

MANAGING THE LIABILITY OF LEGACY IN FAMILY FIRMS

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ABSTRACT

Our study examines legacy liability in family firms. Using longitudinal data from seven case studies, we identify situations where legacies shift from being perceived positively to negatively. We uncover the mechanisms through which family firm decision-makers negotiate legacy liability: such as initiating dialogue, convening a ‘war cabinet,’ and introducing new voices; and mechanisms used to respond to perceived negative legacies: embracing, de-emphasizing, and partitioning. Our study offers valuable insights for family firm researchers to better understand the dynamic nature of legacy and provides practical guidance for family firms in managing their inherited, and at times, constraining legacies.

Keywords: legacy, legacy liability, managing legacies, family firms, longitudinal data

INTRODUCTION

In the past, a firm's legacy, that is "a bundle of values, norms, knowledge, and beliefs or [...] a financial and physical heritage transmitted by prior generations" (Radu-Lefebvre, Davis, & Gartner, 2024: 23), has been mostly depicted in a positive way, that is as an asset that firms can leverage for their own competitive advantage (e.g., Burton, Vu, & Cruz, 2022; Combs, Jaskiewicz, Rau, & Agrawal, 2023; Crosina & Gartner, 2021; Ge, De Massis, & Kotlar, 2022). However, recently, research has increasingly noticed that this is not necessarily true in all cases. Indeed, legacy can turn into a liability, constraining firms (Dacin, Dacin, & Kent, 2019; Welch & Welch, 2009) and their decision-makers (e.g., Burton & Beckman, 2007). For instance, researchers have indicated that legacy can limit the pool of talent considered for the firm (Kubicek & Machek, 2020) or impede organizational change (Harris & Ogbonna, 1999).

Given the relevance of the negative side of legacy, it is important to understand what firm decision-makers can do if they start perceiving the current legacy as being inappropriate to guide the firm into the future. In some cases, bringing in external CEOs has proven successful to change an undesired legacy, as new people coming into the leadership team might disrupt the legacy status quo (Ahn, 2018; De Vries, 1988). This option, however, is less available in the most prominent type of organizational form worldwide: family firms, defined as businesses "governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families" (Chua, Chrisman, & Sharma, 1999: 25). Family firms are often characterized by high levels of continuity through leadership being passed down from one family member to another and high levels of emotional attachment (König, Kammerlander, & Enders, 2013) that make it difficult or even impossible to abandon a previously established legacy in the family firm. Thus, the unique characteristics of family firms tend to reinforce

existing legacies, both positive and negative. Family-internal succession further complicates efforts to change an undesirable legacy. Addressing a negatively perceived legacy may ultimately require internal family firm decision-makers to actively engage in legacy adaptation work.

Hence, we ask the following research questions: *How do family firm decision-makers manage the liability of legacy, what does their legacy work entail, and what are the outcomes of such legacy work?* Answering these questions is particularly important given the global prominence of family firms and the dynamic nature of legacy—where an initially positive legacy may, over time, come to be perceived negatively. Additionally, increasingly volatile and complex economic situations might further exacerbate this trend (de Groote, Soluk, Laue, Heck, & Kammerlander, 2023). Understanding how family firm decision-makers navigate these legacy challenges can provide valuable insights into their sustainability and adaptability in a rapidly changing environment.

We aim to answer our research questions through an inductive study of seven family firms that all experienced a common challenge: the change of a once beneficial and worthy legacy into a perceived liability. Based on 61 interviews with organizational members and 584 sources of additional archival data, we first identify the situations under which legacies begin to be viewed negatively, such as a change agent mindset of the CEO, gradual shifts of environment, and shocks and jolts. Subsequently, we explore the mechanisms through which decision-makers in family firms negotiate legacy liabilities, including initiating dialogues, convening a ‘war cabinet,’ and bringing in new voices. Ultimately, we identify three mechanisms that family firm decision-makers employ to manage existing legacies that are perceived as undesirable: embracing, de-emphasizing, and partitioning.

With our study, we aim to extend our knowledge on legacy in the following ways. First, we contribute to the nascent body of research on legacy as a liability. Challenging extant views

on legacy as a positive, stable construct (see Radu-Lefebvre et al., 2024 for an overview), we provide evidence of how initially positive perceptions of legacy can turn negative over time. This transformation may be triggered by either shocks or gradual environmental changes, as well as by CEOs recognizing the need for change. Subsequently, however, the legacy work of the family firm decision-makers can turn the legacy perception from negative to positive again, as the cases in our sample show. As such, our study makes an important step towards a more dynamic view of legacy that acknowledges the inherent paradoxical nature of legacies (Lubinski & Gartner, 2023).

Second, we contribute to family firm research by explaining how family firm decision-makers deal with their past, in particular their inherited legacy. We build on prior research that advocates for synthesizing tradition and innovation (De Massis, Frattini, Kotlar, Petruzzelli, & Wright, 2016) and for recrafting communicated value claims (Sasaki, Kotlar, Ravasi, & Vaara, 2020) by opening the black box of how family firms reinterpret their legacy. Specifically, we reveal three concrete mechanisms of how family firm decision-makers deal with their legacy. Third, our study also carries important practical implications for family firm decision-makers, family business advisors, and policy makers. Our findings offer practitioners a better understanding of the dynamic nature of family firms and provide guidance on how to deal with negative legacy perceptions.

THEORETICAL BACKGROUND

Legacy is one of the most important yet least understood concepts in management research and practice. Most prior research has focused on the positive implications of legacy such as stable routines and beneficial stakeholder relationships (Ahn, 2018; Harris & Ogbonna, 1999), supporting, for instance the firms' survivability (Ahn, 2018) or the "long-term interests of the collective" (Fox, Tost, & Wade-Benzoni, 2010: 160). However, a nascent stream of research has also emphasized potential negative implications of legacy, such as lack of renewal (De

Vries, 1988), lack of product and process innovations (Kammerlander, Dessi, Bird, Floris, & Murru, 2015), or what Harris and Ogbonna (1999: 333) call a “strategic hangover.” As this research shows, legacy per se is not inherently beneficial or detrimental, yet it depends on the context, how it is perceived by the decision-makers and stakeholders, and how it is acted upon (Radu-Lefebvre et al., 2024; Vrontis, Bresciani, & Giacosa, 2016).

For family firms, legacy holds particular significance due to their long-term vision, continuity, and strong focus on tradition (Radu-Lefebvre et al., 2024). Often, organizational members of family firms are deeply embedded in and strongly emotionally attached to the family firm (König et al., 2013). Hence, the role of the history of family firms in general (e.g., De Massis et al., 2016; Sasaki & Ravasi, 2024), and legacy in particular (Hammond, Pearson, & Holt, 2016; Radu-Lefebvre et al., 2024), has attracted increasingly scholarly interest in recent years.¹ Similar to the general legacy research, the family business research stream has often emphasized the positive role of legacy (e.g., Barbera, Stamm, & DeWitt, 2018; Carlock, 1999; Chrisman, Chua, & Steier, 2003), yet with an increasing number of studies acknowledging the potentially constraining nature of legacy (Combs et al., 2023; Lefebvre, Radu-Lefebvre, Gartner, & Clarke, 2021; Radu-Lefebvre, Lefebvre, Clarke, & Gartner, 2020), for instance regarding entrepreneurial endeavors (Eddleston, Kellermanns, & Zellweger, 2012; Kellermanns, Eddleston, Barnett, & Pearson, 2008). Through mechanisms such as socialization, strategic education, narratives, and organizational practices, family members and, to some degree, other organizational members learn about the family firm’s past and its legacy and carry it on in the present and the future (Hammond et al., 2016; Radu-Lefebvre et al., 2024).

¹ In general, legacy in the family business can be related to the individuals (e.g., the founders, Fox et al., 2010), the family (e.g., Jaskiewicz et al., 2015), or the business itself (Kammerlander et al., 2015). Given the overlap of systems in family businesses (Distelberg & Sorenson, 2009), these legacies often overlap and influence each other (Hammond et al., 2016).

Over time, legacy often gets stabilized through various processes with literature often referring to imprinting theory (Ahn, 2018; Jaskiewicz, Combs, & Rau, 2015; Kidwell, Eddleston, & Kellermanns, 2018), when explaining the temporal development of legacy perceptions within a (family) firm. For instance, in family business research, factors such as rules written down in family governance, role modeling and mentoring, as well as physical artifacts have been shown to strengthen legacy (Radu-Lefebvre et al., 2024). Yet, researchers have also become interested in studying the disruption or change of legacies of firms including family firms (Hammond et al., 2016). In this regard, researchers (e.g., Sasaki, Ravasi, & Micelotta, 2019) argue and show that firms might get ‘entrapped,’ indicating how difficult it is to change an established legacy. In various case-based work, researchers document how firms suffer from sticking to a once positive legacy that turned into a liability over time (e.g., Harris & Ogbonna, 1999). Yet some studies also show that firms, such as the Italian Falck group, can renew themselves by overcoming their detrimental legacy (Salvato, Chirico, & Sharma, 2010) and researchers indeed argue that legacy can be ‘malleable’ (Hammond et al., 2016)—yet often without specifying how such adaptation works and what the outcome of such legacy work could be.

