How do small-and-medium size family businesses create value in the context of an emerging country?

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Master of Science – International Business

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in Partial Fulfillment of Requirements for a Master of Science
in Administration

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HEC MONTRĒAL

Comité d'éthique de la recherche

March 06, 2019

To the attention of:
Pauline Faivre, Étudiante M. Sc.
HEC Montréal

Re: Ethics approval of your research project

Project No.: 2019-3428

Title of research project: How do emerging market, small-and-medium size, family businesses create value in the manufacturing sector in Mexico?

Your research project has been evaluated in accordance with ethical conduct for research involving human subjects by the Research Ethics Board (REB) of HEC Montréal.

A Certificate of Ethics Approval attesting that your research complies with HEC Montréal's *Policy on Ethical Conduct for Research Involving Humans* has been issued, effective March 06, 2019. This certificate is **valid until March 01, 2020.**

Please note that you are nonetheless required to renew your ethics approval before your certificate expires using Form *F7 – Annual Renewal*. You will receive an automatic reminder by email a few weeks before your certificate expires.

If any changes are made to your project before the certificate expires, you must complete *F8 – Project Modification* and obtain REB approval before implementing those changes. If your project is completed before the certificate expires, you must complete Form *F9 – Termination of Project* or *F9a – Termination of Student Project*, as applicable.

Under the *Policy on Ethical Conduct for Research Involving Humans*, researchers are responsible for ensuring that their research projects maintain ethics approval for the entire duration of the research work, and for informing the REB of its completion. In addition, any significant changes to the project must be submitted to the REB for approval before they are implemented.

You may now begin the data collection for which you obtained this certificate.

We wish you every success in your research work.

REB of HEC Montréal

HEC MONTRÉAL

Comité d'éthique de la recherche

CERTIFICAT D'APPROBATION ÉTHIQUE

La présente atteste que le projet de recherche décrit ci-dessous a fait l'objet d'une évaluation en matière d'éthique de la recherche avec des êtres humains et qu'il satisfait aux exigences de notre politique en cette matière.

Projet # : 2019-3428

Titre du projet de recherche : How do emerging market, small-and-medium size, family businesses create value in the manufacturing sector in Mexico?

Chercheur principal :
Pauline Faivre,
Étudiante M. Sc., HEC Montréal

Directeur/codirecteurs :
Mai-Thi-Thanh Thai; David Doloreux
Professeur - HEC Montréal

Date d'approbation du projet : 06 mars 2019

Date d'entrée en vigueur du certificat : 06 mars 2019

Date d'échéance du certificat : 01 mars 2020

Maurice Lemelin
Président
CER de HEC Montréal

HEC MONTRÉAL

Comité d'éthique de la recherche

February 24, 2020

To the attention of :
Pauline Faivre
Étudiante M. Sc., HEC Montréal

Project No. 2019-3428 – ValueCreationinFamilyBusinessesMexico

Title:How do small-and-medium size family businesses create value in the context of an emerging country?

Further to your request for renewal, the Ethics Approval Certificate for the above project has been renewed as at March 01, 2020.

This certificate is valid until March 01, 2021.

You must therefore request renewal of your ethics approval before that date using Form *F7 – Annual Renewal.* You will receive an automatic reminder by email a few weeks before your certificate expires.

If your project is completed before the expiry date, you must complete Form *F9 – Termination of Project.*

If any major changes are made to your project before the certificate expires, you must complete Form *F8 – Project Modification.*

Please note also that any new member of your research team must sign the Confidentiality Agreement, which must be sent to us prior to your request for renewal.

We wish you every success in your research work.

Yours very truly,

REB of HEC Montréal

HEC MONTRĒAL

Comité d'éthique de la recherche

RENOUVELLEMENT DE L'APPROBATION ÉTHIQUE

La présente atteste que le projet de recherche décrit ci-dessous a fait l'objet d'une évaluation en matière d'éthique de la recherche avec des êtres humains et qu'il satisfait aux exigences de notre politique en cette matière.

Projet # : 2019-3428 - ValueCreationinFamilyBusinessesMexico

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Chercheur principal :
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Date d'échéance du certificat : 01 mars 2021

Maurice Lemelin
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HEC MONTRĒAL

Comité d'éthique de la recherche

ATTESTATION D'APPROBATION ÉTHIQUE COMPLÉTÉE

La présente atteste que le projet de recherche décrit ci-dessous a fait l'objet des approbations en matière d'éthique de la recherche avec des êtres humains nécessaires selon les exigences de HEC Montréal.

La période de validité du certificat d'approbation éthique émis pour ce projet est maintenant terminée. Si vous devez reprendre contact avec les participants ou reprendre une collecte de données pour ce projet, la certification éthique doit être réactivée préalablement. Vous devez alors prendre contact avec le secrétariat du CER de HEC Montréal.

Projet # : 2019-3428 **-** ValueCreationinFamilyBusinessesMexico

Titre du projet de recherche : How do small-and-medium size family businesses create value in the context of an emerging country?

Chercheur principal :
Pauline Faivre
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Directeur/codirecteurs :
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Date d'approbation initiale du projet : 06 mars 2019

Date de fermeture de l'approbation éthique : 28 avril 2020

Maurice Lemelin
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ABSTRACT

The extant literature shows that the value creation of small-and-medium sized family businesses (SMSFB) is highly contingent on a multitude of factors scattered across research fields. They range from resources and capabilities, governance, network participation, relationships and knowledge, etc. Furthermore, the context in which these unique firm operates also greatly impact how they create value. While the literature informs us of the value creation process of firm in the context of the family, SME or developing country factor, the literature only examines these contexts in isolation and thus, fails to provide researchers with a holistic view of the phenomenon. Adding to this incommensurability, the extant literature does not explain the phenomenon of value creation of developing countries SMSFB as it is focused mostly on large firms from emerged markets whose underlying assumptions are starkly different.

From our embedded longitudinal multiple-case study of four SMSFB from Mexico, we found that value creation in this context is primarily driven by the institutionalization and adaptive capability of the firm coupled to in-depth relationships with highly asymmetric (international) partners. These became the foundation of our proposed value creation matrix: a framework which help researchers and practitioners to understand if the business is destroying, neglecting or maximizing value creation through an evaluation of these drivers of value creation. Value is maximized when interactions between partners are long-term, trust-based, collaborative with high resource commitment levels from each partner and win-win negotiation tactics leading to joint value creation. Furthermore, to maximize value creation, the SMSFB must focus on developing relationships with international, or asymmetric partners, while ensuring a formalization of its governance, structure and knowledge management. This study provides players in developing countries with a clear value creation process and definition. The insights can not only help business owners and consultants, but also policymakers on better designing policies that maximize the value creation of their number one economic actor: SMSFB. All in all, this study contributes to the literature a better understanding of the value creation process and mechanisms of SMSFB from developing countries.

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LIST OF ABBREVIATIONS

B2B – Business-to-business

BM – Business model

CBV – Competence-based view

CEO – Chief executive officer

DC – Dynamic capability

FB – Family business

GATT – General Agreement on Tariffs and Trade

GDP – Gross domestic product

IC – Intellectual capital

ISO – the International Organization for Standardization

KBV – Knowledge-based view

KM – Knowledge management

MNC – Multinational corporation

MNE – Multinational enterprise

NAFTA – North American Free-Trade Agreement

NGO – Non-governmental organization

PE – Polyethylene

PET – Polyethylene terephthalate

PVC – Polymerizing vinyl chloride

RBV – Resource-based view

SME – Small-and-medium size enterprise

SMSFB – Small-and-medium size family business

VC – Value creation

1. INTRODUCTION

1.1. The importance of SMSFBs in developing countries

The importance of small-and-medium size family firms (SMSFBs) around the world cannot be understated. First, they are the dominant form of business in the world (Monticelli, 2017) with more than 90% of the world's businesses family-managed or controlled (The Economist, 2015) and 90% being SMEs (World Bank SME Finance, n.d.). This means that they contribute significant benefits to the economy and society at large in the form of GDP growth and job creation (European Family Businesses, 2012). In fact, family firms are the most common organisational form across the world (Konig et al., 2013 cited Wang Yong, 2016), representing between 60 and 90 % of non-governmental GDP and between 50 and 80% of all private sector jobs (Ibid.), while SMEs account for 50% of worldwide employment (World Bank SME Finance, n.d.).

SMEs are considered key actors who have a fundamental role to play not only boosting economic growth, but also realizing the Sustainable Development Goals (SDGs) (Sustainable Development Goals, n.d.; World Bank SME Finance, n.d.) and achieve a more inclusive globalization through the provision of employment and decent work for all, the reduction of income inequalities and a focus on inclusive and sustainable growth (OECD, 2017).

Looking at family firms, they bring more resilience and stability to the economy and communities they operate in, having a long-term orientation focusing on sustainability and prosperity of their employees and communities (European Family Businesses, 2012). In fact, they are better for the community they live in since they invest more in local businesses and philanthropic activities, they are more likely to hire than layoff, have less debt and are more profitable over the long term when considering accounting performance (Ibid.).

Now looking into formal SMEs in the context of developing countries, they represent 45% of total employment (OECD, 2017) and 40% of GDP (World Bank SME Finance, n.d.) and when informal SMEs are included, those numbers are extensively higher (Ibid.). These formal SMEs create 7 out 10 formal jobs in developing markets (World Bank SME Finance, n.d) and thus play a vital role for the development of these economies.

Family SMEs, which are considered within the category of micro, small and medium enterprises (MSMEs) globally – in USA, South America, Europe, Asia and Africa – (Osunde, 2017), are a key driver of economic and social development (Basco, 2018) and are therefore a highly relevant topic to consider in the context of increasing inequalities and globalization. In fact, according to a research undertook by McKinsey & Co., 15,000 companies worldwide will obtain at least a billion dollars in annual revenues by 2025, and, 37% of these will be developing-market family firms (Björnberg et. Al., 2014). Thus, we demonstrated that family SMEs are the dominant form of business on the world and especially in developing countries.

1.2. The need to understand the value creation of developing countries SMSFBs

Looking more in-depth into their value creation potential, these firms have an impact at multiple levels for diverse stakeholders. At the individual level, the owner of the business can create wealth for himself and his family which leads to better prospects for family members in term of social class and education.

Furthermore, value is created for employees of the business which benefit from a stable employment, pay and the development of competencies and skills. There are also benefits at the group level, for the community in which the family SME resides, as these firms are driver of economic development and job creation (World Bank, 2016a), more precisely they play an outsized role in developing economies, where they account for about half of employment and the majority of jobs created. Indeed, the local nature of these firms mean the value they create is much more local, benefiting directly the community they operate in, as opposed to larger firms, especially multinational corporations (Levy & Dion and Laurent, 2015).
These benefits can occur when these firms do business with their local counterparts, supporting the development of a local SMEs ecosystem which enhance the attractiveness of the community by creating jobs and talents and spurring entrepreneurial activities. They can also create value in the form of utility for their customers.

Finally, family SMEs have a huge impact at the national level. Due to their preponderance, they play an extensive role in developing countries, accounting for the majority of jobs created and about half of employment (World Bank, 2016b). Furthermore, they are much more visible on the global stage, increasing their efforts to integrate to the global economy by internationalizing to foreign economies (Zhu et. Al., 2006). In fact, family businesses from developing markets seem "*destined to be the growth champions of the future, forever altering the business landscape*" (Bhalla et. Al., 2016: p.5).

In addition to being drivers of local growth and job creation, these firms play an increasingly important role in providing effective solutions to critical development issues facing developing countries, such as access to education, health services, and clean energy and water (World Bank, 2016a). In fact, these firms can contribute to one of the UN's 17 Sustainable Development Goals, namely promoting "*sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*" (UN, 2019). They generate innovation and are a fundamental part of the nation's economic fabric, providing taxes and sustaining the long-term development of developing countries (The Bassiouni Group, 2017). This in turn contributes to raising local standards of living and to a more socially stable and developed society.

1.2.1. The pertinence of understanding the value creation phenomenon of SMSFBs in the Mexican context

When considering the Mexican context, a developing country member of the OECD, we find it extremely relevant to understand the value creation phenomenon of the key actors of its economy. Indeed, as of 2015, over 82% of the firms in the country are micro, small, or medium-sized (INEGI, 2015; Jiménez, 2016), and the most recent data reports 4,169,677 of these economic units operating in the manufacturing, commercial, and private services (Martínez, 2019).

With over 126 million inhabitants, a growing middle class comprising 47% of household, a highly open economy and rising income and living standards since joining the North American Free Trade Agreement (NAFTA) in 1994, Mexico is today the 15th economy in the world by nominal GDP (McDonald, 2019). The opening of the country's economy means that its SMSFBs are facing increasingly strong international competition and as such it becomes highly appropriate to understand how they create value so they can better compete or collaborate with international firms operating locally.

Highlighting the relevance of studying the value creation of Mexican SMSFBs, the country is facing huge challenges in terms of productivity which are linked to its large informal economy.

In 2016, 57% of the Mexican labor force was informal (OECD, 2017a) and in 2018, the informal economy represented a staggering 22.5% of the country's GDP (INEGI, 2018). This informality coupled to corruption and tax evasion is the main hindrance to the country's growth (Martin, 2019). Indeed, while Mexico tops the 36 OECD countries in terms of hours worked, it is the least productive of all (Martin, 2019), and with a growth of 2.4% per year over the past 25 years, it effectively grew at half the emerging market rate (Ibid.). The economy even contracted in 2019, with a decline of 0.1% (Harrup, 2020).

This makes Mexico an excellent terrain for studying the value creation phenomenon of its main economic actor – SMSFBs – aiming to provide answers which can ultimately lead to increasing their productivity. In fact, the productivity issue particularly hits hard these firms as the labour productivity levels of Mexican SMEs lag far behind the OECD average (OECD, 2017a).
In fact, the country has the widest labour productivity gap between SMEs and large firms across OECD countries, which is even wider when considering firms up to 50 employees (OECD, 2017a).
Given the large number of workers they employ, as the bulk of established small enterprises in Mexico account for 51% of total employment (OECD, 2017a); having the potential to boost their productivity levels through a better understanding of how they create value can not only lead to greater productivity growth and reduction in income inequalities but also in better social inclusion (Ibid.).

1.3. Stakeholder interests

This research matters to diverse stakeholders starting with the owner of the business and his family. Not only does he want to know how to maximize the value created by the business to sustain his family, but also to bequeath it to the second generation as a long-term value-creating asset. More generally, practitioners such as management consultant or executives from the world of small-and-medium size family enterprises in developing countries, have an interest in developing a better understanding of the dimensions, processes and actions which maximize value creation.

Similarly, researchers studying value creation will be able to grasp the incommensurability of the current research landscape in one paper providing a clear picture of this complex phenomenon. The elected officials working in the community in which these firms operate have a strong interest in maximizing their value creation potential since their success is synonym of job creation and increased competitiveness of the community.

More broadly, when considering policy makers, they have an interest in reducing the productivity gap between large and small firms in developing countries as it can boost family SMEs' growth which "*could translate directly into higher earnings for low-income households*" (World Bank, 2016b). This in turn benefits policy makers by giving them more chance to be re-elected while increasing the development level of their country and influence on the global landscape.

Finally, intergovernmental organization like the United Nations or international NGOs care about maximising the value creation of SMEs through promoting their development and enabling entrepreneurship as a way to address global XXIst century challenges such as global warming, the diminution of inequalities, economic inclusion and sustainable development (UN, 2019).

1.4. Main definitions and assumptions

Most of what is known about value creation stems from studies of large firms (Pérez & Cambra-Fierro, 2015) in developed countries (Yao Wang, 2016). To understand how this body of knowledge is inappropriate to explain the value creation process in the context of small-and-medium size family businesses, we first define the three contextual lenses and then show their key patterns of differences.

We adopt the UN's definition of developing countries which classifies them to reflect their basic economic country conditions (UN, 2014); this category contains countries such as the BRICS, Singapore, Hong Kong or Mexico (annex 1 summarize the countries in this group). To ease the reading, we will use the terms developing and emerging interchangeably.

To define SMEs, we adopt the International Labour Office definition which classify firms into four groups, based on their number of employees (ILO, 2015). Microenterprises have up to ten employees, small enterprises between 10 and 100, and medium-sized enterprises between 100 and 250 employees (ILO, 2015). We use the definition adopted by researchers studying family businesses in the context of developing markets since it better reflects their reality. To be a family business, the family should have a significant involvement, "*either in the form of ownership or management, or a combination of both*" (Shi et. Al., 2015).

When considering the current body of knowledge on value creation we see that the assumptions behind it are improper to explain the value creation process in our context of developing country SMSFB. Indeed, developing countries differ markedly on many aspects from developed ones (Anning-Dorson, 2018) and those differences have a direct impact on how value is created in this context.

The key differences between developed and developing countries firms, introduced in table 1 below, exist between elements of the institutional system attributes of developed and developing countries, around their different rate of socioeconomic change, their cognitive structures, regulative systems, leadership and followership orientation and finally their cultural systems and hierarchy (Anning-Dorson, 2018).
The institutional context differences presented below are so broad when considering developed and developing economies that most of the research undertook so far aiming at explaining value creation does not comprehensively address the topic in our context and thus, fails to explain it.

Table 1: Institutional contexts of developed and emerging markets

Institutional system attribute	Developed markets	Emerging market
Socioeconomic changes	Moderate social, political and economic change	Rapid social, political, and economic change
Cultural systems and hierarchy	Emphasis on egalitarianism, autonomy, individualistic, relatively equal distribution of power, roles and resources within the society	Emphasis on hierarchical structures, embeddedness, collectivism, unequal distribution of power, roles and resources within the society
Cognitive structures	Low power distance, low anthropomorphism (communication and relationship building)	High power distance, high anthropomorphism (communication and relationship building)
Leadership and followership orientation	low deference to the top due to individualism	High deference to the top
Regulative systems	Formal rules and laws more powerful	Informal rules and laws, widely held norms and beliefs are sometimes more powerful than formal ones

Source: (Anning-Dorson, 2018; p.583)

Indeed, the business culture dimension and its different assumptions regarding value creation differ from the current research as evidenced by the elements of FB culture introduced by Chirico (2008), namely entrepreneurial drive vs. paternalism. These cultural elements, supposedly opposed in developed countries' FBs, have been witnessed, as evidenced from our data, to happen together in developing countries FBs.

Furthermore, we see more differences emerging around the definition of innovation (Ayyagari et. Al, 2011) and the importance of interactions (Pérez & Cambra-Fierro, 2015). The common assumption behind SMEs' innovation in the literature is linked to the development of globally new technologies (Ayyagari et. Al., 2011), whereas innovations for developing countries SMEs take on a very different form. Indeed, they are mostly linked to new-to-firm, or purely local innovations (Ayyagari et. Al., 2011), thus, to understand developing countries SMEs' value creation process, we must use a broader definition and different assumptions.

They also face strong talent shortages (Bhalla et. Al., 2016) which reinforces their needs to access external resources to compensate for internal deficiencies. This means that assumptions made, in the current research landscape, regarding their knowledge level (Chirico, 2008), does not reflect the reality of the firms we want to study. Indeed, the importance of interactions is magnified by the SME aspect in developing countries (Pérez & Cambra-Fierro, 2015), were these firms cannot rely solely on their internal resources to compete and innovate (Zhu et. Al., 2006). Thus, we see the impact of relationships on the knowledge and value creation (VC) process of these firms greatly differ from the current research body. The assumptions being used, for example considering intellectual output as related to single individual or the network of a business as an output to the value creation process (Klein, 2007), does not match the reality of developing countries SMSFBs. Indeed, we argue and provide evidence to support that these are also input to the VC process of these peculiar firm.

1.5. Research question statement and contributions

In these circumstances, we investigate the topic of value creation of small-and-medium-size family firms in developing countries, addressing the little consensus on what value creation is and how to achieve it (Lepak et. Al., 2007). This leads us to the definition of our research question as "How do small-and-medium size family businesses create value in the context of an emerging country?". More particularly, we study SMSFBs' value creation in the context of Mexico. The potential contributions of this research are both theoretical and practical.

Considering theoretical contributions, we found that asymmetric relationships with larger, international partners lead the SMSFB to maximize its value creation when the relationships is long-term, trust-based, and when partners commit high resources levels and adopt win-win negotiation tactics. Furthermore, the SMSFB can serve this type clients when it follows a differentiated strategy since it enables it to stand out from the local competition in terms of quality and structured processes, as it mitigates the risk for international firms operating in Mexico. Lastly, we argue that similarly to the evolution of life, SMSFBs from developing countries must be able to gather and decode more information and become better information processors as they grow. In fact, to maximize value creation in this context, they must develop more and more complex systems enabling them to process – new, internal and external – knowledge; as such, value creation is linked to the development of structural capital and knowledge mechanisms which process it.

Considering this research's practical contributions, we compile into a readily usable matrix the interplay and links between the two main value-creating factors: institutionalization and relationships' asymmetry and depth. We find three main value creation levels, namely value maximization, value neglect and value destruction. These findings can assist professionals in determining the value creation position of their firm in the matrix and can help them figure out where to focus the SMSFB's strategic resources to move inside it, eventually leading to value creation maximization. Most importantly, it can help SMSFBs' practitioners in Mexico to develop strategies to potentially minimize their productivity gap with larger firms.

2. LITERATURE REVIEW: THE INCOMMENSURABILITY OF THE EXTANT SCHOLARLY VIEW

Very little research has been done which can help us answer our research question. While two studies considered specifically the lens of SMSFB from developing countries, they fail to comprehensively explain their value creation process. As we will demonstrate, the extent scholarly view is loosely connected and incommensurable which makes the contributions of our research essential to propose a holistic definition of the value creation process and mechanisms in SMSFB from developing countries.

2.1. Value creation by Small-and-Medium sized Enterprises (SMEs)

Exploring the literature on the phenomenon and process of value creation by SMEs, we found a variety of topics related to the SME's relationships, strategy or intellectual capital. Looking at the mechanisms of value creation stemming from relationships, Molina-Morales & Martinez-Fernandez (2003) finds a positive impact on the value creation of SMEs affiliated to an industrial district. Indeed, these firms benefits from shared resources which leads to value creation through innovation produced in collective processes (Molina-Morales & Martinez-Fernandez, 2003).

Value is also created through the asymmetric relationships SMEs develop with larger firms in business-to-business (B2B) context (Pérez & Cambra-Fierro, 2015). In fact, the SME benefit from enhanced knowledge and capabilities by combining its resources with its larger partner (Ibid.) leading to more value creation.

Looking into the competitive strategies' impact on the SME, Teti et. Al. (2014) finds that higher value is created for all stakeholder groups (as opposed to solely shareholders), when the SME follows a differentiation strategy. Furthermore, competitive strategies can also explain value creation when their interplay with dynamic capabilities (DCs) is considered (Rashidirad et. Al., 2017). By adding the consideration of internal factors (DCs) to competitive strategies, the authors explain the value creation process in terms of novelty (adoption of new content, structure or governance), lock-ins (customers who repeat their transactions and/or partners maintaining their associations), complementarities (creating value for customers through bundling products, services and/or distribution channels) (Rashidirad et. Al., 2017). In the same vein, Achtenhagen et. Al. (2013) considers the dynamics of business models (shaping, adapting and renewing it) to sustain value creation over time through the SME's strategizing actions, critical capabilities and associated activities which act as complementarities for value creation.

Additionally, the phenomenon of value creation by SMEs can be explained through their intellectual capital. Looking outside the firm's environment, Jordão and Novas (2017) finds that by participating in networks, the SME can develop its intellectual capital and knowledge management, leading to value creation in terms of competitiveness, innovation, performance, sustainability and value (Jordão and Novas, 2017).

Finally, the value creation process is explained by Christensen (2018) in terms of intellectual capital practice as an intangible asset which is conceptualized in practice with the community of practice of the SME. In this context, value is created through tangible-intangible dynamics in the SME driven by the creation and use of intellectual capital practice (Christensen, 2018). The texts from the SME cluster are summarized in table 2.

Table 2: Studies on the value creation of Small-and-Medium sized Enterprises (SMEs)

Author(s), Date	**Methodology**	**Theories**	**Data**	**Main findings**	**Critic**
Pérez & Cambra-Fierro, 2015	Empirical, Qualitative, Longitudinal case studies	Supply chain relationships and management, Asymmetric relationships	15 Spanish SMEs	Demonstrate how small firms do not always assume an inferior, defensive position when collaborating with asymmetric partner. Collaboration between SME and larger partner can lead to new knowledge and capabilities through dual value creation for both partner	**Context** – focus on asymmetric relationships which are less prevalent for SMEs from developing countries since the majority of these firms are informal (Beegle et. Al., 2014) and therefore cannot access large MNCs.
Jordão and Novas, 2017	Qualitative, explanatory approach	Knowledge Management, Intellectual Capital and Network theories	Bibliographical and documentary research	When SMEs share information and knowledge intensely (based on 4 KM strategies) outside the firm – network participation – they can form knowledge networks, leading to the generation of new IC and improved KM practices for them	**Context** – Developing countries SMSFBs, due to institutional context differences, do not instinctively share their knowledge and are little inclined to partnerships with local players, as evidenced by the purely transactional relationships adopted by three out of the four cases studied.
Christensen, 2018	Empirical, Qualitative, Single case-study	Knowledge Management, Intellectual Capital, practice-theorizing: community of practices (CoPs)	Danish SME	IC practice – integrating intangible knowing into the practice of producing tangible output – enable value creation in tangible and intangible dynamics.	**Context** – CoP, as studied in the context of a Danish SME does not apply to our context, as evidenced by our four cases studies. None possessed a CoP. For one case, even KM practices were inexistent.
Achtenhagen et. Al., 2013	Empirical, Qualitative, Longitudinal case-study	Dynamic capabilities, Strategy-as-Practice and Activity-and-Capability based views	9 successful Swedish SMEs	The SMEs' capabilities, activities and strategizing actions act as complementarities for VC by helping firm create value over time by shaping, adapting and renewing their BM to fuel VC.	**Context** – As evidenced by all our cases studied, developing countries SMSFBs do not have a clearly stated strategy which means that it is much harder for them to change and develop their BM, aligning capabilities, activities and strategizing actions.
Molina-Morales & Martinez-Fernandez, 2003	Empirical, Quantitative,	RBV, Industrial districts, Higher order capabilities, Advanced factors	350 Spanish manufacturing SMEs	Through the participation of local institutions, the common reputation of clustered SMEs and the intensity of their exchange and combination of resources, they benefit from shared resources and innovation produced in collective processes.	**Context** – the existence of such district is questionable in our context. First, local institutions often negatively impact the SME in the context of developing countries (as evidenced by the need for several of our cases to bribe official for permits or avoid electricity bill increase for example), also, as mentioned above, these firms tend to avoid sharing resources and knowledge with non-trusted partners as evidenced from our data.
Rashidirad et. Al., 2017	Empirical, Quantitative,	Generic strategies, Dynamic capabilities processes	491 British telecom-unication SMEs	The interplay between competitive strategies and dynamic capabilities are an integral part of VC in terms of novelty (new activity, ways of linking or governing the activity), lock-in (customer repeat transaction or partner maintaining association), complementarities (value for customer with bundle of product/ services/ distribution channels) and efficiency (reduce costs to provide higher benefits)	**Context** – As mentioned above, for our cases studied, the firm did not develop clearly stated strategies.

Author(s), Date	Methodology	Theories	Data	Main findings	Critic
Teti et. Al., 2014	Empirical, Quantitative	Competitive strategies, Stakeholder vs. Shareholder value and social capital theories	169 European companies	When the SME follows differentiation strategies, it creates higher value for all stakeholder groups – shareholders with dividends, employees with salary and customers with p/s – while there is no difference in the financial value created. VC is not related to a company's financial resource.	**Context** – As mentioned above, for our cases studied, the firm did not develop clearly stated strategies.

Looking at the overall cluster of research on the phenomenon of value creation by SMEs, a major critic appears regarding the applicability of the existing research to SMSFB in developing countries. Indeed, all firms considered are from various European countries, and thus fail to account for the uniqueness of our contextual lens. In fact, the developing country context means that the networks, industrial district, strategies, capabilities, relationships, intellectual capital or knowledge management are fundamentally different, mostly because they either are less present or non-existent. Furthermore, we could demonstrate that the scholarly view on SME's value creation is incommensurable, Graphic 1 depicts the different the themes, drivers and outcomes of the value creation process when SMEs are considered.

2.2. Value creation by Family businesses (FBs)

The literature review on the phenomenon of value creation by FBs not only enlighten us on the various value creation processes of these firms, but also on the unique influence of the family on the firm and its performance.

Looking at the influence of the family on the business, Peruffo (2017), through his thorough literature review of theoretical perspectives on family firms, highlights the importance of familiness as the advantages derived by the unique resources and capabilities detained by FBs which in turn lead to advantage based rents and high level of value creation (Habberson and Williams 1999; Chirico et al. 2011a; Chirico and Salvato 2008; Arregle et al. 2007 cited Peruffo, 2017). While for Peruffo the unique resources and capabilities are the driver of value creation, for Klein (2007), it is the family influence – via power, experience and culture – that drives the creation of distinct resources which then become input factors of the firm value creation process (Klein, 2007). Thus, it appears that the distinct resources of family businesses are both driver and outcome of the value creation process (Klein, 2007). For Klein (2007), these resources are in the form of five values, namely the ethical, human, social, intellectual and financial values which are part of the value creation process on three different levels: the individual, the group (family) and the firm.

Another aspect of the peculiar influence of the family on the value creation process is linked to the psychological contract and social exchange of family firms (Madden et. Al., 2017). The authors find that the psychological and relational contracts obligations of the family members are antecedents to firm performance through enhanced employee contributions (Madden et. Al., 2017). As we can see, there appears to exist a variety of internal factors linked to the value creation of FBs. Similarly to other non-family firms, these businesses are embedded in an external environment, however, only one paper considered the impact external factors might have on the value creation and performance of these firms. Sharma & Carney (2012) in their editorial on the methodological and measurement issues of current research on the value creation in private family firms showcase the critical importance of accounting for FBs' context, that is time and space, when measuring their performance (Sharma & Carney, 2012).

When considering the literature on the value creation process of FBs we remark, again, an incommensurability in the research. Indeed, the two texts under consideration present two different processes, each with their own distinctive drivers and outcomes of value creation.
First, Kammerlander et. Al. (2015) in their conceptual paper, take a contingency perspective to explain how the fit between the family firm's goals, resources and governance lead to transgenerational value creation (Kammerlander et. Al., 2015).

Separately, Chirico (2008) finds that the process of value creation of family firms is influenced by the level of knowledge detained and the culture (manifested either through paternalistic or entrepreneurial drive) of the FB, which in turn are crucial for the creation or destruction of dynamic capabilities (Chirico, 2008).
These dynamic capabilities form the driver of entrepreneurial performance, here the outcome of the value creation process in the form of entrepreneurial innovation or strategic adaptation to the markets (Chirico, 2008). The texts for the literature review on the family firms cluster are summarized in table 3 introduced below.

Table 3: Studies on the value creation of Family Businesses (FBs)

Author, Date	Methodology	Theories	Data	Main findings	Critic
Klein, 2007	Qualitative, Conceptual	RBV, Family influence F-PEC scale (Power, Experience, Culture)	Literature review	Family influence (FAM) via power, experience and culture leads to the creation of distinct resources (or values, namely ethical, intellectual, social, human and financial), both input (FAM) and output (five values) of the VC process. The VC process involve all five values on three levels, namely, individual, group (family) and the firm.	**Applicability** – Assumptions that "intellectual output is related to a single individual" & "Relationships are a result, thus an output, of the process of interaction during the production process." apply differently to developing countries SMSFB as evidenced by the importance of the SMSFB's partner resources as input of the VC process of all cases studied. **Theoretical framework** – Solely use RBV framework to explain the VC process, in the context of developing countries, should be extended with KBV (Barkat & Beh, 2018; Rehman et. Al., 2015).
Chirico, 2008	Qualitative, Empirical, Multiple embedded case studies	RBV, Dynamic Capabilities, Tacit Knowledge	Four family firms from Italy & Switzerland; Beverage manufacturing industry	The level of knowledge of the FB and the FB culture – manifested through either paternalism or entrepreneurial drive – are crucial for, respectively, the destruction or creation of DCs. These DCs can lead to entrepreneurial performance in the form of innovation or strategic adaptation to the market.	**Applicability** – Assumption that FB culture either displays entrepreneurial drive or paternalism does not hold in our context as evidenced by the fact that all four cases studied displayed elements of both paternalism and entrepreneurial drive with different impact on their DCs. **Theoretical Framework** – The level of knowledge of developing countries SMSFBs, due to the institutional context differences mentioned above and as evidenced by our cases (difference in terms of family members working outside the business, employing talented non-family members and the motivation and commitment of family members toward the business) is not reflected by the framework.
Sharma & Carney, 2012	Qualitative, Conceptual	SEW (Socio-emotional-Wealth), Survival, Embeddedness, Reputation, Sustainability (=four performance measurements)	Editorial – six articles	"Family involvement in business is the core variable that distinguishes family enterprise […] Amidst this seemingly unified core, however, lies significant diversity. The nature and mode of family involvement in business varies across firms and in a firm over time. The desired, espoused, and accomplished performance goals in terms of firm size, growth, or age vary as well. Often these goals are modified and synchronized by the developments and resources on the family dimension." (p.238-239).	**Applicability** – The distinction made in terms of family involvement as defined in the text does not apply to our context as evidenced by our four cases. Where the family is involved in both management and ownership (complete ownership). The distinction made for large private family firms from developed economies therefore cannot apply to our context. **Theoretical framework** – no reference to knowledge while we know from the literature and as evidenced by our four cases that it is a key component of the value creation process.

Author, Date	Methodology	Theories	Data	Main findings	Critic
Kammerlander et. Al., 2015	Qualitative, Conceptual	Contingency perspective, SEW, RBV	Editorial	The fit between the goals, resources and governance structure of family firms, all influenced by family owners, can lead to transgenerational value creation. More specifically, the unique non-financial goals, familiness (unique resources and capabilities) and owner-influenced governance structures (organisational structure, compensation, monitoring systems and incentives schemes) are all shaped by extant stakeholders.	**Applicability** – Assumption that "governance structures are determinants of value creation in any firm" cannot apply to our context of developing countries SMSFBs as all the governance described, namely corporate, ownership, family and wealth governance in family firms could not be found in our cases. **Theoretical framework** – no reference to knowledge while we know from the literature and as evidenced by our four cases that it is a key component of the value creation process.
Peruffo, 2017	Qualitative, Conceptual	RBV, Agency theory, Stewardship theory, behavioral agency model, SEW	Literature review	Two definitions of family firms should be combined to better reflect their highly heterogenous nature. The component-of-involvement and essence approaches, which respectively consider the % of shares of the family and its involvement (i.e., ownership, management and/or control) coupled to the specific behaviour of its members. Furthermore, the behaviours, goals, and interests of family owners define their firms' strategic decisions and performance	**Applicability** - Definition of FB as heterogeneous does not apply in our context as evidenced by our four cases were the family possesses 100% of shares, has ownership, management and control of the firm and were close family members involved in the business share similarly strong involvement levels. Thus, the heterogeneity highlighted in these terms is not representative for our context. Furthermore, as mentioned above, due to institutional context differences between developed and developing countries, the behaviors, goals, interests and strategic decisions will differ and impact differently value creation. **Theoretical framework** – no reference to knowledge while we know from the literature and as evidenced by our four cases that it is a key component of the value creation process.
Madden et. Al., 2017	Quantitative, Empirical	Social Exchange theory, Psychological contract	101 family firms from Eastern USA	Firm's family members' transactional and relational psychological contract obligations are antecedents of individual (employee) contributions leading to improved firm performance. Participative decision-making and succession planning help maintain transgenerational control and succession planning mediates the relationship between participative decision-making and firm performance.	**Applicability** – "When family firms meet the employees' perceived obligations to their employees, the employees meet their perceived obligations to their employers.". Based on the institutional context differences presented above and the evidence gathered from our cases, this is very different for developing countries SMSFB. Indeed, there is a high deference to the top, highly hierarchical system which means the psychological contract is different between the parties, resulting in different outcomes. **Theoretical framework** – no reference to knowledge while we know from the literature and as evidenced by our four cases that it is a key component of the value creation process.

Looking at the overall cluster of research on the phenomenon of value creation by FBs, we find several issues regarding the applicability of the existing research. The lack of applicability is reflected in terms of the context of the studies, the definition of family firms and the assumptions which do not match our context at hand. Furthermore, we find applicability issues linked to the theoretical framework adopted which all fail to properly represent the knowledge dimension of the value creation process of SMSFBs.

By showing the multiple drivers and outcomes of value creation for FBs, we hope to demonstrate the incommensurability of the research and the necessity to provide practitioners with a clear path toward value creation, graphic 2 depicts the different the themes, drivers and outcomes of the value creation process when FBs are considered.

2.3. Value creation by firms from developing countries

Diving into the nine texts of the developing country lens, we discovered three main themes around value creation, namely knowledge and knowledge management (KM) practices, intellectual capital (IC) and innovation.

Looking into the impact of knowledge at the individual level, Ratten et. Al. (2016), using the Global Entrepreneurship Monitor survey in emerging economies from 2009-2013, find that the network knowledge detained by entrepreneurs – the knowledge obtained through their respective networks – is more important than their intrinsic knowledge to support new venture creation and increase the profitability of firms in the international marketplace (Ratten et. Al., 2016).

Adopting the level of the firm, Rehman et. Al. (2015) use the knowledge-based view of the firm in the context of the Pakistani telecom sector to highlight the positive and significant impact of KM practices on the organizational performance. More precisely, KM practices are operationalized using business process capabilities and organizational learning. While the former partially mediates KM practices, organizational learning is found to completely mediate the relationship between KM practices and organizational performance (Rehman et. Al., 2015). The performance, or value creation outcome, is defined as the combination of operational excellence, product leadership, customer intimacy and financial achievements (Rehman et. Al., 2015).

