CEO’s</td>
<td>2nd</td>
</tr>
</tbody>
</table>

6.7 Data Collection

During the arrangement of the companies, each firm and interviewee received general information regarding our research topic. We specifically chose not the send all interview questions, as it might had led to prepared and biased answers from the interviewees. To ensure that every interviewee was aware of the topic, we repeated the structure at the beginning of all interviews. Besides that, this information was repeated to achieve a focus of the topic and the necessary data. By having multiple interviews with different participants, we have gained a holistic and diverse perspective upon HPWP’s influence on product
innovation. We deem our findings to be very rich and contributing to academia as our interviews were held with highly relevant respondents with top positions.

We have conducted the interviews between March 22nd to April 19th. In Table 3 below, the person with the function as well as the time for the interview and type of interview can be seen. For all case companies, we visited the headquarters to observe the environment. Three out of ten interviews were conducted via Skype because some interviewees work abroad. The other seven interviews were face-to-face at the companies’ locations. We believe an advantage of face-to-face is the non-verbal communication, which eases the interpretation of information. Moreover, all interviews were recorded with the approval of the interviewees. This has been done to ease the data analysis by being able to listen to the interview again at any time and being able to transcribe the interviews. For confidentiality reasons, these recordings have not been shared. Furthermore, six out of ten interviews were conducted in Swedish as it provided the most detailed information and, in some cases, English was considered a barrier by the participants. In this way, the participants were able to express themselves more correctly and it helped to take away the language barrier.

During the interviews, a guideline with predefined questions helped us to stay true to our topic. Due to the use of both Swedish and English during interviews, the guidelines were made in both languages, see Appendix 1. However, since these were guidelines, we were not always following these exactly during the interviews. As such, we followed the natural flow of the dialogue with our participants. When suitable and interesting topics arose, we used the laddering technique to achieve richer information. Answers that were given during follow-up questions have been checked on consistency by applying control questions where we more directly asked about HPWP’s effect on product innovation. The interviews lasted between 40 and 80 minutes with an average of 61 minutes per interview. The observations at the companies helped us to observe the employee interaction. Furthermore, visiting the companies contributed to a better environment between us and the interviewees and helped to gain more trust from them. Attending the interviews on location also gave us additional secondary data in the form of reports containing innovation projects, family history and overall company information that we received from each company. These documents gave extra understanding regarding the attitude towards product innovation and HPWP on a company level. Finally, we conducted one extra interview with personnel of a different family firm apart from the case study companies. We have chosen this approach to gain additional
perspectives from a new angle which can support or give critical insights to our findings. This was our tenth interview, which was held with two persons simultaneously. Therefore, we have ten interviews with 11 persons. Below follows a table to give an overview of our interviews.

Table 3: Interviewee Overview

<table>
<thead>
<tr>
<th>Company code name</th>
<th>Interviewee code name</th>
<th>Position</th>
<th>Family member</th>
<th>Date</th>
<th>Length</th>
<th>Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>Alan</td>
<td>Director of HR &amp; Board Member</td>
<td>No</td>
<td>23rd of March</td>
<td>66 minutes</td>
<td>Face-2-face</td>
</tr>
<tr>
<td></td>
<td>Alice</td>
<td>Competence Developer</td>
<td>Yes</td>
<td>23rd of March</td>
<td>65 minutes</td>
<td>Face-2-face</td>
</tr>
<tr>
<td></td>
<td>Adam</td>
<td>Salesman and Interior Design</td>
<td>No</td>
<td>22nd of March</td>
<td>60 minutes</td>
<td>Face-2-face</td>
</tr>
<tr>
<td>Company 2</td>
<td>Ben</td>
<td>Head of Corporate HR &amp; Board Member</td>
<td>No</td>
<td>27th of March</td>
<td>77 minutes</td>
<td>Face-2-face</td>
</tr>
<tr>
<td></td>
<td>Brian</td>
<td>Head of Innovation and R&amp;D Europe</td>
<td>No</td>
<td>19th of April</td>
<td>69 minutes</td>
<td>Skype</td>
</tr>
<tr>
<td></td>
<td>Bob</td>
<td>Executive V. P. of Technology and Products worldwide</td>
<td>Yes</td>
<td>7th of April</td>
<td>51 minutes</td>
<td>Skype</td>
</tr>
<tr>
<td>Company 3</td>
<td>Chris</td>
<td>CEO</td>
<td>Yes</td>
<td>11th of April</td>
<td>54 minutes</td>
<td>Face-2-face</td>
</tr>
<tr>
<td></td>
<td>Cody</td>
<td>Head of HR</td>
<td>No</td>
<td>11th of April</td>
<td>44 minutes</td>
<td>Face-2-face</td>
</tr>
<tr>
<td></td>
<td>Carl</td>
<td>Production Planner</td>
<td>No</td>
<td>11th of April</td>
<td>40 minutes</td>
<td>Face-2-face</td>
</tr>
<tr>
<td>Expert interview</td>
<td>Dennis</td>
<td>HR Employee</td>
<td>No</td>
<td>6th of April</td>
<td>80 minutes</td>
<td>Skype</td>
</tr>
<tr>
<td></td>
<td>Dylan</td>
<td>Head of Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6.8 Data Analysis

When analyzing our data, we follow Ackoff’s (1994) systems thinking approach where the data is seen as a whole. As Ackoff (1994) notes, the different parts of our data collection cannot only be analyzed as independent parts, but should rather be regarded as a whole. This due to the fact that every part of the interviews can affect the findings as a whole, but no part can have an independent effect on the whole result (Ackoff, 1994). We believe that this approach has given us the rich understanding about our topic that we strived to achieve. By adopting the systems thinking, we believe that every individual part of our model has an impact on the whole process.

Considering the systems thinking approach, we have analyzed our data based on our initial model that we created in the theoretical part. This model (see Figure 3) functions as guideline to understand the concept of HPWP and its influence on product innovation. To capture the picture as a whole, we have divided our analysis section into the different aspects of the model. Each of the five links, displayed with an arrow, show a relationship that was used as a section.

To analyze the data, we summarized our interview notes from our interviews and transcribed our ten interviews. Our interview notes included observations that were used to avoid misinterpretation at a later stage. Transcribing the interviews gave us the possibility to check whether the right information was included in our notes as well as it gained further insights that we did not include in our notes. By doing this individually, we could later critically evaluate each other's analyses and note both similarities and differences between our notes. This process was repeated for all interviews to validate that every important aspect was captured. To support our interviews, we included our observations about our impressions of the company environment during the visit. Our observations function as an additional way to better understand the behavior of the family firm and the interviewee. To add further comprehension we used secondary data, which consisted of various reports that were provided by the family firm during the interviews. By combining different sources of data in the analysis, we strived to increase our study's credibility.

In order to conduct a thorough analysis of our empirical data, we manually coded relevant segments, sentences, phrases and words from the interviewees. The specific events we coded were chosen because; (1) it was related to previous scientific findings, (2) it was repeated by
the interviewees several times, (3) the interviewee explicitly expressed that it was important, or (4) it touched upon something interesting regarding family businesses, HPWP or product innovation. By coding relevant parts of the notes and transcripts, we relied on De Massis and Kotlar’s (2014) data reduction to funnel down the extensive amount of data that we received.

The process of analyzing the reduced data has been carried out by dividing the model into five relationships. In this process, we categorized our data for every company according to these five links. To accurately apply our model, we analyzed each relationship separately where we summarized relevant findings for each link (see Appendix 2). Simultaneously, we connected these findings to find theoretical support from existing literature which helped us to either confirm or contradict previous studies. Based on our findings, we then presented our final, slightly modified model that describes HPWP’s effect on product innovation in family firms in a richer and more profound manner.

6.9  Research Ethics

The research ethic is a cornerstone in our thesis and functions as a red thread throughout the interview process. An important aspect of the research ethic is trustworthiness in qualitative research (Haverkamp, 2005). Trustworthiness recognizes the vulnerability of interviewees and thus, we should protect them from any harm (Haverkamp, 2005). According to DiCicco-Bloom and Crabtree (2006), there are three main ethical considerations. The first ethical consideration is to inform participants about the nature of the study to ensure willing participation of the parties involved. Notable during this process is the option of participants to disengage from our research study at any time. In line with DiCicco-Bloom and Crabtree (2006), we asked the interviewees’ consent on multiple occasions.

The second research ethic deals with anonymity and the protection of the participant’s information. The shared information has received utmost care for confidentiality reasons. This has been done by following DiCicco-Bloom and Crabtree’s (2006) suggestion of protecting the interviewees’ openness about sharing information and reduce leakage of information to third parties to avoid possible conflicts. Hence, we have not shared any of the given answers with other participants nor with other companies. In our research, the consideration of anonymity is addressed by protecting both the companies’ and participants’ names.
The third ethical issue is the risk of unanticipated harm, which deals with listening and reflecting upon the discussed issue with personal insights. This might impact the response of the interviewee and can harm the outcome of this research (DiCicco-Bloom & Crabtree, 2006). Therefore, it is important that we are careful with reflections during our interviews to ensure that the given answers come from the interviewees’ own perceptions (DiCicco-Bloom & Crabtree, 2006).

6.10 Research Quality

To ensure research quality, we adopt Shenton’s (2004) framework where four dimensions of trustworthiness are described. These dimensions are credibility, transferability, dependability and conformability.

6.10.1 Credibility

Credibility concerns the congruency of the findings with reality and is one of the most important elements of trustworthiness (Shenton, 2004). As part of our data gathering, we deployed multiple methods such as semi-structured interviews, observations and secondary data. The use of these multiple methods is known as triangulation (Shenton, 2004). Triangulation is useful to fill in the gap of each method and thus take away the limitations of a single method (Shenton, 2004). Observations were used to capture the non-verbal communication during the interviews, which eliminated the risk of losing valuable signs that could not be captured by only relying on verbal communication. While secondary data provided a picture about the company and underlying reasons to certain reactions during the interviews (Shenton, 2004). Regarding the case studies, we interviewed employees from different ranks in the company including family and non-family members. This has given us a broad perspective and shed light upon the phenomenon from different perspectives.

6.10.2 Transferability

Transferability can be described to which degree the findings of the qualitative research can be transferred and generalized to other contexts than the settings of the specific study (Shenton, 2004). Although we are aware of the difficulty of generalizing our result from a small sample, we argue that our results can give implications to a broader group as both researchers and practitioners are able to relate the findings to their own context (Shenton, 2004). As most cases are unique, it is important that we provide a rich description about
HPWP and product innovation as phenomena. The aim of this is to give the reader a deeper understanding about our thesis topic and allow them to compare our findings with previous study’s results or derive them to their own real life context (Shenton, 2004). Furthermore, to ensure transferability, we present a thorough explanation of the unique family business context and how its environment influences our research findings. Additionally, we are precise in providing relevant information in our study, including number of cases and interviews, data collection methods, and time period for data collection sessions and for the research.

6.10.3 Dependability

Dependability addresses the issue of describing the process in a detailed way to ensure that future researchers are able to conduct the same research (Shenton, 2004). In qualitative research, gaining the same results is more difficult than with quantitative studies due to the changing nature of the phenomenon (Shenton, 2004). An example is the information given by an interviewee that can change at a certain point in time, meaning that, even with similar questions, the response might be different. Moreover, by conducting semi-structured interviews, the loose structure can influence the dependability of this report. To overcome this, we transcribed the interviews and included all questions being asked. To make the report more dependable, a detailed description is included concerning the method and understanding of the phenomenon. In this manner, future researchers can conduct a similar study (Shenton, 2004).

6.10.4 Confirmability

Confirmability is described as the matching of the findings with the actual data (Shenton, 2004). Our findings should be a reflection of the experiences and ideas of the interviewees instead of our preferences (Shenton, 2004). As we conduct a qualitative research with an interpretivist view, we are aware of the subjectivity when collecting data knowing that our data is based on the reality of others. Therefore, questions were posed in such manner that we did not steer the replies of the interviewees. Moreover, even when interviewees searched for confirmation of their answers, we remained neutral to limit the subjectivity. By using triangulation, we also aimed to decrease the subjective stance.
7. Empirical Findings

This section presents the empirical findings of our research. The chapter is divided in the case companies and the expert interview. First, background about the companies is given. Second, our findings regarding the family factor and the five practices are outlined.