Most research in this field highlights the need to bring in outside leaders, such as appointing a new CEO to abolish a legacy perceived as a liability (De Vries, 1988). More specifically, in the context of firm divestments, Feldman (2014: 816) pointed out that “[n]ew or recently appointed CEOs should be the least likely to appreciate the importance of their firms’ legacy businesses.” The sticking nature of legacy liability is attributed to long-tenured insiders who share strong emotional ties to the legacy and are involved as stakeholders, making it difficult to abandon or change the legacy. A key point in this literature is that it is challenging, if not impossible, to change a legacy when individuals protecting it remain in powerful positions. These individuals often seek to transfer decision-making to a “younger version of

[themselves]” and “search for a clone” (De Vries, 1988: 24, 25). Consequently, most legacy literature associates legacy change with (external) succession, often combined with elements of revised storytelling (e.g., Barbera et al., 2018; Sasaki et al., 2020). Given the deeply ingrained nature of legacy, legacy change may be more challenging to achieve compared to ‘regular’ organizational change, defined as “transformations with regard to structure, technology, human resources and/or culture” (Menkhoff & Kay, 2000: 153). Specifically, the significance of legacy to the organizational members—often resulting in emotional attachment—combined with the intangible nature of many legacy aspects (in contrast to more tangible factors like technology), and the long timeframes over which legacy has persisted unchanged, makes it difficult to use standard ‘change’ or ‘transformation’ frameworks to adapt legacy.

Such legacy change might be particularly challenging to achieve in family firms. The handover of the business in family firms typically occurs from one generation of the family to the next, with successors often adhering to the legacy more than external CEOs (Ahn, 2018), leading to ‘legacy generativity’ (Davis, 2022). As Radu-Lefebvre et al. (2024) summarize, there are multiple reasons why family-internal successors are less likely to change the legacy and more likely to carry it on: these reasons include, moral obligations, identity, emotional attachment, a sense of belonging, and perceived legitimacy amongst others. In line with this research, Ahn (2018) argues and shows that family CEOs stick more to the legacy of the firm as compared to external CEOs. Hence, next generation family members might find it difficult to negotiate legacy adaptation with their predecessors (Sinha, Jaskiewicz, Gibb, & Combs, 2020) and to find their own role regarding legacy (Rondi, De Massis, & Kotlar, 2019).

Given this state of research, we conclude that there is a dearth of studies addressing negatively perceived legacies and strategies for managing them, particularly within family

firms. In these organizations, the challenges of radical change and disruption are intensified by close intergenerational bonds and a strong emphasis on the past.

METHODS

Study Design and Setting

To address our research questions—*how do family firm decision-makers manage the liability of legacy, what does their legacy work entail, and what are the outcomes of such legacy work?*—we designed a longitudinal qualitative study based on multiple case studies (Eisenhardt, 1989; Yin, 2003; 2015). This approach is in line with previous research on legacy in family firms (e.g., Barbera et al., 2018; Combs et al., 2023; Jaskiewicz et al., 2015) and is proposed as an appropriate approach for examining how legacy is “(re)interpreted and evolves over time” (Radu-Lefebvre et al., 2020: 81). As there is limited research on legacy liability, we adopted a purposive sampling approach, selecting family firm cases that, a priori, referenced the liability of a legacy following an initially positively perceived legacy (Palinkas, Horwitz, Green, Wisdom, Duan, & Hoagwood, 2015; Pratt, 2009). Moreover, we focused on cases with strong family influence, specifically those with family CEOs. As discussed in our theoretical background section, the strong bonds between predecessors and successors in these firms are likely to complicate the adaptation of legacy. Table 1 provides a description of each company, the industry or sector in which each company resides, year of founding, size of the company (i.e., number of employees), CEO type (i.e., family CEO or family co-CEO), productivity of the firm (i.e., annual revenues), percentage of family ownership, and latest generation currently employed.

We applied the following criteria to select appropriate family firms to be included in our research: (1) the business is at least a second-generation family firm (Diaz-Moriana, Clinton, Kammerlander, Lumpkin, & Craig, 2020); (2) half or more than half of ordinary voting shares are owned by members of the family (Gamble, Clinton, & Díaz-Moriana, 2021); (3) half

or more than half of the management team are family members (Clinton, McAdam, & Gamble, 2018); (4) the company is perceived by the CEO to be a family firm (Westhead, Wright, & Ucbasaran, 2001); (5) the owning family has transgenerational ambitions; and (6) the legacy of the past has been positively perceived and successfully transitioned across generations of the family firm until at a certain point in time, the perception turned negative. In terms of number of cases, Eisenhardt (1989) endorses four to ten cases, as fewer would be insufficient to formulate complex theories, whereas a greater number of cases would suffer from superfluity or convolution of data. Our final sample consisted of seven family firm case studies.

Case 1 is the oldest (founded in 1785) of our cases. It is a single-site, cereal breakfast foods business owned and managed by seven consecutive generations of the founding family. Two members of the seventh generation currently hold management positions in the firm, which employs 55 people. Founded in 1913, Case 2 is a family-owned business in the sawmills and planing mills sector. It is the leading timber processor in Ireland (US\$110 million in annual revenues) and has sites in Ireland and Scotland. The firm is managed and owned by third-generation co-CEOs and employs 380 people. Case 3 was founded in 1901 and holds the number two position in the Irish tea market, with approximately 38% market share (US\$36 million in annual revenues). Throughout each of the firm's four generations, the eldest son has always inherited full ownership and management of the firm. The firm employs 72 people. Case 4 is a second-generation family firm (US\$72 million in annual revenues). The business initially supplied farming equipment, and later electrical appliances, but it is now in the water and sewage utilities sector, selling both in Ireland and internationally. Founded by a sibling quartet in 1973, it has recently transitioned to the second-generation, consisting of siblings and cousins, and employs 300 people. Case 5 is a third-generation business in the chemicals and allied products sector. Established in 1953, the company employs 90 people and has annual revenues of US\$18 million. Founded in 1819, Case 6 is a funeral services firm, comprising 11

locations throughout Dublin. The business has annual revenues of US\$23 million and is currently led by the sixth and seventh generation of the family. Case 7 is a farming business, with its roots tracing back to 1910. The business, which is involved in the manufacture of prepared meals, is run by two third-generation brothers as well as members of the fourth generation. The company has annual revenues of US\$64 million and has 250 employees.

[Table 1 here]

Data Sources

Interviews and observations. To gather rich detail on how the family firm decision-makers perceive and deal with their legacy, we interviewed the CEO as well as key family and non-family individuals at each family firm premises. The initial data collection consisted of 61 interviews conducted over a six-year period. Of these interviews, 18 were with family owners and/or potential successors and the remainder were with non-family executives and board members (referred to in subsequent text as ‘non-family’). Two researchers conducted the interviews to minimize interviewer bias (Eisenhardt & Graebner, 2007). Interviews lasted an average of 52 minutes, ranging from 35 minutes to 92 minutes. The interview protocol included questions concerning the history and founding of the firm, the relationship between family members with respect to each other and the firm, as well as questions regarding the perception of legacies and the passing of legacies. Exemplary questions are “Describe the legacy of the family business?”, “(How) has the legacy of the family business changed over time?”, “How has the legacy of the family influenced the business?”, “Describe how the legacy has been passed across generations?” All interviews were digitally recorded and transcribed, yielding over one-thousand pages of single-spaced transcription. Furthermore, to clarify points and gain additional information and updates on particular topics, and to pursue issues that emerged during our initial coding and analyses (Eisenhardt & Graebner, 2007), we conducted additional interviews with family members (in all cases) subsequent to our initial coding and analysis.

These consisted of two on-site and three off-site face-to-face interviews, as well as two telephone interviews.

Although the main source of data was the interviews, we supplemented the interviews with participant observations (Table 2). Two of the authors participated in various interactions with the organizations (including structured interactions, such as corporate presentation and family council meetings, and unstructured interactions, such as plant tours and family dinners). During these interactions we observed the stakeholder interactions and dialogue (McVea & Freeman, 2005; Strauss & Corbin, 1998). For instance, on one of our plant tours (Case 1) we observed historical portraits of the founder and his five successors displayed on the walls of the firm's boardroom, with some of these portraits dating back to the 1800s. These observations were important to understand the context, background, and meanings of the interviews, the interviewees' families, and their businesses. We took detailed field notes immediately after each observation.

Archival sources. We also collected and evaluated several thousand pages of historical artifacts (Table 2). As noted by Lubinski and Gartner (2020: 39), historical analysis based on detailed family and firm archives allows for “a better understanding of the relationship between narratives told in their time and within the social practices as experienced by these historical actors.” Specifically, we identified and utilized sources that we could compare and corroborate, such as corporate reports, corporate presentations, media articles, video, TV, radio, government documents, official corporate filings (Table 2). For instance, certain sections on the firms' websites (such as ‘Our History’ and ‘About Us’ pages) were particularly important, as they offered time-stamped data on espoused legacy artifacts. This approach is in line with prior case study research on family firms drawing upon archival data (Clinton et al., 2018; Diaz-Moriana et al., 2020; Kammerlander, König, & Richards, 2018).

