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Moving Forward by Looking Back: How Family Firms Create Competitive Advantage by Embracing Their History

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Abstract

Family businesses are the engine that drives the United States economy. While extensive implications have been made in the literature about the advantages or disadvantages of family-owned businesses compared to non-family-owned businesses, the focus of this study was to show how small to medium-sized family-owned firms (FF SMEs) based in the United States can use their unique history to create a competitive advantage. Drawing on imprint theory and the resource-based view (RBV), this history-informed study helped identify the impact that founder imprints, business traditions, and storytelling have on the business performance of FF SMEs. Using quantitative methods, the findings of this study show that as FF SMEs place an increased focus on their business traditions and build their competency for storytelling, they create a competitive advantage and positively impact their performance. Additionally, a moderating effect was found between the variables of business traditions and storytelling and the variables of founder imprints and business performance, which demonstrates that the moderating effect can be controlled by leadership, can influence business performance, and can reduce the impact of founder imprints. Therefore, the findings of this study extend the literature on founder imprints and rhetorical history and provide a roadmap for how FF SME owners can curate traditions and develop a competency for storytelling competency among its leaders.

Keywords: History, rhetorical history, history-informed strategy, family business, founder imprints, business traditions, storytelling, competitive advantage, performance

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Family-owned businesses are the engine that drives the United States economy (Astrachan & Jaskiewicz, 2008; Björnberg et al., 2016). In 2011, there were 5.5 million family-owned businesses in the United States, contributing to 57% of the U.S. GDP and employing 63% of the workforce (Cornell SC Johnson School of Business). A recent study found that 77% of new businesses established are family owned (Björnberg et al., 2016). Furthermore, virtually every new business begins as a family-owned enterprise (Lee, 2006) and is fueled by the economy's continued growth on a global scale. Therefore, it is vital that all companies, including family-owned companies, recognize the importance of growth strategies (Fernández & Nieto, 2005).

The use of history is a fundamental part of certain theoretical models, such as imprinting and path dependence (Kipping & Üsdiken, 2014). Historians have studied family businesses since the time of the early Greeks to analyze how these families influenced their external environment and were influenced by it so that they could survive and transfer material and immaterial resources to future generations (Colli & Perez, 2020). While family firms have been an area of scholarly research since the 1980s, Benavides-Velasco et al. (2013) noted that academia largely ignored this area until the early 2000s. Despite the importance of family-owned businesses to the U.S. economy, most of the past research has been focused on family ownership and family member interactions within firms and their impact on the businesses (Pukall & Calabrò, 2014). While many factors impact a family firm's lifespan, such as its company history and dynamic capabilities, resources, and traditions, all businesses will eventually fail without sustained business performance. Knowing the significance that family-owned businesses have on the economy, it is alarming that only 30% of family-owned firms survive the transition of the business changing hands from the 1^{st} generation to the 2^{nd} generation, 16% survive the transition from the 2^{nd} generation to the 3^{rd} generation, and only 3% survive the transition from the 3^{rd} generation to the 4^{th} generation (Aronoff, 1998; Bozer et al., 2017; Lambrecht, 2005; Lee et al., 2003). In addition, the average lifespan of a family firm is 24 years, and the vast majority of family firms are either sold or liquidated after the death or retirement of their founder (Lambrecht, 2005; Lansberg, 1988). The research conducted for the current study was motivated by these statistics and a desire to better understand why some family firms see higher levels of business performance while others do not.

There is increasing interest in studying how organizations use their firm's history as a resource and how managers can use it to make strategic decisions (Sasaki et al., 2020; Suddaby et al., 2010). However, the mechanisms linking family history to the creation of competitive advantage have yet to be thoroughly examined (Ge et al., 2022). Current research highlights the importance of taking a holistic approach that studies an entire firm versus studying a more narrow aspect or single aspect of a firm since organizations are made up of complex interactions (Teece, 2018), and it also highlights the importance of bridging the gap between history and organizational theory (Maclean et al., 2016; Rowlinson et al., 2014). Üsdiken and Kieser (2004) called for engagement with organizations' history to study them, specifically organizations with a historical focus or those wanting to incorporate a historical perspective. In response to this call, the focus of this study was to incorporate a historical perspective by focusing on how the strength of a founder's imprints (i.e., how the founder may influence current firm behavior) and the importance of business traditions impact current business performance.

Since it is impossible to truly study a particular time in history, considering all of its variables and contexts can never be fully understood, choosing select elements of the past to study cannot be avoided. The best way to combat the many factors that influences history is to study and analyze only certain aspects of it at a time (Clark & Rowlinson, 2004).

Additionally, Suddaby and Jaskiewicz (2020) highlighted the influential but undertheorized role of traditions within family businesses. Finally, a call for papers in 2023 for a special issue of the *Family Business Review* that focused on history-informed research, highlights the growing interest and importance of history-informed strategy research, including the focus on historical methods in research that uses history as a variable for theoretical or empirical analysis ("Call for Papers"). Understanding the causality of microevents from an empirical and theoretical perspective and how they are narratively reconstructed is a critical direction for future research.

Dynamic capabilities are defined as a firm's capacity to incorporate, construct, and reorganize its resources and competences in order to manage and influence its constantly evolving business environments and encompass its organizational processes and unique managerial decisions (Teece, 2007, 2018; Teece et al., 1997). Barney (1991) states that the most important resource type is valuable, rare, imperfectly imitable, and non-substitutable (VRIN) and points out that this type of resource can create a sustainable competitive advantage. Suddaby et al. (2020) stated that a firm's ability to manage its history is an undertheorized and important aspect of dynamic capabilities, and managing its history enables a company to implement the changes needed for it to successfully adjust to changing market conditions. With this knowledge as context, dynamic capabilities were used as a framework in this study to explore FF SMEs and how they may manage their history in order to gain a competitive advantage.

Research Questions

Based on the preceding information, the aim of this study was to answer the following research questions:

- Research Question 1: How do founder imprints impact business performance in FF SMEs?
- Research Question 2: How does the importance of business traditions impact business performance in FF SMEs?
- Research Question 3: How does the use of storytelling impact business performance in FF SMEs?

From a strategic management standpoint, a company's founder significantly influences their managers' mindsets, principles, objectives, and attitudes, factors that are central to the structure of a business and its strategy (Kelly et al., 2000). In this study, the relationship between the strength of a founder's imprints and a firm's current business performance was evaluated. Potential sources for small to medium-sized family firms to implement a competitive advantage were also taken into account. Using a resource-based view (RBV), dynamic capabilities, and rhetorical history, U.S. based FF SMEs were investigated to identify how they might leverage their history (founder imprints, traditions, and storytelling) to create a sustained competitive advantage.

The contributions of this study are twofold. First, the results of this research are important to FF SME managers to use as a roadmap to achieve their growth goals by helping them identify how to leverage their firm's history to create a competitive advantage. Second, improved knowledge of the relationship between founder imprints and company performance (via the importance of business traditions and storytelling) is valuable to FF SME managers and scholars in terms of capability and capacity development. The findings of this research extend the body of knowledge of FF SMEs by using history-informed strategy research to identify key dynamic capabilities that create competitive advantages for firms. Arregle et al. (2017) performed a meta-analysis of 76 research studies from 46 countries. They identified two opposing views of family firm research: constraints due to family involvement, such as a lack of resources and resistance to change, versus the positive qualities of family firms, such as their adaptability and long-term focus. Other scholars determined that what is key to the long-term success of a family-owned firm is their learning how to minimize constraints and leverage positive attributes, such as their employees gaining greater company knowledge and comprehensive industry expertise and forming deeper customer relationships (Bendig et al., 2020). In the present study, attributes of U.S. based FF SMEs (storytelling capabilities, the importance of business traditions, firm and founder demographics) were compared to identify how firms can leverage their unique history and overcome their limitations to positively impact their performance.

The remainder of this paper includes a review of the current literature, a discussion on history-informed strategy research and theories research methods, the study's results, and a conclusion.

Theory and Hypotheses Development

Family-Owned Businesses

Family-owned businesses have unique challenges in comparison to other organizations. Differences between family-owned and non-family-owned firms have been widely studied and reported on. Findings include the differences in their organizational climate (having informal vs. formal rules, personal vs. interpersonal relations, the support of family business vs. a focus solely on profit), influence (authority based on a family position vs. their organizational position), and process (rewards based on a person vs. based on their performance, informal vs. formal succession planning) (Hilburt-Davis & Dyer, 2003; Kelly et al., 2000). These differences also impact an organization's ability to respond quickly to changes in the marketplace. While change can be challenging for any firm with a long history, it is particularly delicate for family firms (Sasaki et al., 2020). One of the reasons for these differences is that family firms violate an important tenant of contemporary models of organizations, namely the separation of ownership from management, which can impact risk tolerance and the speed of decision-making (Morris et al., 1996). Research has also shown that family firms perform differently than non-family firms due to their different investments in research and development, internationalization, and expansion (Alayo et al., 2022; Bendig et al., 2020; Calabrò et al., 2016).

The literature review revealed a lack of a universal definition regarding family businesses. For example, Dyer (2003) identified at least seven working definitions of a family business as a part of his empirical research. The current study focused on SMEs (companies with less than 500 employees) and defined a family business as a company that is at least 51% owned by family (Alonso et al., 2018; Ducassy & Prevot, 2010); however, these companies may be led by non-family executives (Anderson & Reeb, 2003). It is estimated that up to 80% of all family-owned firms in the U.S. economy conform to this definition (Lansberg & Astrachan, 1994). In 2011, there were 5.5 million family-owned businesses in the United States, contributing to 57% of the U.S. GDP and employing 63% of the workforce (Cornell SC Johnson School of Business). A recent study found that 77% of new businesses established are family owned (Björnberg et al., 2016). The comparison of family-owned to non-family-owned firms has increasingly been a focus for researchers. In fact, 50% of all articles on this topic from 1991 to 2012 were published after 2009 (Carney et al., 2015).

