2 Variations in strategic choices concerning firm growth – a conceptual framework and its application to the context of family businesses

2.1 Abstract

Attempting to explain the observed variations in family firm growth, I aim to first develop a general understanding of the potential origins of variations in firm growth (both among FBs and between FBs and NFBs). To do so, a closer examination of the complex relationship between family ownership and firm growth is required. Building on the suggestions of Carney and associates, I consider a firm's strategic choices to be a central factor mediating this relationship. Since the vital influence of this kind of choices on growth performance is also confirmed by the general management literature, they form the central focus of this investigation. In a first step, based on these insights, a dedicated conceptual framework that centers on the processes that underlie the formation of strategic growth decisions was developed. Combining the relevant insights and components of two well established and renowned theories in the field of growth research, the upper echelon theory (UET) and the theory of planned behavior (TPB), it constitutes: a model of individual growth intentions and their respective influence on strategic choices concerning firm growth. Through its explicit focus on chief executive officers (CEOs) as the central unit of analysis, this model represents a general theoretical framework that indicates how the strategic growth decisions of organizations are shaped by their respective chief executives. In a subsequent step, this framework was applied to the specific context of FBs (i.e., FBs versus other FBs and versus NFBs). Overall, the propositions developed in this regard indicate that depending on the idiosyncrasies of the respective CEO in charge – more precisely his individual growth intentions and degree of managerial discretion – there might be variations in the strategic choices regarding firm growth, both among FBs, and between FBs and NFBs. The theoretical contributions of this first part of my dissertation and avenues for future research are discussed.
2.2 Introduction

As a first step in explaining the observed variations in family firm growth, I aim to develop a general understanding what might cause variations in firm growth in the context of FBs (both compared to NFBs and to other FBs). For this purpose, a closer examination of the complex relationship between family ownership and firm growth is required. Here it is of vital importance to identify potential root causes that might cause the afore-mentioned relationship to tend into a particular direction.

In this regard, I build on the findings of Carney et al. (2013), who showed that the relationship between family control (through family ownership and management) and firm performance is mediated by strategic choices. The vital importance of a firm's strategic choices with regard to its actual growth performance is also confirmed by the general management literature. A significant part of the investigations in the general literature on firm growth revolves around the attempt to identify the main drivers of growth in order to explain and predict differences in the actual amount of growth between different firms (Davidsson & Wiklund, 2013; Shepherd & Wiklund, 2009; Stenholm, 2011; Wennekers & Thurik, 1999). Among the most prominent drivers that have been outlined to date are, for example, a firm's strategy (Baum et al., 2001; Certo, Lester, Dalton, & Dalton, 2006; Davidsson & Wiklund, 2013; Hambrick & Mason, 1984; Wiklund et al., 2009), its resources (Barney, 1991; Davidsson & Wiklund, 2013; Penrose, 1959; Wernerfelt, 1984), its industry (Baum et al., 2001; Wiklund et al., 2009), and the individual competencies of the firm's management (Baum et al., 2001; Davidsson & Wiklund, 2013; Hambrick & Mason, 1984; Penrose, 1959; Stenholm, 2011; Wiklund & Shepherd, 2003). An important outcome of this research is the fact that a firm's strategy (i.e., its strategic choices) may be seen as the most direct driver of its growth. This finding reaffirms the central importance of strategic growth decisions in explaining the variance of a firm's overall growth (Davidsson & Wiklund, 2013; Wiklund et
Thus, although there are several other drivers that may be considered to cause variations in the growth performance of FBs, strategic choices regarding growth may be considered to explain a considerable share of these variations (Davidsson & Wiklund, 2013; Hambrick, 2007a; Hambrick & Mason, 1984; Wiklund et al., 2009).

In view of the above, it is thus of vital interest to understand the exact mechanisms and processes of how strategic growth decisions are generally formed, and the associated influencing factors that ultimately cause variations in strategic choices (Carney et al., 2013; Chrisman et al., 2009a; Daily & Thompson, 1994). Carney et al. (2013, p. 2) make it even more explicit by stating that there is still a considerable gap "in our understanding of how strategic choice mediates the relationship between family control and performance outcomes", which requires further investigation. In line with these views, I expect that the major causes for variations in growth performance between different types of firms can be identified by examining the processes of how strategic growth decisions are formed. The various factors that determine strategic choices regarding growth, their relations and sequence in the decision-making process, as well as the impact of power holders within the organization on them, should reveal potentially significant root causes to which the variations in firms' growth performance can ultimately be traced back (Cyert & March, 1963; Davidsson & Wiklund, 2013; Hambrick & Mason, 1984; March & Simon, 1958). Consequently, this idea is explored further in the following.

Generally, a firm's strategic choices are made by a group of key individuals. More precisely, they reflect the choices of the firm's managers (Baum et al., 2001; Child, 1972). Executives' central role with regard to organizations' strategic choices is also acknowledged by the growth research community (e.g., Davidsson, 1991; Kolvereid, 1992; Stenholm, 2011; Wiklund & Shepherd, 2003). According to Baum et al. (2001, p. 294), this fact implies that "the determinants of individual decision making and behavior are among the determinants of
strategy because people choose plans in part on the basis of (1) what they are predisposed to do, (2) what they are motivated to do, and (3) what they think they can do". Growth studies stemming from the literature on small and medium sized enterprises (SMEs), a research field that also partly involves research on FBs, share this view. They provide first hints that the cognitive processes underlying executives' strategic growth decisions play a vital role in determining variations in firms' strategic choices, and ultimately, their growth performance (e.g., Davidsson, 1989a; 1989b; 1991; Delmar & Wiklund, 2008; Kolvereid, 1992; Kolvereid & Bullvag, 1996; Wiklund & Shepherd, 2003). SME-literature further claims that particularly executives' growth intentions play a central role in this context (Davidsson & Wiklund, 2013; Kolvereid & Bullvag, 1996; Morrison, Breen, & Ali, 2003; Stenholm, 2011; Wiklund, Davidsson, & Delmar, 2003). Due to these reasons, my investigation of the mechanisms and processes underlying strategic growth decisions will focus on the cognitive processes that are part of executives' individual decision making – in particular, their personal growth intentions.

For this purpose, a dedicated conceptual framework is developed. Being well established and renowned theories in the field of growth research (Cannella, 2001; Carpenter, Geletkanyecz, & Sanders, 2004; Cassar, 2006; 2007; Certo et al., 2006; Delmar & Wiklund, 2008; Hambrick, 2007a; Stenholm, 2011; Westaby, 2005; Wiklund et al., 2003), which explicitly emphasize the link between the executive himself and his actual behavior in the organization (Ajzen, 2011; Cannella, 2001; Fishbein & Ajzen, 2010b; Hambrick, 2007a; Hambrick & Mason, 1984), the UET and the TPB form the theoretical base for this model. Combining the relevant insights and components of both theories, an integrated theoretical framework emerges: a model of individual growth intentions and their respective influence on strategic choices concerning firm growth. As the CEO is typically one of the most powerful decision makers within an organization (Combs, Ketchen, Perryman, & Donahue, 2007; Daily & Johnson, 1997; Hambrick & Mason, 1984), this model specifically focuses on chief
executives as the central unit of analysis with regard to the corporate strategic decision-making process. The main proposition here is that CEOs may cause the firm's strategic growth decisions to lean in a particular direction depending on two main factors: their individual growth intentions and their degree of managerial discretion in the organization. Yet, although the chief executive is typically the most influential organizational decision maker, the remaining members of a firm's top management team (TMT) also have a relevant influence on its strategic choices (Carpenter et al., 2004; Hambrick, 2007a; Hambrick & Mason, 1984). Accordingly, the proposed model can be understood as a general theoretical framework that indicates how the strategic growth decisions of organizations are shaped by their respective upper echelons. As such, it may be applied to any kind of corporate decision and context.

Now, in order to generate deeper insights into the potential root causes that might cause a family firm's strategic choices and ultimately its growth performance to tend into a particular direction, the proposed theoretical framework is applied to the specific context of FBs. Specifically, my central research objective is to understand the variations in individual growth intentions and their respective influence on strategic choices regarding firm growth, both among FBs, and between FBs and NFBs – with a special focus on the individual CEO that is in charge of the operations. Utilizing three distinct differentiation characteristics that are frequently employed across performance studies in the field of FB research (Anderson & Reeb, 2003a; Banalieva & Eddleston, 2011; Chrisman et al., 2009a; Chrisman et al., 2005; Gedajlovic, Carney, Chrisman, & Kellermanns, 2012; Habbershon & Williams, 1999; Lussier & Sonfield, 2007; Naldi, Nordqvist, Sjöberg, & Wiklund, 2007), I distinguish between four different types of CEOs: (I) family CEOs in FBs, (II) non-family CEOs working and possessing share holdings in the FB, (III) non-family CEOs working in the FB, but not possessing share holdings, and (IV) professional CEOs working in NFBs. A further
distinction between professional chief executives according to their share holdings was deliberately excluded here, because it would not add explanatory value to the current model\textsuperscript{5}.

The individual differences in the influences by which these chief executives may shape the respective growth strategy of their firm is explained using two distinct sets of propositions. These revolve around the two main influence factors outlined in the previous paragraph: the CEOs respective growth intentions and their degree of managerial discretion in the organization.

Overall, the individual findings indicate that, depending on the idiosyncrasies of the respective CEO in charge – more precisely his individual growth intentions and degree of managerial discretion – there may be variations in the strategic choices regarding firm growth, both among different FBs, and between FBs and NFBs. This provides valuable insights and a potential explanation for the various phenomena found with regard to the growth behavior of FBs, compared to one another and also to NFBs.

In sum, this part of my work makes several relevant contributions to the literature. First of all, the development of a conceptual framework that explicitly focuses on the underlying psychological mechanisms and processes by which the profiles of executives are converted into actual strategic choices, addresses one of the most significant limitations of Hambrick and Mason's UET: the so called 'black box' problem\textsuperscript{6} (Cannella, 2001; Carpenter et al., 2004; Hambrick, 2007a; Lawrence, 1997). Second, by acknowledging that all kinds of corporate decision-making – no matter if they concern growth, internationalization, diversification, or other business matters – should follow the same basic logic and processes, the proposed framework actually represents a generic model that may not only be applied in the context of

\textsuperscript{5} A more detailed reasoning regarding the decision against the application of share holdings as an additional differentiation criterion to the group of professional CEOs working in NFBs is provided in chapter 2.5.

\textsuperscript{6} The black box criticism was initially raised by Lawrence (1997). In general, it refers to the lack of understanding of the psychological mechanisms and processes by which executive profiles shape strategic decisions, and hence firm outcomes in the context of the UET (Carpenter, Geletkanycz, & Sanders, 2004; Hambrick, 2007a; Lawrence, 1997). For further details see Lawrence (1997) as well as chapter 2.3.1.
firm growth, but also in the context of various other corporate decisions and behavior, both in FBs and NFBs. In doing so, it might contribute to a better understanding of the strategic choices and behavior of FBs with regard to various domains, such as corporate diversification (Anderson & Reeb, 2003b; Gómez-Mejía, Makri, & Kintana, 2010) or innovation, for example (Massis, Frattini, Pizzurno, & Cassia, 2015; McCann, III, Joseph E., Leon-Guerrero, & Haley, Jonathan D., Jr., 2001). Third, this study enriches the sparse literature that explicitly deals with the topic of family versus non-family managers in FBs (Astrachan et al., 2002; Chrisman et al., 2005; Chua et al., 2003; Klein & Bell, 2007), and enhances it further by additionally integrating professional executives in NFBs into the analysis. Finally, the current investigation also addresses the call for future research on the factors that facilitate or inhibit managerial discretion within FBs expressed by Berrone et al. (2012). Specifically, the inclusion of managerial discretion into the conceptual framework provides interesting insights into the individual factors that determine an executive's respective degree of managerial discretion in the FB context, and subsequently the magnitude of his influence on the firm's strategic choices.

In the next section, I introduce the two theoretical perspectives that provide the basis for understanding the processes by which strategic growth decisions are formed. I then integrate these perspectives into a general conceptual framework that explains the formation of individual growth intentions and their respective influence on strategic choices concerning firm growth. The following section applies the established theoretical framework to the FB context, and develops two distinct sets of propositions that address the variations in individual growth intentions and their individual influence on strategic choices regarding firm growth, both among FB-employed CEOs, and between FB- and NFB-employed CEOs. Finally, I conclude by summarizing the key results and contributions of this investigation, as well as its limitations and implications for future research.
2.3 Theoretical basis

2.3.1 Upper echelon theory

The term 'upper echelons' refers to "the dominant coalition of the organization, in particular its top managers" (Hambrick & Mason, 1984, p. 193). Hambrick and Mason's (1984) upper echelon theory (UET) focuses particularly on these top executives, more explicitly the members of the top management team (TMT). They are claimed to be powerful actors in the organization. The theory's central proposition is that a firm's outcomes (i.e., strategies and firm performance) can be "viewed as reflections of the values and cognitive bases of powerful actors in the organization" (Hambrick & Mason, 1984, p. 193). This view has been verified by several subsequent studies conducted since the establishment of the UET (Bantel & Jackson, 1989; Boeker, 1997; Carpenter & Fredrickson, 2001; Eisenhardt & Bourgeois, 1988; Simons, Pelled, & Smith, 1999). As the present study concerns the individual differences in strategic growth decisions and actual growth depending on the type of CEO employed, the UET represents one of its theoretical bases.

2.3.1.1 Evolution of the original upper echelon theory

The work of March and Simon (1958), and Cyert and March (1963) regarding the behavioral theory of the firm forms the basis for Hambrick and Mason's upper echelons perspective (Cannella, 2001; Hambrick, 2007a; Hambrick & Mason, 1984). Introducing sociological aspects into the economic theory of the firm, the behavioral theory of the firm emphasizes the role of individuals within an organization (Cyert & March, 1963). In this context the firm is viewed as "a coalition of participants with disparate demands, changing foci of attention, and limited ability to attend to all organizational problems simultaneously" (Cyert & March, 1963, p. 43). In contrast to the basic assumptions of economic theory, which see individual actors within an organization as economic-rational agents, whose primary goal
is to maximize the firm's profit, the behavioral theory emphasizes the human limitations of these actors. Human limitations, such as bounded rationality, information overload, myriad options, conflicting goals, and varying aspiration levels, are claimed to affect firms' decision-making and behavior (Cyert & March, 1963; Hambrick, 2007a; Hambrick & Mason, 1984).

In their original paper on the UET, Hambrick and Mason (1984) build on the behavioral theory of the firm, claiming that strategic choices of firms have a large behavioral component and thus, to some extent, reflect the idiosyncrasies of the firms' decision makers. Consequently it follows that understanding why organizations act or perform in a certain way, requires comprehending "the biases and dispositions of their most powerful actors—their top executives" (Hambrick, 2007a, p. 334). This premise of bounded rationality, that is "the idea that informationally complex, uncertain situations are not objectively 'knowable' but, rather, are merely interpretable" (Hambrick, 2007a, p. 334), forms the starting point for the considerations of Hambrick and Mason (1984) regarding the upper echelons perspective. In their 'perceptual model of strategic choice' (see Figure 2-1), they examine a decision maker's process of formulating strategic choices under conditions of bounded rationality (Hambrick, 2005b; Hambrick & Mason, 1984). The model's central idea is that "executives act on the basis of their personalized interpretations of the strategic situations they face" (Hambrick, 2007a, p. 334).
According to Hambrick and Snow (1977), the perceptual process "can be usefully conceptualized by taking a sequential view" (Hambrick & Snow, 1977, p. 110). First, "the situation a strategic decision maker faces is complex and made up of far more phenomena than he/she can possibly comprehend" (Hambrick & Mason, 1984, p. 195). Following the argumentation of March and Simon (1958), Hambrick and Mason (1984) contend that managers bring their individual set of 'givens' to a decision-making situation. These givens reflect the executive's psychological factors (e.g., his values, cognitive style, or personality) as well as his observable experiences (e.g., his age, organizational tenure, or functional background). As the manager is unable to examine each aspect of the organization and its environment, his psychological factors and observable experiences serve to filter and distort his perception of the objective situation (Hambrick, 2005b; Hambrick & Mason, 1984). The decision maker's attention is thus directed to a few selective areas of the objective situation, resulting in a limited field of vision. Second, as individuals tend to selectively perceive only some of the aspects included in their field of vision, the manager's perception is limited.
further. In a third step, the manager interprets the aspects selected for processing through a filter that is woven by his givens, which results in his eventual perception of the situation (i.e., his construed reality). This managerial perception ultimately represents the basis for the strategic choices and behaviors of top executives, which, in turn, influences organizational performance (Hambrick, 2005b; Hambrick & Mason, 1984; Hambrick & Snow, 1977).

The proposition presented above, that an executive's cognitions, experiences and perceptions influence the process of strategic choice, and consequently also the resulting firm performance, lies at the core of the UET (Carpenter et al., 2004). Figure 2-2 depicts the original upper echelon model according to Hambrick and Mason (1984).

**Figure 2-2: An upper echelons perspective of organizations**

Source: Hambrick and Mason (1984, p. 198)

The starting point of the upper echelon model is the organization's 'objective internal and external situation', shown on the left-hand side of Figure 2-2. The influence of the firm's internal and external situation is twofold. First, executives' characteristics are partly a reflection of the organization's situation, because generally managers are drawn to, and then advance within, corporate settings that suit their profiles. In addition, the situational conditions impose a limitation on the pool of potential strategic choices available to the top managers (Carpenter et al., 2004; Hambrick, 2007a; Hambrick & Mason, 1984).
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Forming the core of the upper echelons perspective, 'upper echelon characteristics' are introduced in a subsequent step. They determine a firm's strategic choices, and consequently also its organizational performance (Carpenter et al., 2004; Hambrick, 2007a; Hambrick & Mason, 1984). These characteristics may be separated into two categories: psychological characteristics (i.e., managers' cognitions, values, and perceptions) and observable characteristics (i.e., managers' demographics such as age, educational experiences, and functional background). However, as psychological characteristics of executives are difficult to assess and measure, Hambrick and Mason (1984) invoke prior research on organizational demography (e.g., by Pfeffer (1983) and his associates) to advocate that observable "managerial characteristics are reasonable proxies for underlying differences in cognitions, values, and perceptions" (Carpenter et al., 2004, p. 750). They are claimed to shape the TMT's interpretation of the objective situation and facilitate the formulation of appropriate strategic alternatives, ultimately impacting the firm's performance (Carpenter et al., 2004; Hambrick, 2007a). As a result, most of the research in this field is focused on observable managerial demographics, replacing executives' cognitions, values, and perceptions in the upper echelon model (Cannella, 2001; Carpenter et al., 2004; Hambrick, 2007a; Hambrick & Mason, 1984).

The third box then constitutes a range of different 'strategic choices' that each organization's management team is typically faced with. As stated above, these strategic choices are expected to reflect the characteristics of the upper echelons of the organization, within the limitations imposed by the internal and external situation of the firm (Carpenter et al., 2004; Hambrick, 2007a; Hambrick & Mason, 1984) Acknowledging the existence of other influential factors, Hambrick and Mason (1984) regard the TMT's strategic choices to be a particularly influential determinant of organizational performance.

This organizational performance, finally, represents the right-hand side of the upper echelon model. It is claimed to be impacted by the characteristics of the management team
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both directly and indirectly, via the TMT's impact on the firm's strategic choices (Carpenter et al., 2004; Hambrick, 2007a; Hambrick & Mason, 1984). In conclusion, an organization and its performance can thus be seen "as a reflection of its top managers" (Hambrick & Mason, 1984, p. 193).

2.3.1.2 Later refinements of the upper echelon theory

Since its establishment in Hambrick and Mason's 1984 article, the UET has experienced several enhancements. Hambrick (2007a) states that the introduction of three important moderators has been among the most notable refinements of the original upper echelon model. 'Managerial discretion', 'executive job demands', and 'TMT behavioral integration' moderate upper echelons predictions – that is, they determine the magnitude with which managerial characteristics will be reflected in the firm's strategy, and subsequently also in its performance (Hambrick, 2007a). Beyond these moderators, there are also further refinements of Hambrick and Mason's (1984) original UET. Discussing all of these enhancements would, however, be beyond the scope of this work. For this reason, the following discussion focuses on the three moderators and their impacts in the upper echelon model.

Hambrick and Finkelstein (1990; 1987) introduced the concept of managerial discretion, which refers to "the latitude of action available to top executives [...] accounting for differing levels of constraint facing different top-management groups" (Finkelstein & Hambrick, 1990, p. 484). Hambrick (2007a, p. 335) argues that, "upper echelons theory offers good predictions of organizational outcomes in direct proportion to how much managerial discretion exists". As discretion determines the magnitude of the influence that individual top managers have on the organization, it consequently determines the magnitude of the reflection of top-management's characteristics in the organization's outcomes.

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7 For an overview of all of the UET's enhancements see Hambrick (2007a).
Generally, it is claimed that managerial characteristics will affect the firm's strategic choices and its performance more in high-discretion than in low-discretion situations. Thus, whenever discretion is low, the manager's role is limited and the explanatory power of the UET will be weak. In contrast, when discretion is high, executives are able to significantly shape the organization, implying that managerial characteristics will be reflected in the firm's outcomes (Finkelstein & Hambrick, 1990; Hambrick, 2007a; Hambrick & Finkelstein, 1987).

Just like managerial discretion, executive job demands are an important moderator of the basic predictive strength of the UET (Hambrick, 2007a). Hambrick, Finkelstein and Mooney (2005, p. 472) define them as "the degree of challenge a given executive experiences in his or her job". Executives' jobs differ widely in the degree of difficulty they pose for their incumbents, ranging from managers operating in munificent environments, with well-prepared strategic positions, to managers facing demanding owners and boards, and difficult strategic conditions. These variations are claimed to moderate the relationship between managerial characteristics and strategic choices. They determine the magnitude with which managerial characteristics will be reflected in the firm's strategic choices and its performance (Hambrick, 2007a; Hambrick et al., 2005). More explicitly, "the greater the executive job demands, the stronger the relationship between executive characteristics and strategic choices" (Hambrick, 2007a, p. 336). As managers with heavy job demands often have to take mental shortcuts and fall back to options that have worked in the past, their strategic choices will strongly reflect their backgrounds and dispositions. Managers with minimal job demands, on the contrary, have greater latitude to conduct comprehensive analyses as a basis for their decision-making. Therefore, their strategic choices will more greatly mirror the objective situation with which they are confronted (Hambrick, 2007a; Hambrick et al., 2005).

Besides the two moderators discussed above, Hambrick's (1994; 1995) elaborations on TMT behavioral integration stand out. Behavioral integration, in this context, refers to "the
degree to which a TMT engages in mutual and collective interaction" (Hambrick, 2007a, p. 336). The TMT's behavioral integration has been shown to have direct effects on a firm's performance. What is more important, however, is that it affects the TMT's basic relevance as a meaningful unit of analysis in the upper echelon model (i.e., the 'team' and its collective characteristics as the unit of analysis). A behaviorally integrated TMT, where members share information, resources and decisions, is claimed to have a positive effect on organizational performance, and to increase the predictive validity of the upper echelon model. In contrast, a management team that consists of semiautonomous 'barons', who individually engage in bilateral relations with the firm's CEO, and hence hardly form a team, will rather not be a useful unit of analysis in the upper echelons context (1994; 1995; Hambrick, 2007a).

**Limitations of the UET.** Like most theoretical frameworks, the UET also encounters some limitations. One of the theory's most significant limitations is the so called 'black box' problem, which is frequently highlighted throughout upper echelon studies (Cannella, 2001; Carpenter et al., 2004; Hambrick, 2007a; Lawrence, 1997). Initially raised by Lawrence (1997), the black box criticism refers to the lack of understanding of the underlying mechanisms and processes by which TMT characteristics shape strategic decisions and hence firm outcomes (Carpenter et al., 2004). To date, there has been no confirmation that executive characteristics affect their information processing in the way suggested by the UET and its underlying perceptual model of strategic choice (Cannella, 2001; Carpenter et al., 2004; Hambrick, 2007a). Thus, "the psychological and social processes by which executive profiles are converted into strategic choices still remain largely a mystery" (Hambrick, 2007a, p. 337).

A second, fairly relevant limitation of Hambrick and Mason's framework that needs to be mentioned, is its dominant research focus on observable managerial characteristics as proxies of executives' psychological dimensions (Cannella, 2001; Carpenter et al., 2004; Hambrick, 2007a). Attracted by the reliability and accessibility of such demographic
information, many upper echelon studies focused purely on this kind of characteristics, neglecting the important effects of executives' psychological profiles with regard to organizational performance (Cannella, 2001). Yet, although several highly significant associations between executives' demographic characteristics and organizational outcomes have been observed (Cannella, 2001; Carpenter et al., 2004; Hambrick, 2007a), researchers have to "remain very sensitive to the fact that demographics are exceedingly limited, imprecise, and noisy surrogates for executive […] psychology" (Cannella, 2001, p. 38).

2.3.2 Theory of planned behavior

Understanding, explaining and predicting human behavior and its fundamental determinants, has been a primary goal for many theorists in social sciences (Ajzen, 1991; Fishbein & Ajzen, 1975a; Westaby, 2005). Behavioral intention models, such as Fishbein and Ajzen's (1975a; 2010b) 'reasoned action approach', have significantly advanced researchers' understanding of behavioral determinants. The reasoned action approach refers to the 'theory of reasoned action' (TRA), which concerns causal antecedents of behavior under full volitional control, and its extension, the 'theory of planned behavior' (TPB), which concerns behavioral determinants under limited volitional control (Ajzen, 1988; 1991; Fishbein & Ajzen, 2010b). This study specifically employs the TPB as its second theoretical basis, since the behavior under investigation (strategic growth decisions) is considered to be under limited volitional control of the actor concerned (i.e., the CEO) (Delmar & Wiklund, 2008; Stenholm, 2011; Wiklund & Shepherd, 2001; Wiklund & Shepherd, 2003).

Being one of the most comprehensive and most widely applied behavioral intention models, the TPB can be seen as the dominant approach used to explain and predict human behavior (Ajzen, 1991; 2011; Cooke & Sheeran, 2004; Krueger & Carsrud, 1993; Westaby, 2005). "At its core, the TPB is concerned with the prediction of intentions" (Ajzen, 2011,
The theory's main proposition is that an individual's intention to perform (or not to perform) a certain behavior, together with his perceived degree of behavioral control over the behavior, can be used directly to predict and understand the performance of this behavior (Ajzen, 1985; 1988; 1991; Fishbein & Ajzen, 2010b). Since its establishment, the reasoned action approach has been employed in well over 1,000 empirical papers in professional journals (Fishbein & Ajzen, 2010b) and received robust support in various behavioral domains ranging from health care, to marketing, to entrepreneurial behavior (Cooke & Sheeran, 2004; Fishbein & Ajzen, 2010b; Krueger & Carsrud, 1993; Westaby, 2005).

2.3.2.1 Evolution of the theory of planned behavior –The theory of reasoned action

Driven by the motivation to organize and integrate the traditional attitude-behavior research, which was characterized by a high degree of ambiguity and confusion at that time, Fishbein and Ajzen (1975a) developed a new systematic and comprehensive approach for explaining and predicting human behavior in 1975. This approach was named the 'theory of reasoned action' and forms the basis for the behavioral theory employed in this study, the TPB (Ajzen, 1988; 1991; Fishbein & Ajzen, 1975a; 2010b). To provide a foundation for the subsequent discussion of the TPB, this chapter presents a brief overview of the TRA.

Many behaviors of everyday life can be considered as being largely under volitional control. This means that individuals can easily engage in these behaviors if they are inclined to do so, or refrain from performing them in case they decide against doing so. For example, most people can, if they so desire, watch the evening news on television, or buy toothpaste at a drugstore (Ajzen, 1985; 1988). The TRA is designed to examine and predict behavior that is under such complete volitional control (Ajzen, 1988; 1991; Fishbein & Ajzen, 1975a).

Under the assumption that an individual largely has volitional control over the given behavior, the TRA claims that "a person's intention to perform (or not to perform) a behavior
is the immediate determinant of that action" (Ajzen, 1988, p. 4). This relationship is described by Equation 2-1.

**Equation 2-1:** \[ B \sim I \]

Intentions can thus be seen as the central factor in the TRA approach (see Figure 2-3) (Ajzen, 1988). They are "assumed to capture the motivational factors that have an impact on a behavior; they are indications of how hard people are willing to try, of how much of an effort they are planning to exert, in order to perform the behavior" (Ajzen, 1988, p. 1). According to Ajzen (1988), apart from unforeseen events, individuals are expected to act in accordance with their personal intentions. Thus, as depicted by Figure 2-3, researchers should be able to form highly accurate predictions of volitional actions on the basis of individuals' expressions of their corresponding behavioral intentions (Ajzen, 1985; 1988). So in order to understand human behavior, a close examination of individuals' behavioral intentions and their determinants is required (Ajzen, 1985; 1988; Fishbein & Ajzen, 1975a).

