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# **“With Our Feet on the Ground and Our Minds Free to Fly”: Multiple Embeddedness and Entrepreneurial Orientation in Small and Medium-Sized Family Businesses**

Based on a qualitative multiple-case study, this paper focuses on the effect that multiple embeddedness—that is, both local and family embeddedness—has on the entrepreneurial orientation of small and medium-sized family businesses. The study’s results indicate that whereas local embeddedness influences small family businesses’ entrepreneurial orientation, especially in terms of their adherence to local customs and traditions and attention to local legitimisation, family embeddedness exerts particular influence on their adherence to family history and their replication of family rules and roles within the firm. The varying extents to which local embeddedness and family embeddedness manifest in the sampled businesses suggest four types of entrepreneurial behaviour: prudent, conservative, brave and pioneering.

Keywords: multiple embeddedness, local embeddedness, family embeddedness, entrepreneurial orientation, multiple-case study

## **Introduction**

There is a broad consensus that firms do not act in isolation (Wigren-Kristoferson et al., 2022). Firms’ behaviours, strategies, access to resources and opportunities are firmly related to the environment in which they are embedded (Jack & Anderson, 2002). As actors within networks, to quote Granovetter (1985, p. 487), firms “do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy. Their attempts at purposive actions are instead embedded in concrete, ongoing systems of social relations”. As such, actors such as firms and their economic activities have to be analysed in consideration of the frame of social relations, culture, social structures, local institutions, routines and customs in which actors operate (Granovetter, 1985; Polanyi, 1944).

Those same ideas are the soul of the construct of *embeddedness*, which refers to the intricate relational tangle of individual and organisational ties in a defined environment or context (Dacin et al., 1999; Jack & Anderson, 2002) that affect personal life spheres, economic actions and business

activities (Aldrich & Zimmer, 1986; Uzzi, 1997). Because such contexts impose specific conditions and provide opportunities and/or conditioning for social action (Welter, 2011; Zahra et al., 2014), understanding how businesses become embedded in them is essential to also understanding their practices and processes (Wigren-Kristoferson et al., 2022). In other words, taking embeddedness into account can clarify how certain socio-economic elements encourage or inhibit certain business decisions and entrepreneurial orientation (Karlsson & Dahlberg, 2003). Entrepreneurial orientation (EO) refers to the tendency to engage in entrepreneurial activity using processes and methods characterised by a certain extent of innovativeness, proactiveness and risk-taking (Miller, 1983), as well as aggressiveness and autonomy (Lumpkin & Dess, 1996) and attitudes (Covin & Slevin, 1989; Miller, 1983) that sustain firms' success (Rauch et al., 2009). Kalantaridis (2009) has argued that EO is heavily influenced by the context in which firms are embedded, and entrepreneurs are part of a nested structure (Kenney & Goe, 2004) that affects their entrepreneurial behaviour (Wang & Altinay, 2012).

Despite widespread scholarly agreement that context influences the behaviour of entrepreneurs and businesses and thus the factors that determine their EO, the complexity of embeddedness is seldom considered. Instead, scholars have primarily contextualised their studies by focusing on a single context or environment in which firms are embedded or on a sole dimension of their embeddedness (Wigren-Kristoferson et al., 2022). Despite its advantages, that approach tends to simplify the complex, multifaceted concept of embeddedness, especially given that firms and entrepreneurs may easily be embedded in multiple contexts at once. For that reason, embeddedness needs to be scrutinised at different levels (Wigren-Kristoferson et al., 2022) and across heterogeneous contexts (Meyer et al., 2011). Nevertheless, only a few studies have espoused that perspective while analysing entrepreneurial actions under the logic of multiple institutions (Greenman, 2013) or investigating how multiple embeddedness affects internationalisation (Ferraris, 2014; Meyer et al., 2011). Recently, however, some scholars have introduced the concept into studies on family businesses and shown that such firms as particularly complex and embedded

in several contexts: the family context the regional or national context and the cross-generational context (Basco, 2017a, 2017b; Gomez-Mejia et al., 2020; James et al., 2021; Krueger et al., 2021). Even so, the perspective of embeddedness is rarely taken, and very few studies recognise the effect of multiple embeddedness on entrepreneurial actions (Hagedoorn, 2006; Wigren-Kristoferson et al., 2022).

To elucidate how multiple embeddedness influences firms' EO, in our study we examined the most relevant kind of firms in the world, ones that happen to be characterised by high degree of complexity: family businesses (Anderson & Reeb, 2003; Chrisman et al., 2007). By definition, family businesses are fully owned and managed by members of the founding family with a clear intention to pass on the business onto their children (Aronoff & Ward, 2011; Chrisman et al., 2005, 2015; Chua et al., 1999). We opted to examine family businesses because, on the one hand, they are strongly attached to their contexts of belonging (Baù et al., 2019; Floris, Dettori, et al., 2020a, 2020b; Rondi et al., 2018), and, on the other, their EO depends on the family's embeddedness (Aldrich et al., 2021; Aldrich & Cliff, 2003; Hahn et al., 2021; Mari et al., 2016). Beyond that, many studies have shown that family businesses possess a constellation of rules, norms (Aldrich & Cliff, 2003) and values (Binz-Astrachan et al., 2018) that stem from the owning family and strongly characterise the current business and influence their EO (Aldrich & Cliff, 2003; Pittino et al., 2017, 2018). Their influence manifests most clearly when they act as a support or stimulus, especially during periods of change or amid challenges, when family businesses tend to draw vital nourishment from the family's strong ties (Kraus et al., 2020) and socioemotional endowment (Gómez-Mejía et al., 2011). In that sense, family businesses, with a dual role played by family members as private citizens and business owners, both anchored to local and family roots (Runyan, 2006), appear suitable to investigate in order to clarify the relationship between EO and embeddedness. Last, although the burden of family and local roots is all the greater the smaller the business (Wright & Kellermanns, 2011), previous studies, at least to our knowledge, have not jointly analysed the effects of local and family embeddedness on EO. However, small and medium-

sized family firms may in fact be the best setting to answer the following research question: *How do local embeddedness and family embeddedness influence the EO of small and medium-sized family businesses?*

Inspired by the recent call to focus on multiple embeddedness (Wigren-Kristoferson et al., 2022), in our study we problematised the concept (Alvesson & Sandberg, 2011) by anchoring it to the construct of embeddedness (Granovetter, 1985) and to the perspective of family embeddedness (Aldrich & Cliff, 2003). Following a qualitative multiple-case study approach (Eisenhardt & Graebner, 2007; Yin, 2011, 2013), we sampled 10 small and medium-sized family firms located in the same region of Italy—that is, Sardinia. Our findings shed new light on the topic by revealing that local and family embeddedness represent strong forces that influence firms' EOs by way of some chief elements. In particular, whereas local embeddedness seems to affect EO primarily through an attachment to local customs and traditions and attention to local legitimisation, family embeddedness exerts particular influence on adherence to family history and the replication of family rules and roles within the firm. In turn, the ways in which the interplay of local embeddedness and family embeddedness manifest suggest four different entrepreneurial behaviours: prudent, conservative, brave, and pioneering.