Knowledge can also play an important role in the value creation process if the firm's possess the capabilities necessary to leverage (Barkat & Beh, 2018). In fact, Barkat & Beh (2018) consider the impact of IC on organizational performance and found that all its three dimensions (relational, human and structural capital) significantly and positively impact both knowledge process capability and organizational performance. In fact, IC dimensions support the improvement of knowledge process capabilities, in turn leading to firm competitive advantage development. In this triadic relationship, relational capital – the firm's relationships with its customers and suppliers and their loyalty towards it – has the most significant impact on both knowledge processes and organizational learning followed by the human and structural capital (Barkat & Beh, 2018).

Looking deeper into the intellectual capital dimension, Mahoney & Kor (2015) take on a human capital perspective on value creation by joining the capabilities (resources and capabilities) and governance approaches. They find that investments in firm-specific human capital create a conduit for building and advancing the firm's core competencies which ultimately lead to economic value creation (Mahoney & Kor, 2015).

Addressing the relational dimension, Le Pennec & Raufflet (2018) empirically study value creation in inter-organizational collaboration inside an international development project between NGOs (Canadian and local) in Guatemala. They find that is the learning stemming from different types of collaborative processes between the organizations which can lead to different types of value created – associational, transferred, interactional and synergistic values – over a continuum (Le Pennec & Raufflet, 2018). However, they do not consider the societal or financial value as they consider the early stages of value creation.

The last theme is around innovation and its role in the value creation process. Osterwalder et. Al. (2002) proposes a business model handbook for developing countries firms which emphasizes the combination of efficient infrastructure management (cost) and product innovation through differentiation, as the driver of sustained customer relationship and value proposition delivery (Osterwalder et. Al., 2002). This in turn enable the firm to maximize its revenues through price and profitability increase. Separately, Sánchez & Ricart (2010), who study business model innovation in low-income countries (LICs), found that the firm should focus on learning and innovation while combining its resources and governance with the ones of its ecosystem or network. The value creation outcome is linked to innovative products and business models, competitive advantages development and new sources of revenues (Sánchez & Ricart, 2010). Looking at the creation and diffusion of innovation in developing countries and their firms, Zanello et. Al. (2016) find that to maximize it, they must tap existing knowledge and know-how present outside and inside the firms and countries' environments (Zanello et. Al., 2016).

Finally, at the individual level, Anning-Dorson (2018) shows that innovation relates positively to the creation of firm competitive advantage. More specifically, he founds that market innovation, relatively to process and product innovation, is the most significant determinant of competitive advantage (Anning-Dorson, 2018). Organisational leadership is found to be the mediating variable between the two and high level of organisational innovation leadership can lead to the firm's value creation (Anning-Dorson, 2018). The texts for the literature review on the developing country firms cluster are summarized in table 4.

Table 4: Studies on the value creation of developing countries firms

Author, Date	Methodology	Theories	Data	Main findings	Critic
Osterwalder et. Al., 2002	Qualitative, Conceptual	Value Chain, Capabilities and resources (RBV)	Theoretical Business model tool	Infrastructure management through cost advantage, supports product innovation through differentiation which in turn, sustain customer relationships through high service levels. This leads to a value proposition delivery ensuring profitable and sustainable revenue streams.	**Theoretical framework** – no reference to knowledge while we know from the literature and as evidenced by our four cases that it is a key component of the value creation process. **Context** – Focus on ICT firms in developing countries
Sànchez & Ricart, 2010	Qualitative, Empirical, Multiple case-study	Value Chain, RBV, Core resources and capabilities (RBV), Contingency factors	7 cases of MNCs launching new ventures in developing countries	In isolated business model, the firm's internal resources and capabilities are its main source of value creation through competitive advantages development and new sources of revenue. Whereas in interactive business model, it is the firm's focus on learning and innovation and the right combination and proper governance of the firm's resources and capabilities	**Theoretical framework** – no reference to knowledge while we know from the literature and as evidenced by our four cases that it is a key component of the value creation process **Context** – Focus on MNCs in developing countries not local firms
Zanello et. Al., 2016	Qualitative, Conceptual	Theory on the diffusion of innovation	Literature review on the creation & diffusion of innovation in developing countries	"innovation in developing countries is about creation or adoption of new ideas and technologies; but the capacity for innovation is embedded in and constituted by dynamics between geographical, socio-economic, political and legal subsystem. […] the institutional context typical of developing countries impacts the diffusion itself." (p.884)	**Applicability** – Focus on innovation as an outcome but remain highly conceptual and does not address the process of VC

Author, Date	Methodology	Theories	Data	Main findings	Critic
Mahonney et. Al., 2015	Qualitative, Conceptual	Resources (RBV) and dynamic capabilities approach, Governance approach, Stakeholder theory of the firm	Literature review on the role of human capital in value creation	Investments in firm-specific human capital creates an important pathway for building and enhancing a firm's core competencies which can be a source of economic value creation.	**Theoretical framework** – Focused on a single dimension of IC, VC process has many dimensions as evidenced from our four cases and the literature.
Le Pennec & Raufflet, 2016	Qualitative, Empirical, Case-study	Inter-organizational collaboration (Motivations and KSF)	Case study of an inter-organizational partnership within an international development project between a Canadian and Guatemalan NGOs	Collaborative processes lead to different types of learnings for the entities involved which in turn lead to different types of value and value creation in the form of inter-organizational value. Value is created sequentially in a critical path beginning with associational value, then transferred value followed by international value and synergistic value.	**Context** – Focus on the value creation of NGOs which have different goals and constraints than businesses
Rehman et. Al., 2015	Quantitative, Empirical	RBV, KBV (Knowledge based view), CBV (Competence based view), KM practices	666 firms from the telecom/high-tech sector in Punjab, Pakistan	KM practices have a positive and significant relationship with the overall performance of firms, which is a combination of operational excellence, customer intimacy, product leadership and financial achievements. More specifically, Business process capability partially mediate the above-mentioned relationship while organizational learning completely mediates it.	**Context** – Focus on telecom and high-tech industry **Theoretical framework** – Sole focus on KM practices in the VC process (no consideration of relationships, partner types, or other capabilities)
Ratten et. Al., 2016	Quantitative, Empirical	Entrepreneurial and Network knowledge	Aggregated data from the Global Entrepreneurship Monitor survey 2009-2013 (between 55-67 developing countries)	The network knowledge detained by the entrepreneur is key to new business creation and increase the firm's profitability in the international marketplace.	**Suitability** – Focused on the type of knowledge leading to new ventures creation and internationalization not the VC process
Barkat & Beh, 2018	Quantitative, Empirical	KBV theory, IC, Knowledge process capability	Aggregated data on large firms from the manufacturing sector in Pakistan	The three IC dimensions (relational, structural and human capital) all positively impact knowledge process capability (KPC) which have a positive relationship with organizational performance. The three also mediates the relationship between KPC and performance, but relational capital has the strongest impact.	**Theoretical framework** – does not address the firm's resources which are important dimension of the value creation process has evidenced from our cases and the literature. **Context** – Focus large firms from the manufacturing sector
Anning-Dorson, 2018	Quantitative, Empirical	Upper echelon theory, Power Distance cultural perspective	Sample of service firms from India (178) & Ghana (201)	Innovation, more specifically market innovation (as opposed to process or product innovations), is found to be the most significant determinant of the firm competitive advantage. It is linked to the firm's ability to sense and react to market opportunities and threats better than the competition.	**Context** – Focus large firms from the service sector **Assumption** – "emerging market firms can create competitive advantages through the exploitation of innovation as a strategic option" as mentioned above, no clear strategizing was found for our cases.

Several critics can be made regarding the texts in this cluster. First, their contextual differences with our conceptual lens makes it hardly applicable for our research. Second, they are not suitable to help us answer our research question. Indeed, most of the qualitative research undertook is conceptual in nature which makes it hardly useful for practitioners. The themes considered also fail to take a holistic perspective of the value creation phenomenon. Indeed, only isolated dimensions and mechanisms of the value creation process are considered. Furthermore, while some papers adopt different drivers and outcomes of the value creation process some use the same outcomes but determined by different drivers. For example, the value creation outcome as defined by the competitive advantage of the firm is determined on one hand by the knowledge process capabilities of the business mediated by its intellectual capital (Barkat & Beh, 2018), but also by market innovation mediated by organizational leadership (Anning-Dorson, 2018).

Looking at the contextual differences between our conceptual lens and the extant scholarly view from the value creation of firms in developing countries, we see that it fails to grasp the reality of SMSFBs and comprehensively explain their value creation process. Indeed, differences arise around the nature of actors considered and their operating environment. All the firms considered are large local firms (Barkat & Beh, 2018), MNCs (Sànchez & Ricart, 2010) or NGOs (Le Pennec & Raufflet, 2016) which means that their reality inaccurately reflect the ones of the firms in our study. Furthermore, the scholarly view focuses on highly specific sectors, either services (Anning-Dorson, 2018), manufacturing (Barkat & Beh, 2018) or telecom (Rehman et. Al., 2015) which means that the applicability of the findings might be restricted to firms in these sectors. Graphic 2 depicts the incommensurability of the different themes, drivers and outcomes of the value creation process when developing countries firms are considered.

2.4. Value creation by SMEs from developing countries

The SME from developing countries cluster was the largest with 11 texts. However not one covers the process of value creation in its entirety and, similarly to the other clusters, the research landscape is highly incommensurable. Indeed, topics range from the factors and obstacles to SME growth and performance, its resources and capabilities, innovation, knowledge configurations, to its value chain position. Furthermore, more than half of the texts related to the SME internationalization field, underlining its importance to understand the phenomenon of value creation by developing countries SMEs.

Looking into the biggest obstacles to SME growth, Wang (Yao, 2016), through his quantitative analysis of 130,000 SMEs from 119 developing countries, found that access to finance is the most significant obstacle followed by the practices of competitors, supply of electricity, tax rates and political instability (Yao Wang, 2016). These obstacles highlight some of the specific challenges faced by developing countries SMEs in their value creation process. Considering the topic differently, Anggadwita & Mustafid (2014), in their empirical study, identify factors influencing 35 Indian SMEs performance. They find that both entrepreneurial aspects – individual's motivation, optimism, self-efficacy and self-management – and the competence of human resources – skills, knowledge and abilities – influence the firm's ability to create action and acceptable results (Anggadwita & Mustafid, 2014) and thus, create value.

In a similar vein, Ndiaye et. Al. (2016), using empirical evidence from the World Bank Enterprise survey on developing economies, find that 37 factors can support SME performance as measured by capacity utilization, annual employment/labour productivity/real annual sales growth, and the percentage of firms buying fixed assets (Ndiaye et. Al., 2016). The most important, applying to both small and medium size enterprises, comprised formal registration, the use of material inputs and /or suppliers of foreign origins, formal training, higher numbers of both temporary and permanent workers and finally, using banks to finance working capital (Ndiaye et. Al., 2016). As we can see, theses aspects relate to a certain level of formalization of the business which can be linked to the value creation process.

Looking into the topic of resources and/or capabilities, we find some authors considering resources or capabilities in isolation but also authors which consider them jointly. For example, Schmidt (2005) looks at the value creation of SMEs considering their resource allocation under different conditions of economic development. He finds that the preconditions of SMEs' competitiveness are its dynamic labour qualification, risk-oriented capital, market transparency and strategic management (Schmidt, 2005).

Other authors do not consider the firm resources but solely its capabilities. This is the case for Zhu et. Al. (2006) which considers the absorptive capacities and institutional embeddedness of internationalizing SMEs from emerging economies. For these authors, performance is associated with sustaining the firm's global competitiveness and for the SMEs to do so, they must build their knowledge and capabilities to be able to use embedded network with business groups, foreign firms and local governments, to leverage the knowledge they detain (Zhu et. Al., 2006). This, in turn, enables the SME to increase its internationalization capabilities and enable it to successfully enter and compete in international markets (Zhu et. Al., 2006).

Still in the field of SME internationalization but considering both resources and capabilities, Garg & Kumar (2014) undertake an exposition of resource capabilities for SMEs in emerging markets. In their conceptual paper, they provide clarity on the main rationale behind SME internationalisation as its resource capabilities. They show that these resource capabilities, theorized with the firm's resources (RBV), core competency and dynamic capabilities, provide the SME with the competitive edge to sustain themselves in today's globalised business environment (Garg & Kumar, 2014). In a similar fashion, Bianchi et. Al. (2017) study the SME international performance using the resource (RBV) and dynamic capabilities approach to empirically study 233 Chilean SMEs. They find that the SME international performance depends on the international entrepreneurial orientation and internet technology capabilities of the firm which are mediated by the international entrepreneurial opportunity recognition and technology-related international networks, respectively (Bianchi et. Al., 2017).

Looking at the topic of knowledge configuration of SMEs, Mejri et. Al. (2018) find it has a direct impact on their decision to engage in international B2B markets, but which can vary greatly based on the SME's knowledge types and sources (Mejri et. Al., 2018).
Considering the topic of innovation, Ayyagari et. Al. (2011), using empirical evidence from the World Bank Enterprise survey with 19,000 firms 47 developing countries, look at the role of finance, governance and competition on firm innovation. To cater to emerging markets conditions, they define firm innovation broadly to include the introduction of a new product/service or technology, knowledge transfer or new production processes (Ayyagari et. Al., 2011). They find that access to external financing, exposure to foreign competition, highly educated managers and corporate governance all contribute toward greater firm innovation (Ayyagari et. Al., 2011). In their qualitative empirical study, Lopez-Vega (2014) focus on exploring the innovation – or value creation – activities of seven Ecuadorian SMEs. They find increased performance outcomes and satisfaction levels of SMEs when they design strategies to cater to the needs of customers from developed markets or offer benefits recognized in these (Lopez-Vega et. Al., 2014). However, the achievement of one of these strategies, is dependent

on the firm's strategic resources and alliances it builds, which help it access the necessary material it lacks (Lopez-Vega et. Al., 2014).

Finally, Marinova & Marinov (2018), in their qualitative research, consider the role and context of value chain position to explain the meanings and interpretation of value creation. By studying three B2B SMEs from the clothing industry at different international value chain positions in UK, India and Sri Lanka, they find that value perception is conditioned by the firm strategy and scope of activities while value creation – as defined by economic, psychological and sociological values – is informed by the BM characteristics and the socially constructed reality in which it operates (Marinova & Marinov, 2018). Furthermore, while these values where all identified as important by the firms studied, all firms had distinct approaches, interpretations and sources, not only embedded and conditioned by the firm's contextual system but also by its position in the global value chain (Marinova & Marinov, 2018). The potential to create greater value for developing countries SMEs was maximized when they adopted a diversified glocal value chain position (Marinova & Marinov, 2018). The texts for the literature review on the developing countries SMEs cluster are summarized in table 5 introduced below.

Table 5: Studies on the value creation of developing countries SMEs

Author(s), Date	Methodology	Theories	Data	Main findings	Critic
Schmidt, 2005	Quantitative, Conceptual	Economic theory, Exchange, user and returns value	Secondary data from empirical results of related studies of SMEs value creation in Germany, Japan and South Africa	Two approaches of resource allocation are most relevant for the SMEs namely subjective value approach and institutional approach. The preconditions of the competitiveness and value creation of SMEs are dynamic labour qualification, risk-oriented capital, market transparency and strategic management.	**Theory** – Does not explain the process; No consideration resources or capabilities, relationships
Anggadwita & Mustafid, 2014	Quantitative, Empirical,	RBV	35 SMEs from the merchandising sector in Bandung, India	Both entrepreneurial assets (individual's motivation, optimism, self-efficacy, self-management) and the competence of human resources (skills, knowledge and abilities) have the potential to enhance SME performance expressed as the firm's ability to create action and acceptable results.	**Theory** – Unidimensional, solely consider resources, no considerations relationships, DCs, etc. **Context** – Focus on the merchandising sector
Yao Wang, 2016a	Quantitative, Empirical	Barriers to growth of SMEs	Cross-country data from the World Bank, 130,000 firms from 64 different sectors in 119 developing countries	SMEs in developing countries face specific obstacles to their growth linked to access to finance, competition, tax rate, electricity and political factors. This makes their context highly different from developed countries SMEs	**Theory** – no conceptualization of the VC process, only a list of dimensions

Author(s), Date	Methodology	Theories	Data	Main findings	Critic
Ayyagari et. Al., 2011	Quantitative, Empirical	O-ring theory of development, technology frontier and innovation, governance	World bank enterprise survey data of 19,000 firms from 47 developing countries	Access to external financing, exposure to foreign competition, highly educated managers and individual or family corporate governance lead to greater SME innovation in developing countries. Innovation is defined in terms of introduction of new product or technologies, knowledge transfer and new production processes.	**Theory** – no conceptualization of the VC process, only a list of dimensions
Ndiaye et. Al., 2018	Quantitative, Empirical	Factors affecting the performance of SMEs	World Bank enterprise survey data	The factors driving the performance of SMEs in developing countries relate to higher numbers of temporary and full-time workers, use of material inputs and/or suppliers of foreign origins, formal training and registration, better tax administration. Whereas access to international markets and internationalization is favored by better labour regulations, using banks to finance working capital.	**Theory** – no conceptualization of the VC process, only a list of dimensions **Context** – Focus on SME internationalization
Bianchi et. Al., 2017	Quantitative, Empirical	Resources (RBV) and capabilities approach, Dynamic capabilities (DCs), networks	233 Chilean SMEs, cross-sectoral data	The relationship between international entrepreneurial orientation and the SME international performance is mediated by international entrepreneurial opportunity recognition; and the relationship between internet technology capabilities and SME international performance is mediated by technology-related international networks.	**Context** – Focus on SME internationalization
Zhu et. Al., 2006	Qualitative, Empirical	Institutional theory, DCs, Social Network theory	Literature review on institutional embeddedness and DCs in the international strategy of developing countries SMEs	Incumbents SMEs in developing countries build knowledge and capabilities to use embedded network with business groups, local governments and foreign firms to develop their absorptive capabilities to internationalize with the absorbed knowledge, entering and competing successfully in international markets.	**Theory** – no consideration of the process per se, lack consideration of resources, KM, etc. **Context** – Focus on SME internationalization and only on one of the three capabilities (absorptive capability)
Lopez-Vega et. Al., 2014	Qualitative, Empirical, Case-studies	Business model theory (resources, activities, partnerships), BM innovation, Innovation in Latin American markets	Seven Ecuadorian SMEs and the local results of the Global Entrepreneurs hip Monitor survey	SMEs in developing countries see increased performance outcomes and satisfaction levels when they design their value propositions to cater to the needs of international players and offer benefits recognized in developed market. These two depend on the strategic resources and partnerships develop by the SME to access the necessary material.	**Theory** – no consideration of the process per se, lack consideration of capabilities, KM, etc. **Context** – Focus on SME internationalization
Garg & Kumar De, 2014	Qualitative, Conceptual	RBV, Core competency, DCs, Social networks	Literature review on RBV, Core competency and DCs approach for SMEs from emerging markets	The resources (RBV), core competencies and dynamic capabilities of the developing countries SMEs are the main rationale behind their significance in the provision of a competitive advantage to sustain themselves and internationalize.	**Context** – Focus on SME internationalization **Suitability** – no reference of the VC process, highly conceptual

Author(s), Date	Methodology	Theories	Data	Main findings	Critic
Marinova & Marinov, 2018	Qualitative, Empirical, Case-studies	Economic marginal utility theory for SMEs, Service Dominant Logic (SDL), Supply chain management (SCM) & Global value chain (GVC)	3 B2B SMEs with different positions in an international value chain from India, UK and Sri Lanka in the traditional clothing industry	A more diversified glocal value chain position of an emerging market SME has the potential to create greater internal (for the firm and its members) and external (for the community and country) value for firm and the social system in which it is embedded.	**Theory** – no conceptualization of the VC process and lack consideration of capabilities, resources, etc. **Context** – focus on the meanings and interpretations of VC, not the process
Mejri et. Al., 2018	Qualitative, Empirical	Industrial marketing management theory, knowledge config-urations	22 knowledge-intensive SMEs that internationaliz ed from the ICT sector in Tunisia	Developing countries SMEs' knowledge configurations, made of 3 knowledge types and 5 knowledge sources have a direct impact on the SMEs engaging in international B2B markets. The knowledge types are technological, market and internationalization knowledge and the sources are experiential, vicarious, grafting external searched and internal knowledge.	**Theory** – no consideration of the process per se, lack consideration of capabilities, resources, etc. **Context** – Focus on SME internationalization

As we can see, most of the texts either are theoretically incomplete or contextually inaccurate to explain the phenomenon of value creation in the context of developing countries SMSFB. Furthermore, the diversity of topics and approaches make the current research landscape on developing countries SMEs highly incommensurable. Looking at the last three clusters considering the phenomenon of value creation for developing countries family firms, SMSFBs and developing countries SMSFBs, we see this trend continuing, highlighting the necessity of our research.

2.5. Value creation by Family firms from developing countries

While three studies considered the distinctiveness of family business from developing markets, they do not properly address the value creation process. However, their findings help us put into light different factors which impact value creation. Monticelli (2017) take on an institution-based view in his conceptual paper to highlight how the strategic choices emanating from institutions play a strong role in the internationalization process of FBs from developing countries (Monticelli, 2017).

For other authors, it is the distinctive context of emerging countries which warrant an equally distinctive approach to understand the fundamental issues and value creation process of these peculiar businesses (Bhalla et. Al., 2016). More specifically, they find through an empirical analysis of a 1000 FBs from India, Southeast Asia and Brazil, that the main differences revolve around performance and evolution dimensions (Bhalla et. Al., 2016). While the former is characterised by faster growth rate at the expense of profitability, the latter inform their longer survival compared to their developed countries' peers (Bhalla et. Al., 2016).

Finally, the emerging countries FBs' advantages in terms of local understanding of the context, existing value chain relationships, higher accountability level and ability to work fast (Björnberg et. Al., 2014) enable them to create more value than developed country firms operating in their markets. The texts for the literature review on the developing countries FBs cluster are summarized in the table 6 below introduced below

Table 6: Studies on the value creation of developing countries FBs

Author(s), Date	**Methodology**	**Theories**	**Data**	**Main findings**	**Critic**
Björnberg et. Al., 2014	Quantitative, Empirical	Financial performance	McKinsey primary data and other secondary data	When comparing FB from developed and developing countries, the authors find that developing countries FB have a better understanding of the local understanding of their context, existing value chain relationships, more accountability and work faster. These differences, in turn, lead them to create more value than their developed countries counterparts.	**Theory** – no conceptualization of the VC process, only a list of dimensions **Context** – no distinction between large and SMSFBs, focus on financial performance only
Bhalla et. Al., 2016	Quantitative, Empirical	Financial Performance	200 FBs from developed markets and 1000 from India, Southeast Asia and Brazil	The distinctive context of emerging countries' FBs warrants an equally distinctive approach to fundamental issues affecting their value creation in terms of performance and evolution. They grow faster at the expense of profitability and survive longer than their developed countries counterparts.	**Theory** – no conceptualization of the VC process, only a list of dimensions **Context** – no distinction between large and SMSFBs, focus on financial performance only
Monticelli, 2017	Quantitative, Conceptual	Neo-institutional theory, Institution-based view	Secondary data from PwC report	Developing countries institutions' strategic choices and the dynamic interaction between them and family businesses, play a key role in FBs' decision to internationalize and their internationalization process.	**Theory** – no conceptualization of the VC process, no consideration resources, capabilities, etc. **Context** – no distinction between large and SMSFBs, focus on internationalization

As we can see, all the texts are both theoretically incomplete and contextually inaccurate to explain the phenomenon of value creation in the context of developing countries SMSFB.

2.6. Value creation by Family SMEs (SMSFBs)

The two studies that look at SMSFBs adopt different outcomes of the value creation process. For Yong Wang (2016) the development and enhancement of dynamic capabilities of FBs is the outcome of the value creation process.

Environmental dynamism is the driver, or antecedent, of these dynamic capabilities and is the result of government uncertainty, market competition, technological evolution, and complexity and changes driven by the external environment and customer demands (Yong Wang, 2016); The relationship between the two is mediated by the presence of trust in employer-employee relationships (Yong Wang, 2016).

For Leal-Rodriguez et. Al. (2017), the value creation outcome is the business performance measured by the market share, growth rate, profitability and innovation. The authors start from the entrepreneurial culture – entrepreneurship, risk-taking, commitment to innovation and continuous improvements – and find it has a positive relationship on innovation outcomes, which in turn positively influence business performance (Leal-Rodriguez et. Al., 2017). Furthermore, these two relationships are positively mediated by the family nature of the firm (Leal-Rodriguez et. Al., 2017). The texts for the SMSFBs cluster are summarized in table 7.

Table 7: Studies on the value creation of Small-and-Medium Sized Family Businesses (SMSFBs)

Author(s), Date	Methodology	Theories	Data	Main findings	Critic
Yong Wang, 2016b	Quantitative, Empirical	Stewardship perspective, DCs	137 SMSFBs from the UK	Environmental dynamism is an antecedent to the creation of dynamic capabilities of family businesses which are moderated by the presence of trust in employer-employee relationships.	**Theory** – no conceptualization of the VC process, no consideration of relationships, resources, etc. **Context** – developed country context
Leal-Rodriguez et. Al., 2017	Quantitative, Empirical	Human capital, DCs, Entrepreneurial culture, Innovation	145 SMSFBs from the automotive components manufacturing sector in Spain	The entrepreneurial culture (risk-taking, dynamism and entrepreneurship, commitment to innovation, continuous change and search of new opp./challenges) of the FB is positively related to innovation outcomes (high novelty, new product developed quickly, large number new products). And innovation outcomes are positively related to business performance in terms of market share, success, growth, profit and innovation. These two relationships are positively moderated by the family nature of the firm.	**Theory** – no conceptualization of the VC process, only a list of relationships and outcomes **Context** – developed country context

As we can see, all the texts are both theoretically incomplete and contextually inaccurate to explain the phenomenon of value creation in the context of developing countries SMSFB.
An important insight relates to the theories used by the two texts, it seems that when considering SMSFBs, dynamic capabilities have a significant impact on their value creation.

2.7. Value creation by Family SMEs from developing countries

Finally, when considering the last cluster, the two studies adopting this particular lens both have outcome of the value creation process linked to the firm innovation. Ayyagari et. Al. (2011) does not offer us insights into the value creation process but rather finds that family ownership is associated with the introduction of new product lines and the opening of new plants, more than any other type of governance.

Shi et. Al. (2015) enlightens us more as to the process of value creation, indeed, the authors through their studies of Chines SMSFBs find a positive relationship between trusting relationships and entrepreneurial processes and outcomes (Shi et. Al., 2015). Trusting relationships, influenced toward either a market or family orientation, rely on kinship goodwill, individual competence and/or contractual commitment (Shi et. Al., 2015). These relationships, in turn, enable entrepreneurial processes – linked to the exploitation or external acquisition of existing/new resources and capabilities – which can lead to entrepreneurial outcomes in the form of radical or incremental innovation (Shi et. Al., 2015). The texts for the developing countries SMSFBs cluster are summarized in table 8 introduced below.

Table 8: Studies on the value creation of developing countries SMSFBs

Author(s), Date	**Methodology**	**Theories**	**Data**	**Main findings**	**Critic**
Ayyagari et. Al., 2011	Quantitative, Empirical	O-ring theory of development, Technology frontier and innovation, Governance	World bank enterprise survey data of 19,000 firms from 47 developing countries	Access to external financing, exposure to foreign competition, highly educated managers and individual or family corporate governance lead to greater SME innovation in developing countries. Innovation is defined in terms of introduction of new product or technologies, knowledge transfer and new production processes.	**Theory** – no conceptualization of the VC process, only a list of dimensions
Shi et. Al., 2015	Qualitative, Empirical, Case studies	Social capital, Trust, Innovation	8 Chinese SMSFBs from the manufacturing sector	Although multiple types of trust exist concurrently in Chinese SMSFBs, it is interpersonal trust on the basis of goodwill and competence that prevails, while contractual trust is weak and marginal. Three patterns of trusting relationships are identified, each of which has both positive and negative effects on entrepreneurship and innovation in family businesses. Potential "dark side" of trust, which incurs extra cost and commitment to SMSFBs in their entrepreneurial processes.	**Theory** – unidimensional conceptualization of the VC process, only the social capital as driver is considered and innovation as outcome

As we can see, not only has this cluster very few studies, but the one covering it does not consider the process and its different dimensions. The studies focus on only one outcome – innovation – and no comprehensive explanation of the phenomenon of value creation.
Thus, we find there is a gap on the research regarding the value creation of developing countries' SMSFBs and as such, our literature review remains highly general.

However, in spite of this limitation, we believe that many of the concepts introduced in the literature are relevant to our research context. Indeed, while many of these concepts and dimensions were developed to understand the mechanisms of dynamic firms and industries operating in dynamic markets, they reflect the reality of our four cases studied. Indeed, in developing countries and Mexico, we see much higher rates of socio-economical changes than in developed countries (Anning-Dorson, 2018), reflecting the dynamic nature of these markets. This leads us to the introduction of our theoretical framework of value creation: the vocabulary of the phenomenon and its dimensions which can help us explain its multidimensionality in our context.

2.8. Theoretical Framework

In order to guide the data collection approach and help with the interpretation of the linkages between categories that emerged from the data, we adopted a theoretical lens based on intellectual capital (IC), knowledge management practices, the family influence through the business culture and dynamic capabilities (DCs) mediated by environmental dynamism.

We combined prior studies on the phenomenon of value creation from different clusters to develop the vocabulary to do the coding of the data. Thus, the theoretical framework presented here is our synthesis of the major theories that are called upon to study the phenomenon. The nine dimensions forming our framework were taken from the literature review and based on their relevance to explain the data collected. The theoretical framework is presented below followed by an introduction of each dimension.

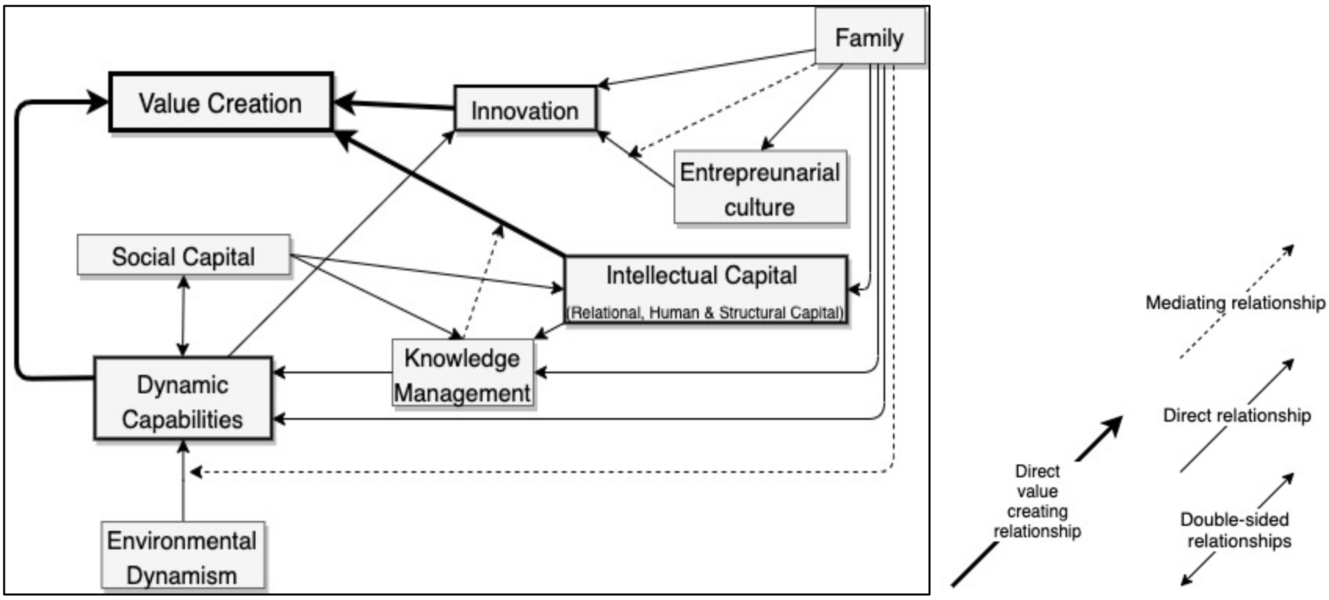

Figure 1:Theoretical framework of the value creation phenomenon of developing countries' SMSFBs

2.8.1. Understanding Value Creation

Value creation is defined differently depending on the research field considered, and the varied dimensions all contain elements that can help us understand the meaning of value creation in our context. From an iterative process between the literature review and the data collection, we were able to integrate the key theoretical dimensions of the value creation phenomenon, namely the resource-based (Barney, 1991), dynamic capabilities (Wang & Ahmed, 2007) and knowledge-based (Grant, 1996) views of the firm, with the family influence as an integral aspect of the framework.

In the SME research landscape, value creation is associated to the internationalization of these firms and their competitive advantages (Garg & Kumar, 2014) but also to the joint value creation, or dual value appropriation, emanating from their asymmetric relationships (Pérez & Cambra-Fierro, 2015).

Looking at the family business research, value creation is defined broadly in terms of the business flourishing over generations (Kammerlander et. Al., 2015), or more specifically as the distinct values – intellectual, social, financial, human and ethical – influenced by the family and which are inputs of the firm's value creation process (Klein, 2007). Value creation is also associated to the entrepreneurial performance of the firm "*in terms of entrepreneurial innovation and strategic adaptation to the market, thereby allowing a family firm to compete in situations of rapid change and create value over time*" (Chirico, 2008: p.138).

Diving into the research of SMSFBs, value creation is expressed, in a similar vein as Chirico, in terms of entrepreneurial outcome defined as the radical or incremental innovation (Shi et. Al., 2015), or more traditionally, as business performance identified by market share, growth, profit and innovation (Leal-Rodriguez et. Al., 2017). Furthermore, value creation has also be found to be directly linked to the creation of dynamic capabilities (Yong Wang, 2016). From the theoretical framework designed, we expose the multidimensionality of the value creation phenomenon, characterised by various outcomes and drivers. In the following paragraphs, we will introduce the different value creation dimensions and define them and their components to help us clarify the phenomenon.

2.8.2. Dynamic Capabilities

The dynamic capabilities (DCs) concept complements the premise of the resource-based view (RBV) of the firm and is defined as the firm's ability to continuously "*adapt, renew, re-configure and re-create*" (Eisenhardtand Martin 2000; Teece et al. 1992, 1997 cited Wang & Ahmed, 2007: p.31) its resources and capabilities in response to the competitive environment (Wang & Ahmed, 2007). To understand the process of value creation, we must apprehend how resources can lead to DCs.

Resources, as described in the RBV of the firm (Barney, 1991), are the foundational elements of DCs (Wang & Ahmed, 2007). From these, the firm develop capabilities as it combines resources to attain a desired objective (Bianchi et. Al., 2017). By building on these capabilities,

the firm combine processes and resources in response to changing environments; thus, the DC perspective not only considers the firm's resources, but also how it combines, integrates and transforms them through its dynamic capabilities (Wang & Ahmed, 2007).
We use Wang & Ahmed's seminal article (2007) which clarifies the conceptualization of dynamic capabilities around three component factors reflecting the common features of dynamic capabilities across firms. They are the adaptive, absorptive and innovative capabilities (Wang & Ahmed, 2007) of firms. The adaptive capability is defined at the strategic level and is the ability of the firm to adapt to environmental fluctuations and align its internal resources, products, capabilities and modes of organizing with external demand (Wang & Ahmed, 2007).

The absorptive capability, term first coined by Cohen and Levinthal (1990), is defined as the firm's "*ability to recognize the value of new, external information, assimilate it, and apply it to commercial ends ... the ability to evaluate and utilize outside knowledge is largely a function of the level of prior knowledge"*" (Cohen et Levinthal, 1990: p.128). Firms possessing advanced absorptive capability demonstrate greater propensity of learning from their partners, incorporating external information and converting it into firm-embedded knowledge (Wang & Ahmed, 2007).

2.8.2.1. Innovation

Looking at the final capability, the two authors define innovative capability as the "*firm's ability to develop new products and/or markets, through aligning strategic innovative orientation with innovative behaviours and processes*" (Wang & Ahmed, 2004 cited Wang & Ahmed, 2007: p.38). This construct is very interesting to understand the VC phenomenon as it not only depicts the business' overall ability to product innovative outcomes, but also incorporates its strategic orientation as a prime factor of innovation capability (Wang & Ahmed, 2004). This means that the innovative capability concept step away from the current static perspective on firm innovation to assess its "*potential innovative capability and demonstrates a future orientation*" (Wang & Ahmed, 2004: p.312), as measured by the five dimensions of organisational innovativeness – strategic innovative orientation and, product, market, behaviour and process innovativeness (Wang & Ahmed, 2004 cited Wang & Ahmed, 2007: p.38).

2.8.3. Intellectual Capital

Intellectual capital (IC), recognized as a fundamental source of competitive advantage, focuses on intangible resources that leads to a firm's value creation (Edvinsson & Malone, 1997; Lev, 2000; Subramaniam & Youndt, 2005 cited Barkat & Beh, 2018) and captures "*the sum of all knowledge firms utilized for competitive advantage*" (Subramaniam & Youndt, 2005 cited Barkat & Beh, 2018: p.1). IC is composed of human, structural and relational capital where human capital is associated to employees' skills, satisfaction and motivation (Bontis et al., 2000 cited Barkat & Beh, 2018) and structural capital to the organization's administrative programs procedures, processes and structure (Bontis et al., 2000; Roos et al., 1997 cited Barkat & Beh, 2018). Finally, relational capital is made of the firm's relations with its customers and suppliers and their loyalty toward it (Kim & Kumar, 2009 cited Barkat & Beh, 2018).