History-Informed Strategy Research

History-informed strategy research is a class of techniques used to compile, describe, and critically analyze primary and secondary historical sources to provide a contextualized explanation and interpretation of a phenomenon of interest (Argyres et al., 2020). While not always explicitly identified, many well-known organizational theories are connected to history or contain historical elements. These include path dependence, imprinting, structural inertia, RBV, and dynamic capabilities (Maclean et al., 2016; Suddaby & Foster, 2017; Üsdiken & Kieser, 2004). History provides data and support to build, alter, and analyze theories (Kipping & Üsdiken, 2014).

Business history is far from a new topic, and there are several well-established journals that focus on history such as *Business History* and *Business History Review*. Business history has been described as a methodical study of an individual company based on its business records (Colli, 2003; Tosh, 2019). Business history is different from corporate or company history, which is typically commissioned by or written by the firm itself and for its benefit. Current literature has been leaning towards a melding of these two areas of study, combining both the desire to add narratives to the theory and the desire to add theory to the record (Rowlinson et al., 2014; Sinha et al., 2020; Vaara et al., 2016). Family businesses are ripe with history in the way they pass their ideals and principles from generation to generation (Colli, 2003). As a result, the history of a family and their business permeates their goals, routines, and results. This creates a strong connection between a family's history, their traditions, and their company's future (De Massis et al., 2016; Jaskiewicz et al., 2015; Zellweger & Astrachan, 2008).

Over the past 30 years and especially since 2010, there has been a growing interest amongst the academic community to study the history of family businesses. Colli and Perez (2020) noted the number of articles on the history of family businesses from 1990 to 2017 in three leading international business history journals. Their data shows that over 50% of the articles published on this topic occurred in the last six years. Argyres et al. (2020) also noted an increased interest among strategy researchers in using history and historical research methods and noted that more companies are now using their past to contemplate their identity and how these factors can be leveraged strategically.

The *Family Business Review* recently put out a call for papers for an upcoming special issue on history-informed family business research ("Call for Papers"). This callout highlights the increased interest in this type of research and the emergence of history being analyzed in organization studies. When launching their new journal, *Management & Organizational History*, Booth and Rowlinson (2006) outlined a 10-point plan to identify potential topics in the area of theoretical and managerial importance and in other under researched areas. This included putting out calls for much needed content focused on historical orientation in management and organization theory, the historical dimension of culture and memory in organizations, and the relationships between business history and organization theory.

While citing the increased interest in researching the association between family businesses and their history, many authors have discussed that it is both timely to address and important to think about establishing the groundwork for a history-informed approach that uses historical research methods and history as a factor in investigations (Argyres et al., 2020; Sasaki et al., 2020; Sinha et al., 2020; Suddaby et al., 2020; Suddaby & Foster, 2017). Recently published topics in this area of research include how managers, by understanding the invisible thread of technology, can mobilize different cognitive interpretations of their business's history to sense opportunities, seize these opportunities, and reconfigure their business strategies based on these opportunities (Suddaby et al., 2020); how strategists in long-lived Japanese firms reconciled change with organizational values and principles laid out long before the creation of their business mottos (Sasaki et al., 2020); and how a top management team (TMT), in offering their stable leadership, effected the evolution of an industry (Agarwal et al., 2020).

Furthermore, in recent literature, increased attention has been placed on history within organizational studies and the strategic use of history in businesses (Argyres et al., 2020). Additionally, the ability to manage a company's history has become essential as consumers increase their focus on corporate social responsibility (Schrempf-Stirling et al., 2016). Rowlinson et al. (2014) demonstrate links between history and organization theory and explain how different aspects of "knowing" the past distinguish historians from organizational theorists (p. 251). Kipping and Üsdiken (2014) identified two categories of history-informed strategy research in which they differentiate between the dimensions of “history to theory” and “history in theory” (p. 538). History to theory refers to incorporating an interpretive approach into the theorizing process. In contrast, history in theory represents incorporating the use of the past into theoretical models to strengthen theory-based descriptions of strategy. Kipping and Üsdiken (2014) studied how history is used in organization studies based on the level of measure (macro vs. micro) and the application of the history.

This study was created in part as a response to recent calls in the literature for a more historical focus in organizational studies (Üsdiken and Kieser 2004). A small slice of history, specifically the residual impact of founder imprints on FF SMEs, was analyzed in this study to determine how a firm can leverage its history to create a competitive advantage. This focus aligns with Üsdiken and Kieser’s (2004) description of “history in theory” at an organizational level which they define as “the past as a determinant or moderator for subsequent behavior of organizations” (p 541). The focus of this study also corresponds with Maclean et al.’s (2016) typology of history in organizational studies, which uses history to apply and develop theory related to “transformative social processes,” and it aligns with the idea of serial history as explained by Rowlinson et al. (2014, p. 259), which is based on repeatable facts that may be analyzed using generalizable techniques (including quantitative data sets) and concentrates primarily on the level of fields or populations rather than discrete firms.

Rowlinson et al. (2014) noted that serial history is the preferred method to produce theoretically informed organizational history.

Many researchers have indicated that business and management history may be strengthened by being associated with organizational studies, since theoretical insights can create new insights for analysis and interpretation (Maclean et al., 2016). To be widely accepted, it is important that history-informed studies be seen as authentic in the areas of both organization studies (theory development) and history (historical veracity) (Kipping & Üsdiken, 2014; Maclean et al., 2016; Suddaby et al., 2014). In order to strengthen the validity of history-informed research, Maclean et al. (2016) introduced the concept of dual integrity. Dual integrity builds research validity with a combination of historical veracity and conceptual rigor to strengthen history-informed research. Thus, dual integrity is critical in conducting studies with generalizable results (Suddaby et al., 2011). Üsdiken and Kieser (2004) suggested one of the potential ways for history and organizational studies to be used in conjunction is to take an integrated approach where history and the concepts of organization studies are combined. Following in line with this suggestion, these concepts and methods from history and organizational studies were combined in this study; for instance, joining the imprint model (path dependence) with dynamic capabilities.

RBV and Imprint Theory

A company's resources include its physical assets, competencies, operational and management practices, attributes, and experience. Unlike other models that focus on a company's interaction with its external environment, RBV is focused on a company's internal resources. Within the framework of RBV, a company's sustainable competitive advantage is attributed mainly to its VRIN resources (Barney, 1991; Eisenhardt & Martin, 2000; Habbershon & Williams, 1999; Nason & Wiklund, 2018).

Resource-based view traditionally has been influential in strategy and organization studies (Barney, 1991; Eisenhardt & Martin, 2000; Maclean et al., 2016). Some researchers believe RBV was established as far back as the 1930s, while many note its first appearance decades later, in the 1970s and 1980s. The literature suggests that the presence of VRIN resources within a company leads to a competitive advantage and therefore, increases its business performance (Lin & Wu, 2014; Terziovski, 2010). Non-VRIN resources, such as real estate and financial capital, have less influence on business performance than VRIN resources (Lin & Wu, 2014). Resource-based view provides researchers with an established theoretical model to analyze the relationships among firm-level processes, assets, strategy, performance, and sustainable competitive advantage for family firms (Clark & Rowlinson, 2004; Habbershon & Williams, 1999).

Family firms are uniquely complex and have been studied under many research frameworks (transaction and agency theory, organizational theory, organizational behavior, and strategic management) (Habbershon & Williams, 1999). Some scholars believe that FF SMEs are at a competitive disadvantage compared to other businesses due to their lower financial and managerial resources and underdeveloped processes (Fernández & Nieto, 2005; Graves & Thomas, 2008). However, other studies have revealed that FF SMEs may be more nimble and quicker to react to the market than other businesses due to their deep-rooted supplier and customer relationships, values, long-term focus, and entrepreneurial culture (Ahluwalia et al., 2017; Carney, 2005; Carney et al., 2015; Kontinen & Ojala, 2011; Ward, 1988; Weimann et al., 2020). Resource-based view offers a lens to analyze firms or business units and isolate specific, complex, intangible, and dynamic resources in family firms (Habbershon & Williams, 1999). Resource-based view provides a framework to link firm-level antecedents to performance outcomes and to identify sources of competitive advantage for family firms (Habbershon & Williams, 1999). Further, RBV is recognized as the primary theory used to explain the impact families have on their firms (Pukall & Calabrò, 2014).

Founder imprints have been defined as the persistence of organizational features that are derived from the initial contexts of its founding (Johnson, 2007; Stinchcombe, 1965, 2000). Marquis and Tilcsik (2013) created a three-part definition to explain the imprinting process from a biological perspective. They described it as a transition period when a company is vulnerable to the impact of outside influences, impacts that could be reflected in their organization and endure in their culture despite other future changes to their internal or external environment.

Research on imprint theory and founder imprints suggests that it is essential for family-owned firms to consider the impact and influence (or legacy) of their founder on their leadership and strategy. While the notion of imprinting has been used in studying animal behavior for almost 150 years (Marquis & Tilcsik, 2013), it was first introduced into organizational research by Stinchcombe (1965) who demonstrated that organizations are influenced by the social environment that exists at the time of its founding. Imprints and imprint theory have since been applied and studied in various settings, including through the lenses of network analysis, institutional theory, and organizational ecology (Marquis & Tilcsik, 2013). One example of imprints being applied to institutional theory is the study performed by Johnson (2007) on the founding of the Paris Opera and the role entrepreneurs played in selecting and incorporating historically specific elements to be a part of the organization that may remain in place for decades or even centuries as fundamental features to its identity. McEvily et al. (2012) took a network analysis approach in studying the temporal and historical conditions under which bridging ties from the past affects current organizational outcomes.

Stinchcombe (1965) argued that the conditions surrounding an organization at the time of its founding will have a long-lasting impact throughout the entire life of that organization based on the decisions made by its founder, such as their establishing a business strategy and making hiring decisions. Ahn (2018) presented a study of Korean companies, finding that founder tenure and a strong founder legacy positively impact the long-term survival of a company. In addition, Boeker (1989a) found that a founder's tenure may impact the persistence of imprints in their organization. Anderson and Reeb (2003) found that family-owned firms in which the founding family has a sustained presence outperform non-family-owned firms. Boeker (1989a) considered a founder’s characteristics and strategy choices as sources of imprinting and found connections between the founder’s tenure, background, and business performance.

