



Family firms' digital transformation: pathways and tensions

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Abstract How do family firms navigate digital transformation? Drawing on 25 interviews across ten cases (2018–2024), we identify three tension fields that shape the scale and pace of digitalization: internal development vs. external sourcing, reliance on trusted partners vs. opening new ties, and the diffusion of family control. We theorize five propositions showing how familiness conditions collaboration strategies, risk posture, and implementation speed. Long-term orientation and strong ties enable committed, tailored investments, yet can narrow openness to novel external knowledge; selective boundary opening mitigates this trade-off. Our model integrates socioemotional wealth with digital innovation, clarifying when familial control supports or suppresses experimentation and how learning unfolds over time.

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We outline implications for entrepreneurs, educators, and policy. The paper contributes to research on family-business digitalization and offers actionable guidance for designing balanced transformation pathways.

Plain English Summary Family firms can speed up, not slow down, digital transformation when they keep control but open their boundaries just enough. Drawing on 25 interviews across ten cases (2018–2024), we map three tensions that shape progress: building in-house vs. sourcing externally, relying on trusted partners vs. exploring new ties, and steering from the family vs. empowering managers. We theorize five propositions showing how long-term orientation and cohesive ties enable committed, tailored investments yet risk search lock-in, and how selective, trusted partnerships offset that risk. Thus, the principal implication for practice is to pair clear family endorsement with delegated day-to-day authority and a small portfolio of external partners; for research, test when cohesion's benefits turn into lock-in; and for policy/education, support capability-building that helps willing family firms access outside knowledge.

Keywords Family firms · Digital transformation · Socioemotional wealth (SEW) · Cohesion · Selective openness · Partnerships · Long-term orientation · Qualitative study

JEL Classification D22 · L26 · M15 · O33

1 Introduction

Family firms are the backbone of many economies and, despite their prevalence, remain underrepresented in mainstream digitalization research, making it essential to understand how their specific governance, goals, and relationships shape digital transformation. As the digital transformation of firms is shaped not only by objective technology but also by stakeholders' different interpretations of digital technologies and their consequences, the specifics of family firms influence their digital transformation (Capolupo et al., 2025; Chatterjee et al., 2023). Family firms incorporate specifics related to their family ownership, family involvement, and the willingness to pass the firm to the next generation, which will influence their business models and digital transformation (De Massis et al., 2014a, b). Some family firms are run by their owners, and some have outside family managers (Van Doorn et al., 2022).

Family specifics, often referred to as familiness, are especially strong when the firm is run by family managers and not by employed managers, and thus the owner family's values, desires, and motives will influence a family firm's distinct behavior (Kraus et al., 2023; Rovelli et al., 2021) and their digital transformation (De Massis et al., 2013).

There is some ambivalence about family firm digitalization: Earlier studies have shown that family firms are less concerned about digital transformation (Appleton et al., 2025). Newer studies studied how specifics of family firms influence their digitalization, especially how collaborations and networks with external partners influence family firms' digital transformation (Capolupo et al., 2025), how family firms overcome digital transformation-related resource limitations (Bouncken et al., 2020), and knowledge gaps (Matser et al., 2011).

Yet, there is a need to better understand the balance related to the preservation of socioemotional wealth (SEW) with the imperative for technological renewal (Gomez-Mejia et al., 2023). It points to the lowly understood tension among the necessary risks of technological renewal out of digitalization and its potential endangering of family firms' focus on maintaining SEW. Hence, the question is: *How do family firms with their specifics navigate through the tensions of the digital transformation journey?*

Accordingly, we position our contribution at the intersection of cohesion's double-edged effects and risk mitigation in family firms. We theorize that when selective openness to trusted external partners offsets coordination benefits, it otherwise hardens into search lock-in. This responds to recent calls to unpack the detrimental side of strong ties and cohesion in family firms (Bettinelli et al., 2021) and to integrate insights on how families mitigate risk in transformation processes (Mismetti et al., 2024).

Our study addresses the question by providing a qualitative analysis of family firms, focusing on their distinct logics, dilemmas, and pathways of digital transformation. Our findings highlight novel mechanisms subsumed in three tension fields, such as focus on internal sources for digitalization, familiar partners and use of internal networks in family business, and the diffusion of family control across levels and functions. These tension fields, visualized in Fig. 1, provide the foundation for the propositions and the model we develop. The investigation of these tension fields leads to five propositions displayed in an aggregate model. Thus, our contribution lies in clarifying the unique challenges and strategic responses of family firms to digital transformation, beyond what is already known about their approach to innovation.

To address this research question, we apply an explorative qualitative case study (Eisenhardt & Graebner, 2007; Yin et al., 2012). We studied ten German, Swiss, and Liechtenstein family firms. We purposefully selected an industry-heterogeneous sample including "polar types" (Bouncken et al., 2025) to receive deep insights into the "why" and the "how."