7.1 Company 1

Company 1 is a fully owned family business which provide interior workspace solutions. The company was established in 1952 and is now ran by the second and third generation family members. There are currently three active family members working in the business with no managerial positions. The company operates on an international level and is active in around 40 countries. Since 2012, an external CEO has been employed and because of their growth and size, the company has become more professional and implemented formal practices such as HPWP.

Company 1 is known to be highly innovative in their industry and has despite their growth, always stayed very close to their heritage and family core values. Their innovative mindset and the family culture was verified from our first sight as well as during our whole visit at the firm. We were professionally met receiving nametags, yet at the same time, we felt like we were part of the company while being at the workplace. In the introduction tour, we sensed a friendly and hospitable atmosphere. After our interviews, we received valuable information in form of a book about the company’s family history, magazines about new products, and papers about their innovativeness.

Table 4: Respondents of Company 1

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Position</th>
<th>Family Member</th>
<th>Length of employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alan</td>
<td>Director of Human Resources</td>
<td>No</td>
<td>15 years</td>
</tr>
<tr>
<td>Alice</td>
<td>Competence Developer</td>
<td>Yes</td>
<td>1 year</td>
</tr>
<tr>
<td>Adam</td>
<td>Salesman &amp; Interior Designer</td>
<td>No</td>
<td>10 years</td>
</tr>
</tbody>
</table>
7.1.1 Interviews Company 1

7.1.1.1 Family Factor

Alan, the Director of Human Resources, begins the interview by describing the strong family influence in the firm. Although there are not that many active family members left in the business, Alan expresses that the family’s impact and their values are very apparent throughout the whole organization. As he expresses it: “the culture and the family values have a central role here. It tells us how to live our life here at Company 1”. He highlights that it is embedded in the culture that everybody is equally valuable, from top to bottom. Furthermore, Alan describes that their innovative approach is a result of the entrepreneurial spirit the family has created. The focus on innovation is clearly visible in the core values which are frequently communicated through the website, introduction training, meetings, company visits, reports and in the daily operations.

Concerning the communication of these values, Alice, the competence developer and member of the owning family, says that they have a museum about the company history which they show to all their customers. Also, in the introduction for all new employees, the core values are clearly communicated. Alice emphasizes the importance of the core values and maintaining the roots. As she states “everything is built on our history and core values. Every process that we do is connected to our core values.”. These core values are part of the family culture at Company 1, which is noticeable in how everyone in the company helps each other. She says that it does not matter which position you have, everybody is important and valuable. To preserve the culture, Alice says “it is important that we have a CEO that stands for what we believe in”. She describes that the current CEO has a close relationship with the previous family CEO, Alice’s father. She continues that although the CEO must fit in the family culture, she thinks that in today’s situation, it is preferable to have an external CEO as it is much easier to fire an external member than a family member.

Regarding the family aspect, Adam, the salesman and interior designer, senses the family culture and family influence in the way Company 1 cares for their employees. As an example, Adam has recently done a query, where he answered to HR-related questions about the working atmosphere. The results from such questionnaire shows that Company 1 cares for their employees, according to Adam. Adam thinks that this caring of the employees is the main reason why so many choose to stay within the company for a long time.
7.1.1.2 Selective Staffing

As a family business, Alan has understood that it is the people within the company that makes the firm successful. As a starting point, the selection of staff has a key role in attracting and maintaining desirable people. Regarding this process, he thinks the most important thing is that the person has the right energy. With this he means that the candidate must have a strong willingness to learn, which he says is closely related to being innovative as well. When hiring, Company 1 often works with an external recruitment agency where the potential candidates often do an assessment. Two reasons for the assessment are to analyze their creativity levels and see if the person fits within the company. He means that the fit and the innovation is interrelated and says, “to be innovative, the person has to enjoy working here”. Alan further states that, although he thinks the innovative ability is important, everybody in the company does not have to possess this trait as some roles simply do not require it. More important is that, just as the CEO’s values must be in line with the company's, new employees must fit with the company's culture and core values. This also applies for the family members who must go through extensive training and discussions to see where they best fit in, says Alan.

The fit of family members is something that Alice can relate to. She describes how she had to go through the family owner traineeship program before she was hired. For her position, it was just a coincidence that there was an open spot for her, she explains. She understands that it is different to be a member of the owning family, but she feels that she is treated similar to everybody else. She also expresses that it is very valuable with active family members within the business as they function as upholder of the culture and help to spread the culture. Concerning selection of other employees, Alice says that the core values are of great influence and that Company 1 searches for people with a creative mindset who can help them to be a step ahead all the time.

The importance of this creative mindset is also visible in Adam’s interview. He expresses that it is important to be innovative to be able to get a higher position in the company. To come up with new product ideas shows that you go the extra mile, he states. Regarding the process of selection of staff, Adam explains that it has developed throughout the years. When he was hired, he applied through an ad in the newspaper and then he had to come to an
interview at the local office. Today, the recruitment process is more complex with more tests and several interview steps.

7.1.1.3 Training

After hiring the people, Alan clearly mentions that he wants the people in the business to be better today than they were yesterday. As he expresses it, “if the people develop, the company grows”. From that he quickly mentions how the company develops the people through trainings and educations and says “many see educations as a cost. I mean that shortage of skills is a cost”. The company focuses on trainings and Alan adds that they are made to stimulate the innovative thinking among the employees and to make them go the extra mile. The trainings are available for anyone who wants to improve. He answers that to get the training approved, the employees must show the willingness to develop. The people who show this willingness, are also the ones that are most innovative, says Alan. To formalize the trainings, the company has established an Academy which focus on training and developing the employees throughout all departments.

Alice is the one who is responsible for The Academy, where all trainings are arranged. The training also includes the family owner traineeship which Alice thinks is a good way for her to understand the company as well as that it sends out a professional signal to other employees. Other than that, the training could be both internal and external and consists of all types of trainings, e.g. sales education, leadership, product knowledge, school, introduction about basic knowledge and culture.

Adam has been a part of some of these trainings possibilities. He expresses that there are several training options for him available. Because he is a salesman, most of his training has focused on sales and how to approach and analyze customers. He mentions that it is important to be creative in your thinking when analyzing customer’s needs and that the training has helped him to develop that.

7.1.1.4 Employee Participation

The development of people and their willingness to improve is closely connected to their own commitment, Alan explains in his interview. He mentions several times the importance of the employees’ own commitment towards the company and says that it is a vital factor to nurture creativity. Alan says, “the greater feeling of belonging they feel, the more creative they are”. It is
every local manager’s responsibility to foster this sense of belonging and encourage the employees to participate and express their ideas. In general, Alan means that the company has a very flat organization where most operational decisions are taken by the local manager. As such, the family owns the brand and embodies the values, but they do not interfere in any operational decisions. Everybody in the company can come up with new product ideas, but most innovative product ideas come from the assortment teams, which consist of both internal and external competencies, says Alan.

Although product ideas mainly come from the assortment teams, Alice argues that many employees with different responsibilities come up with innovative product ideas. Alice answers “we encourage people to do things that nobody else has done. It is important to dare to trust your own ability. We have many ‘intrapreneurs’ in several departments which comes up with valuable product ideas. I think that they feel proud when expressing their ideas and that they get motivated that their ideas actually can have an influence in the business”.

Connected to this, she gives an example of a recent story where three employees (a salesman, one from the financial department, and one from the department of reclaim and quality) came up with a new product idea. After establishing the idea, it was shared with the top management which resulted in getting the responsibility to work with their own idea during the coming months. Alice expresses her enthusiasm about the possibility that these kinds of ideas can flourish from underneath. To encourage people to participate and come up with these ideas, Alice argues that the leader’s empowerment has a central role in this. Therefore, she says that the skill of empowerment is a determining trait for selection of managers within the company.

The empowerment is visible in Adam’s job as he works with much freedom under responsibility with relatively unspecified tasks. He says, “I have much responsibility and freedom in my sales area, which I perceive as very rewarding”. Adam thinks that the company encourages the employees to come up with new product ideas. This is done through queries where the employees can highlight improvements for the company and if the idea is directly related to products, you send an email to a product developer. Adam expresses that if he or a colleague has a new idea regarding products, it is most likely to bring this to the local manager.
7.1.1.5 Performance-based Rewards

Although one of the company’s goals is to increase the employees’ commitment, Alan explains that they do not possess any formal reward system to achieve that. Before the company had formal incentives to come up with innovative product ideas, but those do not longer exist. He answers that it is not in this company’s nature to hand out rewards to employees and means it is something that should come from their own will. Alan describes that the only department which works with rewards and bonuses are the salesmen. This apply for the family as well. “The family does not receive any bonuses. As I mentioned, it is not the rewards that should be the driving force”, Alan says.

Alice confirms that she and other employees do not obtain any financial rewards. As she mentioned, she does not want to be treated differently just because she is a family member. Taking the example Alice highlighted earlier, there were no financial rewards associated with their product idea. She continues and says “they were rewarded with very much feedback and encouragement. They got the opportunity to run their own little “baby”, which they love to do”. Related to this, Alice believes it is rewarding to work at a family business where the employees have the possibility to realize their ideas.

Adam is an example of the employees that actually get financially rewarded and he answers that the rewards motivate him to perform better. He is financially rewarded in terms of a basic salary, two months’ bonus rewards and a chance to go on a trip once a year. He describes that within the sales team, the bonuses create a sort of competition among the employees where at least he truly strives to go beyond budget. He says “every salesman can see how much they and other colleagues have sold. To be in top and compare with other salesmen, triggers you to sell more”. He later explains that his rewards are related to sales and that he has not received any rewards concerning new product ideas.

7.1.1.6 Team Development

Compared to the formal reward system, which is not that valued in the company, Alan emphasizes the strength of teams and their effect on product innovation. He says, “teams and teamwork have a large part in the product innovation process and are very important. The future depends on it. We have tested and researched about innovation and concluded that when people from different departments collaborate, it facilitates the innovation and creativity. Our latest concept is an example of this”.
Although it is their department in Sweden which produces the new products, they receive much input from other countries as well. To come up with new products they have internal international project groups which consist of people from several countries and different departments. Alan explains that the group meets and shares ideas about new products which are documented and given to the production department. Those people have gathered information from employees to identify the market need. This is combined with information from trend analytics to analyze current and new market trends. He continues that they promote teamwork throughout the whole organization as they want to prevent the “silo-thinking”. The encouragement to come up with innovative ideas together is stated in the core values and Alan means it is every manager’s responsibility to endorse this.

Similar to Alan, Alice describes that the company often tries to form teams. When creating teams, she explains that they take help from their formal diversity plan which display the importance of diversity. She highlights that they see diversity as something positive and says “with a group of different people, you drive everything forward. It gives different perspectives and knowledge”. She further discusses that the employees can create teams on their own as well. An example of this, is the story of the three persons who formed a team and took additional help from other employees to come up with their new product idea.

Adam answers that he notices the teamwork in the firm, but that it depends on the place and type of task whether you work in teams or individually. He says that in the smaller offices like his, it is more individually, but he knows that in the larger offices, much teamwork is occurring. Adam explains that the team often exists of people from different departments, but it could also be a team of one department. He says, “if people from different departments work together, it can stimulate the creative environment because everybody has a different perspective and different ideas and knowledge”.

7.2 Company 2

Company 2 started in 1949 by one family and has since then developed into an international giant in their field. As such, Company 2 is present in 30 countries worldwide with roughly 2,400 employees. In the past, the company has been a 100% owned family business. However, in 2007, the company chose to sell 60% to a private equity firm. These 60% were re-acquired in 2014 by the family. Since 2015, Company 2 is owned by two families that each have equal shares in the firm. Currently, three family members of the second generation are
situated in the Board of Directors. Company 2 has expanded from a small company to a more professional organization, which comes with an external CEO and HPWP. After our interviews, we received company documents such as folders and newspapers.

