INNOVATION COLLABORATION WITH START-UPS FOR ORGANIZATIONAL CHANGE IN FAMILY FIRMS

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INTRODUCTION

Changes in the organization's culture, structure, processes, and strategy (Armenakis et al., 1993) have become essential for organizations to thrive and survive in an increasingly volatile, uncertain, and complex business environment (Hanelt et al., 2021; Kotter, 2007; Kotter et al., 2021). Previous research has helped to identify several reasons for the difficulties and failures encountered during the change journey, such as the emergence of forces of persistence (Hill & Rothaermel, 2003; Kotter & Schlesinger, 1979; Warrick, 2023). Particularly in family firms, organizational change may be foregone due to the trade-off between the need for organizational change and the continuity resulting from the family's attachment to existing assets, values, and traditions (Diaz-Moriana et al., 2022; Kotlar & Chrisman, 2019; Liu et al., 2023). In light of these challenges, change agents have been proposed to drive change initiatives in organizations (Battilana & Casciaro, 2012; Boonstra, 2023; Specht et al., 2018).

Research on inter-organizational innovation collaborations has highlighted the benefits of collaborations for organizations, not only in terms of innovation outcomes (De Groote & Backmann, 2020; Hogenhuis et al., 2016; Soh & Subramanian, 2014), but also in terms of organizational change, especially in the context of asymmetric innovation collaborations[1] (Corvello, Steiber, & Alänge, 2023; Rigtering & Behrens, 2021; Weiblen & Chesbrough, 2015). However, the latter studies do not provide insight into the specific mechanisms developed to support the change process within the established organization, nor do they detail the types of change that these mechanisms address. Hence, we lack an understanding of the interaction between the external and internal change agents (Birkinshaw et al., 2008; Mol & Birkinshaw, 2014),which is even more important in the context of organizational change in family firms, because owning families, which play a dominant role in change (De Massis et al., 2019; Issah et al., 2023; Liu et al., 2023), are often characterized by inertia (Chirico & Nordqvist, 2010) and often show resistance to external organizations such as start-ups (Bigliardi & Galati, 2018; Feranita et al., 2017; Freeman & Engel, 2007). Therefore, we pose the following research question: *How do start-ups interact with family firm internal actors to drive organizational change in family firms in the context of innovation collaborations?*

Based on a qualitative study of six cases of family firms engaging in innovation collaborations with start-ups (including 40 semi-structured interviews), we develop a model detailing the role of start-ups in organizational change in family firms. Our study aims to make the following three contributions. First, we extend previous knowledge (Corvello, Steiber, & Alänge, 2023; Rigtering & Behrens, 2021; Weiblen & Chesbrough, 2015) by theorizing the roles of start-ups in the change process of established organizations (i.e., "seeder," "pollinator," "facilitator") and by identifying the concrete mechanisms that start-ups develop during collaboration to fulfill these roles. Second, while previous research has theorized the crucial role of the owning family in organizational change (De Massis et al., 2019; Kotlar & Chrisman, 2019), we extend this knowledge by shedding light on the important interplay (Birkinshaw et al., 2008; Mol & Birkinshaw, 2014) between the owning family, other internal family firm actors, and external actors. Third, we contribute to the research on organizational change in the context of family firms (Duran et al., 2016; Naldi et al., 2007; Soluk & Kammerlander, 2021) by providing evidence on the type of change achieved through collaboration with external organizations such as start-ups, a granular view of the nature and sequence of organizational change and the underlying factors.

THEORETICAL BACKGROUND

In this context, organizational change is defined as "an empirical observation of difference in form, quality, or state over time in an organizational entity. The entity may be an individual's job, a work group, an organizational strategy, a program, a product, or the overall organization" (Van de Ven & Poole, 1995, p. 512). Organizational change is difficult to implement (Hill & Rothaermel, 2003; Warrick, 2023). This is particularly true for family firms—organizations characterized by family ownership, family control over the organization, and long-term orientation (Chua et al., 1999; Lumpkin & Brigham, 2011)—which face the dilemma of changing and maintaining continuity within the organization by leveraging family and firm history and sustaining traditions (Chrisman & Patel, 2012; Kotlar & Chrisman, 2019; Miller et al., 2003). Previous research has examined family and family firm characteristics (Chrisman et al., 2013; Eddleston et al., 2008; Le Breton–Miller & Miller, 2006; Steier et al., 2015) and how they impact the success of organizational change (De Massis et al., 2019; Kotlar & Chrisman, 2019). However, while the previous literature has provided us with important insights into organizational change in family firms, we lack an understanding of how the interactions between various family firm members and external organizations may impact the nature and success of organizational change, as well as the sequencing of the change process.

