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The conceptual model of two-generational business model innovation in family firms: Case study of family firms in the publishing industry

Maryam Vajdi Vahid¹ , Jahangir Yadollahi Farsi² , Kamal Sakhdari³ ,
Mehran Rezvani⁴ 

1- PhD. student of Corporate Entrepreneurship department, Faculty of Entrepreneurship, University of Tehran, Iran,

2- Professor of new business Department, Faculty of Entrepreneurship, University of Tehran, Iran

3- Associate Professor of corporate Entrepreneurship Department, Faculty of Entrepreneurship, University of Tehran, Iran

4- Professor of Corporate Entrepreneurship Department, Faculty of Entrepreneurship, University of Tehran, Iran

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Abstract

The purpose of the research is to explain the capabilities of two generations in business model innovation through value creation in family companies and to present a conceptual model. The research is developmental-applicable in terms of its purpose, with a descriptive-analytical nature, and of exploratory type. The statistical population was 1st and 2nd generation and experts from family companies in the publishing industry. Data were collected using interviews and the categories were coded and the findings were classified with MAXQDA version 2020 software. With the purposeful sampling method, the study of 5 companies was conducted with 13 interviews. Validation of research findings was done with theoretical triangulation and survey of experts. The results showed that 5 background factors including innovative joint vision, interaction and exchange of knowledge of two generations, creating flexibility in generation 1, synergy, cooperation and commitment of two generations and using capabilities of generation 2 and experts were identified. Regarding process factors, 3 important factors include 1st generation management capabilities, 2-generation value co-creation, and 2nd generation capabilities in creating new value were identified as important capabilities in the innovation process of the 2-generation business model from the aspect of value creation. In the context of business model innovation dimensions, 7 factors include the role of generation 2 in finding ideas and implementing new projects and communicating with customers and the role of generation 1 in allocating new resources, providing financial resources, structuring activities, managing risk and resources, supporting plans and communication with stakeholders was recognized as the capabilities of two generations in business model innovation.

Keywords:

Value creation, business model innovation, capabilities, family company, two-generation partnership

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Corresponding Author: Maryam Vajdi Vahid

Email: m.vajdivahid@gmail.com

Extended Abstract

Introduction

Family companies are companies in which family members play a role in the management and control of the company, and the continuity of generations is its important feature (Suman, 2020). The survival of the family business in the new generation depends on innovation, creativity and the ability to respond to changing conditions caused by the introduction of new technology. Some factors caused by the 1st and 2nd generation in business affect the innovation process. Business model innovation in family companies is influenced by the capabilities of two generations (Prabandari, 2024). Innovation may cause resistance in the first generation of family business (Weimann, 2020); therefore, it is necessary to explain the participation of two generations with their capabilities in business model innovation in family companies. In some studies, the arrival of the new generation is considered to be the cause of innovation and the driving force of these companies for innovation, but a limited number of researchers explained the connection between the arrival of the 2nd generation and innovation (Leppäaho, 2022). The capabilities of the 1st and 2nd generations have an impact on the innovation of family companies, and there is a need for more research in this field. Limited research has been done on the role of two generations in business model innovation (Moreno, 2021), therefore, the research answers the question: how the capabilities of the 1st and 2nd generations play a role in the innovation of the business model from the aspect of value creation in family companies?

Theoretical foundations

Family companies

Family companies are defined based on business continuity for the next generation (Hernández-Linares, 2017). Two generations affect innovation differently according to their experiences and knowledge (Kidwell, 2019). The special feature of the family company is the participation and interaction of two generations. The capabilities and characteristics of the 1st and 2nd generation of family companies have an impact on innovation, therefore, the participation of two generations and their relationships play a role in how to innovate the business model (Soluk, 2021).

Two-generation business model innovation

Business model innovation is defined as value creation by creating, making and providing new value to the customer (Saebi, 2017). In another definition, the dimensions of business model innovation are based on value creation structures, goals, management and decision-making, structuring activities, communication with customers and stakeholders, and provision and application of resources and capabilities (Clinton, 2018). The innovation of the two-generation business model in family companies is influenced by factors related to the company and the capabilities and characteristics of the 1st and 2nd generations. Chirico's research focused on value creation in family companies from the perspective of resources, knowledge and capabilities (Chirico, 2013). In Soluk's research, the relationship between family influence and business model innovation (BMI) was explained, but the role of two generations was not distinguished (Soluk, 2021). In Clinton's research, the innovation of the business model of family companies has been explained in several generations (Clinton, 2018). Limited researches have examined the innovation of the business model of family companies from the perspective of the capabilities of two generations. In the field of two or multigenerational value creation and business model innovation, previous research has been summarized in a few limited cases.