Since the second family has joined the firm, Company 2 has been putting more effort into R&D and product innovation. The company’s history has shaped the innovative behavior of the company and before the innovative culture has not been that visible. He discusses that Company 2 has struggled in the past to exploit the R&D and make innovations. Bob puts words on this by stating:

“we were doing research and development with our core products, which is a foldable plywood box with steel hinges. And we kept on inventing different kind of foldable plywood steel boxes that customers were not asking for. The market was not asking for them. What we have been developing in the past, was really good. So that was actually what led to the culture that says: well, we have already invented the best unfolded steel box in the market, we don’t need to spend time and money on this anymore. Even if the customer wanted something else, for example paper boxes, we kept trying to sell our core products.”

Table 5: Respondents of Company 2

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Position</th>
<th>Family Member</th>
<th>Length of employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ben</td>
<td>Head of Corporate HR</td>
<td>No</td>
<td>15 years</td>
</tr>
<tr>
<td>Brian</td>
<td>Head of Innovation and R&amp;D Europe</td>
<td>No</td>
<td>7 years</td>
</tr>
<tr>
<td>Bob</td>
<td>Executive Vice President of Technology and Products Worldwide</td>
<td>Yes</td>
<td>11 years</td>
</tr>
</tbody>
</table>
7.2.1 Interviews Company 2

7.2.1.1 Family Factor

Ben, the Head of Corporate HR, starts the interview by describing his career within the firm and says that when he got his position in 2008, he immediately wanted to improve the communication of the core values throughout the company. Therefore, he was given the authority to cut down the family's core values from eight to three. These core values are presented by the family in a short movie which highlights the Swedish way of running a business with empowerment and respect. As such, Ben believes that Company 2 has a “family style” culture even if it differs a bit from country to country. Although he believes that the firm has a family style, he adds that the family itself is not very visible in the company as the family holds mainly positions in the board. Ben adds that the company is growing, yet they want to maintain the benefits of a small entrepreneurial organization, yet professionalize the business. He continuous that the firm is long-term oriented and does not focus on short-term thinking and monetary goals.

Working in a family business is different from a non-family business, Brian, Head of innovation and R&D Europe, explains. After being employed by a family firm in his early career he got to experience this in a negative way as the company had a clear hierarchy and was reluctant to change. This conservative behavior has been a bit noticeable in the owner's investments in innovation at Company 2 as well, Brian says. Brian believes the reasons why there has not been much money devoted to innovation is because the company tried that in the past and it did not see the positive effects of it as well as the insufficient funding that were available. However, Brian is clearly expresses that working for Company 2 is completely different compared to his last employment at the family firm, in a very positive way. He describes that some of the positive aspects of working in this family business is that everybody help each other and the family feeling that is spread throughout the company. As Brian says, “sometimes it feels that we actually are a family. You go a little bit outside the roles that you have to help each other and it is also nice that you know that if you need some help it is not always the role of somebody that can help you”.

Concerning the family factor, Bob, Executive Vice President of Technology and Products worldwide, does not think that Company 2 is run as a typical family business. This is much due to the new management, the new systems and the new owner structure, he describes.
Before the merger with the other family, Company 2 did not focus on product innovation that much. After the merger, a shift occurred from short-term incentives to a more long-term growth of the company. As Bob explained, the capital equity firm was much more interested in the short-term profits. Since the involvement of the other family, Bob says that Company 2 focuses more on R&D and product development, as they believe that it is important for long-term survival and development of the firm. As such, Bob notes that “they definitely have a very strong opinion that this is essential for the company to survive and develop”.

7.2.1.2 Selective staffing

For this long-term survival, it is important that the right people are being hired and maintained, Ben explains. Ben comments that there is a generic recruitment but it is mainly handled on a local level as the business is decentralized. The recruitment process is linked to the family core value of empowerment, which can be seen that Company 2 hires for attitude. Ben explains, “we want employees that create their own ways and careers”. As such, Ben says that personality is the most important for potential candidates. To find the right personality, Company 2 creates an ideal profile for the position which are reflected in the core values. In this sense, the core values are communicated through the whole recruitment process. Often when recruiting people, an internal mail is first sent to employees for those who want to grow within the company. In the recruitment process, candidates have to make an assessment before they are being hired. To do that, they use an external partner who conducts personality and capability tests.

These tests are used to find the best fit of people, but as of today they do not use it to screen and find employees with innovative abilities. As Brian says, “the innovative people that we have at the moment, is a coincidence. It’s a coincidence of people that join the company because they have been taking over or you have some managers that have a very strong drive for innovation and want to emphasize that”. Brian believes that the product innovation is hindered by not having a hiring procedure that focuses on finding innovative people. This leads to a lack of competencies in innovation and Brian argues that the people who focus on product innovation are overused in the company. Of all HR practices, he argues that the main driver for innovation is to recruit and maintain the innovative people. To highlight this, he gives an example of Google and says:
“Google said hey guys, we will give you 20% of the time to sit in our offices to brainstorm, to think of new ideas. We have great offices, these offices with cocoons, memo boards and you can post ideas and stuff. This has not increased the innovation of their people at all, why they did that is to actually convince creative people joining their company. Because creative people, they like empowerment. They like the freedom to do that. But if you have a non-creative person and you put that in that environment, then you are not going to have somebody that comes up with miracle new ideas. That’s not going to happen, because that person needs to be coached in a much tighter way than somebody who has creativity”.

Although, Bob also believes there has been not enough focus on innovation in the company, he argues that since the merger with the other family, Company 2 faces the challenge of bringing in new people with the right expertise in the company. On that he states, “there is an option of bringing in consultants to get this expertise or we can recruit new people”. To get the right people, Bob explains that he thinks selection of staff is the most important HR practice for product innovation. “Bringing in the right resources is really important when you know what you want to do”.

7.2.1.3 Training

To maintain and develop these people, employees at the company can get a training through their Web Academy, Ben describes. The Web Academy consists of an online program where employees can increase their knowledge and get a broader view about the areas in the business. In total, there are 35 to 40 courses available and upon completion of a training/test, the employee will get a diploma. Whether an employee gets additional training is up to the local management, but every employee can send in a request. Ben adds that Company 2 also has a management program for people who has the ambition to take the next step in the business. In this program, employees can develop in leadership, strategy and finance. At first, there was also a management program focusing particularly on innovation. However, Ben tells that this training was taken away as Company 2 decided to devote their resources in other areas. The overall goal of the training is that employees get familiar with the products, which helps employees to handle issues and stimulate a creative mindset.

Concerning the training, Brian describes that the company focuses much on training their engineers and to some extent their sales people. The engineers have extensive training from a technical perspective, but he explains that there is no training which regards innovation yet. The reason is that as of today, Brian says that the company is still relatively small and that there is not enough money and resources to train people in innovation. Even though it is
possible to train people in innovation, he adds that it is difficult to do that if they do not possess that trait already. But as one of the company's goals is to emphasize innovation more, they have created brainstorming activities and creative workshops. In these workshops, Brian stresses the importance of structuring the peoples’ thinking and teach them some boundaries that they usually do not know about. As he expresses it, “so you are actually trying to create a framework for the creative people to work in and then the things that you will get out of that will be much more efficient than when you just put them together and don’t prepare them”. The workshops are also an effective way of learning from each other through teamwork, Brain adds.

For Bob, the training has been one of the determining factors of his career choice within in the business. During the times the innovation management program still existed, 30 people from all departments and different countries participated. Among them, Bob was one of the employees that were a part of such training. Bob tells us that this training has not led to an innovative culture throughout the company, but this training is how Bob got inspired to work in this area. Especially since the merger with another family, Bob sees the necessity for constant renewal. Therefore, the training has contributed to Bob’s behavior of wanting to improve the firm's product innovation.

7.2.1.4 Employee participation

Regarding the behavior of employees, Company 2 promotes empowerment as the people are given much freedom to manage their work, Ben explains. Right now, the company does not possess any formal job descriptions. Although this has increased the likelihood of doing double work, they have not had any job descriptions because they aim to stimulate the employees’ freedom as the roles and the tasks are specified in a looser way. Through this, people are empowered to act and take their own initiative concerning tasks which they are normally not responsible of. The company stimulates this empowerment also in the innovation process. As such, Company 2 designs unique products for every customer and the employees are encouraged to come up with a unique solution for every customer as well. This is a form of innovation where the employee must be very creative, Ben says. As he expresses it “for us innovation is design”. Although Ben emphasizes the importance of empowerment, he argues that it can also be contra productive. An example could be if someone starts to design a new product, but does not take the capacity or the practicability to produce into account.
Empowerment is a very central part in how everything is structured in the business, Brian describes. He discusses that innovation is about having the freedom and being able to think in your own way without someone telling you what to do in every specific hour. Even though Brian means that employees are giving much responsibilities, they are not encouraged to come up with new product ideas. This is connected to the company's reactive customer driven strategy, Brian argues. He says:

“This is very good and also very bad sometimes. Being reactive to the market is very good, all the sales are screaming for that. They think that we are even not reactive enough. If the customer says: we need something like that, we immediately have to come up with an innovation. But as I said to Bob, there is a big challenge here. Because if you are completely focused by customers, you will lose. Because most customers, they do not know what they need. They only see what they directly need in their business. But they don’t see what the next thing could be. If for instance Apple would have listened to their customers when they were making computers. There was nobody who said that they needed online services that will be available on a telephone or whatever. They would never had made that. Apple made that because they had the drive to do innovation and they wanted to make something and then find the customers for that. I think that there is a balance between the two that we have to find”.

This reactive behavior is something that Bob thinks is changing in the business. Bob gives another perspective compared to Ben when it comes to their company's product innovations. Regarding the customer driven customization, Bob expresses “we have many engineers that design and customize products for our customers. We wouldn't call this an innovation. It is just a design. We evaluate current solutions and see if we can use some of those. But if there is no current solution, we see ways of developing for example new materials, or you need to develop a new production technology. This is what we would define as a product innovation”.

Company 2 tries to empower and make employees participate and come up with innovative product ideas by having a yearly engineering challenge, says Bob. Bob tells that this a “competition where we send out a specific problem to our engineers and then they compete about who comes up with the best solution. We want them to be creative in general and have a creative mindset. It does not have to be only about packaging. It could be anything. I had an employee who came up to me as he had built a drone and asked if he could have it founded to fly it on customer days and to show our products and such. We encourage people to come up with this kind of ideas”.
Bob describes that they encourage their employees by giving access to resources such as machines, materials and 3D printers. While doing this, a group gets together, have some beers and work on creative projects together. “I think this makes them feel empowered and that they are able to work and create what they want”.

7.2.1.5 Performance-based Rewards

These creative projects and other forms of innovations have no specific monetary rewards related to them, says Ben. However, Ben explains that there are some types of financial rewards in the company, for example, profit sharing among employees. Besides that, the salesmen have a monetary reward associated with their performance. Moreover, the intrinsic rewards, such as appraisals in newsletters, success stories of the employees that have been highlighted in campaigns, are more valued. Ben says that these success stories work as a communication tool to motivate local teams. In general, Ben does not think that monetary rewards are beneficial for the company as it only incentivizes short-term thinking and hinders creativity.

Brian is in line with Ben regarding the monetary rewards and thinks that money is not the main driver of people, especially not for creative people. He believes that a reward system does not have an effect on their product innovation. As he says “creative people are not encouraged by money. If there is something that creative people want to do, they want to get their name on the pack and be recognized. That is what they crave for. It is not big amounts of money. It is not the women and the car. It is that they want to be recognized how good they are at having ideas”. Moreover, he highlights a problem with rewarding the end-result as the idea can be established by one person, yet be improved by other employees as well.