Rhetorical History

Traditionally, the role of history in management has either been viewed as if it places constraints on an organization’s capacity to change and that it is a challenge to be overcome or it has been viewed as static, something that has already occurred and cannot be changed, and as sitting mainly outside the control of an organization. Suddaby et al. (2020) identified three potential causes for constraints within an organization. One potential cause for constraints within an organization is based on imprint theory as described by Stinchcombe (1965); the internal and external environment surrounding a company during its founding and formative years imprints values, processes, and practices that continue well beyond the founder's time, making innovation and change more difficult. Another potential cause for these constraints is that as companies evolve, their historical practices may result in a reluctance to change (Maclean et al., 2016). And lastly, another potential cause for constraints within an organization is the tendency for a company's decisions and actions to accumulate, eventually placing artificial constraints on their future decisions, a phenomena that can be identified through the effects of path dependence (Schreyögg et al., 2011), lock-ins (Arthur, 1994), and increased levels of commitment (Staw, 1976).

There is a growing amount of research supporting the idea that a company's history is not static and that it can be managed (Wadhwani et al., 2018). The saying, "history is written by the victors," which is often attributed to Winston Churchill, can be restated in terms of rhetorical history—rhetorical history is rewritten by the victors, as the telling and re-telling of history is often influenced by its source. Rhetorical history has been defined as "a manager's use of the trappings of invented history, tradition, and ritual as a strategic device inside organizations" (Suddaby et al., 2010, p. 149). It has also been described as "the strategic use of the past as a persuasive strategy to manage key stakeholders" (Suddaby et al., 2010, p. 157). Companies can and should actively manage what elements of their past they want to recognize and how they choose to recognize them (Walsh & Ungson, 1991). Companies can actively use their artifacts and communications and even form company museums to remember them and to point out how these chosen elements shape their current identity and public image; companies can also purposefully forget certain elements of their history, letting them go as needed (Nissley & Casey, 2002).

Founder imprints that represent a firm's history have been widely researched and have been shown to influence their performance. Taking this into consideration, business traditions and storytelling were examined in the present study as two methods of managing rhetorical history. Specifically, a postulation made in this study was that the importance of business traditions and the emphasis placed on storytelling are both under the control of the current ownership or leadership team of a firm and that they can use these narratives to actively manage their company's history.

Suddaby et al. (2020) provided an excellent example of rhetorical history in describing the origins of "garage" companies such as HP or Apple (p. 538). The written accounts of these firms generally start in a founder's garage while the actual start of the product or idea began much earlier. For example, in the case of HP, the origin story could start at Stanford University, which is not as compelling of a narrative as it having started in a garage. In their study on strategic identity among Japanese firms, Sasaki et al. (2020) identified three key strategies firms use to retain a connection to the past when faced with organizational or competitive changes, all of which involve selective remembering and replacing the narrative to varying degrees.

Marquis and Tilcsik (2013) identified that it might be possible to imprint a propensity for entrepreneurship so that it survives beyond the tenure of those who worked directly with the founder but did not explain how this may occur. Jaskiewicz et al. (2015) expanded on this idea by conducting a qualitative study of 21 multi-generational family-owned and managed German wineries. They found a common connection in what they called “entrepreneurial legacy” (p. 29), which they defined as rhetorically reconstructed narratives of the family's past entrepreneurial behavior or resilience. These rhetorically reconstructed narratives motivate and give meaning to entrepreneurship for the current generation.

Business Traditions and Storytelling

Managers who use the past to influence stakeholders by creating a compelling vision of the future can gain support for a strategic direction that advances the firm’s goals (Suddaby & Jaskiewicz, 2020). Business traditions have been defined in several ways and are a foundational element of successful family businesses (De Massis et al., 2016; Erdogan et al., 2020). One definition of business traditions is the accumulation of knowledge, abilities, resources, manufacturing processes, culture, and views about the past (De Massis et al., 2016; Erdogan et al., 2020). Another definition is “consciously transmitted beliefs and practices expressing identification with a shared past” (Dacin et al., 2019, p. 356). In simpler terms, traditions were defined in this study as “patterns of belief, customs and symbolic practices transmitted from generation to generation” and as a hybrid of what is being transmitted from generation to generation and how it is being transmitted (Shils, 1981; Suddaby & Jaskiewicz, 2020, p. 3).

Suddaby and Jaskiewicz (2020) argued that business traditions are “the foundational element of successful family businesses” and provided case-study evidence illustrating how firms that build enduring and strong links with their traditions can evolve without diminishing the connection to their history (p. 2). Traditions are a crucial mechanism by which a company can communicate their history to engage managers, employees, and other stakeholders, which enhances its culture and reputation. Traditions combine the wealth of knowledge a company can acquire over time by leveraging its history. This knowledge is unique to each family firm, representing a resource that other firms will not have, and can be enhanced by a firm's identity and transmitted across generations (Belitski & Rejeb, 2022).

Storytelling has been described as "the strategic use of the past as a persuasive strategy to manage key stakeholders" (Sinha et al., 2020; Suddaby et al., 2010, p. 157) and is shown to build pride and loyalty by enhancing a group's collective understanding of achievements through rewriting and retelling (Clark, 1972). Sharing experiences through storytelling has increasingly been an effective method to share and combine knowledge (Sole & Wilson, 2002). The ability to communicate a compelling narrative and robust vision is a critical leadership capability that can be accomplished through storytelling (Buckler & Zien, 1996). Storytelling's impact is based more on the ability to create meaning rather than relay historical accuracy (Suddaby et al., 2010).

Theoretical Framework and Hypotheses

Founder Imprints

A firm's founder plays a significant role in establishing a culture that leaves their imprint on the organization well beyond their exit (Baron et al., 1999). A founder's legacy can be based on their intentional or unintentional actions. Throughout a company's formative periods, the founder makes decisions based on the environment, their knowledge, and their experience (Johnson, 2007; Sasaki et al., 2020). These decisions will, over time, influence how other decisions are made within the company and potentially have a long-lasting impact (Ahn, 2018). Founders set the initial organizational structure and features of the business based on such things as their personality, initial hiring decisions, and overall decision-making that all lead to a level of institutionalization that occurs over time (Baron et al., 1999; Johnson, 2007; Kimberly & Bouchikhi, 1995; Phillips, 2005).

A postulation made in this study was that founder imprints positively impact FF SME performance because they are VRIN resources (Teece, 2007; Teece et al., 1997). As noted previously, founder imprints are rare and unique to the founder and their firm and are based on the founder’s critical decisions at the time the firm was founded (Ahn, 2018; Marquis & Tilcsik, 2013; Sasaki et al., 2020). As time passes and the strength of the imprints increases (Ahn, 2018), their uniqueness to that individual company also increases, making it more difficult for another FF to replicate these same strengths. In addition, as the strength of the founder imprints increases, so does the firm’s value to internal and external stakeholders based on the firm establishing a corporate identity and creating a legacy that can be utilized for generations (Ahn, 2018; Boeker, 1989b). Being difficult for another FF to replicate and having the ability to establish a corporate identity are both positive aspects of founder imprints that contribute to a firm gaining a competitive advantage and therefore improving their business performance.

Hypothesis 1: The strength of the founder's imprints in a FF SMEs have a positive relationship with their firm’s performance.

Business Traditions and Storytelling

The most effective leaders continually reshape the stories of their businesses to offer fresh insights and uncover new challenges. Using the strategy of rhetorical history, a company can curate its history and continually evolve to changes in the marketplace and competitive landscape (Buckler & Zien, 1996). Stories and recognition of the company's or family’s past resilience and achievements can motivate future generations to become entrepreneurial. Stories give meaning to entrepreneurial behaviors by linking family members and stakeholders to their history (Jaskiewicz et al., 2015). As companies mature, those who use rhetorical history (via business traditions and storytelling) will be more successful in responding to change (Schreyögg et al., 2011; Suddaby et al., 2020; Suddaby & Jaskiewicz, 2020). Multiple studies have identified that the utilization of rhetorical history can be a strategic resource for a firm to build their business and form their specific historical narrative, leading them to gain a competitive advantage (Sasaki et al., 2020; Suddaby et al., 2010). A firm’s ability to manage its history is an essential aspect of dynamic capabilities as it enables them to implement the changes needed to successfully adjust to changing market conditions (Suddaby et al., 2020). Leaders in mature companies can maintain their innovative spirit by providing a historical context for communicating their dynamic vision (Buckler & Zien, 1996).

The success and longevity of family-owned businesses are linked with their ability to successfully drive the development, maintenance, and transmission of traditions to future generations. While a firm’s history may be outside of their control, how the firm responds to its history certainly is not (De Massis et al., 2016; Suddaby & Jaskiewicz, 2020). The combination of a company’s unique history combined with their formal traditions (artifacts, ceremonies, and rituals) creates a culture and identity that is unique and difficult to replicate, qualities that also make it a VRIN resource (Teece, 2007; Teece et al., 1997). This means that when FF SMEs are intentional and place an importance on their traditions, it leads to their having a competitive advantage and improved business performance. In addition, current researchers focused on history being utilized in businesses have found that managers who have a more comprehensive awareness of the role of their organization's traditions improve their ability to drive change (Suddaby et al., 2020), which then contributes to increased business performance for their organization. A postulation made in this study was that when FF SMEs increase the importance of their business traditions, it will positively impact their performance.

Hypothesis 2a: The importance of business traditions in a FF SME has a positive impact on business performance.

Storytelling allows a company to use its history as a strategic resource by building its company-specific historical narrative to create a competitive advantage (Sasaki et al., 2020; Suddaby et al., 2010). Storytelling also allows companies to communicate the significance of their history and traditions which can result in increased employee and stakeholder engagement. Storytelling provides context, which builds stronger connections between a speaker, their topic, and their audience and it enhances an understanding of not just what is being communicated but also why it is being communicated and its importance, all of which leads to higher engagement from the audience and improved business performance for the company (Boyce, 1996; Kemp et al., 2021; Sole & Wilson, 2002). A postulation made in this study was that developing a competency of storytelling will positively impact FF SME business performance.