**Figure 2-3:** The theory of reasoned action

Following the argumentation of the TRA, an individual's intention can be expressed as "a function of two basic determinants, one personal in nature and the other reflecting social influence" (Ajzen, 1988, p. 4). The personal factor refers to the person's 'attitude toward the behavior' (Ajzen, 1985; 1988; Fishbein & Ajzen, 1975a), that is his evaluation of the behavior...
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and its consequences along a dimension of favor or disfavor, good or bad, like or dislike (Fishbein & Ajzen, 2010b). The second determinant, which reflects social influence, is termed 'subjective norm' and concerns the individual's perception of the social pressures put on him to execute or not to execute the behavior under consideration (Ajzen, 1985; 1988; Fishbein & Ajzen, 1975a). In summary, this means that individuals intend (I) to perform a certain behavior if they evaluate this behavior positively (A) and if they believe that important others think that they should perform it (SN) (see Equation 2-2). The relative importance, or weight ($w_1$ and $w_2$), of these factors depends on the intention and the behavior under investigation, and varies from one person to another (Ajzen, 1985; 1988; Fishbein & Ajzen, 1975a).

Equation 2-2: $$I = (A)w_1 + (SN)w_2$$

A more complete understanding of behavioral intentions, however, requires going one level deeper within the intention formation process – i.e., investigating the causal determinants of individuals' attitudes (A) and subjective norms (SN). According to the TRA, the foundation for the two determinants of intentions lies in individuals' beliefs. More explicitly, both attitudes and subjective norms are claimed to be a function of beliefs (Ajzen, 1985; 1988; Fishbein & Ajzen, 1975a). Generally stated, a belief represents the information a person has about an object or behavior because it links this object or behavior to some attribute (Fishbein & Ajzen, 1975a). In their studies on reasoned action, Fishbein and Ajzen (2010b) refer to beliefs as being 'subjective probabilities', which is reflected in their definitions presented in the following paragraphs.

The causal determinants of an individual's attitude toward a behavior, and their relations, can be described in the form of an 'expectancy-value model' (Fishbein & Ajzen, 1975a). The beliefs underlying a person's attitude toward the behavior, referred to as 'behavioral beliefs', are the central component within this model (Ajzen, 1985; 1988; Fishbein
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Ajzen, 1975a). They are defined as "the subjective probability that performing a behavior leads to a certain outcome" (Fishbein & Ajzen, 2010b, p. 221); that is, they represent the person's belief that performing the behavior will lead to certain outcomes or consequences (Ajzen, 1988). An individual might hold a large number of beliefs about a given behavior; yet, not all of these behavioral beliefs are of equal importance in determining his attitude regarding the behavior. Relevant determinants, in the context of the expectancy-value model, are only those beliefs that are 'salient' at a given point in time. More explicitly, this means that human limitations in attention span and information processing limit the number of behavioral beliefs serving as primary determinants of a person's attitudes (Fishbein & Ajzen, 1975a; 2010b). As a person is only capable of attending to or processing five to nine items of information at the same time (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975a; 2010b), Fishbein and Ajzen (1975a) claim that no more than five to nine behavioral beliefs, those that are salient at that point in time, determine an individual's attitude toward the given behavior. These beliefs are subject to change. They may be strengthened, weakened, or even be replaced by new beliefs, consequently implying corresponding changes in the individual's attitudes (Fishbein & Ajzen, 2010b). The second component within the expectancy-value function of attitude is the person's evaluation of the expected outcomes or consequences as defined by the behavioral beliefs. This evaluation takes place along a dimension of favor or disfavor, good or bad, like or dislike. To determine its relative importance, each behavioral belief \((b_i)\) (i.e., each outcome or consequence associated with the behavior in question) is evaluated \((e_i)\) individually. The sum of these individual evaluations then forms a person's overall attitude toward the behavior \((A)\), where \((n)\) refers to the number of salient behavioral beliefs (Ajzen, 1985; 1988; Fishbein & Ajzen, 1975a; 2010b). Equation 2-3 summarizes the overall expectancy value index.

**Equation 2-3:**

\[
A = \sum_{i=1}^{n} b_i e_i
\]
Like attitudes, subjective norms can also be expressed as a function of beliefs. More explicitly, the causal determinants of an individual's subjective norms can be subsumed under an index of salient 'normative beliefs' (Ajzen, 1985; 1988; 2012; Fishbein & Ajzen, 1975a). These 'normative beliefs' are the function's central component (Ajzen, 1985; 1988) and refer to a person's perceptions of what should or ought be done regarding the performance of a given behavior, based on the perceived opinion of important referent groups or individuals (Fishbein & Ajzen, 2010b). More explicitly, Fishbein and Ajzen (2010b, p. 221) define them as "the subjective probabilities that particular referents prescribe or proscribe performance of a behavior". As is the case with behavioral beliefs, the number of normative beliefs, that primarily determine an individual's subjective norms, is limited to the five to nine beliefs that are salient at the given point in time (Fishbein & Ajzen, 1975a; 2010b). Generally, a person is supposed to form one normative belief per reference group or individual that he considers as being important in a given situation. The indices' second component is the person's motivation to comply with the respective expectations of the reference group or individual (Ajzen, 1985; 1988; Fishbein & Ajzen, 1975a). This component serves as a weight to determine the relative importance of the individual normative beliefs (Fishbein & Ajzen, 2010b). In determining the index of salient normative beliefs, each normative belief regarding the prescription of a certain reference group is multiplied by the individual's motivation to comply with this reference group's expectations. The person's overall subjective norm \( SN \) regarding the behavior in question is then formed by adding up the individual products of normative beliefs \( n_i \) and the corresponding motivation to comply \( m_i \) (see Equation 2-4). In this context, \( n \) refers to the number of relevant referents, that is the number of salient normative beliefs (Ajzen, 1985; 1988; 2012; Fishbein & Ajzen, 1975a).

**Equation 2-4:** \[ SN = \sum_{i=1}^{n} n_i m_i \]
In summary, according to the TRA, the psychological foundation for human action can be found in an individual's beliefs (Ajzen, 1988; Fishbein & Ajzen, 1975a; 2010b). That is, through a series of intervening processes, the TRA traces the causes of behavior down to a person's salient beliefs. At the first level, a person's behavior is expected to be determined by his intention. On the subsequent level, these intentions can be explained in terms of the individual's attitude toward the behavior and his subjective norms. These two components of intentions, in turn, can be explained by the individual's behavioral and normative beliefs regarding the given behavior (Ajzen, 1985).

2.3.2.2 Current status of the reasoned action approach – The theory of planned behavior

In the previous section, Fishbein and Ajzen's (1975a) model for explaining and predicting human behavior that is under full volitional control has been introduced, the TRA. The assumption of complete volitional control over behavior, however, does often not hold true in reality. Most behavior actually is under limited volitional control, as sometimes even very mundane activities, that usually could be performed (or not performed) at the individual's will, are influenced by factors that lie beyond this person's control. Although, the TRA has proved quite successful in the context of purely volitional behaviors, difficulties are encountered when applying it to behaviors under limited volitional control (Ajzen, 1985; 1988). Due to the limitations of Fishbein and Ajzen's (1975a) original model in dealing with behaviors over which individuals have only incomplete volitional control, Ajzen (1985; 1988; 1991) developed the TPB as an extension of the TRA. In particular, the TRA approach was enriched by complementing the original model with a number of new thoughts and components. Overall, these amendments concern three areas:

- The integration of behavioral control into the framework.
- The advancement of the existing subjective norms component.
• The integration of the psychological processes and the set of factors that influences the formation of individual's beliefs.

The remainder of this chapter discusses the explanation and prediction of human behavior and its fundamental determinants according to the TPB, with a specific focus on the three areas outlined above. Figure 2-4 depicts the updated reasoned action model – the TPB.

**Figure 2-4: The theory of planned behavior**

![Diagram of the theory of planned behavior](image)

*Source: Fishbein and Ajzen (2010b, p. 22)*

According to Fishbein and Ajzen (2010b, p. 68), "when people have control over performance of a behavior they tend to act in accordance with their intentions". Hence, as already proposed by the original model, behavioral intentions are a central factor in the TPB (Ajzen, 1988; 1991; 2011). However, especially under the assumption of incomplete volitional control over behavior, another factor – one that captures the degree of control an individual has over a given behavior – needs to be incorporated into the theory in order to preserve its predictive power (Ajzen, 1985; 1988; Fishbein & Ajzen, 2010b). Volitional, or 'actual', control is expected to moderate the effect of intentions on behavior, such that the effect will be stronger, the higher the level of actual control is. Since this actual control over a
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given behavior is often difficult to assess (Ajzen, 2012; Fishbein & Ajzen, 2010b), Fishbein
and Ajzen (2010b, p. 64) state that "people's perceptions of their control over a behavior [...] can serve as a proxy for actual control". Assuming that this 'perceived behavioral control' is veridical and corresponds at least roughly to the level of actual control, it is incorporated as a second behavioral determinant into the TPB model (Ajzen, 1988; 2011; 2012; Fishbein & Ajzen, 2010b). As such it is claimed to influence behavior indirectly, via intentions, and also directly, being a partial substitute for a measure of actual control (although not fully replacing actual control as a moderator of the intention-behavior relationship) (Ajzen, 1988). Together, both factors, the individual's intention to perform the behavior and his perceived degree of behavioral control over that behavior, are claimed to explain a significant portion of the behavior in question (see Figure 2-4) (Ajzen, 1985; 1988; 1991; Fishbein & Ajzen, 2010b). So in order to explain and predict human behavior, a closer understanding of these two factors and their determinants is required.

In a first step, intentions and their determinants need to be examined in detail. Contrary to the TRA, the TPB claims that behavioral intentions are determined by three, rather than two, conceptually independent factors (Ajzen, 1988; Fishbein & Ajzen, 2010b). The first determinant, attitude toward the behavior \( A \), is equal to the attitude component initially utilized by Fishbein and Ajzen's (1975a) in their original model. Except for the slight advancements made in defining subjective norms \( SN \), this second factor closely resembles the originally employed normative component, too (Ajzen, 1988). The third factor, perceived behavioral control \( PBC \), represents the novel component that Fishbein and Ajzen (2010b) have added to their original model to explain behavioral intentions in case of incomplete volitional control over the given behavior (Ajzen, 1988). Thus in general, "the more favorable the attitude and subjective norm with respect to a behavior, and the greater the perceived behavioral control, the stronger should be the individual's intention to perform the behavior
under consideration" (Ajzen, 1988, p. 14). Yet, in the TPB approach subjective norms are often seen as being the weakest of the three immediate determinants of behavioral intentions (e.g., Ajzen, 1991; Fishbein & Ajzen, 2010b). Equation 2-5 summarizes how the three major components relate to behavioral intentions. As in the original model, all determinants are weighted \((w_1, w_2\) and \(w_3)\) according to their relative contribution in the prediction of intentions, which may vary from one behavior to another, and from one person to another (Ajzen, 1985; 1988; 1991; Fishbein & Ajzen, 1975a; 2010b).

**Equation 2-5:**

\[
I = (A)w_1 + (SN)w_2 + (PBC)w_3
\]

To recapitulate, the first component, a person's attitude toward the behavior, refers to his general feeling of favorableness or unfavorableness toward the given behavior (Fishbein & Ajzen, 1975a), that is his positive or negative evaluation of performing this behavior (Ajzen, 1988). When progressing from the TRA to the TPB, Ajzen (1985; 1988; 1991) did not modify the role or the formation process of attitudes as one of the determinants underlying behavioral intentions (Fishbein & Ajzen, 2010b). Thus, as attitudes, and their causal antecedents, have been extensively discussed in chapter 2.3.2.1, the following two sections focus on presenting the most notable modifications among the immediate determinants of behavioral intentions: the addition of descriptive norms to the subjective norm component, as well as the introduction of the third and novel factor, perceived behavioral control (Fishbein & Ajzen, 2010b).

The second component, a person's subjective norm, refers to the influence of the social environment on individual intentions and actions. It is based on the concept of 'social norm', which concerns considerations regarding acceptable or permissible behavior in a group or society (Fishbein & Ajzen, 2010b). Consequently, according to Fishbein and Ajzen, it may be viewed as the "perceived social pressure to perform (or not to perform) a given behavior"
In contrast to the initial formulation of the TRA, the updated TPB approach specifies two types of norms, instead of only one, as determinants of perceived normative pressure. They are termed 'injunctive' and 'descriptive' norms. "Injunctive norms refer to perceptions concerning what should or ought to be done with respect to performing a given behavior" (Fishbein & Ajzen, 2010b, p. 131) according to the perceived opinion of those people who are important to a person. Thus, they correspond to the initial concept of subjective norms as defined in the TRA approach (Ajzen, 1988; Fishbein & Ajzen, 1975a; 2010b). However, as such normative prescriptions only represent one possible source of perceived normative pressure, Fishbein and Ajzen (2010b) introduced a second component, descriptive norms. This component concerns the normative pressure experienced by an individual due to his perception or "belief that important others are themselves performing or not performing the behavior in question" (Fishbein & Ajzen, 2010b, p. 131). To capture the entire spectrum of perceived normative pressure as completely as possible, the TPB's normative belief index has to integrate both injunctive and descriptive components as causal determinants of subjective norms (Fishbein & Ajzen, 2010b). As is the case in the initial model, beliefs form the basic determinant underlying this construct. Following the reasoning of the TRA (see chapter 2.3.2.1), injunctive norms are based on 'injunctive normative beliefs'. They refer to a person's salient beliefs about what important others think he should do with regard to the given behavior. A person's overall injunctive norm then corresponds to the total set of his salient injunctive normative beliefs, each weighted by his motivation to comply with the individual referents (Ajzen, 1985; 1988; 1991; Fishbein & Ajzen, 1975a; 2010b). Descriptive norms may be determined in a similar fashion (Fishbein & Ajzen, 2010b). Descriptive normative beliefs, that is "the perceived behaviors of particular individuals or groups" (Fishbein & Ajzen, 2010b, p. 146), represent the cognitive foundation for descriptive norms. To account for the variance in the magnitude of influence of
different reference groups on the formation of this kind of norms, those descriptive normative beliefs that are salient at the given time have to be given weights. These weights correspond to the individual's identification with each of the different referents. The individual's overall descriptive norm then equals the total set of his salient descriptive normative beliefs, each weighted by his identification with the given social referent. In a final step, the sum of the respective products of salient injunctive and descriptive normative beliefs is incorporated into a joint index of normative beliefs, indicating the individual's overall subjective norm regarding the behavior (Fishbein & Ajzen, 2010b).

Perceived behavioral control, the third and novel factor, corresponds to people's perceived ease or difficulty in carrying out the behavior in question (Ajzen, 1988; 1991; Fishbein & Ajzen, 2010b), that is their "perceptions of the degree to which they are capable of, or have control over, performing a given behavior" (Fishbein & Ajzen, 2010b, p. 64). It considers whether the skills, information, opportunities, or any other resources required for performing the behavior in question are available, and whether there are any impediments or obstacles that have to be overcome (Ajzen, 1988; Fishbein & Ajzen, 2010b). As regards behavior under limited volitional control, perceived behavioral control plays a pivotal role in determining behavioral intentions within the theoretical framework of the TPB (Ajzen, 1991). That is, if an individual believes he has no control over the performance of a behavior, he may not form strong intentions to perform this behavior, even if he holds positive attitudes and perceives strong social pressure to do so (Fishbein & Ajzen, 2010b). Like attitudes and subjective norms, perceived behavioral control can be expressed as a function of beliefs (Ajzen, 2012). More precisely, the causal determinants of perceived behavioral control can be subsumed under an index of salient 'control beliefs' (Ajzen, 1991; 2012; Fishbein & Ajzen, 2010b). Analogous to the expectancy-value model of attitudes presented in Equation 2-3 in chapter 2.3.2.1, two major factors determine the perceived degree of behavioral control
(Ajzen, 2012). Obviously, the individual's control beliefs constitute the central component in
this model. According to Ajzen (1988; 1991; 2012), they deal with the presence or absence of
resources and opportunities required for performing the behavior in question, representing
individuals' "subjective probabilities that particular factors that can facilitate or impede
performance of the behavior will be present" (Fishbein & Ajzen, 2010b, p. 221). Similar to
behavioral and normative beliefs, the number of control beliefs that serve as the prevailing
determinants of a person's perceived degree of behavioral control is limited. Only the five to
nine control beliefs that are salient at the given moment can be considered as relevant
determinants (Ajzen, 1991; Fishbein & Ajzen, 2010b). In general, an individual is supposed
to form one control belief for each control factor that he assumes to be present and highly
relevant in the given situation (Ajzen, 1988; 1991; 2012; Fishbein & Ajzen, 2010b). The set
of salient control beliefs is complemented by the individual's perceived power of each control
factor to facilitate or impede the performance of the given behavior, which forms the indices
second component (Ajzen, 1988; 1991; Fishbein & Ajzen, 2010b). This perceived power is
expected to contribute to the degree of perceived behavioral control in direct proportion to the
individual's belief that the control factor is present (Ajzen, 2012). In order to form a person's
overall perception of behavioral control ($PBC$), each control belief ($c_i$) is multiplied by the
perceived power of the particular control factor ($p_i$). The resulting products are then summed
up across the number of salient control beliefs ($n$) (Ajzen, 1991; 2012; Fishbein & Ajzen,
2010b). Thus, "the more of the required resources and opportunities individuals think they
possess, and the fewer obstacles or impediments they anticipate, the greater should be their
perceived control over the behavior" (Fishbein & Ajzen, 2010b, p. 170). Equation 2-6
indicates these relations in symbolic form (Fishbein & Ajzen, 2010b).

**Equation 2-6:** \[ SN = \sum_{i=1}^{n} c_i p_i \]
As evidenced by the information on the reasoned action approach provided so far, beliefs form the basis for all of the direct antecedents of behavioral intentions – attitudes, subjective norms, and perceived behavioral control. Mediated by these direct antecedents of intentions, beliefs then ultimately determine human action, providing the psychological foundation for human behavior (Ajzen, 1988; 1991; Fishbein & Ajzen, 2010b). By defining beliefs as subjective probabilities, Fishbein and Ajzen (2010b) indicate that these beliefs do not necessarily need to be true, accurate or rational, and that they vary between individuals. Nevertheless, they represent the individual information people have about a behavior. As the two authors suggest, this information, or more precisely the corresponding beliefs, are not innate, but in fact are acquired through learning experiences resulting from the daily interaction with the real world. More explicitly, by way of different types of belief formation processes, a person 'learns' the information he has about the given behavior – that is, his behavioral, normative, and control beliefs with regard to this behavior. Consequently, any difference in beliefs (and subsequently in actual behavior) between two individuals may be viewed as the result of the differential learning experiences of these two individuals. These variations may primarily be caused by the influence of certain 'background factors', that vary from individual to individual, on the psychological processes of belief formation (Ajzen, 1985; Fishbein & Ajzen, 2010b). Thus, for a more complete understanding of the variations in human behavior and their causes, another, deeper analysis is required in the following. As already outlined at the beginning of the present chapter, this examination constitutes the third enhancement of the TPB approach: the investigation of the origins of individuals' beliefs. Specifically, it focuses on the psychological processes of belief formation and the influence background factors (Fishbein & Ajzen, 2010b).

As a first step in explaining the variations in individuals' beliefs, the psychological processes of belief formation need to be examined. In general, there are three different kinds
Variations in strategic choices concerning firm growth of processes that may underlie the formation of behavioral, normative and control beliefs (Fishbein & Ajzen, 1975a; 2010b):

- 'Observational' processes of belief formation
- 'Informational' processes of belief formation
- 'Inferential' processes of belief formation

Each of them links the behavior in question to certain attributes, ultimately resulting in the individual information a person holds about this behavior (Fishbein & Ajzen, 1975a). The first, and rather obvious, source of information on which an individual can base his beliefs is direct observation. During the process of observational belief formation, the individual actively establishes a link between the behavior and a specific attribute on the basis of direct observation (Fishbein & Ajzen, 1975a; 2010b). With regard to behavioral beliefs this would mean for example, that a person may notice (i.e., directly observe) that when he engages in a specific behavior, certain outcomes are likely to follow (Fishbein & Ajzen, 2010b). Generally, a person's observational beliefs tend to be quite veridical, accurately reflecting this person's direct observations, or experiences. Empirical evidence indicates little systematic bias in observational belief formation through personal factors such as beliefs, desires, or personality characteristics. Thus, in determining observational behavioral, normative, or control beliefs, researchers should focus on directly observable issues in the individual's environment (Fishbein & Ajzen, 1975a).

Besides observational belief formation, a link between the given behavior and a specific attribute may also be established based on the information supplied by some outside source. Hence, throughout the second process, informational belief formation, the individual is provided with items of information established by some outside source, instead of having to actively acquire this information by observing people, objects, and events in the given
variational strategic choices concerning firm growth (Fishbein & Ajzen, 1975a). Such outside sources include not only newspapers, books, radio and television, and the Internet, but also teachers, friends, and relatives. Informational behavioral, normative or control beliefs are only formed by an individual if this person accepts the information provided by the respective outside source (Fishbein & Ajzen, 1975a; 2010b). Achieving such acceptance requires that the given communication provided by the outside source be 'persuasive' to the individual. Following the argumentations of Hovland et al. (1953), Fishbein and Ajzen (1975a) define 'persuasive communication' as the successful influence attempt undertaken by the outside source in order to affect the individual's beliefs (Fishbein & Ajzen, 1975a). According to them, a message has to produce changes in the initial (or 'proximal') beliefs of the receiver in order to be persuasive, which typically is the result of a multi-step process⁸ (Fishbein & Ajzen, 1975a). Now, in the case that such an actual change in the receiver's proximal beliefs occurs, the external source's communication has been persuasive, and the receiver has successfully formed a new behavioral, normative, or control belief by way of informational belief formation (Fishbein & Ajzen, 1975a). Regarding control beliefs, this would mean, for example, that people may learn about the presence of control factors facilitating or impeding the performance of the behavior from an outside source (Fishbein & Ajzen, 2010b).

Finally, inferential belief formation has to be considered as the third source of information on which an individual can base his beliefs. These kinds of belief formation processes claim that a person may actively establish a link between the given behavior and a certain attribute through a process of inference, which is based on some other belief that he has formed earlier about this behavior (Fishbein & Ajzen, 1975a). As regards inferential normative beliefs for example, an individual's existing beliefs about the characteristics and preferences of a certain reference group may lead him to infer that this reference group would

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⁸ For further information on the individual steps of this multi-step process of persuasive communication see Fishbein & Ajzen (1975a).
approve or disapprove the given behavior (Fishbein & Ajzen, 2010b). According to Fishbein and Ajzen (1975a), these inferences are typically based on the individual's considerations of the relations between different beliefs or items of information. Such relations, in turn, are usually based on probabilistic consistency, as the individual forms them based on his personal perception of the relationships that seem to be probable or logical to him (i.e., his subjective probabilities). Quantitative probability models provide a fairly accurate description of how a person learns and forms relationships between different beliefs, and thus are a reasonable first approximation for the inferential processes of belief formation (Fishbein & Ajzen, 1975a).

The above-mentioned processes through which a person forms his individual beliefs regarding the behavior in question are subject to the influence of his individual background factors. It is the influence of these individual factors that causes the variations in individuals' behavioral, normative and control beliefs. The number of potential background factors that may be considered in this regard is virtually unlimited. They include, for example, demographic characteristics, as well as personality traits and other psychological characteristics of the given individual (Fishbein & Ajzen, 2010b). According to the reasoned action approach, these factors do not have a direct effect on behavior (Ajzen, 1985). They are rather postulated to influence it indirectly, via their impact on the processes of belief formation underlying the respective behavioral, normative and control beliefs that determine the behavior under consideration. Thus, based on their individual background factors, people may form very different beliefs with regard to a given behavior, which result in differences in their behavior (Fishbein & Ajzen, 2010b). Nevertheless, such factors may only be considered as being related to a given behavior, if they influence the beliefs that underlie the behavior's attitudinal, normative or control determinants (Ajzen, 1985; Fishbein & Ajzen, 2010b).

In the previous paragraphs, behavior and its causal determinants, as well as the role of beliefs as a foundation for these determinants, have been discussed. In summary, according to
the TPB, "behavior is ultimately determined by the readily accessible or salient beliefs people have about their performing the behavior in question" (Fishbein & Ajzen, 2010b, p. 203). These behavioral, normative and control beliefs are the immediate determinants of an individual's broad dispositions regarding the behavior, that is his attitudes, subjective norms and perceived behavioral control concerning the given behavior. These three dispositions, in turn, determine a person's intention to perform the given behavior. Intentions to perform the behavior together with perceptions of control over its performance (perceived behavioral control), finally, are the two immediate determinants of human behavior. Overall, via a series of intervening processes, an individual's beliefs thus determine human behavior (Ajzen, 1988; 1991; 2011; 2012; Fishbein & Ajzen, 2010b).

Limitations of the TPB. Despite its popularity, the TPB is also the target of criticism, and faces certain challenges (Ajzen, 2011; Fishbein & Ajzen, 2010b). One of the most frequently addressed limitations in this context refers to the theory's sufficiency assumption – that is, the assumption that the addition of other variables beyond the presently integrated components (see Figure 2-4) would not improve the prediction of either intention or behavior. In particular, it has repeatedly been proposed that the constructs contained in the theory may not be sufficient to fully explain people's intentions and behavior (Ajzen, 2011; Conner & Armitage, 1998; Fishbein & Ajzen, 2010b). Accordingly, TPB research frequently addresses "the prospect of increasing the amount of explained variance in intentions or behavior by adding one or more predictors" (Ajzen, 2011, p. 1119). Such elaborations concern, for example, the role of past behavior (e.g., Kor & Mullan, 2011; Norman & Cooper, 2011), self-identity (e.g., Conner & Armitage, 1998; Hassandra et al., 2011), or anticipated affect (e.g., Abraham & Sheeran, 2003). Yet, Fishbein and Ajzen (2010b) recommend that, for the sake of parsimony, such additional predictors should be proposed and added to the TPB with caution, and only after careful empirical exploration. To date, no such additional factors have been
approved as worthy to be included into the prediction equation (Ajzen, 2011; Fishbein & Ajzen, 2010b).

Another frequently voiced limitation of the TPB concerns the question of the rationality of human behavior – that is, some investigators have criticized the theory of being too rational and deliberative, not taking sufficient account of the biasing effect of cognitive and affective processes (Ajzen, 2011; Conner & Armitage, 1998; Fishbein & Ajzen, 2010b; Wolff, Nordin, Brun, Berglund, & Kvale, 2011). Overall, the TPB approach focuses primarily on "behaviors that are goal-directed and steered by conscious self-regulatory processes" (Ajzen, 2011, p. 1116). In this context, it emphasizes the controlled aspects of human information processing and decision making. This focus, however, is frequently interpreted to imply that the theory assumes a rational, impassionate actor that reviews all available information in an unbiased fashion in order to arrive at a certain behavioral decision. Although the TPB, in fact, draws a much more complex and nuanced picture of human behavior, this misinterpretation persists (Ajzen, 2011; Fishbein & Ajzen, 2010b).

2.4 A model of individual growth intentions and their influence on strategic choices concerning firm growth

Various studies in the field of organization theory and strategy literature agree that strategic choices, or decisions, regarding firm growth are an important determinant in explaining the variations in growth performance between different firms (e.g., Certo et al., 2006; Davidsson & Wiklund, 2013; Hambrick, 2007a; Hambrick & Mason, 1984; Wiklund et al., 2009). Being perceived as the most direct driver of a firm's growth (Davidsson & Wiklund, 2013; Wiklund et al., 2009), I expect that the potential origins for the above described variations can be found by examining the processes of how strategic growth decisions are formed. In particular, this study focuses on the cognitive processes underlying executives' decision making in the corporate context. A detailed look at the various factors
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involved in these processes should provide important insights as concerns the identification of potentially significant root causes to which the variations in firms' growth performance can ultimately be traced back (Cyert & March, 1963; Davidsson & Wiklund, 2013; Hambrick & Mason, 1984; March & Simon, 1958).

Explicitly emphasizing the link between the executive (i.e., his characteristics and background) and his actual behavior in the organization (i.e., his intentions and their influence on the strategies the firm pursues) (Canella, 2001; Fishbein & Ajzen, 2010b; Hambrick, 2007a; Hambrick & Mason, 1984), both the UET and the TPB provide a suitable explanatory base for a closer examination of the individual processes underlying strategic choices regarding firm growth. However, considered separately, both theories have their individual limitations in explaining and predicting the formation of strategic growth decisions (see chapters 2.3.1.2 and 2.3.2.2) (Ajzen, 2011; Carpenter et al., 2004; Fishbein & Ajzen, 2010b; Hambrick, 2007a; Lawrence, 1997; Westaby, 2005). Thus, to be able to explain a larger portion of the variation in strategic choices regarding growth between different firms, I develop an integrated model combining the insights and components of the UET and the TPB. In the following, the model and its core components are presented in detail.

2.4.1 CEOs and strategic choices concerning firm growth

At first a general understanding as regards the definition of strategic growth decisions needs to be established. Generally, 'strategic choices', such as decisions concerning the firm's growth, represent those choices that are "complex and of major significance to the organization" (Hambrick & Mason, 1984, p. 194), "either through the scope of their impact and/or through their long-term implications" (Hambrick & Snow, 1977, p. 109). As such, they

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9 For a detailed review of the basic concept and the evolvement of both the UET and the TPB see chapter 2.3.
"are concerned with decisions about an organization's future" (Johnson, Scholes, & Whittington, 2006, p. 235).