Similar to both Ben and Brian, Bob argues that a monetary reward is and should not be the main driving force for employees. Bob means that there are other things that should motivate and encourage employees to perform at their best. For example, employees can get involved and motivated by the possibility that their ideas can contribute to the development of the business.
Most of the innovative solutions come from teamwork in Company 2. Ben describes that they work much in teams, although this can vary for each subsidiary. These teams are made with employees from all different departments as well as employees from different countries. Each team always has a project leader and a local responsible person. After that, they bring in the competencies based on the need, Ben adds. These teams are used to generate new ideas and in order to do that, a structure is necessary. Ben notes that a positive aspect of teams is the information sharing, which is good for the business development. A downside of the teams is all the communication back and forth over the world, which is not necessarily positive for the innovation due to the time differences. Ben continues that, even though the difficulties, teamwork is important for product innovation. “Even if a really creative person comes up with many good ideas, a larger amount of people will come up with more ideas as group”. Therefore, with teamwork you will always be more creative than if you are alone, Ben concludes.

Brian is also certain that innovation is closely connected to teamwork. As he says, “I don’t believe in one creative guy sitting in a basement, inventing all these crazy stuffs. It’s teamwork, always teamwork”. Brian argues that you need a mixture of people with different backgrounds in those teams to be successful and innovative. As he expresses it, “the biggest thing is that those teams should be connected with sales, project leaders, with market units etc. So, they should not be an isolated unit on their own. And they still have to be connected to the day-to-day job. Meaning that you have customers coming with questions and with projects and a lot of the innovation can also come from there”.

Building on to that, Bob says that “if a person works with the same thing on a daily basis and for the last 20 years, he is a bit locked”. Therefore, he stresses the importance of putting a team together with different knowledge and different expertise if you want to create something new.
7.3 Company 3

Company 3 started 1953 in Sweden as a small family firm and has now developed into a company that delivers furniture products all over the world. Company 3 is led by two brothers, who are the second generation. Due to the expansion, this firm has recently hired a HR responsible. Moreover, Company 3 focuses on product innovation by constantly providing and developing new furniture to the market.

Company 3 focuses on high-end, exclusive furniture for mainly business-to-business. Upon visiting the company, this exclusive feeling was noticeable in their showroom, where multiple corners were decorated with their own furniture. At this location, all aspects of the business were visible from offices to factory and distribution. As such, all activities are located in Sweden and the owners want to emphasize their heritage, as it is perceived as a unique strength.

Table 6: Respondents of Company 3

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Position</th>
<th>Family Member</th>
<th>Length of employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris</td>
<td>CEO</td>
<td>Yes</td>
<td>24 years</td>
</tr>
<tr>
<td>Cody</td>
<td>Head of HR</td>
<td>No</td>
<td>2 years</td>
</tr>
<tr>
<td>Carl</td>
<td>Production Planner</td>
<td>No</td>
<td>5 years</td>
</tr>
</tbody>
</table>

7.3.1 Interviews Company 3

7.3.1.1 Family Factor

Company 3 does not have any written down core values that they communicate via official channels. The core values are communicated by Chris, the family CEO’s presence and showing commitment. As he says, “it is embedded in the walls. We, as owners, devote much time to being visible in the whole company, from top to bottom”. He believes that if he shows passion, then this will spread among the employees as well. Due to the expansion, the business has changed but certain core values such as cost-effectiveness and achievability are core values that have been passed down from Chris’ father. These values are not formally stated anywhere, but it is rather something that the employees feel. Other family aspects of the firm are the short
decision-making process and the freedom at this company, says Chris. Overall, the family factor is important for the firm. They received once an offer to sell the business, but Chris and his brother were not interested. Regarding this decision, Chris states “we have a lot of freedom and can focus on the things we want, without reporting this to someone above us. Our big goals is not that we cash out a lot money, but that we want to keep our freedom”.

According to Cody, Head of HR, the family influence is visible at the top. He expresses both the negative and positive aspects of having two brothers owning and managing the company. An example of a negative influence is the, sometimes occurring, non-job related conflicts between the two brothers. The positive aspect is the fast decision-making process, Cody remarks. “Previously, I have worked for the municipality, where everything takes time and has to be talked about 3,000 times. Here, we discuss a matter and get to a decision 10 minutes later”. This decision-making process is both ways where the two CEO’s discuss things with the other managers and vice versa.

Also Carl, the production planner, believes that the family influence is noticeable at the top. As such, Carl says: “Chris and his brother are engaged in every part of the business. From the part where the furniture leaves our factory in a truck, they are in the production and talk with the employees. In that way I feel it is a good family firm”. Carl comments that the two CEO’s have a vision of where they want to head with the company and then try to realize that. According to Carl, they do this by developing new products, improve the factory with new utilities and new working methods.

7.3.1.2 Selective staffing

Chris points out that there is a great respect and appreciation for people with an aptitude for handicraft in the business. Therefore, it is important to attract these kinds of people. Company 3 has a mix of different kinds of employees from women to men and old and young as well as different nationalities.

The diversity in the company is also mentioned by Cody, as Company 3 offered jobs to refugees to integrate them faster into the Swedish society. Moreover, Cody says that it is important for them to recruit people who are engaging, which can be seen through their loyalty towards previous employments. Further, team spirit is another selection criteria, since
Company 1 works much in teams. To find the right people, the references of previous jobs is a determining factor when Company 3 searches and selects possible employees.

In line with Chris, Carl believes that Company 3 attracts all kinds of people who stimulate the diversity. To work at Company 3, Carl stresses the importance of being punctual, caring and showing engagement towards the job. This shows that you enjoy your work, Carl says. The engagement also contributes to new ideas, because the production employees are the first ones who get to work with the products. Carl adds that the creative ability is important as well as daring to try something new because it makes you grow as a person.

7.3.1.3 Training

Chris says that Cody has all responsibility regarding HR, and as such he is not involved in the process of offering trainings.

As HR responsible, Cody takes care of the trainings that are offered at Company 3. He notes that there are only informal trainings, which already start at the beginning of the employment. “If the people are hired, then they first have a training-on-the-job where the employees learn to do the job by working at the same time”, says Cody. This is done by placing the new employees with the older employees for a year. When it comes to product development, there are no specific trainings but there is an introduction for all production employees where they learn how to make the new products. Building on to that, Cody points out that there are internal trainings on dealing with new machines.

These training with the machines are for production employees such as Carl. Carl points out that he has had the opportunity to additional training, but that he has never done it. “It is not something for me. I am more a guy who works with my hands”, comments Carl. Regarding that, Carl expresses that he learned to work gradually by picking up information and tips from colleagues.

7.3.1.4 Employee participation

Chris argues that Company 3 tries to promote participation and commitment by being active and showing compassion for the firm. This is visible in the investments in technology and employees. “For example, we invited all our employees to the big furniture exhibition in Stockholm two
months ago. That is a way of showing appreciation”. This appreciation is the main reason that employees come up with new product ideas, Chris concludes.

Even though Company 3 promotes employee participation nowadays, it has not always been like that. When Cody entered the company, he notices that there was a difference between management- and production employees. Many responsibilities were at the management level, while the production employees were the ones who had the expertise. Therefore, Cody changed that and gave the production employees more responsibilities. After Cody changed this, he stresses that “this has led to a different engagement, which was noticeable that employees came more on time, were happier during the breaks, talked more with people from all different departments, complained less and came up with more ideas for improvement”.

Another thing that Cody introduced was the evaluation of employees, where he noticed that the company was very much divided into a management group and a production group which led to an alienated culture. After the instalment of the evaluation, he noticed improvement of the culture where the two group became more aligned. Cody gives an example of a new lifting machine that partly takes away the physical work, which was requested by the production employees. After instalment, the employees showed much appreciation towards the management team.

Carl agrees with Cody that the production employees are more heard than before. Freedom and responsibilities are the largest motivational factors for Carl and it makes him feel involved in the product development process in which he can decide how to construct the furniture. When constructing furniture, there is often a basic idea from an architect and then the production employees come in and decide how to change the body of the furniture to ease production.

7.3.1.5 Performance-based Rewards

Chris says that there are no formal monetary rewards such as bonuses at the company. Moreover, he adds that Cody handles other forms of rewards.

Cody argues that there are no formal rewards, but that rewards mainly come in the form of small gestures such as having coffee breaks together if employees work overtime and trips. Cody gives an example of a reward at Company 3, by saying that employees are encouraged
through attending events of products they have made. Furthermore, Cody tells that intrinsic rewards are preferred. This is done by giving compliments to employees who come up with many ideas. Another way to encourage participation is through the wages, Cody explains. “If an employee comes up with multiple good ideas, then we are pretty fast with adopting the wages instead of waiting for the yearly collective raising of wages. This economic factor plays a big part”.

One employee who has been to an event is Carl. He explains that employees do not get any performance-based rewards, but get encouraged in simple ways such as the attendance of the furniture fair in Stockholm where both the travel and the accommodation expenses were included. Another example is that the employees get invited to breakfasts. However, these things “do not affect my behavior regarding new products. If there comes an idea, the idea just comes. It does not matter if they invite you to one or other things. You have your daily salary anyway”. Carl expresses that he is motivated by the freedom that he gets, which makes him feel that they trust him.

7.3.1.6 Team Development

At Company 3, teamwork is important regarding product innovations, Chris says. One such team is the team with designers. The designers are mainly external people who have contact with the company. After having discussed the ideas with internal people, the task is to contribute to the practical and functional parts. In this process, both the design and the implementation are combined. As such, Chris explains that when this combination comes together, it gets improved by the innovative solutions from the production employees.

Although Company 3 has a long history of working with external designers, Cody explains that the internal teamwork used to be different. When he started, every department worked separately. Nowadays, their different departments are mixed which is visible in the way employees interact with each other. Cody marks that this type of teamwork has contributed to new innovative ideas, because employees communicate and discuss more together. Since this new setting, there are obligatory meetings every Wednesday to facilitate the interaction between all the departments. Moreover, these meetings are used for discussion as well as providing information about e.g. new products. Cody concludes that these discussions have led to more product innovations.

On the current situation of working more together in Company 3, Carl comments: “Sometimes we work in teams, sometimes we don’t, it depends. When we have a problem, persons from different
departments gather and sit down to discuss opinions and potential solution. Other times it is more that we take decisions immediately where we decide on the spot what to do. It is often that one team leader from each department meets with other employees that are involved in the particularly process.”

Carl adds that this teamwork helps to share different ideas, because everybody has a different perspective. By taking parts of everyone’s idea, the best solution can be made. “I think teamwork is important for the product innovation. I think that often if you have been at the same place for a long time, you do the same stuff that you’ve always done. If you get new people in that are involved in the discussions and can question why we are doing things in a certain way, things that maybe we have not thought about at all. Therefore, I think this kind of teamwork is really good”.

7.4 Expert Interview Company 4

Apart from the case studies, two experts who works at a family business have been consulted to give additional support to our findings. These two experts work in a Dutch company that produces cars and is a vehicle contract manufacturer. In 2012, a family firm took over the business. Having the experience being both a non-family firm and a family firm, the data from this company can shed additional light upon HPWP and specific family firm traits. On request of the firm, we have interviewed both the interviewees simultaneously which was done due to time constraints.

Table 7: Respondents of Company 4

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Position</th>
<th>Family Member</th>
<th>Length of employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dennis</td>
<td>HR employee</td>
<td>No</td>
<td>4 years</td>
</tr>
<tr>
<td>Dylan</td>
<td>Head of Sales</td>
<td>No</td>
<td>35 years</td>
</tr>
</tbody>
</table>

7.4.1 Expert Interview

7.4.1.1 Family Factor

Although Company 4 was a non-family firm before, Dennis noticed that the company already behaved like family firm earlier because of the long-time employment of employees. Some employees had worked for 10, 20 or even 30 years with each other. As he expresses it, “the bond that you have with each other is a bit more than just colleagues”. This bond becomes visible in
the way that people work together. “You can see them look each other in the eyes and they already know what to do”, he says. Dennis explains that this has not changed since the family took over. However, the family made a strategic change with a shorter decision-making process. This decision-making process “is very simple by deciding with the relevant people on the spot”. Dennis’ explanation for this is that the responsibility is mainly in one hand so there is not a team who makes decisions.