2.8.4. Knowledge Management

While the possession of intangible resources has a significant impact on value creation it does not in itself guarantee organizational performance and sustained competitive advantage (Barkat & Beh, 2018). Indeed, the firm must also be able to utilize and process such resources (Barkat & Beh, 2018). The knowledge-based view (KBV) of the firm considers the mechanism to control and manage these resources by recognizing the role of "*knowledge process capability in leveraging and managing knowledge in the organizations*" (Grant, 1996a & 1996b cited Barkat & Beh, 2018: p.1). These knowledge process capabilities, or knowledge management practices, are comprised of knowledge acquisition, documentation, creation, transfer and implementation (Barkat & Beh, 2018). The authors used Kianto et. Al.'s (2014) conceptual framework which depicts the relationship between IC, knowledge process capability (KM practices) and firm performance. In fact, we use this view as well as it is "*complementary to some of the attempts to understand dynamics of resources and capabilities in organizations*" (Kianto et. Al., 2014: p.370).

2.8.5. Family nature of the firm

Family firms in our context are characterized by both ownership and management by the family (Shi et. Al., 2015). Looking at the family nature of the nature of the firm Leal-rodríguez et. Al. (2017) find it is marked by having an entrepreneurial culture (EC), which represents "*the firm's orientation toward the exploration of new resources, innovation, and the creation of new products"* (Ireland et Al., 2006; Wei et Al., 2013 cited Leal-rodríguez et. Al., 2017: p.822) and includes "*risk-taking, putting up with failure, dealing with uncertain environments, competing in complex settings, pursuing opportunities, embracing flexibility, and creating the ambiance that fosters innovation*" (Hamel 2002; Genç 2012 cited Leal-rodríguez et. Al., 2017: p.822).

Chirico (2008) highlights two particularly important dimensions of the family business culture for its value creation with the concepts of paternalism and entrepreneurial drive. Paternalism can foster family inertia (Chirico, 2008). It is characterised by an owner protecting the FB members "*while denying them any responsibility and the freedom to express their ideas and make autonomous choices and changes*" (Chirico, 2008: p.141) and a strong orientation to preserve the status quo and traditions and resisting change (Fotion, 1979; Dyer, 1986; Johannisson et al. 2000; Johannisson, 2002; Koiranen, 2004 cited Chirico, 2008). Distinctively, entrepreneurial drive is represented by the focus on keeping the family business changing through initiative and innovation (see Lumpkin and Dess, 1996; Koiranen, 2004 cited Chirico, 2008). Thus, we can see the family has a strong influence on innovation through its entrepreneurial culture.

2.8.5.1. Social Capital

The social capital of the firm is characterized by a "*particular set of resources embedded in durable networks and interactivities that are useful for creation of value and improvement of productivity*" (Alder and Kwon, 2002; Antoldi et al., 2011 cited Shi et. Al., 2015: p.816-817). It is comprised of three forms, the structural – made up of network ties, network configuration and appropriable organization – the cognitive – made up of shared codes and languages and shared narrative – and relational capital – made up of trust, norms, obligations and identification (Nahapiet & Ghoshal, 1998). Trust is a necessary condition of social capital and can either facilitate or suppress entrepreneurship and innovation (Shi et. Al., 2015), especially in the context of family businesses. It is argued that this is the high level of trust of FBs which make them a unique form of businesses (Sundaramurthy, 2008 cited Shi et. Al., 2015) and that trust is a critical characteristic of FBs (Corbetta and Salvato, 2004; Sundaramurthy, 2008; Eddleston et al., 2010 cited Shi et. Al., 2015) conducive to the development of adaptive and innovative capabilities through its moderating effect on the relationship between environmental dynamism and dynamic capabilities (Shi et. Al., 2015).

2.8.6. Environmental dynamism

Environmental dynamism, the last element of our framework, addresses the impact of the external environment on developing countries SMSFBs and help us understand how they can survive in dynamic environment and this environment shapes their dynamic capabilities (Yong Wang, 2016). Dynamic market environments are characterized by "*industry technological innovation, regulatory change, economic cycle and the changing competitive nature of the industry*" (Wang & Ahmed, 2007: p.40) in isolation or combination. And for family firms in the context of developing countries, a dynamic market environment is the norm more than the exception (Zhu et. Al., 2006). It is found to be an antecedent of dynamic capabilities (Wang, 1996b; Wang & Ahmed, 2007) and is therefore highly relevant to understand the VC phenomenon in our context.

To summarize, we undertake to answer the following question, "*How do small-and-medium size family businesses create value in the context of an emerging country*?", more specifically to understand the phenomenon of value creation of SMSFBs in the context of Mexico.
We enrich the current theoretical understanding of the value creation process by proposing that asymmetric relationships with larger, international partners lead the SMSFB to maximize its value creation when the relationships are long-term, trust-based, and when partners commit high resources levels and adopt win-win negotiation tactics. Furthermore, the SMSFB can serve international clients when it can stand out from the local competition in terms of quality and structured processes, as it mitigates the risk for its international partners operating in Mexico. We also enhance the theoretical understanding by proposing that the value creation process of developing countries' SMSFBs is analogous to the evolution life: they must be able to gather and decode more and more information and become better information processors, developing more and more complex systems enabling them to process (new) knowledge. As such, we link value creation to the development of structural capital and knowledge mechanisms to process it.

By studying Mexican SMSFBs, we add value to the current body of knowledge by filling a gap in the research on the value creation of Latin American SMSFBs and enhancing our understanding of the phenomenon by highlighting the key drivers of value creation in this context. Our study also synthesizes the phenomenon and its central dimensions into a readily usable matrix, explaining how advanced level of social, relational and structural capital (institutionalization and KM) form the foundation for maximizing value creation.

3. METHODOLOGY

3.1. Research Design

In the following paragraphs, we will demonstrate how a qualitative, multiple embedded case-study research design can help us better understand the how and why of the value creation process and build new theory on the phenomenon of value creation in developing countries.

First, qualitative research is suggested for theoretical development (Eisenhardt & Graebner, 2007). Based on the literature review undertook, the absence of an underpinning theory and conclusive data on the process of value creation for developing countries SMSFBs lead us to adopt a qualitative approach. This approach gave us the tools to understand the findings as the prevailing knowledge is inadequate (Eisenhardt & Graebner, 2007). This in turn enabled us to improve the "*quality, depth and richness*" (Marshal and Rossman, 1999, p. 16) of the research findings. Since the objective of the study is to examine abstract ideas, implicit assumptions and new relationships of the value creation process, qualitative research, was favored (Weick, 1996). Most importantly, it is the convergence of our three contextual lenses – SMSFBs from developing countries – that directed us to adopt a qualitative research orientation. Indeed, measuring and studying intangible assets of family businesses such as DCs, intellectual and social capital, or knowledge management practices are, by definition, problematic (Sharma et Carney, 2012) due to their non-material nature (Lapointe and Cimon, 2009). Thus, adopting a qualitative research approach can help us tackle this difficulty in understanding how such assets contribute to value creation.

The nature of family businesses also led us to adopt a qualitative approach. Indeed, this approach is deemed particularly pertinent to study family businesses (McCollom, 1990) because they possess many intangible value-creating resources (Klein, 2011). It is also the kind of approach adopted by five out of the six studies considering the value creation process of family businesses (Chirico, 2008; Kammerlander et. Al., 2015; Klein, 2007; Peruffo, 2017; Sharma & Carney, 2012). More specifically, when considering the contextual lens of our study, Shi et. Al. (2015), who researched the role of social capital and trust in Chinese family businesses, also adopt a qualitative research, underlying the relevance of this method to answer our research question. Because businesses in developing countries are associated with complex social phenomenon involving multiple players and no clearly defined boundaries to their context (Sánchez et Ricart, 2010), qualitative research is said to be most appropriate (Yin, 1994). Thus, it will therefore help us answer our research question on the complex, hard to quantify, value creation phenomenon. This strategy aims to achieve both rigor and relevance to examine the reality of nowadays' developing countries SMSFBs.

3.2. Research Context: Mexico

This study was conducted in Mexico, a federal presidential constitutional republic with a population of over 126 million (World Bank, n.d). Categorized as an upper-middle income economy by the world bank, Mexico is the 15th largest economy in the world, with a GDP of 1.221 trillion USD in 2018 (World Bank, n.d.). To better understand how the research context might influence the findings, we introduce a short presentation of the country's economic, institutional and cultural landscapes. We conclude with the development path of family businesses in Mexico, showcasing their fundamental role as key economic actor for the country's development.

3.2.1. Economic Landscape

Historically considered as one of the most diversified in Latin America, the Mexican economy has experienced a strong opening of its economy and a steady rise in foreign direct investments (FDI), going from 4.389 billion USD in 1993 to 37.496 billion USD in 2018, or more than a sevenfold increase (World Bank, n.d). In fact, Mexico has made a dynamic transition from a relatively closed market to one of the world's most open (Secretaría de Economía, 2004). Indeed, after liberalizing its economy unilaterally in the early 80's, Mexico joined two trade agreements which directly impacted the country's competitiveness and long-term growth: the GATT in 1986 and NAFTA in 1994 (Secretaría de Economía, 2004). Benefiting from its geographical closeness with the United-States, the two countries' economies became closely intertwined.

This opening has led to an industrial diversification with presence in hi-tech industries, manufacturing, mineral exploitation and oil production (Santander – Trade Markets, 2020). While agriculture accounts for 3.4% of the GDP and employs 13% of the workforce, the industry accounts for just below 31% of GDP and 26% of total employment, finally the main sector is are the services, accounting for just over 60% of the GDP and 61% of the workforce. The impact of the increased globalization on local firms was twofold. On one hand, they had to improve their competitiveness in the face of new competitors from abroad, often Chinese firms with cheaper labor costs and higher productivity. On the other, they now had the opportunity to leverage the knowledge detained by these international firms operating locally.

This opening of the economy was coupled to a series of domestic measures aiming at deregulating business activity and encouraging investments (Secretaría de Economía, 2004). However, in spite of this apparently favorable economic context, Mexico is facing strong productivity and growth issues linked to its highly informal economy. As mentioned in the introduction, the informal economy is huge, representing over 20% of the Mexican GDP and almost 60% of total employment. This lack of productivity is inherent to one of the main characteristics of the Mexican labor force: there is an oversupply of cheap labor which procures very little incentives for firms to innovate (Martin, 2019).

Interestingly, the country is characterized by a dual economy, as described by Alberto Ramos, chief Latin America economist at Goldman Sachs: "*Some enclaves are globally integrated. And then there's the countryside, with low levels of human capital and education, violence, where productivity growth has been zero for 50 years*." (Martin, 2019). This is best illustrated by the fact the country is home to some of the largest family firms in the world, with ten firms among the 250 largest globally (Family Business Magazine, 2004 cited Erdener, 2009), such as Grupo Bimbo, Grupo Carso or Grupo Modelo. However, the vast majority of the country's economic unit – SMSFBs – strongly lag behind in terms of productivity compared with the OECD average (OECD, 2017a). This means that they have often poor growth prospect compared to larger firms and this makes the study of their value creation highly relevant in this context. Furthermore, this large gap in productivity between small and large Mexican firms limit the potential for alliances or partnerships between the two.

3.2.2. Institutional and Cultural Landscapes

As mentioned above, the country is characterized by high levels of informality which can be seen in its regulative systems which tend to favor informal rules and laws where widely held norms and beliefs can supplant formal ones (Anning-Dorson, 2018). As such, there is a low degree of formalization of institutions where we see informal institutions such as norms, culture and ethics predominating over formal ones such as laws, regulations and rules (North, 1990).

Furthermore, there is a kind of generalized mistrust between the different economic and political actors inside the country. Indeed, when a (small) business is relatively successful, it will often have to face extortion on the part of union leaders, state-owned utility companies, politicians and organized crime (Martin, 2019). The impact of this institutional context on the country's SMSFBs are important, for example, "*Families hire from within, out of concern that outsiders will steal – or learn the business model and then leave to become a rival*." (Martin, 2019). As such, this lack of trust in "local" actors do not favor a culture of collaboration and joint value creation between Mexican firms and this has a significant impact on the value creation levels and processes of local SMSFBs.

Looking into cultural aspects, we find the cultural systems and hierarchy, the cognitive structures and the leadership/followership orientation are highly specific to the Mexican context, which directly impacts how firm create value in this market.
The first aspect linked to the country's specific cognitive structures relates to the highly collective nature of the Mexican society (Hofstede, 2020) which is seen in the form of long-term commitment to the "group", either (extended) family or relationships (Hofstede, 2011). In this type of culture, loyalty is "*paramount, and over-rides most other societal rules and regulations*" (Hofstede, 2020) and employer/employee relationships are perceived in moral terms, similar to a family link (Ibid.).
A second aspect introduced by Anning-Dorson (2018) is the high anthropomorphism (communication and building relationships) seen in developing countries. In fact, it is extremely strong in Mexico since the culture is considered "high-context", meaning relationships play a significant role in building trust and communication among firms working together (Durio, 2018). The implications for local businesses are that the communications between collaborating firms are less formal and explicit and that decisions are "*built through long-term relationships and face-to-face interactions*" (Durio, 2018).

The emphasis on hierarchical structures and an unequal distribution of power, roles and resources is considered normal in Mexico due to the country's high level of power distance (Hofstede, 2020). For the local firms, hierarchy reflects inherent inequalities, centralization of power and subordinates who expect to be told what to do (Hofstede, 2020). In fact, the "*ideal boss is a benevolent autocrat*" (Hofstede, 2020). This high power distance also implies a strong deference to the top which tends to maintain the status quo inside the firm. Indeed, employees are reluctant to oppose their superiors and it is hard for Mexican leaders to bring out leadership and proactive behaviour in their employees who are even reluctant to share their point of view, critics or ideas (Desrochers, 2010).

Contributing to maintaining the status quo in local firm is the strong short-term orientation of the Mexican culture (Hofstede, 2020) which exhibits a strong respect for traditions, a small propensity to save and plan for the future and a focus on short-term results (Hofstede, 2011). When coupled to the strong tendency toward indulgence – people fulfilling their desires and impulses and acting and spending as they wish (Hofstede, 2011) – these cultural dimensions can have a dire impact on local firm's value creation when left uncontrolled, as we will demonstrate with the case of Magnet.

3.2.3. Family Businesses in Mexico

In Mexico, SMEs accounts for 99.8% of economic units (INEGI, 2015) and family firms account for 65% of these (CIPI, 2003), making SMSFBs the largest group in terms of number of firms (Baños-Monroy, Ramirez-Solis, & Rodriguez-Aceves, 2017). Family businesses are the leading form of business, even among large firms, and they are the driver of growth and employment in Mexico and Latin America (Baños-Monroy et. Al., 2017). As explained by the authors "*the majority of economic activity is seeded and controlled by private family-owned companies or foreign multinationals, often in partnership with local family firms*" (Baños-Monroy et. Al., 2017; p.108). As such we see the presence of a duality within Mexican FBs with the top ten largest Mexican firms being family businesses, such as CEMEX or Grupo Bimbo, competing or collaborating with much smaller FBs. Considering small FB, Silva states that "*The situation in Mexico is most definitely a challenging one for family businesses*." (Silva, 2017; p.22).

A key particularity of Mexican FBs is that they are younger and smaller than their worldwide counterparts, with almost half of them having the first generation in control (Baños-Monroy et. Al., 2017). In fact, SMSFBs face enormous challenge when trying to compete with larger local FBs, especially those of first generations (Silva, 2017). This is most apparent in their "*lack strategic planning and centralized decision-making processes*" (Burgoa, Herrera, & Trevino, 2013; Durán-Encalada & San Martín Reyna, 2013 cited Silva, 2017; p.23), hiring practices characterized by nepotism and cronyism (Coria-Sánchez, 2016 cited Silva, 2017), and a strong distrust of outsiders (Silva, 2017). Furthermore, internally, small FBs face tensions among their members, where different family members have conflicting visions on how best advance the business' interests or their own (Grabinsky, 2012, cited Silva, 2017). Which directly impact the firm's value creation as we will demonstrate throughout this research and with the case of Magnet.

Finally, SMSFBs in Mexico face big challenges regarding the lack of rule of law to protect them, poor state policies to support their development and bureaucratic and tax collection issues (Silva, 2017). Furthermore, they face much higher interest rates than their large counterparts, which directly impact the SMSFB's growth potential. What is even more problematic is, as of 2014, the majority of these firms "*were not sufficiently formal to even obtain formal credit*" (Silva, 2017; p.24).

3.3. Research Methods and Analysis

The lack of theorizing and incommensurability of the topic, as demonstrated throughout the literature review, supported the adoption of an inductive case study approach, which is said to be appropriate to develop theory in emergent field of research (Eisenhardt, 1989). According to Yin (1994) the case study approach enables exploratory and explanatory applications, specifically to address "how" and "why" questions, underlying its relevance to understand how value is created. This kind of empirical inquiry allow for an in-depth study of this complex phenomenon and allow consideration of the real-world context in which it takes place (Yin, 2014). More specifically, we adopt a multiple-case embedded study approach (Eisenhardt, 1989). according to Yin (1981), it allows for the integration of the context – here developing countries – in examining a contemporary phenomenon (the process of value creation), in its real-life context. Furthermore, we chose to use the multiple case-study method because the evidence extracted is usually more compelling than with single case study since each case can be used as analogous to multiple experiments (Yin, 2014). In turn, this strategy enables a replication logic yielding to more generalizable and precise findings in comparison to single case studies (Brown & Eisenhardt, 1997; Eisenhardt, 1989).

According to Brown and Eisenhardt (1997) this strategy is also useful to address the early stages of a research topic and is based on an ongoing iterative comparison of the data gathered and the theory. The embedded design means the study was improved through the use of several levels of analysis, in our case the family, the business and its external environment. We relied not only on informants at two levels of the generational hierarchy (Chirico, 2008) to improve the accuracy of our analysis, but also on interviews with non-family key employees when the data from family members' interviews appeared inconsistent and for our pilot case. Furthermore, the multiple embedded design helped us build new theory from our four cases by enabling us to realize in-depth within-case analysis, while also highlighting cross-case patterns (Eisenhardt, 1989). Using this process, we allowed unique patterns of each case to emerge while it enabled us to select dimensions showcasing within-group similarities and inter-group differences and to select pairs of cases and list the similarities and differences between each (Eisenhardt, 1989).

All in all, we believe this qualitative, multiple-embedded case-study research design will help us uncover the how and why of developing countries SMSFBs' value creation process, while enabling us to build new theory on the phenomenon.

3.4. Case Design

The researcher's knowledge of Spanish, personal network and experience in Mexico guided the choice of the developing country. By speaking the local language, we were able to not only maximize SMSFBs' participation rate to our study, but also to build in-depth relationships conducive of trust with the family owner and key employees. This helped uncover hidden truth and dimensions of the phenomenon of value creation. Furthermore, out of the existing 5.1 million economic units in Mexico – providing employment to more than 27 million people – 99 % are micro, small or medium-sized enterprises, which basically correspond to the family business model (KPMG en México, 2016). Similarly, when considering the 400,000 new firms integrating the Mexican economy each year, the majority are micro (less than 10 employees) and small (up to 50 employees) businesses (KPMG en México, 2016). That makes Mexico a highly relevant context to study the value creation of developing countries SMSFB's. The companies were selected based on research of firms in the Mexico City and Toluca (capital of the State of Mexico which surrounds Mexico City) Metropolitan Areas meaning the data might not reflect the reality of rural SMSFBs.

While Eisenhardt (1989) states that there is no ideal number of cases in the multiple-case study approach, she recommends using between four to 10 cases. We chose to use four cases because below, theory would be hard to generate (Eisenhardt, 1989), but more would have led to a volume of data the researcher could not have been able to cope with. Furthermore, these firms were selected because they have different characteristics, as recommended by Eisenhardt (1989). The case studies used in this research are introduced in table 9 below.

Table 9: Description of case-studies (adapted from Chirico, 2008)

Family Business*	Founded	Employees	Latest active Generation	Industry
Plastic	1985 (informal) 2000 (formalized)	175	1^{st}-2^{nd}	Plastic bottle manufacturing
Peanut	1996	60	1^{st}-2^{nd}	Snack importer & processor
Magnet	1997	15	1^{st} (founding sister & her brother CEO)	Promotional Product – Magnetic material distribution Graphic design, branding
Payroll	1987	10	1^{st}-2^{nd}	Payroll administration, related and unrelated services (financial services, procurement, etc.)

*Named are modified for confidentiality purpose

3.5. Case selection

In order to understand the process of value creation, we had to have cases which possessed enough variations in their value creation levels in order to highlight the mechanisms that support or hinder the phenomenon. Thus, the sampling technique adopted in this study is the maximum variation sampling (Palinkas et. Al., 2015) since its objective is to uncover "*important shared patterns that cut across cases and derived their significance from having emerged out of heterogeneity*" (Palinkas et. Al., 2015: p.535). As such, the cases were carefully selected for their rich diversity and strong learning potential, which, according to Eisenhardt (1989), are fundamental attributes when undertaking qualitative explorative research.

Therefore, the cases selected are from distinct industries, coupled with a search for sufficient heterogeneity in terms of years of existence and developmental path, number of employees, latest active generation in the business, size, strategy, governance, relationship types and partners' nationality and most importantly, value creation levels. This sampling method was combined with convenience sampling in order to save time, as the researcher could not spend more than six months in Mexico. As such, we leveraged our personal network to access three SMSFBs that fitted our criteria and met with more than twenty firms to select our fourth case, during a local SME networking event (organized by Business International Network).

Furthermore, two inclusion criteria guided the case selection and relate to the SME and the family nature of the firm, which form the contextual lens of our research. As defined in the introduction, the SME criteria was controlled based on the number of employees, between 10 and 250 employees. While the definition of FBs focuses on the form of ownership or management, or a combination of both, we found solely firms were the family both owned and controlled it. Thus, the family business criterion was reduced to both ownership and management to reflect the conditions of developing country SMSFBs.

One important critic regarding the selected sampling technique, which directly impacts the representativeness of the findings, is the potential for sampling bias (Mejri, MacVaugh et Tsagdis, 2018). This bias prevents the generalization of results for the entire population and it is acknowledged. However, it is believed that to answer the research question and to align the research approach and strategy, a non-probability sampling technique must be used. Also, we believe that by adopting a multi-industry study and selecting cases based on their heterogeneity can partially address that limitation.

3.6. Data Collection

This study's research question, as well as the theoretical framework presented, paved the way to collect qualitative data through observations and interviews. Those two data collection methods were adopted in three highly relevant studies introduced in the literature review (Chirico, 2008; Christensen, 2018; Pérez and Cambra-Fierro, 2015). Thus, since those studies all focus on an intangible dimension and that they all address either family business or SMEs, we believe the combination of those two data collection methods is optimal to address the topic and research question.

Other methods, detailed below, were combined in order to improve the reliability of the findings and enable triangulation of the data. This supported the validity of the research by capturing different dimensions of the value creation process. More specifically, the data was collected using face-to-face, semi-structured interviews, conversations, observations, secondary sources and a consulting mandate with each firm. This means we not only collected interview data type but also experimental and observational data types. We highlight the categories of data that guided the coding in the interview guide section below and detail after the different types of data used.

3.6.1. Interview guide

To better understand the value creation process of the SMSFBs under study, we used our theoretical framework to guide the development of interview questions, since the framework represent the most important dimensions and vocabulary of value creation. The interview guide is developed in a semi-structured manner to ensure we dive directly into the most important themes of the discussion.

All the interviews were conducted by questioning interviewees on their perception of value creation, innovation and change, while asking about the firm's social and relational capital, family influence, dynamic capabilities and knowledge management practices. A lot of freedom was provided for the family founders to tell us in detail the different dimensions and mechanisms of value creation in their respective firms. Table 10 below depicts our interview guide which summarizes the main discussion elements and data categories.

Table 10: Interview questions' categories and themes

Data Category	Sub-Dimensions	Question theme
Founder's Perception		Perception/definition of value creation for your firm
Innovative Capability		Perception/definition of innovation for your firm
		Sources of innovation (primary, internal vs. external)
Absorptive Capability		Sources of knowledge (primary, internal vs. external)
	linked to Social & Relational Capital	Interactions with external partners linked to knowledge management practices/ knowledge process capability (KPC) enhancements
	linked to KM practices	Knowledge transfer mechanisms (formalization and operationalization of knowledge)
	linked to KM practices	Knowledge circulation mechanisms (formalization and operationalization of knowledge)
		Comparing importance of knowledge sources for value creation and innovation
	Evolution	Evolution of knowledge and innovation sources and their impact on the VC of the firm
Social & Relational Capital	Suppliers	Description of the nature of relationships and interactions with local & international suppliers
		Comparing the contributions of local & international suppliers to the firm's value creation
		Evolution in terms of the value creation enabled by suppliers' relationships
	Clients	Description of the nature of relationships and interactions with local & international clients
		Comparing the contributions of local & international clients to the firm's value creation
		Evolution in terms of the value creation enabled by clients' relationships
	Strategy	What value do your firm bring to its: Local & International clients Local & International suppliers
Adaptive Capability & Environmental Dynamism		CEO's perception of change
		Firm's experience in implementing change
		Sources of change (primary, internal vs. external)
	linked to KM practices	Mechanisms to leverage/incorporate external knowledge and opportunities to firm's operations
Family Influence		How family promotes and/or hinders change
		How family promotes and/or hinders value creation
		How family influences the firm's culture
		How family influences relationships with employees
		How family influences the firm's governance
		Family values influencing the business

In-depth interviews were conducted with the CEO and family-owner of each firm as they were considered to be the key informants and the most likely persons to be knowledgeable about the firm operations due to their central role within the organization. Furthermore, we interviewed one additional family members in each firms that were involved in an executive's position, When the results seemed inconclusive (this was the case for Magnet) and for our pilot case (Plastic), other interviews were conducted with key non-family employees, to cross-analyse the information gathered with family members. The semi-structured nature of the interviews was used to ensure fluidity (Yin, 2014).

Interview lasted on average two hours and, as suggested by Guba and Lincoln (1994), were audio-recorded. The most important parts were transcribed the same day, respecting the consent agreements between the informants and researcher, in order to enable a thorough analysis of the meaning and interpretation of the gathered data (Kvale and Brinkmann, 2009). We started by analysing the case of Plastic as a pilot case over the course of three months in the summer of 2018 as part of a consulting mandate realized with the firm. The case was selected for its richness and potential to cover a maximum of concepts helping to answer the research question. The pilot results helped us fine tune the primary data collection protocols (Mejri et. Al., 2018). Additionally, informal meetings and conversations took place with key informants at the beginning – to explain the research and understand the firm's evolution and operations – and during the project, as part of the consulting mandate we realized with each participating firm.

Along the interviews, three months of participant observations were conducted. Such observations enabled us to gain access to the firm's day-to-day setting (Yin, 2014), uncovering key dimensions of its value creation process. Mainly, interactions between people were observed and activities such as trainings and meetings with suppliers. Furthermore, we acted as a consultant throughout the process, participating in strategic meetings, activities, discussions, etc. to be directly involved in the value creation process itself.

Thus, the method employed was participant observation (Yin, 2014), and, depending on the activity taking place, we acted as participant as observer or complete participant (Hannabuss, n.d). This means we successively observed, became fully part of the group without taking part in the activities, but also acted as a business consultant with the family business owners (Hannabuss, n.d*)*. This mandate, which was made on a voluntary basis, helped us not only to build trustful relationships with the founders, family members and employees – enhancing the quality of our data – but also to acquire in-depth insights into the strategies, processes, relationships and the value creation drivers and mechanisms of these firms. The other sources of information that were used were the analysis of firm data (brochures, clients and suppliers list, some financial data, websites) and secondary sources of data (industry reports, newspapers).

By triangulating different sources of data, we developed a general understanding and background information of the firm history and its products/services prior the interviews. It also helped overcome potential participant's memory bias in interview, therefore augmenting and validating the data collected (Mejri et. Al., 2018). Thus, we hope to have demonstrated that the methodology, research strategy and data collection fit with the intention of the study.

3.7. Limitations

In spite of the advantages linked to using a qualitative, multiple-embedded case study methodology, there are several limitations facing this research's methodology. As the primary instrument of data collection and analysis, the researcher's cultural embeddedness increases the potential for bias which impact the collection, interpretation and reporting of the data (Denzin and Lincoln, 2011). To minimize the potential for researcher bias, the data was collected in an objective manner to prevent subjective bias towards either one of the four cases, and against favoring one SMSFB's value creation process and mechanisms based on personal preferences.

Another limitation lies in the issue of generalizability of the findings. Having only four cases from only one developing country limits the replicability of our findings to the Latin American context. Indeed, since we could not add more cases from other developing regions of the world, it becomes harder to draw practical generalizations on value creation from, or make policy recommendations based on, the research findings (Anderson, 2010). To add to the lack of generalizability, our methodology involve limitations with the reliability and validity of the research findings as this method is faulted for its "*lack of representativeness of the case used as a point of observation for the social phenomenon or issue constituting the object of study; and its lack of rigor in the collection, construction, and analysis of the empirical material that give rise to this study*" (Hamel, Fortin and Dufour, 1993; p.23). However, to increase external validity, the cases were chosen based on their different value creation levels and mechanisms. As this research aims to provide empirical evidence of the phenomenon of VC, its foundations and how to maximize it in the context of Mexico, the comprehensiveness of the case study was privileged. As such the findings should guide future research and help Latin American SMSFBs maximize their value creation.

4. PRESENTATION OF RESULTS

Following the theoretical framework and methodology introduced, the data collected will now be presented aiming to draw conclusion on the SMSFB's value creation process and the key mechanisms leading to the phenomenon. Moreover, it will reveal the different value creation levels and factors influencing them for each of our four cases, highlighting the continuum of value creation and its complex, inter-related and multidimensional aspects.

First, a description of each of the four cases is given to specify contextual information on each SMSFB which will help us better understand how these firms create value. Then, the within-case results will be presented based on the data collected, we selected a few key questions categories introduced in the interview guide (see table 9) in order to highlight the specificities of the value creation phenomenon of Mexican SMSFBs. As such, we will focus on introducing the fundamental aspects leading to value creation maximization in the context of a developing country, namely the firm's structural, social and relational capital. Following the presentation of within-case results will be the cross-case comparison, helping us to highlight key cross-case patterns and eventually answer our research question.

4.1. Case Descriptions

4.1.1. Plastic

After working several years at the Corona manufacturing and bottling plant in Mexico City as a blue-collar worker, the CEO of Plastic decided to quit his job, taking with him his manufacturing experience to start a plastic hardware (for backpacks closing) manufacturing company in 1985. Initially, the business was informal, meaning it was not officially registered and served Mexico City's informal street markets. This means that the business was not considered a formal economic unit, and, as such, it could only possess specific kind of clients, often belonging to the same informal market.

For about 15 years, the business was relatively successful, but relying on very little technological advancement and quality, using second-hand machinery and selling to informal clients such as street vendors operating in informal markets in downtown Mexico City. Since this kind of clientele is extremely common in Mexico, they were able to sustain the business. Thus, from the inception of the business in 1985 up to 2000, the informal enterprise was what we could call a lifestyle business, were the founder aimed solely at sustaining a particular income level (Magister, 2016) for his family.

However, in 2000, the CEO decides to formalize the firm's status and become a formal economic entity in order to optimize its growth potential and earn more income, but especially to face the growing Chinese competition, directly importing backpacks. By becoming a formal business, Plastic was able attract different kinds of clients than the small, informal businesses it used to serve, however, it also meant that Plastic had to adapt to these new clients' requirements. Indeed, when the firm started, it was focused on producing low-quality plastic hardware for backpacks with subpar materials, made on second-hand machines, for small informal clients. Thus, as it became formal and both attracted and targeted more formal clients, it had to entirely revise its activities and adapt its processes in order to be able to serve their different needs and became a plastic bottle manufacturing with a focus on PET. In 2005, the firm had developed several processes in the plastic packaging value chain. Based on PET preforms, Plastic had the manufacturing capability with its injection machines to manufacture relatively high-volume of plastic bottles. Furthermore, it also offered the manufacturing of molds to create unique bottle designs as well as a labeling and serigraphy service.

4.1.1.1. External pressures: Increasing globalization

This first shift in terms of client segmentation was accompanied by increasing globalization trends throughout the world which were poised to directly impact Mexican SMSFBs. Indeed, after joining the General Agreement on Tariffs and Trade in 1986, the signature of the North American Trade Agreement in December 1993 symbolised Mexico's entry into the process of globalization (Barrow et. Al., 2003). As Mexico became more integrated into the global economy, the impacts for local (formal) SMSFBs like Plastic were important as they directly impacted the firm's evolution. The impact of globalization could be seen in terms of the increasing competition faced by Plastic. Indeed, in 1997, Chinese competitors and their cheap PVC/PE plastic products inundated the Mexican market and threatened Plastic's survival.

Leveraging internal and external investigations – undertook by the CEO and one the firm's supplier, the Japanese manufacturing machinery maker Nissei ASB – the CEO decided to turn around the firm's operations and processes, to focus on PET plastic as a competitive substitute to PVC/PE plastic types and Chinese products. Plastic, financially supported by its international supplier Nissei ASB, acquired in 2001 one of the first PET injection machines in the Mexican market. This enabled the firm to improve its quality and diversify its target market to include food and cosmetic packaging.

The impact of globalization could also be seen in term of the increasingly stringent quality & process requirements on the part of local clients. In 2005, Plastic was struggling to grow as they could not keep up with the new technology that emerged onto the market – machinery and processes – as its employees lacked training. Furthermore, in the same year, as the CEO decided to start the process of being certified ISO 9001, he faced similar struggles. Indeed, the insufficient knowledge detained by the employees and their lack of training coupled to the underdeveloped capabilities of the business meant it could not be certified and therefore not competitively serve the type of clients it targeted.

4.1.1.2. Firm evolution

Therefore, from 2005 to 2010, the CEO focused its efforts on improving the training of its employees and adapting the firm to shifts in target clients and processes with the aim of becoming certified. This impulse was driven by the need to find new clients to sustain the business growth, more specifically clients such as MNCs operating in Mexico or cosmetic and food companies, which had much more highly stringent quality requirements. Furthermore, to improve its competitiveness, Plastic started to offer a more complete service – aiming to become a one-stop-shop – and as such developed a mold design capability so its clients could get a unique plastic bottle packaging.

From 2010 to 2014, the firm enhanced its intellectual capital stocks and developed the capabilities necessary to help it become certified ISO 9001. In 2014, the firm hired an external manager, with not only an engineering degree but also experience working in large (international) enterprises, in order to bring his expertise to finalize the firm's certification, this employee is now the general manager of the firm. Gaining the ISO 9001 certification for quality enabled Plastic to access these larger (international) clients operating in Mexico, which has since enabled it to benefit from sustained growth and profit increase. Since 2014, the firm has tried to focus its efforts on acquiring more international clients and suppliers while aiming at continuous improvements in its operations. The firm has now over 170 employees and revenues in 2018 of over $5.27 million (CAD), or 88 million Mexican pesos. For these reasons, and as we will demonstrate throughout the analysis, the pilot of case of Plastic is one of the two value-creating SMSFBs we will present.

4.1.2. Peanut

Initially doing administrative work, the CEO of Peanut was invited by one of his friends from Argentina to start a formal peanut import and distribution firm partnership in Mexico. After doing the formalities, his friend joined him in Mexico, and they benefited from a few years of success. Seeing the potential for this kind of business, the CEO left the partnership in 1994 and undertook to start a similar operation by himself.

Initially, Peanut had purely small, local informal clients and no organizational structure, but the firm started hand-in-hand with its main international peanut supplier from Nicaragua, acting as its direct representative in Mexico. By providing Peanut with low price, high quality and volume, the Nicaraguan peanut supplier provided a key source of competitive advantage to the firm. The firm does activities at different steps of the value chain. First it distributes raw peanut in bulk and smaller packages, it also processes the peanut – roasting and spicing – providing the inputs for its clients or a final, packaged product, ready to be sold to the end consumer.

4.1.2.1. Internal pressures: Formalization of the firm

From the firm's inception, the CEO has focused on its commitment to its clients in terms of quality and volume of the peanuts it distributes in the Mexican Republic. Leveraging the local industry context and the low-quality of local competitors' outputs, the founder decided that focusing on high quality would enable his firm to be more competitive and grow faster (highlighting the growth focus adopted from the start by the founder). This focus on quality has created internal pressures on the firm to formalize itself in order to better serve its targeted clients. Thus, to improve the firm's operations, the founder focused on developing and formalizing the company organizational structure by adding different departments and defining clear positions. These departments with dedicated purposes coupled to improvements in terms of machinery and processes enabled the firm to copy, in its own way, the structure, formalization and controls used by large firms.

4.1.2.2. Firm evolution

This double focus on quality and volume and formalization of the business lead Peanut to access more and more formal clients in terms of local or international MNCs operating in Mexico. The effects of this increasing client diversification on Peanut were linked to the much more stringent quality requirements requested by MNCs such as Grupo Bimbo and Herdez, La

Colombina or Nestlé. Answering to those clients' pressures, the firm is now undergoing the training necessary to become ISO 9001 certified. Leveraging its new product development department, the firm has even been able to jointly develop, with Nestlé, a new snack to be exported to the US market. The firm has also evolved by diversified its suppliers, following political unrest in Nicaragua and increase in the price of inputs, Peanut is now working closely with a more competitive US suppliers, enabling it to ensure stable price and volume to its demanding clients. Furthermore, in spite of a relatively low number of employees (60), the firm has become the number three peanut importer and distributor in the Mexican Republic. For these reasons, and as we will demonstrate throughout the analysis, the case of Peanut is one of the two value-creating SMSFBs we will present, and which will help us better understand the phenomenon of value creation of developing countries' SMSFBs.