Hypothesis 2b: Storytelling has a positive impact on FF SME business performance.

Imprints are elements of culture, strategy, structure, or decision-making that appear when a firm is established or during times of instability (Sinha et al., 2020). Founder imprints will always be an essential part of the identity of FF SMEs; however, a postulation made in this study was that as FF SMEs place increased importance on their traditions and storytelling, it will moderate the relationship that founder imprints have on their company's performance.

Traditions are customs and symbolic practices (a combination of "what" has occurred and "how") that are transmitted from generation to generation via artifacts, ceremonies, and rituals (Shils, 1981; Suddaby & Jaskiewicz, 2020). A postulation made in this study is that when FF SMEs place a high importance on business traditions, the relationship between founder imprints and business performance will be reduced as stakeholders increase their association with the specific traditions the company curates. Furthermore, the increased focus of the company leadership will result in more attention from stakeholders regarding the specific elements of the company's history that are being highlighted by those traditions. As a result, stakeholder engagement in the company's traditions will begin to overshadow their connections with the founder imprints, therefore, diminishing the direct impact of the imprints.

Hypothesis 3a: The importance of business traditions in FF SMEs negatively moderates the relationship between founder imprints and business performance, such that an increase in the importance of business traditions weakens the impact that founder imprints have on business performance.

The sharing of experiences through narratives builds trust, cultivates norms, transfers tacit knowledge, facilitates the unlearning of negative associations, and generates emotional connections. Through the use of narratives, it is possible for companies to strategically manage their founder imprints by reprioritizing or modifying them (Sole & Wilson, 2002). The ability to communicate a compelling narrative through storytelling and robust vision is a critical leadership capability (Buckler & Zien, 1996). Since storytelling provides context for founder imprints, they improve the understanding of what is being communicated, why it is being communicated, and how important it is (Boyce, 1996; Kemp et al., 2021; Sole & Wilson, 2002). A postulation made in this study is that when FF SMEs increase their use of storytelling through managed narratives, the relationships between their founder imprints and business performance will be strengthened.

Hypothesis 3b: The use of storytelling in FF SMEs positively moderates the relationship between their founder imprints and business performance, such that an increase in storytelling strengthens the impact that founder imprints have on their firm's performance.

The research model is shown in Figure A1 in Appendix A.

Method

Survey Development

In the development of this study, both qualitative and qualitative methods were considered, but based on the research questions and broad target population, a quantitative approach was used. A survey was developed using Qualtrics to collect the primary data consisting of 37 questions plus one knowledge-check question (to ensure participants have sufficient knowledge of the topic). There were also three screening questions to ensure participants met the participant criteria. Before submitting for IRB approval, a pilot study was conducted with 10 business leaders to ensure that potential participants understood the key terms and questions in the survey and modifications were made based on their feedback. Additionally, the survey tool was tested with 30 students/peers to ensure the mechanics were correct and the instrument performed as intended. This also created a “dummy” data set, allowing testing before conducting the study. This data was not included in the research.

Data Collection

Once IRB approval was received (Appendix C), potential participants were recruited from all industries and geographic locations within the United States via LinkedIn, published family-firm directories, and referrals from university sponsored family business programs. The participants were provided with an overview of the study, including a link to the survey. All study participants completed an online survey through Qualtrics that contained an informed consent document and prompted their acknowledgement of consent. As this study focused on FF SMEs, participants were disqualified via screening questions if their current firm was not U.S. based, if their firm was not at least 51% family owned, or if they had more than 10–500 employees at their firm.

No interactions were made with participants during the survey process. Participants could request a copy of the study’s results by e-mailing their request outside of the survey document, ensuring that their survey response contained no identifiable data.

Participants

Over 800 potential participants were identified and recruited through family-business programs at California State University, Fullerton; First Bank of Saint Louis; and Capital Region Family Business Center in California. Participants were also identified and recruited using LinkedIn and published family-business directories.

Wherever possible, participants were contacted in advance so the survey could be introduced, to request their participation, and to request referral participants from their company. Three screening questions were included in the survey to ensure participants were senior-level leaders from firms that were more than 50% family owned and had between 10–500 employees, with any negative responses to these questions leading to the participants' automatic disqualification. Participants were asked to complete an online survey (Appendix B) consisting of multiple-choice questions, Likert scale questions, and yes/no questions related to their company, company's founder, current CEO, and their personal demographic information.

The survey consisted of about 40 questions, but in the interest of the of the study, only the relevant questions were selected for this study. At the time of the survey, all participants were employed by a U.S. based FF SME and were TMT members. Data was collected via an anonymous Qualtrics survey (Appendix B) for 329 potential participants. After reviewing the survey results, 216 potential participants were removed, resulting in 113 valid participants. Selection and removal criteria are shown in Table A1 in Appendix A.

Participant demographics showed that 78 participants were family members (69%), 31 were the firm's founder (27%), and 66 were the firm's current CEO (58%). Eighty percent of participants were male and 55% of participants had a 16 or more year tenure with their company. The mean knowledge check score was 6.69 out of 7, and the average time to complete the survey was eight minutes with one extreme outlier removed. Participant demographics are shown in Table A2 in Appendix A.

The data on company demographics showed that all industries were represented in the study with the majority of participants coming from manufacturing (25%), wholesale or retail trade (18%), and other (28%). Almost 70% of the participants reported that their firm does less than $50 million in revenue, and only 6% of participants reported that their firm does between $251–$500 million in revenue. Sixty-six percent of the participants' firms had a U.S. sales footprint and 34% of their firms were international. Eighty-four firms (74%) were reported as being 100% family owned, with the other firms ranging from 50%–99% family owned. Their firm's age varied from 2–122 years, averaging 41.5 years (*SD* = 29 years). Eighty-three firms (73%) were reported as having a family member as their CEO, while the company's founder was the current CEO in 33 of the firms (29%). The majority of the company's founders were male (88%) and had over a 25-year tenure with the company (61%). Company demographics are shown in Table A3 in Appendix A.

Measures

Focal Variables

Strength of Founder Imprints. In their article, "Founder Succession, the Imprint of Founders' Legacies, and Long-Term Corporate Survival," Ahn (2018) used founder tenure as a proxy for measuring the strength of founder imprints/legacies. This was based primarily on Boeker's (1989b) study that showed the length of time that a founder was with a company influenced the levels of initial strategic directions that became part of their operating model and that these strategies could be resistant to future changes. Following this method, the strength of the founder's imprints was measured in the present study using a 5-point Likert scale (Vogt & Johnson, 2015) based on the founder's tenure with the company.

Business performance. Due to the fact that family firms do not publish financial data which resulted in discovering a lack of objective business performance data on family firms, a suitable alternative was sought for the study. Dess and Robinson (1984) developed a valid measure of business performance by surveying its executive leaders. Their study found that when members of a firm's executive team provided subjective perceptions of their firm's performance in return for assets and sales relative to similar firms in their industry, these perceptions were strongly correlated with the objective measures of absolute changes in return on assets and sales over the same period. Their study has been cited over 5,000 times (according to Google Scholar) and was recently utilized by Craig et al. (2008) as the basis of their work. Craig et al. (2008) also used self-reported measures of business performance using a quintile scale to ask firm managers to compare their performance to their competitors. Their scale values ranged from (1 = *lowest 20 percent*; 2 = *next lower 20 percent*; 3 = *middle 20 percent*; 4 = *next highest 20 percent*; and 5 = *top 20 percent*) with four performance measures: return on assets, return on sales, sales growth, and market share growth. They found the performance scale had a high degree of internal reliability ($\alpha = 0.88$). These four measures were also selected for use in the current study.

Moderating Variables

Importance of Business Traditions. Measures from two previous studies were adapted to determine the importance of business traditions. Trice and Beyer (1984) discussed the difficulty of measuring traditions and recommended the measuring of rites, ceremonies, artifacts, and stories. In his book on tradition, Shils (1981) stated that traditions are intergenerational and should survive multiple generations. These three components were measured in the present study using a 7-point Likert scale in which 1 = *none* and 7 = *many* (Vogt & Johnson, 2015). An example question was, “To what extent do the following apply to your company?” along with three related categories including, “Display of artifacts for internal or external audiences (i.e., awards, photographs, legacy products/packaging),” with answer choices from 1 = *none* to 7 = *many*. The survey instrument is included in Appendix B.

Use of Storytelling. Kemp et al. (2021) studied the use of storytelling for external marketing purposes in a quantitative study, three questions of which were used in the current study along with a 7-point Likert scale (Vogt & Johnson, 2015). An example question was, “To what extent does your firm use information in its internal communications that attempts to do the following? along with three related categories including, “Retains the viewers’ (readers’) attention” with answer choices from 1 = *never* to 7 = *always*. The survey instrument is included in Appendix B.

Control Variables

In addition to the focal and moderating variables, several control variables were employed for this study, including the firm’s age, size (sales footprint), and industry. Two types of family-control variables were also included: the founder being the current CEO and the percentage of family ownership of the firm.

A firm’s age is essential when examining other factors and their effects on business performance (Ling et al., 2007; Petruzzelli et al., 2018). Older firms may differ significantly from younger firms in their management style and strategic decision-making (Kieschnick & Moussawi, 2018). A firm’s age has been shown to influence the strength of their imprints (Boeker, 1989a). Sun and Govind (2022) identified essential variables of a firm, including its age and size, that are related to its marketing intensity and corporate social responsibility. Petruzzelli et al. (2018) determined that the value of certain relationships, like knowledge, maturing, and innovation, are dependent on a firm's age and size. Brittain and Freeman (1980) found that firms in the semiconductor industry were heavily influenced by the time period in which they started. Stinchcombe (1965) found that organizational forms are generally limited by what is socially possible at the time of their creation, and organizational inventions are limited based on the "social technology" available at the time they were create. An example of social technology is employment patterns that exist across industries, evidence that industries founded in the same time period still reflect the socioeconomic conditions present at their founding, "A strong correlation" can also be found "between the age at which industries were developed and their structure at present time" (Stinchcombe, 1965, p. 197).