[Table 2 here]

Data Analysis

Our data analysis involved a detailed coding process derived from multiple case studies, allowing us to explore how family firm decision-makers navigate shifts in the perception of legacy across generations. This approach enabled us to develop theoretical constructs explaining how these businesses manage perceived legacy liabilities. Data analysis unfolded over several key steps. First, we gathered individual case data from various sources as outlined earlier. Framed by our research questions, we undertook internal case analysis by codifying data to isolate key themes (Miles & Huberman 1994; Strauss & Corbin, 1998). We identified codes through materials that highlighted legacy liability in the cases. In all cases in our sample, the family firm initially had a legacy perceived as positive, but this perception shifted, with the legacy being seen as a liability that hindered adaptability, growth, or survival (Table 4).

Data coding was independently performed by two researchers to avoid potential subjective bias, and then discussed and revised collectively to reach consensus (Yin, 2009). We created provisional categories and first-order codes following Gioia and Chittipeddi (1991). As we developed the codes, we regularly revisited our data to ensure they aligned with our emerging categories. If a code did not fit, we analyzed the conflicting data and revised our categories accordingly. Where necessary, we followed up with informants in person or via telephone to obtain additional details or clarify events. The second stage involved conducting a cross-case analysis to compare findings across cases and identify overarching patterns (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). This iterative process involved grouping first-order codes into broader second-order themes. Throughout this phase, we maintained flexibility to adjust and refine themes based on new insights gained from the data, as well as existing insights from prior theory (Yin, 2009). In the final phase, we aggregated our theoretical dimensions. This iterative process culminated in the development of a comprehensive data

structure (Table 3). Table 4 presents detail on the management of legacy liability within our cases (Table 4).

[Table 3 here]

[Table 4 here]

FINDINGS

Following our iterative process of data analysis and literature revisitation, we formed an inductive understanding of how legacy liability can be managed in family firms. While we theorize inductively, we present our management of legacy liability findings in a deductive format to optimize space (Gioia & Chittipeddi, 1991). For all cases within our sample, legacies were perceived positively, initially and across generations. However, in each case, we observe a shift in the perceptions of a legacy, reflecting perceptions of liabilities associated with these legacies. From our data we develop theoretical constructs on how family firm decision-makers manage legacies that were once perceived as positive, but at some point in time are no longer perceived as fit for purpose, and eventually come to be perceived as liabilities. In our data, we observe that these family firm decision-makers were not able or willing to fully abandon legacies, but rather, we identify how family firm decision-makers manage the legacy liability, including how they embrace, de-emphasize, and partition legacies in response to perceived liabilities of a legacy.

Perceiving legacy liability

When searching for patterns in our longitudinal data, we identified three second order codes which inform *perceiving the legacy liability* (Table 3). First, we find evidence of CEOs who are frustrated by a legacy as it is preventing the adoption of new business objectives and practices—what we labeled as a *change agent mindset of CEO* (one case). Second, we observe a gradual, often deteriorating, firm-competitive environment ‘fit,’ relative to the experience of prior generations—what we labeled as *times are changing—gradual shifts in context* (three

cases). Third, rather than a slow or progressive decline in the perceived value of a legacy, we identify situations where environmental jolts and shocks create conditions where a previously positive legacy is suddenly called into question and a sudden shared recognition exists amongst those involved in the family firms of a need for change—we labeled this *shocks as opportunities for reassessment* (three cases).

Case 4 evidences a *change agent mindset of CEO*. In this case we observe the CEO's frustration with their ability to seize opportunities due to a legacy. We identify the CEO as having to manage conflicting goals (i.e., family and business goals) within the family firm and engaging with external networks and advisors as sources of insight and best practice on managing. For example, in Case 4, before becoming a family business, the family was involved in farming. Our archival records show us that in previous generations, the eldest brother inherited full ownership and control of the family farm, which provided work opportunities for other family members. To create more opportunities, the founder diversified activities by establishing an electrical pump business, offering executive roles to his three siblings. This structure of sibling partnership, and the focus on providing jobs to all family members, remained for almost forty years. Explaining the open opportunities for all family members, the CEO (2G) reflected: "my father (CEO, 1G) would have had an ambition to try and get us in here and work in the company so that we can progress."

As the family grew, the legacy of entitlement led to family members being employed based on family status rather than merit. When the second-generation family members joined the business, a conflict arose wherein the underperformance of several newly appointed family executives created tensions in the family, as well as aggravating long-standing non-family employees. The newly appointed CEO (2G) spoke on the growing tensions in the family business regarding the legacy, he commented, "the family was getting bigger every year and we faced a challenge on questions of who should be involved and how it should occur...".

During our interviews, it became clear that the appointment of a new family CEO was the catalyst for change in the business. After completing formal education overseas and holding managerial positions in leading multinational corporations, the second-generation CEO gained insights into effective HR policies and procedures. He wished to incorporate these into the family business, even though they contradicted the long-established legacy. He remarked, “We could not continue with that approach (opportunity for all), I realized we needed change [in HR policies and procedures], but I knew this was not going to be easy given our heritage.”

In Cases 1, 5 and 6 we observe situations where *times are changing—gradual shifts in context* (Table 3). In Case 5, a third-generation paint manufacturer, product quality and the manufacture of premium paints was something the founder, a scientist by training, was adamant about: “My father was a very man of integrity and was very strict on the quality of our offering, premium paint or nothing else” (Chair, 2G). This strong belief in and legacy of ensuring the product was of high quality has transcended across generations: “There is no doubt quality is something my father, and grandfather would have hammered home to us” (CEO, 3G). This legacy of ‘premium quality’ translated into a cluster of business decisions and practices, such as only using independent distributors, purchasing higher quality raw materials, and premium retail pricing. However, during the 1980s, there was a shift in consumer purchasing practices and the structure of the downstream elements of the industry, with the growth of large, ‘out of town,’ distribution outlets, focused on a broad range of house, gardening and DIY products. This growth in customers purchasing products from large national and multinational DIY stores, which in the industry are collectively referred to as ‘sheds,’ often with an increased focus on price, meant that the company’s product was no longer competitive and did not meet the pricing and margin demanded by these new distributors. These new outlets offered the potential for increased financial returns, though would require reformulating products, using lower quality inputs. Analysis of archival data, notably company financial returns (e.g.,

Companies Registrar), demonstrates a significant increase in turnover and profitability for the manufacturing firms who decided to distribute via multinational DIY stores. Hence, our case firm's legacy of 'quality' and 'premium' product became a liability for the second-generation CEO. The second-generation CEO and the Board at the time spent considerable time (i.e., over three years) considering the merits of a move to distributing through 'sheds.' The discussion was framed around the financial implications from data on consumer trends, declines in the number of smaller independent retailers, growth of 'sheds,' and the economic consequences of not adjusting to the new industry trends. However, while the economic logic was accepted by the CEO (3G) and Chair (2G), the implications were not consistent with their perceptions of the family business legacy, making them see their legacy as liability.

In Case 6, for over two centuries, the sixth-generation family business has been providing funeral services in Dublin City. According to the sixth-generation CEO, "we are a family business that is providing a service for families." During our plant tour, the CEO explained how the legacy of the family association with the business is critical for business development: "during their state of grieving, families want a name and a face they can trust. People want to see a [family name] leading the burial of a loved one, we have understood this for generations and it is something we actively pursue." As such, the business has a long-standing legacy of ensuring personal connection between the family members in the business and their clients: "that's what the public expects of us, and that's been one of the secrets of our success in that we've [the family] been heavily involved. We don't sit behind a desk and bark out instructions, we're there at the coalface, we're actively involved" (CEO, 6G). However, over time this strong legacy came to be perceived by family members active in the business as a liability, as it constrained growth at a time when the business wanted to expand to offer more opportunities to family members (it is a multi-family (sibling) partnership). From the perceptions of the siblings working in the business, growth options were constrained as the

need for strong personal relationships with customers implied that expanding beyond their existing ‘geographical footprint’ meant moving into areas where they were unknown.

Similarly in Case 1, a sixth-generation oat-milling business, the place plays a pivotal role for the business, which has operated in the same community on the same manufacturing site since the 1780s: “our story is simple—it’s about family and place and about one single cereal—oats” (CEO, 6G). The original site and buildings, while rich in history, “hindered the business’s growth efforts” as expansion in operating capacity was severely constrained due to the historical buildings and other aspects of the location. As a seventh-generation family member reflected, “This community has seen us embrace famines, civil wars, and economic hardship, but we’ve always stuck together—community is important to the people...it is ingrained in the blood here.” She continued, “We are careful. Our legacy makes you be more careful. After more than 100 years you do not want to mess it up” (Sales and Marketing Director, 7G). However, over time the merits of the manufacturing were questioned amongst family members and the family began to explore opportunities to shift manufacturing to a greenfield site, even though such expansion would be at odds with the long-standing legacy.

In contrast to Cases 1, 5 and 6 where there was gradual shift in the traction of a legacy, in Cases 2, 3 and 7 we identify situations of *shocks as opportunities for reassessment*. In Case 2, a third-generation sawmilling business, the legacy of identifying with place is a fundamental aspect of the firm’s identity. Since 1913, the family has been manufacturing high-quality timber products at its original site in the midlands of Ireland. In our interviews, the third-generation co-CEO highlighted the significance of their location, stating, “the physical place of [hometown name] epitomizes what matters about the business. What matters in terms of giving a sense of localness, being part of the community, and also the values.” This strong connection to its original location suddenly became a liability following a devastating fire that destroyed the sawmill. The business was “in full tilt and then it just collapsed.” The third-generation co-

CEO recalled: “one of the things about a family business is there is a tremendous responsibility on you. I remember, in particular, the night of the fire and people coming up and looking for a sense of direction. I have inherited the responsibility of their families, and they look at you for help” (CEO, 3G).