Current literature has shown that change in organizations is introduced and fostered by internal and external actors (Armenakis et al., 1993; Volberda et al., 2014)—the change agents (Mol & Birkinshaw, 2014; Sonenshein, 2016; Specht et al., 2018; Weick, 2011)—who aim to create organizational readiness for change (Armenakis et al., 1993). While this goes hand in hand with initiating, guiding, announcing, and promoting the change (Battilana & Casciaro, 2012; Ford & Ford, 1995), it also entails overcoming resistance within the organization undergoing change (Westover, 2010). The activities of change agents may differ depending on whether they are internal or external to the organization undergoing change. On the one hand, internal change agents (e.g., managers or employees who play a critical role in the change process [Armenakis et al., 1993; Volberda et al., 2014]) may provide important insights into the organization to guide the change process (Armenakis et al., 1993; Hartley et al., 1997). On the other hand, external change agents (e.g., consultants, academics, or other organizations [Birkinshaw et al., 2008; Volberda et al., 2014]) may set a change agenda, share ideas to overcome identified problems, train employees from the organization, legitimize the activities undertaken by the organization, or act as a sounding board for the organization (Armenakis et al., 1993; Birkinshaw et al., 2008; Mol & Birkinshaw, 2014).

While previous literature has explored the role of external individuals directly hired by an organization to drive change within the organization (e.g., consultants, academics), we lack insights into the role of external *organizations* in organizational change especially in case of a joint collaboration between two organizations (Corvello, Steiber, & Alänge, 2023; Rigtering & Behrens, 2021; Weiblen & Chesbrough, 2015). Specifically, some studies have already identified asymmetric innovation collaborations as a possible approach to stimulate change in established organizations (Corvello, Steiber, & Alänge, 2023; Rigtering & Behrens, 2021; Weiblen & Chesbrough, 2015). However, the nature of the organizational change that occurs after an inter-organizational innovation collaboration, the mechanisms developed by the external organization, and the interplay between members of the organization undergoing change and the external organization have not yet been investigated.

METHODS

Because of the nature of our research question, which focuses on *how* start-ups interact with family firm internal actors to drive organizational change, we chose a case-based exploratory method (Eisenhardt, 1989). As we aim to reveal the similarities and differences in the interactions between the start-ups and the family firm internal actors and how they affect organizational change, we chose a multi-case study design (Eisenhardt & Graebner, 2007). To gather insightful information, we relied on three main data sources, including (1) 40 semi-structured interviews with owners, (executive) managers, and employees of family firms and start-ups, and external advisors related to our cases, (2) 15 semi-structured interviews with owners, (executive) managers, and employees of family firms and start-ups, and external advisors not associated with our cases in order to scrutinize whether our findings could be replicated (Palm et al., 2023; Soluk et al., 2021), (3) archival data such as press releases, website information, informal discussions during family firm conferences. The use of multiple data sources allowed us to triangulate information, which in turn increased the accuracy of our analysis (McDonald & Eisenhardt, 2020).

We followed an inductive approach to identify and compare the relationships within and across the cases (Eisenhardt & Graebner, 2007). Our analysis consisted of several phases: first, we engaged in a *within case analysis* by combining and comparing data from interviews and archival material related to each case and by leveraging an open coding technique (Corbin & Strauss, 2008). This step subsequently allowed us to engage in an initial categorization of the statements of our informants. The categories—to which we refer to as first-order categories (Strauss & Corbin, 1990)—encompassed, for example, the motivations to engage in organizational change, the process of organizational change, or the activities performed by the start-ups, the owner-managers of the family firms, and employees of the family firms. Second, we engaged in a *cross-case analysis* which allowed us to compare our findings between the cases and identify the similarities and differences between them (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). While we examined the relationships between the first-order categories and associated them with the corresponding context, we identified broader themes in which we clustered the first-order categories. Hence, we followed an axial coding approach (Corbin & Strauss, 2008) and uncovered second-order themes (Strauss & Corbin, 1990) allowing for a better theoretical understanding of our data. Consequently, we clustered the second-order themes into higher-order dimensions we refer to as “seeding,” “cross-pollination,” “cultivation,” and “dissemination.” We iteratively revised these overarching dimensions because we enhanced our understanding of the phenomenon in the course of our analysis (Reay, 2014) and our investigation of literature on organizational change in family firms and inter-organizational innovation collaborations.