Deciding the level of family involvement in FF SMEs is an important strategic decision that its leadership has to face. Family involvement can be defined by the percentage of family ownership, who constitutes the members of the board of directors, and the percentage of family members in top management positions, including who the CEO is. Family involvement represents a critical factor that influences the family's commitment to continue the business, and generally, greater involvement is observed with the founder's generation than in subsequent generations of family owners (Mahto et al., 2014). Prior research has shown that new paradigms are more likely to come from employees outside of the family ownership and from employees with a wide variety of personal experiences, yet FFs traditionally prefer inside succession, and those successors typically have little outside experience (Harris et al., 1994).

Firm age was measured in the present study by subtracting its founding year from the current year (2022), and firm size was measured by its sales footprint (i.e., single-state, multistate, international North America, international global). Industry was also included as a control variable to address potential generalizability concerns with the results and was measured by the company's Standard Industrial Classification (SIC) code.

To measure the level of family involvement, a measure from Li and Zhu (2015) was used that defines levels of family involvement based on the percentage of family ownership. Family involvement was measured using a modified 4-point Likert scale (1 = < 50% to 4 = 100%). Considering all participants were from at least a 51% family-owned firm, their responses were limited to three options. Additionally, the control variable was included if the company founder was the current CEO of the firm. This was a yes/no question in the survey, so a dummy variable was assigned for the analysis.

Validity and Reliability

All quantitative surveys have a risk of bias (Lash et al., 2014; Smith & Noble, 2014). The following steps were taken to minimize these risks in the present study:

Non-Response Bias

As with any survey, there was a risk of non-response bias. A meta-analysis published in 2009 indicated an average of 20% lower response rates for e-mail surveys than traditionally mailed surveys (Shih & Fan, 2009). In this study multiple sources were used to identify potential participants and referrals were utilized to address this risk. To further minimize the potential for non-response bias, Armstrong and Overton’s (1977) process was used from their seminal study for mail-in surveys to identify if any statistically significant differences existed between the early and late survey responses (Craig et al., 2008; Kanuk & Berenson, 1975; Mehta & Sivadas, 1995).

Common Method Bias

There was a risk of common method bias (CMB) since the data collected for the dependent and independent variables was from a single-respondent survey. Montabon et al. (2018) found that single-respondent surveys are relevant and important, provided the appropriate steps are taken in survey design and participant selection. Campbell (1955) suggested that the potential value of using key informants (via a single respondent survey) is dependent on the participants' knowledge and their ability to speak on behalf of the targeted population. It is also necessary that key informants have a broad range of knowledge on the subjects being studied or have access to this knowledge. For this reason, TMT members are often identified to respond to surveys or participate in interviews (Campbell, 1995). Huber and Power (1985) suggested that carefully selected upper-level key informants “have important information about organizational events. Their retrospective reports are accounts of facts, beliefs, activities and motives related to prior events” (p. 171). The current study aligned with this criteria since only TMT leaders were included as participants and because the average knowledge check score was found to be 6.69 (7).

Harman’s one-factor test is one of the most common analyses performed by researchers to identify CMB in their studies. This post hoc procedure aims to check whether a single factor is accountable for variance in the data (Chang et al., 2020), and this indicates the presence of CMB. The results of the Harman's test (Table A4 in Appendix A) in the present study revealed that only 26.07% of the variance was explained by one factor. Since this is less than 50%, no single factor accounted for a majority of the covariance, meaning CMB was not an issue in the study (Chang et al., 2020; Weimann et al., 2020).

Assessment of Measures

To assess the properties of the three multi-item measures, the importance of business traditions (Shils, 1981; Trice & Beyer, 1984), storytelling (Kemp et al., 2021), and business performance (Ahn, 2018), an exploratory maximum likelihood factor analysis with 13 items using varimax rotation was conducted. The a priori model followed the same framework proposed for each of the constructs. The importance of business traditions and storytelling had three items, and business performance consisted of two constructs: with a total of seven items, competitive performance (3 items) and the current performance of a company compared to its performance three years ago (4 items).

An exploratory factor analysis was conducted using both the principal component analysis (PCA) and principal axis factoring (PAF). While both of these analyses often deliver a similar result, PAF is sometimes preferred as its aim is to identify any latent variables that cause the manifest variables to covary. At the same time, PCA is a data reduction method that does not discriminate between shared and unique variance (Podsakoff et al., 2003; Podsakoff & Organ, 1986). The results of these analyses supported the proposed postulations made in the study in regards to business traditions, storytelling, and business performance. The results yielded a three-factor solution with eigenvalues greater than one that accounted for 79% of the variance in the sample using PCA and 67% of the variance using PAF.

Confirmatory factor analysis was done using Analysis of Moment Structures (AMOS); the results are shown in Table A5 in Appendix A. To discuss the model fit of the confirmatory factor analysis (CFA), the criteria of the various model fit indices should be considered. It has been suggested that the root mean square error of approximation (RMSEA) with values less than 0.05 are good, values between 0.05 and 0.08 are acceptable, values between 0.08 and 0.1 are marginal, and values greater than 0.1 are poor (Kemp et al., 2021; Morgan et al., 2021). Therefore, the RMSEA value of 0.07 ($p < 0.05$) for the sample of the present study indicated an acceptable fit. The comparative fit index (CFI) value was .97 which is above the commonly used criteria of being equal to or above .95, and the Tucker-Lewis index (TLI) of .95 was above 0.9, indicating a good fit (Kemp et al., 2021; Morgan et al., 2021). Based on these indices, the sample was an acceptable fit for the 3-factor model.

The record of the analysis of the measurement items is also listed in Table A5 in Appendix A. To assess convergent reliability, both factor loadings and the composite reliability (CR) should be equal to or greater than 0.70 and the average variance extracted (AVE) should be equal to or greater than 0.50 (Ab Hamid et al., 2017; Janssen et al., 2016). From the CFA result of this study, all eight factor loadings were greater than 0.70 as well as the CR for the three constructs, and all three AVE results were 0.50 or above, indicating good convergent reliability. Discriminant validity was checked using the Fronell-Larcker criterion. This method compares the square root of the AVE with the correlation of latent constructs. Each construct's AVE should have a greater value than the correlations with other latent constructs (Ab Hamid et al., 2017). The square roots of AVE for all three constructs (0.70 for traditions, 0.89 for storytelling, and 0.86 for performance) were higher in the present study than any of the correlations, indicating good discriminate validity.

Results

To assess the appropriateness of using factor analysis on the data set, we analyzed our data using the Kaiser-Meyer-Olkin (KMO) test and Bartlett's test of sphericity (Table A6 in Appendix A). The KMO range is from 0–1, but the general acceptance index is over 0.6 as is represented in Table A6 in Appendix A, the KMO value of 0.76 was excellent as it exceeds the recommended value of 0.6. Additionally, the significance value of Bartlett's test must be less than 0.05 for the factor analysis to be acceptable. The significance value of Bartlett's test was less than 0.001, which met the required significance value of less than 0.05 (Williams et al., 2010). Therefore, the results of the KMO value being close to 1.0 and Bartlett's test significance value being close to 0.0 suggested that the data was adequate, and therefore, it was appropriate to proceed further with the analysis.

Table A7 in Appendix A provides an overview of the bivariate correlations between the variables used in this study. The magnitudes were modest, with the highest being 0.55. Bivariate correlations ranged from −0.34 to 0.55. The variables of storytelling and traditions were highly correlated ($p < 0.01$), as well as the variables of founder imprints and business age to the founder being CEO and the percentage of family ownership. The variable of business performance correlated ($p < 0.05$) with both the variables of founder imprints and business traditions. Significant correlations were also found between some control variables (business age, industry, founder is CEO).

Having examined these important issues, the proposed hypotheses were analyzed in a series of multiple regression analyses with the dependent variable as business performance. The independent and moderator variables were centered before creating the interaction effects, and all independent and interaction variables were entered in a stepwise approach. Table A8 in Appendix A shows the results of the regression analyses with business performance as the dependent variable. Model 1 included only the control variables and explained 3% of the variance in the dependent variable. Model 2 included the first independent variable, the importance of business traditions (T), and explained an additional 4% of the variance. Model 3 included the variable of founder imprints (FI) and explained an additional 4% of the variance. Model 4 included the first moderation with the interaction (FI x T), explaining a total of 15% of the variance.

Based on the significant correlation between the independent variables of storytelling (S) and the importance of business traditions (T), their interactions were tested separately. Model 5 included the control variables plus the variable of storytelling and explained 6% of the variance. Model 6 included the variable of FI and explained an additional 5% of the variance. Model 7 included the interaction between the variables of S and FI and explained a total of 14% of the variance.

The first hypothesis in the study proposed that FI positively influences FF SME business performance. Founder imprints were found to be significantly and positively related to business performance (ß = 0.25; $p < 0.05$) in Model 3 and (ß = 0.26; $p < 0.05$) in Model 6, supporting Hypothesis 1.

Model 2 showed the importance of business traditions was significantly and positively related to business performance (ß = 0.20; $p < 0.05$), and Model 5 showed that storytelling was also significantly and positively related to business performance (ß = 0.18; $p < 0.10$), thus supporting Hypothesis 2a and moderately supporting Hypothesis 2b.

Model 4 included the interaction of founder imprints and tradition, which had a significant and negative correlation (ß = -0.19; $p < 0.05$); thus, Hypothesis 3a was supported. Lastly, the interaction of founder imprints and storytelling was reported in Model 7, showing a significant and negative correlation (ß = -0.18; $p < 0.05$) which meant Hypothesis 3b was not supported.

We depict the two-way interaction effects for importance of business traditions and storytelling in Figures A2 and A3 in Appendix A. Following Aiken and West (1991), we split the independent variables into high and low groups (one standard deviation above and below the mean, respectively) and estimated the effect of the strength of founder imprints on business performance at both levels. Figure A2 indicates that at high levels for the importance of business traditions, the relationship between the strength of founder imprints and business performance is weaker (a negative slope). Similarly, we show the effect of the strength of founder imprints on business performance for low and high levels of storytelling. Figure A3 shows that at high levels of storytelling, the relationship between the strength of founder imprints and business performance is also weaker (a negative slope).