Similar to Case 2, during our interviews we observe that Case 3 also placed a strong emphasis on its affiliation with the local community (e.g., members of the first and second generation served on community councils and as Mayor of the City). When the third generation took the reins in the late 1960s, the desire for social purpose was amplified when the family became further involved in community representation (e.g., the third-generation CEO was elected to the national government and eventually became a senior member of the Irish Government). In 1986, however, the firm experienced a major crisis when it was the victim of a hoax aimed at damaging the reputation of the third-generation CEO and the firm, which also turned the perception of legacy from positive to negative. Official State documents from 1985 and 1986 show that throughout his role as a government minister, the third-generation CEO became involved in sensitive peace negotiations between Northern Ireland and the Republic of Ireland. The police received an anonymous letter warning that packets of the firm’s product in shops and supermarkets throughout the Republic of Ireland had been poisoned: “this is our answer to [third-generation CEO], the Anglo-Irish Agreement and the repression of Protestants. This operation is the start of all-out economic action against the South” (National newspaper, 1986). Extracts from archival radio footage stated that “extensive checks carried out by police and [Case 3]’s teas have shown an alleged threat by the Loyalist UVF group [terrorist organization] to contaminate packets of the company’s tea with poison to be a hoax.” While the family’s involvement in political circles was beneficial to developing the community and to the needs of the local people, it suddenly caused a security risk for the family and the family business and led to major internal strains. The crisis induced a swift reassessment of the fit of

the family’s legacy involving the safety of family members. The CEO (4G) commented, “we quickly had to take stock, this was a very scary time for all of us.”

Case 7 also experienced an externally induced crisis in the business, which affected legacy perception. For generations the family business prided itself on sourcing its supplies and raw materials from local producers. However, following the ‘horsemeat’ crisis, this commitment to local suppliers meant that the business did not have full control of product quality in its supply chain and was exposed to upstream failures (as had happened in the ‘horsemeat’ scandal). The two brothers, co-CEOs expressed how legacy turned into a liability as, “we identified our exposure as a business and realized we need to change [i.e., outsourcing to local beef producers], and overhaul what we believe in” (co-CEO, 4G).

Negotiating legacy liability

Having perceived a legacy liability we find that family firm decision-makers move to negotiate the legacy liability and seek to discuss paths forward. Depending on the context, this necessitated the receivers of the legacy initiating dialogue with other legacy receivers, including family members within the business, managers within the business, and family members not operating in the business, and at times dialogue with previous generations (senders) who were frequently perceived as custodians of the legacy. We identified three mechanisms for *negotiating legacy liability* (Table 3), with family firm decision-makers employing more than one mechanism in four of the cases. First, in some firms the CEO initiated dialogue, often over protracted periods, with different business and family stakeholders—what we labeled as *initiating legacy dialogue* (four cases). Second, some firms responded by ‘rallying together’ within the family to identify a path forward based on a crisis and the now perceived legacy liability—what we labeled as *convening a war cabinet* (three cases). Third, the CEO sought to influence and change the dialogue with respect to a legacy by bringing in external advisors—what we labeled as *bringing in new voices* (five cases).

In Cases 1, 4, 5 and 6 we see family firm decision-makers negotiating the legacy liability by *initiating legacy dialogue*. We find evidence of active and, at times, protracted inter and intra generational conversations in the family firm involving concurrent dialogue of current and past business objectives and of business and family values. While initiated by the CEO, these discussions were within the businesses, at the Board table, and within the family, and were often ‘heated,’ reflecting tensions relating to the current utility of the consequences of the existing family firm legacy. For example, in Case 4, initiated by the CEO, the second-generation of the family business perceived that there was a liability to the legacy of family entitlement, “our prior farming logic of a job for everyone in the business was not sustainable” (Director, 2G). On the sense of entitlement within the family, a non-family director commented: “when you move on to the second generation, there is a lot of ambition, but no one has actually done anything yet with the second generation. There is a sense of entitlement and a sense of well I’m a [family name], I’m entitled to...” Reflecting on the liability of this legacy of family entitlement, he continued: “we’ve had a number [family members] come into the company when they shouldn’t have, for whatever reason and when we tried to delay it, or tried to bring them in under different guys for a period, a site or do something with them, we were very much told this is *our* business. There is a lot of resentment among the staff. We took our first pay cut here in 2009 and two family members arrived in with brand new cars the following day.” In response, family business decision-makers sought to create inter and intra generational work teams to explore human resource policies and practices that were equitable and best served the business. Non-family executives were also prominent in the work teams: “they [non-family executives] bring a sense of objectivity and very often we would not speak to them as we would to family members [professional rather than informal dialogue]” (CEO, 2G).

In Case 6, discussion surrounding the legacy and their heritage involved numerous generations of the family, “given the nature of our business, we have many family members involved, it has to be that way” (observation, plant tour). In seeking to explore opportunities to manage their legacy, “we engaged the skillsets of differing generations...I’m no computer whizz, but the younger guys are, they helped in crafting a brand presence, one built on our values” (ex-CEO, 6G). The family have also created a forum (family council) for inter and intra family dialogue to solve issues such as dealing with the legacy liability.

In Cases 2, 3 and 7, differing from the situation in Cases 4 and 6, a recent crisis placed an immense sense of urgency to negotiate the legacy, and in these three cases the negotiations of the family firm decision-makers were characterized as *convening a ‘war cabinet.’* In these cases, we observe situations where the family firm decision-makers and, at times, other family members ‘rally together’ to identify a path forward based on the now perceived legacy liability. While they may draw upon the insights of advisors, often we observed that it was closed door conversations involving only family members (both those directly involved in the firm and other family members) as there was a sense of urgency surrounding the dialogue, and trust was paramount. For example, in Case 3, as mentioned above, a terrorist threat to the family business given their involvement in Northern Irish politics created a sense of urgency for the business. There was uniformity across the generations of the need for change. Speaking at the family business conference, the CEO (4G) reflected: “we came together and agreed we need to change, while Dad [national politician] was keen to stay involved with politics, we realized we needed to separate things.” In response, the family identified mechanisms to ensure family and business privacy. One of the approaches sought to change the company registration (with the Companies Registration Office) to unlimited which removed the requirement for full financial disclosure. A second approach was to create a family value statement which stipulated the level of political engagement.

In Case 2, the aftermath of the fire required swift and decisive action from the owners on their new legacy liability. The co-CEO described the scene the morning after the fire: “We called the guys in the next morning and met down the yard. Everybody was there in a circle around one of the burnt areas and we were thinking about their families, their sons, their daughters, their wives. It was very emotional” (CEO, 3G). The tension of the business legacy of attachment to place was to the fore: “we were trying to protect our staff. We were trying to protect the business itself. We had serious capital commitments to repay banks on our shoulders. It was a very difficult and demanding time for everybody.” For the co-CEOs, “not keeping the business alive was never open for discussion, we did all we could do, we came together with a desire for survival” (Co-CEO, 3G). In Case 7, the response to the ‘horsemeat’ crisis and the perceived liability of exposure to local suppliers, was that the co-CEOs responded with focused internal discussions and by taking advice externally: “we had to act and act fast, we spoke endlessly for days about our options” (co-CEO, 4G).

In Cases 1, 2, 4, 5 and 7 we see family firm decision-makers’ response to perceptions of legacy liability included *bringing in new voices*. In these instances, we see decision-makers prioritizing the importance of engaging with external networks both nationally and internationally to bring new insights and perspectives into discussion relating to perceived legacy liabilities. This involves engaging with trade organizations, guilds, representative bodies, university research centers, and family business advisors. At times family firm decision-makers traveled internationally to gain insights on the lived experience of other family firms. In other instances, advisors (mostly family business practitioners) visited the company headquarters to offer counsel and direction (mostly voluntarily). For example, in Case 1, the legacy liability for this seventh-generation family business has gradually shifted in light of their changing context, namely significant growth given changing consumer dietary behaviors, which necessitated increased manufacturing capacity. The historical building dating back to

the 18th century was restricting such business opportunities, which created frustrations amongst family members. In seeking to improve communication patterns between the generations, members of the sixth and seventh generation attended educational events at a leading European family business center where communication patterns were explored. In addition, the inter-generational team joined a formal family business network to improve intergenerational dialogue. In light of gaining external perspectives, family members created a family business council which offered them a “place to talk openly and honestly with each other” and for new perspectives to be shared among members through invited inputs into family council meetings (CEO, 6G).

Similarly in Case 5, as members of the third generation began to occupy executive positions within the business, conversations surrounding emerging opportunities (i.e., selling paint to sheds) created tension in the business, as mentioned above. While next generation members (3G) were respectful of the legacy of the past, they wished to pursue international expansion and brand development. Multiple generations (2G and 3G) of the family recognized the potential for conflict and sought the guidance of family business advisors. Working with a leading US family business advisory, the family firm undertook a two-year process to create governance structures across the family (e.g., family constitution), the business (e.g., Board of Directors), and ownership (e.g., ownership council).