Our findings emphasize that family firms exhibit a distinctive pathway toward their digital transformation that allows them to balance the tension of preservation and change. First, family firms, especially when family control is strong, strive toward the preservation of SEW and long-term orientation. These characteristics can oppose the required risk-taking and investments into adopting novel digital technologies. Yet, once the family firm decides on a pathway for the transformation, the family firm's characteristics secure the long-term commitment for effective and adapted implementation of the technologies to improve value creation and capture. Second, family firm characteristics limit their openness to forming new collaborations and entering unfamiliar networks. As such, family firms endanger quickly accessing

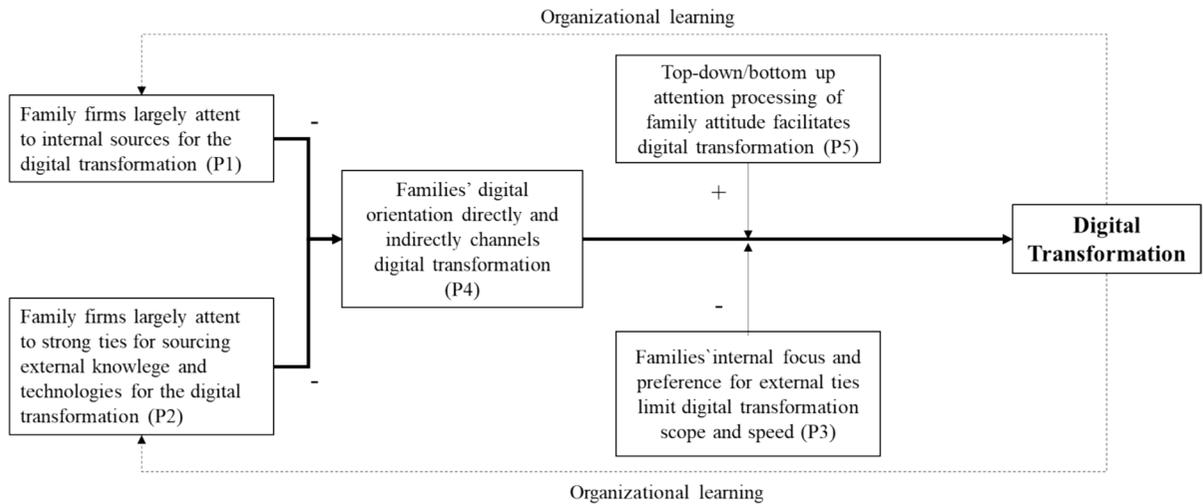


Fig. 1 Aggregated model

new knowledge about (emerging) digital technologies from external sources. Family firms balance this tension by aiming to leverage long-term relationships with trusted external partners. They follow a dual strategy: one that leverages internal learning and expertise while selectively engaging with trusted external partners to complement. This balancing mitigates risks inherent in digital innovation and paves the way for sustainable transformation that honors the family's long-standing traditions.

In this way, our findings extend recent theorizing that highlights how cohesion may hinder search and adaptation (Bettinelli et al., 2021), while also illustrating how risk-mitigation logics in family firms (Mismetti et al., 2024) can be enacted through selective partnerships rather than broad openness.

The findings of our study offer theoretical contributions by integrating perspectives on SEW and digital innovation (Cesinger et al., 2016; Kraus et al., 2018). They provide practical implications for family firms aiming to navigate the complex terrain of digital transformation without compromising their core identity. In particular, our study enriches the research on the management of family firm digital transformation (Bouncken & Schmitt, 2022).

We employ a comparative qualitative design based on 25 semi-structured interviews across ten cases (2018–2024), enabling both within- and cross-case insights into “how” and “why” digitalization unfolds in family firms.

2 Theoretical background

2.1 Digital transformation

Digital transformation (DT) has emerged as both a disruptive force and a central opportunity for firms, fundamentally reshaping how organizations create, deliver, and capture value (Wessel et al., 2021). DT is an ongoing, multi-level process of organizational renewal—impacting not only operations but also strategy, culture, and business models (Spanjol et al., 2024). DT pathways are highly contingent upon firm-specific assets, organizational routines, and stakeholder expectations (Capolupo et al., 2025; Rovelli et al., 2021). It is achieved by integrating technology into the existing organizational fabric and aligning it with strategic priorities and cultural values (De Massis et al., 2022). Digital technologies offer opportunities for efficiency, innovation, and customer engagement (Pesch et al., 2021).

2.2 Family firms specificity

In family businesses (Chua et al., 1999), the family holds the majority of ownership. Family firms can be owner-run or manager-run, but control over the business lies in the family, which influences strategic decision-making, including approaches to digital transformation (Kraus et al., 2011). Family firms are influenced “by the family vision that is oriented

to trans-generational pursuance and controlled by a familial dominant coalition” (Cassia et al., 2012, p. 199). The family firm is seen as an extension of the family’s identity, so that strategic decisions and actions, which can threaten the family’s identity and impact the firm’s digital transformation, may be delayed or avoided (Baltazar et al., 2023; Calabrò et al., 2023).

Family leaders may prioritize non-economic goals (e.g., the family’s control) over the business, the protection of family members’ employment, and the family dynasty (Chrisman et al., 2010) over economic goals (e.g., wealth generation for shareholders, superior performance of the business) (Lim et al., 2010). As a result, the strategies of family firms are particularly complex compared to non-family firms, which place more emphasis on economic goals.