4.1.3. Payroll

The CEO of Payroll, before starting his company in 1987, was working for almost a decade for the Mexican government, more specifically the "Secretaría del Trabajo y Previsión Social" – the Secretary of Labor and Social Welfare. The accumulated experience, knowledge and a large network inside the government is what gave the founder the impulse to start Payroll. Having worked for the government helped him accumulate highly relevant legal and political expertise, industry knowledge and the contacts inside the government which are not only necessary for the provision of its main outsourcing activity, but also helped him build a competitive edge for his business.

The firm's main activity is the provision of full outsourced payroll services for clients' employees and basic bookkeeping services, linked to the collection of payroll information, processing of paychecks, payment of deposits, withholding of amounts from employees' salary for government-mandated deductions as well as the remittance of amounts withheld to applicable authorities and plan administrators (Patel, 2019) . Thus, Payroll alleviates the legal and administrative burden its clients face by absorbing every responsibilities and obligations (established by the law) they have toward their employees. Thereby providing its clients with labor flexibility and allowing them to disassociate themselves from the responsibility of the employer's Social Security, Fiscal and Labor obligations that derive from human capital management. The aim, or mission, of Payroll is therefore to provide this management at a reduced cost to its clients, while increasing their productivity and rentability through the

"*Ethical and Professional Management of the Human Capital*" (Translated from company presentation of services report, p.3) and maintaining the quality and efficiency of the personnel.

Apart from this main payroll administration activity, it also involves assuming all fiscal and labor responsibilities of the clients linked to the administration of salaries, "asimilables" (similar to interim/temporary worker regime), benefits, retirement savings plans, trade union contributions, copyright and private pension plan. To offer a truly integrated services system which can have a beneficial impact for its clients operations, Payroll offers additional services for the employees such as payroll loans, insurance for minor and major medical expenses, life insurance; but also for its clients such as recruitment and selection as well as evaluating competencies of candidates and hired staff.

4.1.3.1. External pressures: An ever-changing industry

The industry is highly influenced by the Mexican macroeconomic landscape as it is directly impacted by the labor regulations in the country. In the Mexican context, this means that along relatively quick changes happening regularly in the political landscape follows changes in the legal landscape. Each new president brings with him new labour laws and regulations directly affecting workers and the firms employing them. Thus, in order to be relevant in the industry, Payroll has had to constantly remain up to date on the changes happening at the macroeconomic level and has been externally pushed to adapt its services and the way it operates. In this context, the firm has hardly ever proactively sought to change and as we will see, this has had a profound impact on its value creation level.

4.1.3.2. Firm Evolution

As explained above, Payroll has not been proactively looking to change since its creation 33 years ago. In fact, the firm has grown leveraging the personal networks of the founder – his family and friends – as both its key suppliers and clients. Furthermore, the firm that initially started with the father (as the CEO) and his brother (as the accountant), it slowly grew to 10 employees. As the son joined the firm in 2015, he decided to create a sales department and hired five sales representatives to improve sales. But, due to lack of results, the sales representatives were let go a year after being hired, leaving the firm with 10 employees and only the dad and son to drive sales through their personal network.

In this context, the firm is now facing issues to sustain growth and is now proactively seeking to change. While the impulse is driven both by the dad and his son, which has been involved at the executive level of the business for the past four years, the latter has pushed for formalizing the business's governance and strategic planning while diversifying the firm's portfolio of services. The dad – founder and CEO – has been welcoming these changes. Indeed, as the business struggles to find sustainable avenues to grow, the CEO increasingly perceives change as necessary and is becoming proactively involved in making it happen. As such, the firm has recently developed financial services (loans for SMEs) and grouped procurement services in the construction sector. The successful delivery of this portfolio of services is partnerships-based and dependent.

As mentioned above, the firm relies on the delivery of a multitude of services linked to payroll administration and the bookkeeping and legal services attached. Thus, Payroll must rely on a wide variety of partners, most of them being friends of the founder, to be able to efficiently leverage their expertise to supply services to its clients. For these reasons, and as we will demonstrate throughout the analysis, the case of Payroll is the value neglecting SMSFB case we will introduce and that which will help us better understand the phenomenon of value creation of developing countries' SMSFBs.

4.1.4. Magnet

In 1997, a couple creates a firm of graphic design leveraging the husband's father in law's printing business to supply them. As the business struggles to maintain healthy cash flow levels and profits, which threaten its survival, the wife's older brother joins the business in 1999.
The brother helps not only with finance and administration, but impulse the business to focus on designing and selling magnets. At this time, he becomes the director and sales manager of the firm, while his sister is in charge of the design and her husband of coordinating the production by suppliers. The business remains an importer, intermediary between its suppliers – producers of magnets – which are designed by the firm for international clients such as Pizza Hut, Taco Bell or KFC. Thus, their principal activity is aimed at selling and designing magnets to other enterprises, but not to manufacture them. However, in 2005 the husband died, and the business has since diversified its activities. Today, the firm not only distribute materials to wholesalers and retailers for multiple applications (thermoplastic sheet with a permanent magnetic side, magnetic rolls, sheets, paints and printers for these), but also offers printing services – paper and magnet – for brands, advertisers and corporate (corporate stationery,

brochures, catalogs and magazines, diaries, dividers, notebooks, corporate boxes, badges, advertising magnets, restaurant materials, packaging, tent cards, napkins, tablecloths, food holders, labels (company brochure “Portafolio de Servicios”).

4.1.4.1. Internal pressures: Competing visions

When the husband died in 2005, the business remained dedicated two more years to importing magnet materials from international suppliers – such as magnet in rolls and sheets and magnetic paint – as well as designing magnets and outsourcing their production to a variety of suppliers, while selling them to some international clients with a focus on providing them with quality and reliability inputs. While the brother wanted to focus entirely on the distribution of materials, the sister refused to stop her creative work and thus, competing pressures started to arise inside the business. These competing pressures have not only impacted the culture of the business but have also diverted its strategic resources and created inefficiencies. Indeed, the sister in sales always refused to sell materials because she felt it was not leveraging its creativity and did not aligned with her vision when initially starting the business. As such, the CEO is trying to stop the development of the sister’s creative products and projects and focus her efforts on selling materials. However, since the sister is the sales director, she keeps on developing the business’ differentiation and creative side by selling personalized projects to clients (with the magnetic material the firm also distributes).

4.1.4.2. Firm Evolution

Since the brother and sister were never able to agree on a common vision throughout the firm’s years of operations, he eventually left the business and was replaced in 2013-2014 by one of the sister’s friend, a highly experienced manager who became the new CEO. She was able to decrease the high level of debts of the firm while increasing its profits and structuring the business. This year was the most successful for Magnet but unfortunately, the new CEO had to leave the firm and in 2015, the brother came back work for Magnet as the new CEO, administrative and finance manager. In 2017, the sister “left” Magnet to focus on developing Branding, a design and advertising company, inside Magnet’s offices and leveraging the firm’s resources (three employees and office space). Since 2019, and due to the lack of success of Branding, the sister is back managing sales inside Magnet while struggling to maintain her second business. In fact, while the brother strongly opposes it, she is trying to merge Magnet and Branding, to leverage, respectively their productive and creative capabilities.

Having accumulated a lot of debts throughout the years, Magnet is now struggling to grow, has lost many of its suppliers and the large clients it had during its first years. For these reasons, and as we will demonstrate throughout the analysis, the case of Magnet is our value destroying SMSFB case. This case will be key in helping us better understand the phenomenon of value creation of developing countries' SMSFBs, by helping us underline the pitfalls they have to avoid.

4.2. Within-case results

As outlined in the previous sections, we reviewed four developing countries SMSFBs as case studies to try to answer our research question. These firms are not only heterogeneous in terms of age, size and industry, but also in their value creation levels. In this section, we aim to portray the different components and mechanisms of the value creation of each company in order to build the foundation of our understanding on the phenomenon. To better reflect the impact of the developing country context, we focus on presenting solely the key differentiating factors of the value creation of developing countries' SMSFBs compared to their developed countries counterparts. As such, we will focus on introducing the fundamental aspects leading to value creation maximization in the context of a developing country, namely the firm's structural and social and relational capital, more specifically, the institutionalization level and KM on one side and the relationship depth (win-win, long-term, collaborative) and asymmetry of partners on the other (international, large formalized MNC).

The structural capital dimension considers the institutionalization of knowledge management practices, the formalization of operational processes, the presence of strategic planning and the influence of the family on the governance and organizational structure. On the other hand, on the social and relational capital dimensions we showcase the difference between both international and local upstream and downstream partners, presenting the depth and value creation potential of asymmetric relationships.

We will start by going through an in-depth presentation of Plastic, our pilot case, we will then introduce the three other cases of Peanut, Payroll, and conclude with Magnet. However, before introducing each case individually and letting aside the less relevant dimensions, we summarize the complete findings in table 11 introduced below. The dimensions in bold are covered in the following sections and we argue they are the key to understand how value is created in the specific context of a developing country.

Table 11: Summary of within-case results

Categories	**Dimensions**	**Sub-Dimensions**	**Cases**			
			Plastic	**Peanut**	**Payroll**	**Magnet**
Dynamic Capabilities	Absorptive capability development		Advanced	Advanced	Medium	Underdeveloped
	Innovative capability development		Advanced	Advanced	Medium	Underdeveloped
	Adaptive capability development		Advanced	Advanced	Inexistent	Inexistent
		Experience implementing change	Structural changes	Structural changes	Day-to-day adaptation	None / Low impact changes
		Source(s) of change	Internal & external	Internal & external	External	Internal (family if allowed)
		Family influence on change	Promote	Promote	Family inertia	Family inertia
Approach to Knowledge	Complement internal knowledge with external		Continually	Continually	Somewhat Regularly	Sporadically
	Most important knowledge source		Internal & external	Internal & external	Internal	Internal
	Diversification of knowledge sources		Advanced	Advanced	Minimal	Minimal
Intellectual Capital Stock	Human capital development		Advanced	Advanced	Minimal	Minimal
	Investments in Human capital		High & formal	High & formal	Inexistent	Low & Informal
	Relational capital development		Advanced	Advanced	Advanced	Low
	Structural capital development		Medium	Advanced	Low	Low
		Certification/ Formalized processes	Yes, ISO 9001	Yes, ISO 9001	Low formalization	Low formalization
		Strategic planning	Yes	Yes	Inexistent	Inexistent
		Family influence on governance & control	Mitigated, lack control	Positive, has both	Negative, no governance	Negative, no governance
		Institutionalized KM practices	Advanced	Advanced	Inexistent	Inexistent
Social Capital	Synergies with external partners		Advanced	Advanced	Medium	Inexistent
	Upstream partner type maximizing VC		International suppliers	International suppliers	Local suppliers	International suppliers
	Upstream relationship depth with partner maximizing VC		In-depth, Win-win	In-depth, Win-win	In-depth, Win-win	Low depth, Zero-sum
	Downstream partner type maximizing VC		International Clients	International Clients	Local clients	International Clients
	Downstream relationship type with partner maximizing VC		In-depth, Win-win, Joint VC	In-depth, Win-win, Joint VC	In-depth, Win-win, No joint VC	Low depth, Zero-sum, No joint VC
	Evolution toward asymmetric relationships		Strong evolution, focus on asymmetric relationships	Strong evolution, focus on asymmetric relationships	No evolution, focus mainly symmetric relationships	Lost asymmetric relationships, backward evolution

The complete analysis of each dimension which is not covered in the following paragraphs is introduced in annex 2. In annex 2 to 5, we introduce the within-case results for each case, comprising the analysis of each SMSFB's innovative and absorptive capabilities development leveraging (when applicable) varied knowledge and innovation sources. Even if they are less relevant to explain how developing country's SMSFBs can create value, these capabilities are still extremely important to understand the overall process of firm value creation.

4.2.1. Plastic

From the four cases under study, Plastic belongs to the value maximization group with Peanut. In the following sections, we will present the different components of the SMSFB's value creation process, helping us better understand the phenomenon for these firms, in the developing country context of Mexico. More specifically we will focus on highlighting the key factors linked to the firm's structural capital, including the ability to align strategic resources to external demand and adapt and the institutionalization of KM in the firm. We will conclude by showcasing the fundamental importance of in-depth asymmetric relationships with foreign partners to maximize the SMSFB's value creation in the context of Mexico.

4.2.1.1. Structural Capital Level

4.2.1.1.1. The development of Adaptive capability: Sources and experience with change

The two main sources of change are both external and internal. First, there are internal enabler, or driver of change but they are coupled to external knowledge sources, in this case external experts integrating the firm. They help bring the change Plastic want about by complementing its knowledge. "*Now more than ever, now it is taking shape. Before 2018, it was a high risk to create new processes or new products because Plastic was under restructuring and we did not have well-trained personnel*." ([1:56:48]).

It is similar to Plastic "outsourcing" change to experienced managers to fill its knowledge gap. "*Firstly, despite the new technology or high-tech machinery, efficiencies were low. I invested in machines with technologies, but the staff was not trained.* […] *So, there was a need to hire staff.* […] *Because the internal training was already, with the staff, at full capacity*." ([1:57:41])

In fact, the firm could not improve on its own anymore as it had reached the limit of its internal knowledge and this drove it to change. "*In 2018, we began to make adjustments and found that more experienced personnel were required in certain areas of the company.* [...] *I brought new ones* (employees), *and they are the ones in charge of continuing the training*." ([1:59:33]). But while the impulse for the change is internal, the source of change is, in this case, external, since the knowledge is "outsourced" to an experienced manager who integrates the firm.
The complete skillset these managers detain, in turn, help the firm become more formalized and efficient. "*For example, Arturo* (newly hired sales manager) *knows processes, new projects and knows sales. Ortiz* (newly hired plant manager) *knows how to repair an engine, repair a machine, streamline processes and control. Ortiz knows from repairing that is, getting his hands dirty, repairing, and he knows how to deal with people, relationships, leadership, the constant control of resources."* ([2:02:04]).

However due to the Mexican context, it is hard finding talents with complete skillset, which are necessary to support the firm's growth and transition from small to medium and then large enterprise. "*Very difficult, in Mexico there are no complete* (employees). *Nowadays, people are specialized in a small area*. [...] *Hiring in Mexico is very difficult*." ([2:00:55]) Furthermore, access to such talents often relies on the social capital of the firm, or its network. Both the hiring of Arturo and Ortiz was driven by relationships with external partners. *"One because a large company closed, the Tultitlan packaging company closed, and Arturo was a sales employee and they recommended it to me through relationships. A client, Mielmex* (large Mexican firms present locally and internationally) *recommended him to me as he was very good in sales. And in the case of Ortiz, I have known him since 2000 when he was a technician at several companies which I knew, where he worked as a plant manager. I was able to invite him to work thanks to* (these) *relationships."* ([2:04:43]). Furthermore, as demonstrated throughout the case presentation, we have seen Plastic was able to change and adapt constantly based on environmental fluctuations, leveraging both internal and external sources of change.

4.2.1.1.1.1. Primary Source of Change: The Family

In spite of the importance of external sources of change, for the CEO of Plastic, there is no doubt the primary source of change is internal to the firm. Most specifically, the son – or second generation – is driving the deepest change to the business. "*The change that is giving us the contribution of a millennial* (the son*), for example by the rules, the implementation of new* *controls, updating, refreshing those processes. This obviously generates those changes. […] You know since you entered* (2018)*, I have seen things differently. Since he entered,* (the son, director assistant, since 2015) *assuming certain things that I used to do, and doing them well because they are new ways, new ways of leading, acting, controlling. It has been decisive for this year* (2019), *that we decided to put in him in charge of the growth. Luis' participation has been fundamental in this, that's why I tell you that is 100% internal. And basically, Luis helped me a lot*." ([2:11:07]). This showcases that both the CEO and the son are aligned, and the founder is willing to accept change in the business, without this willingness to change, the firm could not have developed advanced adaptive capability.

In fact, the son has also been driving innovation as he was the one that build the relationship with Dow Chemicals to negotiate the distribution of surlin and access to potential clients' list they owned. In the case of Plastic, we see the second-generation family members, closely involved in the business, completely impulse positive changes for the firm. "*The good relations with external suppliers, remember, because he was the one* (the son) *who spoke to the Chinese and Dow, with whom I had no rapprochement*." ([2:15:51]). In fact, when the son builds relationship with the firm's supplier as well as new, more innovative ones, he is leading, what the CEO calls "*The generational change because there is a long-term relationship* (with the supplier)." ([2:17:13]). As we will see, the family has also an impact on the culture, relationships and governance of the business, which ultimately affect its value creation.

4.2.1.1.2. Family influence on Human and Structural capital

What we see with Plastic is that, while the firm has a strong focus on human capital and has successfully enhanced it throughout the years, it lacks high levels of formalization and institutionalization in term of the SMSFB's control, governance and culture.

The CEO describes the business has having developed a strong family culture from the start with parties organized with employees on Friday, barbeques on the weekend, knowing and calling employees by their first names. This family influence on the culture of the business and employee relationships was, as described by the CEO, "*relax and disciplined, relying a lot on trust*". The issue with this is that it started to negatively affect value creation as the business grew in terms of employees, capital and revenues. Indeed, as demonstrated in the above section, the business has to formalize its operations – its support activities – to diminish the "informal" aspect of the family business which hurt efficiency and the fulfillment of business objectives. The CEO has been able to undertake changes in the culture relatively recently, helped by his son for the past four years (2015-2019). They have tried to formalize the culture and diminish the emotional aspect when making decision.

As an example, the governance of rewarding high-performing employees, at first, relied on the CEO's subjective appreciation of an employee good work; every six month he would give a small amount of money if he believed the employee did well. Now, in his word the firm uses "*Indicators, controls and evaluations*" to reward employees. However, it is maybe the toughest challenge the firm has had to face, stop using emotional aspects when making decision and rely on facts. This is aligned with the goal of reaching more and more international clients in differentiated industries, by improving formalization and control to better rely, and enhance the firm's processes and human capital. As we will demonstrate, this is the key differentiator between the value creation process of Plastic and Peanut.

4.2.1.1.3. Advanced Knowledge Management Practices

However, in spite of this challenge to institutionalize the business, the firm was able to quickly formalize KM practices, which helped it palliate to this relative lack of structure. In order for the firm to assimilate and apply the knowledge it acquires to commercial ends, Plastic developed mechanisms to not only transfer external knowledge inside the firm, but also to make it circulate inside it. However, the firm could not successfully do so until being certified in 2014. In fact, while the firm aimed to become certified in 2005, it did not have the necessary formalization, structure and knowledge management practices to achieve it, and had to wait until 2014 to hire an external expert. "*He came with expertise to refocus the training* [...] *simply because the ISO was not advancing. For every step forward we were taking two steps back. That's when I decided to hire people with experience, with knowledge.* " ([22:00]).
The issue was that not only did the firm human capital lacked training, but there were no mechanisms in place to transfer and make the knowledge acquired circulate internally.

As such, to become certified, Plastic focused on enhancing the firm knowledge levels, especially in the manufacturing operations area, by leveraging external sources such as international suppliers. While a key external mechanism of knowledge transfer consists in the supplier sending someone to train Plastics' engineers; in order for this knowledge to not be tied to an employee but remain and circulate inside the firm, Plastic has developed an internal knowledge transfer mechanism. "*We already have the data, we have the protected files, we have all the developments* (projects), *we have them on a hard drive that we store every once in a while, they do it every week. Everything new, new molds, shapes. We back up that information on a hard drive: processes, molds* (designs), *specifications, plans, programs* (machinery). *Because apart from making the design then you make a program on the machine. We back all that up on a hard drive and have had it stored since we started making molds*." ([1:04:43]).

While these mechanisms enabled Plastic to enhance its knowledge stock, it failed to develop efficient mechanisms for knowledge circulation until the firm became certified. However, the certification forced the firm to develop documented and formal mechanisms for knowledge to circulate inside the firm. "*Mechanisms? Yes, I tell you they are the training courses*." ([1:17:36]). These training courses were formalized and institutionalized into the firm day-to-day operations with the certification's indicators of performance. "*These are indicators that must be met month by month according to the ISO 9000 standard. It says that each month* (employees) *must have certain hours of training*." ([1:18:13]).

There are other indicators linked to knowledge management and development of each department, which enabled knowledge to circulate and be enhanced inside the firm. "*For examples in purchasing, one of its indicators is to develop two new suppliers per month, one minimum*." ([1:18:50]). While Plastic developed early on knowledge transfer mechanisms, it has only been relatively recently that the firm has developed formal mechanisms which enable knowledge to circulate inside it. This achievement is inherently linked to the business becoming ISO certified since the certification brought dedicated processes and mechanisms which institutionalized KM.

The diversification of knowledge sources, enhancements in human capital (see annex 2) and the development of knowledge management practices lead Plastic to foster advanced innovative and absorptive capabilities. In turn, these enabled the firm to reach new markets, diversify its product offer while innovating and differentiating itself. Plastic is now a first mover in Mexico in producing tailored made surlin molds and caps for differentiated industries. However, this could not have happened without accessing and leveraging its external partners' knowledge and resources, which are both linked to social and relational capital.

4.2.1.2. Social and Relational capital

The firm's social capital – or the set of resources embedded in durable networks and interactivities – and relational capital – or the firm's relations with external partners and their loyalty towards it – have the potential to maximize the SMSFB's growth and value creation.

When considering the variety of sources and high regularity of interactions between Plastic and its external partners, we found that the firm uses them as a major source of its value creation. Indeed, the firm regularly interact with its clients and suppliers for knowledge acquisition or joint value creation.

For example, when faced with a complex client demand, Plastic had to access and leverage the knowledge and innovation detained by its resin supplier. "*Cuervo for example, Jose Cuervo is a client. With Cuervo, they required a special export container for Cholula sauce with very specific characteristics of resistance to axial load. On the body part* (of the bottle), *it must also have resistance so that it does not collapse. The volume, that is the capacity, and obviously the oxygen migration study, that is, it's called the molecular mesh, to prevent oxygen from penetrating and creating a decomposition in the product. So that was a different thing, it was a learning*." ([59:48]). The client provided Plastic with "*All specifications, everything they require in writing*." ([1:01:23]). Thus, in this sense, the new knowledge that Plastic was required to acquire, as well as the new capability, was largely driven by one of the firm's large international client. In turn, Plastic had to access external expert knowledge from its resin supplier, and they worked hand-in-hand to develop the needed product specifications. "*How did I do? Investigating with PET specialists, external to the company. For example, technician, technicians in design of, they call the engineering of the preform, which are the dimensions, how much the blowing ratio owes, how many grams must be in the preform for it to blow. All the specifications, we did this through specialist technicians outside the company.* […] *They are our resin suppliers*." ([1:02:44]).

Apart from providing Plastic with different inputs alternatives – or innovation transfer – for its clients, the supplier also contributes by sending engineers to train Plastic's employees – or knowledge transfer – on a regular basis. "*That is a service that we have with the provider. In this case, for the design, they trained Jorge*" ([1:04:22]). As we can see, there is a virtuous circle of knowledge and innovation exchange between Plastic, its supplier and its client. This, in turn, contributes to the value creation of all the three actors involved by enhancing their set of resources, and for Plastic, its capabilities and intellectual capital, eventually contributing to its growth: "*From the outset, we have developed greater knowledge in technology, internally. The knowledge for the use of different resins that developed over the years. And that, as a consequence, gives us a much better opportunity to take advantage of our growth*." ([1:21:27])

4.2.1.2.1. Upstream the Supply Chain: Local and International Suppliers

Most of Plastic's key suppliers are either international firms directly selling to it, or large local distributor of such firms. As we will see, these international suppliers have the potential to maximize value creation and support the sustainable growth of Plastic.

When looking at key inputs, we find none comes from Mexico. For example, the machinery comes from a Chinese (Haitian) and Japanese (Nissei ASB) suppliers and most of the PET is made in Korea, while the local suppliers are provider of rather non-essential services. "*We have a signed contract with the main supplier of PET. The distributor is from Mexico, but the resin comes from Korea. We have a contract to consume 80% of PET with them. Local providers, such as fumigation, there is a contract, it is a service provider*" ([1:27:34]). In fact, Plastic has a fundamentally different relationship type and value creation level depending on if it does business with a local or, international supplier. With the latter, we see (asymmetric) relationship which takes place over the long-term, contains a mix of both formal (i.e. contract) and informal (i.e. friendly relations, trust) aspects, and lead to the phenomenon of dual-value appropriation – as exposed by Pérez & Cambra-Fierro (2015). Similarly to these authors who demonstrated that "*partners do not split the pie of the total value generated* [...] *but fully appropriate a different and unique value from the relationship*." (Pérez & Cambra-Fierro, 2015; p.297) in asymmetric relationships, we find this phenomenon is reinforced in the context of Mexico since firms lack access to talents.

For example, prior any contract is signed between Dow Chemicals and Dupont and Plastic, the supplier sends a technician to train the firm's engineers and help it design the new processes necessary. "*The relationship between the supplier and us is continuous, it is continuous. Every project that we do not have well defined, there is advice such as the case of the surlin*. (The advice) *It is the process, for example, this* (show surlin cap) *they propose it to us. A technician comes, brings us the resin sample and, in the process they help us generate samples* (for

Plastic's client) *with their resin, how to work it, and for this we establish a process*." ([1:28:53]). As we will continue to demonstrate, international suppliers are actually a key element of the value creation process of Plastic through the knowledge and formalization they bring to the firm's processes.

4.2.1.2.1.1. *International Suppliers: Source of Knowledge and Innovation*

As mentioned above, international suppliers contribute largely to enhancements in terms of processes but also by increasing the standards on which the firm develops. Since its very beginning, Plastic has been exposed to international manufacturing companies which actually inspired his focus on quality and differentiation, ultimately enabling the firm to serve international and/or large clients.

The most significant internal development that emerged from such exposition was the formalization and institutionalization of the firm's culture, processes and way of doing things. "*The international supplier, obviously we have a sample of work forms, different forms of processes. You spoke of culture; the cultural part is that the way the Chinese or the Japanese work is culturally different from Mexico. So, if we transfer Japanese culture to Mexico, it obviously changes our processes, which are ways of working*." ([1:31:50]).
However, this knowledge transfer could not be possible if the international supplier did not have a willingness to build and commit resources to the relationship with its Mexican client. "*In fact, this came to me, it is an invitation from Haitian, to visit the Haitian factory of the injection machines, the ones we buy to make the caps, the new ones. We are being invited there in Ningbo, China, in September. They invite us to their plant and here comes the cultural part. It is the part of how they work, but also the infrastructure. That is, as they have their processes, the organization of their machines, logistics, the work environment. […] That is why I go, I visit, I learn, and I bring some different ways*." ([1:33:36]). Thus, international suppliers enable the firm to formalize its processes, infrastructure and innovation while being a "*source of continuous improvement*" ([1:34:44]).

Nonetheless, this value creation could not happen without a long-term, win-win orientation on the part of both partners, but mostly from the international partner. In fact, the international supplier has to perceive the SMSFB as a medium- to long-term investment with an increasing return potential, but most importantly as a safe and reliable investment. When considering what value Plastic brings to its suppliers "*First, it is attractive to them, Plastic, for the reason that we are continually growing, and it is like we grow together, we grow, and it is mutual. It is relative because if I grow, they grow, and the benefit is for both of us, it is called win-win. Now, the guarantee, also because it is a guarantee to sell your products to Plastic. In the catalog of clients of that supplier, Plastic appears, and Plastic has a prestige, a reputation*." ([1:53:53]).

Thus, we see that as the firm grows, it not only increases its buying power by diversifying its suppliers and purchasing more volume, but also enhance its attractiveness with large international suppliers, which we have demonstrated, can maximize the value creation potential of the firm. "*Evolution in number of suppliers yes, infinite. Previously in 2000, we only had one provider, two-three basic providers. Currently, there are three-four suppliers for each product. Obviously, the access, the importance that we previously had in terms of the volumes, or the quantity, that we bought of supplies, was not so attractive for certain suppliers. Currently, without having to search for so many suppliers, they are already looking for us. Because it is important (for international/large suppliers) that we buy from them in volume*." ([1:37:19]). For example, between 2016 and 2019, Plastic saw an increase of 167% of its monthly PET consumption, from 30 tons to 80 tons monthly. Regarding niche resins, a segment the firm has aimed to develop with its differentiation, we see for example with Plastic's Polypropylene usages, a sevenfold increase from 5 tons to 40 tons monthly.

As such, we see that the value creation potential of the SMSFB for international suppliers reside in its potential for current and future growth. We see can say so because it does not just happen with Plastic's resins' suppliers. "*I used to buy conventional injection machinery, to make caps, with a high cost (sold by the Japanese machinery supplier Nissei ASB). Now, the Chinese supplier is looking for us, Haitian, and sells us, at half the price, with the same quality and efficiency, even a little better efficiency because they are energy saving machines*." ([1:37:19]). As we see, this reputational effect has the potential to maximize the value creation potential of Plastic.

Finally, the last element which help us demonstrate how international suppliers can maximize value creation is through the trust that, counterintuitively, forms much more easily with them than with local suppliers. "*With ASB, ASB even without a contract, they have the confidence, of credit, what I need, there is no credit limit. With ASB I have contracts but trust, before signing a contract I can have machinery. I mean, that service, that confidence they give me,* *even if you don't sign a contract, they send you the machine because you need it, and then we make a contract.*" ([1:40:55]). To sum-up, international suppliers are not only more flexible through their less stringent requirements, but also support the growth of the SMSFB through financing capital and thus, cash flow. On the opposite side, local suppliers seem to minimize the potential for value creation.

4.2.1.2.1.2. Local Suppliers: Minimizing Value Creation

We found that local supplier minimizes the value creation of the firm in two ways, first, because of the lack of knowledge sharing and second with their much more stringent requirements.
The CEO's statement "*The Mexican suppliers are worse than us! What can you learn? Bad things, the bad*." ([1:34:17]), clearly highlights the small learning potential perceived by Plastic from its local suppliers. Furthermore, this lack of knowledge or innovation is coupled to highly stringent business requirements, best expressed by the CEO's joke: "*In Mexico, they* (local suppliers) *investigate you, they even ask for a medical or dentist certificate*." ([1:41:53]). […] "*At least with the ones I have right now, the Japanese and the resin ones* (Korea) *and some others* (international suppliers), *I don't have as many requirements. And with the nationals, I do. For example, with nationals* (suppliers) *I even sign promissory notes. If they are going to lend me 10 million pesos throughout the year, I have to sign promissory notes.*" ([1:43:16]).

Now that we could demonstrate how international suppliers can maximize the firm's value creation, we will consider the contributions of local and international clients.

4.2.1.2.2. Downstream the Supply Chain: Local and International Clients

While Plastic's client types have evolved since the business's inception, the firm has now a variety of clients, from international multinational corporation like Kimberly Clark, Bayer or the Kraft Heinz company, to both formal and informal, local medium companies.
However, the firm has recently recognised the value of international clients and is now trying to pivot toward serving more of them.

4.2.1.2.2.1. International Clients: Source of Sustainable Growth and Continuous Improvement

Similarly to suppliers, international clients seem to maximize value creation through their higher standards, their pressures for continuous improvements of the SMSFB, and their support for its sustainable growth.

First, international suppliers, through their regular audits, constantly push the firm to improve itself. "*Because of the areas of opportunities, according to the audits that international clients do to us. According to audits, we get areas of opportunity and that obviously, is value creation, in every way. And, in addition, with international clients there is also a commitment to purchase for a period*." ([1:45:24]). Furthermore, these clients provide the firm with a longer planning horizon which enable it to enhance its cash flow, support reinvestment in the firm and help the firm to grow sustainably. Similarly to the relationship Plastic has with its international suppliers, the relationship with its international clients is based on long-term, win-win interactions. "*For example, with Playboy, we invest in mold, they guarantee that they will buy a million caps per month and they comply with it. And they pay me on time. With Cuervo, the same. […] They improve processes in every way due to their quality standards*." ([1:46:05]).

As we can see there is also value created through the higher standards of these international clients which contribute to formalizing the SMSFB through its repeated contact with these large organisations. "*And, more formality. And they make you grow in values because they are giving you feedback with continuous improvement through audits. And not just doing one audit; Every six months they are auditing you. Periodic or continuous audits*. " ([1:48:27]). It is no coincidence that Plastic's international clients contribute so much to its value creation. In fact, the SMSFB also brings tangible benefits to them in terms of trust and reliability, flexibility and high standards compared to the local competition. "*Our value trust, first. Because we are close, so trust, stability, price opportunity too. Also, the value we give is, like for Fuller and all those (large/international clients), when they lack stock, we have a very quick reaction*." ([1:50:28]). Furthermore, by becoming ISO 9001 certified in 2014 Plastic has been able to better serve the needs of these international clients which have more stringent quality requirements. "*And obviously through this* (ISO) *we are reliable suppliers, according to the application of the standards. Look, it's like, ISO 9001, being ISO 9001 certified, is a trust, and* (being approved by the) *FDA, there is trust that the processes are qualitative, and it will generate trust.*" ([1:52:50])

We found that as Plastic acquired external knowledge from its suppliers, it was able to raise the standards of its operations in the eyes of its international partners. "*For example, the facilities that we have now, I had to go there in 2005, to Italy. From there, I brought the idea of making the plant like the Italians. So, white walls, epoxy floor, pipe. So, there is feedback,* *there is learning, not only in the purchase of equipment but in the way of working and the infrastructure. So, even when the Japanese (Nissei ASB) themselves come, they say: "Wow this plant is very good!" because in Mexico it is not usual to see a high-level plant." ([1:36:12])* Raising the perceptions of its standards enabled Plastic to acquire international clients who seek this formality and high standards.

4.2.1.2.2.2. Local Clients: A Potential to Destroy Value

In a different manner than suppliers, local clients have actually the potential to destroy the value of the SMSFB. They can do so through their negative impact on the growth and reinvestment of the SMSFB, as well as their low standards and formalization which negatively impact the firm's learning and innovation by maintaining the status-quo. "*Locals buy what you sell them. There is no feedback. And in addition, they do not pay, they are informal, inconstant, there is no formality. They can even embark you: You buy a mold and suddenly they don't buy anything from you anymore. You made the investment and lost it, and they "no longer want",* (they are) *unstable*. " ([1:47:08]). Local clients display an opposite behavior that of international clients. While the latter adopt a long-term, win-win orientation, local ones tend to focus on maximizing short-term value creation which negatively impact Plastic's value creation. Apart from having no knowledge sharing, local clients hurt the firm's growth prospects as they impede its long-term planning and re-investment, which are necessary to the SMSFB's sustainable growth and continuous improvement.

4.2.2. Peanut

From the four cases under study, Peanut represents the case which maximizes the most value creation, before Plastic. As we will demonstrate, Peanut share both similarities and differences with Plastic's case, which help us better identify the most important dimensions of the value creation phenomenon of developing countries SMSFBs, namely a high structural capital level, composed of advanced adaptive capability and institutionalization of the firm and its KM, and in-depth relationships with asymmetric (foreign) partners – the social and relational capital of the SMSFB. Annex 3 provides empirical evidence regarding the development of highly advanced absorptive and innovative capabilities for the firm.

4.2.2.1. Structural Capital Level

4.2.2.1.1. The development of Adaptive capability: Sources and Experience with change

For Peanut's CEO, change is intimately linked to transgenerational value creation, highlighting the SMSFB's long-term thinking. "*The change, I see it as positive since my daughters have joined work at the moment and they see, and they realize the activities, that their mother and I carry out. We are teaching them and we are presenting them with all the providers*." ([41:57]). As we see, the founder thinks about long-term changes and he is anticipating passing on the business to his daughters with advanced knowledge of the firm's operations and network.

The firm has experience implementing change as it is currently undergoing the process of being ISO 9001 certified and is already FDA certified. "*We are doing it, currently we are doing it, currently we are training to become certified, we are in that process right now*." ([42:58]).
This process involves changes at every level of the firm and for most its processes, from its primary to support activities, underlining the ability of the firm to adapt and increase its knowledge stock. In turn, the firm improves both its human and structural capital since ISO requires methodically and frequently tracking KPIs, training employees, implementing controls and designing clear processes based on employees' well-defined roles.
Furthermore, as the firm reinvest in new machinery, it has to enhance its human capital with external knowledge sources. "*With machinery, with more up-to-date machinery. Investing in recent machinery*." ([43:24]). These changes are in fact driven by asymmetric clients needs, highlighting the strategic alignment between the firm's resources and capabilities with external demand.

When considering the firm's primary source of change, it is internal for the CEO, since without it, there is no impulse to change and acquire the needed external knowledge. "*It is internal because it comes from us, and then we can implement it here*." ([47:08]). For example, to become certified ISO they need to bring in external actors who will help the firm to implement the change. As such, family members are a positive source of change and innovation for Peanut as they bring new ideas, clients' needs and implement them directly. "*They contribute because they work here, my two daughters and my wife. So they contribute, they go directly to the expos, and with the clients, when receiving needs, those needs are transmitted here, inside the plant,* *and then they carry them out."* (48:09]). […] "*Because according to the needs, they manifest* (clients) *the needs and they are carried out here. Right now, we are working three shifts because we can thus satisfy our labor needs*." ([49:05]). The source of this innovation in work organization (three shifts) was the daughter in charge of managing the production. Being in close contact with the employees, she saw this improvement could have a great impact on productivity and, following a pilot test, it was implemented permanently.

4.2.2.1.2. Family influence on Human and Structural capital

As we have already mentioned, the family has a strong impact on the human and structural capital of the firm through affecting the business culture and governance. While the CEO built the firm with accountability in mind for employees, he also did so for family members. The fact the firm developed advanced control and conflict management mechanisms for both the family members and employees is unique to Peanut's case. For example, looking at the business structure, each family member has its own area of responsibility, independent form the other. This way, conflict is minimized, and accountability maximized, and the family present a unified vision. "*It is that here, there is no conflict with the family, since each member of the family, each one has a specific line of work, so there is no conflict. Each family member has a line of work* [...] *and also has people in charge, but it is very different. For example, those who report to me, it is different than those of Karen* (one of the two daughters), *that is, there is no such thing as conflict and everyone obey us, because everyone has a line of work*." ([55:26]).