Dylan continues that the owner is the only responsible person for the whole family holding. Moreover, Dylan describes that the family is reluctant to install all kinds of formal procedures because “in a normal company when you have to take responsibility towards your shareholders then you need to follow procedures”. Before the family came in, the procedures were more formal. Nowadays, the family acts in a more reactive manner by taking decisions when they see the necessity which displays a more uncomplicated culture. As Dylan says, “the family likes to keep things simple”. As such, the family is not so much into the core values. The only core value is “keep it simple”, since they have 90 companies. This is noticeable in the decision-making process, which can even be done on the phone, Dylan notes.

7.4.1.2 Selective staffing

In the family firm, Dennis explains that they select the candidates based on motivation and skills where motivation to work for the company is the most important. “If you do not want to challenge yourself and take responsibilities, then Company 4 is not for you”, Dennis says. To maintain the people, programmes and trainings are offered to the employees. The initiative to participate in those activities, should come from the employees themselves and then the HR department will support and challenge them. He concludes by stating that employees who contact HR on their own account are the most motivated ones.

Regarding the recruitment of employees, Dylan stresses that having the right feeling with candidates is most important. “If the right feeling for a person is not there, then it is not good”. Moreover, Dylan explains that they had formal assessments in the recruitment process in the past. The reason for getting rid of the assessment was because the results were not always what they seemed to be, Dylan argues. “They offered people a job who were not competent for the job”.

64
Once the right employees are found, Company 4 tries to retain them as long as possible, says Dylan. He explains that since Company 4 is only a few years part of the family firm, there might be some differences between old and new employees. He says, “the way that the family approaches the employees has a really personal touch to it”. The family shows this by heading in the factory and shaking the employees’ hands. As Dylan says “that’s a kind of binding for employees as well. I think this is good that the family does this”. In a sense, the family has brought a new perspective in the company by treating all employees the same way.

7.4.1.3 Training

Another way the employees are bound to the organization is through the development programmes, says Dennis. The family has these programmes, because they care for their employees and want them and the company to develop. To get such development it is important that employees possess the capabilities, ambitions and the need to develop. Dennis explains that Company 4 has a continuously improvement education programme, which is organized on a central level. ‘In this training, all engineers learn about six sigma’, which is a training that tries to eliminate defects to near perfection.

Dylan builds on to that by stating there are three ways to get a training. The first training is a preparation for the job. Two weeks before the real job start, people get trained through training-on-the-job. This is mainly for production employees, who then start the practice outside of the production lines to not disturb the people in the factory. The second training are education trainings steered on a central level. As Dylan says “employees can sign up for an external training with permission of their supervisor. In 99% of the cases, it is possible to do such training”. To come up with innovative ideas, Company 4 works together with institutions and universities. The third training is through a buddy system. New employees team up with older employees who teach the new employees about the job. Dylan explains that trainings/educations are stimulated and that there is a larger budget for it as well. Training helps to invest in young people, because they bring so much energy in the company and they stimulate new ideas. “If employees receive these trainings, we assume that the employees feel comfortable and perform better and stay with the company. That’s what we aim for”, Dylan concludes.
7.4.1.4 Employee participation

Dennis highlights that Company 4 is all about responsibilities, which is very empowering. At the company, people work with responsibilities, not specific tasks. “For example, I am responsible for the recruitment process, so it is me who has to take care of that, not my managers, but me”, tells Dennis. These responsibilities is the reason why Dennis constantly wants to improve. “The responsibilities are high and that challenges you every day. That motivates every day”. Dennis explains that the job is not a simple operative job, but rather challenging and quite an experience.

Even though Dylan tries to motivate the employees to work on innovations by giving them many responsibilities, on an organizational level he has mixed feelings about the empowerment. “Partly, we have this empowerment. Sometimes it looks like it is too much steered from the top. But sometimes people need to get too much permission from their boss. Next is whether the young, new people take the right decisions. That’s why we have this buddy system, because then they get experience from older people. However, the empowerment of young people definitely brings in innovation in the company”.

7.4.1.5 Performance-based Rewards

Concerning the rewards, Dylan explains that he receives no bonuses but receives intrinsic reward in the form of feedback and encouragements. The only form of reward that exists is for production employees, which is a challenge arranged on a quarterly basis. During this challenge, employees sign up in teams to present their top three renewal ideas that they have already implemented. “With this idea, they go to their boss and they show a cost calculation to make sure it is positive business case”. Out of all teams, the winning team will receive a reward which can be a weekend in a hotel or 500 euro (+/- 5,000 SEK). Dylan says that this type of challenge motivates people to come up with new ideas. This challenge was already present in the company before it was taken over by the family firm. Now, this challenge is implemented in more companies that the family owns but it is a voluntary decision to implement it.

7.4.1.6 Team development

Another well-established HR practice in the company is the teamwork. At Company 4, employees work very much in teams and there is hardly any individual work. Regarding this, Dylan says, “we work in teams, because the whole process of building a car is based on teamwork. You cannot do it alone, that’s impossible”. All these teams must communicate across all other departments as well. Consequently, these departments need to be adapted to each other, because everything is dependent on one and another. Therefore, “we have something called cross-
functional teams”. Dylan says that the benefits are that you can share ideas and come to better solutions. “I only see advantages actually. It is a way that the old experience, older employees, and new ideas, new employees, come together and that should always be a beneficial situation”, he states.
8. Analysis

In this section, our model has been combined with the empirical data to analyze the data and answer our research question. The analysis has led to the presentation of a new model, which displays how HPWP influences product innovation in family firms. This section is divided into six relationships that shape how HPWP affects product innovation in family firms. Every arrow displayed a relationship, which serves as guideline throughout the analysis.

8.1 HPWP’s Influence on Product Innovation

Since we include five different aspects of HPWP, we follow Walsworth and Verma’s (2007) reasoning and argue that it is important to regard all practices as a heterogenous group. Therefore, we separate every practice when analyzing and arguing for their influence on product innovation.

Figure 4: HPWP & Product Innovation

8.1.1 Selective Staffing

Being selective and having a formal recruitment procedure has several effects on a family firm’s product innovation. In line with Pittino et al. (2016), we found in all three cases that the family valued to hire and maintain people who fit within their specific culture. Company 1 and 2 have, through formal assessments and more interview steps, established specific requirements about which people they want to attract. Company 3 relies, to a larger extent, on informal methods such as their social network and connections when hiring people, which are according to Gomez-Mejia et al. (2011) the most common methods being used for family firms. Nevertheless, we noticed that by specifically stating the preferable characteristics and qualities in the selection process, the firms are more likely to find and attract people with a
higher PO-fit. For example, in Company 1 the assessments are used to analyze the candidates’ levels of creativity and evaluate how well they fit with the family’s values and culture. In our cases, the PO-fit comes from the familiness, which is in line with Pittino and Visintin (2013) who state that family firms are able to foster a loyal organizational culture where employees retain in the business. The familiness’ influence on selective staffing gains additional support from our expert interview, where we found that the family approaches the employees with a “personal touch” by showing their presence and promoting equality among all employees. Consequently, we specify Richard and Johnson’s (2004) finding who show that HPWP supports employees to realize their knowledge, by arguing that a high PO-fit helps to fully utilize the employees’ innovative knowledge.

Furthermore, we found that HPWP only contributes to product innovation if the practices are centred around innovation. For example, Company 2 has established HPWP by a formal recruitment procedure, but it is not aimed to screen and select innovative people which consequently have led to a lack of competences in this area and an overuse of the employees who focus on product innovation. Given this, we build upon earlier research by Antonioli et al. (2013), Walsworth and Verma (2007) and Messersmith and Guthrie (2010) and show that HPWP has a facilitating impact on a family firm’s product innovation, only if HPWP is directly focused on innovation.

With support from Rao and Drazin (2002), we noticed that selective staffing is one of the most common methods to promote product innovation, also in a family firm context. Especially in Company 2, we observed that selective staffing is perceived as the most important practice of HPWP to enhance their product innovation. Similar to Rao and Drazin (2002), we found that selective staffing is important because the people, and their abilities and knowledge, are the drivers of product innovation. Therefore, we argue that to get the right people from the start is one of the most determining factors for a family firm’s product innovation.

8.1.2 Training

Although the importance of selective staffing regarding product innovation, we observed that training is a practice of HPWP that has a considerable effect on the family firm’s product innovation. We found that our three cases had implemented various levels of professional training which allowed us to analyze this practice from diverse perspectives. One central part
of Company 1’s training includes the introduction-trainings about the knowledge and culture in the company to align employees with their strategy, which supports Lau and Ngo’s (2004) argument that a training should be congruent with the strategy. With support from Beugelsdijk (2008), we found that even if the training is not directly aimed at product innovation, the trainings increase people’s skills and knowledge which results in more product innovations. Furthermore, Company 2 possesses formal trainings aimed at practically educating the new employees about their job task, rather than investing time in presenting the culture and family values.

In contrast to Company 1 and 2, Company 3 does not have any formal trainings. We believe that the reasons for this are due to the smaller firm size (De Kok et al., 2006) and the limited financial resources (Wright et al., 2005), which decreases the use of HPWP practices. Concerning the family values and culture, Company 3 does not include these aspects in any of their trainings or introduction meetings. We found that the owners’ passion and commitment towards the company functions as a form of substitute to their core values. However, this commitment of the owners does not lead to increased commitment of the employees to engage in trainings. As such, Carl, the production planner, stated that trainings are not for him and turned down the possibility to develop himself through trainings.

As noticeable in this section, our three cases put various emphasis on trainings that include cultural aspects and family values. By analysing the different use family values in trainings, we build upon Hall et al. (2001) and argue that training as a practice of HPWP, which takes family values into account, increases employee’s commitment and willingness to strive the company forward.

8.1.3 Employee Participation

We found that a feeling of belonging, in our case companies, is created from the family firm’s socioemotional wealth where the family owners are more interested in preserving the business than solely focusing on financial goals. As such, Company 2 is able to foster an atmosphere where non-family employees feel like they are a part of a family. This is confirmed in our expert interview, where the new family owners of Company 4 have established an apparent family feeling among non-family employees. In Company 1, employees feel a sense of belonging through empowerment and the freedom to participate in the business. Consequently, this empowerment functions as the largest motivational factor
and makes employees more encouraged to express their product ideas. Therefore, we argue that the unique feature of socioemotional wealth is an answer to Combs et al.’s (2006) argument why employee empowerment leads to a higher job satisfaction. Additionally, we believe that socioemotional wealth explains why our findings in Company 1 displayed a connection to Richard and Johnson’s (2004) study where employee participation clearly leads to improved utilization of employees’ knowledge regarding product innovation.

In line with most existing literature, all of our respondents praised the concept of empowerment and everyone saw benefits in involving the employees in the product innovation process. Although the companies had a one-sided positive stance towards empowerment, both Company 2 and 3 appear to have failed in implementing this concept in the product innovation process where few employees contribute to their new products. This observation fits well with with Argyris’ (1998) analogy about empowerment where she says that managers’ love empowerment in theory, but are reluctant to implement it in practice. From a manager perspective, we believe that managers’ reluctance to implement empowerment in the product innovation process is particularly sensitive in family firms. We noticed this sensitivity in Company 3, which is in line with De Massis et al. (2015), that the family managers want to retain a high control over the business by making decisions about product innovation themselves. Therefore, we build on Argyris’ (1998) statement and argue that family managers are reluctant to implement employee participation in the product innovation process due to their close involvement in the firm and their strong desire to retain control over the business.

8.1.4 Performance-based Rewards

In general, Company 1 and 2 make little use of monetary rewards and the few that exist are mainly aimed at the salesmen in the organizations. Instead, the case companies focus on the non-monetary, or intrinsic, types of rewards. This follows Gomez-Mejia et al.’s (2011) argument that family firms often emphasize non-monetary rewards. Gomez-Mejia et al.’s (2011) statement is further supported by our expert interview, where the Head of Sales, explained that he receives no bonuses but is rewarded by much feedback and encouragements. Thus, we could see that performance-based reward is the practice of HPWP which is most commonly replaced with familiness. To exemplify, Company 2 does not believe that monetary rewards are appropriate because it incentivizes short-term thinking, instead we found that family firms focus on long-term achievements. As such, the
rewards do not go along with our family firm’s long-term approach. Moreover, our case companies’ existing rewards are not directed towards product innovation as they believe that performance-based rewards are not the main driver of product innovation. Therefore, our findings are contradictory with Lau and Ngo’s (2004) finding that performance-based rewards incentivize creativity and innovation. Additionally, another reason why product innovation is not stimulated by performance-based rewards can be found in Brian’s, the Head of Innovation and R&D Europe, example:

“creative people are not encouraged by money. If there is something that creative people want to do, they want to get their name on the pack and be recognized. That is what they crave for. It is not big amounts of money”.