Across the seven cases we note some patterns in terms of negotiating legacy liability. First, the *convening a ‘war cabinet’* was the response in contexts where the perception of the negative aspects of a previously positive legacy occurred in the context of a shock or jolt. This sudden change in context provided the impetus for family firm decision-makers to consider actions that previously were not considered or were rejected because of a shared positive legacy. This process, as illustrated above, included in some cases, *bringing in new voices* as part of this consideration of legacy liability. In contrast, negotiating legacy liability in the

response to *times are changing*—*gradual shifts in context* typically involved longer time horizons with *initiating legacy dialogue* and sometimes, though not in all cases, with *bringing in new voices*.

Responding to legacy liability

When analyzing our data, we found that family firm decision-makers responded to legacy liabilities through one of three mechanisms. First, some family firm decision-makers accepted the liability and sought to preserve the legacy, identifying opportunities to harness aspects of the perceived legacy liability—what we labeled as *embracing the legacy* (two cases). In both of these cases the trigger to perceiving the legacy as a liability were *times are changing*—*gradual shifts in context*, and as noted above, with family firm decision-makers *initiating legacy dialogue*. Second, some family firm decision-makers rejected the liability, attempting to distance themselves from the legacy—what we labeled as *de-emphasizing the legacy* (four cases). The response of *de-emphasizing the legacy* occurred across all three triggers to perceiving legacy as a liability. As illustrated below, in two of the four cases (Cases 2 and 7), the previous generation involved in the family firm were deceased, which reduced the possibility of inter-generational legacy negotiation. In a third instance (Case 4), there is evidence of ongoing tension around the *de-emphasizing the legacy*. Third, in one case, the family firm decision-makers sought to mitigate and alleviate any negative connotations associated with the legacy by seeking to more clearly distinguish the business from the family—what we labeled as *partitioning the legacy* (one case).

Cases 1 and 5 evidence *embracing the legacy*. Our data indicates that while certain aspects of the legacy were perceived as a liability, in the context of challenges to the business's economic objectives, the family firm decision-makers ultimately decided to accept this liability, seeking to preserve the legacy. In these cases, the commitment to a legacy stemmed from the emotional bond family members working in the business held with the legacy.

However, what we observed is deliberate efforts to offset the costs of the legacy liability by actively leveraging aspects of the perceived liability—a strategy of “making the best of what we have.” For example, in Case 1, both the current and next generation of owners acknowledged the liability associated with the location’s unsuitability for modern business needs yet chose to accept and embrace it. Despite recognizing that the mill is “very old... [with] very narrow stairways” (CEO, 6G) and that they are “running out of space” (7G), the family accepted the liability because the mill “is part of the family history.” The family’s commitment to preserving the legacy stems from the emotional bond that members share with it: “We’re very proud of the history and the heritage of the mill and of the generations of local people who have worked here alongside us. It really is special to be a part of the same business that your great-great grandparents founded and worked so hard to build. We often wonder what they’d think if they saw how far we’ve come today.” In an effort to mitigate the liabilities associated with the business’s location, the family strategically sought to reframe their legacy as a valuable asset. The Managing Director played a crucial role by hiring a Marketing Director, an essential non-family member of the management team. Together, they crafted a strategy to emphasize the business’s rich local heritage in its promotional materials, adopting the slogan “Locally Grown, Locally Produced” to highlight the authenticity and locality of its products. Moreover, the business remained committed to its original location despite its constraints on production expansion. They invested in sustainability initiatives, “utilizing the local river as a natural energy source, alongside solar and wind energy, to power the mill.”

Similarly, in Case 5, the second-generation CEO eventually accepted the liability associated with the family firm’s legacy. The third-generation family CEO explained: “yes, the majority of our competitors [paint manufacturers] are selling products in sheds [large DIY stores], which may make financial sense.” The CEO added, “from a family perspective, this decision did not fit well for us. Yes, of course, it is sometimes frustrating when you see the

opportunities that exist nationally and internationally by working with large DIY stores, but it is not for us.” This ultimate acceptance of liability created a new strategic imperative for the second-generation CEO, who decided to double down on the legacy of quality by turning the decision not to distribute via large DIY stores into an opportunity. To facilitate this, he appointed a former marketing executive from a leading Irish drinks company to help build the product’s premium positioning, recognizing that ‘premium’ and ‘quality’ were not just based on inputs (as the previous generation had believed) but also on consumer and distributor perceptions. Therefore, the legacy of quality required the business to become a premium brand in the eyes of consumers and distributors. Several decisions, consistent with the legacy, represented significant strategic shifts for the business: investment in independent distributors and brand repositioning. The firm shifted to a model where suppliers serve as co-creators in the product offering and its distribution. The business invested heavily in developing relationships with independent paint stores by offering bespoke training and development workshops. During these workshops, suppliers observed production processes, color palettes, and product application techniques: “We educate our stockists on maximizing their margin, what we call controlled distribution” (2G). The Board Member continued: “we are very reliant on this channel distribution [independent paint distributors], so it’s very important to us. We do a lot of stockist training. Last year we had five sessions, each a day and a half. It is about building the relationship and helping them understand the products” (2G).

Regarding brand positioning, the firm sought to leverage the legacy of quality by creating points of distinction relative to the sheds, offering customers a personalized paint experience unattainable in large DIY stores. The firm repositioned itself from being a paint company to being a brand-based business: “We are now more of a brand-based business than a paint company” (Chairman, 2G). The brand builds on the founder’s legacy: “In 1950, like so many others, [founder name] left Ireland and went to the USA to find work. Unlike many

others, [founder name] made it home again. After just a few years, he brought home leading-edge paint technology, founded [Case 5], and revolutionized paint forever,” while shifting the focus to brand positioning in terms of ‘color’ and ‘Ireland.’ “Yet [founder name] didn’t just want to put paint in Ireland. He wanted to put Ireland in paint. So, it’s not surprising that [Case 5] grew to include the elusive colors of the Irish landscape: simple and mysterious, every day and precious. From the hues of Ireland’s earth, sky, and waters, to its wild flora and native fauna.”

In Cases 2 and 4 categorized as *de-emphasizing the legacy*, our data indicates substantial shifts in generational preferences concerning legacies. Specifically, we identified instances where a legacy no longer aligned with the evolving expectations of the succeeding generation, due to factors such as CEO experiences, external education, and changing commercial opportunities. This misalignment between legacy senders and legacy receivers prompted the latter to explore alternatives and attempt to distance themselves from the inherited legacy, seeking to de-emphasize its importance. However, our findings indicate that transitioning away from a once strong legacy is not straightforward and can elicit conflict. For example, in Case 4, the second generation undertook a reevaluation of the legacy handed down by their predecessors. Upon assuming leadership of the family business, the second-generation CEO recognized the impracticality of the previous “farming logic” that aimed to provide a job for everyone within the company, a perspective that no longer resonated with his own or that of his brothers and cousins. Transitioning from an inclusive ethos to one rooted in meritocracy, the current second-generation CEO remarked, “We’ve taken some hard, and often difficult, decisions which we believe are best for the business and fairest for all the family.” The strategic shift aimed to uphold the cohesion and collegiality among cousins, a hallmark of the previous generation, hence maintaining part of the initial legacy—the part, which was perceived positive. A non-family director noted, “Clearly there were issues between the cousins coming

in. It was expected that some of them would be automatically entitled to be employed, whereas the existing cousins who are in the company... There's no such entitlement. You have to earn that entitlement. You have to show that you're going to be a contributor and not a liability." The CEO added, "There's a lot of confidence now in the non-family members, [recognizing] that they are important. Just because you happen to be somebody's son or daughter, [we now recognize] that their position is what is merited and what they deserve and not because they happen to be somebody."

In Case 2, the third generation also confronted a pivotal decision regarding a long-lived legacy following a devastating fire that "completely destroyed the factory overnight" (CEO, 3G). Despite deep emotional ties to the original site, practical business considerations, such as a shortage of logs in Ireland, necessitated a pragmatic shift in strategy. As a result, the third generation opted to expand operations beyond Ireland by acquiring a sawmill in Scotland, rather than rebuilding the existing mill. Reflecting on this strategic shift, a third-generation member remarked, "We'd probably now need a new articulation of that [location] as a thing that matters about the business." The death of the previous generation's patriarch around the same time may have facilitated this decision to move away from their original location: "He had been ill for some time, and the only solace for his sons was that he was not alive to see the destruction of what he, his family, and so many loyal staff had spent much of their lives building." This transition marked a significant reframing of their legacy, evolving from a singular focus on the original location to embracing a more diversified geographical footprint for their business. Yet turning the original site into a showroom and an R&D hub kept the positive part of the prior legacy, without constraining further business opportunities.

In Cases 6 and 7, the family firm decision-makers also de-emphasized a once important legacy. In Case 6, the decision was made to expand beyond the original [city] location, moving into new areas where they lacked established networks, relationships and family reputation.

This shift involved a deliberate move away from emphasizing the legacy of personal connections between family members and customers, which had previously been a core legacy, to a broader approach based on strong relationships between the business, its employees, and the customer. In other words, the positive trust aspect of the family firm’s legacy was maintained yet broadened to a wider set of individuals in order to allow for growth. This allowed them to acquire family-operated funeral parlors across the State, and through a new organizational practice of inter-familial working teams, they could “gain access to the networks, relationships, and build trust within the community.” Similarly, in Case 7, following the shock of the horse meat scandal, the family firm decision-makers became concerned about vulnerabilities and business risks due to potential poor practices and poor food traceability among smaller local suppliers of meat and poultry. As a result, the firm shifted away from reliance on these local suppliers, moving to a more vertically integrated business model. However, they maintained positive aspects of their legacy by continuing to focus on local suppliers for other produce, such as fruit and vegetables (where traceability risks are lower) and additionally they continued to support local community initiatives.