By separating responsibilities between family members, conflict is limited while accountability and responsibilities are reinforced. Furthermore, this behavior is equally practiced with non-family members employees which has the potential to positively impact firm performance as demonstrated by Madden et. Al. (2017). Thus, value creation is mediated in the SMSFB by the impact the family has on the governance and control - or structural capital - of the firm. "*In this sense it is positive* (the family impact on value creation), *since the founder, that is, the father, I, I demand from each of the members their reports of the ... To each of my daughters I demand their reports of the activities they carry out for, I demand of each of them, as a process and the results of their activities, that they are carrying out. It is like family accountability*." ([52:20]).

This focus on results at the family level reverberate at the lower levels through a business culture of accountability and focus on result. In turn, this represents the key to the firm's growth and value creation. "*There is no nepotism, or anything, that is, there are, there are results. In the same way as my wife, it is the way the company is maintained, in which the company goes forward. And it is the way value is created*. […] *That is, each person, has a responsibility, and each person has to give a result for their activities, a report of their activities*." ([53:18]). This shows that the SMSFB has been able to develop a business culture focused on results which is coupled to advanced structural capital.

4.2.2.1.3. Fully Institutionalized Knowledge Management Practices

When considering Peanut's knowledge transfer mechanisms, we found they are completely institutionalized into the firm's day to day operations. This due to the fact the firm has erected formal structures around knowledge management practices. "*Yes, we have a dedicated department called " new product development". It is in charge of looking for information and giving our client the product that they look for. As an example, we can mention that we are going to export a peanut that we develop jointly* (with a client*), to the United States. We develop a peanut, a product that did not exist, we develop it together and we are going to export it to the United States.* […] *Spices, flavor that did not exist and we developed it here in the plant*." ([09:56]). While taking advantage of its strong knowledge base, Peanut leverages its client's knowledge and absorbs it internally through its dedicated department and research and development processes. "*Research and development in the market of a product that did not exist, and that we are going to export it right now to the United States, is the reason why we are certifying ourselves*. […] *The taste did not exist, and we kept developing until I arrived with it, with the client's request*." ([11:15]). However, we can also see that the SMSFB is trying to enhance these knowledge management processes by certifying itself in order to better serve international markets. As such, the importance of complementing and continually improving the SMSFB's knowledge base is crucial for maximizing value creation overtime.

When considering other mechanisms the firm uses to capture external knowledge, we see the CEO and family members attend industry shows and get this knowledge "*In the expos that take place*." ([44:24]). This enables the firm's executives to remain up to date on industry trends, technological innovations – information relevant for strategic planning. Furthermore, by participating in industry associations and network groups, the founder exchanges ideas and get familiarized with potential innovations. "*The exchange of ideas with owners of other companies.* […] *I mean, I meet with people, companies, as part of a chamber of commerce or* *industrial association, and that's where innovations are given*." ([44:36]). However, in order to create value from the external knowledge acquired by the firm, it has to circulate inside it and as such, Peanut has developed institutionalized mechanisms to do so. "*We pass it on, pass it on to the bosses through a meeting*." ([46:06]).

Additionally, for the existing knowledge inside the SMSFB to be disseminated among its human capital, it uses both internal and external sources when necessary. For example, at the plant level "*There is a trained person who is the director of operations who trains the middle management, the supervisors. The director of operations trains supervisors*." ([15:11]).
When the firm does not possess the ability to circulate this knowledge, it outsourced the task to external experts. "*When there is a need, a need and we have not been able to carry it out, we ask for support from external people who come to develop us."* ([14:32]).

4.2.2.2. Social and Relational capital

When looking at Peanut's social capital and relational capital, we found that the firm possessed advanced level in both, and it is due to its highly collaborative orientation with its external partners. In fact, the firm continually bring the knowledge detained by its partner, especially its clients, through joint value creation projects, and these practices seem to be increasingly demanded by the industry players. "*Yes, we do it as the current market requires it. Because today, they* (clients) *no longer see us as suppliers, but as business partners. When they tell us what they need, we jointly do it*." ([08:53]).

In the following sections, we will consider the upstream and downstream supply chain partners, both local and international, looking at their particular relationship types and contributions to value creation. We will demonstrate that international partners maximize value creation and support the firm's sustainable growth and development.

4.2.2.2.1. Upstream the Supply Chain: Local and International Suppliers

What appears from the analysis of the data is that Peanut largely favor relationships with international suppliers since the inception of the business, similarly to Plastic. In fact, these relationships always extend over the long-term whereas relationships with local suppliers are punctual. "*Also, we have this one, a national peanut supplier, when the product is of good quality and at the price. It is given* (the supplier contract) *when the product is of quality and is* *at the price. And the relationship is very good. It is formal, with a contract and for a certain season and a limited amount*." ([23:40]). As we can see, local suppliers are similar to emergency providers, they are there "just in case" something goes wrong with the customary, international supplier. As the CEO describes, it is due to the nature of the relationship "*Because it is not continuous, it is occasional, when there is no product, there are no peanuts abroad.* […] *So, it is to fill a hole, yes, for a time*" ([24:35]). This seems to be because local suppliers are unreliable, unable to provide Peanut with consistent prices, volume and quality.

On the opposite side, Peanut started hand-in-hand with a Latin-American peanut provider. "*With Nicaragua we started together 23 years ago. And we were his representatives, here in Mexico*." ([23:40]). As such, over the long-term, they developed a strong relationship that is both formal and informal. "*From Nicaragua, excellent, excellent, very excellent. It is with a contract, but since we have many years, there is family aspect that develops. Because it is no longer a provider-customer relationship, but a friendship. For the time that we have already working, then it* (the relationship) *also becomes more direct*." ([24:58]). Consequently, the different relationship Peanut has with its local and international suppliers means their impact on the firm's value creation levels vary. What we see is, as Peanut grew hand in hand with its international provider, trust built and, as a consequence, the SMSFB now enjoys less stringent requirements "*In the sense that they make it easier for us to pay, the international ones*." ([27:09]).

Supporting the fact that Peanut always favor international suppliers for key inputs, we see that even when its relationship with the Nicaraguan supplier is under threat, the firm persists in building long-term relationships with international suppliers. "*But now Nicaragua, it is living a very difficult situation, politically. This makes the product of Nicaragua, at the international level, more expensive. And this makes us look for other suppliers abroad, which we are doing in the United States. I mean, we bring a lot of peanuts from the United States*." ([27:57]). Since peanuts are considered a commodity, the SMSFB is able to mitigate its risk in terms of competitive prices, quality and quantity, when it relies on international suppliers, as opposed to local ones. As the SMSFB evolved and diversified its international supplier base, it was able to ensure the reliability of its operations while sustaining its growth.

The value Peanut brings to its suppliers is linked to mitigating their risk and trust-based, long-term relationships "*The reliability and the security that will pay them in the stipulated time,* *which gives them trust selling to us*." ([41:07]). As such, Peanut does not make distinction between the value it brings to local and international suppliers, it is more uniform as the firm focuses on upholding its reputation by maximizing mutual value creation.

4.2.2.2.2. Downstream the Supply Chain: Local and International clients

When considering the two different kind of relationships between Peanut and its clients, both local and international, we found the CEO made an interesting distinction, not based on the client's nationality, but based on its formality level.

The relationship with small local clients is informal, there is no contract and they contribute in value creation by enhancing Peanut's cash flow. "*The relationship is good with the locals, but in most cases, we do not have a contract, yes, we do a business based on trust. Only with formal companies* […] *With the locals we contract, with more formal companies, like Bimbo, like Herdez* (two Mexican MNCs)." ([29:25]). Thus, we can see that another categorization can be made regarding client group: informal and formalized clients, each contributing differently to the firm value creation. Indeed, while the local informal SMEs contribute minimally – in terms of cash flow by paying through direct cash transactions upon delivery of the merchandise (which is similar to Plastic) – the formal MNCs – through long-term collaborative relationships and pressures for continuous improvement – can maximize Peanut's value creation.

Similarly to its international suppliers, Peanut has developed long-term relationships with its international – or formal – clients such as Nestlé (Swiss MNC). In fact, Peanut's founder believes it is those formal clients which can maximize the firm's value creation, this is due to the fact he is working with many multinationals corporations and he does not make a distinction between their nationality. "*With* (international) *clients, since we have been serving them for many years, the relationship also becomes personal, of friendship. A friendship relationship is taking place since we have known each other for many years. It is a respectful treatment that becomes, translates into friendly occasions*." ([30:30]). As mentioned, the potential to create value for Peanut is maximized by what the CEO calls formal clients, but what we associate with large MNCs, as described: "*They are the locals, formals* (clients) *because they require of us to become certified. Local formal* (clients) *such as the large companies TierraFertil, Nestlé*." ([32:13]). The CEO considers Nestlé as a formal local firm because it operates in Mexico, for him the only valuable differentiation is that, because these MNCs are formal and operating internationally, they put pressure on Peanut to continually improve and internationalize. "*Continuous improvement because we are, we have to be constantly auditing*." ([33:24]).

When looking at Peanut's evolution in terms of relationships, we find a clear parallel with Plastic, as the two firms went from small local informal clients, to having access and, serving large MNCs. However, as we will demonstrate, Peanut was able to both serve this client type earlier on and on a much greater scale, as the firm institutionalized faster. "*Yes, there is, there is an evolution. Initially we solely had informal clients* (local). *Later, we accessed the market of some formal clients. That is the evolution that we have had*." ([33:53]).

Considering the kind of value Peanut brings to its client help us understand the importance of formalizing the business operations and focusing on quality or differentiation to stand out from the local competition. "*A value that Peanut provides to its customers, yes, there is a value, there is value because our product is of quality, unlike other suppliers. Because we make our product according to the rules and with all the infrastructure we have and complying with all the rules that exist. That allow them* (the clients) *to have a quality* (final) *product that sets us apart from the rest*." ([37:59]). Indeed, Peanut's differentiation and quality product attributes are passed on the final consumers and as the client benefits, Peanut benefits as well. Similarly to a virtuous circle, the more qualitative the product is the more their clients sell and the more they increase their reputation, attracting other large MNCs. "*We also guarantee quality and volume, we live with them the problems that can occur, together, and we assure them that they will have a product all year long that will never fail, and this product is of quality. In other words, you as an international company, you know that with me, you will have all the product, all year round, of quality and that there will be no delivery problem, limit the risks. In other words, that* (the risks) *will not exist, because we also commit ourselves through a contract*." ([39:42]). In fact, these MNCs look not only to mitigate their risk in the local Mexican market but also to maximize their value creation, by finding partners with whom they can jointly create value, and Peanut fulfill both these conditions.

4.2.3. Payroll

From the four cases under study, Payroll is the case which neglects value creation. In the following section, we will put into light the different dimensions which compose the SMSFB's value creation process by focusing on the firm's structural capital level and adaptive capability development as well as it's the nature of its relational and social capital.

4.2.3.1. Structural Capital Level

4.2.3.1.1. Undeveloped Adaptive Capability: Source and Experience with change

The nature of Payroll's industry, which is tied to continuous changes in the political and regulatory landscapes, has largely impacted the development of absorptive and innovative capabilities of the firm. Indeed, as the CEO leveraged its past experience and contacts working for the Mexican Secretariat of Labor and Social Welfare (a federal government department dedicated to supervising the implementation of regulations concerning labor) the firm was able to absorb new knowledge and develop complementary services for its clients. It did so driven by the appearance of new regulations which forced it to adapt its services but never to develop a competitive advantage. Indeed, the firm has failed to develop adaptive capability, as this relates – at the strategic level of the firm – not only to adapting to environmental fluctuations, but also aligning its internal resources and capabilities to external demand.
Since the firm relies mostly on "family and friends" as its external demand and has no strategy, these clients do not reflect the true needs of the market. As the son puts it "*The people are not there, the clients who are, are not here for Payroll, they are for Victor, who is my dad*." ([1:05:19]). As mentioned above, this means none of the partners has an incentive to push the other to improve, as the relationship is not based on business or performance but friendship.

Payroll's founder emphasises the constant nature of the changes he faces, underlining the negative impact changes in the environment have had on the business. "*Change, well change, there is nothing more constant than change. There will always be modifications, there will be innovations that favor in some respects; and there are others that, unfortunately, change has caused us to go down under with the current economy. So, then, we have to invent, we have to create, develop valuable products so that it generates profit for the company*." ([30:16]).

Looking into more details into the kind of changes the firm has experienced throughout its over 30 years of existence, we find that the most radical change concerns the digitalization of the firm's paper archives. "*It is a very, very different way of working. I tell you that at first, everything, before, everything was manual*." ([32:06]). As such, we see that even if the firm is a able to absorb new laws and develop services, it has not been able, at the strategic level, to align its capabilities, products and resources to external demands, since the firm as no strategy and predominantly serve clients who are the CEO’s friends.

When trying to uncover more in-depth, the firm’s experience with change, we found that the CEO actually perceives bringing in the new generation and its ideas as a “bet”. “*Yes, in the end, that's one of the great bets we have, to bring people of the new generation with new ideas, a new way of thinking. The paradigms we had before have impressively evolved the way we think and see things, now*.” ([33:20]). In fact, while it is true the son brings a fresh perspective, new ideas, wants to formalize the business and create a strategic plan, it is the father who decides and has the final word. “*At the end of the day, there is a head that decides, that is, me, right now. But there are things that I just listen to and ok, that’s it*.” ([41:07]). Furthermore, highlighting the facts that the CEO is the embodiment of the business and its competitive advantage – its relationships – the son provides us with a concrete example. “*In fact, recently, they tried to buy the company (Payroll). A company that is dedicated to the same, much larger, but in fact, they would only buy the 80% of the company, and 20% was kept by my dad. And the condition was that my dad continues to be the CEO because they know perfectly well that he is the key person. If we sell the company to them, and if my dad leaves, the business ends. What's more, it could be that we sell them the company, he (dad) opens another and takes all the clients*.” ([1:04:34]).

When considering Payroll’s primary source of change, it is similar to the sources of knowledge and innovation, it is internal to the firm. The SMSFB impulse change, bring in external knowledge and build on it to better serve its clients. “*It is internal, and once having it inside, we offer it to our clients. [Researcher: The change is from inside to outside?] Yes*." ([36:30]). The issue is that there is a misalignment: As the firm needs external knowledge to adapt and align its strategic resources to external demand (adaptive capability) but does not possess formal mechanisms to transfer it, by relying on internal sources of change it struggles remain relevant on the market. Based on the CEO, the family is a source of change. “*It contributes. [Researcher: By the impulse of the new generation?] Exactly. [Researcher: How does the family contribute to the creation of value?] Well, once again the participation and contribution of each member of the family, new aspects that they have heard, that they have seen, that they have found, that they have talked to someone else*.” ([37:11]). However, as we will demonstrate in the following section, while the family contributes to change – in the eyes of the CEO – his influence on the structural and human capital of the firm prevent this change from concretizing.

4.2.3.1.2. Family influence on Human and Structural capital

When considering the impact of the family – in this case the CEO – on the firm's structural and human capital, we found that there is a mix of familiarity, or informality, paternalism and no formal governance mechanisms.

When asked about the influence of the family on the business culture, the CEO explains "*I repeat that my structure is very horizontal, very flat, so everyone contributes and participates, and they know, since they are in the business. Each person is responsible for their area, and the others do not intervene. Who wants to have a participation or a contribution, so I listen, I hear from all sides*." ([40:42]). As such, the firm seems to operate in silos, even considering the fact as it is the firm with the smallest number of employees, each employee goes about its activities and the CEO is the link between them.

The SMSFB does not appear to have any kind of delegation mechanisms or human capital coordination, all the power and structure resides within the founder. As highlighted by the son: "*First of all, the power and influence falls on my dad. And lately, I can influence the decisions a little, but really, the one who has the last word and makes all the decisions is my dad.*" ([1:06:53]). In fact, the son describes the influence of the founder on the culture as paternalistic. "*Paternalistic, 100%. Yes, it is a completely paternalistic company. He is the father of all my father*." ([1:01:53]).

Furthermore, looking more in-depth into the influence of the founder on the SMSFB structural capital, we found that there is no formalization or delegation on the part of the governance and the CEO's role. As the son describes: "*I would like this more, to define positions and activities, and that the CEO's task is only to supervise, that he does not have to make decisions day by day*." ([1:02:44]). When we asked the son how his dad ensures employees do their jobs, he portrays the CEO's role as: "*He dictates it, he is the judge, jury, and executioner, everything*." ([1:07:23]). This means that, in case an employee does not do his job, there is the risk for the employee to be terminated. However, no employees have ever been fired in the entire existence of the business, underlying its inertia. As the son puts it: "*It could, but he has never fired anyone, yes, I have seen people who have left for other things, but he has never had to fire anyone*." ([1:07:30]). When we asked the son how he and his dad could ensure employees would provide Payroll with results, we found that the only value-creating human capital is the dad and his son. "*Yes but no. Because really, those who make Payroll grow, are my dad and me. The rest just do their day-to-day work, maintenance.*" ([1:08:15]). Indeed, coupled to the

lack of human capital investment, we see an under-leveraging of human assets when considering the very low knowledge-intensive nature of non-family members' roles and functions – as every decision are concentrated in the hands of the father.
The son describes a typical employee day's responsibilities and tasks: "*From, "Today I have to make 10 payments, fine." Tomorrow, "ah, I have to make 20 payments." They do it, do their jobs, get the job done, and that's it*." ([1:08:30]). Thus, there are no incentives, nor punishments for employees and they are simply expected to fulfill a number of simple tasks, with minimal contribution to the SMSFB's value creation process.

To conclude, the CEO incarnates the governance of the firm has there is no formal structure or control. Furthermore, the central, paternalistic influence he has on the business promotes family inertia (Chirico, 2008) and limit enhancements in human capital as the CEO wants to maintain the status-quo.

4.2.3.1.3. Undeveloped Knowledge Management Mechanisms

To add on top of the SMSFB's misalignment – due to its primary knowledge and innovation sources being internal and the fact that external sources are the most important to its value creation – we found that Payroll has failed to develop formal and institutionalized knowledge management mechanisms.

The firm can leverage many different sources of knowledge. "*You can find out through the news, you can find out through official announcements such as the government's*" ([10:10]). But, when asked how this knowledge is transferred inside the firm and pass on to its human capital, it relies entirely on the CEO doing it or he trusts that the proactivity of his employees is sufficient. "*Now, I know, anyone at any level* (of the firm), *someone finds out that there is a new modification, that there is something more up-to-date. So, we meet and they know it*." ([10:31]). Furthermore, the CEO participates in associations with competitors which enables him to access new knowledge, however, this knowledge seems to stay relatively "stuck" within the executive level of the firm (the CEO and his son). "*It is through innovation unions, reunion, association type. Also, meetings (internal), the expos are external, conventions are external.*" ([34:36]).

The only mechanism that is used to circulate the knowledge acquired by the CEO are meetings with employees. Through these, Payroll's human capital can be enhanced as employees learn and increase their knowledge stock. However, in order to reduce costs as the firm struggles to grow, it has reduced the occurrence of these meetings. "*To meetings, they are meetings. Lately, they have been spaced a lot for reasons of, that we have to be looking for more clients right now. Yes, they have been less occurring. It was once a week and right now it can be, well, for some businesses, some areas, if can be once a week, but for others, in operations, I could say once a month.*" ([13:29]). This situation seems to create a vicious circle negatively impacting the firm's value creation, as it reduces human capital enhancements, it should be harder for the firm to be competitive and find the new clients it needs to grow. And as we will demonstrate, the SMSFB faces other factors negatively impacting its competitiveness, growth and value creation.

Another factor impacting knowledge management is that, there seem to be no specialist knowledge inside the firm, except for the founder which possesses the knowledge and contacts of the business. "*In fact, our structure is very horizontal. In such a way that everyone participates. I have always been of the idea that each and every member of Payroll should know what others are doing, and how they are doing it. In such a way that someone in the contractual area knows how to manage treasury, that of treasury knows how to manage administration, that of administration can manage accounting*." ([10:59]). The objective behind is cost-reduction "*That is with the aim of reducing costs and, on the other side, so that in case it arrives, that is someone is missing, on vacation, sick or because he left and could not be replaced, then, everyone else can support*." ([11:53]). In fact, as we will demonstrate in following sections, it appears that this is due to the low knowledge-intensive nature of the tasks' employees undertake. As such, the scant investment in human capital is underlined in the case of Payroll.

4.2.3.2. Social and Relational capital

When asked about the regularity of Payroll's interactions with its external partners to acquire new knowledge, we found it only happens with the firm's clients as part of its daily operations. Indeed, there are no other type of interactions between the firm and its direct partners – clients and suppliers – where the firm acquires knowledge. "*I interact with my clients. There is a policy of customer service and at different levels, each one interacts with his part*." ([07:57]). For example, Payroll's CEO is in direct, regular contact with the client's CEO, the accountability with its counterpart at the clients 'firm, etc.

When considering the firm's interactions with its key supplier, we find they don't contribute knowledge. "*It's that my lawyers interact with other lawyers from another firm and they manage, between lawyers*." ([08:40]). In fact, the only way the company acquires new knowledge is not linked to its relational capital, as specified by the CEO "*Through companies, they are dedicated to the same thing*." ([09:07]).

4.2.3.2.1. Upstream the Supply Chain: Local and International Suppliers

The firm possesses few international suppliers, the only one mentioned are "*Financial services for example*." ([17:07]). While the relationship is formal with them, the opposite is true with the key local suppliers, as they are the founder's friends since primary school. "*My lawyers are friends of mine from elementary school. I have more than 50 years knowing them*." ([18:38]). As we will demonstrate, the fact that Payroll's key suppliers are also the CEO's founder friends means that there are little incentives for either one to push the other to improve.

Furthermore, when considering the value created between local and international financial services suppliers, we found the CEO believes international ones can maximize the firm's value creation with their flexibility. "*Local financial services, well, the banks, the local banks are a little bit more special, and the relationship is colder, yes. But there are others, other international banks who are, are, more agile, faster*." ([19:09]). However, Payroll favors national suppliers due to their geographical closeness and the fact it has developed long-term relationships with them. "*The national has more, more value. Well, the relationship of having them close, is easier, you can access them, by being close; Although they* (international suppliers) *are more rigorous to answer our demands, to deliver us* (the international ones), *but it is easier to have some here (locally) than to have to be in the UK or the United States, or Spain*." ([20:03]).

The nature of the industry and service might be a factor influencing the preference for local suppliers. However, since the CEO has not developed a long-term, trust-based relationships with the local representative of the international supplier, the SMSFB struggles to leverage their potential value. "*Yes, they have a representative* [Researcher: Is he less accessible?] *Yes,* *because you have to go with the representative, and then the representative is going to say "Victor needs that" and that is very slow*." ([20:46]). Thus, because there is no trust between the international supplier and Payroll, it takes longer to Payroll to be served by them. When looking at the evolution in terms of relationships and the value they bring, we found that the CEO's relationships are integral part of the firm's competitive advantage. Indeed, by working with its friends, they have provided him with new clients, and this has been mutual. "*Yes, of course, they have helped us grow*." ([21:23]). As the CEO explains "*This has always been because of my relationships*." ([21:46]). As we will see, this is the same situation when looking at Payroll's clients.

4.2.3.2.2. Downstream the Supply Chain: Local and International clients

While the firm possesses some international clients "*Yes, yes, we have international clients*" ([22:43]). Similarly to international suppliers, they seem to be maximizing value creation by focusing on results and not on stringent requirements, as opposed to local clients which are more demanding. "*The internationals are more agile, they go for results. The nationals, however, are looking for that relationship that wants to see what the company is like, what it is doing, it is more informal*." ([23:02]).

Looking more into client relationships, "*Well, it is also because of the distance, which, while further away, the only thing they are looking for are results. So those results, well, I tell you, as long as you keep a line, always be efficient here, but perhaps the national checks efficiency more often, and the international one it can be once every six months or once a year*." ([23:58]). What we see is, that on one side, Payroll has a majority of local clients with whom it shares informal relationships, and on the other side local clients which have more stringent requirements than international clients. The informality of the relationship between Payroll and its local clients stems from the fact they are family and friends. As the son explains: "*Actually, the majority of the clients we have today, if not almost all of them, are direct relationships of my dad. They are friends from college, relatives. They are so "Family and Friends". And we have a much smaller number of clients who came from outside. They liked the service, and they stayed.*" ([29:40]). Based on the CEO's perception, there is no difference between the value international or local clients bring to Payroll. *"[Researcher: Is there a difference between the two?] No."* ([25:50]).

Having a better understanding of the nature of the SMSFB's client, we found there is little evolution in terms of Payroll's client's relationships. As the son explains: "*Yes, in fact, we have clients for years, we really look for clients that are lifelong. It takes us a long time to acquire new clients, but those clients stay a long time*." ([33:28]). As we can see, there is a kind of inertia in terms of the firm's social and relational capital as it has stagnated throughout the firm's years of existence. This is due to the fact Payroll has a majority of clients which are family and friends, meaning they tend to maintain the status quo as none of the partner are being pushed to improve. Interestingly, when considering the value that Payroll brings to both its clients and suppliers, we found there is no joint – or mutual – value creation happening. The firm is able to mitigate the operating risks of its clients, as part of the its usual operations "*Being more efficient in processes, the result is generally an economic saving. What I mean is that, by managing payroll processes with us, the cost of operations is reduced. By having uniformity in services, there will be no change, there will not be, we give stability, we mitigate risks*." ([27:41]).

Regarding suppliers, while the firm was growing, it was providing them with a constant stream of new clients, so mutual growth and value was happening. As the son explains "*In other words, I give my suppliers new clients and make them grow, nothing more. Mainly it is mutual growth, win-win, and it also reduce expenses."* ([48:02]). However, as the business is now struggling to find new clients, this mutual value has largely dwindled.

4.2.4. Magnet

From the four cases under study, Magnet is our value destroying case. In the following sections, we will put into the lights the different key factors which contributes to this value destruction. In fact, doing so will help better understand the value creation phenomenon of developing countries' SMSFBs as we highlight the pitfalls they should avoid in the light of structural, social and relational capital, and the development of adaptive capability. The elements on the absorptive and innovative capabilities of magnet are presented annex 5.

4.2.4.1. Structural Capital Level

4.2.4.1.1. Undeveloped Adaptive Capability: Source and experience with change

The conflicting visions inside the business, as well as the paternalistic culture promoted by the CEO have had a negative impact on change and on the development of adaptive capability of the business. Indeed, as this capability relies mostly on the strategic fit between internal resources and capabilities and external demand, we found that the business never adopted a clear strategy – or vision – agreed by both the CEO, who leads the business, and the sister, who makes the sales. As such, the SMSFB has not been able to develop adaptive capabilities.

When looking at the CEO's perception of change, we find he clearly understands it means going out of his comfort zone. "*But, yes, the real change, that is… Here* (shows close from him)*, you stay in your comfort zone. The real change is the one, the one that leads you to break the status quo*." (Pt2 - CEO's interview [02:13]). Furthermore, he admits that, while he is in charge, the business has no experience implementing this type of change. *"[Researcher: Does the business has experience implementing change?] I am the first to handle it. No, we don't have it*." (Pt2 - CEO's interview [06:25]). In fact, we see that the CEO tries to control every aspect of the business, including his sister as he micromanages her. "*Rodrigo, as he has studied coaching, has gone to certify and is the oldest, and I don't know what, he arrives and say "Alma, you have to do this; Alma, you are not doing this, Alma what you…" and whatever I do, he is driving me all the time.* […] *Sometimes, it costs me efforts, doesn't it? Because he says, "I did that!". But today, I am the most fervent believer that if we are not all willing to say* […] *"I will be wrong". Well, it's never going to come to anything! Because if I am* (imitates CEO) *"NO, you are! YOU have to change! I already did this!" "Yes but you can do it like this." "NO! Because it is like that!". So, you see, I can't talk to that person because there is no openness*." (Pt4 - Sister's interview [06:09]). Furthermore, this paternalistic culture and behaviour applied by the CEO downgrades the value of the knowledge detained by other, but most importantly from his sister. "*Because sometimes, he doesn't listen to me*. […] *Because he thinks "oh, Alma says things, but she doesn't know*." (Pt4 - Sister's interview [09:55]).

Additionally, we found that the CEO does not necessarily give the right example to employees and refuses to question himself. "*But when I said to him, 'Ro, I observe that, for example, we*

have observed that you forget appointments, take an agenda." […] I tell him, "Rod you have to…" (imitates CEO) *"AH NO! NO! What happens is, I know how! And I don't forget!" So, he doesn't recognize, you understand? He doesn't have the openness to say: there is a point where I can improve*." (Pt4 - Sister's interview [07:22]).
This creates a vicious circle where the business needs to change as it financially struggles, but the CEO, supposedly leading changes, refuses to question his practices and adapt the business and as such, the SMSFB remains "stuck", and fails to create value.

Besides, as the sister tries to bring change by differentiating the business with creative, personalized projects (Pinteract), she is relentlessly hindered by her brother who tries to stop her. As she puts it, change is intimately linked to the creative side of the business. "*Change is always an opportunity ... a great opportunity to apply creativity*." (Pt4 - Sister's interview [25:51]). As mentioned, the CEO does not want these types of changes and thus, the conflicting visions promote inertia. Moreover, in the sister's words the CEO's resistance to change might never leave him. "*However, I do not know if, he, internally, if he manages to have this openness to say "Let's go there! " and that he agrees. Well, I think not, no, but I don't know*." (Pt4 - Sister's interview [11:12]).

As we will demonstrate in the following section, apart from having a negative influence on change, the CEO and the family also have a negatively impact the human and structural capital of the firm, and ultimately, its value creation.

4.2.4.1.2. Family Influence on the Firm's Structural Capital

Looking at the impact of the family in the firm's structural capital, we find that the CEO is not leading by example which promotes a generalized lack of accountability. As explained by the sister: "*Look, I think they (employees) see us, as Rodrigo arrives… Rodrigo has something he does which has impacted a lot, he always arrive and he presents ideas and plans, plans and plans and "Let's do this, and let's do the other one, and let's go!" and he always brings us all together "And now we are going to do, and we have to do! And it must be done!" But he never does. So, people are used to hearing him, listening to him, but then they don't see*." (Pt4 - Sister's interview [54:04]). In fact, this is what we witnessed during our months of observations inside the firm. Furthermore, there is no control, governance, or directions given by the leadership to coordinate the plans he constantly proposes. "*There is no strategic plan to* *show us the way*." (Pt4 - Sister's interview [55:51]).; "*And also there is no clear methodology*, (for exemple) *this month we are going to do these steps, and we are going to carry out this objective, this other month we are going to ... I mean, there is no implementation* [...] *There is no schedule, there is no specific plan. And he always says, "Let's do it!" but it doesn't.*" (Pt4 - Sister's interview [56:20]).

Altogether, we found the firm does not possess a formal governance structure or any form of control to ensure the accountability of its human capital. While the CEO possesses the knowledge, as he accumulated experience working in corporations (prior joining Magnet), he has not led the implementation of governance politics and processes inside Magnet. As the sister describes "*All my life I have heard him say "Alma we haven't done the processes, Alma we need to make the policies, Alma ... ". But I do not understand. As the years passed, I was wondering if he was telling me because he wanted me to do it myself. I did not understand. Indeed, I had never been in corporate and I said, "what are policies?".* " (Pt4 - Sister's interview [56:55]). As we can see, the CEO has never implemented any governance practices, furthermore, he does not seem to understand the value of incentives, for him, employees doing a good job is normal, they do not need to be rewarded.

When we asked him the occasions where employees are rewarded, the CEO answered "*Except in exceptional cases, they are given additional bonuses. [Researcher: When they do a great performance?] Something extraordinary. Because they can do their job well, it is part of the normal. Now, we are not one of those who give orders and run orders. We give orders, we trust that they are carried out, and we put the, we put the, we put the example that when there is something to do, we comply with doing it, right?*" (Pt2 - CEO's interview [46:32]). The lack of incentives coupled to the lack of direction and control means that the human capital value creation potential is largely minimized, furthermore, it does not appear that the CEO gives the example and "does".

4.2.4.1.3. Family Influence on the Firm's Human Capital

Eventually the lack of structural capital hurts the firm's human capital as employees are neither rewarded, nor punished for their work, we see this in the lack of motivation of employees as they feel cast adrift in their job with no guidance and conflicting visions.

The sister's description help us better understand the situation: "*I think they (employees) are fine, but sometimes I feel like they are coming for the bare minimum, that is, although Rodrigo motivates them, I think there is no incentive structure, or there is no clear objective, so they are here, but a little adrift.*" (Pt4 - Sister's interview [55:20]). As she explains, the leader's inconsistent behavior of saying something but never acting on it directly influence the culture of the firm and the effectiveness of its human capital. "*I think that they sometimes feel that they know Rodrigo is the […] guide, but there is, lack of consistency. Congruence is lacking."* (Pt4 - Sister's interview [59:01]). We will now consider more in-depth, the different impact of the family on the firm's human capital and, ultimately, its value creation.

When we investigated the impact of the family on the SMSFB value creation, we found that the CEO hurts both the firm's relational and human capital. First, he tarnishes the business' reputation by hurting relationships with suppliers and, additionally, he also hurts the relationships with employees. As the sister describes: "*Rodrigo, on customer issues, yes. On supplier issues, no. Rodrigo, the suppliers, have a bad reputation of Rodrigo. They almost, almost don't want to talk to him*." (Pt4 - Sister's interview [39:03]).; "*Besides this, well, neither way does he pay them, but, if he has other things (to pay), he makes them wait and requires them to understand and deliver. [Researcher: So, he does not want to create relationships?] With suppliers not so much and with collaborators as well, […] with employees. Once, when Gabi Cruz left and Rodrigo got back, they almost made a strike, for real, strike! Almost. [Researcher: What do you mean?]* (the employees) *Stop working and leave*." (Pt4 - Sister's interview [39:47]).

Furthermore, we found that the firm practices nepotism which means that key employees lack the relevant knowledge and expertise necessary to maximize value creation, as explained by the sister. "*My sister was in charge of customer service; my niece was in charge of production when Juan-Pa (plant manager) left for a year to work on his own. And another niece was there, she was an assistant.* […] *They wanted to earn more* […] *My sister was a commercial assistant, Gabi Cruz has all the experience, she (the sister) comes and we put her here and "Oh no, why is Gabi director and not me?" You understand?*" (Pt4 - Sister's interview [34:36]). Besides, the family members employed did not realize they lack knowledge or expertise. "*But since they don't realize that they don't have the capacity, the experience, or the knowledge*." (Pt4 - Sister's interview [35:39]). In turn, this negatively affect the SMSFB's knowledge base and limit the potential for value creation.

4.2.4.1.4. Undeveloped Knowledge Management Mechanisms

Coupled to the lack of control and governance structure we found the SMSFB has not developed any formal KM practices which directly impede its ability to create value from external knowledge.

Furthermore, underlining the two conflicting visions, we found that, while the for the CEO the firm does not possess formal knowledge transfer mechanisms (as he is the mechanism). *"I go in the, I go in my car for example, and I see ads, signs, trucks, cars, and I see the girl's huaraches* (sandals) *that if she can even use the magnet, I offer it to them."* (Pt2 - CEO's interview [08:38]). Whereas, in the eyes of the sister, knowledge transfer mechanisms emanate from the creative side of the business where employees' proactivity drive the mechanism.

As such it is informal and uncoordinated, as explained by the sister: "*Yes, they give me a report of what they find in design, creative* (from Branding). […] *But also the Magnefix boys for example the planning boy in Magnefix is always looking for new opportunities. […] In other words, all the creatives at Magnefix and Branding are the ones who bring those opportunities. Rodrigo brings new materials, but the boys bring, like, new systems and training. They propose us and then, Ana* (CEO's assistant) *investigates the costs and we decide whether to make the investment, and it is implemented.* […] *For example, they* (employees) *were the only ones who decided to enter the training platform and add the topics that they propose to us*." (Pt3 - Sister's interview [29:05]).

Thus, we can see the mechanism of knowledge transfer is informal, irregular and based on employee proactively researching new knowledge or innovation in the creative area of the business. However, since the CEO is often in disagreement with proposals made from the creative side of the business, it makes it harder to transfer and diffuse external knowledge internally. It also means that the relevant knowledge linked to materials remains "stuck" with the CEO. Furthermore, the lack of guidance and coordination on the part of leadership means there is no strategic focus of resources, making it harder to answer to the needs of niche markets, and for employees to enhance relevant skills.

Looking at knowledge circulation mechanisms, we found the firm does not possess any. This means that the knowledge detained by each individual remains "stuck" and does not circulate among the SMSFB's human capital. As explained by the sister: "*Everyone* (all employees) *have their induction when they arrive, everyone. It is a training of the whole business. But we* *do not have, as such, a training process. Look, we have an administrative-commercial and productive process but not training.* […] *Informal, yes, yes, informal of course there is, but there is no structure as such. The only one that is formal is the initial induction for everyone*." (Pt2 - Sister's interview [17:14]). As we can see knowledge management practices are not institutionalized in the day-to-day business practices of the firm. This means that the potential for human capital enhancements are minimal.