Those and other results have both scholarly and practical implications. For scholars, this paper's contribution is at least twofold. First, it contributes to current understandings of the construct of embeddedness by deepening knowledge about the effects that different levels of embeddedness have on a firm's EO. Second, because the literature remains rather silent on the heterogeneity of entrepreneurial behaviours and factors that affect the EO of family businesses, it also contributes to studies on such businesses by highlighting that the interplay of local and family embeddedness has certain relevant effects on their entrepreneurial behaviour. For practitioners, the paper offers relevant suggestions for owner–managers, consultants and entrepreneurs regarding their managerial practices.

## **Theoretical Framework**

### ***Local embeddedness***

Embeddedness refers to the reciprocal influence of the social relationships and economic behaviours of social actors (Granovetter, 1985). Those relationships and behaviours are bound together by trust, information exchange (Uzzi, 1997) and limited cognitive distance (Nooteboom et al., 2007), all of which converge to create a strong local culture and pave a path of entrepreneurial development influenced by ‘the building of long-term and trust-based business relations stemmed from personal ties and deep interpersonal knowledge’ (Zucchella, 2006, p. 24). Individuals as well as firms seem to be the products of their local contexts and history, which together transform a geographical area into a social space with particular values, languages, beliefs, cultural practices and traditions (Granovetter, 1985) embodying mutual trust and knowledge-sharing and benefiting all local actors in terms of legitimisation, friendship and social inclusion (Boschma, 2005; Letaifa & Rabeau, 2013). In turn, the sense of belonging and identity experienced by entrepreneurs frequently leads them to make decisions in consideration of the local context in which they are embedded (Wallace, 2002). In fact, firms’ strategies may often appear to be the outcome of the will of locals (Alsos et al., 2014) because the firms are aligned with social and local expectations by force of habit. From that perspective, local embeddedness offers firms the unique potential to develop long-term relationships with local stakeholders, to create a perception of trust and credibility, to preserve the firm’s reputation and to ensure a competitive advantage (Upton et al., 2001).

Recently, studies examining local embeddedness in the context of family-owned firms have shown that local context influences the growth in employment at family businesses when a corporate governance structure and the local context are combined (Backman & Palmberg, 2015), as well as that regional context affects such businesses, especially concerning non-economic factors such as favourable attitudes in the community towards small businesses (Bird & Wennberg, 2014). Other studies have underscored that when family businesses are strictly embedded in their local contexts, they are more able to promote civic wealth than non-family business counterparts

(Lumpkin & Bacq, 2022), and, as a result of that profound relationship, local embeddedness can counterbalance the negative forces that often inhibit the growth of family firms (Baù et al., 2019). In fact, according to Bird and Wennberg (2014, p. 424), “Family businesses are more embedded within the regional community than their non-family counterparts,” which in turn affects their strategic choices. In that sense, family businesses are particularly sensitive to sustaining good relationships with local actors (Arregle et al., 2007) and to contributing to the socio-economic development of the context in which they are embedded (Berrone et al., 2012; Deephouse & Jaskiewicz, 2013). Nevertheless, though scholars have shown increased interest in local embeddedness’s effects on the management of family businesses and vice versa, studies on the matter have remained limited (Baù et al., 2019; Stough et al., 2015). However, to be sure, local embeddedness plays a crucial role in the behaviour of family businesses (Bird & Wennberg, 2014; Zellweger et al., 2013), and inasmuch as such businesses represent the most widespread kind of firms worldwide and contribute to GDP and job creation in substantial ways (Astrachan & Shanker, 2003; Basco, 2015; Memili et al., 2015), investigating how embeddedness affects family firms’ EO is essential.

### ***Family embeddedness***

Basco (2017a) has recently suggested that multiple overlapping embedded contexts (Basco, 2017a) may influence the dynamics, behaviour and entrepreneurship of family businesses (James et al., 2021), one of which—probably the most relevant context—is the family (Aldrich & Cliff, 2003). According to Elo et al. (2019, p. 7), “Family ties and close friendships constitute strong ties on the micro-level, whereas other relationships to community members, friends and associates are considered as weaker than the family ties”. In that way, family businesses are integrated into a multitude of contexts but primarily in the family, which, on the one hand, represents the first source

of resources, history, values and kinship ties, and, on the other, distinguishes firms' EO and strategic behaviours.

In their seminal article introducing the perspective of family embeddedness, Aldrich and Cliff (2003) have posited that family composition and family members' roles and relationships impact the process of resource mobilisation, which consequently facilitates and/or impedes entrepreneurial activities and behaviours (Aldrich & Cliff, 2003). The overlap between the family and the business plays a key role in decision-making processes and entrepreneurial activities (Nordqvist et al., 2008) by heightening the importance of non-economic aspects, including emotions, beliefs and values, that impact managerial decision-making (Gómez-Mejía et al., 2011). For that reason, considering the family and the business as separate entities can muddy any analysis of family businesses because the family, by way of family dynamics, values and history, plays a substantial role in delineating the firm's goals, strategies and entrepreneurial behaviour (Aldrich & Cliff, 2003). Added to that, many scholars have found that strong family ties tend to affect family firms' EO in terms of, for instance, access to financial resources (Sieger & Minola, 2017), individual entrepreneurial attitudes (Hahn et al., 2021) and the attainment of non-financial goals (Cruz et al., 2012).

In sum, the perspective of family embeddedness, encompassing a scope of dimensions pertaining to family business dynamics in order to clarify and understand how and why specific decisions and entrepreneurial behaviours are assumed, puts the family at the core of the analysis by considering the family life cycle, family roles, family values, socially generated expectations stemming from social and family norms, EO and entrepreneurship (Aldrich et al., 2021).

### ***Effects of local embeddedness and family embeddedness on the EO of family businesses***

As alluded, *EO* refers to firm-level behavioural features that promote product and market innovation, innovative behaviour within the firm, risky initiatives and proactive innovation (Miller, 1983). The concept spotlights the concept of *innovativeness*, defined as the firm's aptitude in using



new ideas, experimentation and creative processes to generate new products and/or services (Lumpkin & Dess, 1996); *proactiveness*, defined as the firm's ability to anticipate future needs and spot opportunities (Venkataraman, 1997); and *risk-taking*, defined as the firm's engagement in uncertain initiatives (Miller & Friesen, 1978). Especially in today's turbulent era, those entrepreneurial characteristics seem to positively affect the growth and performance of firms (Rauch et al., 2009; Wang & Altinay, 2012; Zahra & Covin, 1995), including family businesses (Kellermanns et al., 2008) and small- and medium-sized ones (Moreno & Casillas, 2008). Understanding a firm's EO, however, requires an in-depth examination of the contexts in which the firm is embedded (Baù et al., 2019; Wang & Altinay, 2012; Zahra, 2007; Zahra et al., 2014).