Besides that creative people prefer recognition over performance-based rewards, we found that it is difficult to reward employees for creating new product innovations. This as many employees can be involved in the product innovation process before the idea is finalized. For example, one employee can come up with an initial idea but the end-product has received input from many other employees which makes it difficult to decide who to reward. This is in line with Beugelsdijk’s (2008) reasoning that the relationship between performance-based rewards and innovation is complex, as individual rewards can hinder the collective problem solving.

8.1.5 Team Development

Regarding the team development, all interviewees answered in a similar manner by stating that teams promote the combination of different skills and perspectives by having different people in a group. This showed to facilitate the product innovation, information sharing and creativity. An example comes from Alan, the Head of Corporate HR of Company 1:

“Teams and teamwork have a large part in the product innovation process and are very important. The future depends on it. We have tested and researched about innovation and concluded that when people from different departments collaborate, it facilitates the innovation and creativity”.

Our finding is supported by Beugelsdijk (2008), who argues that team development stimulates creativity by employing different perspectives and information of employees. Beugelsdijk’s (2008) comment is further strengthened by our expert interviewees, who stated that the combination of old experience and new resources should always be beneficial.
Moreover, in accordance with De Massis et al. (2015), we found that Company 1 deploys cross-functional teams throughout the organization and Company 2 and 3 have this on a management level. These cross-functional teams further promote the exchange of perspectives and knowledge and helps to stimulate product innovations. Buildings on the studies by Beugelsdijk (2008) and De Massis et al. (2015), we noticed that cross-functional teams prevent silo-thinking where people with different experiences broadens each other's view. In Company 1 and 2, the cross-functional teams also consist of international teams with employees from different countries. In accordance with Reagan and Zuckerman (2001), we observed that international groups are useful to stimulate the diversity of skills, experiences and sharing of information. However, our findings demonstrate a difficulty for these international teams as the extensive communication back and forth can slow down the product innovation process.

### 8.2 Familiness’ Influence on HPWP

Research shows that the family factor has an influence on the implementation of HPWP in family firms (Pittino & Visintin, 2013). However, research remains short in explaining the underlying factors of how the familiness affects HPWP. By applying our early adopted model, we found in all our cases that familiness affects HPWP. First, HPWP is shaped through the family core values. Company 1 showed that they aim to align all of their processes to their core values and to achieve that, they have established HPWP. Similar to Company 1, Company 2 frequently communicates their family core values throughout the
whole organization. These values are closely connected to how they run the business and has shaped the implementation of HPWP.

Second, in line with Pittino et al. (2016), our findings stress the importance of attracting people who fit with the family culture and values in family firms. However, in contradiction to Pittino et al.’s (2016) argument that the PO-fit is a reason for less use of HPWP, our findings show that Company 1 uses HPWP, more specifically selective staffing, as a tool to find the right PO-fit.

Third, concerning the rewards, both Company 1 and 2 express that it is not in the company's nature to employ performance-based rewards and those monetary incentives are not the main driving force for their employees. Their neglectation of monetary rewards seems to be a family trait which is supported by Gómez-Mejía et al.’s (2007) reasoning about socioemotional wealth which states that family firms tend to put much emphasis on the non-monetary goals.

In line with Pittino et al. (2016), we found that firm size has an influence on the implementation of HPWP. As such, our smaller case company (Company 3) had less prominent signs of HPWP than Company 1 and 2. Nevertheless, as Pittino et al. (2016) argue, we found that Company 3’s lesser use of HPWP can be explained by other factors than size. Even though the firm is not reluctant to change, which is visible in the freedom and responsibilities of the employees, Company 3 has developed an approach where they do not proactively change and adopt HPWP. For example, when Cody, the HR manager entered the firm, he implemented employee participation by giving the production group more responsibilities regarding the drawing of the products. In short, the firm works in their own way until they receive a new perspective. We believe that this relatively reactive behavior can be explained by the family managers’ long-time involvement in the business and by Zahra et al.’s (2004) statement who describe that family managers often develop a less entrepreneurial thinking over time.
8.3 Familiness' Influence on Product Innovation

Figure 6: Familiness & Product Innovation

Our findings show that familiness has a direct impact on product innovation in our case companies in three different ways. First, related to the culture, is the innovative behavior of the firms. Whereas we found that Company 1 has an innovative mindset, we found that Company 2 has developed a less innovative behavior as the owners’ investments in R&D have been low. We argue that a reason for their low investments in R&D comes from Chrisman et al. (2005), who argue that innovations are hindered because the investments are made with the family’s own money. However, when the second family became co-owners instead of the private equity firm, the behavior changed. Company 2 is now focusing more on product development and researching for new materials which is connected to long-term thinking for the sake of the firm’s survival. The co-owning family's long-term thinking has been adopted in Company 2, which is congruent with Kellermanns et al.’s (2012) argument that the preservation for future generation encourages the innovative behavior. This long-term thinking was also noticeable in Company 1 and Company 3 where they had a strong desire to keep the business alive for a long time.

Second, to look for new trends, all case companies showed a flexible decision-making approach. We found that this is a family trait which stimulates faster decision-making lines. This is confirmed by our expert interview, in which the interviewees noted that the decision-making became shorter and faster after the family became owners. In line with Craig and Dibrell (2006), we argue that the faster and shorter decision-making lines are strengths to product innovation, as these lines allow more frequent product innovations. Furthermore,
with support from Carnes and Ireland (2013), all three companies are more prepared to successfully act upon innovative opportunities due to their flexible decision-making process.

Third, other family traits are captured in the core values of Company 1 and 2. Especially at Company 1, the core values have a direct influence on the product innovation as one of the core values is to innovate and as these are frequently communicated throughout the whole company. This recurrent communication of the core values seems to have fostered a culture where an innovative mindset is valued in every position in the company. We believe that the family's focus on innovation in their core values is one reason why they possess many intrapreneurs from all departments. Just as Company 1, Company 2 stays close to their family core values and communicate them throughout the whole business. However, Company 2's values are not directly connected to innovation, which seems to have led to a less product innovation focus. This reasoning is strengthened by Hall et al. (2001) which state that the family core values can function as an influential factor to the behavior of employees. Thus, we enlarge Hall et al.'s (2001) findings by arguing that family core values which are aimed directly at innovation, facilitates product innovations and an innovative culture.

8.4 Familiness’ Influence on H.C. & S.C.

Figure 7: Familiness & H.C. & S.C.

In all three cases, we found a relationship between the family factor and human- and social capital. In line with Sirmon and Hitt (2003), we argue that the family involvement makes the context for human capital unique. It seems that the family plays a vital role in fostering an innovative and creative behavior among their employees. As mentioned, the core values affect the peoples’ innovativeness. In Company 1 and 2, these values appear in a more formal
way where they are being frequently communicated and visible in the firm. In Company 3, the family influences their human capital in a more informal manner by acting as a passionate role models and being very visible in the company. Regarding the social capital, with support from Messersmith and Guthrie (2010), we found that the flat organization in Company 1, where everybody is seen as equal, facilitates the knowledge sharing and employee interaction. An example which highlights this is the story of the three employees who came up with an innovative product idea by sharing their thoughts among each other and then present them to the top managers. In contrast, the knowledge sharing and employee interaction in Company 3 are not consistent throughout the whole organization as most product ideas come from external sources or the top management. As Company 3 perceives less visible HPWP, our findings support Pittino et al.’s (2016) argument that HPWP is essential to increase the involvement of employees. Related to this, we are in line with Beugelsdijk’s (2008) research who shows that less HPWP concerning employee participation leads to less innovative human capital.

8.5 HPWP’s Influence on H.C. & S.C.

Figure 8: HPWP & H.C. & S.C.

We found that especially two practices of HPWP, training and team development, influence the human- and social capital in a firm. First, we found that the training affects the human capital due to the employees’ development of Gimeno et al.’s (1997) three aspects, namely: skills, knowledge and abilities. Since the employees developed these aspects, they were able to come up with a larger amount of product ideas. Nevertheless, all three case companies developed the human capital in different ways. As such, Company 1 had built an academy where employees receive training to improve their performance. At the academy, employees from all levels can receive training. In a less formal way, trainings were also available at Company 2 such as creative workshops and courses at Web Academy. The most informal manner of increasing the human capital was present at Company 3, which made use of
training-on-the-job. In line with Wright et al. (2001), the intensity of trainings has its influence on the level of human capital. As such, Company 1 showed the most formal and intensive training methods, which is the reason why we argue that the level of human capital is higher in Company 1 compared to the other two firms.

Second, our findings show that team development affects social capital by stimulating and exchanging knowledge among employees. By forming teams, all respondents agreed that the skills and knowledge of employees has increased. We argue that this is related to Beugelsdijk’s (2008) statement that teamwork leads to a “we” feeling which is of fundamental value in knowledge sharing and product innovation. As we found that the cross-functional teams in Company 1 and 2 has increased the creativity and information sharing of different expertise among employees, we support Lau and Ngo’s (2004) argument that cross-functional teams increase the innovation levels in the firm. We gain further support from Wright et al. (2001) who state that teamwork contributes to higher levels of social capital in an organization through knowledge sharing. To exemplify, our findings of Company 3 show that after changing to cross-functional teams, the social capital increased. Moreover, Company 2 makes use of a yearly competition for engineers to promote teamwork and the sharing of information. In accordance with Gimeno et al. (1997) and Messersmith and Guthrie (2010), we found that this competition increases the human capital as individuals acquire more skills and knowledge. As the challenge promotes teamwork, we align ourselves with Wright et al. (2001) and argue that teamwork enlarges the social capital.

8.6 H.C. & S.C.'s Influence on The Link of HPWP & Product Innovation

First, our results show that creativity can be trained. This is visible in Company 1 as Adam, the salesman and interior designer, as he describes how he has learned to be creative in design.
solutions through training. This has an effect on the link between HPWP and product innovation as he contributes to new product innovations by listening and analyzing the customers’ demands. Similarly, Company 2 showed that by having structured creative workshops as a form of training, the employees came up with more innovative product ideas. With this, we are in line with Beugelsdijk’s (2008) argument that training facilitates the development of products. However, we enlarge Beugelsdijk’s (2008) research and argue that the training contributes to the development of human- and social capital in the form of creativity. Thus, the creativity strengthens the link of HPWP and product innovations.

Second, we found both in Company 1 and 2 that the innovative skills are also developed through teamwork. The innovation is stimulated by the cross-functional teams, where different people from all kinds of departments share their knowledge. Thus, we found contradicting evidence to Leenders et al.’s (2003) reasoning that teamwork can block innovation. Instead, our findings are more apparent in Lau and Ngo’s (2004) statement that team development stimulates innovation by employing different perspectives of employees, which is especially the case for cross-functional teams.

8.7 Our New Model

By applying our initial model on our empirical data, we were able to conduct a rich and profound analysis on how HPWP affects product innovation in a family firm context. Although our initial model was very relevant and valuable, we found that it needed to be slightly modified to fully and accurately answer our research question. With our new model, we contribute to the family business literature as well as the HPWP research. First, our model explores HPWP’s role on product innovation in a family business context. Second, it displays a newly discovered interplay between the different practices where each practice affects one another. Below follows a description of our newly developed model.