However, for the purpose of this investigation, a narrower definition of strategic choice, which goes beyond this general description, is required. Several theorists have formulated precise ideas as regards this definition – some being rather distinct, others being more related to each other (e.g., Chandler, 1962; Child, 1972; 1997; Cyert & March, 1963; Drucker, 1954; 1974). In the context of the proposed theoretical model, it seems most suitable to follow the definition that is employed by one or the other of the two theories that form the foundation of the model (i.e., the UET, or the TPB). Being rooted in the field of social psychology, the model of the TPB generally deals with human behavior and its determinants. These, of course, include various choices or decisions people make in their daily lives (Ajzen, 1991; Fishbein & Ajzen, 1975a; 2010b). Fishbein and Ajzen (2010b), however, do not specifically distinguish or highlight the category of 'strategic' choices in their approach. The UET on the other hand, with its roots in general management literature, provides a more appropriate base for determining a definition that is suitable in the context of the proposed theoretical model.

In their original paper on upper echelons, Hambrick and Mason (1984) state that, in their model, they use the term strategic choice in the same way as it was defined by Child in his 1972-paper. Consequently, to establish a distinct definition of strategic choice, a closer examination of Child's ideas is required. In his paper on the role of strategic choice in the context of organizations, Child (1972) bases his considerations on the concept of strategy as it was developed by Chandler during his historical study of the American industrial enterprise in 1962. At the heart of Chandler's (1962) argumentation lies the view that strategy may be seen as the exercise of choice by the dominant coalition10 or group guiding the organization, and

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10 Following Cyert & March (1963) and Hambrick & Mason (1984), the term "dominant coalition is intended here to include the powerful actors in an organization who control the overall organizational agenda" (Chua et al., 1999a, p. 24).
 Variations in strategic choices concerning firm growth thus represents a major source of organizational variation. Such strategic choices include "the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals" (Chandler, 1962, p. 13). Integrating Chandler's insights into his theoretical model, Child (1972; 1997) argues that strategic choice, as it is exercised by the power-holders within an organization, refers to the process whereby the members of this group decide upon courses of strategic action. This process consists of three subsequent stages:

- The evaluation of the organization's situation (i.e., its current position).
- The choice of goals or objectives for the organization.
- The strategy to reach those goals.

Within this process, especially under consideration of Chandler's antecedent argumentation, the second process stage (choice of goals) may be viewed as the central element, as it concerns the choice of the organization's basic long-term goals and objectives itself (Chandler, 1962; Child, 1972; 1997). These goals and objectives also include questions regarding the future size and growth of the organization (Chandler, 1962; Child, 1972; Johnson et al., 2006). The two remaining process stages frame this central component by preparing and following-up the respective strategic choices. The first stage, the evaluation of the situation, provides the foundation for profound strategic decisions, while the third stage, the actual strategy, determines concrete strategic actions to reach the chosen goals (Chandler, 1962; Child, 1972; 1997). Adopting this reasoning, I define strategic growth decisions by focusing purely on the second process stage highlighted above. Accordingly, in the present research context, strategic growth decisions/choices are viewed as the basic long-term goals and objectives of the organization regarding growth. To be even more precise, they are supposed to concern the specific growth targets that the organization pursues, which include
the fundamental decision whether or not the company should strive for growth at all, as well as the desired magnitude of growth for the organization.

Fundamental decisions, such as whether or not the company should strive for growth at all, as well as the desired magnitude of growth for the organization, are made by individuals. Their central role in making such strategic decisions is acknowledged by the growth research community (Davidsson, 1991; Kolvereid, 1992; Stenholm, 2011; Wiklund & Shepherd, 2003). Hence, to be able explain variations in strategic choices regarding growth between different organizations, the key decision makers that are involved in the decision-making process need to be identified. As Gómez-Mejia et al. (2011, p. 664) state, strategic decisions, such as decisions concerning the firm's growth, "can steer the organization in a particular direction and require large resource commitments, which is why they are made by senior executives". Several other researchers agree with this view, purporting that, in general, an organization's strategic choices are made by its top executives – the CEO and the top management team (Baum et al., 2001; Child, 1972; Cyert & March, 1963; Finkelstein, Hambrick, & Cannella, 2009; Hambrick & Mason, 1984; Hambrick & Snow, 1977; Miles, Snow, Meyer, & Coleman, Jr., 1978). Given this fact, two potential units of analysis emerge with regard to the strategic decision-making process. The first unit concerns the individual executive and his influence in the process of making strategic choices regarding growth, while the second unit constitutes the entire team of top managers and their collective influence in making strategic growth decisions (Finkelstein et al., 2009; Hambrick, 2007a; Hambrick & Mason, 1984).

Yet, despite sharing tasks and, to some extent, power with other members of the TMT (Hambrick & Mason, 1984), the CEO typically is one of the most powerful decision makers within the company (Combs et al., 2007; Daily & Johnson, 1997; Hambrick & Mason, 1984). Accordingly, it can be claimed that he has a central influence in the process of forming
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fundamental strategic choices (Baum et al., 2001; Child, 1972; Gómez-Mejía et al., 2011; Hambrick & Mason, 1984), such as decisions on firm growth. Based on this reasoning, the chief executive is placed at the center of the current analysis. Both of the selected base theories may be applied to the context of the individual CEO as the central unit of analysis of the decision-making process.

As stated previously, the theoretical basis for the proposed model is formed by the UET and the TPB. Depicting the process by which executives impact a firm's strategic choices (and the resultant performance outcomes) from a strategic management literature view (Carpenter et al., 2004; Hambrick, 2007a; Hambrick & Mason, 1984), the UET forms a suitable starting point for the development of this framework. It emphasizes that, due to human limitations, strategic choices of firms have a large behavioral component – that is, they are significantly impacted by executives' experiences, values, attitudes, and personality. Thereby, it suggests that an organization's strategic choices, such as its growth decisions, are partially predicted by the characteristics of its top executives and the objective situation or environment it faces (Cannella, 2001; Hambrick, 2007a; Hambrick & Mason, 1984).

Accordingly, similar to Hambrick and Mason's (1984) original model, the situation or environment the CEO is confronted with, forms the starting point of the proposed model. It is considered to include both the organizational situation (e.g., the culture and distribution of power within the firm) and the social environment (e.g., his family and friends) he faces. As the upper echelon model presented in Figure 2-2 in the previous chapter indicates, these situational conditions directly influence the characteristics of the respective chief executive and simultaneously impose a limitation on the pool of available strategic choices (Carpenter et al., 2004; Hambrick & Mason, 1984).

Further following Hambrick and Mason's upper echelon reasoning, the individual chief executive, or more explicitly his characteristics, constitute the subsequent step of the
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theoretical model (Cannella, 2001; Hambrick, 2007a; Hambrick & Mason, 1984). Generally,
such characteristics may concern a variety of domains, including demographic/ observable
variables, psychological variables (e.g., personality traits and broad dispositions), and
personal attitudes (Fishbein & Ajzen, 2010b; Hambrick & Mason, 1984). However, although
psychological characteristics, such as personal dispositions, may have an influence in the
belief formation process, the effects of these variables on intentions and behavior have been
found to be inconsistent and sometimes irrelevant across studies (Fishbein & Ajzen, 2010b).
Hence, this domain of individual characteristics is deliberately excluded from this analysis.
Consequently, a CEO's characteristics are supposed to refer to his observable characteristics
(e.g., age, functional expertise, or managerial job tenure) and his personal attitudes (e.g., long-
versus short-term orientation, or tendency towards altruism versus opportunism).

According to the UET, when processing information in order to form strategic
decisions, these characteristics affect the executive's perceptual process (what he actually sees
and hears) and his interpretation of what he perceives (how he attaches meaning to what he
sees and hears). Through this perceptual process, the CEO's individual characteristics
ultimately determine a firm's strategic choices (Hambrick, 2007a; Hambrick & Mason, 1984).
In the present context, these are the firm's strategic growth decisions. At this point, however,
Hambrick and Mason's framework encounters one of its most significant limitations: the so
called 'black box' problem (Cannella, 2001; Carpenter et al., 2004; Hambrick, 2007a;
Lawrence, 1997). As already explained in detail in chapter 2.3.1.2, the black box criticism
refers to the lack of understanding of the underlying mechanisms and processes by which
TMT characteristics actually shape strategic decisions and hence firm outcomes (Carpenter et
al., 2004; Lawrence, 1997). To date, "the psychological and social processes by which
executive profiles are converted into strategic choices still remain largely a mystery"
(Hambrick, 2007a, p. 337). This view is also confirmed by the field of research on firm
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Kolvereid and Bullvag (1996), for example, state that most probably personality traits, demographics, and general attitudes are only indirectly related to a firm's growth decisions and the resulting growth performance.

2.4.2 The central role of individual growth intentions

In order to increase the present model's overall explanatory power in analyzing and predicting a firm's strategic choices regarding growth, I aim to shed some light into this proverbial black box. For this purpose a second theory is integrated into the model: Fishbein and Ajzen's TPB (Fishbein & Ajzen, 2010b). Among social psychologists, it is seen as the dominant approach used to explain and predict behavior and its causal determinants (Ajzen, 1991; 2011; Cooke & Sheeran, 2004; Krueger & Carsrud, 1993; Westaby, 2005). Analyzing actual human behavior and its determinants from a socio-psychological perspective (Ajzen, 1988; 1991; Fishbein & Ajzen, 2010b), the TPB should provide interesting insights into the psychological and social processes involved in the formation of growth decisions, and hence may contribute to explaining what happens inside the black box. To ensure the general applicability of the TPB in the context of this conceptual framework, two basic premises have to be fulfilled. First, can strategic growth decisions be classified as a behavior? And second, if so, are they attributable to those kinds of behavior that are under limited volitional control of the operator(s) (Ajzen, 1988; 1991; 2011; Fishbein & Ajzen, 2010b)?

As regards the first premise, according to Fishbein and Ajzen (1975a), behavior refers to the observable acts of individuals. Such overt actions also include individuals' responses or decisions with regard to certain issues they face (Fishbein & Ajzen, 1975a; 2010b). Following this definition, strategic choices regarding growth in the corporate context may be regarded as an actual behavior that involves multiple people and that is targeted towards, or against, the growth of their organization. Researchers from the fields of social science and organizational
theory confirm this view, considering strategic decision-making as a human behavior (Bandura, 1986; Baum et al., 2001).

Concerning the second requirement, the TPB states that a behavior can be considered as purely volitional if an actor "can decide at will to perform or not perform the behavior" (Ajzen, 1991, p. 182). The performance of most actions, however, can be claimed to additionally depend on non-motivational factors, such as the availability of the required resources and opportunities (e.g., skills, cooperation of others, or money) (Ajzen, 1985; 1988; 1991). The strategic decision-making process within an organization offers a wide range of areas and interfaces that may be subject to the influence of the above-mentioned factors. Restricting the available pool of potential opportunities for strategic choices, the objective situation represents one of these factors. According to strategic management literature (e.g., Hambrick & Mason, 1984; Johnson et al., 2006; Müller-Stewens & Lechner, 2003; Porter, 1980), and as it is indicated by the developed model, any kind of strategic choice in the corporate context is based on a careful examination of the situation or environment the firm and its decision makers face. In addition, the need for cooperation of others represents a key factor impacting the degree of behavioral control over strategic growth decisions. Especially in the field of upper echelon research, the need to consider the multitude of actors involved in the different stages of the decision-making process is emphasized (Cannella, 2001; Carpenter et al., 2004; Cyert & March, 1963; Hambrick, 2007a; Hambrick & Mason, 1984). Thus, and in accordance with other scholars from field of growth research (Delmar & Wiklund, 2008; Stenholm, 2011; Wiklund & Shepherd, 2001; 2003), strategic choices regarding growth may be viewed as an overt behavior that is under limited volitional control of the actors concerned (i.e., the CEO).

Having justified the TPB’s applicability in the context of the present investigation, I continue in developing my conceptual framework by successively integrating the theory's
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components into the model. Firstly, this requires going back to the relationship between the individual CEO and the firm's strategic growth decisions. According to the TPB, actual behavior, such as strategic choices regarding growth, is mainly determined by individuals' intention to perform or not to perform this behavior (Ajzen, 1985; 1988; Ajzen, 1991; Fishbein & Ajzen, 2010b; Kolvereid & Bullvag, 1996). In this study, behavioral intentions refer to the CEO's individual intentions with regard to the amount of growth his organization should strive for. In line with Fishbein and Ajzen's (2010b) argumentation, these growth intentions are supposed to influence the firm's strategic choices concerning growth.

The magnitude of this influence, however, is determined by the actual degree of control the executive has over performing the behavior. Specifically, the TPB claims that actual behavioral control moderates the intention-behavior relationship such that the effect of intention on behavior becomes stronger as the degree of actual control increases (Ajzen, 1988; 1991; Fishbein & Ajzen, 2010b). With respect to my theoretical framework, this implies that the individual degree of control or power a chief executive possesses in his organization determines the degree to which his own growth intentions are reflected in the firm's overall strategic choices regarding growth. As this kind of factor, in reality, is often difficult to assess, Fishbein and Ajzen introduced an additional component that may serve as a viable proxy for actual behavioral control: perceived behavioral control. It refers to an individual's perception of his degree of control over a given behavior, and is claimed to have both a direct and also an indirect effect (via intentions) on this behavior (Ajzen, 1985; 1988; 1991; Fishbein & Ajzen, 2010b). According to this description, perceived behavioral control can be understood as the CEO's perceptions of the degree to which he is capable, or has the power, to influence fundamental strategic choices in his company, such as growth decisions. Yet, the direct effect of such control perceptions is expected to emerge only if there is some agreement between a person's perceptions of control and the amount of actual control this person has
over the behavior (Ajzen, 1988; Fishbein & Ajzen, 2010b). Accordingly, as depicted in Figure 2-4 in chapter 2.3.2.2, the original model of the TPB includes both the individual's actual and his perceived degree of behavioral control as important factors in determining behavior (Ajzen, 1991).

The model I propose, however, suggests a slightly different concept as regards the integration of control as a direct determinant of behavior, besides the factor of behavioral intention. Understanding actual behavioral control as the chief executive's concrete degree of control or power with regard to strategic (growth) decisions, this component can be seen as corresponding to the factor of 'managerial discretion', which is applied in the context of the UET. Here, discretion is defined as the "latitude of managerial action" (Hambrick & Finkelstein, 1987, p. 371). Because it is an important moderator of the impact of executives' characteristics on a firm's strategic choices, Hambrick and Finkelstein introduced it into the upper echelon framework in 1987 to improve the UET's explanatory power in predicting a firm's strategic decisions (Cannella, 2001; Finkelstein & Hambrick, 1990; Finkelstein et al., 2009; Hambrick, 2007a; Hambrick & Finkelstein, 1987). Their main idea was that "upper echelons theory offers good predictions of organizational outcomes in direct proportion of how much managerial discretion exists" (Hambrick, 2007a, p. 335). Consequently, high managerial discretion implies a strong impact of executives' characteristics on the organization's strategic choices, while low managerial discretion implies just the opposite (Cannella, 2001; Finkelstein et al., 2009; Hambrick, 2007a; Hambrick & Finkelstein, 1987). Several studies have shown that this moderator may be reliably assessed in the corporate context, and that its inclusion significantly improves the explanatory power of upper echelon predictions (Finkelstein & Hambrick, 1990; Finkelstein et al., 2009; Hambrick, 2007a; Wangrow, Schepker, & Barker, 2014).
Building on this, I expect that the CEO's actual degree of control to influence the firm's strategic choices concerning growth can be reliably determined by measuring the individual degree of managerial discretion he possesses within his organization. With actual control being reliably assessable through the construct of managerial discretion, the integration of substitutes or proxies for it in predicting behavior becomes redundant (Ajzen, 1988; 1991; Fishbein & Ajzen, 2010b). Thus, in contrast to the original TPB framework, the direct link between perceived behavioral control and concrete behavior may deliberately be excluded from the present conceptual framework, leaving the executive's behavioral intentions as the dominant determinant of behavior. Instead, and in accordance with both the UET and the TPB (Ajzen, 1988; Cannella, 2001; Finkelstein et al., 2009; Fishbein & Ajzen, 2010b; Hambrick, 2007a; Hambrick & Finkelstein, 1987), a moderator called 'managerial discretion' is integrated into the model. Representing the chief executive's actual degree of control to influence the firm's strategic growth decisions, this factor moderates the relationship between the CEO's individual growth intentions and the organization's actual strategic choices regarding growth.

Hence, in summary, two further components are integrated into the proposed framework: the executive's growth intentions, constituting the central determinant that influences the company's strategic growth decisions, and the CEO's individual degree of managerial discretion in the organization, moderating the above mentioned intention-behavior relationship. Individual variations between executives with regard to these factors may steer their firm's respective strategic growth decisions in a particular direction.

2.4.3 The formation of individual growth intentions

After elaborating the central role of individual growth intentions and their influence on a firm's strategic growth decisions in the context of the present concept, the underlying root
causes of variations in these kinds of intentions have to be identified. For this purpose, a
closer investigation of the actual determinants of growth intentions is required.

As suggested in the detailed description of the TPB in chapter 2.3.2.2, an individual's
behavioral intentions are generally determined by his attitudinal, normative, and control
considerations with regard to the respective behavior (Fishbein & Ajzen, 2010b). In Fishbein
and Ajzen's reasoned action framework, these considerations are represented by three
conceptually independent factors that serve as the predictors of intentions\(^\text{11}\) (Ajzen, 1988;

- A person's attitude toward the behavior.
- A person's subjective norms regarding the behavior.
- A person's perceived behavioral control regarding the behavior.

Although subjective norms have often been viewed as the weakest predictor of an
individual's behavioral intentions (e.g., Ajzen, 1991), and thus have been neglected in most of
the studies revolving around growth intentions (Davidsson & Wiklund, 2013; Wiklund et al.,
2003; Wiklund et al., 2009), they play a vital role in family firms (Sharma & Manikutty, 2005).
Koropp et al. (2014) confirm this view in their study on financial decision making in
family firms. The unique context of FBs that emerges from the convergence of the family and
the business system within the firm (Chrisman et al., 2010; Habbershon & Williams, 1999;
Tagiuri & Davis, 1996), in particular, constantly confronts these firms' executives with the
norms held by the FB owner-family. This influences the expected modes of behavior in the
firm. In fact, familial norms have been shown to impact the strategic decision making in
family firms (Koropp et al., 2014; Sharma & Manikutty, 2005).

\(^{11}\) For an extensive discussion of intentions and their determinants see chapter 2.3.2.2.
Accordingly, all three determinants are included in the proposed model. In this context, the chief executive's attitude towards growth, corresponding to his positive or negative evaluation of the consequences implied by firm growth, represents the first predictor of his growth intentions. His subjective norm regarding growth, referring to the perceived social pressure on him to influence the firm's strategic growth decisions in a particular direction, constitutes the second determinant. Finally, the executive's perceived behavioral control concerning growth forms the third factor that determines the CEO's intentions toward firm growth. It concerns the chief executive's perceptions of the degree to which he is capable or sufficiently powerful to influence fundamental strategic choices, such as growth decisions, within his organization. One important note here is that these perceptions may or may not be veridical. Now, according to the TPB, the factor of perceived behavioral control may only be used to determine an individual's behavioral intentions if it corresponds at least roughly to the level of actual control this person possesses (Fishbein & Ajzen, 2010b). Thus, if the CEO's perceptions do not accurately reflect his actual degree of control regarding the firm's strategic growth decisions, this predictor may not be employed to predict his growth intentions. Instead, his level of actual control would have to be used. Hence, in line with the TPB (see Figure 2-4), my model depicts this required compliance using a dotted arrow linking managerial discretion (i.e., actual control) and perceived behavioral control (Ajzen, 1988; 1991; 2012; Fishbein & Ajzen, 2010b).

A more complete understanding of the underlying root causes of variations in CEOs' growth intentions, however, requires going one level deeper within the executive's intention formation process, investigating the causal determinants of his attitudes, subjective norms, and perceived behavioral control regarding growth.

According to the TPB, the psychological foundation for these three factors lies in the chief executive's beliefs with regard to the subject of firm growth. More explicitly, all three of
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them are claimed to be a function of individual beliefs, which link the subject of organizational growth to a set of attributes (Ajzen, 1985; 1988; 1991; Fishbein & Ajzen, 1975a; 2010b). In their studies on reasoned action, Fishbein and Ajzen distinguish between among three different types of beliefs (Ajzen, 1991; Fishbein & Ajzen, 2010b):

- Behavioral beliefs
- Normative beliefs
- Control beliefs

By referring to beliefs as subjective probabilities, Fishbein and Ajzen (2010b) indicate that they do not necessarily need to be true, accurate or rational, and that they vary between individuals. Due to human limitations in attention span and information processing, the number of beliefs an individual may attend to in a certain situation is limited. Consequently, only those behavioral, normative and control beliefs that are 'salient' to an individual at a given point in time serve as the prevailing determinants of this person's intentions and their influence on the corresponding behavior (Ajzen, 1991; Fishbein & Ajzen, 1975a; 2010b).

Following the TPB's reasoning (see chapter 2.3.2.2), the executive's attitude towards growth is thus determined by his behavioral beliefs regarding firm growth – that is, by his belief that firm growth will lead to certain outcomes or consequences. These consequences may concern the organization and its environment, as well as the individual CEO (on a personal level). Further, his subjective norm regarding growth is established based on his injunctive and descriptive normative growth beliefs. They refer to his belief that important others, such as his family or friends, think he should opt for a particular direction or magnitude of firm growth (injunctive), or do themselves strive for a similar amount of growth (descriptive). The chief executive's perceived degree of behavioral control towards growth, finally, is determined by his control beliefs regarding firm growth in the current model. In this
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regard, control beliefs denote the executive's belief that certain control factors that may facilitate or impede his influence on the firm's growth decisions, such as required resources (e.g., information, skills, and opportunities) or other possible barriers and obstacles, will be present. Given the fact that the CEO's growth intentions may be seen as a function of his salient behavioral, normative, and control beliefs regarding growth (Ajzen, 1988; 1991; Fishbein & Ajzen, 2010b), all three factors are integrated into the proposed model.

Yet, an individual's beliefs are not innate. Rather, they are acquired through learning experiences resulting from daily interaction with the real world (Fishbein & Ajzen, 2010b). As concerns the present study, this implies that a CEO 'learns' the information he has about growth (i.e., his beliefs regarding growth) through the experiences he acquires in his daily encounters with the environment surrounding him. According to the TPB, any difference in such beliefs between executives may be viewed as the result of the differential learning experiences of these individuals. Such diverging experiences are claimed to be primarily caused by the variations in the influence of different individual 'background factors' during the formation of beliefs (Ajzen, 1985; Fishbein & Ajzen, 2010b). These background factors may, for example, concern an executive's demographic and personal characteristics, as well as his exposure to the social and cultural factors that dominate his immediate environment (Fishbein & Ajzen, 2010b). In the context of this work, these influences are highly relevant. In fact, they represent the central link in the proposed causal relationship – that is, they ultimately link the CEO and his individual idiosyncrasies, via his growth intentions, to the respective strategic growth decisions of his organization.

The number of potential background factors that may be considered in this regard is virtually unlimited (Fishbein & Ajzen, 2010b). Based on the argumentation of the UET (Cannella, 2001; Hambrick, 2007a; Hambrick & Mason, 1984), I claim that the most relevant
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background factors that shape a CEO's beliefs regarding firm growth can be classified into two main categories:

- The situation or environment that surrounds the executive and his firm.
- The individual characteristics of the executive.

These two categories (and the relevant factors they contain), in fact, are captured by the first two components of the proposed model that were introduced at the beginning of this chapter. The reasoning of both the UET and the TPB agrees that, individual differences between CEOs in terms of the background factors that belong to these categories will ultimately be reflected in the strategic growth decisions of their firms, steering them in a particular direction (Ajzen, 1985; Fishbein & Ajzen, 2010b; Hambrick, 2007a; Hambrick & Mason, 1984). This is due to the causal links between an individual's beliefs, his attitudes, subjective norms and perceived behavioral control, and his intentions, which finally have an impact on actual behavior (Ajzen, 1985).
Figure 2-5: A model of individual growth intentions and their influence on strategic choices concerning firm growth

Source: Author’s illustration

Figure 2-5 summarizes the complete conceptual framework: a model of individual growth intentions and their influence on strategic choices concerning firm growth. Combining the insights of both the UET and the TPB, it claims that, ultimately, variations in firms'
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strategic growth decisions are induced by the individual idiosyncrasies of the respective CEOs in charge, and the organizational and social environment that surrounds these executives. This impact is transmitted via CEOs' growth intentions and their underlying determinants. Its respective magnitude depends on the individual degree of managerial discretion a chief executive possesses within his organization. Altogether, these insights may contribute significantly to explaining the variations in growth performance between different firms.

2.5 Variations in individual growth intentions and their influence on strategic choices concerning firm growth in the context of family businesses

The theoretical model developed in the previous chapter represents a general model that indicates how strategic growth decisions of organizations are shaped by their respective chief executives. Depending on two main factors, their individual growth intentions and their degree of managerial discretion in the organization, CEOs may cause the firm's strategic growth decisions to tend in a particular direction. As such, the framework may be applied to any corporate context.

Now, as already outlined in chapter 2.1, especially the growth behavior of FBs constitutes an area of particular research interest (Basco, 2013; Casillas, Moreno, & Barbero, 2010; Daily & Dollinger, 1992; Eddleston, Kellermanns, Floyd, Crittenden, & Crittenden, 2013; Molly, Laveren, & Jorissen, 2012; Upton, Teal, & Felan, 2001). The ambiguity regarding the impact of family involvement on a firm's growth performance is one of the main issues that needs to be addressed in this context (Basco, 2013; Dyer, 2006; O'Boyle et al., 2012; Rutherford et al., 2008). In order to develop a general understanding what might cause variations in firm growth among FBs, as well as between FBs and NFBs, I apply the proposed theoretical framework to the specific context of family firms. Specifically, I expect that depending on the individual CEO in charge – more precisely his individual growth intentions
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and degree of managerial discretion in the organization – these firms' strategic choices should tend in different directions.

Before doing so, the kinds of firms actually denoted as family firms or businesses in this context need to be clarified. With the conceptual nature of this part of my work, it seems most appropriate to rely on the theoretical definition of FBs adopted by this dissertation, which was outlined in chapter 1.3. This guiding definition follows Chua et al. (1999a). Accordingly, in the present investigation, a family firm is denoted as a business characterized by family ownership, family management and/ or governance, as well as the intention of transgenerational sustainability.

Further, as concerns the main subject of interest (i.e., the individual CEO in charge), I distinguish between different types of chief executives. Three distinct criteria, which are frequently employed across different studies on the variations in firm performance in the context of FB research (Anderson et al., 2003; Anderson & Reeb, 2003a; Banalieva & Eddleston, 2011; Chrisman et al., 2009a; Chrisman et al., 2005; Gedajlovic et al., 2012; Habbershon & Williams, 1999; Lussier & Sonfield, 2007; Naldi et al., 2007), form the basis for this differentiation. Figure 2-6 provides an overview of these criteria.

**Figure 2-6: Employed CEO classification criteria**

![CEO classification criteria diagram](image-url)

*Source: Author’s illustration*
Type of firm. As depicted in Figure 2-6, the first criterion refers to the type of firm in which the CEO is employed: an FB or an NFB (Anderson & Reeb, 2003a; Astrachan & Kolenko, 1994; Chrisman et al., 2009a; Gedajlovic et al., 2012; Habbershon & Williams, 1999). In line with the above-mentioned definition, this criterion concerns potential involvement of a family in the business, e.g., the business is characterized by family ownership, management and/or governance, as well as the family's intention of maintaining transgenerational sustainability. There is much anecdotal evidence that firms in which a powerful family controls the overall organizational agenda (i.e., FBs) are different from firms in which this is not the case (i.e., NFBs) (Anderson et al., 2003; Astrachan & Kolenko, 1994; Chua et al., 1999a). Accordingly, I distinguish between CEOs that operate within an FB and those that work in an NFB.

Membership in the FB-owner family. Based on this fundamental distinction, the need for a second differentiator emerges, because in comparison to an NFB, an FB has two potential CEO choices: nominate/appoint a family member or hire an outsider (Anderson et al., 2003; Anderson & Reeb, 2003a; Chrisman et al., 2005; Naldi, Cennamo, Corbetta, & Gomez-Mejia, 2013). Following Klein and Bell (2007), I understand family membership as the executive's relation to the owning family by blood, marriage or adoption. As claimed by Jaskiewicz and Luchak (2013), the difference between the professional ties that a non-family CEO holds to the FB owner-family and the affective family ties that a family CEO holds to the firm-controlling family, will lead to different goal orientations for the two types of executives. Specifically, the authors state that these variations in goal orientations will motivate different strategic choices (concerning various corporate issues) among FBs, depending on whether a family or a non-family CEO leads them. Consequently, the second factor that is employed in this context must refer to the CEO's potential membership in the FB owner-family. As a result, it can be differentiated between family CEOs operating in their
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own FB, non-family member CEOs working in an FB, and professional CEOs that are employed by an NFB (Anderson et al., 2003; Chua et al., 2003; Gómez-Mejía et al., 2003; Jaskiewicz & Luchak, 2013; Lussier & Sonfield, 2007).