The context of family businesses is indeed crucial, and context-sensitive research is often concerned not only with what circumstances surround the phenomena under investigation but also with how the circumstances constrain and shape those phenomena (Bamberger, 2008; Krueger et al., 2021). Basco's (2017a) embeddedness framework of family business contexts maintains that context can be understood as lying beyond the phenomenon itself and being composed of both physical and cognitive demarcations. From that perspective, family firms are embedded in multiple contexts that "may define or condition the behaviour of family firms to be unique and heterogeneous across time and space" (Krueger et al., 2021, p. 3), which creates an array of heterogeneous entrepreneurial responses to contextual conditions that are worth further investigation (Welter et al., 2017).

Of all types of businesses, family businesses are particularly embedded in their local areas and strive to establish lasting relationships with their local communities to guide their entrepreneurial strategies (Bird & Wennberg, 2014; Floris, Dettori, et al., 2020b; Floris, Dettori, Melis, et al., 2020). However, local embeddedness can either sustain or inhibit firms' EO by leading them into a general state of conformity with local desires and expectations (Uzzi, 2018) or by provoking changes in routines and habits (Berglund et al., 2016) through disruptive effects or un-entrenched behaviours (Hellerstedt et al., 2019). Beyond that, because family businesses are more

embedded than their non-family counterparts (Bird & Wennberg, 2014) and considered to be the products of their local contexts and history (Floris, Dettori, et al., 2020b; Kammerlander et al., 2015) given that they make decisions in tandem with the local contexts in which they are embedded (Wallace, 2002), investigating the effect of local embeddedness on family firms' EO is a valuable undertaking. In fact, family firms' EO often appears to be the outcome of the local will (Alsos et al., 2014) because the firms are aligned with local expectations out of habit. That dynamic contributes to the spread of the common myth that family businesses tend to have relatively low EO (Carney, 2005; Garcés-Galdeano et al., 2016).

At the same time, per Aldrich and Cliff (2003), due to strong family relationships and the family's influence on the firm, the entanglement of the firm and the family is such that the perspective of family embeddedness views them as a single entity. Such extensive overlap between the family and the firm also plays a relevant role in firm-level decision-making processes and entrepreneurial activities (Nordqvist et al., 2008). Indeed, family businesses draw their principal resources, both tangible and intangible, from the family whose history, values, events, language and vision influence the business's EO (Aldrich et al., 2021; Aldrich & Cliff, 2003). Moreover, the perspective, by putting the family at the core of the analysis, highlights that the family imprints unique features on the firm's EO, which generates more or less entrepreneurially oriented family businesses (Kellermanns et al., 2008; Simon, 2009). Knowledge about that dynamic has contributed to the debate on controversial findings about how some family businesses engage in entrepreneurial activities (Zahra, 2012), whereas others are conservative, inflexible and averse to risk (Chrisman & Patel, 2012; Zahra, 2005).

In sum, local and family contexts shape the objectives, visions and practices that family businesses pursue and, in turn, their EO. However, to our knowledge, how that influence occurs remains unclear and warrants further attention.

## **Method**

### *Research design*

Our study's general objective was to "elucidate the process of meaning construction and clarify what and how meanings are embodied in the language and actions of social actors" (Schwandt, 1994, p. 222). To that end, following Krueger et al.'s (2021) call concerning the need for using explorative research approaches to investigate multiple embeddedness in family businesses, we adopted a qualitative interpretative approach to construct theory for research on family business (Nordqvist et al., 2008) and to develop a theoretical understanding of new insights grounded in the experiences of human subjects who, in our study, were family members (Eisenhardt et al., 2016). A qualitative research design was considered to be particularly appropriate given the nature of our research question (Yin, 2008). To be specific, we employed a multiple-case study methodology (Eisenhardt, 2021) because relevant case studies contribute to knowledge about individuals, groups and/or organisations in a defined context (Wacheux, 1996). The approach not only facilitates the in-depth examination of each case and allows analysing the corresponding phenomenon within its particular context (Yin, 1994) but also allows comparing family firms and observing the existence or absence of similarities and differences in their expression of EO "within each setting and across settings" (De Massis & Kotlar, 2014, p. 18).

### *Sample and research context*

We followed Eisenhardt's (1989) suggestion to include from 4 to 10 cases in our multiple-case study and adopted theoretical sampling principles (Glaser & Strauss, 1967), which recommend using a diverse sample to improve the robustness of the analysis. Thus, we selected cases based on their probability of providing significant information about the phenomenon under investigation (Miles & Huberman, 1994). To be selected, cases had to meet four criteria: (1) be embedded in the same local context (Sardinia); (2) operate in highly traditional sectors that represent the core of local history, customs and economy (i.e. bread and bakeries, artistic handicrafts and wine and

wineries); (3) employ at least two (full-time) employees; and (4) be fully managed by families. We identified interesting cases on official lists published online by trade associations by contacting the heads of professional orders and other personal contacts. We also consulted websites, social media and newspaper articles to identify the most suitable firms until reaching data saturation—that is, when the sample was adequate and additional cases provided no further knowledge (Suddaby, 2006). Ultimately, 10 small family firms that appeared to be rich in information were recruited, the details of which appear in Table 1.

**Table 1.** Demographic details of the family businesses studied

Choosing the mentioned industries was not random but based on the fact that the selected sectors are particularly relevant in the local context in which the sample's firms are embedded—that is, Sardinia—where those industries represent the most important sectors of the economy and, in 2017, constituted approximately 25% of all firms in the region. In addition, most of the firms therein are family businesses firmly embedded in the region's history, traditions, customs and vision, and their growth and survival depend on the family's dynamics and influence, as well as the desire to pass the firm down to the next generation (CNA, 2017; Regione Autonoma della Sardegna, 2017). Moreover, that those industries host numerous small and medium-sized family firms is particularly relevant for our study, because firms' EO is closely related to local will and the personal skills, interests, visions and abilities of owner-managers. As a result, the overlap between the firm and the family is likely to play a crucial role in defining the firm's EO, jointly combined with an interest in being appreciated at the local level. Last, understanding how local embeddedness and family embeddedness influence family businesses' EO is relevant to understanding the mechanisms that can sustain the development of a successful micro-entrepreneurial ecosystem able to push the regional economy forward.