Discussion and Conclusion

There is no longer a question if a company's history is important to its success, but it still can be asked how this history matters and to what degree (Schreyögg et al., 2011). Recent studies have indicated that firms are increasing the use of their history and corporate identity, focusing on how both can be used strategically. Argyres et al. (2020) and Sinha et al. (2020) suggest that imprints may be reprioritized or altered, implying that leaders can purposefully manage them. The results of the current study support the previous research on founder imprints and imprint theory and expand upon it by showing that FF SMEs can impact their business performance through the use of a rhetorical history, specifically by using business traditions and storytelling. In addition to the statistical measures of validity and reliability, the study met the "dual integrity" standards in that it was authentic in both its theory development and historical veracity (Kipping & Üsdiken, 2014; Maclean et al., 2016, p. 18; Suddaby et al., 2014).

Theoretical Implications

Most organizational change theories contain implicit assumptions about history (Suddaby & Foster, 2017), and all empirical research is, in some way, about the past (Maclean et al., 2016). One of the challenges with studying history is that it is typically not focused on organizational research; this focus has been limited due to the lack of rigorous engagement of history with the theory of organizational research (Maclean et al., 2016). The results of this quantitative methods study extend the current literature regarding founder imprints and rhetorical history. A historical perspective was used in this study to find how the strength of founder imprints in a firm impacts their current-day performance. The historical perspective is significant, and from an academic perspective, it is needed to add the context of time to theory and research (Lawrence, 1984; Maclean et al., 2016).

Strategy scholars have long focused on identifying the source of a company's sustained competitive advantage (Colli & Perez, 2020), and researchers have studied founder imprints for almost 60 years following Stinchcombe's seminal work in 1965. The results of this study echo the literature that states founder imprints will have a long-lasting and positive impact on business performance. These results expand on the current literature by having specifically focused on U.S. based companies that have remained family owned with less than 500 employees. Considering the average age of the firms in the study was over 45 years and the fact that a significant relationship was found across multiple industries, the results of this study add new evidence that demonstrates the importance of embracing organizational history and a historical perspective (Clark & Rowlinson, 2004; Lawrence, 1984). Further, the results confirm the use of imprint theory and the importance of founder imprints, which both have a lasting and positive impact on business performance.

This study was timely since research on how companies can utilize their past has been steadily increasing and gaining more interest from academic scholars (Massis et al., 2023; Wadhwani et al., 2018). The results of this study expand existing knowledge surrounding the use of rhetorical history within FF SMEs and their ability to positively impact their business performance. Focusing on their business traditions and developing a storytelling competency are two meaningful ways companies can create rhetorical history (Ge et al., 2022; Sinha et al., 2020; Smith & Simeone, 2017; Suddaby et al., 2010). This study found both of these focuse areas to be positively correlated to an increase in business performance.

The results of this study demonstrate that business traditions and a firm's ability to purposefully choose elements of their past to focus on directly impact their business performance and negatively moderate the relationship between imprints and performance. The results indicate that a firm's competency of storytelling has a direct impact on their performance and demonstrate an unexpected negative moderation effect between a firm's founder imprints and their performance. Although the results have potentially important theoretical implications related to the positive moderation, further research utilizing new and previously unseen results is required to better understand the drivers and context for the negative moderation. Kemp et al. (2021) identified that story content drives the personal connection that an individual feels toward a company and that this personal connection can lead to an activity that increases their level of reputation management. Reputation management can highlight positive aspects of a company's history and diminish or altogether remove other elements (i.e., Nike – sweatshop labor, Volkswagen and Bayer – association with Nazi Germany). We believe that reputation management creates a recency effect leading to a reduction in the direct impact that founder imprints have on a company's business performance. This idea is further supported by Sole and Wilson (2002), who discussed using storytelling to facilitate unlearning within an organization. Unlearning is a deliberate decision by a company to change its culture in response to current internal or external challenges. Similar to reputation management, as storytelling is increasingly utilized by firms for the purpose of unlearning, the result will be a reduction in the direct impact that founder imprints have on the company's business performance. Considering the combination of the average company age (42 years) and the high mean storytelling score (4.85), it is likely that the use of storytelling resulted in the negative moderating effect. Overall, the results of this study build upon prior research about rhetorical history, showing that as FF SMEs increase the use of their rhetorical history, it reduces the direct effect of their founder imprints.

Managerial Implications

Suddaby et al. (2020) found that a manager’s ability to influence how their company’s history is interpreted is a crucial skill that an organization can use to improve its ability to drive change. The results of this study further demonstrate that as FF SMEs increase the importance of business traditions and their competency of storytelling, they can create a competitive advantage and positively impact their performance. Traditions are part of a company’s culture and exist in companies, whether they are intended or not (Erdogan et al., 2020; Ge et al., 2022; Suddaby & Jaskiewicz, 2020). The results of this study show that ceremonies, rituals, and artifacts are important to build stakeholder engagement and drive performance. Based on these findings, owners and leaders of FF SMEs should intentionally select their business traditions and how they celebrate them to ensure they align with their culture and how they desire to engage with their internal and external stakeholders.

These findings also demonstrate to FF SME owners and leadership the importance of developing a storytelling competency among their firm’s leaders, as it is clear that leaders with storytelling skills can positively influence business performance. These findings are important for companies as they evaluate current and prospective employees, hire new employees, and develop training programs.

Limitations and Future Research

Generalizability is a concern with any research study. To minimize generalizability concerns in the present study, potential participants were recruited from all industries and geographic locations within the United States using multiple recruiting methods. They were disqualified if they were not a member of a top management team in a U.S. based FF SME. The study was limited to participants from firms that were in business at the time of the study and did not use archival data. The small sample size (n = 113) and the high average age of the firms in the study (41.5 years) leads to concerns of generalizability, and these concerns should be addressed with future research that includes a larger set of participants and a more diverse set of companies.

This study focused on the performance of FF SMEs which is unique when compared to the performance of non-family firms (Hilburt-Davis & Dyer, 2003). Future research opportunities exist to compare family firms versus non-family firms, including analyzing larger firms and companies outside the United States. In addition, the results that showed an unexpected negative moderation effect of storytelling in regards to FI and business performance should be investigated further. A mixed-methods study may help provide context to better understand particular causes of this negative relationship. Finally, the focus of storytelling in the study was related to the competency of storytelling versus the story itself. In order for a company to utilize storytelling to its advantage, there also needs to be a story to tell. Future research should also consider the story that it being told and include a measure of decision quality related to how a firm chooses which stories to tell.

In conclusion, it is clear that history matters to FF SMEs. We have seen with our study that founder imprints do have a significant and long-lasting impact on FF SME performance, and that the use of rhetorical history (via traditions and storytelling) can create competitive advantage. The most exciting part of this study is that we have only begun to scratch the surface on this topic and the ability to help FF SMEs out perform their competition.

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Appendix A

Tables and Figures

Table A1

Participant Selection and Removal Criteria

	N	%
Total surveys received	329	
Non-valid participants	216	
Did not consent	5	2
Not a member of TMT	16	7
Not 50% family owned	25	12
Not 10–500 employees	84	39
Unsure of founder tenure	10	5
Knowledge check	1	0
Did not complete survey	72	33
Outliers	3	1
Valid participants	113	

Table A2

Participant Demographics

	Family member *N* = 78		Non-family *N* = 35		Total *N* = 113	
	N	%	*N*	%	*N*	%
Generation						
1st	38	49			38	49
2nd	22	28			22	28
3rd	13	17			13	17
4th or more	5	6			5	6
Gender						
Male	59	76	31	89	90	80
Female	18	18	3	9	21	19
Prefer not to say	1	1	1	3	2	2
Age						
< 30	3	4	1	3	4	4
31–40	14	18	1	3	15	13
41–50	26	33	6	17	32	28
51–60	21	27	20	57	41	36
> 60	14	18	7	20	21	19
Company tenure						
< 10 years	11	14	19	54	30	27
11–15 years	17	22	4	11	21	19
16–20 years	9	12	1	3	10	9
21–25 years	7	9	5	14	12	11
> 25 years	34	44	6	17	40	35
Company founder						
Yes	31	40	0	0	31	27
No	47	60	35	100	82	73
Current CEO						
Yes	45	58	21	60	66	58
No	33	42	14	40	47	42
Level of familiarity (knowledge check)						
Completely unfamiliar	0	0	0	0	0	0
Unfamiliar	0	0	0	0	0	0
Somewhat unfamiliar	0	0	0	0	0	0
Neither familiar nor unfamiliar	3	4	1	3	4	4
Somewhat familiar	2	3	1	3	3	3
Familiar	12	15	5	14	17	15
Extremely familiar	61	78	28	80	89	79

Note. Mean survey response time = 16.87 minutes and 7.9 minutes with one outlier removed.

Table A3

Company Demographics

	N	%
Industry (by SIC)		
Agriculture, forestry, and fishing	6	5
Mining or construction	6	5
Manufacturing	28	25
Transportation, communications, electric, gas, and sanitary services	14	12
Wholesale or retail trade	20	18
Finance, insurance, and real estate	7	6
Other	32	28
Founder gender		
Male	99	88
Female	14	12
Founder tenure as top leader		
< 10 years	11	10
11–15 years	16	14
16–20 years	6	5
21–25 years	11	10
25 years	69	61
Founder is current CEO		
Yes	33	29
No	80	71
CEO is a family member		
Yes	83	73
No	30	27
CEO family generation *N* = 83		
G1	40	48
G2	22	27
G3	14	17
G4+	4	5
Unsure	3	4
CEO gender		
Male	91	81
Female	21	19
Non-binary/3rd Gender	1	1
CEO age		
< 30	1	1
31–40	13	12
41–50	28	25
51–60	42	37
> 60	29	26
Company revenue		
< 10 million	45	40
$11–$50 million	33	29

	N	%
$51–$100 million	17	15
$101–$250 million	11	10
$251–$500 million	7	6
% Family ownership		
< 50%	0	0
50%–75%	15	13
76%–99%	14	12
100%	84	74
Sales footprint		
United States–Single state	23	20
United States–Multistate	34	30
United States–More than 40 states	18	16
International–North America	9	8
International–Global	29	26

Note. Average age of business = 41.5 Years.