Thus, we conclude that the firm is internally oriented and leverages minimally the knowledge and innovation detained by external partners. Furthermore, it has not been able to develop formal mechanisms to transfer external knowledge inside the firm or to circulate it, in fact the firm's knowledge is mostly "stuck" inside each individua, the firm has not developed institutionalized knowledge assets. As such, the absorptive and innovative capabilities developed by the SMSFB rely entirely on disparate knowledge, spread unevenly among the firm's human capital. Furthermore, the internal knowledge stock of the firm, on which these capabilities are build, is, for the most part, completely dependent on the financial acquisition of proprietary knowledge under transactional (purely monetary) relationships. As we will demonstrate in the following section, these transactional relationships impinge on Magnet's leveraging its social and relational capital to enhance its capabilities and maximize value creation.

4.2.4.2. Social and Relational capital

When considering Magnet's interactions with its external partners, we found that it does not regularly interact with them to acquire new knowledge. The CEO mentioned the supplier coming to calibrate machinery when a client as highly specific demand. However, this knowledge remains proprietary to the supplier.

Furthermore, the interactions could be characterized as purely transactional, with no knowledge exchanged. As the sister describes: "*I went to China, to meet new suppliers and, the Chinese a long time ago, they brought us a magnet that the market did not want to buy. [Researcher: Was it of bad quality?] It was getting longer, it was bad, so what we did, when I went to China, was to bring them material from here, so that they could produce it for us with the same technical sheets."* (Pt2 - Sister's interview [02:51]). As we can see, there are no regular interactions where relevant knowledge is transferred from outside to inside the firm. In fact, the sister highlights that the firm bought an innovative material from Chinese suppliers, but no knowledge was transferred. "*From the Chinese I learned new materials, solid magnets, that is, those of neodymium*. […] *And we bring those with us*. […] *And I implement them for the* (magnetic) *walls or for other products* […] *To develop new products*." ([04:47]).

Furthermore, as highlighted by a second example, we see this practice of "buying" the innovation without having the experiential knowledge associated to it (since it is detained and not shared by the suppliers) is institutionalized in the firm's practices. "*Look, this* (neodymium) *we don't have anymore*. *But Rodrigo, in his search for new magnet suppliers, found some French people* […] *And this company, which is called Nova, in Chambéry, also made magnet but, he sold us, to Rodrigo: "Fixmax"* (a reusable stickers which goes on different surfaces). [06:13]. So, this material, *Rodrigo brought the exclusive distribution in Mexico, of this material* (Fixmax). *But it turns out that the French no longer produce it. And now, Rodrigo wants to bring the machine that they stopped, over here* (in Mexico)." ([08:12]). This means the firm is entirely reliant on the supplier's innovation and knowledge, and as seen in the example, when the supplier stops production, Magnet loses the innovation, and, as we will see, this has direct repercussion on the firm's value creation. Additionnaly, since the firm does not regularly interact with its external partners to acquire their valuable knowledge, it does not benefit from dual value creation.

4.2.4.2.1. Upstream the Supply Chain: Local and International Suppliers

We found that Magnet has similar relationships with both its local and international suppliers, and that the majority of innovative magnetic materials comes from international suppliers (China, Netherland, USA).

The relationship is, as mentioned above, purely transactional and as such, Magnet buys different inputs from its suppliers without ever sharing knowledge. Furthermore, we find that due to the zero-sum thinking adopted by the CEO when dealing with the firm's suppliers, value can be destroyed for the external partner. In fact, the CEO tries to impose his will forcefully on his supplier without adopting a win-win perspective. As the sister explains: "*You know that also, it seems to me that Rod is a little bit more, he is less human, let's say. It's very nice, but in business matters it's like* (speak loudly) *"Let's see! I buy, you deliver me now!"."* ([24:36]). This way of hurting relationships with suppliers with this zero-sum thinking has the potential to create, short-term, highly unsustainable value for the firm, in the form of stretched credits (currently the firm owes over 800,000 pesos to its suppliers or over $45,000). But eventually, this is leading the firm to lose key international suppliers, who perceive Magnet as unreliable and risky.

When considering which supplier has the potential to maximize the firm's value creation, we found, similarly to all cases studied, that international suppliers do. They do so by providing the firm with its most important inputs – the foundation of its competitive advantage. As described by the sister: "*Because they are the ones who sell us our differentiator*. […] *The product that I transform, the one that gives me, the one that makes me be different. Well the one that I transform, my main product. [Researcher: Would you consider it the foundation of the firm's value creation?] Exactly, exactly*." ([28:05]). The issue is that, since they provide the firm with the foundation for its differentiation, losing them puts the firm's future in danger. Indeed, the SMSFB has been faced with suppliers shutting down their credit lines and refusing to deliver Magnet as it does not pay on time (or at all).

Furthermore, due to this inward-looking orientation, we find there is a strong unachieved potential for Magnet to build long-term, win-win relationships with its international suppliers. In fact, the sister insists these relationships would be much better for the business' success compared to local suppliers. "*But the ones that matters most to me is that of foreigners. [Researcher: Why do you create more value with local suppliers?] I have a little more proximity. But right now, that I am here* (back working for Magnet*), I want to develop that closeness with foreigners.*" ([26:37]). In fact, she is able to perceive the potential value that could emanate from long-term, informal relationship with international suppliers where the firm could benefit from their knowledge.

Overall, we see the relationships tended to evolve negatively as the firm is now losing certain key suppliers who stop the delivery of inputs. Furthermore, while international suppliers have the potential to maximize the firm's value creation with their knowledge, we see Magnet has not been able to leverage this potential to its advantage. This is mainly due to the financial mismanagement of the business. As we will see, it has a similarly negative impact on clients' relationships.

4.2.4.2.2. Downstream the Supply Chain: Local and International Clients

Looking at clients' relationships, we find that, similarly to Payroll, the firm has developed informal relationships with its local clients who are loyal to it. "*I know that I will have a sale, but the amount is variable. [Researcher: This variation, is it insecurity?] Of the quantity, but that is, assurance that they will always buy from us and will never buy from anyone. [Researcher: local or international?] It is the case of Lozano specifically, who is local. [Researcher: So, is there like, trust?] Let's say there is a, there is a verbal agreement of exclusivity.*" (Pt3 - Sister's interview [07:22]). In spite of this loyalty, we found that these client types do not maximize value creation as opposed to international clients. In fact, when looking at which of Magnet's client's relationships maximize value creation – similarly to all cases studied – we find that international clients have the potential to maximize the value created by the business.

In the case of Magnet, this is due to the fact that international clients bring economic certainty to the firm. "*Yes, that, that is the highest value they give us because almost, almost we can even make a projection of annual income*." (Pt3 - Sister's interview [07:04]). In fact, this enables the firm to enhance its cash flow as it can better plan and coordinate its procurement. It also provides economic security to the business since annual formal contracts are signed. However, Magnet does not have the certainty the contract will be maintained over the medium-term and that the international client will not go to the competition. "*Exactly, instead, it gives me financial security because there is a written contract and what you want. But he* (Lozano, local client), *is faithful and loyal*." ([08:19]). We find there is a strong attachment to the emotional value of the relationships which reflect the local cultural context and is parallel to what was seen in the case of Payroll who relies mostly on family and friends as clients. However, these relationships, while maximizing emotional value, does not maximize the business value creation similarly to international clients who support a more sustainable growth.

Considering the evolution in terms of clients' relationships and the value they bring, we found that similarly to suppliers, they have been deteriorating. As described by the sister: "*Now they're a bit desperate because with our lack of liquidity, we don't have enough magnet here. And they ask and ask and ask, and what we have been doing at the moment, is buying from our competitors and* […] *obviously, our profit is going down significantly. [Researcher: And* *focusing more on the relationship?] Extraordinary, obviously, I insist, they are now half tense because we are not responding so quickly*." (Pt3 - Sister's interview [00:20]).

To help us underline this negative evolution, we come back to the example of Fixmax, the material from which the manufacturing stopped. We see that Magnet had to give-up orders and lose an international client, since it had not enough capital to buy the machine from its French supplier. "*We made these* (show fixmax stickers), *we made 500,000 for a pharmaceutical company, for a contraceptive pill. And then, when they kept asking us, we could no longer. The French no longer had! So, Rodrigo said why don't they sell us their machine? Obviously, right now the debt is there, we cannot invest*." (Pt2 - Sister's interview [08:45]).
This creates a vicious circle, as the firm does not have sufficient capital to acquire inputs or pay its suppliers, it misses on potential profits, hurting relationships with both clients and suppliers along the way, which leads to firm to more financial struggles.

To complete the picture, we find that the main value Magnet brings to its clients and suppliers resides in the creativity and trust it provides them. "*Creativity, both to my clients and to my suppliers. Well, more to my clients I bring creativity. I give them trust*." (Pt3 - Sister's interview [19:52]). First, as mentioned, the CEO is opposed to bringing this kind of "complicated" value, as such, this creates contradictory internal pressures which divert the focus and resources of the firm. Second, this trust has been damaged with both clients – who cannot be delivered – and suppliers – who are not getting paid. "*I also inspire trust to my suppliers, although we have not helped them generate… for lack of, of an attitude with the payments, lately. But you know what? They trust me, they know that yes, I am going to respond.*" (Pt3 - Sister's interview [20:22]). However, since the CEO is in charge of dealing with suppliers, it will remain to be seen if he can change his behavior.

To conclude, Magnet's value proposition has etiolated as it evolved, and the firm must now find ways to change and adapt to survive and create value.

5. ANALYSIS: CROSS-CASE COMPARISON

After examining the results of our four cases studied, we have established the key components of their respective value creation processes in the light of the firm's structural capital – considering its ability for strategic planning mediated by its adaptive capability and institutionalization level – and social and relational capital – considering the nature of relationships and partner type in their upstream and downstream supply chain.
Through the following cross-case analysis, we will highlight both the similarities and differences across the four SMSFBs focusing on these key points. The other differences between cases regarding absorptive and innovative capabilities and knowledge and innovation sources – less relevant to underline the specificities of developing countries' SMSFBs' value creation process – are introduced in annex 7. Furthermore, in annex 7, we present the differences among cases in term of the family influence on strategic planning, culture, governance and change and adaptive capability.

Exposing similarities and differences in the light of key aspects of the VC process of developing countries' SMSFBs will help us in arguing the relevance of this research's findings in light of the extant scholarly view on the phenomenon. After the cross-case comparison, the discussion will answer our research question, synthesizing existing concept while presenting this study's unique findings regarding the value creation phenomenon of SMSFBs from developing countries through the introduction of the different dimensions of the matrix of value creation. The following section will conclude with the theoretical and practical implications, presenting the matrix as well as the limitations, and opportunities for future research.

5.1. Similarities Across All Four Cases

5.1.1. Structural Capital: Tendency to Formalize and Structure the Business Over Time

We found that the structural capital of the four cases was strongly influenced by the family, more specifically, the founder, and later on the second generation involved in the business (when applicable). Furthermore, we found that, in all cases studied, there is a tendency for the firm to make enhancements to its structural capital over time.

To better understand this evolution, we enlarge the definition used of structural capital to better reflect our context and findings. The author defines structural capital as "*the organizational and informational infrastructure in its broadest meaning*" (Ujwary-Gil, 2017; p.373), considering dimensions such as strategies, technology, cultural factors and organizational processes. What we found was that the reason for this similarity lies in the fact firms must address the pain points imposed by the growth they inevitably face, which are linked to the need to evolve organizational processes, structure and employee skills (Dewhurst et. Al., 2011). Although each case as faced different growth prospect, every SMSFB displays characteristics of structural capital enhancements. While Plastic enhanced employee skills (training), develop new organizational processes (ISO 9001) and controls, Peanut developed a formalized organizational structure with department and a focus on controlling results (weekly reports).

Considering the two other cases, we find that these enhancements are lesser but present, nonetheless. Indeed, Payroll has digitalized part of its operations impacting the efficiency of organizational processes, while Magnet has developed job and activity profiles, has defined responsibilities and created reporting structure. However, these two cases fail to control and ensure accountability, as such, the enhancements remain superficial. Still, they were necessary to support a more sustainable growth for these developing countries' SMSFBs by addressing the unique pain points they face in organizational structure, processes and skills. As such, while all our cases studied tended to enhance their structural capital over time, how much it developed it varies greatly between cases and, we argue, it is a key differentiator of VC.

5.1.2. Relational Capital: Relationships with International Partners Maximize VC

First, all cases studied share a tendency to build relationships, over time, with clients that are increasingly formalized and, eventually, international. Second, we found that in every case, the founders believe that these formal international partners had the potential to maximize their firm's value creation when it could build relationships with them. The reason for this is that all firms started as small, relatively informal entities, serving clients belonging to the informal economy. However, to support a more sustainable growth and align with embryonic strategies, the SMSFB had to access larger firms as they enabled it to move more volume on a regular basis and increase its revenues. For example, Plastic decided to start serving differentiated industries such as cosmetics, Magnet decided to focus on selling promotional magnet products to larger firms, Payroll developed its financial services to attract larger clients and more profitable industries, while Peanut formalized its structure and processes to sell processed snack product ready for consumption in international markets.

Furthermore, we found that the potential of foreign firms to maximize the SMSFB's value creation lies in the fact they bring new technologies and new management techniques (Meyer, 2004 cited Zhu et. Al., 2006) to local SMSFBs who can learn from them "*especially when they partner with them in strategic alliances*" (Hitt et. Al., 2005 cited Zhu et. Al., 2006; p.7). For example, Peanut and Plastic both enjoys long-term, win-win partnerships with key international clients and suppliers. What we see is that the outcome if these relationships is joint value creation, where both partners create and appropriate the value. While Magnet and Payroll did not build these alliances, they still benefit more from their international partners. Magnet through the innovative inputs it can access (FixMag, Neodynium) and Payroll through the less stringent requirements the firm enjoys with both its international clients and suppliers. The importance of building relationships with international partners is best explained by Hitt et. Al. (2005): "*Given the resource gaps and differences between emerging markets and developed markets, local firms in emerging markets often engage in exploratory learning through partnerships with foreign entrants from developed markets*." (Hitt and Worthington, 2005; p.359)

Moreover, we see that the motives pushing the SMSFBs to partner is directly linked to its potential to learn "*Through knowledge transfer and creation, collaborative exploratory learning enables local firms to develop their technological, managerial, and marketing capabilities*" (Hitt et al., 2000 cited Hitt and Worthington, 2005; p.359). However, similarly to structural capital, we found that the presence of such alliances and the value creations levels emanating from them greatly fluctuate among the four cases. Yet international partners can maximize value creation for the SMSFB compared to local one.

5.1.3. Social Capital: Interacting with External Partners for Strategic Resources Acquisition

In all four cases studied, we found that the SMSFBs have enhanced their knowledge base through different types of relationships with, at least one if their partners, supplier or client. We found the reason for this is inherently linked to developing country's context. More specifically, a critical condition of SMSFBs' competitiveness in these countries lies in their ability to access strategic resources (OECD, 2017). Indeed, apart from the obstacles introduced in the literature review, we found that as the SMSFBs face skill shortages, are riddled with poor management practices and workforce training which negatively impact their productivity and innovation (OECD, 2017), they must access strategic resources to complement their existing resources and capabilities.

This is the same idea suggested by Zahra & George (2002a cited Zhu et. Al., 2006) who suggest that the diverse and complementary knowledge detained by foreign firms is the antecedent of potential absorptive capacity of developing countries SMEs. For example, Plastic has largely benefited from the knowledge and financial assistance its Japanese machinery supplier Nissei ABS) shared with it, which helped the firm make the decision to focus on PET plastic and become a first mover in Mexico, furthermore the firm is currently leveraging the innovation (surlin) and knowledge detained by a new international supplier: Dow and Dupont Chemicals. Similarly, by benefiting from its clients' knowledge, Peanut is now starting to sell its product internationally, filling gaps in its existing knowledge base by benefiting from knowledge transfer from its clients.

We find that Payroll and Magnet also interact with external partners to acquire strategic resources, but they do so less regularly and formally. For example, as opposed to Plastic, Magnet access innovations developed by international suppliers such as FixMag (product developed by a French a company), which in turn form the basis of its differentiation, but the interaction ends after the transaction. Indeed, the firm has to develop by itself the knowledge around the innovation. Payroll leverages its suppliers' knowledge and strategic resources to extend its portfolio of services and increase its competitiveness. For example, by accessing international financial services providers, Payroll can compete on interest rates with local institutions and offer loans to its clients, expanding its service offer and potential clientele.

In spite of these differences, all firms access and leverage the resources, capabilities, knowledge or innovation detained by some of their external partners.

5.1.4. Intellectual Capital: The Critical Influence of the Family

The final similarity we find among the four cases reside in the influence of the family at every dimension of the intellectual capital – relational, structural and human capital. This unique influence of the family can be likened to the "familiness" concept coined by Habbershon & Williams (1999) and defined as "*the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business*" (Habbershon & Williams, 1999; p.11). For example, in the case of Peanut, we see the influence is strongest on the firm's structural capital whereas in the case of Plastic the influence of the family is most important on the human capital. We also find similar influences with Payroll and Magnet, where both CEOs strongly influence their firm's relational capital. While Payroll's CEO influences through its focus on building relationships with family and friends, and Magnet's does so through the negative influence the CEO has on relationships with suppliers. While the value creation outcome of the family influence varies greatly, the influence appears to be always present among developing countries' SMSFBs.

5.2. Differences across cases

In the following sections, we will introduce the key differences among the four cases which can explain the variations in their value creation processes and outcomes. While these differences revolve around knowledge and innovation, the social and relational capital of the SMSFB and the direct influence of the family on key dimensions impacting its structural capital – change and adaptive capability, governance, culture and strategic planning – we solely introduce the most relevant to understand developing country's SMSFBs value creation. As such, the following sections cover differences in terms of KM mechanisms and social and relational capital. The elements on knowledge and innovation and the family influence on structural capital are introduced in annex 7.

In order to better answer our research question, we highlight, how the cases of Plastic and Peanut are distinct from Magnet and Payroll. Since the former have been able to maximize their value creation compared to the latter, we aim to underline the key differences which enabled them to do so, improving our understanding of the phenomenon of developing countries' SMSFBs' value creation.

5.2.1. Development of Knowledge Management Practices

The key difference between the two value-creating cases and Magnet and Payroll lies in their levels of knowledge management practices' institutionalization and in the operationalization of the knowledge transferred and circulated. We devised two frameworks – one for knowledge transfer, one for knowledge circulation mechanisms – which can help any firm understand how it does on each dimension by introducing ways to qualitatively measure them. The frameworks are introduced below.

5.2.1.1. Knowledge Transfer Mechanisms

In fact, we found that more advanced knowledge transfer mechanisms in the form of higher levels of mechanisms' institutionalization and knowledge operationalization enabled the two SMSFBs to boost their absorptive capabilities. This is similar to Zarah and George's (2002) four components factors which are used to describe the multidimensional construct of absorptive capability, namely, knowledge acquisition, assimilation, transformation, and, finally, exploitation. We link the first two to the firms' ability to institutionalize and the last two to its ability to operationalize.

Framework – Measuring the development of knowledge transfer mechanisms: Institutionalization and Operationalization

Knowledge Transfer Mechanisms' characteristics	**Mechanisms' components**	**Dimensions to consider**
Mechanisms' Institutionalization level	Formality of mechanisms	From completely informal and irregular, to strategically defined processes, activities and/or organizational functions
	Variety and sources of mechanisms	**External** – Joint product development, audit, external training, formal/informal meeting for knowledge transfer, industry events, industry associations
		Internal – Informal research, knowledge codification processes, product development processes/department, Quality department, R&D department, internal training/formation, hiring external expert
Level of knowledge operationalization	Frequency of use of knowledge	Sporadically, Regularly, integrated to day-to-day operations
	Financial opportunities prompted	New product/service development, process/product improvement, access to new markets (clients, geographical)
	Variety of partners contributing knowledge	Supplier, client, competitors, various other industry players, ISO coach/trainer

When considering our four cases, we find that while Plastic and Peanut were able to develop high levels in both, Payroll and Magnet fail to develop sufficiently high levels of both operationalization and institutionalization. As such, they have not been able to leverage in value-creating way the knowledge they acquired, impacting negatively the development of their absorptive, adaptive and innovative capabilities. In turn, this partly explains why these two SMSFBs struggle to maximize their value creation: they fall short of converting their knowledge into value (Edvinsson and Sullivan, 1996). Each case is summarized based on the framework and they result of the cross-case comparison is introduced below.

Cross-case analysis – Comparing the levels of knowledge transfer mechanisms' institutionalization and operationalization

Mechanisms' characteristics	Mechanisms' components	Plastic	Peanut	Payroll	Magnet
Institutionali-zation level	**Formality of mechanisms**	Strategically defined activities and organizational functions	Strategically defined activities and organizational functions	Informal and irregular, no strategically defined activity	Informal and irregular, no strategically defined activity
	Variety & sources of mechanisms	**External** – Joint product development (Don Ramon cap), audit (Kimberly Clark, Bayer), external training (ISO 9001), formal/informal meeting for knowledge transfer (ASB Nissei, Dow), industry events (Expo Pack)	**External** – Joint product development (Nestlé), audit (MNCs), external training (ISO 9001, machinery), industry events (Sweets and Snacks), industry associations	**External** – Industry events, industry associations	**External** – External training, informal meeting for knowledge transfer (supplier coming to calibrate machinery)
		Internal – Informal research (CEO), knowledge codification processes, product development processes (molds design), quality control department, internal training (manager), hiring external expert (General director)	**Internal** – Informal research (CEO), knowledge codification processes, joint product development department, R&D department, internal formation	**Internal** – Informal research (CEO)	**Internal** – Informal research (CEO), knowledge codification processes (employees who search for knowledge write a report)
Level of knowledge operationali-zation	**Frequency of use of knowledge**	Regularly, integrated to day-to-day operations	Regularly, integrated to day-to-day operations	Sporadically (1-2/ years for events), Regularly (CEO's research for changes in regulations)	Sporadically (2-3/ years)
	Financial opportunities prompted	New product developments (Surlin, substitutes crystal), process and product improvement (copolymer, more resistant resin), access to new markets (alcoholic beverages, USA Las Vegas with surlin)	New product developments (innovative spice), process and product improvement (new machinery), access to new markets (USA with Nestlé)	Service portfolio improvements (based on new regulations)	New product developments (FlexiMag or Flexography, a printing technique)
	Variety of partners contributing knowledge	International suppliers and clients, various industry players, ISO coach/trainer, human capital (CEO and employees)	Large MNCs (main client), various industry players, ISO coach/trainer, human capital (mainly CEO)	Competitors, various industry players, human capital (mainly CEO)	International suppliers, human capital (CEO and sister, few creative employees)

When considering Payroll and Magnet, we see that the knowledge remains mostly at the executive level without reaching the SMSFB's human capital and that the mechanisms are not well institutionalized or operationalized.

On the other hand, Plastic has developed institutionalized and operationalized mechanisms which codify the knowledge, use it in its day to day operations. For example, when a supplier sends an engineer to train one of Plastic's employees to improve the transformation of a input, it exists a process for this knowledge to be codified and secured into a hard drive. As such, the knowledge is not tied to the human capital but rather becomes proprietary to the firm and a source of process improvement in the long run.

5.2.1.2. Knowledge Circulation Mechanisms

In fact, we found that when human capital lacks the structural capital necessary to support it, or that the mechanism which transfer and circulate knowledge have low levels of institutionalization and operationalization, the SMSFB struggles to create value out of external knowledge. This is best expressed by Edvinsson and Sullivan (1996) who states that the structural capital is "*the infrastructure that firms develop to commercialize their human capital*" (p.360). We found that both mechanisms' type help to "commercialize" the SMSFB's human capital by leveraging and enhancing the knowledge it possesses, as such they are a form of structural capital who help the firm convert its knowledge into value.

Framework – Measuring the development of knowledge transfer mechanisms: Institutionalization and Operationalization

Knowledge Circulation Mechanisms' characteristics	Mechanisms' components	Dimensions to consider
Institutionalization level	**Formality of mechanisms**	From informal to formalized role, activity and/or process
	Variety of mechanisms	**Internal** – Informal discussion, induction course, formal training, formation, intra-department meetings, inter-department meetings, strategic meetings
Operationalization level	**Frequency of use of mechanism**	Irregular, regular, integrated to day-to-day operations (weekly)
	Level of human capital enhancement and involvement	From punctual, minimal enhancements to continuous focus in developing skills and capabilities; Employees benefiting from knowledge circulated

We use this framework to compare our four cases and the findings reveal that, similarly to knowledge transfer mechanisms, Magnet and Payroll have not been able to properly institutionalize and operationalize their knowledge circulation mechanism. The cross-case comparison is introduced in the table below.

Cross-case analysis – Comparing the levels of knowledge circulation mechanisms' institutionalization and operationalization

Mechanisms' characteristics	**Components**	**Plastic**	**Peanut**	**Payroll**	**Magnet**
Institutionalization level	**Formality of mechanisms**	Formalized role (more experienced coach less experienced employees), dedicated activities and processes due to ISO certification	Formalized role (more experienced coach less experienced employees), dedicated activities and processes due to ISO certification	One dedicated activity	Formalized role (more experienced coach less experienced employees), dedicated activities and processes due to ISO certification
	Variety of mechanisms	**Internal** – Informal discussion (CEO/managers), formal training (ISO), formation (ISO), intra-department meetings (sales, molds department, etc.), inter-department meetings (sales, production and mold designs meet monthly), strategic meetings (Executives, monthly)	**Internal** – Informal discussion (CEO/managers), formal training (ISO), formation (ISO), intra-department meetings, inter-department meetings, strategic meetings	**Internal** – Intra-department meeting	**Internal** – induction course, inter-department meetings
Operationalization level	**Frequency of use of mechanism**	Regular, integrated to day-to-day operations (weekly intra, monthly inter and strategic)	Regular, integrated to day-to-day operations	Happening less regularly to diminish costs (monthly)	Once (induction course)
	Level of human capital enhancement and involvement	**Regular and continuous** focus in developing skills and capabilities (ISO objective); Employees benefiting from knowledge circulated at all levels	**Regular and continuous** focus in developing skills and capabilities (ISO objective); Employees benefiting from knowledge circulated at all levels	No human capital enhancement; Knowledge does not circulate among employees, main involvement from CEO	Little human capital enhancement; No formal mechanism for knowledge circulation

When considering the reasons for these differences, we found that through these mechanisms, Plastic and Peanut were able to improve the use and dissemination of existing knowledge (internal or external) throughout the firm. Furthermore, as they are able to integrate and operationalise this knowledge, they can create new knowledge from it and transform it into innovative opportunities. In turn, this support these SMSFBs' differentiated strategy and enable them to serve formalized (MNCs) and international clients, supporting the firm's sustainable growth. This creates a virtuous circle: As the firm becomes better at managing knowledge, both internal and external, it can attract large international clients who in turn contributes to the firm's knowledge, innovation and sustainable growth. Thus, we see that knowledge and dynamic capabilities are inherently linked to the SMSFB's social and relational capital.

5.2.2. Social and Relational Capital: Cross-case comparison of Relationship Depth

The cross-case analysis of the four cases' relationships depth is presented below. Coupled to the analysis of the relationship depth, it is important to consider the degree of asymmetry among partners. We found that when partners are international or highly formalized (like in the case of Grupo Bimbo, a local MNC), they are the most asymmetric and should be privileged. While both Plastic and Peanut benefits from highly asymmetric relationships, Magnet and Payroll largely partner with local firms and have very limited or no international partnerships.

Table 12: Analysis of the relationship depth and partner types' potential – The case of Plastic

Relationship Depth Dimensions	**Upstream partners**		**Downstream Partners**	
	Local Suppliers	**International Suppliers**	**Local clients**	**International Clients**
Formality level (formal, informal, both)	Formal	Both	Informal	Formal
Length (short-term; long-term)	Short-term	Long-term	Short & Long-term	Long-term
Resource commitment level from partners (low, average, high)	Low	High (knowledge & innovation)	Low	High (audit)
Trust level (low, high)	Low	High ($ advance)	Low (not paying)	High
Negotiation perspective (zero-sum, win-win)	Zero-sum	Win-Win (joint VC)	Zero-sum	Win-win (joint VC)
Contribution to SMSFB's value creation (low, average, high)	Average	High	Low (hurt cash flow & growth/ reinvestment)	High (help growth)

Table 13: Analysis of the relationship depth and partner types' potential – The case of Peanut

Relationship Depth Dimensions	**Upstream partners**		**Downstream Partners**	
	Local Suppliers	**International Suppliers**	**Local clients**	**International Clients**
Formality level (formal, informal, both)	Formal	Both	Informal	Both
Length (short-term; long-term)	Short-term	Long-term	Short & Long-term	Long-term
Resource commitment level from partners (low, average, high)	Low	High (reliability, quality, volume)	Low	High (audit)
Trust level (low, average, high)	Low	High	Average	High
Negotiation perspective (zero-sum, win-win)	Zero-sum	Win-Win (joint VC)	Zero-sum	Win-win (joint VC)
Contribution to SMSFB's value creation (low, average, high)	Average	High	Low (hurt cash flow & growth/ reinvestment)	High (help growth, internationalization)

Table 14: Analysis of the relationship depth and partner types' potential – The case of Payroll

Relationship Depth Dimensions	**Upstream partners**		**Downstream Partners**	
	Local Suppliers	**International Suppliers**	**Local clients**	**International Clients**
Formality level (formal, informal, both)	Both	Formal	Both	Formal
Length (short-term; long-term)	Long-term	Short-term	Long-term	Short-term
Resource commitment level from partners (low, average, high)	Low	Low	Low	Low
Trust level (low, average, high)	High (family/friends)	Low	High (family/friends)	/
Negotiation perspective (zero-sum, win-win)	Win-Wim	/	Win-Win	/
Contribution to SMSFB's value creation (low, average, high)	Average (maintain status quo)	Low (unachieved potential)	Average (maintain status quo)	Low (unachieved potential)

Table 15: Analysis of the relationship depth and partner types' potential – The case of Magnet

Relationship Depth Dimensions	Upstream partners		Downstream Partners	
	Local Suppliers	**International Suppliers**	**Local clients**	**International Clients**
Formality level (formal, informal, both)	Formal	Formal	Informal	Formal
Length (short-term; long-term)	Short-term	Short-term	Long-term	Short-term
Resource commitment level from partners (low, average, high)	Low	Low	Low	Low
Trust level (low, average, high)	Low	Low	Low	Low
Negotiation perspective (zero-sum, win-win)	Zero-sum	Zero-sum	Win-Win (informal agreement of exclusivity)	Win-Win (but has lost most of international clients)
Contribution to SMSFB's value creation (low, average, high)	Average (maintain status quo)	Low (unachieved potential)	Low (hurt profitability to keep client)	Low (unachieved potential)

We found that both Plastic and Peanut leverage long-term, trust-based, mutually beneficial relationships with their international partners, contributing to maximizing their value creation in terms of knowledge, innovation and growth.

On the contrary, Payroll and Magnet have failed to build these kinds of relationships and this for different reasons. First, Payroll has mostly local partners since they are all family and friends of the founders, in spite of their average contribution to the SMSFB's value creation. In fact, this type of relationship tends to maintain the status quo, as opposed to international clients, because they do not require continuous improvements on the part of the firm. They have lower standards, and this means Payroll has very little incentives to improve. Furthermore, since the firm has never developed a strategy to reach such clients or partners, it failed to build long-term, trust-based mutually beneficial relationships with them, in spite of the fact they have the potential to maximize the firm's value creation (see presentation of results). Considering Magnet, we found that because the CEO adopts a zero-sum thinking with its suppliers (stretching credit terms until losing the relationships) and does not recognize the value of external knowledge, they contribute little to the firm's value creation. Furthermore, while international partners could maximize the firm's value creation (see presentation of results), due to Magnet's financial struggle, the firm has not been able to leverage their full potential.

What we found was that the outcome of mutually beneficial relationships with international partners led the SMSFBs (Plastic and Peanut) to maximize their value creation in the form of innovation. While Plastic is entering the high-end alcoholic beverages packaging manufacturing with surlin, and potentially international markets, Peanut is ready to internationalize to the USA in partnership with Nestlé, and eventually aim to do it by itself. Without the mutually beneficial relationships with Dow and Dupont chemicals, for Plastic, and the relationship with Nestlé, for Peanut, those achievements could not have been made possible. As such, we conclude that the relational capital which maximizes value creation for developing countries' SMSFBs, is built with international partners, since they possess the highest value creating knowledge, resources and capabilities (social capital), which in turn trickles down onto the SMSFB (Zhu et. Al., 2006). Thus, to benefit from international partners and increase their contributions to the SMSFB's value creation, both firms had to build "deep" relationships: long-term, trust-based, with high resource commitments and a win-win negotiation perspective from both partners.

5.3. The Phenomenon of Value Creation of Developing Countries' SMSFBs

In order to provide a synthesized answer to our research question, we compile the research's findings into a matrix of the value creation process. We chose a four by four matrix to present the findings because the firms' value creation levels can be described on a continuum: Peanut and Plastic maximizes value creation, Payroll struggles to sustain it and Magnet destroys it (struggle to survive). By using a matrix, we can leverage the variations in value creation levels from our four cases and present the dimensions of the value creation phenomenon of SMSFBs from developing countries. These dimensions are not only derived from the literature review but also from new insights deriving from the analysis of the data. Similarly to continuous variables, these dimensions should be seen on a continuum – or a range – rather than as clear-cut divisions. As such, designing a matrix made more sense to reflect the phenomenon, since the dimensions' extremes - quite distinct from each other - help us define the position of firms in each quadrant, with different value creation levels and dimensions appearing as we move from one extreme to the other.

With this matrix, we aim to support practitioners' assessment of their firm's value creation levels in the context of a developing country, helping them understand where to position their firms in the matrix. Furthermore, with this method of representation, it becomes easier to synthesize the value creation process and, for firms with different circumstances, to understand where to position themselves in an intuitive way.

5.3.1. Designing the Matrix of Value Creation: Cases Maximizing Value Creation

To understand the process of value creation, we synthesize the findings from the literature review and the data collected into a matrix of value creation that can help firms identify the level of value they create. On the x-axis, we represent the institutionalization level, or structural capital level and on the y-axis, the relationships depth between the SMSFB and its different partners. To maximize value creation and be positioned in the first quadrant of the matrix, firms must have sufficiently developed the two dimensions, even if unevenly. For example, while Plastic leveraged its relationships depth with international players to palliate to its internal knowledge deficiencies, Peanut focused on enhancing its structural capital which enabled the firm to serve these international players. In fact, these differences represent the SMSFBs' own specific value creation dynamic. Thus, we argue there is no unique way to create value, rather it depends on the interaction of these two dimensions.

To understand the components of the process of value creation, we consider the two value maximizing cases, Plastic and Peanut. They were selected because of key characteristics they share that were uncovered during the data analysis. Indeed, the in-depth comparative analysis of the four cases led us to identify two cases that stand out in terms of the way they create value. By comparing the similarities that emerged in both SMSFBs' value creation process we were able to compile the key dimensions of the first quadrant of the matrix, or, the process of maximizing value creation.

To make the matrix useful to family SMEs from emerging countries, we devised two pillars which help assess the value creation level. They form the basis on which firms can position themselves inside the matrix and understand which quadrant they belong to. The first pillar relates to the firm's external factor – social and relational capital – or relationships depth dimension. Here, we consider not only the depth of relationships with different partner types but also the extent to which the SMSFB possesses value-creating partners (MNC, international, formalized clients and/or suppliers). The second pillar considers the internal factor, or the structural capital of the firm.

5.3.1.1. The two dimensions of the Matrix: Structural Capital and Relationship Depth

As the firm formalizes its structure and governance – improving its structural capital over time – it attracts value maximizing partners (such as international clients that look for certain processes, services and/or quality levels for example, or suppliers who look to enter the Mexican market), which, in turn, enable the SMSFB to access the valuable knowledge and innovation they detain. Developing the firm's structural capital also diminishes the internal efficiencies inherent in an SMSFB, as it helps formalizing roles, activities, processes and set a control and governance structure that supports a sustainable growth and the accomplishment of predetermined strategic objectives.

As every firm studied possessed both relationships and structural capital but with very wide fluctuations inside each category, we adopted the two as the main dimensions of the matrix of value creation since they can most easily help firms identify their value creation level and dimensions, and, position themselves in the quadrant they belong to. The formalization, or structural capital level and dynamic capabilities advancement of the firm goes on the x-axis and the relationships depth on the y-axis.

5.3.1.2. Asymmetric Partner: Relational and Social Capital Maximizing Value Creation

When considering the tendency of evolution in terms of sources of knowledge which maximize Peanut and Plastic's value creation, we found that they are linked to increasing the diversification of their knowledge sources to integrate more external knowledge into their firms. With the knowledge accumulated, they can now realize synergies between the knowledge they possess and the one possessed by their partners.

Looking at suppliers, the two firms started early on to work hand-in-hand with international suppliers (Nicaraguan for Peanut and Japanese for Plastic). They saw their relationship with suppliers become more equilibrated. Indeed, as they grew and enhanced their knowledge base, dynamic capabilities and structural capital levels (for example both became certified ISO which optimized the value created out of suppliers' knowledge), the value each partner brought to the table became increasingly analogous. The firms became capable of bringing value-added to their suppliers, in the form of mutual growth, which helped them attract larger, international suppliers because they could better mitigate their risks they face in the local market.

Looking at suppliers, the two firms diversified away from small, local suppliers toward more institutionalized international suppliers.

When looking at clients, we see both firms diversified away from small, informal, local clients toward large, international and formalized (MNCs) clients. Furthermore, both firms reached a point where these international clients started to reach out on their own, even if it happened at different moment for each SMSFB. By accessing and attracting this type of clients, the two firms were not only able to grow more sustainably – enabling re-investment in the business – but also to jointly create value with them. Furthermore, this value is often enabled by the international suppliers' superior inputs and knowledge which was shared with the SMSFB.