### *Data collection*

We relied on a combination of primary and secondary data sources. For primary data, in-depth semi-structured interviews were conducted in person following an interview protocol (Legard et al., 2003) designed to obtain information to answer our research question. Because “creation opportunities are social constructions that do not exist independent of entrepreneur’s perceptions” (Alvarez & Barney, 2007, p. 15), the entrepreneur’s role in tracing a firm’s developmental trajectory is clear. As Stake (1995) has pointed out, each interviewee should be treated as having their own story to tell, and, for that reason, our unit of analysis was the entrepreneur. The interview questions, intended to encourage interviewees to freely discuss their experiences and personal viewpoints, avoided technical terms from the academic literature. Between January and August 2018, we conducted 20 interviews, each of which lasted 80 minutes on average. The interviews were conducted in Italian, audio-recorded and transcribed verbatim by the authors, as authorised in advance by the interviewees who signed an informed consent form. The 10 case studies resulted in about 300 pages of word-by-word transcriptions of interview content. By contrast, secondary data were collected from archives, official websites, social media accounts and newspaper articles. Details of the primary and secondary sources are summarised in Tables 2 and 3, respectively.

**Table 2.** Summary of primary data sources

**Table 3.** Summary of secondary data sources

### *Data analysis*

After the interviews were transcribed, two independent coders read through the transcripts and additional material from a subsample of five of the cases (i.e. two coders for Firms 1–5 and two for Firms 6–10) and later scanned the material for emergent themes that appeared relevant to our research objective (Reay & Zhang, 2014). Afterwards, following the recommendations of

Eisenhardt (1989), we performed a cross-case analysis to identify common patterns and contradictions across the sample (Eisenhardt & Graebner, 2007).

A content analysis was conducted without using software such as NVivo in order to avoid biases in Cohen's kappa (Kim et al., 2016), which calculates reliability at the character level and was thus unsuitable for our study's higher unit of analysis (e.g. sentence and paragraph). We thus conducted the content analysis by combining the nomothetic approach advocated by Eisenhardt (1989) and the Gioia methodology (Gioia et al., 2013). Eisenhardt proposes a two-step approach, beginning with an intra-case analysis, which can identify variations from one case to another, followed by inter-case comparisons, which seek to explain why results differ or converge from case to case and help to clarify the underlying mechanisms at play (Mbengue, 2014). The latter analysis, based on the Gioia methodology, ended with the creation of a graphic representation of the data to show how the raw data were processed into themes from first-order concepts to second-order themes and, in turn, to aggregate dimensions (Fig. 1).

First-order coding involved examining what was said during the interviews and generating items. The outcome of that process was squared to identify several themes based on theoretical orientations and drawn from the interview material itself. We later used those themes to develop subthemes and units of meaning. Second-order coding, as recommended by Gioia et al. (2013), required aggregating the items from the first step at different levels of abstraction (Thiétart, 2014). We found 22 first-order concepts that we categorised into nine second-order themes. Following an iterative process, we specified the themes, identified the relationships between them and produced four aggregate dimensions: adherence to local customs and traditions, attention to local legitimisation, adherence to family history and replication of family rules and roles within the firm. Next, we conceived our interpretative model (Eisenhardt & Graebner, 2007; Gioia et al., 2013), shown in Figure 2, which was derived from the overlap between the aggregate dimensions whose interplay indicated four entrepreneurial behaviours: prudent, conservative, brave and pioneering.

Figure 1. Data structure

## **Findings**

In our study, we aimed to answer to the following research question: *How do local embeddedness and family embeddedness influence the EO of small and medium-sized family businesses?* We found that local embeddedness affects EO through adherence to local customs and traditions as well as through attention to local legitimisation. At the same time, family embeddedness influences EO through adherence to family history and the replication of family rules and roles within the firm. Those elements emerged to different extents within the firms. The interplay between them and thus between the degree of local and family embeddedness indicated four entrepreneurial behaviours: prudent, conservative, brave and pioneering. In what follows, we first introduce the four elements and subsequently focus on the four entrepreneurial behaviours that stem from their relationships.

### ***The influence of local embeddedness***

#### ***Adherence to local customs and tradition***

The concept of being faithful to local customs and traditions often recurred in the interviews and was particularly relevant to the interviewees. Table 2 presents some exemplary quotations.

Respondents expressed how much staying in a traditional context has affected their way of interpreting the meaning of entrepreneurship: “Our main value is respect for our territory. .... We possess an undoubted heritage that’s rich in history, tradition and rituals, and our goal is infusing that heritage in our products. Our products embody our love for our local context” (Firm 1, senior). Such adherence to tradition translates into “products that embody the soul of our history” (Firm 2, senior), because “we are responsible for preserving the historical memory of our place and transferring it to future generations. For that reason, our manufactured goods are still made following traditional methods and raw materials” (Firm 7, senior).

At the same time, despite the undisputed relevance of local traditions, other respondents approached the theme from a different perspective: “We have to learn to balance our firm’s management with our feet on the ground and our minds free to fly—that is, being aware and proud of our history, traditions and customs but also able to build on them to create new opportunities and be forerunners overseas” (Firm 5, senior).

**Table 2.** Exemplary quotations regarding adherence to local customs and traditions

*Attention to local legitimisation*

Respondents repeated the importance of being legitimised by the local context in order to achieve their firms’ goals: “If we want to maintain our competitive advantage, we need to be sustained by our fellow citizens. Breaking that tie means risking not being appreciated either here or in other places” (Firm 8, junior). Local legitimisation was perceived as “the source of daily activities” (Firm 6, senior), “the reason for continuing to work despite the difficulties of the unfavourable economic situation” (Firm 10, senior) and “the way to keep bonds with our roots firm and on a daily basis strengthen the trust that binds us and our land” (Firm 3, senior).

Even so, another respondent argued that “sometimes you have to be brave and even risk not being supported by your context because the strategies and choices may not be appreciated ... because they do not align with the expectations of the territory” (Firm 9, senior). Another stated, “It’s very important to respect tradition, but it’s also necessary to know how to interpret and review it in an innovative way. .... That puts local support at risk, but it could also be a way to change the local culture and open up new scenarios” (Firm 2, senior).

Table 3 presents other quotations exemplifying attention to local legitimisation.

**Table 3.** Exemplary quotations regarding attention to local legitimisation



## ***The influence of family embeddedness***

### *Adherence to family history*

According to one interviewee, the family business was “our firm, a part of our family, the result of our family history” (Firm 8, junior). Respondents often reiterated that concept as being one of the most relevant ways of explaining why they perpetuate specific family practices, values and ways of acting within their family firms: “Our family history is studded with many events, positive and negative, and we can’t pretend that those are separate from our family business. Everything that affects our family affects our firm. And it’s important to be loyal to your family through and through” (Firm 6, senior).

From another angle, family history was also seen as “something fundamental”, a “starting point”: “But if you want to be innovative and a leader in the market, you have to learn how to use the family’s history in a winning way, by incorporating it into the business to attract new customers to excite them, certainly not to block your potential” (Firm 5, junior). In other words, “Family history is relevant, but it doesn’t have to limit the firm’s development” (Firm 9, senior).