Share holdings in the firm. Finally, following the arguments of agency and stewardship theory, CEO bonding is another vital aspect to be considered when it comes to investigating variations in organizational performance and strategy. In essence, it deals with the question of how to align a CEO's interests with those of the respective firm (Chua et al., 2003; Dyer, 1989; McConaughy, 2000). These 'firm' interests differ between FBs and NFBs, creating a corporate environment that promotes either agency or stewardship behavior among executives (Chrisman, Chua, Kellermanns, & Chang, 2007b; Corbetta & Salvato, 2004). Family firms' focus on non-economic rather than purely economic goals, for example, contributes to the creation of a unique environment that particularly fosters stewardship behavior (Miller & Le Breton-Miller, 2006; Miller et al., 2008). An NFB’s mindset and interest in placing rational, economic concerns at the center of corporate actions and goals, in contrast, generally promotes agency-type behavior among their executives (Chrisman et al., 2007b; Corbetta & Salvato, 2004). Generally, there are various options for an organization to tie the interests of its executives to the firm. A commonly used strategy is to offer actual ownership stock to the organization's executives with the intention of making them think and act like owners, instead of focusing on individual management interests (Dyer, 1989; Lussier & Sonfield, 2007). Consequently, a CEO's potential share holdings in the firm he works for constitute the third differentiator employed to determine the different types of chief executives distinguished in this study.

Just like the interests of their firms, also the personal interests, and consequently the required amount of bonding incentives of the organization, differ among the three CEO-types identified above. According to the basic logic of agency theory, when ownership and
management are aligned, costly formal governance mechanisms are unnecessary and the organization may operate more efficiently. If these are not aligned, the firm has to bear significant costs for monitoring the manager (i.e., the agent) and bonding his interests to those of the owner (i.e., the principal). The main drivers of these 'agency costs' are the information asymmetries that emerge between both parties and the principals’ lack of ability to completely control the agent (Daily & Dollinger, 1992; Fama & Jensen, 1983; Jensen & Meckling, 1976).

Following this reasoning, family firms managed by a CEO belonging to the owner-family represent the former type of organization, in which ownership and management are supposedly aligned because the executive's family, and most likely also the executive himself, own a controlling share of ownership stock in the firm (Berrone et al., 2012; Daily & Dollinger, 1992). Several FB scholars posit that these executives' family ties, their emotional attachment to the firm and their multigenerational outlook towards its future provide both monitoring and incentives for them to strive towards organizational efficiency (e.g., Gómez-Mejía et al., 2003; Jaskiewicz & Luchak, 2013; McConaughy, 2000; Naldi et al., 2013). This view is also confirmed by the stewardship perspective (Davis, Schoorman, & Donaldson, 1997; Donaldson, 1990; Donaldson & Davis, 1991). It argues that a family executive will generally behave in the best interest of his firm (Davis et al., 1997). This congruence is claimed to emerge due to the family CEO's intrinsic motivation to subordinate his personal goals to those of the family, the high importance both parties place on non-financial goals, and the long-term and emotion-laden relationship between the family CEO and his family (Corbetta & Salvato, 2004; Davis et al., 1997). Yet, it needs to be noted here that there are also some opposing views concerning this argumentation. Chrisman et al. (2007b), for example, purport that the relationships in family firms tend to be more of an agency than a stewardship nature because family business owners seem to regard family members as agents rather than stewards. Nevertheless, most researchers agree that FBs
managed by a family CEO do not need to put into place the rigid formal monitoring and incentivizing processes that FBs managed by non-family CEO, or NFBs do (Daily & Dollinger, 1992; Miller & Le Breton-Miller, 2006; Miller et al., 2008).

This, however, does not apply to the group of external, non-family chief executives that are employed by a family firm. As mentioned earlier, in accordance with agency theory, the separation between ownership and management in these organizations implies that they have to invest in bonding the interests of their CEOs to the firm (Chua et al., 2003; Daily & Dollinger, 1992; Dyer, 1989; Fama & Jensen, 1983; Jaskiewicz & Luchak, 2013; Jensen & Meckling, 1976) in order to make executives' behavior more consistent with the family's interests (Dyer, 1989; Jaskiewicz & Luchak, 2013). Due to the fact that external CEOs are generally less likely to be emotionally attached to their company than their familial counterparts, bonding incentives targeted towards this type of CEO should be rather calculative and utilitarian (Dyer, 1989; Gómez-Mejía et al., 2003; Gómez-Mejía, Núñez-Nickel, & Gutierrez, 2001; James, Jr., 1999). In view of this, the commonly used strategy of offering actual ownership stock to these external executives constitutes a suitable bonding incentive. Possessing such share holdings aids in aligning the interests of these executives with those of the owning family (Dyer, 1989; Jaskiewicz & Luchak, 2013). Moreover, they should evoke stewardship sentiments and cause external CEOs to think and act like owners, instead of focusing on parochial management interests (Dyer, 1989; Lussier & Sonfield, 2007). Consequently, if offered actual share holdings in the firm, non-family member CEOs working in an FB should rather tend to behave as stewards devoted to the interests of the firm, and thus also to those of its owner-family (Chrisman et al., 2007b). Yet, viewing the behavior of the different types of CEOs on a continuous scale, ranging from pure stewardship behavior at the one end to pure agency behavior at the other, the stewardship behavior of non-family CEOs working in FBs should still be less pronounced than that of family CEOs operating in
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their own firm. One reason for this may be that the former are still less likely to be emotionally attached to the firm and its owner-family (Chrisman et al., 2007b; Gómez-Mejía et al., 2003; Jaskiewicz & Luchak, 2013; Naldi et al., 2013). This view is also confirmed by Anderson and Reeb (2003a) and Klein and Bell (2007). Conversely, this implies that, if the FB does not offer incentives of this kind to its external CEO, he may be less dedicated to the goals the owner-family has set for the business and might therefore tend to behave in a more self-serving than agent-like way concerning the firm. With regard to the behavioral scale introduced above, these executives may be found to range on the agency side of the spectrum (Chrisman et al., 2007b; Chua et al., 2003; Daily & Dollinger, 1992). Based on the above argumentation, I decided to categorize the group of non-family CEOs working in FBs into two sub-groups based on their potential holdings of ownership stock in the FB: non-family CEOs with versus those without share holdings in the FB that employs them.

In general, this third differentiation criterion of potential share holdings could also be applied to the last group of chief executives: professional CEOs employed by NFBs. These face a similar corporate situation as non-family CEOs working in FBs: ownership and management are separated (Daily & Dollinger, 1992). Now, according to the argumentation of the agency theory, if an NFB does not employ any formal bonding measures to align the interests of its chief executive with those of the firm, this type of CEO will act entirely in his own economic self-interest, exhibiting a purely agent behavior (Chrisman et al., 2007b; Daily & Dollinger, 1992; Fama & Jensen, 1983; Jensen & Meckling, 1976). On the other side, if the organization opts to actively mitigate such agency problems through bonding measures such as offering share holdings, for example, it may align the interests of its CEO with those of the firm (Daily & Dollinger, 1992; Fama & Jensen, 1983; Jensen & Meckling, 1976). However, in contrast to FBs, NFBs place economic/financial concerns at the center of their corporate actions and goals (Chrisman et al., 2007b; Corbetta & Salvato, 2004). Hence, following the
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logic of both agency (Fama & Jensen, 1983; Jensen & Meckling, 1976) and stewardship theory (Davis et al., 1997; Donaldson, 1990; Donaldson & Davis, 1991), an alignment of the interests of external CEOs with those of the NFB that employs them should cause the executives to focus even more strongly on financial concerns. Apparently – both with and without possessing any share holdings in the NFB that employs him – the professional CEO should tend to focus mainly on economic rather than non-economic concerns. Thus, applying potential share holdings in the firm as an additional differentiation criterion to the group of professional CEOs working in NFBs does not provide additional explanatory value to the current model. Accordingly, with regard to the behavioral continuum established earlier in this paragraph, this type of CEO must necessarily be found at the more extreme end of the agency side of the spectrum.

Based on these considerations, four different categories of CEOs, whose behavior ranges on a continuum from steward to agency traits, emerge (see Figure 2-7): (I) family CEOs in FBs, (II) non-family CEOs working and possessing share holdings in the FB, (III) non-family CEOs working in the FB, but not possessing share holdings, and (IV) professional CEOs working in NFBs.
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**Figure 2-7: Four different types of CEOs**

![Diagram showing four types of CEOs with different characteristics.

<table>
<thead>
<tr>
<th>Type of firm</th>
<th>Membership in the FB-owner family</th>
<th>Share holdings in the firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family CEOs in FBs</td>
<td>Family business</td>
<td>Family member</td>
</tr>
<tr>
<td>Non-family CEOs in FBs with share holdings</td>
<td>Family business</td>
<td>No family member</td>
</tr>
<tr>
<td>Non-family CEOs in FBs w/o share holdings</td>
<td>Family business</td>
<td>No family member</td>
</tr>
<tr>
<td>Professional CEOs in NFBs</td>
<td>Non-family business</td>
<td>No family member</td>
</tr>
</tbody>
</table>

*Source: Author’s illustration*

Based on this distinction, two sets of propositions are established. They attempt to provide explanations for the varying influences of the different types of CEOs on the respective growth strategy their firm pursues. The chosen categorization for these propositions follows the basic reasoning of my theoretical framework that identifies CEOs' individual growth intentions and their degree of managerial discretion in the organization as the two main factors by which they may shape the strategic growth choices of their firms (see Figure 2-8). Accordingly, the first set of propositions deals with the formation and variation of chief executives' growth intentions. By studying the situation or environment the individual executive faces, as well as his personal characteristics, potential root causes of variations in individual growth intentions will be revealed. The second set of propositions then revolves around determining the magnitude of these growth intentions' impact on the company's strategic growth decisions. By identifying the CEO's respective degree of managerial discretion within his organization, the magnitude to which his growth intentions are actually reflected in the firm's strategic choices regarding growth will be determined.
The formation and variation of CEOs' growth intentions

First, the set of propositions concerning the formation and variation of chief executives' growth intentions is introduced (see Figure 2-8). As the conceptual framework developed in chapter 2.4 indicates, the situation or environment that surrounds the CEO and the firm he works for, together with his personal characteristics, represent the set of background factors that are most relevant in affecting his beliefs regarding growth and, hence, also his growth intentions. More explicitly, the individual differences in these factors among the four types of chief executives ultimately steer their respective growth intentions in a particular direction. The way in which they influence the executives' beliefs and intentions regarding growth as well as the direction of their impact are discussed below – starting with the situation or environment the CEO is faced with.

2.5.1.1 The influence of the organizational situation and the social environment

Following the argumentation of both the UET and the TPB, the first category of background factors, termed the 'objective situation', includes both the organizational situation
that the CEO finds himself in and the distinct social environment that he is surrounded by (Cannella, 2001; Fishbein & Ajzen, 2010b; Hambrick, 2007a; Hambrick & Mason, 1984).

The organizational situation

I begin by investigating the impact of the organizational situation on the beliefs and intentions that the different executives hold concerning firm growth (see Figure 2-9).

**Figure 2-9:** Structure of theoretical propositions – The influence of the organizational situation

As mentioned in chapter 2.4, the fact that executives' characteristics are partly a reflection of the organizational setting they face (Carpenter et al., 2004; Hambrick, 2007a; Hambrick & Mason, 1984), makes it a relevant source of background factors that shapes CEOs' beliefs regarding growth. Although a multitude of potential factors might be considered here with regard to the specific FB context of this work, it seems advisable to focus on those factors that have the greatest impact on shaping the beliefs of the four types of CEOs into different directions. According to Astrachan et al. (2002) and Klein et al. (2005), there are three important dimensions in which family influence may cause substantial
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differences between family and non-family organizations, clearly distinguishing them from each other and affecting their business behaviors. These dimensions of family influence are:

- The family's degree of power over, or in, the business ('power').
- Their level of experience in the business ('experience').
- The extent to which family values shape the firm's culture ('culture').

Together, they form the 'F-PEC scale', which constitutes an index of family involvement for organizations (Astrachan et al., 2002; Klein et al., 2005). Adopting this logic, the relevant background factors selected to represent the influence of the CEO's internal organizational environment on his individual beliefs, reflect the above-presented three dimensions of the F-PEC scale.

*Power.* In view of the aforegoing, power is the first relevant background factor that originates from the organizational situation that the chief executive faces. It refers to the dominance exercised by one or more important parties (e.g., the family) through the extent of their ownership, governance, and management in the firm. Ownership, in this context, denotes the power exercised by a certain party through financing the business, for example, corresponding to the proportion of shares held by this party. Governance and management refer to the power exercised by a particular party through leading and/ or controlling the business due to management and/ or governance participation (e.g., through top management positions or board seats held) (Astrachan et al., 2002; Klein et al., 2005).

*Power and CEOs' normative beliefs.* According to French, Jr. and Raven (1959) and Fishbein and Ajzen (1975a; 2010b), referents may exert influence on a person's behavior, and consequently on his beliefs, because they possess power over that individual. From their argumentation it follows that a referent's degree of power over an individual significantly influences this person's general tendency to consider the referent, and his prescriptions and
actions regarding a certain behavior, as important. This fact is especially relevant when it comes to the formation of normative beliefs (Fishbein & Ajzen, 1975a; 2010b), and hence can be applied to the different types of CEOs in the context of the proposed conceptual framework. In line with the above reasoning, the degree and quality of overall power in the hands of certain parties within an organization should determine which referent individuals or groups are considered to be most relevant by the respective CEO when forming his normative beliefs regarding growth. As follows from the TPB, the perceived prescriptions and actions of these referents will be adopted by the chief executive and subsequently be reflected in his individual normative beliefs regarding growth (Ajzen, 1991; 2012; Fishbein & Ajzen, 1975a; 2010b). Thus ultimately, through its impact on the executive's considerations of relevant referents, the distribution of power within the organization significantly impacts which normative growth beliefs are most salient for the CEO in a given organizational situation.

In comparison to the typical, widely-held public corporation found in most of the developed economies (Anderson & Reeb, 2003a; Berle & Means, 1932; La Porta et al., 1999; Villalonga & Amit, 2006), FBs tend to be dominated by the owner-family, their largest controlling shareholder, which – in excess of its voting rights – is usually also involved in leading and/ or controlling the business through participation in the management and governance of the firm (Astrachan et al., 2002; Klein, 2000; Klein et al., 2005; La Porta et al., 1999). As a result, the FB owner-family usually possess a considerable degree of power in its firm (Astrachan et al., 2002; Klein et al., 2005). From this argumentation it logically follows that the owner-family and its members, through their high level of involvement in the ownership, governance and management of the firm, represent a group of referents that should be of high relevance to any CEO working for an FB. Considering them as highly important referents, the executive should adopt their prescriptions and actions and integrate them into his salient injunctive and descriptive normative beliefs regarding growth. This impact should
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hold for those types of CEOs employed by a family-controlled firm, that is (I) family CEOs in FBs, (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working in the FB, but not possessing share holdings.

Apart from the comparably small group of public corporations controlled by dominant shareholders, such as private equity firms, one would hardly find such a dominant reference group in terms of ownership, management or governance involvement in NFBs. In this work, I consider NFBs to be the typical public, non-family corporation found in most of the developed economies that tends to be widely held by a large group of small, dispersed shareholders (Anderson & Reeb, 2003a; Berle & Means, 1932; La Porta et al., 1999; Villalonga & Amit, 2006). If a large, controlling shareholder does exist within such a firm, it will likely not be an individual or family, but an institution (e.g., a bank or an investment fund), such that the power achieved through the share of voting rights is diluted among several independent owners (Villalonga & Amit, 2006). For this reason, no major reference group holding a level of power that is comparable to that of the FB owner-family should emerge from this corporate context. Hence, the fourth type of chief executive, the (IV) professional CEO working in an NFB, should not experience a comparable impact of dominant power holders' prescriptions and actions on his salient normative growth beliefs.

Ultimately, I would thus expect that the impact of the power held by the different parties of an organization on the normative beliefs regarding growth of its respective CEO differs mainly depending on the type of firm in which he is employed – i.e., FB or NFB.
Proposition 1a: The degree of power exercised by the FB owner-family via their extent of ownership, governance, and management involvement in the firm, will have a significant impact on the normative beliefs regarding growth of CEOs employed by an FB, potentially causing differences in normative growth beliefs between CEOs that are employed by an FB and those that are employed by an NFB.

Specifically, I suggest that the injunctive and descriptive normative beliefs regarding firm growth held by the three types of CEOs working in an FB (i.e., (I) family CEOs, (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working, but not possessing share holdings, in the FB) should be significantly impacted by the degree of power exercised by the FB's owner-family, via their extent of ownership, governance, and management involvement in the firm. Yet, the normative beliefs of the fourth group of CEOs, (IV) professional CEOs working in NFBs, are not subject to this influence.

*Power and CEOs' control beliefs.* Furthermore, depending on their respective degree of power within the organization (through ownership, governance, and management involvement in the firm) different parties are eligible to take part in strategic decision-making (Arregle, Naldi, Nordqvist, & Hitt, 2012; Astrachan et al., 2002; Gómez-Mejía et al., 2011; Klein et al., 2005). This applies to all kinds of strategic decisions (Arregle et al., 2012; Gómez-Mejía et al., 2011), including those concerning the growth of the firm. In the process of making strategic growth decisions, a firm's CEO has to manage and align the varying influences of all these relevant parties (Arregle et al., 2012; Hambrick, 2007a; Hambrick & Mason, 1984; Holt, 2012). Thus, ultimately, the variations in power among the different organizational actors, through their impact on the individual capacity to participate in the organization's strategic decision-making, should impact the respective CEO's control beliefs regarding growth. Depending on the individual degree of power that a certain party holds, he should
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expect a certain magnitude of influence by this particular party within the growth decision-making process. This magnitude of influence represents an external control factor to him, which might facilitate or impede strategic growth decisions. Accordingly, the chief executive should make inferences about the likelihood that this control factor will be present when it comes to strategic choices regarding firm growth.

In FBs, as stated earlier in the context of normative beliefs, the owner-family usually represents a dominant influence group by virtue of their high level of involvement in the ownership, governance and management of the firm (Astrachan et al., 2002; Klein, 2000; Klein et al., 2005; La Porta et al., 1999). This view is confirmed by Arregle et al. (2012, p. 1116), who state that, if the "family unilaterally controls the firm through a majority ownership (i.e., at least 50% of the shares) and has managerial and board presence […]], the family has the discretionary power to decide the firm’s strategic development". Yet, the owner-family's influence on the firm's strategic decisions persists in FBs even if the family dominance is less pronounced. In such cases the family still drives strategic choices, but to a lesser extent, because there are also 'other voices at the table' (Arregle et al., 2012; Sirmon, Arregle, Hitt, & Webb, 2008). Hence, following the above argumentation, the considerable power held by the FB owner-family causes it to represent a highly important control factor for the firm's CEO with regard to strategic growth decisions, eventually shaping his salient control beliefs regarding growth. This impact should generally hold for all three identified groups of CEOs employed by an FB (i.e., the first three CEO-types) (see Figure 2-7).

In contrast, as regards the typical, usually widely held public corporation (Berle & Means, 1932; La Porta et al., 1999; Villalonga & Amit, 2006), power rather tends to be diluted among several independent actors in the organization (Villalonga & Amit, 2006). A dominant power holder, such as the FB owner-family, rarely exists in this context. Consequently, the type of chief executive operating in this corporate environment, that is, the
(IV) professional CEO, should not experience comparably pronounced constraints exerted by one dominant group regarding strategic growth decisions, such as his counterparts working in FBs do. This, in turn, should be reflected in his salient control beliefs concerning firm growth.

Overall, as is true for normative beliefs regarding growth, I would expect that the impact of the power held by the different parties of a particular organization on the control beliefs regarding growth of its respective CEO differs mainly depending on the type of firm he is employed in – i.e., FB or NFB.

Proposition 1b: *The degree of power exercised by the FB owner-family via their extent of ownership, governance, and management involvement in the firm, will have a significant impact on the control beliefs regarding growth of CEOs employed by an FB, potentially causing differences in these control beliefs between CEOs that are employed by an FB and those that are employed by an NFB.*

In particular, I think that the control beliefs held by the three types of CEOs that work in an FB (i.e., (I) family CEOs, (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working, but not possessing share holdings in the FB), should be significantly impacted by the degree of power exercised by the FB's owner-family, via their extent of ownership, governance, and management involvement in the firm. However, the control beliefs of the fourth group of CEOs, (IV) professional CEOs working in NFBs, are not subject to this specific influence.

*Experience.* The FB owner-family influences the business not only through its power, but also through its experience. Accordingly, experience has been chosen as the second background factor that constitutes an important part of the organizational situation a particular CEO faces. According to Klein et al. (2005, p. 323), it can be defined as "the summed
experience that the family brings to the business", which mainly depends on the generation(s) in charge as well as the total number of family members involved in the FB (Astrachan et al., 2002; Klein et al., 2005). In general, the opportunity to accumulate relevant family memory and experience in the business increases with the owner-family's generational stage, the number of generations simultaneously involved in the company, and the number of family members dedicated to the firm (Astrachan et al., 2002; Gersick, Davis, McCollom Hampton, & Lansberg, 1997; Klein et al., 2005). As the above description indicates, this background factor applies specifically to FBs because a controlling owner-family does not exist in the corporate context of NFBs. Precisely for this reason, I consider experience to be an important background factor that serves to clearly distinguish some of the organizational impressions gained by CEOs working in FBs from those gained by their counterparts working for NFBs.

**Experience and CEOs' normative beliefs.** Generally, the factor of experience also includes learning experiences concerning growth and its potential consequences. Hence, the more advanced the experience dimension within an FB, the higher the possibility that the owner-family involved in the firm has been exposed to the 'full' consequences of growth – including its mid-and long-term consequences. These, in fact, are not only beneficial. Besides increased revenues and employment or financial stability (Davidsson, 1989b), the mid-and long-term consequences of growth might, for example, imply a loss of control over important business decisions and a generally diminished ability of family members to exercise unconstrained authority, influence and power (Gómez-Mejía et al., 2011). The main reasons for this are the need to hire external managers to delegate control to them as the firm grows (Chrisman & Patel, 2012; Dyer, 2006; Gómez-Mejía et al., 2011; Westhead, 1997), the need for professionalization by incorporating external specialists and introducing more formal management structures (Gómez-Mejía et al., 2011; Lussier & Sonfield, 2007), as well as the requirement for external funding obtained through debt financing or by issuing new stock
(Gómez-Mejia et al., 2011; Miller & Le Breton-Miller, 2005; Westhead, 1997). Further consequences, such as the increased difficulty of monitoring the business (Gómez-Mejia et al., 2011), for example, reinforce these rather negative impressions.

The FB owner-family then evaluates and prioritizes these potential implications based on their individual preferences regarding economic versus non-economic considerations. At this point, it is important to note that a key distinguishing feature of FBs, compared to other types of firms, is that they (and particularly their owner-families) are found to place a stronger emphasis on non-economic versus economic goals. Due to this focus, economic or financial considerations move more to the background (Berrone et al., 2012; Gómez-Mejia et al., 2011; Gómez-Mejía, Takács Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). The main reference point for FBs in this context "is whether their socioemotional endowment will be preserved" (Gómez-Mejia et al., 2007, p. 131). Unfortunately, the majority of the aforementioned mid- to long-term consequences of growth is rather associated with a loss of socioemotional wealth (SEW) by the owner-family (Gómez-Mejia et al., 2011). Accordingly, with SEW being their key point of reference, the family members will perceive any consequences that are associated with a loss of SEW as highly negative (Berrone et al., 2012; Chrisman & Patel, 2012; Gómez-Mejía et al., 2011; Gómez-Mejia et al., 2007). This emphasis on non-economic goals, or socioemotional endowment, is claimed to strengthen even further as the generational stage and the number of involved family members increases (Cromie, Stephenson, & Monteith, 1995; Molly et al., 2012; Reid, Dunn, Cromie, & Adams, 1999; Schulze et al., 2003a).

Now, as it has been stated in the context of the first two propositions, CEOs employed by FBs tend to view the owner-family as an important reference group when it comes to normative considerations. Yet, the exact level of importance of the owner-family reference group varies slightly between the different FB-employed CEOs. This might largely be
attributable to the respective level of closeness and bonding between the CEO and the FB owner-family (Anderson & Reeb, 2003a; Dyer, 1989; Gómez-Mejia et al., 2011; James, Jr., 1999; Jaskiewicz & Luchak, 2013; Miller et al., 2008). Belonging to the firm's owner-family themselves, (I) family CEOs should show the most pronounced closeness and bonding to this reference group, followed by (II) non-family CEOs holding ownership stock in the FB, and finally (III) non-family CEOs possessing no share holdings in the FB. According to the basic logic of the TPB (Ajzen, 1991; Fishbein & Ajzen, 2010b), these executives should adopt the sentiments that the family holds regarding growth from a SEW point of view and integrate them to a greater or lesser extent into their normative beliefs regarding growth. Because the fourth type of CEO, the (IV) professional CEO working for an NFB does not experience this influence, I would suppose that the impact of the specific experience that the FB owner-family brings into its business, ultimately, causes FB-employed CEOs' salient normative beliefs regarding growth to vary from those of NFB-employed CEOs.

Proposition 2a: The extent of experience the FB owner-family brings into the business via the stage of generation(s) and number of family members in charge, will have a significant impact on the normative beliefs regarding growth of CEOs employed by an FB, potentially causing differences in normative growth beliefs among the different types of CEOs that are employed by FBs, as well as between CEOs that are employed by an FB and those that are employed by an NFB.

Particularly, I propose that the extent of experience the FB owner-family brings into the business via the stage of generation(s) and number of family members in charge, will have the most significant impact on the injunctive and descriptive normative beliefs regarding firm growth of (I) family CEOs in FBs. They are followed by (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working in the FB, but not
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possessing share holdings. The fourth group of CEOs, (IV) professional CEOs working in NFBs, is not touched by this specific influence.

Experience and CEOs’ control beliefs. As indicated earlier, according to the F-PEC logic, the experience dimension is mainly determined by the generation(s) in charge as well as the number of contributing family members (Astrachan et al., 2002; Klein et al., 2005). Consequently, if a family organization displays a high degree of experience, an increased number of family members should be involved in its business (Astrachan et al., 2002; Klein et al., 2005; Miller & Le Breton-Miller, 2006). Typically, a significant share of them will also be part of important business decisions (Sonfield & Lussier, 2004), such as strategic choices regarding firm growth. Several authors from the field of FB research confirm this fact, purporting that the distribution of decision-making authority in FBs, depends on the firm's generational stage (Aronoff, 1998; Dyer, 1988; Sonfield & Lussier, 2004). Further, they claim that FBs beyond the founder generation are more prone to emphasize team management and participative involvement of all family members in important decision making (Aronoff, 1998; Sonfield & Lussier, 2004). This, however, has some negative implications on the interpersonal dynamics among family members. With an increased number of family members and different generations involved in the business, there is an increased potential for conflict and disagreement among these individuals. Such conflict may concern a range of decisions within the organization, including various strategic decisions (e.g., such concerning the firm's growth) (Davis & Harveston, 1999; 2001; Ensley & Pearson, 2005; Miller & Le Breton-Miller, 2006; Miller et al., 2008; Sonfield & Lussier, 2004).

During his tenure in the FB, the respective CEO in charge should observe and learn about these deviating opinions and the potential for conflict among the members of the owner family. Based on this, he should infer that this conflict and disagreement has to be managed when it comes to strategic decisions, such as growth decisions. Consequently, depending on
the extent of experience inherent in the FB, the respective CEO should form a corresponding control belief with regard to the potential for conflict that may arise between family members when it comes to strategic growth decisions.

With regard to the context of this work, the above-described impact should hold for those types of CEOs that are employed by a family-controlled firm – that is, the first three types of chief executives (see Figure 2-7). Professional CEOs working for an NFB (IV) do not experience this impact. In light of this, I anticipate that the extent of experience inherent in the FB is a relevant background factor that may cause variations in the salient control beliefs regarding growth that CEOs form – depending on the whether they manage an FB or an NFB.

Proposition 2b: The extent of experience inherent in the FB due to its generational stage and the number of family members in charge, will have a significant impact on the control beliefs regarding growth of CEOs employed by an FB, potentially causing differences in these control beliefs between CEOs that are employed by an FB and those that are employed by an NFB.

Specifically, I suggest that the control beliefs held by the three types of CEOs working in an FB (i.e., (I) family CEOs, (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working, but not possessing share holdings, in the FB) should be significantly impacted by the extent of experience the FB owner-family brings into the business via the stage of generation(s) and number of family members in charge. Yet, the control beliefs formed by the fourth group of CEOs, (IV) professional CEOs working in NFBs, are not subject to this specific influence.

Culture. Finally, culture also constitutes an important part of the organizational situation faced by a particular CEO. According to the F-P EC scale, it is the third dimension where
family influence may cause substantial differences between FBs and NFBs with regard to the organizational context (Astrachan et al., 2002; Klein et al., 2005). For this reason, it comprises the third organizational background factor, in addition to power and experience. Overall, a firm's culture refers to the set of values that are rooted within the organization (Klein et al., 2005). In general, values can be seen as the "desirable goals that vary in importance and serve as guiding principles in people’s lives" (Simon, Marquès, Bikfalvi, & Dolors Muñoz, 2012, p. 133). In the context of organizations, values are usually delineated as the preferences that the involved individuals have regarding behaviors and outcomes that ought to exist in work settings (Glew, 2009; Simon et al., 2012). Here, the F-P EC logic proposes that the family influence on the dimension of organizational culture may cause substantial differences between FBs and NFBs (Astrachan et al., 2002; Klein et al., 2005).