In Case 3 we observe a distinct response to legacy liability—what we labeled as ‘legacy partitioning.’ Our analysis reveals situations of strain or conflict prompted family firm decision-makers to compartmentalize aspects of the legacy, effectively *partitioning the legacy*. In Case 3, the political family sought to separate family political and business ties, ensuring that family members involved in the business were not associated with politics: “If you were in politics, you can’t really have it in the newspapers” (CEO, 4G). The CEO emphasized this point during a plant tour: “politics and business do not mix” (CEO, 4G). This deliberate separation of family political and business aspects marked a significant departure from the legacy that spanned multiple generations and implied a deliberate separation of legacy elements

belonging to the family (i.e., political engagement) vs. those belonging to the business (i.e., quality of products and brand awareness).

DISCUSSION

This paper addresses the underexplored question of how family firm decision-makers respond to situations where a positive legacy, which is a “co-constructed process by which motivated legacy senders and receivers build, interpret, and use values, norms, knowledge, and beliefs from the past” (Radu-Lefebvre et al., 2024: 37), is now perceived as a liability in family firms. While much of the literature has focused on the positives associated with inherited legacies, an emerging body of literature has highlighted how legacies may at times be a barrier to development in family firms. Drawing upon the literature on family firm legacy (e.g., Jaskiewicz et al., 2015; Radu-Lefebvre et al., 2024) and rich data from seven long-lasting Irish family firms, we explore how family firm decision-makers manage this liability of legacy and note some patterns across our cases.

Across the seven case firms, we observe that, at certain points in time, a previously positively viewed legacy ceased to be perceived by some in the family firm as ‘fit for purpose.’ In some of the cases, this perception of legacy liability reflected gradual changing external market and competitive contexts, prompting family firm decision-makers to consider alternative courses of action that did not reflect the shared sense of the business’s legacy. In other instances, a sudden organizational shock or jolt created a sense of crisis within the business, leading to a rapid re-evaluation of the legacy. Additionally, in other cases, it was the change mindset of the CEO that altered the legacy perception. We note that this change in mindset might occur within an individual in the family firm due to exposure to different business perspectives through work experience, strategic education, and mentoring. Such experiences do not inherently determine what is good or bad about a legacy in general; rather,

they may instill a desire for change within a family firm decision-maker. At that point, it becomes apparent that the legacy has become a liability.

As prior literature suggests, legacy constrains, sometimes positively and other times negatively, the decision-making of the current generation of family firm members. As such, we would expect perceptions of legacy liability to create difficulties in family firms. In our case data we observe three mechanisms that describe how legacy receivers negotiated with others, such as other family members and managers within the business and family members outside of the business, including at times, the senders of legacy, and then how they sought to manage the perceived legacy liability. We note that in the legacy work in response to the perception of legacy liability, family firm decision-makers used multiple mechanisms for negotiating legacy liability. These were used sometimes simultaneously and sometimes sequentially, as in instances where *initiating legacy dialogue* involved *bringing in new voices* over time.

We identified three mechanisms: embracing, de-emphasizing, and partitioning, which describe how family firm decision-makers responded to perceived legacy liability. Importantly, in some cases, the liability associated with a legacy was deemed not acceptable, prompting family firm decision-makers to de-emphasize or partition aspects of it. However, not accepting a legacy liability did not imply abandonment of a legacy. In our cases, we found no instance of complete abandonment of legacy; rather, aspects of the legacy were selectively de-emphasized while other aspects of legacy persisted. This finding aligns with and reinforces existing literature (e.g., Sasaki et al., 2019), which highlights the inherent challenges in overturning a legacy because it is tied to intergenerational values and traditions. As such, legacy change differs from other types of organizational change, and standard organizational change frameworks may be limited in their applicability to adapting legacy. In the cases where the perceived legacy liability was accepted by the firm, we note that the process of negotiating the

legacy resulted in the family firm decision-makers *embracing the legacy*—‘doubling down’ on the legacy and in doing so reducing the perceived legacy liability.

Across the cases, reflecting the difficulty of ‘breaking free’ of legacy, the response of ‘embracing legacy’ illustrates how family firms remain constrained by their past, but perhaps by explicitly recognizing and negotiating these constraints (and the associated legacy liability), they can find ways of leveraging the past to create new possibilities. For the cases that moved further from the inherited legacy by *de-emphasizing the legacy* or *partitioning the legacy*, we note that in two cases there was no need for intergenerational dialogue (because the prior generation was deceased) and this may have reduced the difficulties associated with *negotiating legacy liability* and allowed for the consideration of previously unimagined possibilities in terms of the business. Also, in contexts where the trigger was a shock or jolt (*shocks as opportunities for reassessment*), *de-emphasizing the legacy* or *partitioning the legacy* was a more viable response, as in these cases the legacy liability was framed as a threat to the survival of the family firm. Irrespective of patterns across the cases, what we observe in all instances is that legacies are to a greater or lesser extent ‘malleable’ (Hammond et al., 2016), in that those involved in the family firm effected changes.

Theoretical Contributions

First, we contribute to legacy research by emphasizing its dynamic nature and by highlighting mechanisms for how decision-makers deal with negatively perceived legacies. Most prior research has neglected the dynamic nature of legacy (Hammond et al., 2016) and has focused on legacy as a predicting variable, determining for instance innovativeness or survival (see Radu-Lefebvre et al., 2024). In our study, we switch the focus to legacy as the *outcome* variable, studying how it evolves over time. More specifically, we show and explain that initially positively perceived legacies can turn negative in the perception of key stakeholders, before they ultimately switch to positive legacies again. While our observations stopped at one

full cycle (positive – negative – positive), there is reason to believe that the legacy perceptions will remain fluid in future, resembling a sinus form rather than a straight line. Consequently, researchers need to embrace the temporal evolution of legacy and pay attention to two important aspects that our research revealed: first, various, incremental as well as rather radical, changes within the business context, be it inside or outside the firm, can affect the perception of legacies. Our study contributes to the existing debate on legacy changes by offering three different categories of contextual change that affect legacy perception. Second, legacy should not be seen as a rigid given, as often assumed by prior research focusing on it as a prediction variable (see Radu-Lefebvre et al., 2024 for an overview). Instead, our research advances our understanding of legacy by highlighting the substantial agency of firm decision-makers that can take various actions to adapt the legacy and its perception.

Research on organizational change in family firms remains limited (Vardaman, 2019). Existing studies focus on how change processes may differ in family firms due to factors such as the risk perceptions of family firm decision-makers, long CEO tenure, and the prioritization of non-financial goals (Shen, Gu, & Lu, 2024; Zellweger, Nason, Nordqvist, & Brush, 2013). Typically, organizational change is seen as a deliberate process (Menkhoff & Kay, 2000), where firm decision-makers, sometimes in collaboration with advisors, assess the current state of aspects like structure, human resources, or culture, compare it to a desired future state, and then devise a transformation plan, often drawing on established change frameworks (e.g., Armenakis, Brown, & Mehta, 2010). However, based on our research, we recognize that legacy change occurs differently. While the decision-makers sensed that there was a mismatch between the existing legacy and a positive legacy perception, we found no evidence of a systematic, strategic or organizational change process. Instead, we observed a more intuitive, trial-and-error approach, that was based on lengthy discussions and experimentation. This process may reflect the intangible, deeply ingrained, and emotional nature of legacy. On a

broader level, our findings on legacy change align with existing research on organizational change insofar as it confirms the important role of the upper echelons in achieving such change (Finkelstein, Hambrick, & Cannella, 2009; Hambrick & Mason, 1984).

Second, we contribute to research investigating how family firm decision-makers can deal with their past. While prior research focused on how family firms can use their values and strengths from the past to remain innovative (De Massis et al., 2016), we go one step further by highlighting the mechanisms that family firm decision-makers engage with when the history becomes a legacy. Hence, while De Massis and colleagues (De Massis et al., 2016; Erdogan, Rondi, & De Massis, 2020) focus on how to use the *positive* aspects of the past (history and tradition as a ‘resource’), we complement this knowledge by studying how to handle the *negative* aspects of legacy. Similarly, we also extend Sasaki et al.’s (2020) study on exploiting history for continued family firm success. Based on analyzing the claims of 25 Japanese firms over time, these authors provided learnings on how firm decision-makers re-interpret and change historical claims comprising organizational values and principles written down, for instance, in charters, testaments or websites (i.e., so called ka-kuns). While this work provided interesting insights in how decision-makers communicate firm identity using organizational history to firm insiders and outsiders, our study scrutinizes the step before communication: we look at how family firm decision-makers deal with the legacy once they approve it as inappropriate; as soon as this legacy work has been completed, communication to the outside, and hence also revisiting the identity statements, can occur as the subsequent step.

Moreover, while most research focuses on the stability of legacy over time (e.g., Kammerlander et al., 2015), some prior research on family firm legacy has reported that next generation family members might fully reject legacy (Kubicek & Machek, 2020; Mustafa, Elliott, & Zhou, 2019) in case they perceive a mismatch of existing family firm legacy, for instance, with their own values and beliefs or the requirements of changed environmental

contexts. We advance this research stream by revealing ‘less radical’ forms of dealing with legacy—specifically, mechanisms that allow for ‘updating’ legacy without abandoning it. All the cases we studied managed to successfully ‘deal’ with legacy liability. While the approaches of embracing vs. de-emphasizing vs. partitioning differ, none of them entailed complete abandonment or full rejection of the legacy.