While SEW tends to be related to risk aversion, it can also enable innovation when family leaders frame change as necessary for long-term continuity (Kammerlander & Ganter, 2015). SEW should thus be seen as dynamic: depending on how it is managed, it may both constrain and support digital transformation (Berrone et al., 2012).

Previous research has attributed differences to family firms compared to their non-family counterparts, such as digital product innovation (Capolupo et al., 2025), risk appetite (Rovelli et al., 2021), openness to change (Kraus et al., 2018), management team constitution (Kraus & Bouncken, 2014), sustainability approaches, ownership (Clauss et al., 2022), and involvement in management (Issah et al., 2023). Family firm specifics will influence how and why family businesses engage in digital transformation.

As aforementioned, the family exerts substantial influence on the firm, which can significantly affect the firm’s strategic orientation (Cesinger et al., 2016). Family firms are considered to bear a special responsibility toward society, as they diverge from the ideal-typical notion of homo economicus—a purely rational and economically driven entity. Instead, their unique foundation in family-related, and thus not strictly economic, characteristics endows it with greater significance and accountability toward individuals, groups, and the broader environment (Clauss et al., 2022). The family firm legacy, habitual family procedures, and processes can be a strong impediment to digitalization. As the family firm is seen as an extension of the family’s identity, strategic decisions

and actions that threaten the family’s identity may be avoided (Gómez-Mejía et al., 2007). In line with loss avoidance from an emotional and financial perspective, family firms are mostly portrayed as risk-averse (Naldi et al., 2007).

Risk aversion in return may lead to inferior investments in strategic renewal and resistance to change (Gómez-Mejía et al., 2010), limiting the necessary investments in new technologies (Hughes et al., 2018), and a reluctance to pursue digital transformation as a consequence (Clauss et al., 2022). Research has shown that the lack of separation between ownership and control coincides with high risk aversion (Fernandez & Nieto, 2006).

In contrast, risk-taking involves making bold decisions characterized by uncertainty regarding outcomes, returns, or costs (Kraus et al., 2018). The controlling family’s culture and behavior essentially determine a family business because the family’s self-concept is closely related to the firm’s identity (Berrone et al., 2010). Internal ties, established patterns of interaction and involvement, create shared meanings among family members and strong internal social capital, i.e., intraorganizational family-based relationships (Cabrera-Suárez et al., 2015).

Rather than being simply risk-averse or conservative, recent research highlights a spectrum of willingness to embrace digital transformation within family firms (Appleton et al., 2025). This willingness reflects the family’s readiness and intent to engage with digital change, rooted in family values, governance, and generational involvement. Some family firms proactively use digitalization to sustain legacy and competitiveness, while others delay transformation to safeguard established practices. Willingness is negotiated within the family’s dominant coalition, balancing tradition and innovation (Appleton et al., 2025). Thus, family firm digitalization is not a matter of “if,” but “how”—with transformation pathways shaped by the interplay of willingness, family logic, and selective openness to external knowledge and partners (Clauss et al., 2022).

Based on trust, values, and a shared identity (Cabrera-Suárez et al., 2015), strong internal bonds develop, which family members typically aim to maintain (Berrone et al., 2010). At the same time, all family members act as stewards of the family business (Le Breton-Miller & Miller, 2009), which can positively affect relationships with stakeholders and

the firm's reputation (Sorenson et al., 2009). In this vein, family members associated with the family name, a common and long history, then promote a shared identity that allows family leaders to build an enduring reputation and strong and trustworthy relations with external stakeholders (i.e., *external social capital*, Arregle et al., 2007).

Although family members have deep levels of firm-specific knowledge (Bouncken et al., 2020), family firms' *human resource base* can be limited. Smaller family firms and family-run firms, in particular, rarely hold sufficient stocks of knowledge due to lower managerial skills and lower business experience compared to their non-family counterparts (Chang et al., 2012). Family firms tend to rely on the individual specialized knowledge of their family members (Arregle et al., 2007) because this safeguards their control over the business and ensures transgenerational longevity.

Family firm's specifics, i.e., long-term orientation, their internal and external social capital, their conservativeness, and human resource base have an impact on family firms' openness toward innovation, their innovation activities, and innovation output. Technological innovation is widely recognized as essential for the long-term competitiveness and transgenerational continuity of family firms (De Massis et al., 2016). However, family firms have been described as reluctant to strategic change and as less innovative (De Massis et al., 2013) compared to non-family firms.

Taken together, these characteristics both necessitate and complicate digitalization: preserving SEW and control can constrain boundary-spanning search, while long-term orientation can underwrite sustained, tailored investments. Accordingly, digital transformation in family firms is best understood as a set of balancing acts rather than a linear adoption process.

3 Method

We applied an inductive research methodology (Corbin and Strauss, 1990). Case-based exploratory methods are particularly well-suited for investigating novel research areas that pose questions like “how” and “why.” To uncover both similarities and differences in the digital transformation processes of the sample firms, we adopted a multiple case study research

design (Eisenhardt & Graebner, 2007; Yin, 2012). We conducted semi-structured interviews with 19 managers from ten family firms in Germany, Switzerland, and Liechtenstein between 2018 and 2024. These firms represent our cases.