Table A4
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.65	45.63	45.63	3.65	45.63	45.63	2.61	32.57	32.57
2	1.61	20.12	65.75	1.61	20.12	65.75	1.99	24.89	57.46
3	1.07	13.38	79.12	1.07	13.38	79.12	1.73	21.67	79.12
4	0.54	6.69	85.82						
5	0.45	5.64	91.46						
6	0.30	3.72	95.18						
7	0.25	3.12	98.30						
8	0.14	1.70	100.00						

Table A5

Measurement Items

Constructs	Loading[c]
Importance of business traditions. CR[a] = 0.75. AVE[b] = 0.50	
To what extent do the following apply to your company? 1 = none, 7 = many	
1. Use of ceremonies or rituals to recognize employees or events (i.e., celebrations, service awards, milestone recognition)	1.00
2. Display of artifacts for internal or external audiences (i.e., awards, photographs, legacy products/packaging)	0.98
3. Existence of these ceremonies, rituals, and/or artifacts that have lasted through different CEOs (i.e., continued in the transition from one CEO to another)	0.83
Storytelling. CR = 0.92. AVE = 0.79	
To what extent does your firm use information in its internal communications that attempts to do the following? 1 = never, 7 = always	
1. Retains the viewers' (readers') attention	0.96
2. Makes our employees mentally involved in the content while viewing it	1.00
3. Provides a vivid image of our company and what it stands for	0.82
Business performance. CR = 0.84. AVE = 0.74	
Market share	
1. Compared to your top three competitors, how would you rate your company's performance? 1 = much worse, 7 = much better	0.72
2. Over the past three years, how have your firm's results changed? 1 = much worse, 7 = much better	1.00

Note. CR = composite reliability; AVE = average value explained; TLI = Tucker-Lewis index; CFI = comparative fit index; RMSEA = root-mean-square error of approximation; Overall model fit: χ^2 (16) = 27.6, $p < 0.05$; TLI = 0.95, CFI = 0.97, RMSEA = 0.08

[a] Composite reliability. [b] Average variance extracted. [c] Fixed factor loading, all significant at level of $p < 0.001$.

Table A6
Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity

Kaiser-Meyer-Olkin measure of sampling adequacy		0.761
Bartlett's test of sphericity	Approximate chi-square	453.03
	df	28
	Sig.	< .001

Note. df = degrees of freedom; Sig. = significance.

Table A7

Means, Standard Deviations, and Correlation Among Study Variables

	M	SD	1	2	3	4	5	6	7	8	9
1. Firm Age	41.52	29.02	--								
2. Industry Type	4.64	1.88	-0.34	--							
3. Sales Footprint	2.88	1.49	0.05	-0.10	--						
4. Founder is CEO	1.29	0.46	-0.33	0.34	0.04	--					
5. % Family Ownership	3.61	0.71	0.13	-0.06	-0.07	0.02	--				
6. Traditions	4.56	1.44	0.00	0.05	-0.03	-0.02	-0.03	--			
7. Storytelling	4.85	1.56	-0.17	0.07	0.05	-0.03	-0.08	0.54	--		
8. Strength of Founder Imprints	3.98	1.46	0.55	-0.16	-0.08	-0.34	0.20	0.07	-0.08	--	
9. Business Performance	4.16	1.42	0.11	-0.14	0.02	-0.04	-0.07	0.20	0.15	0.21	--

n=113

$^{**}p < 0.01$, $^{*}p < 0.05$

Table A8

Effects of Founder Imprints on Business performance

Independent Variables							
Control Variables	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*	*Model 7*
Firm Age (FA)	0.09	0.09	-0.03	-0.03	0.13	0.00	0.02
	(0.89)	(0.87)	(-0.27)	(-0.22)	(1.21)	(0.03)	(0.20)
Industry Type	-0.13	-0.14	-0.16^{+}	-0.17^{+}	-0.14	-0.16^{+}	-0.16^{+}
	(-1.22)	(-1.35)	(-1.56)	(-1.71)	(-1.31)	(-1.54)	(-1.56)
Sales Footprint	0.00	0.00	0.02	0.00	-0.02	0.00	-0.02
	(0.06)	(-0.01)	(0.20)	(0.03)	(-0.19)	(0.04)	(-0.23)
Founder is CEO	0.34	0.40	0.09	0.07	0.05	0.11	0.11
	(0.32)	(0.39)	(0.87)	(0.72)	(0.62)	(1.02)	(1.06)
% Family Ownership	-0.09	-0.08	-0.12	-0.11	-0.08	-0.21	-0.11
	(-0.91)	(-0.87)	(-1.24)	(-1.16)	(-0.85)	(-1.24)	(-1.18)
Main Effect							
Founder Imprints (FI)	---	---	0.25^{*}	0.20^{+}	---	0.26^{*}	0.25^{*}
			(2.14)	(1.70)		(2.28)	(2.21)
Traditions (T)	---	0.20^{*}	0.19^{*}	0.22^{*}	---	---	---
		(2.15)	(2.00)	(2.40)			
Storytelling (S)	---	---	---	---	0.18^{+}	0.18^{+}	0.16^{+}
					(1.86)	(1.87)	(1.73)
Interaction Effects							
FI × T	---	---	---	-0.19^{*}	---	---	---
				(-2.01)			
FI × S	---	---	---	---	---	---	-0.18^{*}
							(-1.97)
R^2	0.03	0.07	0.11	0.15	0.06	0.11	0.14
F Value	0.74	1.40	1.90	2.21	1.21	1.82	2.12
Number of observations	113	113	113	113	113	113	113

Note. *t*-value in parentheses.
$^{*}p < 0.05$, $^{+}p < 0.10$ (two-tailed test).