Research method

Multiple case study method was used in this research. The research is developmental-applicable in terms of its purpose, and descriptive-analytical in terms of its nature, and of exploratory type. The statistical population of 1st and 2nd generation and experts of companies with innovation experience was from 5 companies in the publishing industry, which was selected by purposeful sampling. A semi-structured interview was used to collect information. First, the interview protocol was designed based on important analytical questions, what and how. Interviews with 1st and 2nd generation and experts were conducted until theoretical saturation was reached. Based on the findings of the interview, 139 concepts and 46 codes were found. Coding was done with MAXQDA software version 2020, a process method including the explanation of background factors, process and consequences was used to provide a conceptual model. To measure the internal validity and reliability of the findings, theoretical triangulation and survey of experts were used; and to measure the external validity, compatibility with theoretical perspectives was used. For the purpose of theoretical triangulation, other evidences were examined. The codes were evaluated by consensus of experts to complete the results. To maintain the validity of the research findings, a survey of 3 experts familiar with academic research in the field of entrepreneurship was conducted and the extracted codes were modified. Changes were made in the codes and in the conceptual model. Finally, the conceptual model was tested in practice by surveying the manager of a family company, whose views confirmed the findings of this research.

Research findings

The components of the conceptual model were explained in a process method including the background factors, the two-generation value creation process and its consequences and its relationship with other dimensions of business model innovation. Creating the ability to accept new ideas and flexibility in the 1st generation, using the capabilities of the 2nd generation with the expert team and the commitment of the two generations, forming the goals and innovative joint vision of the two generations, creating a structure and system that encourages innovation with the entry of the 2nd generation and using the capabilities of the 2nd generation with the expert team, interaction and coordination, exchange of ideas, synergy and cooperation of two generations were identified as background factors. Generation 2 capabilities in creating and making new value, generation 1 management capabilities in value creation and co-creation of new value were identified as important factors in the two-generation value creation process. Capabilities of the 1st generation in using company resources and professionals with the entry of the active 2nd generation, the capabilities of the 1st generation in providing financial and non-financial resources, goals and innovative joint vision and the participation of the two generations, the capabilities of the 1st generation in structuring activities, the capabilities of the 1st generation in decision-making, risk and resource management, the capabilities of generation 2 in relation to customers and value creation and the capabilities of generation 1 in relation to stakeholders were identified as the capabilities of two generations in other dimensions of business model innovation. Creating a new two-generation value and offering it to the customer by the 2nd generation and specialists with the cooperation and management of the 1st generation, aligning with the needs of the customer in the digital environment, synchronizing the company with the digital space, innovation in customer service and providing digital services by implementing new publishing digitalization plans, sales processes and customer relations were recognized as outcomes. The findings of this research confirm the significant contribution of generation 2. The findings showed that generation 2 brings new ideas by learning from sources outside the company. The design and implementation of projects and ideas is the responsibility of the

energetic, innovative and creative young generation and the expert team. With the arrival of the 2nd generation and professionals, continuous learning was formed to create value with interactions and continuous review of customer satisfaction. The work and educational experiences of the 2nd generation outside the family business are important for finding new ideas. The younger generation has a greater ability to learn and is a technology expert and motivated to change, so it was successful in finding ideas and implementing innovative projects, and the management was the responsibility of the 1st generation. The role of the 2nd generation with professionals was to constantly search for ideas, pay more attention to customer needs, and create new value. Generation 2 is constantly learning ways to implement new designs.

Conclusion

This research has explained the role of the capabilities of two generations of family companies in business model innovation from the aspect of value creation. The presented conceptual model explains how two generations create new value. Based on the analysis of 5 case studies of family companies, a conceptual model was presented using the process method including background factors, process and consequences. The findings of this research show that cooperation and synergy between two generations, good relations and conflict resolution between them play important roles and are in line with previous researches. With the arrival of the new generation, they have the capacity to absorb, take risks and become familiar with communication technology, acquire knowledge and learn; and as a result, change the business model. The arrival of non-family experts and the exchange of knowledge between generations provide the basis for business model innovation. Acquiring clear knowledge, capacity to absorb, search and continuous learning by the second generation and experts and communicating with customers are important value creation factors. The innovative technical capabilities of generation 2, management capabilities and communication of generation 1 with stakeholders are important factors in creating new value. The results indicate that the creation of two-generation value is due to the capacity to absorb the second generation and the awareness of current technology. The results indicate that the arrival of the 2nd generation and non-family professionals with the capacity to absorb, take risks and be familiar with communication technology has a significant impact on changing the business model of family companies. Generation 2 and professionals familiar with information technology help to create new value. Employing experts to create new value by providing advice to two generations, providing the resources needed for the next generation and trusting the second generation and employing them with experts are some practical suggestions. In generation 1, the motivation for change should be created by generation 2 and experts so that generation 2 and experts can have the support of generation 1 to create and provide new value to the customer.