Table 4 presents other quotations underscoring family history as a certain driver that, depending on its utilisation has the power to boost or inhibit firms’ EO.

**Table 4.** Exemplary quotations regarding attention to family history

### *Replication of family rules and roles*

Another common trend that emerged in interviews relates to the replication of family dynamics, especially family rules and roles, within the firm and how they affect the firm’s EO. In particular, family rules and roles appear to affect the firm’s internal organisation: “Within our family, the person who decides is our father. He has the power and charisma to manage our firm and knows the adequate strategies to implement. For that reason, our structure is hierarchical, and making decisions is his responsibility” (Firm 7, junior).

Respondents also underscored that, “as in our family, in our firm we also play defined roles. ... We can only suggest new ideas, innovative activities or investments in risky initiatives” (Firm 3, junior). The final decision “is made only by our parents. They are entitled to make it ... and probably that’s the right thing to do because they invest their money and tend to repeat strategies and actions that have ensured our success over time” (Firm 6, junior).

However, another respondent reported that “if within the family, our father has always had a very strict attitude ..., here [at the firm] we are involved in everything, and our innovative ideas are always listened to and supported” (Firm 5, junior). That dynamic is maintained because the senior generation believes that “young people have the keys to the future. Give them to them, and they will know how to do great things for our business” (Firm 5, senior).

Other exemplary quotations about the replication of family rules and roles appear in Table 5.

**Table 5.** Exemplary quotations regarding the replication of family rules and roles

### *Entrepreneurial behaviours*

Our cross-case analysis revealed that the common elements that emerged in interviews were reciprocally intertwined. Based on that interplay, we identified four entrepreneurial behaviours: prudent, conservative, brave and pioneering. Figure 2 shows our interpretative model, conceived with reference to how the specific elements manifest and relate to each other.

**Figure 2.** The interpretative model

### *Prudent*

We found that some family firms (i.e. Firms 4, 8 and 10) experience the influence of local and family embeddedness similarly in terms of the extent of the elements that emerged and how they are

interrelated. Those firms appear to have adopted a prudent entrepreneurial behaviour that accommodates only limited innovation of products, processes and markets. As one interview stated, “For us, innovating means introducing little changes to receipts and taking care to be appreciated by our local context” (Firm 4, junior). It also accommodates resistance to risky-initiatives—“We have to be thrifty and avoid overly risky initiatives because we could lose financial resources” (Firm 10, senior)—and a low inclination to be proactive—“We’re not interested in being the market leader that anticipates competitors. There’s room for everyone” (Firm 8, junior). It should be noted that those firms also operate in both domestic and international markets.

Prudent entrepreneurial behaviour is characterised by numerous controversial manifestations of local and family embeddedness, including:

- Low adherence to local customs and traditions: “We know that tradition is essential, but we believe that to improve our business, we need to change, ... even if it means moving away from local customs” (Firm 4, junior);
- High attention to local legitimisation: “Producing something that does not uphold traditions can and has to be done, but what cannot be lacking is legitimisation by the territory. .... We have to ensure that what we do and propose is appreciated by local customers. We need local support” (Firm 10, senior);
- High influence of family history: “We are so tied to the history of our family, and through our wines, we try to narrate it in all of its nuances” (Firm 10, junior); and
- Low replication of family roles and rules: “Although our firm is almost a mirror of our family, there’s a difference in its management. At home, we’re used to not expressing ourselves too much on the most serious matters. In the company, however, we’ve been told that everything is in our hands and that we have to assume our responsibilities” (Firm 8, junior).

Conservative entrepreneurial behaviour was apparent in family firms (i.e. Firms 1, 3 and 6) that appeared to resist innovation and deviating from established paths—as one interviewee put it, “Why change? ... Why innovate? ... Our strategy is the same across generations” (Firm 1, junior). They also seemed to avoid risky initiatives—“We prefer to avoid investing money in something that can’t ensure the expected result” (Firm 6, senior)—and did not assume proactive attitudes—“We follow our past paths. We’re not interested in imposing something new within our firm or in the market” (Firm 3, junior). Interestingly, those firms operate exclusively in domestic markets.

Conservative entrepreneurial behaviour is the result of strong local and family embeddedness, including:

- High adherence to local customs and tradition: “Ours are traditional products, with traditional receipts, raw materials and so on. Our bread smells of tradition, and we have the duty to respect and preserve it across generations” (Firm 1, junior);
- High attention to local legitimisation: “We offer what our local customers want. For us, their appreciation is the essence of our efforts. .... Without local support, we can do nothing, and we cannot go anywhere” (Firm 6, senior);
- High influence of family history: “Our firm reflects our family. Our family history is embodied in our artistic productions. Each piece represents a specific family event” (Firm 6, junior); and
- High replication of family roles and rules: “My father is very authoritarian [in the business], just as he is in the family. He repeats the same routines, and everyone follows his directions. Woe to those who try to go against him [*Laughed*]” (Firm 3, junior).

### *Brave*

Some family firms (i.e. Firms 7 and 9) seemed to have adopted brave entrepreneurial behaviour, which revolves entirely around tradition and is characterised by the absence of innovation. As one interviewee stated, “We believe that staying faithful to tradition is the key to success at this time.

.... Innovating can create confusion among our customers. Whoever buys from us expects the same wine” (Firm 9, junior). It is also characterised by a low propensity for risky initiatives—“Sometimes we invest in research and development, with the aim of identifying how to pass on our traditions to new generations through our products” (Firm 7, senior)—as well as what we call “past-based proactiveness”—“While competitors identify new ways to produce ... we continuously study the raw materials, processes, designs, colours and subjects that were used in the past in order to be the first on the market to offer them. Today, going back to the past means, in a certain sense, being projected towards the future more than you think!” (Firm 7, junior). Similar to the family businesses exemplifying conservative entrepreneurial behaviour, the firms exemplifying brave entrepreneurial behaviour operate only in domestic markets.

At the same time, similar to the family businesses showing prudent behaviour, the ones exhibiting brave entrepreneurial behaviour have experienced local and family embeddedness in controversial ways, including with:

- High adherence to local customs and tradition: “Our vital source to stay in the market is respecting tradition” (Firm 9, senior);
- Low attention to local legitimisation: “Local support is certainly important, but if the context prefers other products to ours because perhaps they consider them to be outdated, then it’s not our problem. .... We will find people who appreciate us far from here” (Firm 7, junior);
- Low influence of family history: “I don’t think that our family history has affected our business decisions. .... We have a long tradition as potters, but we’ve always tried to keep family joys and sufferings separate from business decisions. Otherwise, during some very painful events, we certainly would have made different choices” (Firm 7, senior); and
- High replication of family roles and rules: “Within the firm, there’s a tendency, even unwittingly, to wait for my father to have the last word in the most important decisions, just as in the family” (Firm 9, junior).