FINDINGS

Our data show that after start-up collaboration, some family firms implemented organizational change (process, structural, and/or cultural change), while others did not. Specifically, the successful cases were characterized by a balanced interplay among three types of actors: start-ups, internal change agents (i.e., members of the family firm who supported the collaboration) and members of the owning families. We provide an overview of the interplay between the three actors along the four phases of the change process that we inductively identified: seeding of change opportunities, cross-pollination, cultivation, and dissemination of new practices.

First, our data show that the unveiling of the potential for change within the family firm came as a side effect of the innovation collaboration with the start-up and resulted from seeding activities undertaken by the start-ups during the collaboration. We hence refer to the role of the start-up in this initial phase as “seeder.” We observed four seeding mechanisms that made it possible for the family businesses to uncover opportunities for change. (a) We observed that start-ups put a lot of effort into *understanding the processes and structure* of the family firms in order to find an appropriate way to leverage their technology for the family firms, thereby highlighting potential process and structural gaps. (b) We found that the *start-ups’ attempt to implement their cutting-edge technology* exposed the family businesses’ immature IT and data infrastructures and processes. (c) Furthermore, the start-ups *introduced the family firms to new ways of working* (e.g., agile way of working), required to develop a highly innovative product quickly. (d) Finally, the start-up also *shared why and what changes the family business* should consider to further unveil change opportunities. While these four mechanisms enabled uncovering opportunities for process and structure change, we observed that opportunities for change in the culture of the family firm were revealed through the owning family members who started to draw comparisons between the culture within their firms and that of the start-ups. Our data also showed that members of the family firm—we refer to them as internal change agents—took ownership and hence seized the opportunities for change, which led to the initiation of the change process. In the cases with no ownership taking, no change process was initiated.

Second, we observed the cross-pollination of new practices from the start-up to the family firm. We refer to the role of start-ups as “pollinator.” In this regard, we found that (a) the start-up engaged in the *development of change roadmaps* for the family firm and foremost, (b) in the *bridging of capabilities*. The latter allowed start-ups and family firms to bypass formal family firm processes and thus initiate new practices within the family firm. In parallel, to support the cross-pollination activities of the start-ups, the internal change agents engaged in mechanisms designed to cover activities that could not be managed by the start-ups. As such, we observed the internal change agent engaging in (a) the *prioritization and sequencing of the change activities*. Furthermore, the internal change agents engaged in (b) *stakeholder management* (e.g., the owning family). This involved engaging the right stakeholders in a timely manner and explaining the relevance of the new practices to allay their skepticism. Finally, the internal change agents (c) *sought validation* from internal experts or the owning family to reassure employees of the appropriateness of the new practice.

Third, following the cross-pollination of new practices within the family firms by the start-ups, we observed that the family firms engaged in what we call the cultivation of these new practices. Because of their deep knowledge of the family firm, internal change agents were more involved in this phase than the start-ups. We refer to the role of the start-ups as "facilitator" as they were mostly supporting the internal change agents at their request (e.g., support at building new capabilities within specific teams). We observed that the internal change agents engaged in several activities to cultivate the new practices. In this regard, they developed (a) *mechanisms to maintain the support of the owner-manager* (e.g., partnering with the family firm's chief digital officer to gain the owner-manager's ongoing support and, in turn, drive organizational change in multiple areas of the family business). Furthermore, they (b) *communicated the successes* of this new practice throughout the organization. Finally, they (c) c*odified the learnings* and shared it with the teams to ensure the cultivation of the new practice. In a similar vein, the internal change agents also supported the training of these employees by "shadowing" them until they acquire the necessary skills. In the cultivation phase, we also observed the importance of culture within the owning family. In fact, the openness to change (and thus a change of culture) within the owning family is necessary (and a pre-requisite) to ensure the cultivation of the new practices. We also observed that structure change triggered by either the owning family or internal change agents support process change.