8.7.1 Familiness

First, the familiness functions as a base in our model. In line with our previous model, we noticed a direct relationship between familiness and product innovation where especially the core values of the family firms influenced the product innovation. As the culture of Company 1 and 2 are much shaped by their family core values, they consequently affect how the firm innovates. The unique culture has created a more proactive product innovation process in Company 1, and a rather reactive process in Company 2. Moreover, we found that familiness
can function as a replacement for some practices of HPWP. For example, we argue that our case companies’ emphasis on non-financial goals decreases the need of performance-based rewards. Furthermore, when HPWP is implemented, the familiness affects how HPWP is set-up in the business and influences what these practices are focused on. As we noticed, the family core values affect how HPWP influences product innovation. As stated by Miller and Le Breton-Miller (2005), family firms treat their employees differently than non-family firms, which we found has an effect on the human- and social capital of the firm. Thus, the familiness also affects the development of their employees’ skills and knowledge as well as the social settings of the firm.

8.7.2 HPWP & H.C. & S.C.

In turn, our analysis confirmed a link between HPWP and human and social capital. Compared to the familiness, we found that HPWP has a more direct effect on how the employees’ skills are being formed. Meaning that HPWP can be specifically aimed to improve certain knowledge by training or recruiting specific competences with selective staffing. In that way, HPWP can also be shaped to affect social capital by formally organizing teamwork to facilitate knowledge sharing and employee interaction. Consequently, human- and social capital showed to have an impact on the link between HPWP and product innovation. The amount of human- and social capital the family firm has been able to foster, influences HPWP’s effects on the firm’s product innovation and thus, we include it in our model.

Furthermore, we build on earlier research from Walsworth and Verma (2007) by separating each practice of HPWP when illustrating the link between HPWP and product innovation. As each practice has it unique effects on the product innovation process, we argue that it is important to divide them to consider every practice’s individual influence. The separation gains further support as we found an interplay between the practices. This finding seems to have been neglected in previous research about HPWP and thus, our model enlarges our conceptual understanding of HPWP. This newly discovered interplay will be further discussed in the discussion section.
Figure 10: Model of HPWP Interplay Box’s Influence on Product Innovation in FF
9. Discussion

In this section, we reveal a relevant contribution to the HPWP literature, which is displayed in our revised model. As such, we contribute to existing literature by discussing six interplays between the five practices.

As mentioned, we found an interplay between the practices of HPWP where every practice seems to be dependent on each other and influence one another. Our findings are much connected to Ackoff’s (1994) systems thinking which display that every part of a system should be considered as a whole, rather than only independent parts. With support from Ackoff (1994), we note that every practice of HPWP interplays with each other which has an impact on the outcome of HPWP as a whole. To illustrate this interplay in a comprehensible way, we draw upon examples from our empirical findings.

Employee Participation → Selective Staffing

First, from our interviews, we concluded that employee participation affects selective staffing. Our results reveal that empowerment and decentralization of responsibilities are factors that help to attract creative people. Earlier research from Richard and Johnson (2004) and De Massis et al. (2015) display that empowerment enhances the speed of innovations and Beugelsdijk (2008) argues that task autonomy improves a firm’s product innovation process. Employees from Company 1, 2 and 3 expressed the importance of empowerment and freedom in the daily work for their motivation and willingness to continue working at the firm. Therefore, we enlarge these previous studies by showing that employee participation is also an important factor to selective staffing, as it helps to attract and maintain an innovative workforce.

Training → Team Development

Second, from the empirical findings, we observed an interplay between training and team development. In Company 2, the formal trainings were organized in a way where employees came together and collaborated through teamwork. Also in Company 1, many trainings involved teamwork in different forms. This was an effective way to share innovative ideas and learn from other employees which in turn, lead to more product ideas. Therefore, we conclude that training has an impact on team development.
Training → Selective Staffing

Third, we noticed an interplay between training and selective staffing as trainings can function as motivation to work in a specific area. As an example, Bob, the family Executive Vice President of Technology and Products in Company 2, got inspired to work with product innovations when he received training in that field. In this way, the trainings can broaden employees’ interest and find the most relevant job-fit for each employee. Therefore, we argue that trainings, as part of HPWP, can influence how people are recruited and maintained inside a company.

Rewards → Employee Participation

Fourth, even though we found that our companies prefer to rely on intrinsic rewards, the use of these rewards differ per company. Company 1 and 2 reward their employees by giving them the freedom to work on their own ideas and provide feedback to them. Since the employees were rewarded by giving the possibility to work with their own projects, we observed the interplay between rewards and employee participation. Furthermore, in Company 3, other rewards such as breakfasts, and events are used to encourage employees to participate and come up with product ideas. The interplay between rewards and employee participation gains further credibility when Adam, the salesman and interior designer of Company 1, stated that it is very rewarding for him is to be able to have the freedom to work on his own projects.

Rewards → Selective Staffing

Fifth, these intrinsic rewards also have their influence on the selective staffing, as the unique “family feeling” in family firms enables employees to feel that they want to remain in the business. As family firms value non-financial goals, including the well-being of their employees (Gómez-Mejía et al., 2007), we argue that the intrinsic rewards help to preserve the socioemotional wealth of the firm. In turn, Pittino et al. (2016) state that family firms retain employees because of their socioemotional wealth. Therefore, we believe that rewards impact how effectively the firm’s workforce is maintained in a family business.
Sixth, we observed a connection between employee participation and team development. In Company 1, this was visible as their empowerment enables employees to form their own teams. We believe that the example in Company 1, where three employees took the initiative to work together on their innovative product idea, illustrates this. In this example, the employees could form their own team due to the empowerment that they receive. Additionally, Company 2 promotes yearly challenges to engage employees to form teams and work on projects. Hence, these challenges are used to stimulate teamwork among employees. Therefore, in contrast to Antonioli et al. (2011), we argue that HPWP leads to a higher level of employee involvement. More specifically, previous example shows that employee participation facilitates team development, which thus, increases employee involvement.

As these findings do not mainly consider the family aspect of the issue, we argue that the interplay relationships could also apply in a non-family context. Therefore, we aim to enlarge existing research about HPWP by revealing how these practices of HPWP are influenced and strengthened by each other.
10. Conclusion

In this section, the main findings from the analysis and discussion are described to precisely answer our research question. Additionally, we will touch upon the contributions that we have made with our research. To conclude, we present the limitations of our research as well as the implications for future research.

Related to our research purpose, we have found how HPWP influences product innovation in family firms by interviewing prominent people in each of our case studies that have affinity with our topic. To answer our main research question, we made sub-questions about each practice’s influence on product innovation in family firms. By separating each practice of HPWP, we were able to examine every practice’s influence on product innovation which allowed us to present a deeper and more accurate answer to our main research question. Consequently, the five practices of HPWP influences product innovation differently. First, selective staffing influences product innovation by promoting a high PO-fit which is used to fully utilize the employees’ innovative ability. Furthermore, the familiness’ influence on selective staffing is used to maintain an innovative workforce. Second, trainings which include family values increases employees’ commitment towards the company. Additionally, trainings help to increase the human- and social capital of the firm, where more skills and employee interaction leads to more product innovations. Third, employee participation in family firms influences product innovation by fostering a sense of belonging among the employees through socioemotional wealth. Nevertheless, even though family managers love the concept of employee participation in theory, some are reluctant to implement it in the product innovation process due to their desire to retain control over the business. Fourth, performance-based rewards are not the main driver of product innovation and as familiness often substitutes these rewards. Moreover, it is problematic to accurately use performance-based rewards due to the difficulty of rewarding the right person. Fifth, team development influences product innovation through the combination of different skills and perspectives in a group, which facilitates the product innovation, information sharing and creativity. Albeit, most practices of HPWP affect product innovation in family firms, our findings show that HPWP only influences product innovation if HPWP is centred around innovation.

Apart from this, we further expand and contribute to previous literature by discovering an interplay among the five different practices of HPWP. This contribution is displayed in our new model presented in chapter 8. Whereas we, in line with existing research, initially
assumed that the practices of HPWP do not affect each other. We found that these five practices are used to strengthen and support each other. Therefore, we have enriched the HPWP academia by arguing that the practices are intertwined. With this, we believe that our research has given new and valuable insights in the HPWP literature that can function as foundation for future researchers.

10.1 Practical Implications
By implementing HPWP, a family firm is able to more efficiently screen and retain people who fit within the organizational culture. When the family values are cherished, HPWP can be helpful to achieve a stronger PO-fit for the family firm. More specifically, professionalizing the selection of employees can ease the process of finding the suitable candidates with the right fit regarding both skills and culture. After hiring, HPWP helps to maintain this workforce with a high PO-fit. Additionally, due to a larger understanding of the candidates’ traits and skills, HPWP can fill a specific gap of skills in the business. Therefore, managers in family firms can use HPWP to reach a higher level of control concerning the desirable workforce. Consequently, this control is beneficial to retain the family values throughout the whole organization.

As known, most family firms make less use of HPWP (Pittino et al., 2016) and thus, most family firms have limited understanding of HPWP’s utilization. With our research, family firms can comprehend the practical use of HPWP and grasp how HPWP affects their business and especially, their product innovation. As such, managers can use practices of HPWP to strengthen other practices. Related to this, whether performance-based reward system or not, managers should be aware of the importance of intrinsic rewards. Meaning that, family firms can expect a more motivated and innovative workforce by appreciating their employees through intrinsic rewards.

10.2 Limitations & Future Research
Our research does not come without limitations. However, these limitations also offer opportunities for future research. Therefore, we present our research’s limitations along with the implications for future research.

Our first limitation was the time restriction, which influenced the depth of our study. Due to this, our observations were restricted to the day of visit and our interviews were limited
to fewer respondents. To deepen our study, future research should conduct a longitudinal study and extend the amount of observations and interviews. Moreover, the time restriction led to that we only conducted interviews in Sweden and the Netherlands. The case companies were all located in the Swedish, in the region of Småland. As family businesses should be perceived as a heterogeneous group (Nordqvist et al., 2009), our results might have varied if the research would be conducted in other family firms, in other regions within Sweden, or even in other countries. Therefore, future research could apply our research in a different context to validate the outcomes of our study. In addition, future researchers could focus on different industries when researching upon HPWP’s effects on product innovation in family firms. Furthermore, the generalizability of our study can be improved by conducting quantitative research to discover universal findings in family firms.

Our second restriction is related to our definition of HPWP, in which we included five practices: selective staffing, training, employee participation, performance-based rewards, and team development. As argued by Combs et al. (2006), the definition of HPWP differs in existing research. Thus, the results of our study are influenced solely by the five practices that we have labelled as HPWP. This means that the results could differ if other practices of HPWP would have been included in our definition. Therefore, future research could incorporate the same practices of HPWP to validate our findings, or include other practices to examine the interplaying relationship further.

Our third limitation is the language as six out of ten interviews were conducted in Swedish, which might have led to misinterpretation of data in the translation of the empirical data. Moreover, we conducted three interviews via Skype, which decreased the personal contact with our interviewees that could have led to less thorough answers. As such, future research could improve our study by focusing solely on English speaking respondents and conduct merely face-to-face interviews.

Finally, we argue that our study has expanded and enriched the family business- and HPWP literature by presenting how HPWP influences product innovation. Our model displays a ground-breaking interplay relationship between the practices of HPWP, which has created opportunities for future research and a basis for the flourishing of HPWP literature in family firms.
11. Reference List


Appendix 1 - Interview Questions

Top Management Version:

**General Question**
1. Could you tell us about yourself and about your position?
2. How is it to work at Company X?
3. Is it noticeable that company x is a family business? In what way? Good/Bad?
4. What position does the family have in the firm?
5. How does the family interfere with your job?

**HR/HPWP**
6. What is HR for you?
7. What role does HR have in the company?
8. What are important practices of HR in your company? Why? How?
9. Does there exist any formal HR practices? Which ones? When were those introduced?

**Selective Staffing**
10. How do you screen employees for a recruitment process?
11. Do you have an assessment before hiring an employee?
12. How important is the innovative ability of employees? How do you identify this ability?

**Employee participation**
13. How is employee participation promoted in the company?
14. How are tasks defined? (Very specific - loose)
15. Are employees encouraged to come up with innovative product ideas? How?
16. Who comes up with the product innovations? What is their position? Has it been in teams or individually?

**Training**
17. Are there different forms of training available? Which forms? Which people?
18. How has the training affected you/the employees?
19. What is the most important thing for employees in the offered training sessions?