**Culture and CEOs' normative beliefs.** Within an organization, sharing a set of common values and culture encourages identification and trust. This is true for any type of organization, be it a public corporation or a family firm (Dyer, Jr. & Handler, 1994; Ensley & Pearson, 2005; Kotter & Heskett, 2011; Raskas, 1998; Reid et al., 1999; Schein, 2010). The identification with and the trust in an individual or group generally encourages a person to consider such referents as being relevant to him, and to value their thoughts and opinions. Consequently, an organization's individual corporate culture, and the level of identification and trust it encourages among employees, may have considerable implications for the normative beliefs that the firm's CEO forms with regard to various corporate issues (Fishbein & Ajzen, 2010b). Especially in the case of FBs versus NFBs, these implications should have a substantial impact on the respective CEO and his normative beliefs regarding firm growth.

In the context of FBs, values are generally viewed as an explicit or implicit conception of what the family and their business regard as desirable and important (Hall, Melin, & Nordqvist, 2001; Koiranen, 2002; Simon et al., 2012). Thus, a unique characteristic of FBs is
that the owner-family's values shape and guide the overall business as well as its corporate culture and values (Ensley & Pearson, 2005). The extent to which the family and the business share values will create a distinct corporate culture that is dominated more or less by the assumptions and values of the family (Astrachan et al., 2002; Klein et al., 2005; Reid et al., 1999). The norms and culture experienced by the members of family-controlled organizations encourage trust (Dyer, Jr. & Handler, 1994; Ensley & Pearson, 2005; Raskas, 1998), identification and emotional attachment among them (Corbetta & Salvato, 2004; Miller & Le Breton-Miller, 2006). Here also CEO's who are not part of the FB owner-family are socialized to accept these family values (Goffee & Scase, 1985; Reid et al., 1999). Accordingly, all three CEO's types employed by an FB (see Figure 2-7) should be encouraged by the organization's distinct culture to establish considerable trust in the FB and to identify with the firm, and specifically its owner-family. Ultimately, this should cause them to consider the latter as an important reference group, adopting their prescriptions and actions regarding firm growth and its consequences, and integrating them into their own salient normative growth beliefs.

CEOs growing up in the FB (I) family, "learn the importance of the family's values and the role of the family" (Dyer, 1989, p. 224) in the business starting from their childhood. Following this reasoning, they should internalize the family's and the organization's culture most strongly. Consequently, family CEOs in FBs should experience the strongest impact of organizational culture on their normative beliefs regarding firm growth. In contrast to this, much of the formal management training that non-family CEOs go through is rather value free (Dyer, 1989), often resulting in the executive's lack of identification with the organizational culture of the firm they are working for (Klein & Bell, 2007). Nevertheless, in the case of non-family CEOs working in a family firm, the attempts by the owner-family to socialize those executives and tightly integrate them should counteract this initial predisposition (Goffee & Scase, 1985; Reid et al., 1999). Moreover, non-family CEOs (II)
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possessing share holdings in the FB with their role as 'owners' are theoretically induced to internalize the FB's culture to a greater extent than their (III) counterparts without ownership stock (Dyer, 1989; Lussier & Sonfield, 2007).

As a similar identification- and trust-stimulating influence is usually not present in the organizational cultures of NFBs (Reid et al., 1999), (IV) professional chief executives in NFBs should experience the lowest impact of this particular background factor on their salient normative growth beliefs. In summary, I anticipate that an organization's culture, via its influence on the CEO's identification and trust, should have a significant impact on his normative beliefs regarding growth. The direction of this effect's impact mainly depends on the type of firm the respective CEO is employed in – i.e., FB or NFB.

Proposition 3: The extent to which the values of the FB owner-family shape the firm's culture, will have a significant impact on the normative beliefs regarding growth of CEOs employed by an FB, potentially causing differences in normative growth beliefs among the different types of CEOs that are employed by FBs, as well as between CEOs that are employed by an FB and those that are employed by an NFB.

More explicitly, I believe that the extent to which the values of the FB owner-family shape the firm's culture, via their influence on executives' level of identification and trust, will have the most significant impact on the injunctive and descriptive normative beliefs regarding firm growth of (I) family CEOs in FBs. They are followed by (II) non-family CEOs working and possessing share holdings in the FB, (III) non-family CEOs working in the FB, but not possessing share holdings, and, finally, (IV) professional CEOs working in NFBs.
The social environment

In addition to the organizational situation, the social environment that compasses the different types of chief executives and their firms constitutes the second key source of background factors that fall into the 'objective situation' category (see Figure 2-10) (Fishbein & Ajzen, 2010b; Hambrick, 2007a; Hambrick & Mason, 1984).

Figure 2-10: Structure of theoretical propositions – The influence of the social environment

Source: Author’s illustration

In the context of this investigation, the social environment is refers to the social structures and ties in which the individual CEO and his organization are embedded (Fishbein & Ajzen, 2010b; Portes & Sensenbrenner, 1993; Uzzi, 1996). Generally, it consists of different groups of referents and stakeholders. Some of them belong to the more immediate social environment of the CEO, while others rather belong to his, or the organization's, more extended social environment (Gómez-Mejía et al., 2011). Fishbein and Ajzen (2010b), theorize that a person's behavior, and subsequently his intentions and beliefs, may vary significantly as a result of the social environment. The prevailing social norms, values, and expectations of the dominant groups belonging to this social environment are especially of major interest here (Niehm, Swinney, & Miller, 2008; Portes & Sensenbrenner, 1993). These
Variations in strategic choices concerning firm growth dispositions significantly influence CEOs when forming their economic versus non-economic preferences (Gómez-Mejía et al., 2011). Shaping the individual CEO's mindset into a particular direction regarding economic versus non-economic preferences, these dispositions, ultimately, should have a distinct influence on the beliefs he forms regarding firm growth.

Although the social environment consists of a multitude of parties, I deliberately selected only those that are expected to have the most powerful impact on shaping the beliefs of the four types of CEOs into different directions. As researchers generally agree that an individual's family is one of his most important reference groups (Putney & Bengtson, 2002; Vallejo & Langa, 2010), this reference group was chosen to represent the first background factor. It is constitutes the dominant background factor emanating from the executives' close social environment. Now, in order to integrate both the influences originating from the intimate and the wider social environment, the second group of social referents utilized here is part of the latter. A particularly dominant reference group belonging to this environment is the local community and broader society. This group is particularly relevant when distinguishing environmental influences between FBs versus NFBs, and the different types of CEOs (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Gómez-Mejía et al., 2011; Miller & Le Breton-Miller, 2006; Miller et al., 2008; Niehm et al., 2008). The individual influence of these social environment background factors on the respective beliefs of the four types of CEOs regarding firm growth is discussed in the following.

**Family of origin.** First, the potential influences of a CEO's immediate social environment are addressed. As stated in the previous paragraph, his family represents one the most important groups of referents in this environment (Carr & Sequeira, 2007; Jaskiewicz & Luchak, 2013; Putney & Bengtson, 2002; Vallejo & Langa, 2010). It refers to his own family of origin, the primary site of the chief executive's socialization (Putney & Bengtson, 2002). Generally, "Socialization can be understood as the process by which people acquire the
patterns of behavior, beliefs, norms, and motives that are valued and accepted by their own social group" (Vallejo & Langa, 2010, p. 49). Its main purpose is to support individuals in adapting to the social environment in which they have to live (Vallejo & Langa, 2010). This socialization process, however, is not limited to childhood, but can rather be seen as a lifelong process (Putney & Bengtson, 2002). A large body of research from the fields of sociology and psychology emphasize that, throughout their lives, "individuals target family rather than nonfamily members when they are in need and require support" (Jaskiewicz & Luchak, 2013, p. 1363). Consequently, a CEO's own family should significantly influence and shape the values, attitudes and behaviors he adopts through socialization – both when growing up, and throughout the present (Carr & Sequeira, 2007; Jaskiewicz & Luchak, 2013). Through this socialization process, individuals also learn their performance motivation (Bisin & Verdier, 2000; Vallejo & Langa, 2010), which includes their motivation concerning firm growth. Ultimately, this implies that the individual family background of the four types of CEOs that are the subject to this study should have a significant impact on their growth beliefs. This impact and its direction are described below.

*Family of origin and CEOs' behavioral beliefs.* As already stated under the propositions concerning the organizational environment, individuals may have different reference points or preferences when it comes to managerial choices in the business context, such as strategic choices regarding firm growth. Their primary reference points may be economic (i.e., financial) or non-economic (Berrone et al., 2012; Gómez-Mejía et al., 2011; Gómez-Mejía et al., 2007). In line with this, the family of an individual CEO, depending on the family members' work experience, should also hold certain preferences as regards the priority of economic versus non-economic considerations. According to Hambrick and Mason's (1984) perceptual model of strategic choice (see chapter 2.3.1), the family's personal interpretation of firm growth and its consequences is shaped by these preferences. In the process of
socialization, the executive's family continuously passes both aspects on to all of its members (e.g., from the parents to their children) (Carr & Sequeira, 2007; Klein & Bell, 2007; Vallejo & Langa, 2010): their general preferences regarding economic versus non-economic considerations as well as their perceptions regarding firm growth and the associated consequences of it. This particular influence should more or less maintain its original direction throughout the individual CEO's life, because, according to Fishbein and Ajzen (2010b), the family's beliefs, intentions and behavior regarding growth and its potential consequences should remain relatively stable over time. These socialization experiences should significantly influence chief executives' behavioral beliefs regarding firm growth.

Based on the individual observations and information gathered through their family socialization, different CEOs should tend to adopt and integrate different aspects into their salient behavioral beliefs on the consequences of growth. As regards the four types of CEOs this study focuses on, their socialization experience should vary depending on whether or not they are members of a family that possess its own business (i.e., a FB owner-family). Carr and Sequeira (2007) confirm this view, stating that the involvement of the individual's family in the FB plays a significant role as regards the beliefs and intentions that individual family members form with regard to the business and its development. More explicitly, they state that early and continuous exposure to experiences of various issues concerning the FB will affect a family member's beliefs and intentions regarding these business issues. As indicated by Vallejo and Langa (2010), such issues might very well include the firm's growth.

Now, in contrast to families that do not own an FB, FB owner-families tend to focus on non-economic considerations, or more explicitly the preservation of SEW, as a basis for evaluating corporate issues (Berrone et al., 2012; Chrisman & Patel, 2012; Gómez-Mejía et al., 2011; Gómez-Mejía et al., 2007), such as firm growth and its potential implications for example. As explained under Proposition 2a, this predisposition causes the FB owner-family's
beliefs, intentions and actual behavior regarding firm growth to tend more in a negative direction. The underlying views and preferences based on which families without FB ownership evaluate business phenomena, such as firm growth, differ from those held by FB owner-families (Dyer, 1989; Klein & Bell, 2007). For them, economic considerations typically prevail over non-economic ones (Berrone et al., 2012; Gómez-Mejía et al., 2011; Gómez-Mejía et al., 2007), which, accordingly, should be reflected in their beliefs, intentions and actual behavior regarding firm growth.

Thus, overall it follows that CEOs that grow up and live within a family environment where the family possesses its own FB (i.e., (I) family CEOs), should experience different socialization influences than their counterparts from an NFB family environment (i.e., the remaining three types of chief executives) (see Figure 2-7). Consequently, based on the individual observations and information gathered through their family socialization, each of these groups should adopt and integrate different aspects into their salient behavioral beliefs regarding firm growth, causing them to vary between the two groups.

Proposition 4a: The extent of FB exposure a CEO experiences within his own family environment, particularly via the continuous socialization influences his family exerts on him, will have a significant impact on his behavioral beliefs regarding growth, potentially causing differences in behavioral growth beliefs between CEOs that are members of an FB owner-family and those that are not.

In particular, I think that the extent of FB exposure that a CEO experiences within his own family environment, especially via the continuous socialization influences that his family exerts on him, will cause the behavioral beliefs regarding firm growth of (I) family CEOs in FBs to differ significantly from those of (II) non-family CEOs working and possessing share
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holdings in the FB, (III) non-family CEOs working in the FB, but not possessing share holdings, and (IV) professional CEOs working in NFBs.

*Family of origin and CEOs' normative beliefs.* In addition to learning about the consequences of firm growth and the potential (positive or negative) implications, the process of family socialization may also teach the CEO which normative pressures he might expect from his own family regarding growth. The prescriptions and actions of this reference group are of special importance when it comes to the normative beliefs the chief executive forms regarding firm growth. Usually, there is a strong emotional link between an individual and his family of origin (Jaskiewicz & Luchak, 2013; Vallejo & Langa, 2010). Constituting his primary site of socialization, that is the site where he lives his first social experiences, an individual's family ties cause him to feel obligated to his fellow family members and to value their opinions and advice. In line with these findings, researchers generally agree that the family of origin constitutes one of an individual's most important reference groups (Jaskiewicz & Luchak, 2013; Putney & Bengtson, 2002; Vallejo & Langa, 2010). It can thus be assumed that all four types of CEOs identified in the context of this investigation regard their respective family as a highly relevant reference group whose prescriptions and actions are of considerable importance. Learning about their concrete prescriptions and actions regarding growth in the course of the continuous socialization process, according to the basic logic of the TPB (Ajzen, 1988; 1991; Fishbein & Ajzen, 2010b), should influence chief executives' injunctive and descriptive normative beliefs in a particular direction.

Now, the distinct prescriptions and actions an executive's family develops regarding firm growth are largely influenced by its respective economic versus non-economic reference points/ preferences regarding such managerial decisions (Berrone et al., 2012; Gómez-Mejía et al., 2011; Gómez-Mejía et al., 2007). Thus, following the arguments outlined under Proposition 4a, these prescriptions and actions should vary significantly between families that
possess and manage their own FB, and those that do not. Consequently, I expect that CEOs coming from a family environment where the family possesses its own FB (i.e., (I) family CEOs in FBs), should experience a different impact of family referents on their normative beliefs than their counterparts from an NFB family environment (i.e., the last three CEO-types) (see Figure 2-7). Based on this impact, each of the groups should adopt and integrate different prescriptions and actions into their salient normative beliefs regarding firm growth.

**Proposition 4b:** The extent of FB exposure a CEO experiences within his own family environment, particularly via the continuous socialization influences his family exerts on him, will have a significant impact on his normative beliefs regarding growth, potentially causing differences in normative growth beliefs between CEOs that are members of an FB owner-family and those that are not.

Particularly, I suggest that the extent of FB exposure that a CEO experiences within his own family environment, especially via the continuous socialization influences that his family exerts on him, will cause the injunctive and descriptive normative beliefs concerning firm growth of (I) family CEOs in FBs to differ significantly from those of (II) non-family CEOs working and possessing share holdings in the FB, (III) non-family CEOs working in the FB, but not possessing share holdings, and (IV) professional CEOs working in NFBs.

*Local community and broader society.* Besides the 'family' influences originating from the chief executive's close social environment, also selected referents stemming from his wider social environment may have a considerable impact on the individual beliefs he forms regarding growth. With regard to the special focus of this work, as mentioned above, the local community and broader society constitute a particularly dominant reference group belonging to this environment (Berrone et al., 2010; Gómez-Mejía et al., 2011; Miller & Le Breton-Miller, 2006; Miller et al., 2008; Niehm et al., 2008). According to the Oxford English
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Dictionary, when considered in the context of social values and responsibilities, this group of social referents refers to the collective of people living in a certain district, area or country (Oxford University Press, 2014). Niehm et al. (2008) stress the importance of viewing the behavior of firms and their top actors in terms of its congruence with the prevailing social norms, values, and expectations of the local community and broader society that compass the business.

Local community/ broader society and CEOs' normative beliefs. According to Fishbein and Ajzen (1975a; 2010b), an individual's attempt to adhere to such norms and expectations should induce him to include these prescriptions into his normative beliefs, ultimately causing them to tend in a particular direction. Hence, the CEO's individual degree of adherence to such norms and expectations in corporate business settings is considered to be an important aspect in the context of this investigation. Especially due to its varying importance and diverging influence in FB versus NFB settings (Gómez-Mejía et al., 2011; Miller & Le Breton-Miller, 2006; Miller et al., 2008; Naldi et al., 2013; Niehm et al., 2008), the local community and broader society are thus chosen to constitute the second dominant background factor emanating from the executives' social environment.

Each community group possesses a certain set of prevailing social norms, values, and expectations. These may ultimately be attributed to the respective preferences held by the main actors that are part of this local community (Besser & Miller, 2001; Niehm et al., 2008). Affected by the individuals that are part of it, the local community may form its own preferences as regards the firm's corporate decisions/ actions and its specific contributions to the community (Besser & Miller, 2001; Miller, Besser, Gaskill, & Sapp, 2003). Generally, this group of social referents tends to have a rather long-term orientation concerning the company's decisions and contributions, specifically prioritizing those corporate actions that benefit the collective (i.e., the whole community) (Astrachan, 1988). In line with these
findings, Anglin (1990) asserts that local communities do not hold strictly positive attitudes toward growth in their territories. More explicitly, he purports that they do not strive for unlimited growth induced by local businesses, because the individual utility of growth, as it is perceived by the local residents and elites, diminishes beyond a certain point. This is the point at which local growth and development move beyond a sustainable level and the community starts to experience a decline in the quality of their lives (e.g., through environmental impacts – both of infrastructural and ecological nature). Hence, one would not expect unqualified support for growth by the local community and broader society (Anglin, 1990). As a result, the local community tends to support long-term oriented, sustainable firm growth that benefits the whole collective and reject extreme and highly volatile firm growth. These preferences concerning firm growth are part of the prevailing social norms, values, and expectations held by the local community and broader society.

Firms that are based in the community group's area, and specifically their top executives, observe these preferences (Niehm et al., 2008). Yet, the degree to which a particular CEO attempts to adhere to such norms and expectations, and actually integrates them into his normative growth beliefs, may vary considerably. Especially with regard to the two basic types of firms considered in this study, that is FBs and NFBs, such variations should be particularly pronounced (Berrone et al., 2010; Gómez-Mejía et al., 2011; Miller & Le Breton-Miller, 2006; Miller et al., 2008). Potential explanations for their individual sense of responsibility toward their local community are explained in the following.

Due to the fact that "most family businesses live, work, and operate within the same community" (Niehm et al., 2008, pp. 333–334), these kinds of firms may hold unique perspectives as regards the relevance of this reference group. Specifically, the family involvement and ties to the community that are typical for FBs (Berrone et al., 2010; Gómez-Mejia et al., 2011; Miller & Le Breton-Miller, 2006; Miller et al., 2008; Niehm et al., 2008),
Variations in strategic choices concerning firm growth may "cause them to have greater attachment and stronger sentiment toward their communities and a greater likelihood to work for the common good" (Niehm et al., 2008, p. 334). FBs' emphasis on being a good citizen that fosters mutually beneficial relationships with the local community and broader society (Miller & Le Breton-Miller, 2005) is essentially induced by the family that owns and manages the FB. This is mainly a result of the family's desire to protect and enhance its SEW (Gómez-Mejía et al., 2011; Naldi et al., 2013). Following this argument, especially CEOs who are members of the FB owner-family (i.e., (I) family CEOs) should view the local community and broader society as a very important reference group and value highly their prescriptions and actions regarding growth (Naldi et al., 2013). This perception should guide them in their business behavior and decisions. In particular, as "socially responsible business decisions connect the firm to the community" (Niehm et al., 2008, p. 333), family CEOs should make a special effort to consider the perceived prescriptions and actions of the local community when taking important business decisions, such as strategic choices on firm growth. According to the logic of the TPB, this implies that they should integrate these normative perceptions into their salient normative growth beliefs (Ajzen, 1988; 1991; Fishbein & Ajzen, 2010b), causing them to tend in a certain direction.

The remaining three types of chief executives, which are either not members of the FB owner-family or employed by an NFB (see Figure 2-7), should not exhibit a similar sense of responsibility toward their local community (Berrone et al., 2010; Dyer & Whetten, 2006; Gómez-Mejía et al., 2011; Miller & Besser, 2000; Naldi et al., 2013; Post, 1993). Accordingly, they should rather not consider the local community and broader society as a highly important reference group when it comes to normative considerations regarding growth. As a result, a CEO's extended social environment, specifically the local community and broader society that encompasses him and his firm, should ultimately cause variations in the salient normative beliefs regarding growth that the different CEO-types form.
Proposition 5: The local community and broader society that encompasses a CEO and his firm via his extended social environment will have a significant impact on his normative beliefs regarding growth, potentially causing differences in normative growth beliefs between CEOs that are members of an FB owner-family and those that are not.

Specifically, I think that the local community and broader society that encompasses a CEO and his firm via his extended social environment will cause the injunctive and descriptive normative beliefs regarding firm growth of (I) family CEOs in FBs to differ significantly from those of (II) non-family CEOs working and possessing share holdings in the FB, (III) non-family CEOs working in the FB but not possessing share holdings, and (IV) professional CEOs working in NFBs.

2.5.1.2 The influence of the executive's individual characteristics

In addition to the above-discussed organizational situation and social environment, relevant background factors may also emerge from a CEO's individual characteristics (Fishbein & Ajzen, 2010b). As indicated by the conceptual framework developed in chapter 2.4, they constitute the second group of background factors that is highly relevant in affecting an executive's beliefs regarding growth, and hence also his growth intentions. In accordance with this framework, I distinguish between observable characteristics and personal attitudes as potential sources of relevant background factors at the level of the individual (i.e., the respective chief executive).
The executive's observable characteristics

I begin by investigating the respective impact of a CEO's observable characteristics on the beliefs, and ultimately the intentions he forms concerning firm growth (see Figure 2-11).

**Figure 2-11:** Structure of theoretical propositions – The influence of the executive's observable characteristics

Source: Author’s illustration

Weick (1969, pp. 31–32) refers to this kind of characteristics as personal "properties [that] can be defined in terms of observable individual behaviors". Both the UET and the TPB emphasize the relevance of observable managerial characteristics in predicting behavior (e.g., strategic actions), and its individual determinants (Fishbein & Ajzen, 2010b; Hambrick, 2007a; Hambrick & Mason, 1984). Overall, a multitude of potential factors might be considered here. Examples include the executive's age, his tenure in the organization, or his education and functional background (Hambrick & Mason, 1984). However, as regards the explicit context of this work, it seems advisable to focus only on those elements that have the greatest impact in shaping the growth beliefs of the four identified types of CEOs into different directions. In view of this, two background factors that emerge from the domain of observable executive characteristics stand out:
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- The chief executive's individual managerial job tenure (Gómez-Mejia et al., 2011; Miller & Le Breton-Miller, 2006; Miller et al., 2008; Stewart & Hitt, 2012).
- The chief executive's degree of managerial accountability (Anderson & Reeb, 2003a; Carney, 2005; Le Breton-Miller & Miller, 2006; McConaughy, 2000).

Particularly in the FB versus NFB context these components may take on different values, yielding potentially important behavioral implications with regard to various corporate issues (Anderson & Reeb, 2003a; Gómez-Mejia et al., 2011; Miller & Le Breton-Miller, 2006). Considering firm growth to be one of these corporate issues, I expect that both factors might contribute significantly towards explaining the variations in individual growth beliefs between the different types of CEOs that are subject to the current investigation. Accordingly, they are chosen to represent the relevant set of observable executive characteristics that is analyzed within this study. Their specific impact on the executives' individual beliefs regarding firm growth is discussed in the following.

Managerial job tenure. In a first step, managerial job tenure and its potential implications are discussed. Generally, the managerial tenure of executives is one of the observable demographic variables that has the most significant theoretical footing (Finkelstein & Hambrick, 1990; Pfeffer, 1983). Overall, managerial job tenure can be understood as the number of years an executive is employed in a particular position (Finkelstein & Hambrick, 1990). In the present investigation, it denotes the duration of an executive's tenure in the CEO position. According to the UET, the individual length of such a job tenure affects the executive's strategic choices and their antecedents (Finkelstein & Hambrick, 1990; Hambrick & Mason, 1984), making it a highly relevant background factor with regard to the beliefs that different types of CEOs form regarding firm growth.
Managerial job tenure and CEOs' behavioral beliefs. In general, the duration of managerial job tenure determines whether, or not, a CEO may indeed have the chance to experience the mid- and long-term consequences of important business decisions. Lengthy job tenure allows the chief executive to observe the 'full' consequences of such decisions – i.e., his mid- and long-term implications for the company, while shorter job tenure predominantly allows him to examine only the short-term implications (Le Breton-Miller & Miller, 2006). Ranking among a firm's most relevant business decisions, this effect should also hold for strategic decisions on growth. Accordingly, just as an enhanced experience dimension increases the owning family's learning concerning growth and its consequences (see Proposition 2a), an individual CEO's enhanced managerial job tenure increases his personal learning experience with regard to firm growth. Ultimately, as explained in depth under Proposition 4a, such learning experiences should significantly shape the CEO's behavioral beliefs concerning the firm's growth.

The duration of managerial job tenures varies significantly between FBs and NFBs (Anderson et al., 2003; Anderson & Reeb, 2003a; Cromie et al., 1995; Jorissen, Laveren, Martens, & Reheul, 2005; Le Breton-Miller & Miller, 2006; Stewart & Hitt, 2012). The sustained long-term presence of a family in the firm creates, or at least supports, a firm structure and mind-set that generally favors long tenures (Anderson et al., 2003; Anderson & Reeb, 2003a; Gómez-Mejía et al., 2011; Hoopes & Miller, 2006; Le Breton-Miller & Miller, 2006; Miller & Le Breton-Miller, 2005; Miller et al., 2008; Stewart & Hitt, 2012). In NFBs, a different picture may be observed. Here, where "managers and directors turn over on a relatively continuous basis" (Anderson & Reeb, 2003a, p. 1306), the existing firm structure and mind-set usually supports comparatively short tenures (Anderson et al., 2003; Anderson & Reeb, 2003a; Hoopes & Miller, 2006; Kets de Vries, 1993; Le Breton-Miller & Miller, 2006; Stewart & Hitt, 2012; Zellweger, 2007). In fact "the average CEO tenure at
family-run businesses is said to range between 15 and 25 years" (Miller & Le Breton-Miller, 2006, p. 78), more than four times longer than the average tenure of a typical NFB CEO, which is only three to four years (Le Breton-Miller, Miller, & Steier, 2004; Miller & Le Breton-Miller, 2006). Yet, the long tenures enjoyed by chief executives working for a family firm do vary in their individual duration depending on the CEO's actual membership in the FB owner family. More explicitly, the average job tenure of a non-family CEO working in an FB is much lower than that of his counterpart who is a member of the FB owner-family. Still, it should be greater than the managerial job tenure enjoyed by professional NFB CEOs (Gómez-Mejía et al., 2003; Huybrechts, Voordeckers, & Lybaert, 2013).

Hence, in general, due to their lengthy tenures (Anderson & Reeb, 2003a; Gómez-Mejía et al., 2011; Le Breton-Miller & Miller, 2006; Stewart & Hitt, 2012; Zellweger, 2007), CEOs working for FBs are more likely to experience the mid- and long-term consequences of growth, or particular growth decisions, within the same firm (Le Breton-Miller & Miller, 2006), than their peers that work for NFBs. Specifically, (I) family CEOs in FBs should have the greatest chance to experience the full consequences implied by firm growth, followed by their counterparts that work for an FB but do not have any ties to the business’s owner-family (i.e., (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs without share holdings in the FB) (see Figure 2-7). Since (IV) NFB-employed CEOs usually hold only comparatively short tenures (Anderson & Reeb, 2003a; Kets de Vries, 1993; Le Breton-Miller & Miller, 2006; Stewart & Hitt, 2012; Zellweger, 2007), they most probably have already moved on to the next firm, where a new growth challenge is already waiting for them, before the full consequences of their strategic growth decisions come into effect (Le Breton-Miller & Miller, 2006).

However, the mere observation of the potential consequences of growth does not automatically induce an individual to integrate them into his behavioral beliefs. As explained
in detail under Proposition 2a, the decisive factor in this context is rather the respective importance or priority that this individual attaches to a particular consequence (Ajzen, 1991; Fishbein & Ajzen, 1975a; 2010b), which typically depends on his main point of reference. Now, depending on this respective reference point, the full consequences of the firm's growth might be perceived as more, or less, beneficial by the executive.

Being a part of the FB owner-family themselves, (I) family CEOs should share the family's predominant focus on SEW as the main point of reference in this regard\(^\text{12}\) (Jaskiewicz & Luchak, 2013; Naldi et al., 2013). Additionally, their strongly pronounced stewardship traits, as indicated by their categorization along the steward versus agency trait spectrum in Figure 2-7, should induce them to adopt the FB organizations', and hence the family's, SEW reference point in order to act in the best interest of their firm (Davis et al., 1997; Donaldson, 1990; Donaldson & Davis, 1991). As outlined under Proposition 2a, such a focus on SEW as the key point of reference, should cause family CEOs to perceive the potential consequences of firm growth as predominantly negative, because they are associated with a loss of SEW. According to Fishbein and Ajzen (2010b), this tendency should also be reflected in their behavioral beliefs.

Despite observing a slightly more restricted picture regarding the mid- and long-term consequences of growth, (II) non-family CEOs working and possessing share holdings in the FB should behave quite similarly. However, because their tendency towards stewardship behavior should be less pronounced than that of family CEOs (see Figure 2-7), their adopted point of reference should still be less strongly focused on non-economic, or SEW concerns. Following the above logic, this implies that their behavioral growth beliefs should also change accordingly, which distinguishes them from those of family CEOs.