In three cases, we had the chance to conduct interviews twice within 3 years to receive longitudinal insights about progress and hinges of digital transformation. Interview questions included sections about family-specific influence (e.g., “Can you talk about how the fact that your business is a family firm has affected your attitudes toward—or experience with—digital transformation and the adoption and use of digital technologies?”), family governance (e.g., “How does the owning family define its role in digitalization decisions?”), openness and networks (e.g., “With which external partners (start-ups, technology vendors, universities do you collaborate on digital topics, and how do you ensure meaningful knowledge transfer back into the firm?”), cultural readiness (e.g., “How would you describe your company culture regarding openness to digital innovation?”), and others (see Appendix 1).

We purposefully selected a heterogeneous sample of family firms from different industries and regions (Bouncken & Lapidus, 2025; Bouncken et al., 2025). A heterogeneous sample allows us to reveal differences and communalities in firms that distinguish themselves (e.g., high or low performance, fast or slow decision-making, digital maturity, etc.). Focusing on comparisons between the most contrasting cases, so that the unique characteristics examples are most likely to stand out clearly (“polar types,” Bouncken et al., 2025; Eisenhardt, 1989). Table 1 shows our sample, including the interviewees' exposure to the family and a blend of digital projects our interview partners mentioned.

For the sample selection process (Bouncken et al., 2025), we applied the following criteria: (1) Family firm and (2) family firms across different industries. Our cases represent pharmaceutical, lab, and biotechnology, online services, construction, energy, industrial services, and software engineering. We identified the case firms primarily through databases, chamber of commerce reports, and newspaper articles, ensuring that all selected firms face digitalization challenges through a pre-study investigation of their websites, annual reports, and newspaper coverage. Two researchers conducted interviews in each firm.

Table 1 Sample and interview partners

Firm	Industry	Interviewee	Connections/exposition to family	Digital involvement–project examples
F1	Mail order business	General manager	Reports to a board with family representation	Leading business model transformation for digital readiness
F2	Pharmaceutical industry	Senior manager finance	Major strategies guided by a family-influenced board	Partnership with Palantir for big data analytics and Salesforce
		Senior manager IT	Ownership and board composition reflect family stewardship	E-commerce platform integration
F3	Construction industry	Head of digital communications	Initiatives aligned with top management; the family executive board oversees strategic direction	Establishing digital communication platforms (web chat, 1:1 app) for sales and customer support
		Accounting manager	Project outcomes are regularly reported to the family	Digitalization of travel and expense processes
		Head of accounting	Strategic and financial approvals channeled via a family	Planning and piloting digital HR tools
		Manager corporate programs	Close collaboration with the owner's family	Leading digitization program (Industry 4.0: communication, factory, data, logistics)
		Manager digitalization	Regular touchpoints with the family executive	Implementing mobile sales enablement
F4	Software engineering	CEO (2)	Direct family ownership	Initiating CRM cloud migration
F5	Biotechnology	Finance senior manager (2)	Works with the founding family	Launch of digital accelerator unit, development of B2B web shop
F6	Food delivery	Chief financial officer	Executive board and key committees include family or representatives	Rollout of global SAP ERP and robotics
		Manager finance	Activities overseen by leadership with strong family or founding stakeholder involvement	Implementation of automated reporting (tableau)
		Vice president finance	Strategy and budget are subject to validation by family-influenced top management	Driving AI/robotics for process automation in finance
F7	Industrial services	Manager	Reports to family member	Predictive analytics in production
F9	Construction industry	Senior HR manager	Operates within a governance model where board oversight includes family stakeholders	Digitalization of recruiting and HR processes
		Board member	Member of a board with family participation	Strategic leadership for digital product development
F10	Medical laboratory	Chief medical officer (2)	Direct family ownership	Digital lab automation
		Head HR (2)	Regularly interacts with family owners	Introduction of digital recruiting and HR process automation;
		Head IT	Digital strategy devised with the family board	Development of digitalization strategy
		Head sales (2)	Digital offerings developed with family-driven management	Digital communication with customers, online platforms

We identified managers as interview partners (Bouncken et al., 2025), who are responsible and actively involved in a firm's digital transformation. Our sample includes both family and non-family managers, as the involvement of non-family managers provides additional perspectives and is recognized as a key factor influencing the strategic orientation and innovation behavior of family firms (Bornhausen & Wulf, 2024; Bouncken & Lapidus, 2024). The interviews took between 50 and 132 min and were audio-recorded with the informant's consent and transcribed verbatim for qualitative analysis, and managed with MAXQDA, enabling systematic coding and traceability.

Coding was conducted by the lead author and a second trained researcher, both of whom are experienced in qualitative and family business research. Our analysis was iterative, and data collection and analysis were simultaneous processes as common in inductive research (Myers, 2009).

Coding and analysis unfolded in several iterative steps. Both coders independently analyzed a subset of transcripts to develop and refine the codebook, discussing discrepancies to reach consensus and increase intercoder reliability. Throughout the process, we held regular meetings to review coded material, update the coding scheme in light of emergent themes, and ensure consistency across cases and timepoints. Initial codes were informed by the research questions and interview guidelines, while additional codes were generated inductively through repeated engagement with the data.