As such, we find that there are value-creating synergies happening when the SMSFB possesses both international suppliers and clients as it enables the firm to enhance its competitive advantage by leveraging complementarities between its knowledge and the one of its partners. Thus, the knowledge sources that maximize value creation for both firms are the international suppliers and international clients, as they detain high value-added knowledge that have the potential to enhance the firm's dynamic capabilities (i.e innovation, knowledge), intellectual capital (i.e. training, audit, etc.). However, this knowledge can only be accessed, and eventually leveraged, if the firm possesses value creating relationships and structured knowledge management practices.

5.3.1.3. Relationships Depth: Realizing the Value Creation Potential of External Knowledge

Without relationships, the firm has limited access to external knowledge and innovation which limits its value creation potential. Even with relationships, the firm is not assured to maximize value creation (i.e. Payroll), certain characteristics must be met for the relationship to be a source of value creation for both partners. Furthermore, apart from these characteristics, we found that the presence of international partners was a foundation for these relationships to maximize value creation for the SMSFB. To improve the applicability of the matrix, if an SMSFB does not possess international partners, it can substitute the measure with the degree of its partners' asymmetry. This is valid in our context since bigger firms, who usually have more power, resources and wider social networks, can help SMEs improve through these asymmetric relationships (Pérez & Cambra-Fierro, 2015).

5.3.1.3.1. Relationship depth: International Suppliers

Considering the two cases maximizing value creation, we see that as they focused on developing more relationships with international suppliers (Peanut added US suppliers and Plastic US, Chinese and Korean suppliers) with which they both built long-term, mutually beneficial relationships. This enable the firms to leverage the partners' valuable knowledge and maximize their value creation. For example, Plastic's CEO (and now the son) meet once a year with the executives of these firm, enhance their relationship by building deeper social connections which enable more trust and commitment of resources.

Furthermore, the relationship does not rely on suppliers' altruism, it seems that these international suppliers invest resources (sharing knowledge, innovation) in the SMSFB when they perceive it as a long-term investment, which has revealed true for Plastic. Indeed, the CEO leveraged its relationship with the executives of Nissei ASB (Japanese machinery supplier) who supported the firm's growth by lending it money and helping it overcome one of the key obstacles for growth of SMSFB in developing countries (Yao Wang, 2016). Interestingly, we found it was as beneficial for Nissei to do so, indeed, Plastic eventually bought them more than ten machines over the years to sustain its growth. Thus, this asymmetric relationship was mutually beneficial as both Plastic and Peanut were able to create value for their international suppliers by mitigating risks for them through regular order and increasing purchasing volumes. This regularity helped the formation of trust as it demonstrated the SMSFBs' commitment sustained over the long-term. On the opposite side, relationships with local suppliers are short-term, transactional, and because partners have no trust in each other, they fear committing resources. As such, their value contribution is minimal. Independently of the partner's nationality or asymmetry level, when the SMSFB possesses only this type of low depth relationship (i.e Magnet) partners will minimally contribute to the firm's value creation.

5.3.1.3.2. Relationship Depth: International Clients

Considering clients' relationships, we find that value is maximized for these SMSFBs when they not only access, but build asymmetric relationships with a larger (international) clients which are long-term, trust-based, collaborative (win-win) and where both partners commit resources (such as time, training, tailored design, audit). By doing so, the relationship leads to higher value creation levels for both partners, which we call joint value creation or "*dual value* *appropriation*" (Pérez & Cambra-Fierro, 2015; p.305). As explained by these authors, this happens when "*each partner fully appropriates a different and unique value from the relationship*" (Pérez & Cambra-Fierro, 2015; p.304) and this is because "*partners view the potential benefits of their collaboration as independent outcomes, where the joint creation of distinct knowledge could have been completely appropriated by both in a way that each extracted idiosyncratic value that did not diminish the value appropriated by the other partner*" (Pérez & Cambra-Fierro, 2015; p.305).

Thus, to maximize value creation, SMSFBs should develop these asymmetric relationships, even more, the deeper and the more asymmetric the relationship, the higher the potential to maximize value creation. For example, as Plastic developed its relationship with Kimberly Clark in 2019, it is constantly pushed to improve its processes as the clients regularly audit the SMSFB and require increasingly stringer product requirements. To help Plastic improve, its client dedicates key resources – engineers and experts – to come and assess its production processes on a regular basis. However, this happened after month of back and forth to build the relationship as executives from Kimberly Clark visited Plastic's plant and met the son and CEO. It appears there is an implicit long-term commitment from both partners, and the business relationship gradually builds from there on. For now, Plastic signed a contract to produce hundreds of thousands of tailored-made baby oil bottles for the year 2019-2020, this means that Kimberley Clark invested with the SMSFB to purchase molds, necessary for the completion of the contract. As such, these long-term commitments imply that the SMSFB will benefit from continuous learning, knowledge, innovation, and pressures to improve, while ensuring sustainable growth and re-investment level.

5.3.1.4. High Level of Structural Capital

5.3.1.4.1. Formalized and Institutionalized Knowledge Management Practices

Now that we demonstrated the importance of building asymmetric relationships to access external partners' knowledge, innovation, and pressures to improve, we must understand how firms can leverage this external knowledge and assimilate it internally. Having access to external knowledge is not sufficient, indeed, without a certain institutionalization and structuring of knowledge management in the firm's processes, the SMSFB will not be able to convert this knowledge into value. This is also supported by Barkat and Beh (2018) who states that "*knowledge process also demands practical organizational setup i.e. proper processes, procedures, structure, databases and other required accessories. However, structural capabilities backed organization from internal and external challenges. Such capital promotes knowledge capability* (Huang & Jim Wu, 2010), *which enhances organizational performance (Valmohammadi & Ahmadi, 2015).*" (cited Barkat and Beh, 2018; p.3). We see that the importance of institutionalizing and structuring these processes for maximizing value creation is reinforced when considering the complexity of international partners' knowledge and innovation.

For example, because Magnet as neither developed the relationships with its international suppliers (to be able to learn from them and benefit form knowledge sharing), nor structured knowledge management processes, it has to try a "*thousand times*", making costly mistakes along the way because it cannot properly leverage the complex knowledge detained by the supplier. So, when the firm "buys" an innovation from a supplier, it does not have mechanisms to transfer the knowledge detained by the supplier, nor to circulate it inside the firm.
On the other hand, both Plastic and Payroll evolved their business culture to be more institutionalized and developed knowledge management (both to transfer and circulate it) processes because it helped them better leverage the knowledge they possess, expand it, and use it synergistically with partners, while absorbing the knowledge and innovation they detain. In fact, institutionalizing knowledge management has the potential to increase the value created from internal knowledge. It does so by setting the base on which innovative capabilities are built, when knowledge management is institutionalized inside the firm, it maximizes the value creation potential of knowledge coming from any source, internal and external.

In order to maximize its value creation, the SMSFB should develop mechanisms that possess high institutionalization levels and high levels of knowledge operationalization. This means the mechanisms should be formal and defined at the strategic level and there should be a wide variety of mechanisms and external and internal sources (for example both mechanisms that scan the environment and mechanisms that circulate supplier's training among the firm's human capital). Furthermore, to ensure knowledge is operationalized, these mechanisms should be used frequently, integrated in the firm's day-to-day operations and contribute to human capital enhancements.
While knowledge transfer mechanisms should be developed in the form of formal processes, activities or roles which enable the transfer of outside knowledge into the firm, knowledge

circulation mechanisms should be designed as formal processes and activities that enable knowledge to flow inside the firm's departments, levels and among employees.

Knowledge management practices enhance both the intellectual capital of the SMSFB and its dynamic capabilities, ultimately improving its value creation level. The first relationship is supported by Barkat and Beh (2018) who states that "*the mediating role of knowledge process capability exists between IC dimensions and organizational performance*" (Barkat and Beh, 2018; p.6). Looking at the positive impact of knowledge process on the development of dynamic capabilities and value creation Schiuma et. Al. (2012) describe the same principle, even if they do not explicitly refer to dynamic capabilities. "*An effective exploitation and management of knowledge resources are at basis of the development of those organisational capabilities that ground the company's capacity to perform business and deliver targeted value propositions.*" (Schiuma et. Al., 2012; p.6).

5.3.1.4.2. Strategic Planning: Focusing on Formalization and Differentiation to serve Asymmetric clients

We saw that international, or asymmetric clients and their knowledge are key components of the SMSFB's value creation process. The cases of Plastic and Peanut both highlight the importance of international clients which help them grow and improve their firm, both are certified ISO 9001 (Peanut is in the process) which sets out the criteria for a quality management system and is inherently linked to the firm's structural capital. Indeed, the principles on which it is based are a "*strong customer focus, the motivation and implication of top management, the process approach and continual improvement*" (ISO 9000 family).
Interestingly, both serve international clients in similar ways, using differentiated strategy and high level of structural capital (in the form of stringent processes, delivery times, quality control, etc.).

First, they have a clear differentiation strategy in place that focuses on quality and value, being able to move a lot of volume while respecting stringent requirement. For example, Peanut is able to supply both the volume and quality Nestlé needs to export to the US while Plastic is able to fulfill large orders of "cholula" sauce so its client Don Ramon can export it to the US, respecting both its clients highly stringent requirements in terms of material (Plastic had to innovate with a copolymer resin so the sauce would not be affected by the transport) and the approbation from the Food and Drug Administration (as Plastic was selling food packaging to its client selling in the US). Comparing these two firms' abilities to Payroll and Magnet's we see that both are unable to move large volumes of product or services. Magnet because it does not even have enough cash on hand to purchase the inputs necessary to fulfill its current orders, and Payroll because the business relies almost solely on the CEO/dad for its survival, as the human capital is not properly leveraged. As the CEO told me during one of our informal conversations, currently, they can only sell their services to small/medium size firms, otherwise, it become too costly for the SMSFB. As such, a key aspect of value creation through growth lie in the SMSFB's ability to scale up its operations to fulfill the needs of increasingly stringent clients' requirements and volumes. If the SMSFB cannot scale up it will forgo business opportunities similarly to Magnet who lost a pharmaceutical promotional product contracts because it did not have the cash on hand to buy the machinery from its French supplier (so the FlexiMag innovation could become theirs).

This differentiated strategy has also led them, with widely different speed and level, to structure and formalize their SMSFBs and their cultures, which in turn, helped them attracted larger, asymmetric (or international, MNCs) clients. This is due to the fact that this high quality and formality and structure are rare attributes among the local SME landscape, and as demonstrated throughout the presentation of data, this enabled these SMSFBs to build themselves a reputation. In turn, these strategic pressures to structure and formalize the firm's processes, delivery times and quality control directly mitigate risks for international clients in the Mexican market.

5.3.1.4.3. Key Capability for Value Creation: The Flexibility to Align Internal Resources to External Demand

The adaptive and innovative capabilities of the SMSFBs are inherently linked to the firm's ability to bring about internal changes. While all cases developed some absorptive and innovative capabilities, we find that the most important for the SMSFB's value creation is the adaptive capability, as only Peanut and Plastic developed it. The innovative capability pertains to the improvements in or development of new methods of production, new products or services and access to new sources of supply or new markets. Thus, it is an inherently linked to the ability of the firm to leverage, enhance and reshuffle its stock of knowledge to improve its value creation prospect.

On the other hand, the adaptive capability reflects the strategic alignment of internal resources to constantly evolving environmental pressures. Because it is defined at the strategic level, the influence of the family on this capability is very strong. While Peanut and Plastic's CEOs strategic flexibility has proven to be incredibly valuable, the inertia and lack of strategy demonstrated in the case of Magnet and Payroll's CEOs has had the opposite effect. Indeed, it has impeded their businesses from developing adaptive capability. In fact, the importance of the adaptive capability cannot be understated, firms which possess high levels of adaptive capability exhibit dynamic capabilities (Teece et. Al., 1997 cited Wang and Ahmed, 2007). This is exactly what we see with the data, the two firms possessing adaptive capabilities had developed advanced absorptive and innovative capabilities, as such the adaptive capability is one of the keys to developing countries' SMSFBs' value creation.

6. DISCUSSION

Throughout this research, we aimed to answer the question of how developing countries' SMSFBs create value. To do so we have synthesized the findings from the extant literature review on the value creation of developing countries, family businesses and SMEs while undertaking an embedded, longitudinal multiple-case study of four SMSFBs from Mexico. This led us to design a matrix of value creation based on two key dimensions: the relationships depth and asymmetry, and the structural capital and dynamic capabilities. The following discussion will introduce the matrix and highlight how our findings enrich the existing research landscape on the phenomenon of value creation by developing countries' SMSFBs.

6.1. Theoretical contribution

6.1.1. The Matrix of Value Creation

Compiling the insights from the literature review and the analysis of the data collected, we introduce the matrix of value creation below, which aim at synthetizing the key dimensions of the phenomenon on the context of a developing country, Mexico. We argue that this matrix is applicable to this context because it takes into account the institutional and socio-economic realities of Mexican SMSFBs.

On the x-axis, we consider the structural capital level and all three dynamic capabilities advancement. Both are linked to how the SMSFB's internal structure, resources and capabilities are able to fulfill basic demand and enable (or not) joint value creation with its partners. Thus, a SMSFB which ranks high on this dimension will have developed a formalized structure and processes to manage knowledge, control and governance processes, as well as some strategic planning which enables it to adapt its resources and capabilities to environmental change. Broadly, this dimension aims to assess if the SMSFB has been able to depart from the general informality crippling local small firms' productivity and value creation. As such, this dimension is less relevant in the context of a developed country where informality is not as dominant.

On the y-axis, two factors must be considered which are the relationships depth and the degree of asymmetry in the relationship, between the SMSFB and its partner. While the depth of the SMSFB's relationships is assessed by considering the length, resource commitment level and negotiation perspectives of the partners, the asymmetry is evaluated by gauging how different are the two partners. For example, Peanut is a 60 employees Mexican family business who operates nationally and is jointly designing a product with Nestlé (to export it to the US), a global conglomerate corporation with over 320,000 employees. As both detain extremely different context, resources, governance structure, knowledge etc., the relationship is highly asymmetric in this sense. On the opposite side, Payroll has very symmetrical relationships since it does business with local, small and medium-sized firms, which have similar size, structure, knowledge and context. With these two factors we can uncover if the (asymmetric) partners contribute to improvements to the SMSFB's structure, resources and capabilities, or rather, if they have minimal impact and preserve the status quo as seen in the case of Payroll. When there are absolutely no relationships developed and no impulse to leverage the knowledge of external partners, then partners have no impact whatsoever on the firm's structure or capabilities, and thus, its value creation.

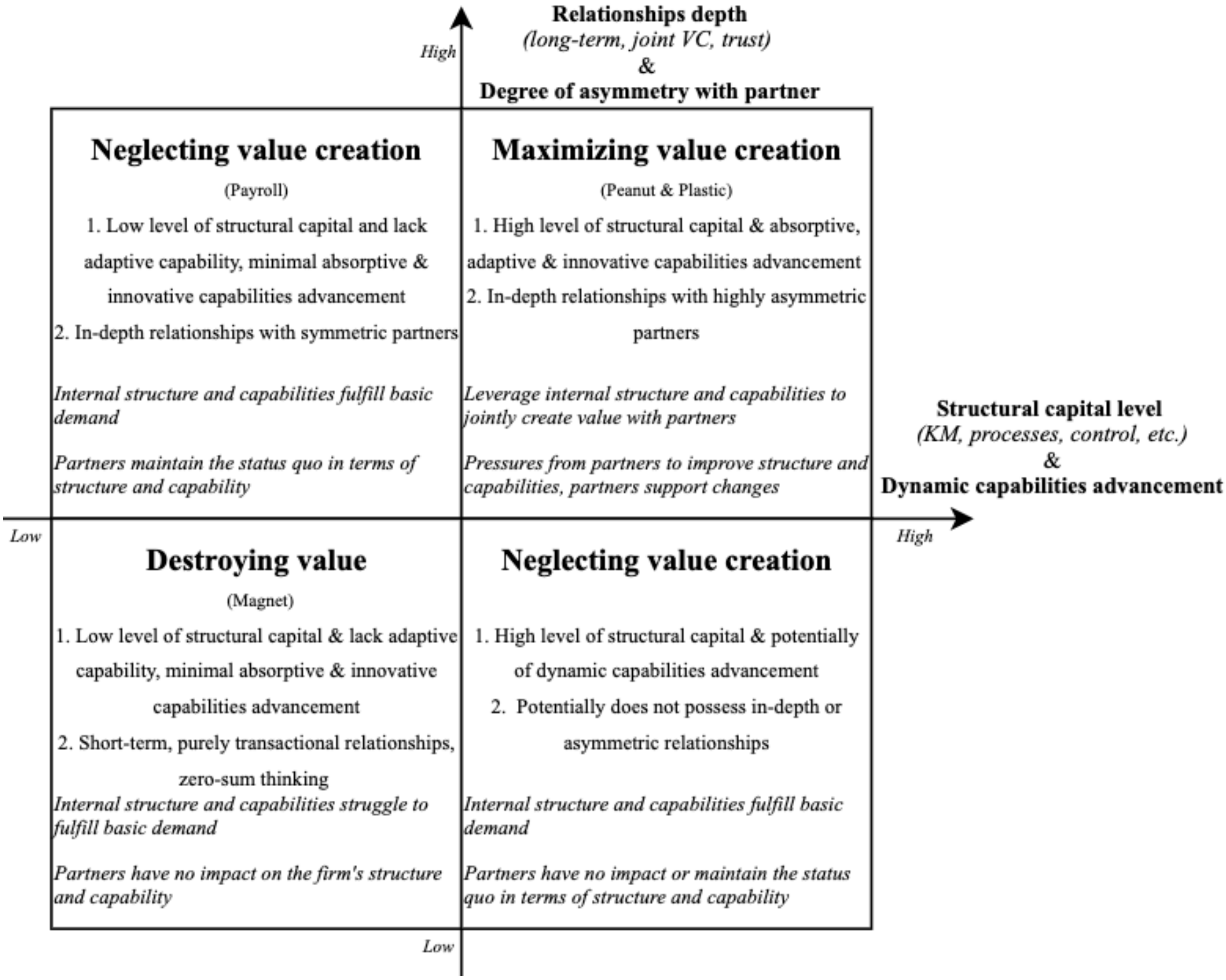

Figure 2: The Value Creation Matrix of SMSFBs from Developing Countries

The possession of in-depth, asymmetric relationships is not known in the research to be a necessary condition of value creation of SMSFBs in the context of developed countries. Indeed, a lot of B2B SMEs in developed markets collaborate among themselves and create value without necessarily having to work with asymmetric partners and develop informal relationships to access their knowledge. This is due to the fact that the human capital quality is much higher in the developed world as investments in education are high and the workforce is, in majority, highly educated. Since this is not the case in developing countries, and particularly in Mexico, local SMSFBs must palliate their knowledge and capabilities gaps with the support of asymmetric partners.

6.1.2. The Vital Importance of Asymmetric Relationships

Similarly to Pérez & Cambra-Fierro (2015), we found that asymmetric relationships can lead to dual value appropriation, where a SME and a larger partner each benefit in unique ways from the relationships. Furthermore, similarly to our findings, they argue the SMSFB can improve its "*competitive position by choosing the right partners and learning to work with them*" (Pérez & Cambra-Fierro, 2015; p.309), and they can do so by building in-depth relationships with them, or "*Attributes such as cooperation and communication* (which) *help foster long-term relationships with partners*" (Pérez & Cambra-Fierro, 2015; p.309).

We found that while each SMSFB has developed unique patterns of social and relational capital, the most important differences lie in their ability to build relationship and leverage "value-creating" partners, or large/formalized, international partners while improving the depth of these relationships (Length, resources commitment levels, trust, contribution to value creation). We introduce the framework below which not only helped us compare the four cases but can also help SMSFBs position themselves to understand how they create value from their social capital and which type of relationship can maximize it.

Table 16: Framework for measuring relationship depth and partner types' potential

Relationship Depth Dimensions	**Upstream partners**		**Downstream Partners**	
	Local Suppliers	International Suppliers	Local clients	International Clients
Formality level (formal, informal, both)				
Length (short-term; long-term)				
Resource commitment level from partner (low, average, high)				
Trust level (low, average, high)				
Negotiation perspective (zero-sum, win-win)				
Contribution to SMSFB's value creation (low, average, high)				

Building on this idea, we argue that if the SMSFB wants to maximize its value creation, it should focus on building, as much as possible, relationships with asymmetric partners. In fact, this is due to the nature of local partners which do not favor high levels of value creation and, even in some cases, can destroy it. Furthermore, we directly link the ability of the firm to serve asymmetric partners to its strategic planning, this concept is introduced below.

6.1.3. The Positive Influence of Strategic Planning on Asymmetric Relationships

While possessing asymmetric relationships is vital to the firm's learning and sustainable growth, we find that in order to build them, the firm must develop a strategic plan based on a differentiated competitive strategy. This discovery challenges Teti et. Al.'s (2014) findings on their research on competitive strategies of public and private European companies, where they find no significant differences in the value generated for shareholders (the family in our case) for firms following differentiation strategies. Indeed, we found that the two SMSFBs following differentiated strategies benefitted from considerably higher value creation in the form of both "*quantitative (i.e., sales growth, market share, and return on investment) and qualitative performance (i.e., quality of goods/services, new product development, employee satisfaction) components.*" (Alpay et. Al., 2018; p.435). As such, we argue that, for developing countries' SMSFBs to maximize their value creation, they should develop differentiated rather than cost-leadership strategy. Furthermore, being differentiated should also mean providing high value, meaning the SMSFB should also be cost-competitive.

To achieve such a combination, the firm must have formalized its operations and provide some kind of structure, and this is how it can compete with the majority of informal SMEs composing developing countries landscape, and most particularly Mexico.

6.1.4. Key Value-Creating Factors: Institutionalization and Adaptive Capability

Our main argument is that the structural level and the SMSFB's dynamic capabilities, more specifically its adaptive capability, are key contributing factors to its value creation. This idea is backed by Alpay et. Al.'s (2008) study of the relationships family characteristics, organizational processes, and firm performance, where they consider the "*institutionalization and adaptive capability development processes of family firms in Turkey*" (Alpay et. Al., 2008; p.435). Our findings are both analogous and complementary to theirs in the sense that we enrich and fill a gap in the current body of knowledge with our longitudinal multi-case studies research, as advocated by the authors "*Another issue for future research concerns the fact that whereas the relationships examined above are about evolutionary organizational processes, our data are cross- sectional. Therefore, further studies of longitudinal nature complemented by detailed case studies would improve our understanding of family firm dynamics*." (Alpay et. Al., 2008; p.447). Indeed, we find that institutionalization and the adaptive capability of the

SMSFB evolves over time and this evolution can be impulse not only internally, but also by accessing and leveraging in-depth, asymmetric relationships.

This finding helps us understand a key difference between SMSFBs from developing and developed country because due to the highly informal nature of Mexican SMSFBs, without developing such formalization and structure, the firm is never able to access asymmetric partners and fill its knowledge gaps to become more competitive. Furthermore, in developed country, the knowledge and productivity gap faced by SMSFB is much smaller than the one faced by their developing countries' counterpart. As such, the drivers of value creation are different.

Furthermore, taking on an evolutionary perspective, we make a parallel between developing countries' SMSFBs and the evolution of life from the quantitative biology field. By doing so we help fill a gap in the literature on firm's value creation where "*more remains to be understood about the complex dynamics through which knowledge resources and knowledge processes take part to company's value creation* (Adams, 2008; Carmel and Tishler, 2004; Carlucci and Schiuma, 2007; Daum, 2002; Marr et al., 2004; Schiuma et al., 2007, 2008 cited Schiuma et. Al., 2012; p.4).

In their studies on the algorithmic origins of life, Walker and Davies propose that all life came to be to gather and decode more information and to become a better information processor (Walker and Davies, 2013). As Sarah Walker explains "*I do think evolution has an arrow. I do think it actually evolves toward more complex systems and better information processing systems*." (Lund, 2015, 28:34). We argue that the evolution of the SMSFB toward maximizing value creation leads it to develop these more and more complex systems being increasingly capable of processing knowledge. The firm does so as it accesses ever diversifying and complex knowledge resources and leverage them by developing the structural capital and mechanisms to process it. This is different from SMSFBs operating in developed country context since they do not face the huge challenges of high knowledge shortages and informality. In fact, the development of complex and institutionalized systems to better process (new) knowledge, and of asymmetric (international) relationships to access it, reflects the specificities of developing countries' SMSFBs value creation process. In comparison, developed country's SMSFBs do not need to develop asymmetric relationships to access such knowledge since it is more readily available, either internally through skilled human capital or externally in the educated labor market.

6.2. Practical contribution

Our research results provide key insights, for business professionals and practitioners alike, into the value creation of phenomenon of developing countries SMSFBs. As these firms face increasingly global competition, understanding the determining factors of their value creation become critical. This study provides empirical evidence on the process of value creation of four small and medium family firms from Mexico, isolating its key components – high level of structural capital and relationships depth and asymmetry – as the foundational value-creating factors. Moreover, this research details explicitly the interplay and links between these factors, and how they can collectively lead to maximizing value creation, they are compiled in a readily usable matrix.

These findings can assist professionals in determining the value creation position of their firm in the matrix and can help them figure out where to focus the SMSFB's strategic resources to move inside it, eventually maximizing their value creation levels. More specifically, considering the Mexico, which has the widest labour productivity gap between SMEs and large firms across OECD countries (OECD, 2017a), our research proposes ways to increase these firms' productivity which "*holds the potential to revive productivity growth and reduce income inequalities*" (OECD, 2017a; p.1).

Furthermore, we find several practical implications which can help practitioners direct the use of their resources. First, a mere focus on local and symmetric partners is unlikely to maximize the SMSFB's value creation. As such, it should focus on developing a differentiated strategy to be able to serve asymmetric clients. Second, focusing on developing the firm's adaptive capability will lead to development of dynamic capabilities overall (Teece et. Al., 1997), including absorptive and innovative capabilities. As such, by focusing on developing this capability in priority, the SMSFB can substantially increase its value creation potential. Furthermore, when this focus on adaptability is coupled to an emphasis on institutionalizing the firm, they constitute the base for the SMSFB "*gaining legitimacy in the global market*" (Alpay et. Al., 2008; p.445) since institutionalization is "*the natural course for any organization striving to survive in a global market*." (Alpay et. Al., 2008; p.446).

6.3. Limitations

Notwithstanding this study's theoretical and practical contributions, several limitations must be addressed. The first limitation is about the methodology and depth of our multiple case-study. The limited ability of the researcher to secure participants in Mexico coupled to the lack of financial and human resources hindered our ability to include more SMSFBs in the analysis. By including more cases, the external validity of the research could be increased, while its findings could relate to cases different than the ones studied (Yin, 2014). For instance, adding more SMSFBs to the analysis might reveal that the inferred fourth quadrant of the matrix, the one for which we had no cases fitting in, does not exist (due to the nature of the Mexican context and culture), or contrary to our proposition, actually that SMSFBs in this quadrant maximize value creation. Moreover, the inclusion of more cases to the analysis would ensure that our conclusions on maximizing value creation do not strictly apply to the manufacturing industry, since both value maximizing cases belong to it.

An important limitation to our findings is our sole focus on Mexico. While it might be possible to make the leap and apply our findings to other Latin American countries, we believe the generalizability of our findings cannot be applied to other developing regions of the world such as Asia or Africa, with extremely different institutional and socio-economic contexts.

Another limitation of the study lies in the uneven amount of data collected for each case and the potential for bias it induces. While we were able to interview non-family members in the value destroying and one of the value-maximizing case (Plastic), we had only access to family members in the other two. Although there is a potential for bias, since the founders may exaggerate their firm's status (Song et. Al., 2008 cited Rashidirad et. Al., 2017), we were able to minimize it by combining observations to cross-comparison of interview answers from family members to address discrepancies in the data. Furthermore, the bias was minimized as the required data was collected from key informants (Philips, 1981) – the founder and a family member at the executive level.

The final limitation of our research relates to its inability to both quantify the value that compose each dimension of the value creation phenomenon and its different levels for each case. Indeed, while the matrix of value creation present key dimensions of the phenomenon on a continuum, their highly intangible and interdependent nature makes it hard to precisely measure how they impact each firm. While we were able to create four, relatively well-defined categories, the assessment of intra-categories' differences remain superficial. Supplementary analysis of each SMSFBs' value creation dimensions and their potential impacts on qualitative and quantitative factors would make this research's findings to be more robust.

6.4. Opportunities for Future Research

Considering this research findings and limitations, we find noteworthy venues for future research. Firstly, to address this study's limitations more SMSFBs could be added to the analysis and they could include more firms from the manufacturing industry, in order to cross-check the findings on the phenomenon of value creation maximization. On the other hand, future studies could perform cross-industry analysis, adding firms belonging to different sectors and ensuring theoretical saturation is reached and that each quadrant of the matrix has examples to back it up. Furthermore, the study focuses exclusively on Mexican SMSFBs, more particularly from the metropolitan areas of Greater Mexico City and Toluca. By adding firms which come from other states and rural areas in the nation, from Latin America, or other developing countries throughout the world, future research could uncover if there exist variations in both the value creation dimensions and their respective significance to maximize the phenomenon. Thus, adding more cases to the analysis and diversifying their classifications can contribute to not only enhancing the applicability of the value creation matrix, but also, better assist founders, consultants, policymakers in leading the SMSFB to maximize its value creation. Furthermore, it would increase the reliability and validity of the findings if more developing countries could be added to ensure that our findings do not only apply to the sole Latin American, or Mexican contexts.

An additional venue for future research emanating from this research's limitations relates to quantifying the value created through each dimension of the phenomenon and overall. While it is widely accepted that SMSFB strongly impact economic and social factors, future research could quantify, not only the value created by each dimension, but also the overall stakeholder value created in terms of human capital enhancements (skills, productivity, etc.), financial value for the family, and benefits at the community, industry and country levels. Quantifying this value could support decision and policymakers on better allocating resources toward maximizing SMSFB's value creation.

Finally, this research's findings can be built upon to develop a dynamic matrix of value creation. Indeed, the discoveries exposed in the cross-case analysis can be enhanced in future research to directly guide practitioners on how to move inside the matrix. As such, by uncovering the specific steps and actions that decision makers should take to evolve their firm's structural capital, dynamic capabilities, relationship depth and asymmetry, future research could help practitioners move from one value creation level to a superior one. The basic institutionalization mechanisms the SMSFB should develop could be detailed and as such the findings would be more applicable.

7. CONCLUSION

Throughout this research, the phenomenon of developing countries' SMSFBs' value creation was investigated, and its key dimensions were presented. Building upon the findings, a matrix of value creation was devised which introduced internal and external aspects of the phenomenon. For the internal aspect, it was determined that the SMSFB's value creation is characterized by high levels of structural capital – mediated by the adaptive capability and knowledge management practices' institutionalization and development. While the external aspect characterizes the SMSFB's value creation by in-depth – collaborative – relationships with highly asymmetric partners. The value-maximizing cases investigated reveal that in order to achieve such levels, SMSFBs must develop institutionalized knowledge management processes while being able to change and adapt over time by aligning internal factors to external conditions. Finally, by strategically planning for a differentiated competitive strategy, these firms are able to serve and collaborate with international suppliers and clients, leading the SMSFBs to jointly and synergistically create value with these asymmetric partners.

We were able to highlight in what our matrix is specific to developing countries' SMSFBs and most particularly Mexico. The findings expose that due to the informal operating context, the uneducated labor force and the lack of productivity of Mexican SMSFBs, they have to formalize their structure and processes, undergo strategic planning to be able to serve asymmetric partners who will feed it new knowledge, innovation and capabilities and help it improve, if they want to maximize their value creation.

This study has presented to both scholars and practitioners the phenomenon of value creation by developing countries SMSFBs and communicated its various dimensions. It also reveals that to maximize their value creation, these firms should both exploit the knowledge of foreign firms and harness their resources and capabilities, while developing increasingly complex processes and systems which enable it to process this knowledge.

In the future, as these firms face increasingly global competitive pressures, maximizing their value creation will prove to be beneficial, not only for the family involved in the business, but for their community and country as a whole. Indeed, as the SMSFBs are empowered to grow sustainably, they enhance the competencies of their human capital and create higher-paying jobs in the local community, directly contributing to increased standards of living. Furthermore, as the SMSFBs maximize their value creation, they increase the knowledge stock of the industry and its competitiveness by jointly creating value with foreign, asymmetric firms, which in turn support local firms' productivity and innovation levels improvements. As such, it is important that these firms be able to keep enhancing their value creation.

ANNEXES

Annex 1 – Developing Economies by Regions

Table 17: Developing economies by region

Africa		Asia	Latin America and the Caribbean
North Africa	**Southern Africa**	**East Asia**	**Caribbean**
Algeria	Angola	Brunei Darussalam	Barbados
Egypt	Botswana	China	Cuba
Libya[b]	Lesotho	Hong Kong SAR[c]	Dominican Republic
Mauritania	Malawi	Indonesia	Guyana
Morocco	Mauritius	Malaysia	Haiti
Sudan	Mozambique	Myanmar	Jamaica
Tunisia	Namibia	Papua New Guinea	Trinidad and Tobago
Central Africa	South Africa	Philippines	**Mexico and Central America**
Cameroon	Zambia	Republic of Korea	Costa Rica
Central African Republic	Zimbabwe	Singapore	El Salvador
Chad	**West Africa**	Taiwan Province of China	Guatemala
Congo	Benin	Thailand	Honduras
Equatorial Guinea	Burkina Faso	Viet Nam	Mexico
Gabon	Cabo Verde	**South Asia**	Nicaragua
Sao Tome and Prinicipe	Côte d'Ivoire	Bangladesh	Panama
East Africa	Gambia	India	**South America**
Burundi	Ghana	Iran (Islamic Republic of)	Argentina
Comoros	Guinea	Nepal	Bolivia (Plurinational State of)
Democratic Republic of the Congo	Guinea-Bissau	Pakistan	Brazil
Djibouti	Liberia	Sri Lanka	Chile
Eritrea	Mali	**Western Asia**	Colombia
Ethiopia	Niger	Bahrain	Ecuador
Kenya	Nigeria	Iraq	Paraguay
Madagascar	Senegal	Israel	Peru
Rwanda	Sierra Leone	Jordan	Uruguay
Somalia	Togo	Kuwait	Venezuela (Bolivarian Republic of)
Uganda		Lebanon	
United Republic of Tanzania		Oman	
		Qatar	
		Saudi Arabia	
		Syrian Arab Repuplic	
		Turkey	
		United Arab Emirates	
		Yemen	

a Economies systematically monitored by the Global Economic Monitoring Unit of DPAD.

b The name of the Libyan Arab Jamahiriya was officially changed to Libya on 16 September 2011.

c Special Administrative Region of China.

Source: (UN, 2014)

Annex 2 – Within-Case Results: Plastic

The elements introduced below – even if less relevant to explain how developing country's SMSFBs can create value – are still extremely important to understand the overall process of SMSFBs' value creation.

From the four cases under study, Plastic belongs to the value maximization group with Peanut. In the following sections, we will present the different components of the SMSFB's value creation process, helping us better understand the phenomenon for these firms, in the developing country context of Mexico.

Approach to Knowledge: Innovative and Absorptive capabilities

In this section, we aim to demonstrate that Plastic possesses advanced innovative and absorptive capabilities which are key dimensions of its value creation process. Furthermore, they form the internal foundations for its creation of value by enabling the firm to recognize the value, access, assimilate and apply to commercial ends, outside knowledge (Cohen and Levinthal, 1990).

Likewise, they enable the firm to develop new product, markets by aligning its "*strategic innovative orientation with innovative behaviors and processes*" (Wang & Ahmed, 2004 cited Wang & Ahmed, 2007: p.38). Finally, we will expose the internal enablers of value creation from external knowledge which are linked to a drive to enhance knowledge (Intellectual capital) stock and an ability to perceive and adapt external demands.

Knowledge and Innovation

In this section, we will consider innovation and knowledge inside Plastic. First, we will show that the sole internal intellectual capital stock is insufficient for the SMSFB to sustainably grow and create value. After presenting the main sources of knowledge and innovation inside the firm, providing concrete examples for each source, we will conclude with a panorama of the firm in terms of the evolution of its knowledge and innovation sources and how they impact its value creation.

As we will demonstrate, while the primary driver of innovation is internally enabled by the firm, it is not sufficient. Indeed, Plastic has had to access and leverage external knowledge as a condition for creating value through innovation and outside knowledge.

Enabling condition: Investments in Human Capital

To understand why the firm needs to access and leverage external knowledge, the data collected from Plastic helped us put into light the fact that while possessing an innovation can help the firm be more competitive, grow and enhance its value creation levels, by itself, it is not sufficient.

Talking about the beginning of the firm in the early 2000's the CEO stated: "*We did not have the capacity, the economic capacity, nor the knowledge or experience to propose these new products or innovation*." ([27:30]). What happens is, as the firm grows, it needs to upgrade the technical knowledge and skills detained by its employees by making investments in its human capital.

This is best expressed by the CEO as he describes the struggles faced by the firm as it tried to serve new, increasingly demanding clients, to sustain its growth: "*New customers because… to grow with previous customers, they were small business size customers. So, when the company grows, it touches new markets, more demanding clients, which already existed; but we could not reach them because we did not have the norms* (ISO) *nor the trained personnel, even having the technology, there was no personnel training*." ([20:18]).

Indeed, investing in more technologically advanced machineries or trying to become certified ISO requires more than a commitment of resources. It entails for the firm to profoundly change its intellectual capital (human, relational and structural capital) and align it with its strategic innovative orientation. In the case of Plastic, what we see is a strong focus of the CEO on enhancing its human capital. It is even part of its definition of value creation: "*I see value creation as an intangible value that people receive, a knowledge, a benefit that can be capitalized at the individual level for their benefit in their family, work and also personal life*." ([00:57]).