## *Pioneering*

In our sample, two family businesses (i.e. Firms 2 and 5) appear to be disembedded and thus able to adopt a pioneering entrepreneurial behaviour. Such behaviour is characterised by continuous innovation—for example, “Innovating is the sole way to succeed in this hypercompetitive market” (Firm 5, junior)—as well as risk-taking propensity—“Growing and improving require constantly investing, both in terms of financial resources and in time and energy” (Firm 2, junior)—and proactiveness—“It’s important to anticipate competitors, always propose something new and, above all, identify new needs and opportunities for consumption” (Firm 2, junior). Similar to the family businesses demonstrating prudent entrepreneurial behaviour, ones demonstrating pioneering entrepreneurial behaviour operate in both domestic and international markets.

As mentioned, those firms seem to be disembedded due to exhibiting:

- Low adherence to local customs and tradition: “Our motto is innovating without stopping. Tradition exists, and we recognise its relevance, but society is changing, and we live in an area without borders, where traditions are many and different. So, let’s change, innovate and try to meet all needs and give birth to new ones, as is in line with the times” (Firm 2, senior);
- Low attention to local legitimisation: “Our market is the world, so it’s impossible to focus only on our limited territory. Having broken the link with tradition has also caused a break with local equilibrium, but we’re optimistic. Sooner or later, even our territory will change, and then they will appreciate us again. Now, however, we can’t care about that, because we have to move on” (Firm 5, junior);
- Low influence of family history: “More than being attached to the history of our family, we want to tell it in a strategic way. . . . Customers appreciate that. We carefully choose what to tell to create the desired image able to generate a positive impact on the market” (Firm 5, senior); and

- Low replication of family roles and rules: “The family and the firm are managed differently. Even if my father assumes an authoritarian role in the family, the same does not happen within the company, where, on the contrary, he listens to my ideas because he believes that I can be more innovative than him” (Firm 9, junior).

### **Discussion, Limitations, and Future Research**

Our study investigated how local and family embeddedness influence the EO of family businesses. Our findings show that local embeddedness influences EO in small and medium-sized family businesses rooted in the same local context, especially in terms of their adherence to local customs and traditions and their attention to local legitimisation. At the same time, family embeddedness seems to affect the EO of family businesses concerning the adherence to family history and the replication of family roles and rules within the firm. Beyond that, our findings reveal that those elements are interrelated and manifest to different extents within the sampled businesses. The interplay between them generates four entrepreneurial behaviours, which we labelled as prudent, conservative, brave and pioneering. Those results make both scholarly and practical contributions.

#### *Scholarly contribution*

This paper’s contribution to the literature is at least twofold. First, in answering the recent call to focus on multiple embeddedness (Basco, 2017a; Wigren-Kristoferson et al., 2022), the paper contributes to the construct of embeddedness by investigating the effects that different levels of embeddedness have on firm’s EO. In particular, we found that the extent to which local and family embeddedness manifest, namely through the interplay of mentioned elements, generates different entrepreneurial behaviours that prompt family firms to assume different postures towards innovativeness, risk-taking and proactiveness. In that sense, our results reveal what we call “past-related proactiveness”, which characterises proactive firms as having a constant interest in being forerunners in the market, rediscovering past paths and strategies and re-proposing them in the

current era. That aspect of proactiveness may contribute to broadening the concept by incorporating within it the ability and propensity to orchestrate past practices to accommodate new needs in line with the vocations of the territory.

Second, the paper contributes to the literature on family businesses by highlighting that local and family embeddedness, jointly considered, have relevant effects on entrepreneurial behaviour. Those findings, on the one hand, corroborate past findings that, even if from separate studies, show that local embeddedness (Bird & Wennberg, 2014; Zellweger et al., 2013) and family embeddedness (Aldrich & Cliff, 2003) play a crucial role in the behaviour of family businesses. On the other hand, our finding adds that such multiple embeddedness influences their behaviour in different ways, including by generating family businesses with diverse entrepreneurial behaviours that are not more or less entrepreneurially oriented but simply different. Therefore, family businesses that appear to be disembedded seem to adopt pioneering entrepreneurial behaviour, and that result contributes to dispelling the myth that family businesses are not entrepreneurially oriented.

### *Implications for practice*

For practitioners, our results have relevant implications for the managerial practices of owner–managers, consultants and entrepreneurs. The results demonstrate the effects of being embedded and disembedded in family businesses' EO and entrepreneurial behaviours, the latter of which depend on how family businesses experience local and family embeddedness and influence how the businesses approach innovation, risk-taking and proactiveness. Thus, family owner–managers and consultants have to consider the risk of over-embeddedness because, for example, being attached to local traditions or family history needs to be balanced with the ability to use them to strategically maintain and acquire customers. Beyond that, the interpretative model could be a useful practical tool for quickly evaluating where a family business stands in terms of their intent to



conceive strategies and actions to guide them towards adopting pioneering entrepreneurial behaviour.

### *Limitations and future research*

The chief limitations of our study relate to its exploratory character, even if the methodological rigour applied allowed us to confirm that the obtained results are scientifically valid. However, further research could investigate other areas not considered in our study. First, future research could enlarge the sample and conduct statistical analyses to test our proposed model. Added to that, other studies could investigate whether the industry can moderate or change the effect of local and/or family embeddedness. Last, cross-case, cross-cultural and longitudinal analysis could help to verify the generalisability of our results.

### **Conclusion**

Building on the theoretical constructs of local and family embeddedness in a qualitative multiple-case study, our research focused on the effects that multiple embeddedness exerts on EO. As a result, we identified a set of interrelated elements that manifest to different extents and whose interplay indicates four entrepreneurial behaviours: prudent, conservative, brave and pioneering.

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Table 1. Demographic details of the family businesses studied

#	Industry	Foundation, current generation	Number of family members involved	Revenue (in euros)	Number of employees	Innovation	Market
1	Bread and bakeries	1925, 4th	3	10 mln	6	Strict adherence to tradition	Domestic
2	Bread and bakeries	1938, 4th	4	10–20 mln	25	Process, receipts and shapes of products and market	Domestic International
3	Bread and bakeries	1800, 6th	5	<10 mln	2	Strict adherence to tradition	Domestic
4	Bread and bakeries	1986, 3rd	3	10–20 mln	20	Receipts of product	Domestic
5	Artistic handicrafts	1939, 4th	3	10–20 mln	14	Process, raw material, product design and market	Domestic International
6	Artistic handicrafts	1926, 4th	4	<10 mln	3	Strict adherence to tradition	Domestic
7	Artistic handicrafts	1905, 4th	3	<10 mln	4	Strict adherence to tradition	Domestic
8	Wine and wineries	1976, 3rd	2	<10 mln	18	Product, process and market	Domestic International
9	Wine and wineries	1960, 3rd	2	<10 mln	3	Strict adherence to tradition	Domestic
10	Wine and wineries	1940, 3rd	4	10–20 mln	25	Product, process and market	Domestic International