A notable feature of our research design was the longitudinal collection of interview data: for three of the focal cases, we conducted multiple interviews with key informants over several years (2018–2024). This allowed us to trace organizational developments, digitalization dynamics, and evolving perspectives within these firms over time, thus strengthening our ability to capture processes and change. The longitudinal dimension further enhanced the robustness of theme development by enabling us to check the stability, emergence, or transformation of key patterns over time.

We also employed triangulation at multiple levels: by comparing responses across informants, case firms, interview rounds, and between family and non-family firms in our sample. Iterative within-case and cross-case comparisons, combined with the

longitudinal design, facilitated a rich understanding of both enduring and evolving dynamics and supported the saturation of our data (Bouncken & Lapidus, 2024). While formal member checks were not systematically performed, we discussed preliminary findings and interpretations informally with several key informants to ensure resonance and practical relevance. All analytical steps and coding decisions were transparently documented, ensuring a clear audit trail throughout the research process. We continued the data collection process until we reached code and meaning saturation, and further interviews provided no additional insights.

In line with calls for scientific rigor in qualitative research (Bouncken & Lapidus, 2024; Bouncken et al., 2025), we ensured validity through a comprehensive and transparent methodology, which included collecting longitudinal and multi-source data, applying systematic and iterative coding procedures, and conducting multiple forms of triangulation.

4 Qualitative results

4.1 Tension fields

Our qualitative study showed a set of tension fields in the digital transformation of firms that tie in with the unique characteristics of family businesses. The tension fields illustrate how family firms struggle to preserve their identity while embracing necessary changes, maintain control while seeking external knowledge, and reconcile their long-term orientation with the fast pace of digital transformation. The three tension fields are interdependent, sometimes reinforcing and sometimes counterbalancing each other over time, reflecting the dynamic and evolving nature of digital transformation in family firms.

Table 2 summarizes the three tension fields, each synthesizing related tensions aligned by evidence from our interview transcripts. In the following, we explain the tensions in greater detail and how they channel the path of the family firm's digital transformation.

4.2 Focus on internal sources for digitalization

Our interviews support the notion that the family as a dominant coalition directs the family firm's

Table 2 Key tension fields in the digital transformation of family firms

Tension field	Tensions	Evidence from interviews
Focus on internal sources for digitalization	<ul style="list-style-type: none"> • The tension between the desire to develop digital solutions internally and the need to rely on external expertise and solutions • The challenge of preserving the family firm's identity and values (SEW) while also embracing the changes necessary for digital transformation • The difficulty in balancing the need for tight control over the digital transformation process with the willingness to delegate and empower others 	<ul style="list-style-type: none"> • "We want to do it in-house." (F1, General Manager) • "We need solutions that work for us, specifically." (F7, Manager) • "But there are also things we do with partners, for example, Palantir is a partner." (F2, Senior Finance Manager) • "Digital transformation is associated with keeping up with today's trends, growth opportunities, and long-term survival." (F7, Manager) • "We have a 93-year-old company. That has advantages, as we have seen, but it also has tremendous challenges. 93 years of corporate culture created over decades, you can believe me that it is relatively difficult to break through this corporate culture, to set it up anew, and to develop it further." (F1, General Manager) • "The optimistic perspective adds direction toward digital technologies and channels activities and budgeting of firms." (F6, Chief Financial Officer) • "But it's so hard to get IT-experts and they can be so slow." (F1, General Manager) • "The problem, of course, is that many of the digitization initiatives cost a lot of money." (F3, Head of Digital Communications)
Familiar partners and use of internal networks	<ul style="list-style-type: none"> • The conflict between preferring to collaborate with known, trusted partners and the necessity to engage with new, potentially unfamiliar partners for digital innovation • When external knowledge is needed, family firms prioritize expanding existing relationships rather than forming entirely new ones • Family firms carefully expand their network circles, gradually including external partners only after establishing trust and proven success 	<ul style="list-style-type: none"> • "We live from absorbing triggers from all our satellites in the organization. We try to have constant interaction internally and a network" (F3, Head of Digital Communications) • "We ourselves say that we cannot necessarily do it alone, but that we really have to open up at the right places." (F5, Senior Manager Finance) • "People tend to think much more long-term anyway. And if it works from a business perspective, then you give them the freedom." (F3, Manager Digitalization) • "We also have external project managers in IT who are brought in if we don't have specialists in the field ourselves, then we get the know-how from them." (F7, Manager)

Table 2 (continued)

Tension field	Tensions	Evidence from interviews
Diffusion of family control across levels and functions	<ul style="list-style-type: none"> • Digital transformation initiatives' funding and progress strongly depend on the support and attitude of the family members • Family managers' confidence in and support for digital technologies reduces uncertainty and encourages implementation across organizational levels • Family's digital orientation cascades through the organization, with managers being hesitant to pursue digital initiatives without clear family approval 	<ul style="list-style-type: none"> • "All exclusively from and by CEO or CMO" (both owner family (F10, Head of HR) • "You can see it above all in the requirements that come in and then have to be implemented immediately." (F10, Head Sales) • "And one thing is also clear, in every family business there is a head of the family. [...] and when they're in the water, it's very thin, so they have to be careful what they do." (F3, Finance Director) • "That's certainly planned by [family member A] and [family member B] together with our IT. That's for sure. Then it simply goes through the laboratory with projects, with people from the laboratory."

strategic decisions, extending it to matters of digital innovation and external relationships for developing or transferring those (Kraus et al., 2022, 2023). Family firms' tendencies toward parsimony, personalism, and particularism (Carney, 2005) have important implications for choosing a specific novel technology that changes the business model and the operations. Previous studies indicate that family firms are more cautious in contracting (Carney, 2005) and networking and participate in fewer external relationships than non-family firms (Eddleston et al., 2010).