Practical Contributions

Our study also offers some valuable insights for family firm owner-managers, their advisors, as well as for policymakers. First, legacy is often seen as a stable construct that persists over time. Yet, when the world changes, the perception of the legacy likely also changes, as its interpretation depends on the—business and societal—context as well as the individuals interpreting it. For instance, Millennials might see a legacy much different as compared to members of the BabyBoomer generation. As such, legacy is by nature dynamic—and family business-owner managers and their advisors need to be aware of this fact to be able to react and act accordingly. In the beginning, legacy is commonly positive, but it is very likely that, sooner or later, it will be perceived as negative. When this happens, family firm owner-managers and their advisors need to know that there are various approaches of how to deal with a legacy that turned into a liability; these approaches range from embracing to de-emphasizing to partitioning. Knowing about these approaches, family firm advisors can provide a framework to their clients, supporting them in their sense-making and decision-making. As Vrontis et al. (2016) pointed out, legacy is neither detrimental nor beneficial but contingent on how it is acted upon—with our research, we show how family firm owner-managers can deal with and act upon such difficult situations of legacies perceived as liabilities.

As our case examples show, negative legacy perceptions can turn positive again. As such, we hope that our findings encourage decision-makers of family firms to actively work on their legacy. As a dynamic construct, legacy perceptions will vary over time. Rather than being

paralyzed by negative perceptions or trying to abandon legacy entirely, family firm decision-makers should take the time to discuss upon, and potentially refine, their legacy interpretation occasionally. As such, they can not only contribute to the family firm's continued competitive advantage, but these discussions also hold the promise to align with next generation family members, i.e., the future legacy receivers, and likely increase their identification with and commitment to the family firm.

Also, policy makers need to be aware of the potential role of legacy and its dynamic nature. Rather than encouraging family firm decision-makers to start all over again (e.g., through selling the business once the legacy is perceived detrimental or engaging in radical restructuring), they should offer educational programs and mentoring support to help family firms constructively deal with their legacy challenges. Indeed, while there are many practitioner-oriented frameworks and tools available that aim to help firms with organizational change, similar tools focusing on legacy change are still missing. This is an important void, given that legacy change differs from organizational change in terms of time perspective, emotional attachment, as well as tangibility. Policy makers might encourage family firm advisors to develop such ready-to-use tools.

Limitations and Future Research

As with any research, our study comes with several limitations, which open up further research areas. Survival bias is a limitation of this study (Wiklund & Shepherd, 2011), as we only investigate the nuances of legacy liability in successful multi-generational family firms. Future research could investigate legacy liability in family firms that have perished and the presence (or lack thereof) of mechanisms used to respond to perceived negative legacies. As our study was exploratory in nature, we took an inductive analysis approach to probe and explore legacy liability, which, by nature, limits the generalizability of our work. To enhance the generalizability of our research (Yin, 2009), future studies could use quantitative or deductive

methodologies to build upon our results and apply them in other organizational settings. Moreover, our study was concentrated on a single geographical context, namely Ireland. While this allowed us to control for cultural variation, future research could explore legacy liability across various cultural contexts including those where tradition is more or less valued. Our understanding of the management of legacy liability could be significantly enlightened by exploring institutional perspectives, notably in developing countries. Reliance on the memories of individuals introduces the possibility that important details may be omitted, reinterpreted, or revised from the perspective of current events (Loftus & Hoffman, 1989). To reduce this risk of retrospective bias, we triangulated interview data with substantial archival sources and participant observations (Eisenhardt & Graebner, 2007; Lubinski & Gartner, 2020). However, further real-time studies might provide additional insights.

Moreover, our paper explores managing the legacy liability in a developed country in Western Europe, with particular management practices and family structures. Future research could explore the role of context (e.g., religious practices; clan-based norms; importance of hierarchies) in negotiating legacy liability. Future research could also examine the motivations behind legacy senders (e.g., founders) and the role of ‘generativity’ (i.e., showing concern to establish and guide future generations) in managing legacy liability (Davis, 2022; Faßbender, Wiebe, & Bates, 2019; Wade-Benzoni, Sondak, & Galinsky, 2010). Finally, building on the recent work of McAdam, Clinton, Hamilton, and Gartner (2023), we encourage future research to explore the role of intermarriage in family firms for dealing with legacy liability, as it may be a situation where family members observe how through intermarriage another family firm manages legacy liability.

CONCLUSION

For family firms, legacy is often viewed as a positive, innate, and fixed source of identity, direction, purpose, and inspiration. However, at some points in time, inherited legacies in

family firms may become perceived as a constraining force, impeding change by narrowing the scope of possibilities. In our study we focus on how legacies are dynamic, and how family firms deal with inherited legacies, specifically in instances where legacies come to be perceived as a liability. These businesses show that legacies are malleable—and that when legacies turn from positive to negative, family firm decision-makers can respond to and manage perceived legacy liabilities.

TABLE 1. Case Descriptors

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7
Industry (US SIC code)	Cereal Breakfast Foods	Sawmills and Planing Mills	Coffee & Tea Products	Water & Sewage Companies-Utility	Chemicals & Allied Products	Funeral Services & Crematories	Manufacture of prepared meals and dishes
Year founded	1785	1913	1901	1973	1953	1819	1910
Employees	55	380	72	300	90	90	250
Revenues	\$22 million	\$110 million	\$36 million	\$72 million	\$18 million	\$23 million	\$64 million
Generation	7 th	3 rd	4 th	2 nd	3 rd	7 th	4 th
Family ownership	100%	100%	100%	100%	100%	100%	100%
Family CEO/co-CEO	Yes	Yes (co-CEOs)	Yes	Yes	Yes	Yes	Yes (co-CEOs)

TABLE 2: Data Sources

Year	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7
No. of informants	5	7	6	8	6	5	5
No. of interviews	9	13	9	14	6	5	5
Archival by source*	Internal (16) External (62)	Internal (13) External (89)	Internal (23) External (99)	Internal (47) External (45)	Internal (7) External (45)	Internal (1) External (58)	Internal (1) External (78)
No. of archival sources	78	102	122	92	52	59	79
Observation by source**	Structured (2) Unstructured (2)	Structured (3) Unstructured (5)	Unstructured (1)	Structured (3) Unstructured (2)	Structured (5) Unstructured (5)	Unstructured (1)	Structured (2) Unstructured (3)
No. of observations	4	8	1	5	10	1	5

* Internal: corporate reports, corporate presentations; External: media articles, video, TV, radio, government documents, official filings.

**Structured: corporate presentations, family councils; Unstructured: plant tours, family dinners.

TABLE 3: Data Structure: Family Firm Legacy Liability Responses

First order codes	Second order themes	Aggregate dimensions
Reference to CEO actions to change business objectives/practice CEO references to external work experiences that suggest need for change Evidence of CEO citing external networks and advisors as evidence of need for change Reference to discussion of conflicting goals within the business Evidence of CEO frustrations in ability to take opportunities due to legacy	<i>Change agent mindset of CEO</i>	Perceiving legacy liability
Evidence of discussions of slowly deteriorating firm-competitive environment 'fit' References to 'changing times' for the business relative to previous generations' achievements Direct references to legacy changing over time References to weakening relevance of a legacy	<i>Times are changing - gradual shifts in context</i>	
Evidence of environmental jolts and shocks influencing business decisions Shared recognition amongst family members of a changed external environment Evidence of reassessment of competitive landscape	<i>Shocks as opportunities for reassessment</i>	
Evidence of protracted inter and intra generational conversations Reference to the importance of long-standing family firm values Mentions of heated and tense Board dialogue Evidence of variance between business objectives and family values	<i>Initiating legacy dialogue</i>	Negotiating legacy liability
Instances of decision-makers convening for high-stakes legacy decisions References to strategic meetings addressing crisis management with legacy implications Mentions of key leaders assembling to address urgent legacy-related decisions	<i>Convening a 'war cabinet'</i>	
Evidence of engagements with national and international trade organizations for new perspectives Consultations with university research centers and representative bodies on perceived liabilities Inviting external practitioners to headquarter for advice and guidance	<i>Bringing in new voices</i>	
Evidence of decisions to decline business opportunities due to legacy concerns Statements of a reluctance to abandon heritage, norms and values of past Evidence of the importance of non-economic concerns to strategic developments Reference to the family decision to accept constraints of legacy Observing potential to embrace the liability in the legacy Seeking to balance legacy preservation with opportunities Working with advisors to leverage family heritage for business gain	<i>Embracing the legacy</i>	Responding to legacy liability
Conversations amongst family members about reframing of legacy Emphasizes on threats to business continuity within business and family Evidence of a respect of the past but a desire for change in strategic discussions Engaging in strategic education to inform family members of business goals/objectives Promoting alternative actions through advisors with best practice insights	<i>De-emphasizing the legacy</i>	
Efforts to distinguish family and business legacy Evidence of documenting the separate legacies Reference to the separate contribution of family and business legacy Use of governance structures to distinguish legacies	<i>Partitioning the legacy</i>	