Figure A1
Research Model

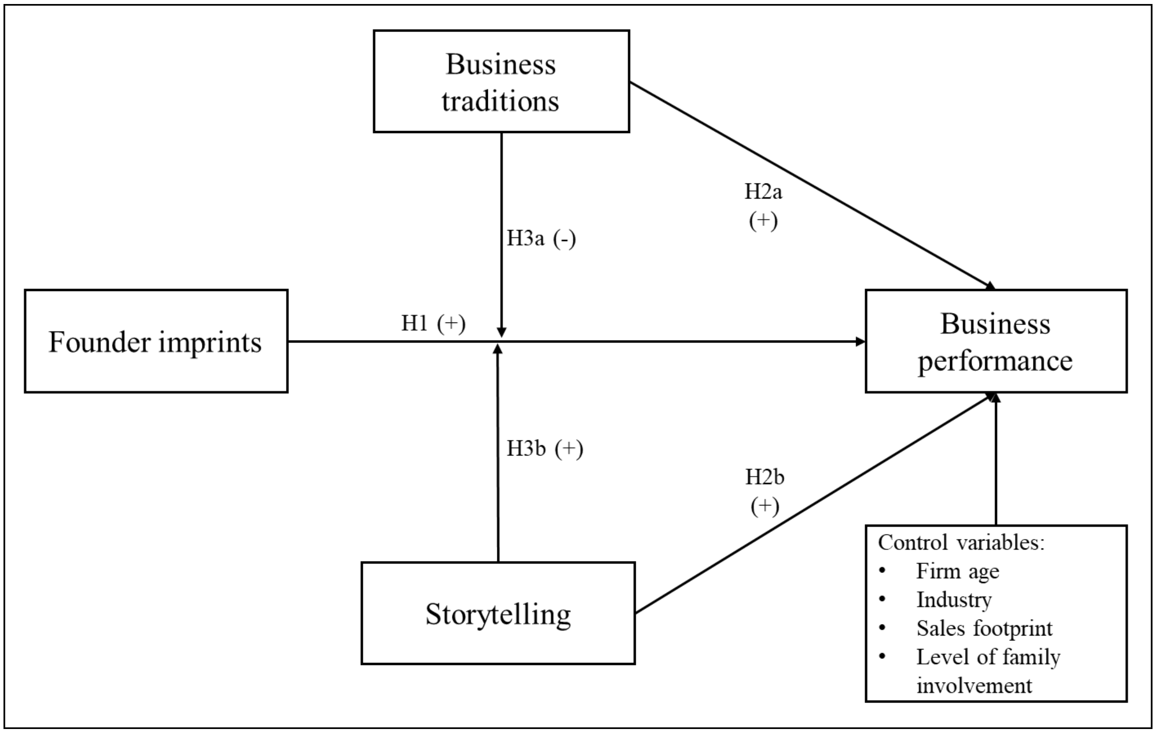


Figure A2

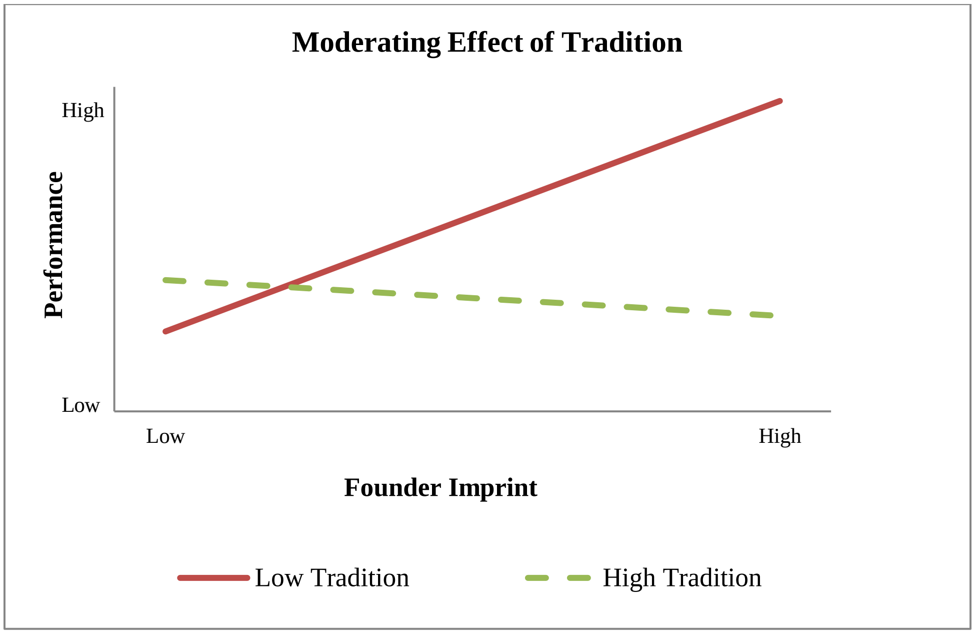
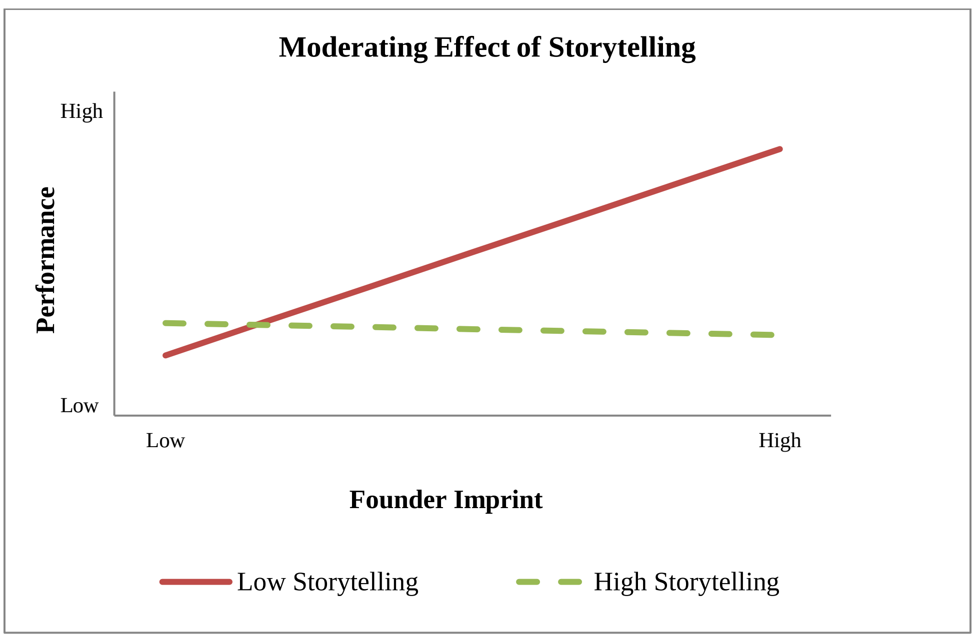


Figure A3



Appendix B

Survey Instrument

Small to Medium-Size Family-Owned Business Survey

1. Screening question
    a. Are you a senior-level leader within your company?
        i. Yes/No
    b. Is your company > 50% family owned?
        i. Yes/No
    c. Does your company have between 10 and 500 employees?
        i. Yes/No

    If yes, proceed to #2. If no, proceed to end.

2. To what extent do the following apply to your company? 1 = none, 7 = many
    a. Use of ceremonies or rituals to recognize employees or events (i.e., celebrations, service awards, milestone recognition)
    b. Display of artifacts for internal or external audiences (i.e., awards, photographs, legacy products/packaging)
    c. Existence of these ceremonies, rituals, and/or artifacts that have lasted through different CEOs (i.e., continued in the transition from one CEO to another)
        i. Check this box if your company has not had multiple CEOs.
3. To what extent does your firm use information in its internal communications that attempts to do the following? 1 = never, 7 = always
    a. Retains the viewers' (readers') attention
    b. Makes our employees mentally involved in the content while viewing it

c. Provides a vivid image of our company and what it stands for

4. Founder characteristics

    a. Are you the founder of your company?

        i. Yes/No

    b. Age of founder at business inception:

        i. < 30
        ii. 31–40
        iii. 41–50
        iv. 51–60
        v. 61 +
        vi. Unsure

    c. Tenure of the founder as the top leader at the company:

        i. < 10 years
        ii. 11–15 years
        iii. 16–20 years
        iv. 21–25 years
        v. > 25 years
        vi. Unsure

    d. Gender of founder

        i. Male/Female

5. Current CEO Characteristics

    a. Is the founder of your company the current CEO?

        i. Yes/No

b. Are you the firm’s current CEO?

i. Yes/No

c. Is the current CEO a family member?

i. Yes/No

ii. If yes, which generation?

1. G1
2. G2
3. G3
4. G4+

d. Does the current CEO have work experience outside of the current firm?

i. Yes/No

ii. Unsure

e. Current CEO's overall company tenure

i. < 10 years

ii. 11–15 years

iii. 16–20 years

iv. 21–25 years

v. > 25 years

vi. Unsure

f. Current CEO’s tenure as CEO or in top leadership role

i. < 10 years

ii. 11–15 years

iii. 16–20 years

iv. 21–25 years

v. > 25 years

vi. Unsure

g. Gender of current CEO

i. Male/Female

h. Age of current CEO

i. < 30

ii. 31–40

iii. 41–50

iv. 51–60

v. > 60

vi. Unsure

6. Firm-level performance

a. Compared to your *top three* competitors, how would you rate your company's performance in the following areas? 1 = much worse, 7 = much better

i. Return on investment

ii. Sales growth

iii. Profit level

iv. Market share

b. Over the past three years, how have your firm's results changed in the following areas? 1 = much worse, 7 = much better

i. Sales growth

ii. Profit level

iii. Market share

7. Participant demographics

a. What is your company tenure?

i. < 10 years

ii. 11–15 years

iii. 16–20 years

iv. 21–25 years

v. > 25 years

b. What is your age?

i. < 30

ii. 31–40

iii. 41–50

iv. 51–60

v. > 60

c. What is your gender?

i. Male/Female

d. Are you a family member?

i. Yes/No

1. If yes, which generation?

a. G1

b. G2

c. G3

d. G4+

Classification Questions:

1. Industry type
    a. Agriculture, forestry, and fishing
    b. Mining or construction
    c. Manufacturing
    d. Transportation, communications, electric, gas, and sanitary services
    e. Wholesale or retail trade
    f. Finance, insurance, and real estate
    g. Other:
2. The firm I work for is considered a family-owned firm
    a. Yes/No
3. Does your firm have external (non-family) BOD members?
    a. Yes/No
        i. If yes, what is the approximate percentage?
4. Current number of employees
    a. < 10
    b. 11–100
    c. 101–250
    d. 251–500
    e. Other:
5. Current revenue
    a. < $10 million
    b. $11–$50 million

    c. $51–$100 million
    d. $101–$250 million
    e. $251–$500 million
    f. Other:

6. Percentage of family ownership
    a. < 50%
    b. 51% –75%
    c. 76% –99%
    d. 100%
7. What percentage of your company’s executive leadership (VP and above) team consists of family members (any relationship to the founder via blood or marriage)?
    a. 0%–25%
    b. 26%–50%
    c. 51%–75%
    d. 76%–100%
8. Sales footprint of the company:
    a. United States–single state
    b. United States–multistate
    c. United States–more than 40 states
    d. International–North America
    e. International–global

Knowledge check

1. Please rate your level of familiarity with this subject matter
    a. 1 = not at all familiar, 7 = extremely familiar

It is our goal to collect multiple responses from each participant's company. Please forward this link to another member of your company's top management team: (insert link)

Thank you for your participation in this research survey. If you would like to receive a copy of the study result, please e-mail adam.goldman@umsl.edu with the subject of "study request," and it will be sent once completed.

Unqualified response: Thank you for your interest and willingness to participate in this survey. Unfortunately, your responses do not meet our participant criteria.

Appendix C

IRB Approval Letter

UMSL Research
University of Missouri–St. Louis

April 13, 2022

Principal Investigator: Adam Goldman (UMSL-Student)
Department: Business DBA

Your IRB Application to project entitled Moving Forward by Looking Back: How Family Firms Create Competitive Advantage by Leveraging Their History was reviewed and approved by the UMSL Institutional Review Board according to the terms and conditions described below:

IRB Project Number	2085382
IRB Review Number	364739
Initial Application Approval Date	April 13, 2022
IRB Expiration Date	April 13, 2023

Level of Review	Exempt
Project Status	Active - Exempt
Exempt Categories (Revised Common Rule)	45 CFR 46.104d(2)(ii)

Risk Level	Minimal Risk
Approved Documents	Revised Consent - Main Participant Revised Consent - Snowball Participant Revised survey to eliminate requests for email. For snowball participants, I will use a random ID generated by Qualtrics and that will be incorporated into a survey link that can be voluntarily forwarded to another potential participant. That link will allow me to match the snowball response without ever attaching a company name or email address. For study results participants are given my email and will be able to request a copy of the final result outside of the survey process. Revised survey to eliminate request for email. Instead participants are given my email and will be able to request a copy of the final result by request. Revised recruiting scripts

The principal investigator (PI) is responsible for all aspects and conduct of this study. The PI must comply with the following conditions of the approval:

1. Enrollment and study related procedures must remain in compliance with the University of Missouri regulations related to interaction with human participants following guidance at http://www.umsl.edu/recd/compliance/umsl-guidance-covid19-policy-7.2021.pdf.
2. No subjects may be involved in any study procedure prior to the IRB approval date or after the expiration date.
3. All changes must be IRB approved prior to implementation utilizing the Exempt Amendment Form.
4. The Annual Exempt Form must be submitted to the IRB for review and approval at least 30 days prior to the project expiration date to keep the study active or to close it.
5. Maintain all research records for a period of seven years from the project completion date.

If you are offering subject payments and would like more information about research participant payments, please click here to view the UM Policy: https://www.umsystem.edu/ums/policies/finance/payments_to_research_study_participants

If you have any questions or concerns, please contact the UMSL IRB Office at 314-516-5972 or email to irb@umsl.edu.

Thank you,
UMSL Institutional Review Board