\(^{12}\) For a detailed discussion on the owner-family's/ family member's focus on SEW as a main reference point and the reasoning behind this argumentation see Proposition 2a in chapter 2.5.1.1.
Due to their disposition towards agent-type behavior (see Figure 2-7), the third group of CEOs, (III) non-family CEOs working in the FB, should not care too much about the reference point prevailing within the FB or its owner-family when prioritizing the observed consequences of firm growth. Instead, their perceptions concerning the potential consequences of firm growth should rather be dominated by their focus on opportunistic, self-centered motives (Fama & Jensen, 1983; Jensen & Meckling, 1976). Thus, although the length of their job tenure should theoretically allow them to observe a large part of the mid- and long-term consequences of growth, they should perceive and evaluate them differently than the first two types of chief executives. This should also cause their salient behavioral beliefs concerning firm growth to vary from those of the above-mentioned CEO-types.

Yet, a different picture emerges with regard to the influence of managerial job tenure on the fourth type of CEO, the (IV) NFB CEO. Besides his limited possibility to observe the full consequences of firm growth, his positioning at the extreme agency side of the behavioral continuum (see Figure 2-7) should cause him to mainly pursue his own reference point and neglect the preferences that guide corporate decisions within his firm. As a result, he tends to prioritize a different selection of relevant growth implications than his FB counterparts, and integrates them into his salient behavioral growth beliefs.

Thus, overall, it may be assumed that:

Proposition 6a: A CEO's managerial job tenure will have a significant impact on his behavioral beliefs regarding growth, potentially causing differences in behavioral growth beliefs among the different types of CEOs that are employed by FBs, as well as between CEOs that are employed by an FB and those that are employed by an NFB.
In particular, I suggest that a CEO's managerial job tenure will cause the individual behavioral growth beliefs among (I) family CEOs in FBs, (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working in the FB, but not possessing share holdings, to vary significantly from each other. Moreover, the resulting behavioral beliefs regarding firm growth held by these three types of FB-employed CEOs will also vary significantly from those held by (IV) professional CEOs working in NFBs.

Managerial job tenure and CEOs' control beliefs. In addition to its effect on a CEO's behavioral growth beliefs, managerial job tenure may also impact an executive's control beliefs regarding firm growth. Depending on the duration of his job tenure, especially within the same firm, a CEO may have the chance to move further along the firm's individual learning curve as regards various issues concerning the business (Anderson & Reeb, 2003a; Kets de Vries, 1993; Le Breton-Miller & Miller, 2006). As explained under Proposition 6a, this becomes especially relevant when it comes to strategic growth decisions. To be more precise, lengthy job tenures might allow him to collect relevant information on the presence, or absence, of control factors that may impede or facilitate growth decisions. Profoundly understanding the interaction of the dynamics and forces in the strategic growth decision-making process, the enhanced learning exposure of long-tenured CEOs should lead them to develop a better assessment regarding the individual relevance and priority of these diverse impeding or facilitating factors. According to the TPB, the information on potential control factors gathered through such experiences should impact the control beliefs that the individual executive forms with regard to firm growth (Ajzen, 1988; 1991; Fishbein & Ajzen, 2010b).

Following this argumentation, the variation in job tenures between the different types of CEOs that was discussed under Proposition 6a should cause the individual executives to observe a larger, or smaller, set of potential control factors within their organization.
Furthermore, I expect that the subsequent assessment of these factors concerning their relevance and priority should also be affected by these differences in individual job tenures.

Consequently, possessing the longest average job tenures among the four types of chief executives (Anderson & Reeb, 2003a; Huybrechts et al., 2013; Kets de Vries, 1993; Le Breton-Miller & Miller, 2006; Stewart & Hitt, 2012; Zellweger, 2007), (I) family CEOs should be exposed to significantly more chances and situations in which they may collect relevant information regarding the presence and relevance of control factors that may impede or facilitate strategic growth decisions in their firm. Yet also their peers that work in the FB, but themselves are not members of the businesses owner-family (i.e., (II) non-family CEOs with share holdings in the FB, and (III) non-family CEOs without share holdings in the FB), should have the chance to gather a significant amount of information on possible control factors concerning growth decisions and their individual priority. Still, due to the shorter duration of their usual job tenure compared to family CEOs (Gómez-Mejía et al., 2003; Huybrechts et al., 2013), these learning experiences should be slightly less substantial. Finally, in accordance with the constantly decreasing duration in managerial job tenure among the specified groups of chief executives - from family CEOs, via non-family CEOs in FBs, to (IV) professional CEOs in NFBs, the latter should have far fewer opportunities to collect relevant information on potential control factors than their FB-employed counterparts. Thus, holding only comparatively short job tenures, it should be far more difficult for them to understand and learn about the relevance and priority of the diverse factors that may impede or facilitate strategic growth decisions in their organization.

Ultimately, these varying learning exposures that originate from the differences in managerial job tenures should induce the above-mentioned types of CEOs to individually incorporate a different set of control factors into their salient control beliefs.
Proposition 6b: *A CEO's managerial job tenure will have a significant impact on his control beliefs regarding growth, potentially causing differences in these control beliefs among the different types of CEOs that are employed by FBs, as well as between CEOs that are employed by an FB and those that are employed by an NFB.*

More explicitly, I believe that a CEO's managerial job tenure will have the most significant impact on the control beliefs regarding firm growth of (I) family CEOs in FBs. They are followed by (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working in the FB, but not possessing share holdings. Overall, the above-mentioned impact should be least pronounced with for (IV) professional NFB CEOs.

**Accountability.** Now, in a subsequent step, the second observable variable, namely a chief executive's degree of managerial accountability, is addressed. According to Schlenker et al. (1994, p. 634), “accountability refers to being answerable to audiences for performing up to certain prescribed standards, thereby fulfilling obligations, duties, expectations, and other charges”. Understood in this way, the concept of accountability "entails a relationship in which people are required to explain and take responsibility for their actions" (Sinclair, 1995, pp. 220–221). It arises from the specific tasks inherent in a role or position, by indicating what the individual holding this position is authorized to do within his role (Dive, 2008). This meaning may be transferred to various contexts, or disciplines – no matter if these are managerial, political or personal. Hence, in the organizational context, accountability is central to how CEOs (or other executives) structure their understanding of the boundaries concerning their decision-making freedom within the firm. Within these specific boundaries they are answerable to various groups of stakeholders (i.e., their audiences) for the performance of the duties that have been delegated to them (Dive, 2008; Guidice, Mero, & Greene, 2013; Sinclair, 1995). In line with this argumentation, managerial accountability is
supposed to refer to the "autonomy [an executive enjoys] in return for accepting managerially defined controls and discipline" (Sinclair, 1995, p. 232).

This specific form of accountability may be of (1) formal or (2) informal in nature. That is, it may either originate from institutionalized, formally binding mechanisms imposed by the organization that entail direct control (i.e., formal governance mechanisms), or from intrinsic and informal incentives held by the individual (Vu & Deffains, 2013). Depending on its individual nature (formal versus informal), managerial accountability yields potentially important behavioral implications with regard to various corporate issues (Anderson & Reeb, 2003a; Carney, 2005; Gómez-Mejía et al., 2011; Guidice et al., 2013; McConaughy, 2000; Miller & Le Breton-Miller, 2006), such as strategic choices on firm growth. This behavioral impact makes it a highly relevant background factor with regard to the variations in individual growth beliefs between the four types of CEOs that are the subjects of this study.

Accountability and CEOs' normative beliefs. In general, managerial accountability is one of the factors that determines which reference groups or persons are considered relevant and credible by an individual (Fishbein & Ajzen, 1975a). Specifically, these referents should correspond to the set of people to which the individual is formally accountable, or at least feels informally accountable (Dive, 2008; Guidice et al., 2013; Sinclair, 1995; Vu & Deffains, 2013). Applied to the explicit context of this study, managerial accountability thus constitutes an important determinant of the groups of referents that are considered the most relevant by a respective CEO. Due to the fact that "accountability is subjectively constructed and changes with context" (Sinclair, 1995, p. 219), it should vary between the four types of CEOs identified at the beginning of chapter 2.5. Following Sinclair's (1995) suggestion, the three criteria employed to differentiate these CEO types from one another (see Figure 2-6) should determine their individual degree of (formal and informal) accountability.
(1) *Formal accountability*. First, it is important to note that FBs and NFBs are each characterized by distinct practices, structures and mechanisms as regards management accountability, which should cause significant variations in the respective degree of formal managerial accountability their CEOs face (Davis et al., 1997; Guidice et al., 2013). Usually, the management in FBs "is less formalized, rational, and standardized than in nonfamily firms" (Stewart & Hitt, 2012, p. 61). They are usually depicted as 'high trust' organizations, that tend to be governed by underlying informal agreements, which are based on affect instead of contractual obligations or utilitarian logic (Corbetta & Salvato, 2004; Donaldson, 1990; Gómez-Mejía et al., 2001). This initial tendency is amplified by their, often limited, degree of professionalization that counteracts the establishment of effective governance structures and formal financial control mechanisms (Dekker, Lybaert, Steijvers, Depaire, & Mercken, 2013; Schulze et al., 2001; Stewart & Hitt, 2012). This can mainly be attributed to the fact that many FBs fail to professionalize because they are not able to do so. They simply lack the skills (i.e., knowledge and resources) or the will to successfully transition to a professional management and governance structure (Daily & Dollinger, 1992; Schulze et al., 2001; Sharma et al., 1997; Stewart & Hitt, 2012). FBs reliance on trust, instead of formal control mechanisms and close monitoring (Daily & Dollinger, 1992; Davis et al., 1997), together with their lack of capability to professionalize (Schulze et al., 2001; Sharma et al., 1997; Stewart & Hitt, 2012), results in CEOs employed by this type of firm operating under fewer internal constraints (Carney, 2005; Dyer, 1989; 2006; Gómez-Mejía et al., 2011; Gómez-Mejía et al., 2001). As a result, FB-employed CEOs (i.e., the first three CEO-types (I) (see Figure 2-7) face a comparatively low degree of formal accountability (Anderson & Reeb, 2003a).

However, the degree of formal managerial accountability differs among the three types of executives. At this point, the executive's behavioral predisposition towards steward- or agent-type behavior and his potential membership in the FB owner-family, helps to further
differentiate the individual degrees of formal accountability. Firstly, the distinct structures and mechanisms of FBs concerning management accountability are particularly suitable for steward type CEOs (Corbetta & Salvato, 2004; Davis et al., 1997; Donaldson & Davis, 1991; Hernandez, 2012b; Miller & Le Breton-Miller, 2006). Being rather trust-oriented (Corbetta & Salvato, 2004; Donaldson, 1990; Gómez-Mejía et al., 2011), their structures empower executives rather than monitoring and controlling them (Davis et al., 1997). Noticing that control would negatively affect an executive's motivation to exhibit stewardship behavior in the corporate context because it undermines his pro-organizational attitude (Davis et al., 1997; Hernandez, 2012b), the steward-type CEOs employed by an FB should be given substantial freedom to act. Consequently, (I) family CEOs and (II) non-family CEOs working and possessing ownership stock in the FB should face less formal managerial accountability than their other FB-employed counterparts (i.e., (III) non-family CEOs that do not possess any ownership stock) that tend towards agent-type behavior (see Figure 2-7). For this latter group, the existing governance structures and mechanisms are adapted to incorporate a slightly increased level of monitoring and control to ensure a better fit with their agency motivations (Corbetta & Salvato, 2004; Davis et al., 1997).

Secondly, the chief executive's membership in the FB owner-family also needs to be taken into account. In this regard, the unique owner-manager position of the first group of CEOs (see Figure 2-7) gives them an inordinate amount of discretion for their corporate actions (Guidice et al., 2013; Huybrechts et al., 2013; Miller & Le Breton-Miller, 2006), and the benefit of doubt (i.e., other family representatives attribute disappointing results to uncontrollable factors rather than to the CEO). Accordingly, their familial ties to the owner-family should allow (I) family CEOs to face the lowest degree of formal accountability among all types of FB-employed CEOs (Anderson & Reeb, 2003a; Carney, 2005; Dyer, 1989;
In contrast to FBs, public, non-family-controlled firms tend to have a different view of managerial accountability. Here, a rather calculative trust predominates, causing organizational relationships, especially those concerning the top executives, to rely strongly on formal control (Corbetta & Salvato, 2004; Davis et al., 1997; Donaldson, 1990). Compared to FBs, NFBs monitor their executives far more carefully, and are more willing (and also able) to replace an executive, if his performance is deemed unacceptable (Dyer, 2006). In order to create and sustain such a control oriented organizational environment, a high degree of monitoring and control is required. This is typically put in place in NFBs through professional governance structures and mechanisms (Davis et al., 1997; Donaldson, 1990). In summary, this causes the CEOs employed by this type of firm to operate under far more internal constraints (Dyer, 1989; Gómez-Mejia et al., 2011; Gómez-Mejía et al., 2001) and, consequently, also under a comparatively high degree of formal accountability (Anderson & Reeb, 2003a; Gedajlovic, Lubatkin, & Schulze, 2004). Therefore, the fourth group of executives, (IV) professional CEOs working in NFBs, should face the most substantial degree of formal managerial accountability among all CEO-types.

(2) Informal accountability. Yet, the individual choice of relevant reference groups does not depend exclusively on the level of formal accountability. Informal answerability considerations should also be considered in this context (Dive, 2008; Sinclair, 1995; Vu & Deffains, 2013). Hence, before discussing the implications of the CEOs' respective level of accountability on the normative reference groups that they should consider as important with regard to strategic growth decisions, their idiosyncrasies regarding informal accountability need to be discussed.
Being stewards, the pro-organizational tendency of the first two CEO types (see Figure 2-7) causes them to place the welfare of the whole organization over their individual goals (Corbetta & Salvato, 2004; Davis et al., 1997; Hernandez, 2012b). So, despite the absence of an extensive formal accountability, this intrinsic motivation should cause both of them to feel informally accountable for the well-being of the whole collective of all stakeholders that are of major relevance to the organization (Gómez-Mejía et al., 2011). Due to their extreme affinity for steward-type behavior (see chapter 2.5), this tendency should be particularly pronounced (I) among family CEOs. As a result, they should consider the collective of all corporate stakeholders as important referents when it comes to growth decisions. Integrating these referents' prescriptions and actions concerning the firm's growth into their normative beliefs will yield a distinct set of salient normative beliefs regarding growth. (II) Non-family CEOs working and possessing share holdings in the FB basically follow this pattern, too. However, since they have a slightly lower tendency towards steward-type behavior (see chapter 2.5), the extent to which they feel informally accountable for the welfare of all the FB's stakeholders should range below that of family CEOs.

Such an informal form of managerial accountability should rather not be found among agent-type executives (i.e., the last two groups of CEOs) (see Figure 2-7). Their basic nature leads them to pursue predominantly individualistic, self-serving goals. In the absence of explicit extrinsic rewards or formally binding mechanisms, they do not feel responsible or accountable to anyone else but themselves (Corbetta & Salvato, 2004; Davis et al., 1997; Donaldson & Davis, 1991; Hernandez, 2012b; Le Breton-Miller, Miller, & Lester, 2011; Vu & Deffains, 2013). As the intrinsic incentives that form the base for sentiments of informal accountability do not have a measureable 'market' value, they are not considered relevant by them (Davis et al., 1997; Vu & Deffains, 2013).
According to the basic logic of agency theory (Fama & Jensen, 1983; Jensen & Meckling, 1976), formal accountability is the decisive factor that determines which reference groups are considered to be important by agent-type CEOs with regard to strategic choices concerning firm growth. More precisely, the above-mentioned individualistic focus of these executives should cause them to only consider those referents, which possess formal power over them in the corporate context (in terms of accountability), as relevant when it comes to strategic growth decisions. In their control-oriented organizational environment, agent-type CEOs are usually formally accountable to a selected group of referents – with the shareholders and the supervisory board ranging among the most relevant of them (Anderson & Reeb, 2003a; Carney, 2005; Corbetta & Salvato, 2004; Davis et al., 1997; Donaldson, 1990; Dyer, 2006). Consequently, in contrast to their steward-type counterparts, they should not consider the whole collective of all the firm's stakeholders as relevant referents concerning growth decisions, but rather focus on the above mentioned, selected group of referents – particularly the firm's shareholders and the board. By considering only these reference groups and their respective prescriptions when forming their normative beliefs, the resulting set of salient normative growth beliefs of agent-type CEOs must differ from that of their steward-type peers. Here, (IV) professional CEOs working in NFBs are the most likely to behave in such a way. This can be attributed mainly to their particularly pronounced tendency to behave as agents (see chapter 2.5). Also (III) non-family CEOs working in the FB, but not possessing share holdings, should tend to behave in a similar way. However, their slightly lower affinity for agent-type behavior, in comparison to executives that work for NFBs (see chapter 2.5) should cause them to exhibit less extreme behavior in this regard.

In sum, these arguments indicate that the individual degree of formal and informal managerial accountability should have a major impact on the composition of the set of normative growth beliefs that will be most salient for a respective CEO in a given situation.
Proposition 7a: A CEO's formal and informal degree of accountability within the organization in which he operates, will have a significant impact on his normative beliefs regarding growth, potentially causing differences in normative growth beliefs among the different types of CEOs that are employed by FBs, as well as between CEOs that are employed by an FB and those that are employed by an NFB.

Specifically, I believe that the impact of a CEO's formal and informal degree of accountability within the organization in which he operates, will cause the individual normative growth beliefs to vary significantly among (I) family CEOs in FBs, (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working in the FB, but not possessing share holdings. Moreover, the resulting normative beliefs regarding firm growth held by these three types of FB-employed CEOs will also vary significantly from those held by (IV) professional CEOs working in NFBs.

Accountability and CEOs' control beliefs. Further, accountability may, in essence, be seen as being related to the concept of liberty and freedom (Dive, 2008). Applied to the organizational context this means that it defines "the boundaries of the decision-making freedom an individual enjoys within an organization" (Dive, 2008, p. 13). Viewing managerial accountability in this way, it implies an executive's freedom to do something. The individual magnitude, or boundaries, of this freedom do vary depending on the actual amount of accountability and internal constraints that a chief executive faces within the organization he operates in. Consequently, managerial accountability can either allow an executive great autonomy for leadership, or constrain his ability to lead the organization. In this sense, chief executives may perceive accountability as positive or negative (Dive, 2008; Sinclair, 1995).

As regards a CEO's perceived behavioral control concerning strategic growth decisions, these findings are of special relevance. Due to its power to determine an executive's freedom
for managerial action (Dive, 2008; Huse, 2005; Sinclair, 1995), it must entail distinct control factors that may impede or facilitate his control of corporate strategic choices on firm growth. The presence or absence of such factors, and their subsequent integration into the set of salient control beliefs regarding growth, should thus depend on the CEO's individual degree of managerial accountability. At this point, it is important to note that these control factors originate mainly from formal governance structures and mechanisms imposed by the organization – that is from formal accountability. Informal accountability plays only a subordinate role in this context (Dive, 2008; Vu & Deffains, 2013). More precisely, I expect that low formal accountability and internal constraints should foster the occurrence of control factors that facilitate rather than impede strategic growth decisions for the respective CEO. However, if an executive faces high formal accountability and substantial internal constraints, a significant amount of impeding, instead of facilitating, control factors should be present when it comes to decisions on firm growth.

Now, adopting the proposed ranking of the four CEO types according to their individual degree of formal managerial accountability introduced under Proposition 7a, some distinct implications should arise with regard to the set of control beliefs that these executives perceive as most salient. Holding the lowest degree of formal accountability among all four groups of chief executives, (I) family CEOs typically operate in a organizational environment where they enjoy substantial decision-making freedom (Huybrechts et al., 2013; Miller & Le Breton-Miller, 2006). This environment should foster the occurrence of control factors that facilitate rather than impede his control concerning strategic choices on firm growth. Noticing this should cause him to perceive that there are fewer control factors that may actually impede him in pushing through the strategic growth decisions that he favors most. The integration of these perceptions into his control beliefs should ultimately cause him to compose a distinct set of salient control beliefs regarding growth.
Facing a degree of formal managerial accountability that is nearly as low as that faced by family CEOs, (II) non-family CEOs working and possessing share holdings in the FB also enjoy extensive decision-making freedom in the organization (Davis et al., 1997; Huybrechts et al., 2013). They should thus be inclined to act in a quite similar way to the former group when it comes to control beliefs regarding growth. Still, since they face slightly more managerial accountability, the extent to which facilitating, instead of impeding, control factors dominate their control beliefs should range below that of family CEOs.

In contrast to their above-mentioned peers, (III) non-family CEOs working in the FB, but not possessing share holdings, and (IV) professional CEOs working in NFBs usually have a comparably high degree of formal accountability (Anderson & Reeb, 2003a; Davis et al., 1997; Donaldson, 1990), not being able to exempt themselves from the various intra-organizational constraints that limit their managerial authority (Carney, 2005). Following the argumentation of Dive (2008) and Sinclair (1995), these omnipresent formal rules and constraints should have a negative impact on their decision-making freedom. Thus, when it comes to important strategic decisions, such as growth decisions, their substantial degree of formal managerial accountability imposes restrictions on their set of potential actions. The resulting dominance of impeding, instead of facilitating, control factors should be reflected in the two CEO types' behavioral control perceptions or beliefs. Now, as (IV) professional NFB CEOs experience the largest degree of formal managerial accountability among all four types of chief executives, the extent to which impeding control factors dominate their control beliefs should range above that of (III) non-family CEOs working in the FB, but not possessing share holdings, and that of the other two groups.

In conclusion, a CEO's respective degree of formal accountability, and the internal constraints it implies, should shape the composition of his set of salient beliefs with regard to
the presence of control factors that may impede or facilitate his control over strategic growth decisions within the firm.

**Proposition 7b:** A CEO's formal and informal degree of accountability within the organization in which he operates, will have a significant impact on his control beliefs regarding growth, potentially causing differences in these control beliefs among the different types of CEOs that are employed by FBs, as well as between CEOs that are employed by an FB and those that are employed by an NFB.

In particular, I expect that the impact of a CEO's formal degree of accountability within the organization in which he operates, will cause the individual control beliefs concerning growth to vary significantly among (I) family CEOs in FBs, (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working in the FB, but not possessing share holdings. Moreover, the resulting control beliefs regarding firm growth held by these three types of FB-employed CEOs will also vary significantly from those held by (IV) professional CEOs working in NFBs.

*The executive's personal attitudes*

As indicated earlier, the set of background factors emerging from a chief executive's individual characteristics encompasses not only his observable characteristics, but also his personal attitudes. The specific impact of these personal attitudes on the beliefs and intentions that a particular type of CEO forms concerning firm growth is investigated in the following (see Figure 2-12).
Variations in strategic choices concerning firm growth

**Figure 2-12:** Structure of theoretical propositions – The influence of the executive's personal attitudes

Fishbein and Ajzen (2010b, p. 76) describe attitude as "a latent disposition or tendency to respond with some degree of favorableness or unfavorableness to a psychological object". Generally, this attitude object may be any discriminable aspect belonging to a person's world, including objects, behaviors, or events. In accordance with this, personal attitudes concern a wide variety of general objects, behaviors and targets (Ajzen, 1991; Fishbein & Ajzen, 1975a; 2010b), such as groups of people, institutions, policies, or common management practices and perspectives, for example. Overall, the TPB claims these general attitudes are important background factors that cause an individual's beliefs regarding a certain behavior to tend into a particular direction (Fishbein & Ajzen, 2010b). Now, with regard to the specific focus of this investigation, it seems advisable to concentrate on those personal attitudes that have the greatest impact in shaping the growth beliefs of the four identified types of CEOs into different directions. In this context, two background factors are of outstanding relevance. They concern the learned predispositions of the different executives regarding selected aspects of their managerial perspectives:
• CEOs' individual tendency towards long- versus short-term orientation (Anderson & Reeb, 2003a; Davis et al., 1997; Donaldson & Davis, 1991; Miller & Le Breton-Miller, 2005; Miller & Le Breton-Miller, 2006) in the corporate context.

• CEOs' respective predisposition towards altruism versus opportunism (Corbetta & Salvato, 2004; Davis et al., 1997; Donaldson, 1990; Gómez-Mejía et al., 2011; Hernandez, 2012b; Miller & Le Breton-Miller, 2006) in the corporate context.

 Especially in the FB versus NFB context these two background factors may take on different values (Anderson & Reeb, 2003a; Davis et al., 1997; Gómez-Mejía et al., 2011; Miller & Le Breton-Miller, 2006), and should thus cause the respective growth beliefs formed by the four types of CEOs to tend in a certain direction. Hence, they are chosen to represent the relevant set of personal attitudes that are analyzed within this work. Their impact on CEOs' individual beliefs regarding firm growth is discussed in the following.

Long-term versus short-term orientation. First, a chief executive's personal attitude towards long- versus short-term orientation in the organizational context and the resulting implications are discussed. Several researchers have been investigating how individuals and organizations make decisions by anchoring on different temporal referent points. Incorporating a holistic view of time, most temporal frameworks distinguish between long- and short-term orientations (Bearden, Money, & Nevins, 2006; Brigham, Lumpkin, Payne, & Zachary, 2014). In general, the construct of long-term orientation refers to "the tendency to prioritize the long-range implications and impact of decisions and actions that come to fruition after an extended time period" (Lumpkin, Brigham, & Moss, 2010, p. 241). Short-term orientation constitutes exactly the opposite of this construct. Here short-sighted, myopic tendencies prevail when considering particular decisions or actions, and their potential implications (Brigham et al., 2014; Hoffmann, Wulf, & Stubner, 2014; Zellweger, 2007). According to Lumpkin and Brigham (2011, p. 1151), "time considerations enter into many of
the decisions organizations make [because] organizational actions are nearly always time sensitive". As such, the individual temporal orientation that a particular chief executive applies in his corporate decision making may cause a variation in the strategic decisions between different firms (Brigham et al., 2014; Chrisman & Patel, 2012; Lumpkin & Brigham, 2011; Lumpkin et al., 2010; Zellweger, 2007). Consequently, strategic decisions on firm growth, as well as the beliefs and intentions that underlie these decisions, should also be subject to this distinctive impact. This makes the individual temporal perspective towards long- versus short-term orientation a highly relevant background factor with regard to the beliefs that the four types of CEOs form regarding firm growth.

_Long-term versus short-term orientation and CEOs' behavioral beliefs._ According to the logic of Hambrick and Mason's (1984) perceptual model of strategic choice (see chapter 2.3.1), a chief executive's personal perception of the potential consequences implied by firm growth is shaped by his general attitudes and values, such as his predisposition to long- versus short-term orientation. By restricting his field of vision, this attitude allows him to selectively perceive only a subset of the total sum of possible consequences of growth. These should be the consequences that seem most relevant to him in view of his temporal reference point. As a result, depending on his individual temporal perspective towards long- versus short-term orientation, a CEO should focus his perception only on a distinct set of consequences, while blanking out other potential implications of firm growth. Specifically, I expect that holding a long-term perspective on the business should encourage an executive to consider especially the mid- and long-term consequences of firm growth as highly relevant. If by contrast, he holds a myopic, short sighted perspective on the business, he should tend to focus on the immediate, short-run consequences of growth, blanking out most of its mid- and long-term consequences. In line with the basic reasoning of the TPB, a CEO should integrate those
aspects that dominate his personal perceptions into his set of salient behavioral beliefs regarding firm growth (Ajzen, 1988; 1991; 2012; Fishbein & Ajzen, 2010b).

Such temporal orientations are significantly shaped by the individual corporate context (i.e., the type of firm) a chief executive works in. In this regard, long-term orientation is claimed to be a common characteristic of most FBs (Anderson & Reeb, 2003a; Brigham et al., 2014; Chrisman & Patel, 2012; Hoopes & Miller, 2006; Kets de Vries, 1993; Lumpkin et al., 2010). Generally, their goals, outcomes, and identities may be associated with a long-term perspective (Brigham et al., 2014; Hoopes & Miller, 2006; Le Breton-Miller & Miller, 2006). For example, their extended time horizons regarding corporate investments (Chrisman & Patel, 2012; Le Breton-Miller & Miller, 2006; Miller & Le Breton-Miller, 2006), their tendency to provide lengthy managerial job tenures (Anderson et al., 2003; Gómez-Mejia et al., 2011; Hoopes & Miller, 2006; Miller & Le Breton-Miller, 2005; Stewart & Hitt, 2012), and their desire to create and preserve (socioemotional) wealth for future generations (Berrone et al., 2012; Gómez-Mejia et al., 2011; Gómez-Mejia et al., 2007; Zellweger, 2007) may all be associated with an extended temporal frame. According to Davis et al. (1997), this management philosophy should induce the firm's executives to adopt these temporal orientations. Following this reasoning, the three groups of FB-employed CEOs identified earlier (see Figure 2-7) should tend to hold a long-term orientation when it comes to corporate decisions, such as strategic growth decisions.