Table 2. Summary of primary data sources

Source	Interviewee	Length of all interviews
20 semi-structured interviews:		
- 10 interviews	Representative of senior generation	Approx. 900 minutes
- 10 interviews	Representative of junior generation	Approx. 700 minutes

Table 3. Summary of secondary data sources

Source	Type	Data
Social network	Posts on Facebook and Instagram	980 posts on Facebook 712 posts on Instagram
Official website	Web pages	20 captures
Newspaper article	Articles	10
Archival data	Personal documents (one for each case)	10



Table 4. Exemplary quotations for “Adherence to local customs and tradition”

First-order concepts	Second-order themes
<p><i>Relevance of values</i>            Every day we experience values that are ancient and represent the core of our local traditions. ... From generation to generation, there’s a strong glue that attaches us to our context (Firm 1, junior).</p> <p>Personally, I believe that the culture of our land, our traditions and our values, those that, in short, differentiate us from other territories, contribute to making me what I am. I embody those values, all of which have been handed down to me (Firm 4, senior).</p>	<p>Local values, culture and traditions that permeate the personal life sphere</p>
<p><i>Feelings of responsibility</i>            Our culture is essential, and our traditions are our roots. .... What we do is fundamental not only for us but for all of our land, for our local communities and for the future of our children (Firm 3, junior).</p> <p>Tradition plays a dual role. On the one hand, it represents our roots; on the other, it represents an obstacle to changing Sardinian culture and the minds of Sardinian people who are often resistant to change (Firm 4, senior).</p>	
<p><i>Pride in local history</i>            Our island is rich in traditions, history and culture. .... We translate and perpetuate them in our own lives (Firm 6, junior).</p> <p>Knowing our unique history helps us to understand why we act and decide things in certain ways (Firm 9, junior).</p> <p>I’m proud to belong to this land, with its wonderful history. I feel like I’m a part of it, and I have to work for it, like my ancestors, so that no one distorts its identity (Firm 7, senior).</p>	
<p><i>Love of local culture</i>            I believe that our culture needs to be protected and preserved unaltered across generations (Firm 3, junior).</p> <p>Each context has its culture, and our culture is the best in the world [<i>Laughed</i>] because it’s characterised by many contradictions, including the mix of hospitality and suspicion ... and the will to be international while thinking local (Firm 10, senior).</p>	
<p><i>Products, processes and traditions</i>            Our creations embody the symbols of our traditions and, at least we hope, represent a bridge between historical memory and openness to the new. .... We continually innovate by proposing reinterpretations of our tradition, above all to ensure that we also intercept other markets (Firm 5, junior).</p> <p>All of our entrepreneurial initiatives are projected towards the future, with careful attention to the richness of the past and the goal of safeguarding the well-being of all citizens (Firm 9, junior).</p>	<p>Tradition as inspiring entrepreneurship in different ways</p>
<p><i>Definition of firm strategies</i>            Our strategies consider traditions, customs and local practices, because we are proud to live here and because we desire that our island is also recognised overseas (Firm 9, junior).</p> <p>Tradition is relevant to developing a corporate image in line with the context (Firm 5, senior).</p>	
<p><i>Local work culture</i>            Our activity is continuous sacrifice. I remember when my father came home tired every night. .... That’s common in our land: work and sacrifice (Firm 1, senior).</p> <p>Our motto is “hard work without complaining”. I believe that’s in the DNA of us Sardinians. (Firm 7, junior)</p>	<p>Cultural influences on internal aspects of the firm</p>

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*Relationships with employees*

In our culture, neighbours are an important element of city life. .... We treat our employees as neighbours and, some, almost as if they were members of our own family. That reinforces the sense of community that we have tried to build within our firm (Firm 7, junior).

In our culture, good neighbourly relations have always been a prominent element. We have discussed all family decisions to be made because everything at one point became a neighbourhood question. So, when we have to make important decisions, we involve all of our employees. (Firm 9, senior)

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Table 5. Exemplary quotations for “Attention to local legitimisation”

First-order concepts	Second-order themes
<p><i>Sense of community</i> Our firm realises what our tradition suggests and what our territory wants. .... We embody the features of our context ... a fundamental understanding that we are a part of our context and we need its support to survive (Firm 6, senior).</p> <p>We’re involved in many local initiatives to improve local well-being (Firm 8, junior).</p>	Interest in preserving local cohesion
<p><i>Sense of belonging and local identity</i> I recognise that our strong local identity is the glue that binds us with citizens (Firm 10, junior).</p> <p>Sometimes our local identity can create a sort of cage that causes the mind to close and distrust of whatever is different from what we’re used to experiencing (Firm 2, senior).</p>	
<p><i>Firm as a prolongation of local heritage</i> Our firm realises what our tradition suggests. For us, it’s like giving life to something immaterial, which is inherent in us (Firm 6, senior).</p> <p>We have to respect tradition to be witnesses of our culture. ... We don’t operate merely under our name but take the whole island with us (Firm 3, junior).</p>	Firm as a part of the local system
<p><i>Local networks</i> I learned an important imperative from my grandfather: to create good relations in the territory and do something great for it. That’s what we do: we innovate in respect of the environment and the territory and develop relationships with people based on trust and reliability. Our customers have to be able to trust us and appreciate our products (Firm 10, senior).</p> <p>Our family firm is only a small component of a much more complex mechanism. That’s why we’ve tried to create a network with all local players. In that way, our operations are legitimised and, above all, united, so we can perform better (Firm 4, junior).</p>	