**Rewards**
20. Do you have any standardized salary guidelines to job positions?
21. Is there any compensation linked to performance? What kind?
22. Are there any rewards associated with valuable new product ideas? What kind, intrinsic/extrinsic? How much?
23. Do you think these kinds of rewards could facilitate product innovation?
Team Development
24. Do people work individually or in teams?
25. How are the teams build up? Why?
26. Are there teams for innovative projects?
27. Do you think teamwork is helpful for developing new products? In what way?

Product Innovation
28. What is product innovation to you?
29. What is a new product innovation for this company?
30. Could you describe the product innovation process?
31. How does the family influence the product innovation process?
32. Where do you find inspiration for new ideas?
33. Do you turn to your employees to identify new product opportunities?
34. Do you collaborate with external partners concerning product innovation? If yes, in which phases of the innovation process?
35. How many new products have been introduced the last year? What kind of products?
36. When was the latest product launch? How did the product come up? Key events?

Approach 2 (control questions)
37. How does the selective staffing affect the product innovation?
38. How does the employee participation/empowerment affect the product innovation?
39. How does the training affect the product innovation?
40. How does the rewards affect the product innovation?
41. How does teamwork affect the product innovation?

Closing questions
42. Do you have any questions?
43. What did you think of the interview?
Swedish Interview Questions Top Management Version:

General Questions
1. Skulle du kunna berätta om dig själv och om din position i företaget?
2. Hur är det att jobba på Företag X?
4. Vilken ställning har familjen i företaget?
5. Hur involverar sig familjen i ditt jobb?

HR/HPWP
6. Vad är HR för dig?
7. Vilken roll har HR i företag?
8. Vilka HR-practices är viktiga i företaget? Varför? Hur?

Selective Staffing
10. Hur kollar ni efter potentiella kandidater för en rekryteringsprocess?
11. Genomförs en ”uppgift” innan anställning?

Employee participation
13. Hur uppmuntras anställda att delta i företaget?
15. Uppmuntras anställda att komma upp med nya produktidéer? Hur?

Training
17. Finns där olika former av träning tillgängligt? Vad? För vem?
18. Hur har träningen påverkat dig/de anställda?
19. Vad är det viktigaste de anställda får ut av träningen?

Rewards
20. Har ni standardiserade riktlinjer gällande löner och arbetsbefattning?
21. Är anställda kompenserade baserat på deras prestation?
22. Är där någon belöning kopplat till nya produktidéer? Vad för något? Intrinsic/Extrinsic? Hur mycket?
23. Tror du att ett sådant belöningssystem skulle kunna främja produktinnovationen?

Team Development
24. Jobbar anställda i team eller individuellt?
25. Hur är teamen upbygget? Varför?
26. Har ni projekteams för att ta fram nya/förbättra produkter?
Product Innovation
27. Vad är produktinnovation för dig?
28. Vad är en produktinnovation specifikt för det här företaget?
29. Skulle du kunna beskriva hur det går till att ta fram nya/förbättra produkter?
30. Hur påverkar familjen den här processen?
31. Var finner ni inspiration för nya produktnäckar?
32. Vänder ni er till era anställda för att hitta nya produktmärker?
33. Samarbetar ni med externa parter angående produktinnovation? Om ja, i vilken fas i processen?
34. Hur många nya produkter har ni lanserat det senaste året? Vad för produkter?

Approach 2 (control questions)
36. Hur påverkar rekryteringen produktinnovationen?
37. Hur påverkar de anställdas deltagande/empowerment produktinnovationen?
38. Hur påverkar träningen produktinnovationen?
39. Hur påverkar belöningssystem produktinnovationen?
40. Hur påverkar teamwork produktinnovationen?

Closing questions
41. Har du några frågor till oss?
42. Vad tycker du om intervjun?
Interview Questions Employee Version:

General Question
1. Could you tell us about yourself and about your position?
2. How is it to work at Company X?
3. Is it noticeable that company x is a family business? In what way?
4. How does the family interfere with your job?

HR/HPWP
5. How do you perceive the HR within the company?
6. When are you in contact with HR?
7. How is the HR strategy communicated throughout the organization?

Selective Staffing
8. How were you recruited to this company?
9. Do you remember why you were hired by company X?
10. Did you have to do any assessments/tests before being hired? How?

Employee participation
11. How are you encouraged to participate in the company? How does this affect your innovative behavior? risk-taking, come up with new ideas, thinking creatively,
12. How are your tasks defined? (Very specific - loose)
13. Are you encouraged to come up with new ideas? How?
• Regarding the products?
14. Are you encouraged to express your thoughts on product developments/new products? How?

Training
15. Are there different forms of training available? Which forms?
16. How has the training affected you?
17. Does the available training focus on innovation? How?

Rewards
18. Do you know if there is any standardized salary guidelines for job positions? Where do you look for that?
19. Are you compensated based on your performance? What kind of compensation?
20. Are there any rewards if you come up with valuable new product ideas? What kind, intrinsic/extrinsic?
Team Development
21. Do people work individually or in teams?
22. How are the teams built up?
23. Are there teams for innovative projects?
   ○ How are they organized?
24. Do you think teamwork is helpful for developing new products? In what way?

Product Innovation
25. What does product innovation mean to you?
26. What is a new product innovation for this company?
27. Could you describe the product innovation process?
28. How does the family influence the product development process?
29. Where do you find inspiration for new ideas concerning products?
30. Who comes up with the product innovations? Teams/Individually? External?
31. How many new products have been introduced the last year? What kind of products?
   ○ How did the product come up? Key events?

Closing questions
32. Do you have any questions?
33. What did you think of the interview?
Swedish Interview Questions Employee Version:

General Question
1. Kan du berätta lite mer om dig själv och din position i företaget?
2. Hur är det att jobba i företag X?
4. Hur påverkar familjen ditt jobb?

HR/HPWP
5. Vad är HR för dig?
6. Hur ser du HR ut i ditt företag?
7. När kommer du i kontakt med HR?
8. Hur kommunicerar HR sitt strategi genom hela organisationen? Finns det någon form av formella HR practices?

Selective Staffing
9. Hur blev du rekryterad?
10. Kom du ihåg varför du blev rekryterad?

Employee participation
13. Hur är dina arbetsuppgifter beskrivna? Specifikt/ospecifikt (Very specific - loose)
14. Är du uppmuntrad att komma upp med nya idéer? Hur?
   • Gällande nya produkter?
15. Är du uppmuntrad att uttrycka dina åsikter angående nya produkter eller förbättringar? Hur gör företaget det?

Training
16. Finns det någon form av träning? Vilken typ av träning erbjuds?
17. Har du genomgått träning? Hur har den träningen påverkat dig?
18. Finns där någon träning/utbildning som fokuserar på innovation? På vilket sätt?

Rewards
19. Finns det något standardiserat lönesystem för olika typer av arbetspositioner? Vart kan man se det?
20. Blir du kompenserad baserat på din prestation? Vilken form av belöning får du?
21. Är där någon belöning kopplat till nya produkt idéer? Intrinsic/extrinsic?
22. Tror du att ett sådant belöningssystem skulle kunna främja produktinnovationen?
Team Development
23. Jobbar man i teams eller enskilt?
24. Hur är teamen uppbyggda? Varför?
25. Har ni projektteams för att ta fram nya/förbättra produkter?
   • Hur är de organiserade?
26. Tror du att teamwork är viktigt för att ta fram nya/förbättra produkter? På vilket sätt?

Product Innovation
27. Vad betyder produktinnovation för dig?
28. Vad betyder produktinnovation specifikt för det här företaget/branchen? Kan du ge ett exempel från steg för steg innovation/något helt nytt?
29. Kan du beskriva produktinnovationsprocessen?
30. Hur påverkar familjen den här processen?
31. Var finner ni inspiration för nya produkterid?
33. Hur mange nya produkter har blivit lanserade det senaste året? Vad för slags produkter? Hur gick det till? Vilka var viktiga events för er?

Closing questions:
34. Har du några frågor?
35. Vad tyckte du om intervjun?
Appendix 2 - Process of Analyzing Data

Company 1

1. Family influence on HPWP
2. Family on P.I. - 2 ways
3. Family on HC + SC
4. HPWP influence on HC + SC
5. HPWP influence on P.I.
6. HC + SC influence on "the link between HPWP and P.I.

HPWP

SS EP TO TR

Assessment + interviews steps

Analyse cultural and P-O fit

V

P.I.
Company I

Training

- Stimulate innovative thinking
- Willingness of employees to identify innovative people
- Develop creative thinking

C.P.

- Empowerment
  - Responsibilities lead to more ideas
  - Creates intrapreneurs (Execution of ideas)
  - Quality leads to more ideas
  - Flat organization

C.E.

EP → has an effect on internal SS

* Family owned

HC + SC

* Commitment
  - "The greater feeling of belonging they feel, the more creative they are"

HC + SC

Creativity
Company I

Actually Familiarity and P.E.

Rewards

- Intrinsic
  - Execution of ideas
  - Feedback & encouragement

Monetary Rewards have no effect on P.I.
- Limited monetary rewards

\[ \text{PI} \]

\[ \text{The best} \]

\[ \text{He + She} \]

\[ \text{Competition increases skills} \]

Intrinsic reward affect on GP (empowerment)

T.D.

- Combining
  - Different skills facilitate innovation and creativity
  - Cross-functional teams
  - Diverse to different nationalities
  - Teamwork prevents silo thinking

\[ \text{PI} \]

\[ \text{PD GP leads to team development \rightarrow story of the 3 people who founded the team} \]
Company 2

Familiarity

- Consonant behavior (tends to "low investment"
in PI)
- Cultural clash (hindrance to PI) (cynicism)
- Long-term leads to more development
- When FM come in, the relationship gets stronger
- Culture of customer driven results: employees to come up with products (short-term vs. long-term)
- Ideal candidate profile: personality and capability test
- Lack of HPWP's SS decreases PI: lack of competencies

HPWP

- Old/new culture
- Family feeling
- Long-term thinking
- Cultural clashes leads to different definitions of PI

SS

- CP to SS
- PI

HC + SC

PI

EP contributes to SS: attract executive employees, which facilitates PI.
Company 2

- Web Academy
  - increase knowledge
  - broader view

- Brainstorm creative ideas
- Lack of HPWP decreases PI

- Empowerment
  - Freedom leads to creative thinking and new ideas
  - Excessive empowerment could harm PI
  - Freedom stimulates your own thinking
  - Challenge leads to more PI

Structured
- Creative workshops
- Increases causal choice
- Lack of training has an affect on the competences

T → PI → which leads to PI
T leads to SS

Empowerment
- Freedom leads to creative thinking and new ideas
- Excessive empowerment could harm PI
- Freedom stimulates your own thinking
- Challenge leads to more PI
Company 2

Intrinsic
- Take a cell together while work on new ideas
- Success stories
- Execution of ideas
- Pay
  - Profit sharing (?) + find a theory
  - Bonus for sales
- Rewards hinder creativity because it incentivizes short-term thinking
  - Creative people want to be recognized, not rewarded (discussion)

Intrinsic R positively influences SS (wants to stay)

Cross-functional teams
- Different nationalities via Skype
- Information sharing
- Structured teams lead to P.E.
- International teams can hinder due to too much communication
- Teams lead to more creativity
- Combine different knowledge and expertise

Specific problem than rewards can be good.
Company 3

- Training on the job
- Introduction training

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P.I.

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EP

- Appreciation
- Engagement and responsibilities have led to more ideas
- EP/responsibilities increased P.I.
- Freedom → sense of belonging → P.I.
- Freedom + engagement V influences P.I. (because everybody can come up with ideas)

EP influences rewards (trust)

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Special Note: Contradiction Call and Chris regarding EP
Company 3

Rewards:
- coffee breaks
- events
- compliments

Monetary:
- Wages affect P.I. a lot

P.I.:

T.D:
- External collaboration: design team
- Cross-functional teams on a management level
- Discussions between employees
- Share ideas
- Prevent silo-thinking

H.C
- New people
- Can question ways of working
H.C
- SC
- SC