Fourth, while the teams working with the start-ups acquired the skills during the cultivation phase to operate the new practices initiated by the start-ups, the internal change agents intended to disseminate the new practices throughout the organization. Similar to the cultivation phase, the start-ups played a "facilitator" role in the dissemination phase (e.g., they engaged in storytelling). We observed three dissemination mechanisms by internal change agents. Indeed, they (a) *introduced new formats* within the organization to provide transparency and guidance on the new practices. We observed that the internal change agent also (b) *orchestrated training sessions* for selected employees (who were not part of the innovation collaboration with the start-up) to develop their understanding of the new practices and acquire the underlying skills. Finally, to ensure the dissemination of the new practices, they (c) *multiplied the collaborations with the start-ups*. These mechanisms were strengthened by the owning families engaging in parallel activities to enforce the messaging towards willingness to drive change.

CONTRIBUTIONS AND IMPLICATIONS

Our study aims to contribute to previous research in at least three ways. *First*, we contribute to the literature on inter-organizational innovation collaborations with a framework that theorizes the role of start-ups for organizational change in established organizations. We extend previous knowledge (Corvello, Felicetti, et al., 2023; Feranita et al., 2017; Rigtering & Behrens, 2021; Weiblen & Chesbrough, 2015) by unveiling a four-pronged approach by which established organizations can benefit from collaborating with start-ups for organizational change. While prior research has detailed the skills and activities of start-ups that support innovation creation during collaboration (De Groote & Backmann, 2020; Hogenhuis et al., 2016), we extend prior research by theorizing three roles of start-ups in the change process of established organizations (i.e., "seeder," "pollinator," and "facilitator"). We further extend prior literature by distilling the concrete mechanisms used by start-ups to fulfill these roles throughout the change process.

Second, we advance research on organizational change in the context of family firms by shedding light on the interplay between the family firm members and the start-up necessary for successful organizational change within the family firm (Birkinshaw et al., 2008; Mol & Birkinshaw, 2014). While previous research has mainly examined the dominant role of the owning family in organizational change in family firms (Issah et al., 2023; Kotlar & Chrisman, 2019; Liu et al., 2023), the role of other employees, such as non-family members who are operationally involved in the change, has been neglected. Therefore, we extend the previous literature by emphasizing their relevance in the change process. Specifically, we outline two forms of involvement of internal change agents during the change process involving an external organization: (1) facilitating the activities of start-ups during the seeding and cross-pollination phases, and (2) leading the change activities during the cultivation and dissemination phases, when the reach of start-ups is limited by their insufficient embeddedness in the family firm. In doing so, we also distill the underlying mechanisms used by internal change agents in the four stages and specify the interactions with members of the start-up and the owning family, thereby extending previous research on change agents, which lacks an understanding of the interplay between internal and external change agents (Birkinshaw et al., 2008; Boonstra, 2023; Mol & Birkinshaw, 2014).

Third, we contribute to the research on organizational change in the context of family firms by providing new insights into the outcome of the organizational change process involving family firm members and a start-up (Carney, 2005; Chrisman et al., 2012; Chrisman et al., 2015; Chua et al., 2012; Kotlar & De Massis, 2013). While we provide empirical evidence for process, structural, and cultural change following an innovation collaboration, we show that start-ups only have a direct impact on process change. In contrast, they have an indirect impact on structural and cultural change, which is mainly influenced by family firm internal actors such as internal change agents and the owning family. While previous studies have approached organizational change in family firms from the perspective of a change versus continuity dilemma (De Massis et al., 2019; Kotlar & Chrisman, 2019), we extend prior knowledge by providing evidence for a sequencing of the types of change that occur.

ENDNOTES

1. An asymmetric innovation collaboration refers to an innovation collaboration between an established organization and a start-up.

REFERENCES AVAILABLE FROM THE AUTHORS