Yet, the long-term oriented temporal perspective should not be equally pronounced among all three types of FB-employed CEOs. Besides their potential membership in the FB owner-family (Daily & Dollinger, 1992), especially their individual disposition towards steward- or agent-type behavior (see Figure 2-7) should offer valuable information on the exact temporal orientation that these executives hold respectively (Hernandez, 2008a; 2012b; Le Breton-Miller et al., 2011; Miller et al., 2008).
According to Hernandez (2008a, p. 122), stewardship implies placing the “the long-term best interests of a group ahead of personal goals that serve an individual’s self-interests”. From this statement it follows that stewards are guided in their behavior by a long-term orientation as regards the organization they are operating in (Davis et al., 1997; Hernandez, 2012b; Miller & Le Breton-Miller, 2006). Hence, steward-type CEOs are more concerned with the long-term continuity of the business than with quarterly earnings (Miller & Le Breton-Miller, 2006; Miller et al., 2008). Focusing on the cultivation of the long-run interests and resources of the organization, they resist the temptation to pursue short-term benefits at the expense of the robustness of the business (Le Breton-Miller et al., 2011). Ultimately, this implies that the temporal orientation of those CEOs in our model that are characterized as steward-type CEOs, should tend be long-term. In particular these are the first two types of chief executives (see Figure 2-7). However, family CEOs’ extreme affinity towards steward-type behavior, in combination with their unique perspective resulting from their membership in the FB owner-family (Anderson & Reeb, 2003a; Daily & Dollinger, 1992; Jaskiewicz & Luchak, 2013; Kets de Vries, 1993), should induce them to show a particularly pronounced tendency towards long-term orientation when it comes to corporate decisions, such as strategic choices regarding firm growth. As explained earlier in this section, this focus should cause them to perceive especially the mid- and long-term consequences of firm growth as being highly relevant, and to integrate these perceptions into their set of salient behavioral beliefs regarding firm growth. Although, (II) non-family CEOs working and possessing share holdings in the FB basically follow the same temporal reference points, their slightly lower tendency towards steward-type behavior, together with the absence of family ties to the FB owner-family (see Figure 2-7), should cause their predisposition towards long-term orientation to range below that of family CEOs. Ultimately, this should cause their salient behavioral growth beliefs to tend in a particular direction.
A different picture emerges with regard to the third CEO-type, who ranges rather at the agency side of the behavioral spectrum (see Figure 2-7). Agents typically apply a rather short-term view of the business and the development of the organization they operate in (Davis et al., 1997; Donaldson & Davis, 1991). In contrast to stewards, they are more concerned with quarterly earnings than with long-term continuity of the business (Miller et al., 2008), being rather obsessed with current earnings and dividends (Le Breton-Miller et al., 2011). Following this reasoning, (III) non-family CEOs without ownership stock in the FB that employs them should thus tend to hold a temporal orientation that is rather short-term. Hence, vastly ignoring the mid- and long-term consequences of growth, they should form their set of salient behavioral beliefs regarding firm growth accordingly.

Again, a different picture can be drawn with regard to the fourth group of CEOs, (IV) professional CEOs that work for NFBs. The prevailing temporal orientations in NFBs seem to be quite the opposite of those found in FBs. Among these firms a short-term orientation is more common (Anderson & Reeb, 2003a; Brigham et al., 2014; Chrisman & Patel, 2012; Daily & Dollinger, 1992; Miller & Le Breton-Miller, 2005). Their general predisposition to apply a short-term, rather myopic view to corporate decisions and actions, causes them to mainly focus on short-term results and performance (Anderson & Reeb, 2003a; Donaldson & Davis, 1991; Hoopes & Miller, 2006; Miller & Le Breton-Miller, 2005). As suggested by Davis et al. (1997), this management philosophy should induce the organization's executives to utilize similar temporal reference points. Thus, in comparison to their FB-employed counterparts, the identified group of professional CEOs that work for NFBs should rather have a predisposition towards a short-term, instead of a long-term, orientation in the organizational context. This tendency is further enforced by their particularly strong tendency to behave as agents (see Figure 2-7) (Chrisman et al., 2007b; Fama & Jensen, 1983; Jensen & Meckling, 1976). Accordingly, among all three CEO-types, these executives should tend to
focus most strongly on the immediate, short run consequences of growth, while blanking out its mid- and long-term consequences. This tendency should also be reflected in their respective set of salient behavioral beliefs regarding firm growth. Overall, this implies that:

**Proposition 8:** *A CEO's personal attitude towards long- versus short-term orientation in the corporate context will have a significant impact on his behavioral beliefs regarding growth, potentially causing differences in behavioral growth beliefs among the different types of CEOs that are employed by FBs, as well as between CEOs that are employed by an FB and those that are employed by an NFB.*

In particular, I think that the impact of a CEO's personal attitude towards long- versus short-term orientation in the corporate context will cause the individual behavioral growth beliefs to vary significantly among (I) family CEOs in FBs, (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working in the FB, but not possessing share holdings. Moreover, the resulting behavioral beliefs regarding firm growth held by these three types of FB-employed CEOs will also vary significantly from those held by (IV) professional CEOs working in NFBs.

*Altruism versus opportunism.* As stated previously, a chief executive's tendency towards altruism versus opportunism in the corporate context constitutes the second background factor belonging to the relevant set of personal attitudes that are analyzed within this study. In its purest sense, altruism can be described as the "unselfish concern and devotion to others without expected return to oneself" (Corbetta & Salvato, 2004, p. 356). As such, it may be seen as a motivational state that has the ultimate goal of increasing another individual's welfare (Batson, 1995; Hernandez, 2012b). When the altruistic tendency is low for a particular individual, the likelihood of opportunistic behavior increases (Eddleston & Kellermanns, 2007; Ling, Lubatkin, & Schulze, 2002). In contrast to altruism, the construct of
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opportunism corresponds to the "self-interest seeking with guile" (Williamson, 1985, p. 47), while 'guile' may be seen here as an individual's inclination to take "advantage of opportunities with little regard for principles or consequences" (Macneil, 1981, p. 1023). By influencing his individual conduct in the corporate environment, an executive's personal tendency towards altruism versus opportunism does affect organizational behavior in several ways (Corbetta & Salvato, 2004). Particularly in theFB context, altruism constitutes a powerful factor for understanding differences in CEO's organizational behavior (Karra, Tracey, & Phillips, 2006). As organizational behavior also includes the various strategic decisions that a firm makes, the specific impact of this factor on the individual growth beliefs of a particular executive is discussed in the following.

Altruism versus opportunism and CEOs' normative beliefs. In essence, the general attitude towards altruism versus opportunism determines which beneficiary, or beneficiaries, the individual places at the center of his actions with the aim to serve their interests. Such beneficiaries may include single individuals, groups of people, and also the individual himself (Hernandez, 2012b). As described in the previous paragraph, altruistic behavior is directed towards serving the interests of other individuals or groups (Batson, 1995; Corbetta & Salvato, 2004; Eddleston & Kellermanns, 2007; Hernandez, 2012b), while opportunistic behavior focuses on serving one's own interest (Ling et al., 2002; Williamson, 1985).

This collectivistic versus individualistic tendency is of special importance with regard to a CEO's perception of the social norms that prevail in his organizational environment (Fishbein & Ajzen, 1975a; 2010b), for example concerning the firm's growth. Since "the major function of norms is to ensure that behavior serves not only the interests of the individual but also of the larger social system" (Fishbein & Ajzen, 2010b, p. 129), a chief executive's inclination towards altruism versus opportunism should have a significant impact on his considerations regarding the social pressures concerning firm growth exerted by the
various referents that belong to his organization environment. More explicitly, I expect that this personal attitude should affect his choice of relevant referents with regard to the issue of firm growth. Acting in a collective, pro-organizational manner, focusing on the maximization of the welfare for the entire organization and its stakeholders (Corbetta & Salvato, 2004; Davis et al., 1997; Donaldson, 1990; Miller & Le Breton-Miller, 2006), altruistic CEOs should tend to consider the entire collective of all relevant organizational stakeholders as important referents when it comes to growth decisions. Thus, in accordance with the TPB (Ajzen, 1988; 1991; Fishbein & Ajzen, 2010b), they should integrate the prescriptions and actions of these referents regarding firm growth into their normative growth beliefs. The result of this should be a distinct set of salient injunctive and descriptive normative beliefs regarding growth that applies specifically to those chief executives with the tendency to behave in an altruistic way. In contrast to this, opportunistic CEOs who see a greater utility in individualistic, self-serving behavior (Corbetta & Salvato, 2004; Davis et al., 1997; Donaldson, 1990; Hernandez, 2012b) should be inclined to rather not consider the entire collective of organizational stakeholders as a highly relevant reference group. Instead, they should tend to consider as important referents only those internal and external stakeholders who are of vital importance for them in realizing their personal growth plans for the firm. By integrating the perceived prescriptions and actions of these referents into his normative beliefs regarding growth, the composition of the set of salient normative growth beliefs held by the opportunistic CEO varies from that of the altruistic CEO.

The prevalence of altruistic versus opportunistic tendencies is significantly influenced by the respective organizational context, specifically the type of firm, a chief executive works in. In this regard, altruistic attitudes are claimed to be especially prevalent among FBs. With collectivism being one of the central elements that their culture is based on, FBs encourage altruistic, pro-organizational behavior among their executives (Corbetta & Salvato, 2004;
Miller & Le Breton-Miller, 2006). In line with these arguments, all three types of CEOs classified as working for an FB (see Figure 2-7) should have a tendency towards altruistic behavior when it comes to corporate strategic choices, such as decisions on firm growth.

Although the above findings allow for a clear distinction between the altruistic versus opportunistic tendency of CEOs that work for FBs and those that work for NFBs, this view can be differentiated further. In fact, the inclination towards altruism should not be equally pronounced among all three groups of FB-employed CEOs. In addition to their potential membership in the FB owner-family (Corbetta & Salvato, 2004; Miller & Le Breton-Miller, 2006), particularly their respective disposition towards steward- or agent-type behavior (see Figure 2-7) should provide key insights to the exact degree of altruism that FB CEOs hold respectively (Corbetta & Salvato, 2004; Davis et al., 1997; Donaldson, 1990; Gómez-Mejía et al., 2011; Hernandez, 2012b; Miller & Le Breton-Miller, 2006). According to the extant literature, stewards are generally claimed to engage in collectivistic, pro-organizational rather than in individualistic, self-serving organizational behavior (see e.g., Corbetta & Salvato, 2004; Davis et al., 1997; Hernandez, 2012b; Miller & Le Breton-Miller, 2006). Subordinating their personal goals to those of the collective, the maximization of the overall utility of the organization constitutes their main focus (Corbetta & Salvato, 2004; Davis et al., 1997; Hernandez, 2012b). Thus, stewards are asserted to have a strong tendency to engage in altruistic behavior (Corbetta & Salvato, 2004; Davis et al., 1997; Donaldson, 1990; Miller & Le Breton-Miller, 2006). Specifically, such stewardship-induced attitudes "will be especially prevalent among family businesses in which leaders are either family members or emotionally linked to the family" (Miller & Le Breton-Miller, 2006, p. 74).

With regard to the individual CEO types that were introduced at the beginning of chapter 2.5 (see Figure 2-7) this implies that (I) family CEOs, and (II) non-family CEOs working and holding ownership stock in the FB, should tend towards altruistic behavior.
More precisely, (I) family CEOs' extreme affinity towards steward-type behavior, together with their specific 'owner-manager perspective' that results from their family ties to the FB owner-family (Jaskiewicz & Luchak, 2013; Miller & Le Breton-Miller, 2006), should cause them to exhibit a particularly pronounced tendency towards altruism with regard to corporate decisions on firm growth. As explained earlier, this personal attitude should induce them to consider the entire collective of all relevant organizational stakeholders as important referents when it comes to growth decisions. Therefore, family CEOs should integrate the prescriptions and actions of these specific referents regarding firm growth into their salient normative growth beliefs. Generally, (II) non-family CEOs working and holding ownership stock in the FB, should tend to choose the same group of normative referents when it comes to strategic growth considerations. However, in comparison to their peers that are members of the family, their lower pronounced predisposition towards steward-type behavior, combined with the absence of family ties to the owner-family among them, should cause them to show a slightly less pronounced tendency towards altruism in the corporate context. This, in turn, influences the distinct set of normative beliefs they form with regard to firm growth.

The third group of FB-employed CEOs, which were characterized as agents at the beginning of chapter 2.5 (see Figure 2-7), are expected to show a different tendency in this regard. Generally, in contrast to stewards, agents place their own interests over those of the organizational collective, striving to maximize their own utility (Corbetta & Salvato, 2004; Davis et al., 1997; Donaldson, 1990; Donaldson & Davis, 1991; Le Breton-Miller et al., 2011; Miller & Le Breton-Miller, 2006), regardless of the consequences for the organization (Hernandez, 2012b; Jensen & Meckling, 1976). Seeing a greater utility in short-term, opportunistic behavior, than in long-term, altruistic conduct (Hernandez, 2012b), agent-type executives are characterized by a predominant tendency towards opportunism (Davis et al., 1997; Donaldson, 1990). Accordingly, (III) non-family CEOs working in the FB, but not
Variations in strategic choices concerning firm growth possessing any share holdings in it should tend towards opportunistic behavior in the corporate context. As mentioned earlier, this tendency should induce them to consider only those internal and external stakeholders as important referents who are of relevance for them in realizing their personal growth plans for the firm. The integration of the perceived prescriptions and actions of these particular referents into their normative beliefs regarding growth causes their set of salient normative growth beliefs to vary from that held by the other two types of FB-employed chief executives.

Again, a different tendency can be observed for the last group of CEOs – (IV) professional CEOs working in NFBs. Similar to the previous three CEO-types, this is mainly attributable to two factors: the type of firm they operate in and their behavioral predisposition. In general, the culture of NFBs is characterized by their short-term orientation (Anderson & Reeb, 2003a; Miller & Le Breton-Miller, 2005), their preference to conduct business independently of personal relationships (Dyer, 1989; Gómez-Mejía et al., 2011), and their strong reliance on economic considerations in evaluating corporate decisions (Berrone et al., 2012; Gómez-Mejia et al., 2011). This specific culture predisposes the organizational members of NFBs to an individualistic, self-serving orientation, causing them to develop a tendency towards opportunistic behavior (Davis et al., 1997). In addition to this impact, professional NFB CEOs have been shown to exhibit a particularly pronounced tendency to behave as agents (see Figure 2-7). In line with the previous reasoning, they are thus expected to be most inclined of all four CEO-types to act opportunistically concerning strategic choices on firm growth. Ultimately, this should cause their set of normative growth beliefs to be distinct from that held by the other types of chief executives. In sum, this entails that:
Proposition 9: A CEO's personal attitude towards altruism versus opportunism in the corporate context will have a significant impact on his normative beliefs regarding growth, potentially causing differences in normative growth beliefs among the different types of CEOs that are employed by FBs, as well as between CEOs that are employed by an FB and those that are employed by an NFB.

More explicitly, I believe that the impact of a CEO’s personal attitude towards altruism versus opportunism in the corporate context will cause the individual normative growth beliefs to vary significantly among (I) family CEOs in FBs, (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working in the FB, but not possessing share holdings. Moreover, the resulting normative beliefs regarding firm growth held by these three types of FB-employed CEOs will also vary significantly from those held by (IV) professional CEOs working in NFBs.

Overall, the examination of the selected background factors reveals that all nine of them constitute relevant root causes that might contribute significantly towards explaining the variations in individual growth intentions between different types of chief executives. With these growth intentions being one of the two main factors by which chief executives may shape the strategic growth choices of their firms, according to the basic reasoning of my theoretical framework, this represents the first step towards understanding variations in corporate growth decisions in the FB context – the central research objective of this investigation. Figure 2-13 provides an overview of all the identified background factors and their respective impacts.
In particular, the insights gained in this chapter imply that based on their relevant set of background factors – stemming from the situation or environment that surrounds them, and their personal characteristics or attitudes – the four types of CEOs should each form a distinct set of behavioral, normative, and control beliefs regarding firm growth. These beliefs should vary among the different types of CEOs that are employed by FBs, as well as between those that are employed by an FB and those that are employed by an NFB. Through their direct impact on chief executives' attitudes, subjective norms, and perceived degree of behavioral control regarding growth, these varying growth beliefs ultimately determine the respective growth intentions held by the different CEOs. As a result, the initial variation in growth beliefs that result from the set of individual background factors induces a particular CEO to form growth intentions that tend in a certain direction and differ from those of other CEO types. More precisely, in accordance with the variation in growth beliefs, these growth
intentions should vary among the different types of CEOs that are employed by FBs, as well as between those that are employed by an FB and those that are employed by an NFB.

2.5.2 The individual influence of CEOs' growth intentions on the firm's strategic choices concerning growth

After investigating potential factors that might cause the growth intentions of the different types of CEOs to tend in particular directions, it is now crucial to identify the circumstances under which these varying intentions will actually be reflected in the firm's strategic growth decisions. As the developed model suggests, the magnitude with which the individual CEO's intentions influence the firm's strategic choices is determined by his respective degree of managerial discretion within this organization (see Figure 2-5). Consequently, the second set of propositions deals with the individual degree of managerial discretion a particular type of CEO possesses in his company, and with the associated consequences regarding the relationship between his personal growth intentions and the organization's actual strategic choices regarding growth.

In an attempt to explain, why chief executives may or may not matter a great deal with regard to a firm's strategic choices and organizational performance, Hambrick and Finkelstein introduced the concept of managerial discretion (Cannella, 2001; Finkelstein et al., 2009; Hambrick, 2007a; Hambrick & Finkelstein, 1987; Wangrow et al., 2014). It defines discretion as the "latitude of managerial action" (Hambrick & Finkelstein, 1987, p. 371). Explicitly focusing on CEOs, the concept's central premise is that, as CEO discretion varies greatly across organizations (Hambrick & Finkelstein, 1987), executive characteristics, and consequently also their individual intentions, will not always be predictive of a firm's strategic choices (and organizational outcomes) (Finkelstein & Hambrick, 1990). That is, if a great deal of discretion exists, managerial characteristics tend to be reflected in the firm's strategic decisions. Yet, if discretion is lacking, managerial characteristics should not matter much
Transferred to the context of the present model, this means that, depending on his individual degree of managerial discretion, a CEO's growth intentions will be reflected in the firm's strategic choices regarding growth to a greater or lesser degree. According to Hambrick and Finkelstein, an executive's individual latitude of action is determined by three forces (Finkelstein & Hambrick, 1990; Hambrick, 2007a; Hambrick & Finkelstein, 1987; Wangrow et al., 2014):

- Environmental factors
- Organizational factors
- Individual managerial characteristics.

Each of these forces may constrain or enable a CEO's latitude of strategic action in his organization (Finkelstein & Peteraf, 2007; Wangrow et al., 2014). More explicitly, "a chief executive's latitude of action is a function of (1) the degree to which the environment allows variety and change, (2) the degree to which the organization itself is amenable to an array of possible actions and empowers the chief executive to formulate and execute those actions, and (3) the degree to which the chief executive personally is able to envision or create multiple courses of action" (Hambrick & Finkelstein, 1987, p. 379).

For the development of concrete propositions on managerial discretion and its impact on the relationship between a CEO's personal growth intentions and the organization's actual strategic choices regarding growth, I adopt the above suggestions made by Hambrick, Finkelstein and associates and apply them to the specific context of this work. Focusing on the four types of CEOs identified at the beginning of chapter 2.5 (see Figure 2-7), the distinct values of the three factors that comprise their respective degree of managerial discretion, and the resulting implications, are discussed in the following. Although Hambrick and Finkelstein (1987) suggest a multitude of factors that might impact a chief executive's latitude of action.
managerial action in general, I concentrate only on those factors that have the greatest impact in distinguishing the concrete amount of discretion held by a particular type of CEO.

2.5.2.1 Environmental factors as a source of managerial discretion

I begin by differentiating the environmental influences that shape the degree of discretion allowed to a particular type of organization (see Figure 2-14).

Figure 2-14: Structure of theoretical propositions – Environmental factors as a source of managerial discretion

![Diagram showing the structure of theoretical propositions related to environmental factors as a source of managerial discretion.](Source: Author’s illustration)

Such environmental factors ultimately affect the latitude of action enjoyed by the respective types of executive working in these firms. In general, Finkelstein and Hambrick suggest six potential determinants emanating from the task environment a firm faces that may affect managerial discretion. Specifically, these are the industry's degree of product differentiability, its market growth, its individual structure, its amount of demand instability, the existence of quasi-legal constraints, and finally the existence of powerful stakeholders (Finkelstein et al., 2009; Hambrick & Finkelstein, 1987). In the present investigation, FBs versus NFBs constitute the two basic types of organizations that are discussed. Given that FBs may be found in all industrial sectors (Anderson & Reeb, 2003a; Cennamo, Berrone, Cruz, &
Gomez-Mejia, 2012; MassMutual, 2007), recent investigations (e.g., Westhead, 1997) have shown that there are no substantial or general differences between FBs and NFBs regarding their external environments or industries. Accordingly, most of the above-mentioned factors would not contribute much towards explaining the specific environment-induced differences in the degree of managerial discretion held by CEOs employed by FBs versus those that are employed by NFBs.

The existence of powerful stakeholders. Nevertheless, there is one environmental factor that does contribute towards this aim. This is the presence or absence of powerful stakeholders, such as large, concentrated customers and suppliers (Finkelstein et al., 2009; Hambrick & Finkelstein, 1987). Through their substantial power, these forces may expect the organization to act within certain bounds and hence may constrain it through various direct and indirect methods (Hambrick & Finkelstein, 1987). The number and magnitude of these constraints greatly affects the chief executive's degree of managerial discretion. If the firm faces a multitude of constraints imposed by powerful stakeholders, the level of discretion decreases, while the opposite is true in the case of the absence of constraints (Finkelstein et al., 2009; Hambrick & Finkelstein, 1987).

Yet, an organization's "efforts aimed at improving firm–stakeholder relations, integrating stakeholders into the firm’s activities and accommodating their claims, vary in their emphasis, orientation, and scope" (Cennamo et al., 2012, p. 1156). According to Cennamo et al. (2012), firms' heterogeneous responses to the pressures exerted by powerful stakeholders are mainly dependent on who controls the organization – specifically, on the goals and reference frames of these controlling-parties. Following this line of reasoning, I expect that FBs should experience different influences or constraints imposed by their key customers and suppliers than NFBs.
In general, "family firms have a natural tendency to create and protect long-term relationships with external stakeholders like suppliers and customers" (Gómez-Mejía et al., 2011, p. 682). By making themselves invaluable to their initial contacts, for instance by providing complimentary advice and intelligence, their contacts grow into contracts, and subsequently into age-old partnerships. Compared to NFBs, where connections may last only through the period a certain CEO is in office, FBs may transfer partnerships across generations, causing them to be even more sustained and long-lasting (Miller & Le Breton-Miller, 2005). This investment in proactive stakeholder engagement can mainly be explained by the controlling-family's individual goals and reference frame (Cennamo et al., 2012; Gómez-Mejía et al., 2011). For them the preservation of their socioemotional endowment is the most critical reference point that guides them in their decision-making (Cennamo et al., 2012; Gómez-Mejía et al., 2007). Even though there might be no obvious economic benefit from this engagement, it does entail a socioemotional reward for the owner-family (Cennamo et al., 2012; Gómez-Mejía et al., 2011), for example by functioning as a form of social insurance that helps to ensure a long and healthy future for the family firm (Carney, 2005; Gómez-Mejía et al., 2011; Miller & Le Breton-Miller, 2005). Thus, driven by these motives, FBs actively seek to gain endorsement from their stakeholders and build long-lasting relationships with them. Although FBs generally tend to place a great emphasis on good relations with all their stakeholders (Cennamo et al., 2012; Gómez-Mejía et al., 2011), they are claimed to focus first on the most powerful stakeholders, whose welfare is directly affected by their corporate actions, such as key customers and suppliers (Cennamo et al., 2012). By acting in mutual agreement with these stakeholders, and building enduring, mutually beneficial relationships with them (Bjuggren et al., 2013; Cennamo et al., 2012; Dyer, 2006; Gómez-Mejía et al., 2011; Miller & Le Breton-Miller, 2005), FBs foster key stakeholders to develop trust in and personal attachments to the firm, and particularly to the
Variations in strategic choices concerning firm growth family that operates it (Cennamo et al., 2012; Dyer, 2006). Overall, this may give them certain advantages when it comes to issues dealing with these powerful stakeholders (Dyer, 2006), such as the potential constraints that they might impose on the organization. Generally, acting in mutual agreement with their most powerful stakeholders should allow FBs substantial latitude of action as concerns such environmental influences. Consequently, all three types of CEOs classified as working for an FB (see Figure 2-7) (i.e., the first three types of chief executives) should be allowed a substantial degree of managerial discretion by the firm's most powerful stakeholders.

A slightly different picture can be drawn with regard to NFBs. Here firms' relationships with relevant customers and suppliers "tend to be transitory, individualistic, and utilitarian." (Gómez-Mejía et al., 2011, p. 692). Usually, they do not last over the long-term, but only through the period a particular chief executive is in office (Miller & Le Breton-Miller, 2005). Again, this can mainly be attributed to the individual goals and reference frames of those who control the NFB (Cennamo et al., 2012; Gómez-Mejía et al., 2011). For the multitude of diversified owners that typically control NFBs (Anderson & Reeb, 2003a), economic, rather short-term oriented considerations usually prevail over non-economic, long-term oriented ones (Berrone et al., 2012; Gómez-Mejía et al., 2011; Gómez-Mejía et al., 2007). This negatively affects NFBs' efforts to improve the firm's relation to its key stakeholders and their ambition to accommodate stakeholders' claims (Cennamo et al., 2012). The resulting lack of enduring, mutually beneficial stakeholder relationships in NFBs compared to FBs (Gómez-Mejia et al., 2011; Miller & Le Breton-Miller, 2005), causes customers and suppliers to view the former as amorphous and impersonal. As a result, it is less likely that such powerful stakeholders will develop trust in and personal attachments to the firm. Hence, NFBs might not enjoy the same unique advantages as FBs when it comes to the potential constraints that their key stakeholders, such as customers and suppliers, might impose on the organization.
Cennamo et al., 2012; Dyer, 2006). In particular, I expect these stakeholders to apply rational calculus concerning the fulfillment of their own interests. This should induce them to impose strict formal constraints on NFBs in order to make them act according to these interests. As a result, CEOs that work for this type of firm (i.e., (IV) professional NFB CEOs) should face significant limitations in their latitude of managerial action imposed by the firm's most powerful stakeholders.

Thus, in conclusion, when it comes to the magnitude of constraints emerging from powerful customers and suppliers, FBs should face fewer limitations than NFBs. Ultimately, this should cause variations in the respective amount of managerial discretion enjoyed by FB-employed versus NFB-employed CEOs.

**Proposition 10:** CEOs that are employed by an FB, compared to those employed by an NFB, should face comparatively fewer constraints imposed by powerful stakeholders, such as customers and suppliers, and hence be allowed a higher level of discretion by the task environment that surrounds their organization.

In particular, I claim that all three types of CEOs classified as working for an FB (i.e., (I) family CEOs, (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working, but not possessing share holdings, in the FB) should be allowed a substantial degree of managerial discretion by the firm's most powerful stakeholders, that is by the firm's environment. The fourth type of CEO, (IV) professional NFB CEOs, working for an NFB does not enjoy these privileges, but faces significant limitations in his latitude of managerial action imposed by such environmental influences.
2.5.2.2  Organizational factors as a source of managerial discretion

Following the argumentation of Hambrick and Finkelstein (1987), the level of discretion allowed by the internal organization that the four types of chief executives are faced with, will be investigated in a second step (see Figure 2-15).

Figure 2-15: Structure of theoretical propositions – Organizational factors as a source of managerial discretion

Generally, the "characteristics of the organization greatly affect how much latitude executives have over strategy and policy" (Finkelstein et al., 2009, p. 31). Concretely, the authors suggest three main factors that may limit or enhance the options a particular type of CEO can consider. These are the inherent inertial forces, such as the firm's size, age, culture, and capital intensity, the amount of available resources, and the internal political conditions (Finkelstein et al., 2009; Hambrick & Finkelstein, 1987). Yet, although it is sometimes claimed that the unique tendency of FBs to preserve family wealth strengthens inertial forces within them (e.g., Huybrechts et al., 2013; Mitchell, Hart, Valcea, & Townsend, 2009; Naldi et al., 2007; Schulze, Lubatkin, & Dino, 2002), it is generally emphasized that such forces may be present in FBs and NFBs alike (Mitchell et al., 2009). As regards the amount of resources available to FBs in contrast to NFBs, a similar picture emerges. Undoubtedly,
through their 'familiness', which results from the family involvement in the firm, FBs possess a unique bundle of resources that cannot be found in NFBs (Cabrera-Suarez, Saa-Perez, & Garcia-Almeida, 2001; Habbershon & Williams, 1999; Habbershon et al., 2003). Generally, such resource-based view centered argumentations focus mainly on the differences in resource configurations between FBs and NFBs, that is the presence or absence of a unique, non-transferable bundle of resources in either of these organizations (Chrisman et al., 2010). Hambrick and Finkelstein, however, describe the factor of resource availability as the actual amount of 'transferable' resources that an organization can draw upon, such as the firm's cash reserves, unused debt capacity, or its human resources (Finkelstein et al., 2009; Hambrick & Finkelstein, 1987). Viewing resource availability in this sense, present research has not yet come to a clear and final conclusion on whether FBs possess a higher, similar or lower amount of transferable resources than their non-family counterparts (Aldrich & Cliff, 2003; Carney, 2005; Chrisman et al., 2005; Kellermanns, 2005). Overall, the above arguments suggest that these factors would not contribute significantly towards explaining the specific organization-induced differences in the degree of managerial discretion held by FB-employed versus NFB-employed CEOs.