Our interviews indicate that expertise and solutions for digital technologies need to be sourced or developed with external experts. A top manager from case F1 stated: "We want to do it in-house. But it's so hard to get IT-experts and they can be so slow." Previous research indicated that family firms often have fewer alliances compared to non-family firms, being reluctant to enter new relationships with untested partners (Bouncken et al., 2020).

Although there is a great need for external expertise, family firms use internal sources for digitalization activities. Family firms seem to have concerns about using standard software. Interviews indicate that this would otherwise determine their operations too strongly and could reduce their flexibility, which is seen as the capability of their family firm. One top manager (case F7) argued: "We need solutions that work for us, specifically." Family firms have concerns about external IT partners with respect to quality, data security, and strategic dependence on these. Digital transformation is associated with keeping up with today's trends, growth opportunities, and long-term survival. The survival and growth bring financial and non-financial value for family firm owners, which are attractive benefits as family firm owners have usually invested most of their private wealth into the firm (Kontinen & Ojala, 2011).

For digitalization, the family firm owners have invested their financial resources in the firm and might need to invest even more in the future. Thus, it is their desire to maintain family control to protect their SEW that leads them to make little use of debt, be conservative toward equity investors (Issah et al., 2023), and choose low-risk capital structures based on financial reserves (Huybrechts et al., 2013). This might limit developing or sourcing digital technologies.

Besides the promising and attractive financial and non-financial rewards from digital technologies, family firm owners might expect a loss of SEW endowment when their decisions turn out wrong or not good enough to keep up with the fast development. Thus, if family firms see crucial change needs, they will intend to cope with financial and non-financial demands, even if they need to acquire or access external technology and knowledge to supplement their own while safeguarding their SEW. Family firms hesitate to deploy too much of their own resources to projects because of the threat to the sustainability of SEW (Gómez-Mejía et al., 2011).

Family firms will prioritize maintaining control when engaging in digital transformation. When they see a great need and potential to change, the family might push the investments and activities into digital transformation. The family influence on investment and the key position they have might surpass the relative slowness of family firms (Gallo & Sveen, 1991). Speed and decidedness toward the digital transformation initiatives are triggered by the tendency of family firms to place family members in control.

Proposition 1 (internal vs. external): Greater emphasis on internal development decreases openness to novel external knowledge unless the family simultaneously invests in selective, trusted partnerships.

Illustrative quotes supporting these propositions are:

This is our daily business. In the short term, we'll work with freelancers, but that shouldn't be the long-term solution. For us, the CRM cloud migration is an in-house project—we know the domain, where the pain points are, and how the processes have grown; the real bottleneck is IT capacity. (F4, CEO).

We had a SAP platform from a prior acquisition that suited us; we strengthened it and built in our requirements. For me, digital is more of an evolution—we need to use the new possibilities sensibly. (F2, Senior Finance Manager).

For us, the CRM cloud migration is an in-house project—the real bottleneck is IT capacity. (F4, CEO)

4.3 Familiar partners and the use of internal networks

Our interviews show that family firms are reluctant to connect to outsiders and enter *new* networks for knowledge sourcing (Mensing et al., 2014). Even partnerships with technology providers that have not collaborated intensively previously are considered risky. Family firms thus seem to be hesitant to include externals, even when this knowledge is needed, when they do not know the external digital experts from previous work. The absence of social capital carries a risk that new and unknown partners may take advantage of the family firm, jeopardizing its SEW (Bouncken & Schmitt, 2022).

Thus, especially for new knowledge creation, family firms look for previous or established relationships. Family firms seem to use some trusted external sources of digitalization expertise from their well-known network relationships (Bouncken et al., 2020). Family firms compensate for this lack of new external relationships by prioritizing and deepening their existing network relationships and drawing on the rich social capital with existing external partners or internal experts (Cesinger et al., 2016).

Family firms seem to be particularly focused on extending and nurturing well-established long-term relationships, which can help them overcome the liabilities of newness of digital technologies (Cesinger et al., 2014). One top manager mentioned: “We live from absorbing triggers from all our satellites in the organization. We try to have constant interaction internally and a network” (F3, Head of Digital Communications); other managers argued: “When things work out and get bigger, then we increase our circle and get more people on board, even externals, for example, suppliers” (F6, Vice President Finance), and “We have a few freelancers who regularly do things for us; we know someone who is very reliable” (F4, CEO). Thus, the well-known firms in their networks and other social ties increase family firms’ propensity to develop and use new digital technologies.

Proposition 2 (trusted partners as selective openness): Family firms rely on their long-term and strong previous partnerships when they source knowledge and technology of digital innovation from external sources.