TABLE 4. Managing Legacy Liability: Examples in the Cases Studies

Case	Positively perceived legacy	Perceiving legacy liability		Negotiating legacy liability (receivers and senders)	Responding to legacy liability
1	<p>Successive generations in this family firm have had strong attachment to the mill and location (successive generations have produced products in the mill since the 1780s and sourced raw materials from the local area).</p>	<p>Times are changing - gradual shifts in context: With changing consumer demands towards healthy breakfast alternatives, including organic produce, and increased concentration of retail into a concentrated number of retailers, there has been an increase in demand for product and increased price pressures from retailers and consumers.</p>	<p>The family firm faced significant capacity constraints due to the location (a conservation order exists on the building). For several years, the family was torn between a strong family desire to stay in the old mill and continue to work with the local community (employees, suppliers, etc.) (i.e., based on legacy) and the desire to grow the business (necessitating increased capacity and lower production costs that a modern facility would provide). In other words, the legacy in this case constrained family firm growth.</p>	<p>Initiating legacy dialogue: Boardroom discussions including experienced non-family directors strongly questioned viability of on-going location, pushing for new greenfield location. Conversations among the family (outside of the formal Board structure) about relocating, led by family CEO (6th generation) (sender) and 7th generation family members (including family working and not working in the business) (receivers).</p> <p>Bringing in new voices: The CEO brought external inputs into the newly created family council.</p>	<p>Embracing the legacy: The family firm decided not to move to a green field site, accepting the liability of their existing location, and sought to devise strategies (including new marketing director (non-family) to leverage the rich local heritage in its promotional material, emphasizing the authenticity and locality of its products).</p>
2	<p>Successive generations in this family firm have had a shared sense of obligation to their location (manufacturing on the site since 1913) and to the local community, who have worked in, and been supportive of, the sawmill business.</p>	<p>Shocks as opportunities for reassessment: In June 2004, a fire destroyed the entire sawmilling plant.</p>	<p>The third generation struggled with the decision regarding whether to rebuild the plant in the existing location (reflecting legacy of attachment to and identification with the location) or use the crisis as an opportunity to build in locations with greater access to raw material. In other words, the legacy in this case constrained family firm expansion.</p>	<p>Convening a 'war cabinet': Following the fire, the co-CEOs (receivers) (both 45% owners) met with their other sibling (a non-executive in the business with the remaining 10% share) to decide the way forward for the business. It was a difficult and emotional meeting. No surviving members from the previous generation (senders).</p> <p>Bringing in new voices: The CEOs sought the counsel of sawmill owners in other regions of the world.</p>	<p>De-emphasizing the legacy: The family firm decided against rebuilding the production facility on the original site but to acquire plants in other regions of the country and internationally and repositioned the original site as a showroom of product offerings and a hub for research and development. The CEOs seek to mitigate societal impact by engaging with local politicians to explore alternative opportunities for the workforce.</p>

3	<p>Three generations of the family and the business have emphasized and valued involvement in the community through serving in political roles. As the business brands carry the family name, political involvement has promoted the business, while family members benefited from the success of the family brand (as it promoted the family name) and from the success of the business, both of which enabled political activity.</p>	<p>Shocks as opportunities for reassessment: A terrorist organization threatened to contaminate company products to dissuade a family member's involvement in the politics of Northern Ireland - at the time the family CEO (3G) was serving as Minister for Foreign Affairs in the Irish government. This resulted in a significant decline in sales.</p>	<p>The association of family working in the business with national politics posed an immediate threat to business continuity - in the context of family members in the business and employees concerned about their personal safety. In other words, the legacy in this case threatened firm survival.</p>	<p>Convening a 'war cabinet': Following the terrorist threat, members of multiple generations (senders and receivers) convened to identify how to protect both the family and the business. Broad sense of fear among all family members (across generations, and those involved and not involved in business) created a rapid consensus that swift action was required.</p>	<p>Partitioning the legacy: The family firm implemented new policies stipulating that family members cannot be employed by the business and engage in political representation, allowing the legacy to persist within the family, but not for those who chose to be involved in the business.</p>
4	<p>Founding generation were family farmers and everyone helped out, there was a role for all, an expectation that transitioned to the family firm where all members of the extended family felt an entitlement to work in the business.</p>	<p>Change agent mindset of CEO: CEO (2G) was externally educated and trained, exposing him to ideas about professionalization within the firm family firm. This shift in mindset occurred in the context of a growing number of family members seeking to be involved in business, and while a next-generation member was in the CEO role, there was delayed transfer of ownership (constraining CEO agency). Unrestricted opportunities for family members (nepotism) were now seen by the CEO as a constraint on growth (growth objectives) as the business tried to expand internationally.</p>	<p>The CEO saw the unsustainability of growing family involvement in the business, with the need for increased professionalization of the business, which was required to meet growth objectives. In other words, in this case the legacy impedes firm growth.</p>	<p>Initiating legacy dialogue: Conflict arose within the business - internally as non-family managers perceived family members as not suited for roles. Non-executive directors rose concerns at Board meetings (two generations including senders and receivers as members, chaired by the founding generation). CEO (receiver of legacy) sought to build consensus around growth objectives through the Board.</p> <p>Bringing in new voices: CEO sought to build consensus around growth with the founding generation through engagements with other family firms. The family joined an international network of family firms for mentorship and advice.</p>	<p>De-emphasizing the legacy: While the business values the human capital contribution from family members, it de-emphasized entitlement, (formally working with advisors, the CEO changed the HR terms and conditions of employment) but continued to create opportunities (e.g., members of the family offered strategic education programs) for family selected based on merit'.</p>

5	<p>Successive generations of the family working in this family firm have a shared understanding of, and pride in, the value of the ‘premium quality’ of their products. This translated into a cluster of business decisions and practices, such as only using independent distributors, higher quality raw materials, and charging higher prices.</p>	<p>Times are changing - gradual shifts in context: Changing structure in retail meant that consumers increasingly purchase in large out-of-town DIY stores (known as ‘sheds’). Competitor firms began distributing in these stores, reporting growth in sales.</p>	<p>These new outlets offered the potential for greater financial returns (nationally and internationally), though would require lower price points, smaller margins, and therefore the need to reformulate products, using lower-quality inputs, and investment in lower cost, higher capacity, and green field production facilities. In other words, in this case the legacy acts as a barrier to expansion.</p>	<p>Initiating legacy dialogue: Intra generation conflict (senders and receivers) surrounding the preservation of legacy with future strategic direction and growth.</p> <p>Bringing in new voices: CEO got inputs from US Guild of Independent Paint Manufacturers - conflicting perspectives on distribution via sheds.</p>	<p>Embracing the legacy: The business declined the opportunity for greater expansion and embraced the legacy of product (premium quality focus) by investing in their current product-market positioning, seeking to grow their existing segment.</p>
6	<p>Successive generations of the extended families involved in this family funeral business have had a shared understanding of the primary driver of their success - ensuring a personal connection between the family members (working in the business) and clients (e.g., family members assisting families during their time of grief, often over successive generations of clients).</p>	<p>Times are changing - gradual shifts in context: Changing industry context as organic business growth (increased local demand) and expansion opportunities, as competitor families sought to exit the business due to succession challenges, and the growth of new suburbs (without any current funeral provider) resulted in growing sales (more funerals) and opportunities to grow the business via acquisition and new greenfield locations.</p>	<p>Growth opportunities not consistent with shared service business model: the pressures on family members to be available at all funerals. Conflict began to emerge within the family involved in the business over the pressures required to retain the personal connection with long-standing clients and the stress and strain this was putting on their own family relationships. In other words, in this case the legacy was not compatible with growth opportunities.</p>	<p>Initiating legacy dialogue: The CEO (sender) discussed with next generation members (receivers) the opportunities to acquire existing competitors and grow the business (as in many competitor firms, next-generation members did not want to take over the business).</p>	<p>De-emphasizing the legacy: The family firm adopted new organizational practices of inter-familial working teams and employee-led teams, allowing them to be less reliant on family members and to build trust between a broader set of individuals and customers, including those in new markets.</p>
7	<p>Across two generations, and over many decades, the family firm has shared a strong sense of the value of strong, long-term relationships with local suppliers.</p>	<p>Shocks as opportunities for reassessment: In 2013, a ‘horse meat’ scandal (horse meat not in the human food chain was found in meat destined for human consumption) impacted food production in Ireland. The scandal badly affected the food production industry in Ireland, impacting consumer trust, sales, and purchasing requirements of large retail chains.</p>	<p>Continued sourcing from the existing base of long-term small local suppliers (the small suppliers were dependent on the business) meant the business could be vulnerable to future threat of affected producers (i.e., fraud, contaminated produce), and would find it costly to meet compliance of retailers. In other words, in this case the legacy threatened business survival.</p>	<p>Convening a ‘war cabinet’: The co-owning brothers and CEOs (receivers) who had worked with local suppliers for over four decades jointly saw the scandal as a threat to the continued existence of their agri-food business. There were no surviving members from the previous generation (senders).</p> <p>Bringing in new voices: One of the CEOs served on the Board of a national agri-food body. Representatives of the Board visited the plant to offer guidance on food safety and traceability.</p>	<p>De-emphasizing the legacy: Following the horse meat scandal, the family firm moved away from reliance on local suppliers for certain produce (e.g., meat and poultry) and integrated to a more vertical business model, continuing to focus on local suppliers for other produce and supporting local community initiatives.</p>

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