The firm's internal political conditions. Nonetheless, the third organizational factor, the firm's internal political conditions, does contribute towards this aim. In general, the political configuration of an organization is mainly determined by the distribution of ownership, and the established governance structures. A variation in these two contextual parameters may limit or enhance the potential options that a particular CEO may consider, and thus affect his individual degree of managerial discretion (Finkelstein et al., 2009; Hambrick & Finkelstein, 1987). Hence, I continue by identifying the respective impact of these parameters on the individual amount of discretion possessed by CEOs in FB versus such in NFB organizations.
First, the variation in the distribution of ownership between FBs and NFBs needs to be discussed. Hambrick and Finkelstein (1987) propose that the distribution of ownership in a company has a significant impact on which individuals have the power to control the degree of discretion that is granted to the company's executives. In comparison to NFBs, FBs are usually held by large undiversified owners, with the FB owner-family typically being their largest controlling shareholder (Anderson & Reeb, 2003a; Astrachan et al., 2002; Klein, 2000; Klein et al., 2005; La Porta et al., 1999; Pukall & Calabro, 2014). Being both economically and emotionally committed to their firm, they have a high interest in its long-term survival and sustainability (Anderson & Reeb, 2003a; Berrone et al., 2012; Chrisman et al., 2009a; Gómez-Mejía et al., 2011; Kets de Vries, 1993). As the quality of the organization's management represents a key component that determines its performance, and hence whether or not enduring corporate success may be realized, the owner-family strives to influence this component (Dyer, 2006). Such influences include, for instance, the staffing of a family-member into the CEO, or any other key management position (Dyer, 1989; Jaskiewicz & Luchak, 2013), and the careful selection and subsequent socialization of non-family executives regarding the owner-family's values and vision for the business (Dyer, 1989; Goffee & Scase, 1985; Pukall & Calabro, 2014; Reid et al., 1999). Once a chief executive – be he a family-member or not – has been selected (and socialized), he enjoys considerable trust within the organization. As a result, CEOs working in FBs should typically have strong relationships with the firm's major shareholders (i.e., the owner-family) (Corbetta & Salvato, 2004; Gómez-Mejía et al., 2001; McConaughy, 2000), and thus should be allowed considerable latitude in managerial action. That is, based on their strong relationship with the controlling owner-family, (I) family CEOs, (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working, but not possessing share holdings, in the FB may attain considerable managerial discretion.
Quite the opposite situation can be found with regard to CEOs working in NFBs – that is, the fourth group of CEOs. According to the common literature, the typical NFB tends to be widely held by a large group of small and dispersed shareholders (Berle & Means, 1932; La Porta et al., 1999; Villalonga & Amit, 2006). Its organizational culture usually emphasizes rather formal and less trust-based relationships between its owners and managers. Such relationships do not tend to be particularly strong. Accordingly, CEOs employed by this type of firm operate under far more internal constraints and contractual obligations (Dyer, 1989; Gómez-Mejia et al., 2011; Gómez-Mejia et al., 2001) that limit their managerial authority (Carney, 2005). Hence, the level of discretion originating from these circumstances should generally be lower for NFB-employed (i.e., (IV) professional NFB CEOs) than for FB-employed CEOs.

To complete the view on the potential implications resulting from the internal political conditions, the governance structures that FB-employed versus NFB-employed CEOs' are faced with should be reviewed (Finkelstein et al., 2009; Hambrick & Finkelstein, 1987). According to Astrachan, Klein and associates, governance refers to the power that is exercised by a particular party through controlling the business because of its participation in the firm's governance (e.g., through board seats held) (Astrachan et al., 2002; Klein et al., 2005). Due to fact that "in principle the board has the power to accept or reject strategic initiatives, the chief executive must obtain its compliance for discretionary action" (Hambrick & Finkelstein, 1987, p. 385). Consequently, the existing governance structures and mechanisms represent a critical parameter, which may limit or enhance an executive's degree of managerial discretion. If a high degree of compliance and a trustful, mutually beneficial relationship exist between the firm's board and its management, its chief executive enjoys a high level of managerial discretion (Dutta & Thornhill, 2008; Finkelstein et al., 2009; Hambrick & Finkelstein, 1987).
Because of the high level of trust prevailing in FBs, they tend to be governed by informal agreements that are based on affect instead of contractual obligations or utilitarian logic (Corbetta & Salvato, 2004; Dutta & Thornhill, 2008; Gómez-Mejia et al., 2001). Facing a minimum of formal control mechanisms and monitoring (Daily & Dollinger, 1992; Davis et al., 1997), CEOs working for this type of firm operate under fewer internal constraints relative to those working for NFBs (Carney, 2005; Dyer, 1989; 2006; Gómez-Mejia et al., 2011; Gómez-Mejia et al., 2001). This can be attributed to the fact that public, non-family firms tend to have a different view on the subject of corporate governance. With a rather calculative kind of trust dominating in the organization, relationships between those who control and those who manage the company rely strongly on formal control (Corbetta & Salvato, 2004; Davis et al., 1997; Donaldson, 1990; Dutta & Thornhill, 2008). In comparison to FBs, this kind of firm monitors its executives more carefully (Dyer, 2006), utilizing formal agreements based on utilitarian logic or contractual obligations (Gómez-Mejia et al., 2001). As a result, CEOs employed by NFBs are faced with far more internal constraints than their counterparts employed by FBs (Dyer, 1989; Gómez-Mejia et al., 2011; Gómez-Mejia et al., 2001).

Based on this, the level of discretion allowed by the existing governance structures and mechanisms that the four CEO-types (see Figure 2-7) encounter in their respective organizations should generally be higher for those types of executives that work in FBs than for those that work in NFBs. Overall, these findings tend in the same direction as those made earlier with regard to the first parameter, the distribution of ownership in the firm. Together, both contextual parameters draw a consistent picture regarding the individual impact of the internal political conditions on the degree of managerial discretion that is allowed to the chosen types of CEOs.
Proposition 11:  *CEOs that are employed by an FB, compared to those employed by an NFB, should face comparatively fewer constraints imposed by internal political conditions, such as distribution of ownership and governance structures, and hence be allowed a higher level of discretion by the internal organization that surrounds them.*

Specifically, I expect that all three types of CEOs classified as working for an FB (i.e., (I) family CEOs, (II) non-family CEOs working and possessing share holdings in the FB, and (III) non-family CEOs working, but not possessing share holdings, in the FB) should be allowed a substantial degree of managerial discretion by the internal political conditions dominating their organization. Working for an NFB, the fourth type of CEO, (IV) professional NFB CEOs, faces significant limitations on his latitude of managerial action imposed by such organizational influences.

2.5.2.3 *Individual managerial characteristics as a source of managerial discretion*

The amount of discretion held by a particular type of CEO is not only influenced by environmental and organizational factors, but also by the executive himself.
Based on their personal characteristics (see Figure 2-16), executives differ in the degree to which they are able to consider potential options and courses of action. Ultimately, these individual-level attributes affect their degree of managerial discretion (Finkelstein et al., 2009; Hambrick & Finkelstein, 1987). Hambrick and Finkelstein's 1987 article on managerial discretion points out several managerial characteristics affecting discretion (Hambrick & Finkelstein, 1987). Specifically, these are: the executive's aspiration level, his tolerance of ambiguity, his individual cognitive complexity, his locus of control, his power base, and finally, his political acumen (Finkelstein et al., 2009; Hambrick & Finkelstein, 1987). So far, investigations in the field of FB-research have not revealed conclusive findings regarding the existence of definite differences in executives' individual level attributes between FBs versus NFBs, as well as among FBs (e.g., in aspiration level, or cognitive complexity) (Jaskiewicz & Luchak, 2013; Sharma, 2004). As regards the individual aspiration level of family CEOs, for example, Sharma (2004) reports that while some of them claim to experience boredom in their positions, others remain energetic throughout their tenure.
**CEOs' power base.** Thus, with respect to my aim of concentrating only on those factors that have the greatest impact in distinguishing the concrete latitude of action enjoyed by the different types of CEOs, one particular managerial characteristic stands out: the chief executive's power base (Finkelstein et al., 2009; Hambrick & Finkelstein, 1987). Basically, two different types of power bases can be distinguished: institutional/ organizational power and personal power (Davis et al., 1997; Gibson, Ivancevich, & Donnelly, 1991; Hernandez, 2012b). The first type, institutional power, can be seen as the power that is vested in the executive "by virtue of his or her position in the organization" (Davis et al., 1997, p. 31). As regards the context of this examination, it corresponds to the CEO’s power by virtue of his formal role as head of the firm's top management team. Its presence depends on the executive's membership in the organization. Thus, if the organizational membership were terminated, this institutional power would vanish. In contrast to this, the second type of power, personal power, is not affected by the organizational position the respective individual holds. It develops over time in the context of a relationship between one person and another (Davis et al., 1997). Hence, personal power can be seen as "an inherent part of the individual in the context of the interpersonal relationship" (Davis et al., 1997, p. 31). Although it takes longer to build this kind of power, once established, it may be sustained over longer periods of time than institutional power (Davis et al., 1997). Hambrick and Finkelstein (1987) posit that the higher a CEO's degree of personal power, the fewer constraints he faces in his organization, which increases his individual level of managerial discretion. Conversely, an executive's "reliance strictly on positional [i.e., institutional] power is a route to lower overall power and, hence, discretion" (Hambrick & Finkelstein, 1987, p. 388).

Both Davis et al. (1997), and Hernandez (2012b) point out that a certain type of power is more characteristic for steward- than for agent-type leaders, and vice versa. To be more precise, the authors claim that personal power is typically found in executives operating in
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corporate contexts where they are involved in a principal-steward relationship. Institutional power, they say, is usually rather found in agent-type CEOs. Thus, with reference to their classification along the behavioral continuum of steward- versus agent-type behavior (see Figure 2-7), the four types of CEO's might be allocated to different power bases.

As steward-type behavior is claimed to be particularly pronounced among (I) family CEOs, they should possess a significant degree of personal power compared to the remaining types of executives – forming the extreme case on this side of the spectrum (Dyer, 1989). Following Hambrick and Finkelstein's argumentation (Finkelstein et al., 2009; Hambrick & Finkelstein, 1987), this should enable them to envision and create the most substantial pool of viable courses of action among all four types of chief executives. Exhibiting steward-type behavior to a lesser extent than family CEOs, (II) external, non-family CEOs with share holdings in the FB should also possess a considerable amount of personal power. Although this amount lies below that held by family CEOs, it should still exceed that held by their counterparts without share holdings in the FB and that of professional CEOs in NFBs. In line with the above argumentation, the power of (III) external, non-family chief executives, without ownership stock in the FB they work in, should tend to be of a more institutional than personal nature. The reason for this is that they typically tend to behave more in a self-serving, rather agent-type of way concerning the firm. This tendency negatively affects their degree of discretion, causing it to range below that of the first two types of CEOs. The extreme end of the spectrum with regard to institutional power, however, is formed by (IV) professional CEOs working in NFBs. Due to their strong tendency to behave as agents, they should possess strong institutional, and very low, personal power. Hence, they should be allowed the lowest level of discretion by virtue of their personal characteristics.
In sum, the allocation of the four types of executives along a continuum of their general tendency towards a certain kind of power base raises important implications with regard to the influence of individual managerial characteristics on their personal latitude of action.

**Proposition 12:** Family CEOs in FBs should be able to envision and create the most substantial pool of viable courses of action based on their personal base of power, and hence be allowed the highest level of discretion by virtue of their personal characteristics. They are followed by non-family CEOs working and possessing share holdings in the FB, non-family CEOs working in the FB, but not possessing share holdings, and finally professional CEOs working in NFBs.

Altogether, as indicated earlier in this section, a CEO's overall degree of managerial discretion is derived from the environment, the internal organization and the personal characteristics of the CEO himself (Finkelstein et al., 2009; Hambrick & Finkelstein, 1987). Accordingly, the individual influences that the four types of CEOs experience in these three spheres should determine the respective level of discretion they hold in their firm. Figure 2-17 summarizes the individual influences, or more precisely the factors that I have employed in the context of this study to determine their individual level of managerial discretion.

**Figure 2-17:** The relevant sources of CEOs' respective degree of managerial discretion

![Diagram](source: Author’s illustration)
According to Propositions 10, 11 and 12, the influences of these factors, and consequently, their impact on managerial discretion vary between the chief executives. To recapitulate briefly, the type of firm that the (I) family CEO operates in, (i.e., the FB), is allowed a substantial amount of discretion by the environment that surrounds it. Further, also the internal organization and his personal characteristics should allow the CEO a high level of discretion. Thus, he should possess significant latitude of action in his organization.

The environmental influences for the (II) external, non-family CEO that holds ownership stock and works in the FB, are similar to those faced by the family CEO. However, the degree of discretion that he is allowed by the organization should be slightly lower than that enjoyed by his counterpart, who is a member of the FB owner-family. Finally, while he is able to create substantial latitude of managerial action for himself based on his personal characteristics, it should not exceed the amount that a family CEO may create. Hence, the level of managerial discretion held by non-family CEOs holding stock and working in an FB should be considerable, but still lying below that held by family CEOs.

Being employed by an FB, just like the first two CEO types, (III) external, non-family CEOs without share holdings also encounter a substantial amount of discretion that the environment leaves to their organization. Yet, both organizational factors and individual managerial characteristics should allow only limited latitude of managerial action to this group of executives. As a result, the overall degree of managerial discretion enjoyed by such non-family CEOs without share holdings in the FB, is limited, lying below that enjoyed by family CEOs as well as non-family CEOs working and possessing share holdings in the FB.

The final group of CEOs, (IV) professional chief executives working in NFBs, experiences environmental influences that differ from those encountered by the former three groups. In contrast to FBs, the environment that surrounds NFBs, typically allows them only a rather limited level of managerial discretion. A similar tendency can be found with regard to
the amount of discretion that organizational factors allow this type of executive. It should be relatively low – the lowest among all four types of CEOs. The same should apply to the influences resulting from individual managerial characteristics – that is, the professional CEO employed in an NFB creates only a very limited level of discretion for himself. Therefore, in direct comparison to the other three types of chief executives, the individual degree of managerial discretion possessed by this group of CEOs should be the lowest among all four groups examined in this work. In summary, these findings suggest that:

Proposition 13: Based on the respective influence of environmental, organizational, and individual managerial characteristics, family CEOs in FBs should be allowed the highest degree of managerial discretion among all four types of chief executives. They are followed by non-family CEOs working and possessing share holdings in the FB, non-family CEOs working in the FB, but not possessing share holdings, and finally professional CEOs working in NFBs.

This, however, is not to assert that all CEOs belonging to one of the four outlined groups necessarily face uniformly few, or numerous constraints as their group-peers do. In line with Crossland and Hambrick (2007), I rather argue that there are pronounced, prevailing differences in the three factors that determine the individual degree of managerial discretion a certain type of chief executive possesses in his organization.

Noticing these variations in executives' latitude of managerial action, the question of which implications can be expected to result from these differences with regard to the strategic growth decisions that the respective organizations pursue arises. As the second of the two main factors by which chief executives may shape the strategic growth choices of their firms, according to the basic reasoning of my theoretical framework, these distinct degrees of managerial discretion form the final step towards addressing the central research objective of
this investigation: understanding the relevant root causes for variations in the specific growth behavior of FBs, compared to one another and also to NFBs. As discussed earlier, according to Hambrick and Finkelstein, depending on how much discretion a certain CEO possesses, the organization's strategic decisions (such e.g. as decisions on firm growth) may lie totally outside his control, completely within his control, or somewhere in between (Cannella, 2001; Finkelstein et al., 2009; Hambrick, 2007a; Hambrick & Finkelstein, 1987). In this regard, my conceptual framework claims that a CEO's individual latitude of action determines the magnitude with which his growth intentions are reflected in the firm's strategic choices regarding growth. More explicitly, it argues that if a chief executive enjoys high managerial discretion, his growth intentions will be strongly reflected in the firm's strategic decisions. If, however, this executive lacks discretion, quite the opposite is true.

With regard to the varying degrees of managerial discretion the four types of CEOs hold respectively, a concrete picture emerges with regard to the magnitude with which their individual growth intentions should be reflected in the organization's strategic choices regarding firm growth. It suggests that, among all four types of chief executives, (I) family CEOs' individual growth intentions should be reflected most strongly in the firm's strategic growth decisions. This magnitude of influence decreases continuously for the remaining three types of chief executives, such that the growth intentions of (II) non-family CEOs working and possessing share holdings in the FB are still largely reflected in the organization's strategic choices, followed by those of (III) non-family CEOs working in the FB, but not possessing share holdings, and finally by those of (IV) professional CEOs working in NFBs, being reflected to a lesser extent.
2.6 Discussion and conclusion

Due to the sustained research attention regarding the specific growth behavior of FBs (Bjuggren et al., 2013; Casillas et al., 2010; Daily & Dollinger, 1992; Eddleston et al., 2013; Graves & Thomas, 2008; Molly et al., 2012; Tagiuri & Davis, 1992; Upton et al., 2001; Ward, 1997), this first part of my work is dedicated to understanding the relevant root causes for variations in the growth behavior of FBs, compared to one another and also to NFBs. In this context, firms' strategic choices regarding growth and the processes by which these decisions are formed are of central importance (Certo et al., 2006; Davidsson & Wiklund, 2013; Wiklund et al., 2009).

Hence, in a first step, centering on the processes that underlie the formation of strategic growth decisions by combining the relevant insights and components of two well established and renowned theories in the field of growth research, the UET and the TPB (Cannella, 2001; Carpenter et al., 2004; Cassar, 2006; 2007; Certo et al., 2006; Delmar & Wiklund, 2008; Hambrick, 2007a; Stenholm, 2011; Westaby, 2005; Wiklund et al., 2003), a dedicated conceptual framework was developed, a model of individual growth intentions and their respective influence on strategic choices concerning firm growth. Focusing on CEOs as the central unit of analysis, this model represents a general theoretical framework that indicates how the strategic growth decisions of organizations are shaped by their respective chief executives. Its central proposition is that chief executives may cause the firm's strategic growth decisions to tend in a particular direction depending on two main factors, their individual growth intentions and their degree of managerial discretion in the organization.

In a subsequent step, this conceptual framework was applied to the specific context of FBs to understand the variations in the individual growth intentions of different types of CEOs and their respective influence on strategic choices regarding firm growth, both among
FBs, and between FBs and NFBs. Here, two distinct sets of propositions, which revolve around the two influence factors outlined in the previous paragraph, have been developed.

The first of them, deals with the formation and variation of chief executives’ growth intentions. Following the logic of the suggested conceptual framework, these propositions claim that the situation or environment that surrounds a CEO and the firm he works for, together with his personal characteristics, represent the set of background factors that is most relevant in shaping his beliefs regarding growth, and hence also his growth intentions. Nine relevant background factors, stemming from the above-described fields, have been identified and analyzed in this context. (1) 'Power' (i.e., ownership, governance, and management participation), (2) 'experience' (i.e., family generation(s) in charge, and number of contributing family members) and (3) 'culture' (i.e., family and business values) represent the organizational situation the respective CEO is faced with, while the (4) 'family of origin' and the (5) 'local community and broader society' stand for the influences from his social environment. Further, the chief executive's (6) 'managerial job tenure' and (7) 'accountability' denote relevant observable personal characteristics, while his (8) 'long-term versus short-term orientation' and his tendency regarding (9) 'altruism versus opportunism' represent relevant personal attitudes. Overall, the examination of these background factors' respective impact on the individual beliefs that the different types of CEOs form regarding growth reveals that each of them constitutes a potentially relevant root cause that might contribute significantly to explaining variations in growth intentions among FBs, and between FBs and NFBs. In fact, the four individual types of CEOs should each form a distinct set of behavioral, normative, and control beliefs regarding firm growth based on their relevant set of background factors, stemming from the situation or environment that surrounds them, and their personal characteristics or attitudes. Through their direct impact on executives' attitudes, subjective norms, and perceived degree of behavioral control regarding growth, these varying growth
beliefs ultimately determine the respective growth intentions held by the different CEOs. These findings provide a first insight for understanding variations in corporate growth decisions in FBs, compared to one another and also to NFBs.

By examining the CEOs' individual degree of managerial discretion as an indicator for the degree to which their varying growth intentions will actually be reflected in the firm's strategic choices regarding growth, the second set of propositions aims to complete this understanding. More precisely, following the argumentation of Hambrick, Finkelstein and associates (Finkelstein & Hambrick, 1990; Finkelstein et al., 2009; Hambrick, 2007a; Hambrick & Finkelstein, 1987), managerial discretion is claimed to moderate the influence of an executive's growth intentions on the firm's actual strategic choices regarding growth. The individual degree of managerial discretion, and subsequently the magnitude of this moderating impact, is supposedly determined by a set of distinct factors, originating from the environment, the internal organization and the personal characteristics of the executive himself. A selected set of these factors has been identified as relevant in the specific FB context of this investigation, and was analyzed in detail. These include the presence or absence of 'powerful stakeholders', the 'internal political conditions' (i.e., distribution of ownership and established governance structures), and finally the 'individual power base' of the CEO. In sum, the analysis of the above factors indicates that there are pronounced, prevailing differences in these factors between the four types of CEOs inducing them to respectively face either few or numerous constraints in their organization when it comes to making strategic growth decisions. Constituting the second of the two main factors by which chief executives may shape the strategic growth choices of their firms, these varying individual degrees of managerial discretion form the final step towards addressing the central research objective of this first part of the study. That is, a concrete picture emerges with regard to the magnitude with which the individual growth intentions of the different types of
CEOs should be reflected in the organization's strategic choices regarding firm growth. It proposes that, among all four types of chief executives, (I) family CEOs' growth intentions should be reflected most strongly in the firm's strategic growth decisions. This magnitude of influence should then continuously decrease throughout the remaining three types of CEOs, such that the growth intentions of (II) non-family CEOs working and possessing share holdings in the FB are still largely reflected in the organization's strategic choices, followed by those of (III) non-family CEOs working in the FB, but not possessing share holdings, and finally by those of (IV) professional CEOs working in NFBs.

**Conclusion.** In summary, the above-mentioned findings represent a crucial step towards establishing a general understanding concerning the relevant root causes of variations in firm growth in the context of FBs, compared to one another and also to NFBs. Based on these causes, it can be claimed that, depending on the idiosyncrasies of the respective CEO in charge – more precisely his individual growth intentions and his degree of managerial discretion – there might be variations in the strategic choices regarding firm growth, both among FBs, and between FBs and NFBs.

**Theoretical contributions.** In addition to this, my work makes four relevant contributions to the literature. First, the development of a conceptual framework that explicitly focuses on the underlying psychological processes by which the profiles of executives are converted into actual strategic choices, addresses one of the most significant limitations of Hambrick and Mason's UET: the so called 'black box' problem (Cannella, 2001; Carpenter et al., 2004; Hambrick, 2007a; Lawrence, 1997). Initially raised by Lawrence (1997), the black box criticism refers to the lack of understanding of the psychological mechanisms and processes by which executive profiles shape strategic decisions and hence firm outcomes (Carpenter et al., 2004; Hambrick, 2007a). By integrating a second theory from the field of social psychology into the upper echelon model – the TPB (Ajzen, 1991; 2011;
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Cooke & Sheeran, 2004; Fishbein & Ajzen, 2010b; Krueger & Carsrud, 1993; Westaby, 2005 – the proposed framework sheds some light into this proverbial black box.

Second, there is a frequent call for further research that helps to better understand the strategic choices and behavior of FBs with regard to various domains, such as innovation (Massis et al., 2015; McCann, III, Joseph E. et al., 2001), internationalization (Arregle et al., 2012; Pukall & Calabro, 2014), corporate diversification (Anderson & Reeb, 2003b; Gómez-Mejía et al., 2010), or acquisition behavior (Miller, Le Breton-Miller, & Lester, 2010). Despite its current configuration to focus purely on corporate decisions regarding the subject of firm growth, the developed framework can be used as a generic model for investigating other types of strategic choices and behavior – both in FBs and NFBs. Generally, all kinds of corporate decision-making, no matter if they concern internationalization, diversification, or acquisitions, should follow the same basic logic and processes. Yet, the respective factors that determine an executive's individual intentions regarding a specific subject of decision and his degree of managerial discretion will vary depending on the decision in focus. Hence, when adapting the proposed framework to a different decision or behavior, a customized set of factors (both background and managerial discretion factors) has to be identified. This set should contain the factors that have a relevant impact on the executive's intentions and his level of managerial discretion in the chosen decision context. Especially in the context of FB research, the application of the theoretical model to a wider range of strategic choices and behavior decisions might generate valuable new insights in understanding the relevant root causes for variations in these decisions among different FBs, and between FBs and NFBs.

Third, as stated by many authors in the field of FB research, there is limited existing literature that explicitly deals with the topic of family versus non-family managers in family firms (e.g., Astrachan et al., 2002; Chrisman et al., 2005; Chua et al., 2003; Lussier & Sonfield, 2007; Poza, Alfred, & Maheshwari, 1997). By applying the proposed conceptual
framework to the context of FBs, with a specific focus on distinguishing between four different types of chief executives, this work contributes towards enhancing the literature on the subject of family versus non-family managers in FBs. It even enriches these insights further by additionally integrating professional executives in NFBs into the analysis.

Fourth, it has been claimed by Berrone et al. (2012) that the factors which facilitate or inhibit managerial discretion within FBs constitute an interesting avenue for future research. The inclusion of managerial discretion in the theoretical model, being one of the two main factors by which a CEO may shape the firm's strategic growth decisions, and the subsequent application of this framework to the specific context of FBs, explicitly address this call for research. Specifically, this study provides interesting insights into the distinct factors that potentially determine an executive's individual degree of managerial discretion in the FB context, and subsequently the magnitude of his influence on the firm's strategic choices.

2.7 Limitations and future research directions

Despite the above-mentioned contributions, this study also has certain limitations. These limitations, however, provide interesting opportunities for future research. First, as regards the central unit of analysis in the present investigation, I focus purely on the individual chief executive officer, who typically is one of the most powerful decision makers within the company (Combs et al., 2007; Daily & Johnson, 1997; Hambrick & Mason, 1984). Despite the fact that several researchers purport that, in general, an organization's strategic choices are made by its top executives – that is, both the CEO and the top management team (e.g., Child, 1972; Cyert & March, 1963; Finkelstein et al., 2009; Hambrick & Mason, 1984; Hambrick & Snow, 1977; Miles et al., 1978) – this work deliberately excludes any kind of team processes that occur between the individual members of the TMT. Yet, it is important to note here that such interpersonal and group dynamics do have a relevant impact on the
Variations in strategic choices concerning firm growth formation of strategic growth decisions (Cannella, 2001; Finkelstein et al., 2009; Hambrick, 2007a; Hambrick & Mason, 1984). Hence, focusing exclusively on the respective chief executive in charge limits the predictive strength of the developed conceptual framework and the derived FB-context-specific propositions. In order to increase the potential strength of the theoretical framework to predict a firm's strategic choices regarding growth, future research should integrate the entire team of top managers and the associated team processes as a second unit of analysis into the present model.

Second, although strategic growth decisions may be seen as the most direct driver of firm growth, there are several other drivers that may cause variations in growth performance, such as market constraints, organizational resources or entrepreneurial capabilities (Davidsson & Wiklund, 2013; Stenholm, 2011; Wiklund et al., 2009). For example, it is often suggested that the external environment (i.e., location, industry, and market) in which a firm operates, does have a major impact on its growth opportunities (Davidsson, 1989a; Davidsson & Wiklund, 2013; Kolvereid, 1992; Pelham & Wilson, 1995). These drivers might provide additional and/or alternative explanations for why the growth performance of firms varies – specifically that among FBs, and between FBs and NFBs. In view of this, it seems advisable that researchers extend the proposed framework to incorporate actual firm growth as the final dependent variable. Here, the above-mentioned additional growth drivers could be included as determinants of firm growth besides strategic choices.

Third, the qualities attributed to the four types of CEOs distinguished in the context of this study may not be viewed as universally applicable. Such stereotypical classifications do not uniquely define (I) family CEOs versus (II) non-family CEOs working and possessing share holdings in the FB versus (III) non-family CEOs working in the FB, but not possessing share holdings, versus (IV) professional CEOs working in NFBs Rather, they should be employed to highlight the major pronounced and prevailing differences that exist among these
four types of executives. In line with the repeated call for researchers to investigate the behavior of family versus non-family managers in FBs (Astrachan et al., 2002; Chrisman et al., 2005; Chua et al., 2003; Klein & Bell, 2007; Lussier & Sonfield, 2007; Morris, Allen, Kuratko, & Brannon, 2010; Poza et al., 1997), future research should seek to confirm or even expand the proposed individual idiosyncrasies that characterize the different CEO-types.

Finally, the present model and propositions represent a theoretical approach towards understanding the relevant root causes for variations in the growth behavior of FBs compared to one another and also to NFBs. Subsequent research should test empirically the proposed conceptual framework, and the FB-specific propositions that are derived from it. In order to properly trace back the influence of the decision maker's individual idiosyncrasies on his growth intentions, and finally on the firm's strategic choices regarding growth, a longitudinal study would be most advisable.

In the remainder of this dissertation I especially address two of the above-mentioned recommendations for future research. Firstly, I test the empirical validity of the proposed conceptual framework in the FB context, employing quantitative methods and analyses. Secondly, I deliberately incorporate firm growth into this research as the main dependent variable and account for the potential influences stemming from the firm's external environment (e.g., industry and market development).
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