We found multiple illustrative quotes supporting proposition 2:

You know us fairly well: we are married to SAP—and that will remain so. We aim for 99%+ SAP coverage; for accompanying processes, we use tools that we try to integrate tightly with SAP. (F5, Finance Senior Manager).

We've worked with startups for nearly 20 years and collaborate closely with Google on voice commerce. (F3, Head of Digital Communications).

Yet, these often long-term and strong ties (Bouncken et al., 2020) still might not be able to bring the required novel expertise. Thus, family firms need to invest in finding and educating technology experts in their firms. This might help to maintain control while allowing the potential for changes by autonomy and the expertise of internal competence teams.

Proposition 3 (cohesion and lock-in): Stronger intra-family cohesion increases implementation commitment but raises the risk of search lock-in; curated boundary-opening practices moderate this trade-off.

F9 board member recognizes: “We have to hire these people from outside, because we don't have them ourselves—recruit them on the market and attract pioneers who can build things up here.” And an Accounting Manager from case F3 stated: “It gets difficult when a project needs other IT areas. Many things need developers and building that up further won't work here—and I wouldn't push it; it doesn't belong here.”

Before turning to the final two propositions, it is important to distinguish between family and non-family managers: while owner-family managers enjoy greater latitude to align digital transformation with family interests, non-family managers operate under closer oversight and monitoring by the family.

4.4 Diffusion of family control across levels and functions

Our findings indicate that the degree to which family members are interested in digital technologies influences the digital transformation in the complete firm. Family managers paying priority to digitalization,

showing confidence in the digital future of the company, and supporting initiatives can reduce the uncertainty of implementing digital technologies and the risks associated with it (Capolupo et al., 2025). The optimistic perspective adds direction toward digital technologies and channels activities and budgeting of firms. One interviewee stated, when asked about drivers of digital initiatives: “Allexclusivelyfrom and by [A] or [B], exactly” (F10, Head HR), whereas A and B are the Chief Executive Officer and Chief Medical Officer, the members of the board, brothers, and the second generation of the family business. Yet, when this is not present, managers are not allowed to or are hesitant to pursue digital technologies.

Proposition 4 (role clarity): The speed and scope of digital transformation in family firms increase when family owners endorse digital technologies and delegate day-to-day implementation to non-family managers with clear mandates.

Another example underpinning the diffusion of control is from a case 1 executive:

We are deliberately stepping back from micro-management; we want to leave decisions to the level that works in an agile way and reduce the number of people who are only half-assigned to something. (F1, General Manager).

Although the family always takes a strong interest in the firm's wealth, family firms might have some heterogeneity when they are owner-run versus run by a manager (De Massis et al., 2014a, b). Thus, the degree to which family members manage and control the firm will influence their concern for SEW and the inclination to be ready for stronger changes as a result of digital transformation. Owner-managers are imbued with an understanding of their business and the need for innovation for longer-term survival and prosperity, but they also have an intuitive understanding of how much risk they can take to ensure survival (Miller et al., 2015). With owner-managed family firms, opportunism is reduced because the concentration of ownership and control rests in the owner-manager (Anderson & Reeb, 2003).

Thus, the family owner–manager can act with considerable latitude and power to act in the best interests of the family and the firm simultaneously. As Carney notes, “uniting ownership and control mitigates the

classic agency problems inherent in both managerial and alliance governance because owner–managers’ interests in growth opportunities and risk bearing are one and the same” (2005: 254). The professional manager of a non-owner-run family firm is in a far more complicated agency relationship. When the family firm is not owner-run, the non-owner manager faces considerable oversight and scrutiny as family members are incentivized to closely monitor their managerial agents. This incentive originates from the fact that to the family, their wealth and business are one and the same. Thus, the incentive grows from ensuring that non-owner managers cannot divert resources into value-destroying activities or take actions that might harm their wealth (Anderson & Reeb, 2003).

Non-owner managers may adjust to the dominant logic of the family, seemingly evidenced that non-owner-run family firms place an even greater premium on trust (over and above contracts), as would be expected of an owner-run family firm. Adopting this view, the steward is perhaps more family-driven than the family itself, likely because the family owner has an intuitive understanding of risks they can bear with the family’s wealth, whereas the non-family owner must serve to protect it carefully. This aligns with our discussion to this point. The non-owner manager is then conditioned by the family firm to appreciate the vital importance of trust and ends up placing even more emphasis on it accordingly because of the stewardship responsibility placed on them by the family.

Proposition 5 (family–manager overlap):
“Where managers are also family members, the effect on digital progress depends on whether they champion selective openness (accelerating) or prioritize preservation (decelerating).”

Illustrative quotes from the interviews:

Fundamental decisions are made by the company owners.... (F7, Manager).

We are sometimes quite slow in implementation because we have to go through many stages. You have to ask one person, then another, and something else might still come from somewhere—and that costs time. (F3, Head of Accounting).

The empirical support for each proposition, including representative quotes by case and informant type, is summarized in Appendix 2.

5 Discussion and implications

Our research advances the theory of family firm digital transformation in several ways. First, our study reveals that once a strategic decision for transformation is taken, family involvement and control provide unique long-term commitment and resilience that can actually facilitate sustained digital investment and adaptation, contrary to the image of family firms as consistently conservative.