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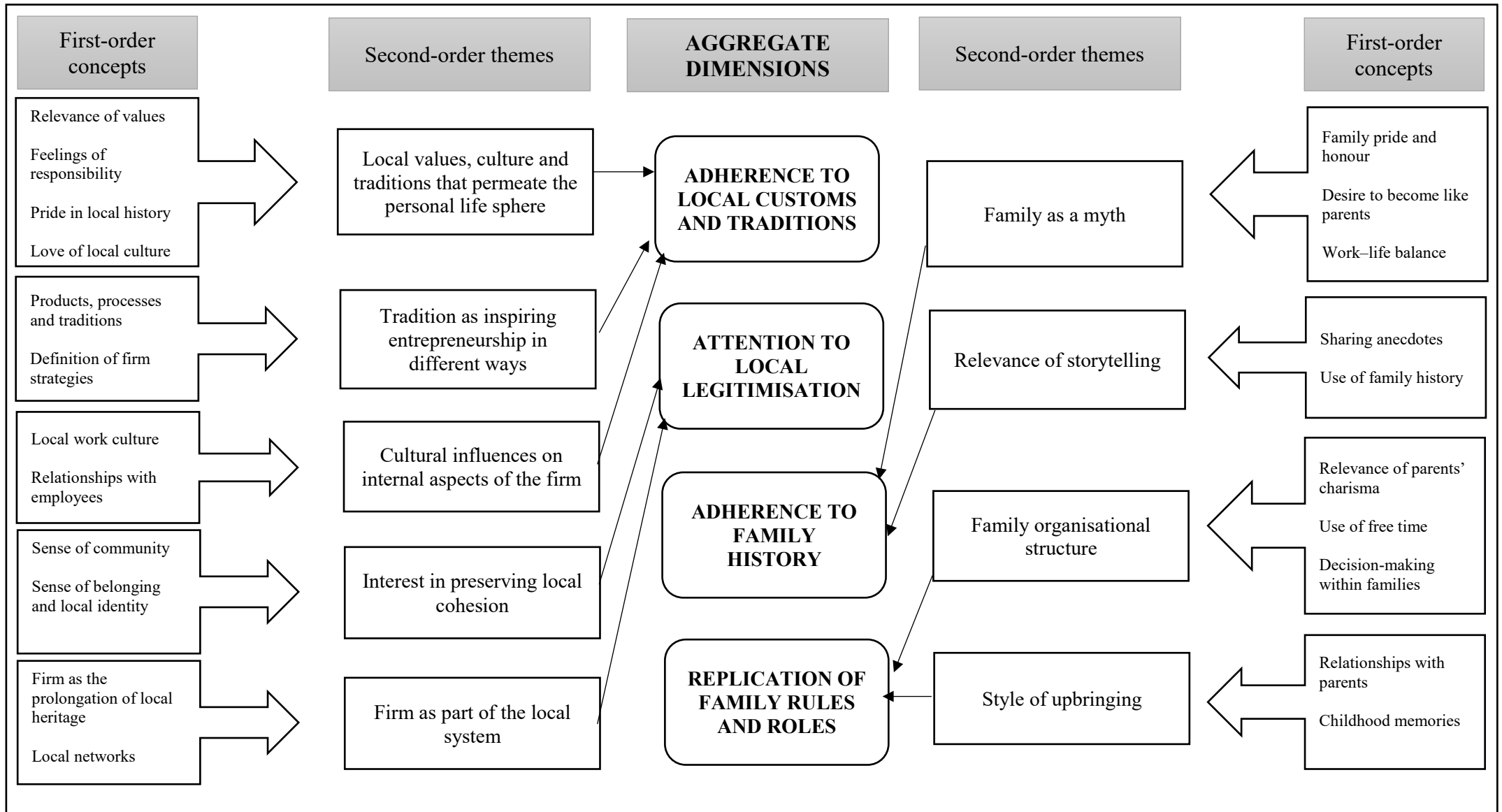
Table 6. Exemplary quotations for “Adherence to family history”

First-order concepts	Second-order themes
<p><i>Pride and family honour</i>            My family is everything. I’m proud to be part of this very wonderful family. I hope to always honour us in everything (Firm 4, junior)</p> <p>I’m very attached to my family. .... I’m grateful for everything that my family stands for. My ancestors did great things, and I hope to honour that important, burdensome legacy. We’re a very popular family throughout the region (Firm 3, junior).</p>	<p>Family as a myth</p>
<p><i>Desire to become like parents</i>            My dream? To become like my parents ... an example of attachment to the land, work and family (Firm 1, junior).</p> <p>I have always admired my parents for their passion and dedication to our business. One day I would like my children to say the same about me (Firm 10, junior).</p>	
<p><i>Work–life balance</i>            Hard work, sacrifice and few holidays: that’s what I’ve always perceived ... since I was a child (Firm 5, senior).</p> <p>My grandfather always said, “Sooner or later, the time to stop and take a break will arrive, but it’s not today”. From him, I learned to put a lot of effort into what I do and to dedicate myself to my family and business. Everything else can wait (Firm 8, junior).</p>	
<p><i>Sharing anecdotes</i>            When I was a child, I loved sitting on my father’s lap and listening to his stories. He told of the heroic deeds of our ancestors and how they managed to develop this fantastic firm entirely with their sacrifices. Those stories made me fall in love, and I’ve chosen to continue their efforts. (Firm 3, junior)</p> <p>I think that I will one day tell my children how satisfying working in my family business is. That’s what I’ve done, and the results have been positive. I can’t imagine myself far from my family business. For that reason, I always try to propose new ways to survive whatever crisis may come (Firm 10, junior).</p>	<p>Relevance of storytelling</p>
<p><i>Use of family history</i>            Our customers love to get excited, and I satisfy them by telling them the story of our family and business (Firm 2, junior).</p> <p>I believe that it’s essential to communicate well with stakeholders. .... We create an image of ourselves that we can enjoy, and we always choose meaningful family events to tell about ourselves. Even the choice of images to be included on our social media is not accidental but the result of careful choice (Firm 5, junior).</p>	

Table 7. Exemplary quotations for “Replication of family rules and roles”

First-order concepts	Second-order themes
<p><i>Relevance of parents' charisma</i>            I try to be inspired by my parents. They are my point of reference (Firm 10, junior).</p> <p>My grandfather had unique charisma, and I hope to be like him in that way, at least to a small extent (Firm 4, junior).</p>	Family organisational structure
<p><i>Use of free time</i>            I initially felt almost repelled by the family business ... too demanding. I remember spending my free time with my father and grandfather delivering our products to our customers. (Firm 5, junior).</p> <p>During school holidays, I've always worked in our firm without stopping (Firm 2, junior).</p>	
<p><i>Decision-making within families</i>            I make the most important decisions without my sons because I am a lover of risk, and, for that reason, I believe that the responsibility for a possible failure needs to weigh exclusively on me (Firm 4, senior).</p> <p>We usually decide as a group, but we go back a lot to our father's experience. Years of hard work can teach so much (Firm 9, junior).</p> <p>In my house [during my childhood], all of the power to decide anything was in the hands of my parents (Firm 1, senior).</p> <p>Probably the fact that my father was central within the firm and left little room for others' opinions is a cultural legacy (Firm 1, senior).</p>	
<p><i>Relationships with parents</i>            I had a very strict upbringing, and I didn't have a good relationship with my father: too rigid. It was all well-defined roles and strict rules to be respected. That probably marked me and made me want to be able to think differently and in an innovative way with respect to traditional schemes. .... In other words, I think outside the box but stay well-embedded in our traditions and routines (Firm 7, junior).</p>	Style of upbringing
<p><i>Childhood memories</i>            Ever since I was a child, I've been a free spirit. I was reprimanded a lot for not respecting the rules. Now, it's impossible for the others to tell me what to do [<i>Laughed</i>] (Firm 2, junior).</p> <p>My childhood was beautiful. My father took me to the laboratory and let me explore, which left me free to try and create something. My passion and desire to continue the family business were born from there, as well as to constantly keep faith with tradition (Firm 5, senior).</p>	

**Figure 1.** Data structure



**Figure 2.** Interpretative model