We nuance previous findings that family firms’ long-term orientation and SEW preservation often lead to increased risk aversion and cautiousness in digital investments (Appleton et al., 2025). Our model specifies when strong intra-family cohesion narrows external search and slows digital uptake and how selective boundary opening mitigates this risk—thereby extending reviews that document both the bright and dark sides of cohesion in family firms (Bettinelli et al., 2021). We also complement recent work on multi-faceted risk in family firms by showing how trusted-partner strategies act as a risk-mitigation mechanism that preserves SEW while enabling exploration (Mismetti et al., 2024). This positioning clarifies the added value of our framework beyond prior emphasis on openness and long-term orientation.

Second, we propose a framework of three tension fields—*internal sources*, *familiar partners*, and *diffusion of family control*—that structures the digital transformation experience in family firms. This model demonstrates how family firms uniquely balance the imperative for technological renewal with the desire to preserve core identity and long-standing relationships. In particular, the findings emphasize a dual strategy: leveraging trusted long-term external partners to complement internal expertise, thereby mitigating risks while opening access to new knowledge and capabilities.

While much of the extant literature portrays family firms as laggards in digitalization due to risk aversion and conservatism, our results suggest a more nuanced picture. Family firms’ cautiousness can delay digital transformation but when aligned with strong internal consensus and a long-term view, it can foster deep, organization-wide commitment to selected digital initiatives. Furthermore, our findings on selective openness to external networks echo, but also extend, prior work by showing

how family firms systematically leverage trusted partners rather than broad, open networks.

Third, our study contributes to the literature on organizational change by illustrating that digital transformation in family firms is rarely a top-down or bottom-up process alone. Instead, it involves the orchestration of internal and external stakeholders in ways tailored to the firm's history, governance, and values—often requiring bespoke balancing acts rather than wholesale adoption of standard digitalization recipes. These findings align with recent research showing that family firms pursue digital innovation by balancing the desire for organizational control with the need for external collaboration (Bornhausen & Wulf, 2024).

For practitioners, the findings highlight that family firms can benefit from leveraging their long-term orientation, strong internal trust, and cohesion to support digital initiatives once a decision has been made. Successfully managing digital transformation requires connecting innovative efforts to established family values, involving different generations, and carefully selecting external partners to complement internal capabilities. Furthermore, adopting a structured, stepwise approach to digital projects and investing in digital leadership and skills development are crucial for ensuring that digital transformation aligns with the firm's identity and supports its continued success.

While this study finds common patterns in how family firms approach digital transformation, it also reveals notable industry differences. In healthcare, regulatory demands and technological infrastructure shape digital efforts, whereas in retail, fast-changing customer expectations are the main drivers. In manufacturing, existing technologies and legacy systems play a key role. Thus, while some challenges are shared, industry context significantly shapes each family firm's digital journey. Further research could clarify which insights apply across sectors.

Figure 1 shows our complete model that aggregates the reasoning and propositions above. It displays the flow, order, and accelerating, respectively, slowing or accelerating effects on the digital transformation in family firms. Moreover, it displays the feedback loops of the organizational learning.

6 Limitations and future research

Despite its contributions, this study has several limitations. The empirical base consists of qualitative case studies from firms in Germany, Switzerland, and Liechtenstein. The limited geographic scope may affect the generalizability of our findings to other countries or cultural contexts. The sample heterogeneity may leave out relevant industry-specific factors, such as regulation or customer expectations, that may also influence digital transformation pathways, limiting transferability to all sectors. Because interviews span 2018–2024, rising digital maturity and the growing necessity of digitalization during this period may have accentuated some patterns; we therefore triangulated longitudinally and checked for stability and change across rounds.

Building on these limitations, future research could observe how digital transformation unfolds over time and across generations or conduct comparative research to understand the influence of different countries, cultures, or governance structures. Examining the impact of digital transformation on firm performance, the role of intergenerational dynamics, or strategies for overcoming resource constraints through collaboration or capability building would also offer valuable insights for theory and practice.

Future work could integrate our propositions with adjacent calls on cohesion and conflict in family relationships as well as multi-faceted risk management in family firms, thereby testing when strong internal ties hinder or help digital renewal. Linking these agendas would clarify the contingencies under which willingness and capability jointly translate into digital outcomes.

7 Conclusion

The digital transformation is an imperative for many firms, but it must align with their specifics. For family firms, the digital transformation has to follow their specifics that strongly hinge on family firm values and risk aversion, especially distrust of foreign knowledge sources. Our model shows that family firm digital transformation is strongly primed by family firm managers or owners, but also by digital technologies and transformation concepts that find agreement

across organizational members. The management of the digital transformation follows a unique pathway influenced by the balancing demands that are rooted in the long-term orientation and preservation of family firms confronted by the changes and needs for knowledge through technological change.

8 Appendices

Author contribution Ricarda B. Bouncken: study design, data collection, theory, and model development; Jeffrey G. Covin: theory refinement, discussion, and model specification; Florian Schmitt: data analysis, coding, and tables.

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Declarations

Ethics Approval and consent to participate This study meets all ethical standards.

Conflict of interest The authors declare no competing interests.

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