Furthermore, Plastic has fitted its organizational structure around the knowledge levels detained by its human capital while tailoring human capital investments to these levels. This underlines the importance of the knowledge detained by the firm human capital and its significant impact value creation. Considering plant workers, or operators, the firm focuses on what it calls “re-education”: "*Operators have this minimum of knowledge, skills. So, these people already come with a basic preparation, or without preparation in many cases. Academically, they have no studies and we are the ones that focus a little more on re-educating them. Not training them, training is to transfer knowledge to them, here it is practically… as they come from a low social stratum, so they bring uses and customs, they bring this deviations…* (thus the firm focuses on teaching them:*) Order and cleanliness through techniques such as 5S* .”([01 : 37])

At the second level we find employees, which differ in their knowledge stock compared to operators, as such the firm focuses on training them: “*They are already employees with some high school preparation. They already have an academic education, they have some school, culture. To these, apart from re-educating them too ..., training is provided. Whether internal or external ...* [03:45] *if it is internal, it is with the employees they have (managers' employees), the leaders train those they are in charge of, through internal training programs by standard, by ISO 9001, we must comply with certain hours of monthly training.* [04:21] *There is also external training, which is technical training.”* ([03:20]).
Finally, the last level considers managers, in this case, they must be expert and possess engineering degree or professional experience in large firms: "*They already have a preparation, they already come with a professional career (experience)... They need to have an engineering (degree), a profession… to occupy managerial positions*." ([05:36]).

We find concrete examples of employees' development in term of knowledge such as Carina, who started as general assistant (operators) and is now an employee in the procurement department or again Lupita and Guadalupe who started in a similar position but are now both part of the sales team. In order to enhance its human capital, the CEO has committed resources (and keep doing so) to enhance the knowledge level detained by its personnel: “*Well, with the training proposals,* (the aim was) *to prepare for the academic level. Academic I mean school, administrative, technical knowledge. Giving them (the employees) Saturdays off to attend Saturday schools*.” ([14:10]).

This focus on human capital development is partly due to the potentially negative impact of the lack of talented and expert professional in the Mexican context, which in the case of Plastic – operating in a labor- and capital-intensive industry – could significantly and negatively hurt its value creation and growth potential. As such, another mitigating strategy that appear revolved around accessing and leveraging external knowledge sources to fill the firm's knowledge gap.

Diversifying Knowledge and Innovation Sources to Maximize Value Creation

As Plastic grew, it progressively diversified its sources of knowledge and innovation to include the firm's CEO, suppliers, clients an even the competition. For example, through different studies the founder undertook, or through technologies and techniques shared by suppliers or the challenges faced by clients which inspire the diversification of the firm's services.

Initially, from 1985 to 2000, Plastic was informal and manufacturing backpack plastic hardware closures on low-quality, second-hand machineries. Underlining the firm's advanced adaptive capabilities, the CEO was able to completely turn the firm's activity around and become a first mover in one-step PET injection process for plastic packaging manufacturing in Mexico. "*Since 2000, we started formally ... Because in 2000, a little before 2000, 1997, the Orientals, the Chinese basically brought low-cost products to Mexico. So, change of business, change of activity, I investigated because the business was low and about to fail: After bringing low-cost parts, in 2000, the Chinese brought all the end-products, they started bringing backpacks.* " ([40:20]).

Since the Chinese could not transport "air" cost-competitively, the CEO decided to focus on manufacturing plastic bottle packaging. However, this pivotal and innovative change for the firm was also driven by an outside knowledge source, more precisely a key international supplier. "*The main source was from the technology machinery supplier, the supplier of high-tech machinery. I was presented with a study of the consumption of PET in Mexico in 1996 and up to the year 2005, there was a "boom", a growth of one hundred percent ... in that period, of PET consumption, 100-200%. They shared the information and the growth in sales of machinery from these Japanese. The growth was exponential.* " ([49:20]).
Thus, accessing knowledge from its international supplier enabled Plastic to bypass the threats the business was facing by leveraging information from the competition and supplier.

Furthermore, at the same time, the CEO undertook studies to determine in what type of industry he should focus to face such global competition. He found that the hospitality industry in Mexico was not well served in terms of differentiation, hotels and tourism amenities benefited from very few packaging options of very low quality. "*And I took a reference from a company I knew was called Polivin. Polivin was a company that made packaging for hospitality (industry), just a single presentation of small packages. And the hotel industry in Mexico consumed containers of PVC or other materials that were ugly. They looked opaque ... they didn't look good. So, I did the research, how many possible clients, hotel suppliers, existed in Mexico. […] So, what was my proposal? Make them in PET with different models*." ([41:38])

Additionally, by studying both evolution in its clients' needs and the competition – acquiring strategic knowledge – the CEO was able to impulse the firm toward a differentiated strategy early on in the business. Starting in 2005, he decided to diversify Plastic's service offer based on a study of new, larger and/or international clients operating in differentiated segments like the cosmetics industry (as opposed to water bottle production which relies on volume for example). "*We started with different processes, as we called it, the" full-service ". Full-service from the idea of the client to the packaging, to generating the product image, that is the design, then the mold, the containers are made, but since the containers have caps, we also develop caps according to the packaging, and for the decoration of this product, we do screen printing or labeling*. " ([26:23]).

This key strategic innovation emerged from a study made by the CEO of his larger, more differentiated clients' needs. "*I started with Avon, Avon cosmetics, and Fuller, Arabela too, they are cosmetics. With these clients we began to work on the proposals. The scheme they had was to buy the product with us, the container and the lid. And then they sent a maquiladora to do the decoration of the label or screen printing. Then it was sent to another supplier to fill the product to be packed. I knew that because I was in talks with clients. That was part of the study*. " ([31:12]). Thus, we can see that even if the knowledge is external (clients' needs), without the drive to update the firm's services and strategy and especially, obtain this knowledge, the "full-service" innovation could not have happened without the presence of the two, as the CEO expresses : "*It was external* (the main source of the full-service innovation) *according to the study I did, from the studies I was mentioning to you there, I determined that the logistics of the clients, the logistics was money they were losing. Because previously one makes the container, the other does the lid, another does the screen printing. So, I said, you know what, why don't we offer it complete* (the service) *and then they will have less waste, less costs*." ([29:10])

Another important source of knowledge which influenced the innovation is linked to another external source, namely competition. "*Another point why I made that innovation is because of the competition, there are two types of competition. One very large (low-cost and volume strategy), Cajaplax, which is dedicated to making 80% of the volume of generic packaging. So that was one of the other things to differentiate ourselves. With a low-cost, give the customer a different, personalized product*. […] *That put us in a good competitive level because we were different, developing and investing in the area of molds, machinery or mold technology*." ([33:34]). Thus, by benefiting from increasingly varied sources of knowledge and innovation, and enhanced capabilities Plastic has been able to maximize its value creation and grow sustainably.

Most Important Knowledge Source and Evolution

Most important to the firm's value creation is the internal knowledge and human capital it possesses as it forms the foundations to leverage the knowledge it accesses externally. This concept is also expressed by Cohen and Levinthal (1990, p.128), who states "*the ability to evaluate and utilize outside knowledge is largely a function of the level of prior knowledge*". In the words of the CEO, it is the internal knowledge possessed by the firm which enables it to undergo continual improvements and proactively anticipate changes in its environment "*Because according to the experience* (of the firm), *we look for areas of opportunity in the continuous improvement of processes. Currently, due to the generational change of the Millennials, there is a high turnover of personnel. As a consequence of this rotation, internally, we are looking for technology to improve processes. As an example,* (for) *this product* (shows Don Ramon tequila bottle cap)*, I seek to automate processes.*" ([1:13:12]).

Furthermore, Plastic possesses an internal drive, not only to acquire external information but also assimilate it and apply it to commercial ends, illustrating its advanced absorptive capability. The example of surlin, an innovative plastic resin which substitutes crystal or glass, first discovered by the CEO but accessed through Dow chemical and Dupont, an international supplier, best illustrate this notion. "*Access to new markets* (i.e. alcoholic beverage and cosmetics) *that was also a personal investigation. In Mexico, there is no surlin. No one knows what it is, it is limited. So, this, that's a very good opportunity, using the technology, which I'm telling you, I develop*." ([1:24:05]). Thus, to conclude on the most important knowledge source for the firm, what we see is that it must not only possess internal – enabling – conditions but align them to external demands. In the case of Plastic, the CEO's investigations and willingness to grow by serving larger, more formalized clients enabled him to competitively position his firm in the industry but more importantly to "*integrate, reconfigure, gain and release*" (Teece et. Al., 1997) its internal resources to fit and even create market change.

Annex 3 – Within-Case Results: Peanut

From the four cases under study, Peanut represents the case which maximizes the most value creation, before Plastic. As we will demonstrate, Peanut share both similarities and differences with Plastic's case, which help us better identify the dimensions of the value creation phenomenon of developing countries SMSFBs.

Approach to Knowledge: Innovative and Absorptive capabilities

In this section, we will consider innovation and knowledge inside Peanut. First, we will show that through its formalization, the SMSFB has been able to build a solid internal knowledge base which has helped the firm create synergistic value with its external partners, which supported Peanut's sustainable growth. We will then present the main source of knowledge and innovation inside the firm and conclude with a panorama of the firm's evolution in term of knowledge and innovation sources and how they impact its value creation.

As we will demonstrate, while the primary driver of innovation is internally enabled, by the fit between external knowledge and internal resources and capabilities, it is not sufficient. Indeed, Peanut has brought in external knowledge sources, as a condition to grow through better serving national and international markets.

Knowledge and Innovation

Peanut: The value creating SMSFB

Peanut is currently the number three peanut importer, distributor and peanut snack manufacturer in the Mexican Republic and the SMSFB achieved this feat by remaining relatively small with only 60 employees.
In the words of Peanut's founder, value creation is intimately linked with the firm's growth and the joint value created in conjunction with firm's external partner. "*The creation of value is a fundamental point in the development of the company, as growth, since we are making history day by day with the full compliance with our commitments, and this makes the company successful and honorable.* […] *we managed to be among the top three companies that* […]

have distributed peanuts here in Mexico for 25 years now, fulfilling our commitments to our suppliers. That is a value that makes us recognized, that we have been able to provide peanuts, introduce peanuts to the entire Mexican Republic." ([00:03]).

Considering innovation inside Peanut, we found the CEO adopts a broad definition encompassing access to new suppliers, enhancements in product quality and operations efficiency with the aim of being competitive in both national and international markets. "*Innovation is for us to remain at the forefront of the national market, since it is required, in terms of quality, quantity, since the market demands, the national and international market, currently requires very high qualities to be competitive. And this is what makes our company different from others, being competitive*." ([02:58]). Furthermore, we can see that the firm was able to grow and become successful by being differentiated, offering high quality and a focus on being able to serve both local and international clients.

Relying on the Fit Between Internal and External Knowledge Sources

Considering the nature of Peanut's industry (importing and distributing raw peanuts as well as snack manufacturing) which is less knowledge intensive than processing plastic resins for example, we see that Peanut is not acting as a knowledge broker between its clients and suppliers, contrary to Plastic. In fact, there is very little knowledge transfer between Peanut and its suppliers as the source of the knowledge and innovation is either coming from the SMSFB, or from its competitors, clients, or jointly created with these latter.

Most importantly, acquiring an external innovation is not enough to innovate, indeed, the internal knowledge detained by the SMSFB must be adequate to leverage the innovation. "*The first source for us is internal since it may be that an external* (source) *gives the impulse but the internal is proper to us. Each company is different. For a company it may be the external one, but it must be adapted to the internal one and from there it can already demand our needs be fulfilled from an external*." ([02:58]). This means that innovations happen more often with internal sources such as employees' contributions (i.e. ideas for process improvements) on the plant floor or the daughters at the executive level.

The CEO expresses that his employees are the primary source of innovation for the SMSFB's development, impulsing the acquisition of tailored external knowledge "*My employee,s it is what they require of us, and, based on that, we can demand what we need from the external* *company* (the supplier of machinery for example).” ([05:17]). In fact, the internal knowledge detained by the human capital seem to form the foundation on which the firm can enhance its knowledge base and innovate. In this case, the employees will make request and, from there, the SMSFB find a fitted external solution. Furthermore, for an innovation to be leveraged, for example a new machinery from a supplier, it is crucial that the internal knowledge be adequate, or the innovation will fail to be successfully implemented. “*Because we have had machines that have not worked, external ones have not worked here. Because the employees did not have the knowledge*.” ([05:28]). In fact, this is similar to Plastic: when the SMSFB does not have the relevant internal knowledge base, an external innovation is counterproductive.

Whereas the primary innovation source is internal, the opposite is true for the primary knowledge source. “*Currently, to be competitive, it is necessary to be up-to-date and for that we have to comply with external rules, that is, through the training, the ISO (certification), a new certification.* […] *The training we have, we ask for it* […] *We are in the certification processes because the international market requires it of us. Right now, we are in the process of certification*.” ([07:14]). So, in fact, Peanut needs external knowledge to complement its internal knowledge foundation in order to grow in international markets and/or better serve international clients who themselves export. “*Currently we are training to certify ourselves because they (Neslé in this case) are asking it of us for export*.” ([07:51]). This underlines the aptitude of Peanut to change based on external environmental variations and the development of absorptive capability.

Most Important Knowledge Sources and Evolution

As mentioned above, Peanut possesses solid knowledge bases with its human capital as it is the primary source of innovation. However, when considering which knowledge type – internal or external to the SMSFB – enhances the firm value creation levels, we found that it is the combination of both internal and external knowledge that maximize value creation.

In fact, the value created is appropriated by both partners, Peanut and its client, since they work hand in hand to synergistically develop new knowledge or innovation. “*The two are combined, the two are combined because the client requests it and we develop it with our experience, here at the plant. And it results in common development, and it results in a product that does not exist in the market but which the market looks for. It is an innovative product that did not exist* *in the world, that does not exist but that we develop jointly with the client. And that we are going to export, we are already doing it*." ([12:52]). Interestingly, when considering the evolution of Peanut in terms of knowledge and innovation sources, and the value they bring to the SMSFB, we found that the key evolution is characterized by the firm's advanced formalization. "*Yes, yes, because when we started, we didn't have those positions, those departments. There was no structure, nor production lines, processes, nor the machinery that we currently have*." ([15:45]).

This means that as the firm evolved, it was able to diversify its knowledge and innovation sources by becoming more formalized, structuring itself and its processes similarly to a large firm. "*Over time, we made an organizational structure, including the different departments. A bit like a big company, that's how we did it*." ([16:36]). In turn, this formalization contributed to enhance the attractiveness and reputation of Peanut for local and international MNCs like Grupo Bimbo, Herdez, or Nestlé. "*With Nestlé, Grupo Bimbo, with Herdez. We have produced for La Columbina too, from Colombia. Columbina is one of the largest companies in Colombia and we were producing for them. Right now, we left it in standby due to the devaluation of their currency, which no longer suits them, but they know us*." ([19:51]).

Annex 4 – Within-Case Results: Payroll

Approach to Knowledge: Innovative and Absorptive capabilities

In this section, we will uncover the primary knowledge and innovation sources of Payroll while understanding if the firm has developed formal mechanisms to manage knowledge and how its different social and relational capitals contribute to value creation.

Knowledge and Innovation

Payroll's founder underlines the importance of the knowledge he detains, which has not only helped him build and maintain the firm throughout the years, but that he is transferring to his son. "*Through example, it is through the knowledge that I have acquired throughout the time that I have had the company. And well, the knowledge of the market, to which I direct the services of the company, because I am transmitting that to my son in this case. I'm making him participate so that he can see how, how I think, how I act in certain situations. That on the one hand, another way to create value is to make him participate and investigate the new trends and knowledge that exist at the time*." ([00:02]). Thus, there is the notion of transgenerational value creation from the first generation to the next.

However, we can see that the CEO demonstrates a certain resistance to the changes his son tries to bring about. Indeed, the learnings the son brings from academic studies does not fit the business' context based on the founder's opinion. "*In the end, well, he studied businesses' situations, and they must be applied in some way to our business. There are some things that I say, are unreal, because they are, they are theoretical. You should always consider the practice, because it is very different. So, regarding that, I gave him my point of view so he can value it. That is, well, that is the inconvenient for the business*." ([01:09]).

When considering innovation inside his firm, the founder highlights the importance of being constantly up-to date on external changes, and from there this external knowledge is conditioned by the firm's resources and capabilities. "*Be up to date with the regulations of the legal and operational processes, and from there, get the good, and take advantage*." ([02:40]). Even more important than leveraging this external knowledge is to be able to transform it into an opportunity or innovation. "*And especially with complementary services. It is payroll administration services, it is very square, there are many ways to administer them, but at the* *end of the day, it is important to know what the needs of our clients are. What are the needs of the employees, you check and see what exists. If nothing exists, inventing it.*" ([03:12]). Since Payroll has both adapted its services based on constantly changing regulations and, developed complementary services throughout the years, we find the firm possesses absorptive and innovative capabilities, respectively. However, these capabilities have not been a source of value creation maximization, as we will demonstrate below.

Misalignment between primary and most important source of knowledge and innovation

When considering Payroll's primary sources of knowledge and innovation, we found that neither clients nor suppliers are sources. Indeed, the SMSFB does not leverage its direct external partners as sources of knowledge or innovation but rather primarily its human capital and ideas from the competition.

Looking at the primary source of innovation, the CEO states "*It comes from internally*" ([04:56]), to better understand how, the son explains "*Because, mainly, because this business is, it is tied to each client, it is tailored-made activities for each client. So, each client has different needs, although they can be dedicated to the same sector. And so our job is to go out, listen to the clients, to be able to tailor to their needs, a comprehensive service that they require.*" ([00:01]). Thus, the firm uses its internal knowledge and human capital to serve its clients and innovate in terms of new services based on their needs. For example, it developed insurance and loan on employee salary to offer to its clients.

Additionally, the SMSFB also uses an external innovation source – competitors – as the CEO explains. "*It can be a mix because we are also participating in, there is an association of companies that are dedicated to outsourcing. And when we get together there is always, this exchange of ideas*." ([05:20]). However, as these are not direct partners of the firm, there is no joint value creation happening. "*They are not partners, they are, it is a national industrial association, an industrial club, a service club*." ([06:00]). Still, it means the firm is able to integrate external information and eventually transform it into firm-embedded knowledge when it enhances its services portfolio, highlighting the presence of absorptive capability.

When considering the primary source of knowledge, it is similarly internal "*The first source is internal, our services are about studying laws, analyzing numbers, the numbers always tell you a lot, statistics, algorithms, whatever, but some of which are giving you information. And from there, you draw conclusions, you draw ideas*." ([06:59]). Thus, in the words of the CEO, it is the knowledge detained by the human capital which helps it create new knowledge through analysis undergone by the firm.
The misalignment lies in the fact that the SMSFB's principal sources of knowledge and innovation are internal when the most important sources for value creation are external. We asked the CEO to specify if the most important source of knowledge and innovation for the firm was internal or external. "*Well, the external one. External knowledge is very important to create value*." ([13:01]). Thus, while the knowledge and innovation outside the firm is crucial to its value creation, the SMSFB's primary sources are internal.

When looking at Payroll's evolution in terms of its knowledge and innovation sources, we find there is minimal evolution. In fact, except from the digitization of paper archives – which the firm undertook leveraging an external source – there has not been more evolution. "*Sure, it has changed a lot.* [Researcher: How did it evolve?] *Systems for growth, planning. When we started, everything was manual*." ([14:30]). Furthermore, "*In fact,* […] *before, there was a time when 50% of the work area was an information warehouse, paper files. Today, the file should be 10%, that is a process.*" ([14:55]). As demonstrated in the above sections, the little investment in human capital and focus on decreasing costs, coupled to irregular and informal knowledge management mechanisms, create a vicious circle in terms of learning and human capital enhancement.

Annex 5 – Within-Case Results: Magnet

Approach to Knowledge: Innovative and Absorptive capabilities

In this section we will introduce the primary sources of knowledge and innovation of Magnet, looking at the presence and formalization of knowledge management practices and the how the firm's social and relational capital have contributed to its value creation. Prior to dive in, it is important to highlight a few key aspects of the business' value creation – or lack of.

Magnet: The value destroying SMSFB

When trying to understand what made Magnet destroy value, we found it is intimately linked with the money being taken out of the business and the two conflicting visions of the family members. As the CEO explains: "So*mething that I think is very much of our family, is for example, among us there is no mistrust regarding money. I mean, I can trust, everything to my sister, and I know she won't take a peso. And if she takes it, she is going to tell me, even so why she took it. And I would be incapable to ask her to reimburse it*." (Pt.1 – CEO's interview [09:16]). This tendency of the family to take money out of the business, limiting any potential reinvestment of profits, to sustain their personal lifestyles, not only hinders the growth of the business, but also threaten its survival. Coupled to this lack of financial culture, we see two conflicting visions of the eldest brother CEO and the sister – who created the business – in terms of strategic path. "*When I left, and Gabi Cruz entered those two years (2013-14)* […] *I left because* […] *the same thing happened as with Alma* (when the sister left in 2017 to start Branding). *When Alma left, we were not totally happy inside the company. We had some differences with her. And, to a large extent, it is that inside we are upset because, because we know that the business has given a lot, we have not known how to capitalize on it*. […] *But in the end, I was upset because we have worked 20 years in the business and the results we have, have been very good, but without having capitalized correctly. Very good because almost 200 million pesos have been generated by the business* ([10:20]).

As explained by the CEO this bad capitalization is due to the fact that the business has been critically financially mismanaged. "*We prefer to spend money on some things*" ([13:08]). For

example, it is common in the Mexican culture to organize a party for the 15th birthday of children as they become adult. For the occasion, Alma asked her brother to finance the party for 200 thousand pesos (more than $11,000). "*I would ask you not to tell my sister* [...] *If my daughter's fifteen years comes, I ask for a salary increase, that the company lend me money for 200,000 pesos, 200,000*. [Researcher: To do what?] For her daughter's party." ([13:35]).
However, the CEO also benefited from these outflows of money from the business. "*When I left the two years, I left, I tried to start another business.* […] *The thing is that, during those two years, she was paying me my salary, and with what I saved from that salary and the money I borrowed, I bought equipment for the business, my new business*. […] *I came back and I didn't say "increase me", I went in with the same pay. So, we stopped paying Gabi* […] *that helped us get some payments, some debts. But we returned a little to the topic of dissatisfaction*, *still, because I returned, again, with a focus, rather, with a different perspective, but with the same focus: to be truly the leaders in the magnet* (materials) *here in Mexico*." ([18:28]).

As such, the CEO does not seem to have changed its focus and the conflicting visions remain, even after the sister came back leading the sales department of Magnet in 2019. "*But we continue with the theme that Alma did not feel comfortable again because, there we have a difference. So this, the big difference is: you are looking to do business 80/20! In other words, 20% of maximum effort and that gives me 80% of profits, right? My sister is very creative, but all she does is rummage through a… (grunts) complicated! The Pinteract thing as I was saying* (the personalization/design part of the business) *is very cool but it takes time to give us the results we want.*" ([21:08]). As the CEO vehemently describes: "*The moment she starts customizing things, they are Pinteract!* ([25:40]); *She already offers it, it's the part that I don't like.*" ([25:11]).

A final example can help us illustrate the fundamentally negative impact of these two visions on the business' success. As the CEO explains, his sister is asking money to invest in developing personalization capabilities for the business and this is what he answers her. "*You are the commercial director, I could accept your scheme, but we are up here* (in debt), *since a long time, and the results have taken time and that is why* (due to the sister's vision). *We have not been able to channel them* (the results) *to make money quick, easy, hassle free.* […] *Development goes wrong, because it is poorly planned*." ([24:04]).

As the CEO is supposedly in charge of leading the business and taking all decisions, he has been putting the blame on his sister for the business' failures and, as we will demonstrate, the leadership actively contributes to the business value destruction.

Knowledge and Innovation

In this section, we will demonstrate that the firm and leadership has made the firm inherently inward looking, focusing first of all on internal sources of knowledge and innovation. Coupled to this closedness we found unstructured and informal knowledge management practices mechanisms. Finally, we will present how the firm failed to leverage its relational and social capital as a source of value creation.

When considering how the CEO and his sister defines innovation, we put into light their divergences. On one side, for the CEO, innovation is linked internally, to making efficiencies improvement "*For me it is doing something differently that contains a benefit. In other words, it can be saving time, saving physical effort, saving money*." ([24:04]). Whereas, in the words of his sister, innovation is "*By turning the product into a concept. I mean, we could have stayed with* (magnetic*) paint, rolls, sheets and that's it* (what the brother wants). *But the fact we are transforming these materials into a concept that is what truly has the highest perceived value*." (Pt1. – Sister's interview [09:47]). These differences highlight the conflicting visions, where on one side, innovation is linked to the creative side of the business and, on the other, focused on costs. However, for both the brother and sister, the primary source of innovation is internal. "*I believe that innovation, if it does not exist, especially in the upper management, hardly occurs in the lower management, in the workers*." ([36:33]). Here, the CEO underlines the importance of having a culture which enables innovation, which promotes it. The workers need to have a sense that they will be listened to and that their contribution counts.

However, as we will demonstrate, it is not the case as innovation only comes from leadership. As explained by the sister: "*The source? Rodrigo and me. I mean, sorry, but Rodrigo brought those new businesses* (materials) *and I did, that is, when they brought me the pot of* (magnetic) *paint, I never said "a pot of paint." I said "ah! A magnetic wall to remove and put wonderful things and develop genius and personalize them*. […] *Rodrigo brings new businesses* (supplier with a new product) *and I bring new creative applications of that new business*." ([12:02]).
As we can see Magnet's primary innovation source comes from the creative transformation enabled by the sister's creativity. "*They bring me a material and I turn it into a creative and*

functional concept." ([13:52]). However, in the words of the CEO, it is hard for the leadership to impulse "large-scale" innovation or change at the business level, underlying the underdeveloped innovative capabilities of the firm. *"[Researcher: So, would you consider the leadership impulse innovation and change? I think the only thing where we have not started to accept it is in the business area. What to do, what changes to make, no matter how drastic they are, changes which could really give us large profits*." ([43:29]).

This resistance to change on the part of the CEO is witnessed by the paternalistic culture which has promoted the family business inertia. The business is faced with a paradox: While being inherently inward oriented, the CEO underlines the fact he needs external knowledge to help him define the business' vision, but also that he lacks the funds to access such knowledge. "*What we need right now is a business expert. Look, I have not brought, I have not sought to bring a business adviser, a good one, very good. Because we have very bad numbers, our report of numbers, of results, of that, has been very bad, very bad for someone to come, sit down and say: "this works this way, or this does not work this way"*. […] *So, I think that the great dilemma of Magnet is, someone with an objective mindset, business expert, who could do an analysis and say: "Take out the idea of your materials"* [...] *this guy would have to say, and it is: "Rodrigo, get rid of your idea of materials, it is not the business, the business is Pinteract, there is nothing else! On the other side is Alma. Let's see neither of your little magnets, nor the design, nor Pinteract, it's not, that's not the business, forget it." But the point is that since we have not found someone who can tell us that...*" ([44:26]). …the business stays the same. And this creates a vicious circle, because as the business needs to bring in external knowledge but is less and less successful, it needs to "buy" this knowledge since it cannot be jointly created with external partners as the firm does not open up. This is highlighted by the fact that the firm's primary knowledge source is internal, as explained by the CEO: "*Well, to some extent, all the information, I have captured, I have learned*." ([49:02]).

Even if some external knowledge is leveraged, it has a minimal impact on the firm's value creation as it relates most specifically to the CEO finding raw materials. In fact, similarly to innovation, we see the impact of a top-down approach to knowledge, where it is mostly detained, or "stuck" at the top of the SMSFB. In his words, finding these materials is the most important knowledge source: "*I think the main one is from the outside, integrating it inside. Because we are, we are not producers or manufacturers, we use more raw material*." ([48:17]). However, the integration of this knowledge entirely depends on himself, so the source is internal to the firm. "*When I speak of external, it is because the main products that we handle, I capture, I investigate, I, more or less knew them, then I learned the product ...*" ([49:02]).

Magnet: An Inward-Looking Orientation

Interestingly, and as opposed to our two value-creating cases – Plastic and Peanut – we find that even if Magnet depends entirely on the proprietary knowledge or innovation developed by suppliers, the firm has never directly interacted with them to learn from their experience. In fact, when asked about getting knowledge from a supplier, the CEO answered: "*Never. The magnet, I learned, I have never had a manufacturer here to teach me about magnet*." ([51:22]).

However, the firm is, in fact, producing magnets as this represents 60% of the firms' revenues (vs. 40% for the sale of materials), and, as reflected by the two conflicting visions, the sister underlines the primary source of knowledge as internal. For her, it stems from the processes developed along the firm's manufacturing capabilities. "*I think we have a lot of knowledge of how to handle the magnet, how to print it, its polarity, its cut, the bonding. [Researcher: How did you develop this knowledge?] We have learned to handle it. That is to say, the first time they asked us for magnets, we had no idea how to do it* […] *And then we, we managed it, and now here, we try it a thousand times, we made many mistakes*." (Pt2 - Sister's interview [00:09]). As we can see, it is costly to develop input and manufacturing knowledge when there is no transfer from the supplier. Indeed, the firm has to create this knowledge "from scratch", there is no piggybacking effect which can enhance it, in fact there is no joint value creation. By relying largely on internal knowledge sources, the firm incur more costs and needs more time to become competitive, it appears as a brake on its value creation. As the sister explains: "*That is to say, perhaps they, the manufacturers, told us 'it is used like this'*." ([01:27]).

In fact, the most important source of knowledge and innovation inside the firm is internal as it enables the product to be transformed and value to be added. In the eyes of the sister: "*What is more important? I think that, I think that it is more important that we are able to develop and transform* (the knowledge and innovation) *internally, because we not only go and adopt things from the outside, but here, we put in it our creativity and transform it. That is, I think, our main value. [Researcher: So, external knowledge is like a support? It complements?] But the transformation, but the most important thing is the transformation that we create*." ([15:25]).

Considering the importance of transformation for the business competitive advantage, we can see how the conflicting vision of the CEO who finds it "complicated" might impede the development of the business. The two pressures impede the acquisition of expert knowledge and divert resources, by focusing them on multiple, misaligned objectives, which impede the growth and value creation of the business.

In terms of evolution of knowledge and innovation sources, we found they have not evolved.

The main evolution resides in the elaboration of a basic formal governance structure which accompanied the business's development. "*Well, before it was completely lyrical. Things were done based on what people thought. There was no alignment of all, today, yes, we have processes, yes, we have job profiles, yes, we have activity profiles, responsibilities of each one. There is a table who says to whom they must report, and who depends on them, their activities, their objectives*." ([19:04]). However, in spite of this minimal governance structure, there is no accountability inside the business as the structure is not implemented by the leadership. "*I think it still fails us, like, how can I say, verifying that everything is accomplished. Because it is, in strict theory but, in practice, perhaps we need to verify that it is carried out, to 100% measure*." ([20:08]).

Thus, as we can see, it is a fundamentally different structure than the one possessed by Peanut for example, as there is no accountability in the business. Furthermore, this is similar to the SMSFB's knowledge management practices, were we found no structure or formalization of mechanisms.

Annex 6 – Similarities across all four cases

Foundational Knowledge: Internal Knowledge Conditions the Value Created from External Knowledge

What we found from the four cases studied was the importance of the SMSFB's knowledge base to create value from external knowledge. Indeed, external knowledge cannot be sufficient by itself for a firm's value creation, it must be transformed, integrated and leveraged so the SMSFB is effectively using its own knowledge as a source of competitive advantage. This concept of the existing knowledge base as a foundation is expressed by Cohen and Levinthal, in their definition of absorptive capability "*the ability to evaluate and utilize outside knowledge is largely a function of the level of prior knowledge*" (Cohen et Levinthal, 1990: p.128).

Furthermore, to understand why SMSFB need this internal enabling knowledge for their value creation, we make a parallel with the literature on knowledge companies (Sony, HP, Intel, etc.). Edvinsson and Sullivan (1996), define these firms as the ones exploiting their knowledge as a source of competitive advantage. In turn, they consider these firms' intellectual capital as "*knowledge that can be converted into value*" (p.361). While the value created fluctuates greatly among our four cases, we find that similarly to these knowledge companies, they all use their knowledge base and intellectual capital (structural, relational and human) as their competitive advantage.

While Peanut leverages international suppliers' relationships to reliably deliver key inputs in volume and quantity (relational capital), the firm also uses its formalized organizational structure and quality processes (structural capital) to reach MNCs such as Nestlé or Bimbo. Plastic focuses on enhancing its human and structural capital by developing employee skills, hiring external experts and focusing on developing quality processes (ISO). The firm also leverages its relationships with international suppliers (relational capital) to enhance its knowledge base (innovation, capabilities) which enables it to serve international clients in differentiated industries.
To a lesser extent, we find similarity with Payroll and Magnet. The relationships detained by Payroll's founder form the basis of its (dwindling) competitive advantage, both in terms of key supplier and clients. He is using his relational capital with family and friends as a way to sustain its customer base. Furthermore, the business benefits from his 35 years of experience in the business and the 10 years accumulated working for the Mexican government labor department,

which gave him a lot of relevant knowledge and contacts (human and relational capital). Finally, Magnet leverages the sister's creativity to transform and add value to innovative inputs from international suppliers, she then goes on to sell these creative projects. Here, the SMSFB solely uses its human capital as a source of competitive advantage.

As we can see, while each SMSFB is able to convert some of its knowledge into value, the difference lies in the level of conversion of this knowledge. For Payroll and Magnet, the knowledge remains stuck inside a few individuals and does not circulate freely inside the firm, there is very limited structural capital development.

Dynamic Capabilities: The Development of Absorptive and Innovative Capabilities

We found that all four cases studied possessed, at least, underdeveloped absorptive and innovative capabilities. As explained above, all four cases need to access external knowledge to palliate to their deficiencies. As such, they are faced with either organizational learning or acquiring new knowledge which is, what the development of new capabilities entails (Hitt and Worthington, 2005). Furthermore, given the resource-poor conditions of developing countries' SMSFBs, these firms must "*learn continuously and quickly in order to survive in their new competitive environments*" (Bartlett & Ghoshal, 2000; Dawar & Frost, 1999; Manikutty, 2000; Prahalad & Lieberthal, 1998, cited Hitt and Worthington, 2005; p.356).
As such, it supports our findings from the data: these firms have all assimilated external knowledge, combining it with their internal one and absorbing it to use internally (Wang and Ahmed, 2007). For example, Plastic is being audited regularly by its client, Kimberly Clark, and through these audits, the SMSFB learns best practices in terms of processes, integrates it and improve its processes, which then become firm-embedded knowledge. A similar process happens with Peanut where the firm learns from Nestlé the specific US consumers' tastes and develop a recipe jointly with the MNC based on the integration of this external information. In turn, which this knowledge becomes proprietary to the SMSFB who is now aiming to export to the US and Canadian markets on its own with the accumulated knowledge.

Considering innovative capability, which links the SMSFB's "*inherent innovativeness to marketplace-based advantage in terms of new products and/or markets*" (Wang and Ahmed, 2007; p.39), we find that all cases have, at least minimally, develop it. The reason for this is because the innovative capability helps the firm answers to evolving consumer demands, more specifically, linking its resources and capabilities with its product market (Wang and Ahmed, 2007). As mentioned above, all firms have evolved their clients' type, and, as such, have had to, at least minimally, develop innovative capability (new services, products, etc.) to better tailor the SMSFBs' offer to these new clients' needs. For example, Magnet (the sister) has developed Pinteract, or the design of promotional product made out of innovative magnetic inputs, to better answer to the needs of its clients. Payroll has extended its service portfolio to become a one-stop shop and better answer to its various clients' requests. Similarly, Plastic is entering the surlin market to target differentiated alcoholic beverage producers to sell them unique, high-end bottle cap which substitutes crystal. Finally, as mentioned above, Peanut is innovating by creating new recipes for its peanut snacks to cater to the needs of its multinational clients.

Annex 7 – Differences across cases

Knowledge & Innovation

<u>Evolution of Sources of Knowledge and Innovation</u>

The first inconsistency between the cases studied arises around the evolution of their sources of knowledge and innovation. For the two value-creating cases studied, Peanut and Plastic, we found the key difference lies in the diversification of their sources.

In fact, we found that while the two firms initially focused on leveraging their knowledge detained internally, they evolved to include more and more valuable external sources such as international (or local MNCs) clients and suppliers. For example, while the two SMSFBs initially leveraged their founders' experience to serve small informal clients, Plastic diversified both internal and external sources by investing in human capital enhancements (training, courses, ISO) and hiring external experts, while developing mutually beneficial relationships with both its international suppliers (Nissei ASB, Dow and Dupont Chemicals, etc.) and international clients (Kimberly Clark, Avlon, Bayer, etc.) to leverage their knowledge.

On one side, the firm can develop innovative resins and uses, leveraging its international supplier knowledge and innovation, and, on the other, being regularly audited by its international clients, it leverages their knowledge to continually improve its processes and products. Peanut diversified a little differently due to the nature of the industry and the firm's position (which makes knowledge transfer from the supplier side less relevant), yet, the firm diversified its knowledge sources to enhance its human capital (trainings, ISO) while leveraging the knowledge of end-consumers detained by its multinational clients (Bimbo or Nestlé). For example, the firm is now able to reach international markets leveraging Nestlé's knowledge of international markets and consumers.

As we can see, ultimately, the impact of this diversification in terms of sources led these two SMSFBs to synergistic value creation: by combining their valuable knowledge and the ones of their partners, they effectively created more value than each individual firm could on its own. This is similar to the concept of synergistic value, taken from the literature on corporate social responsibility, which is defined as "*connecting stakeholder interests, and creating pluralistic definitions of value for multiple stakeholders simultaneously*" (Kurucz et. Al., 2008; p.91).

When looking at Magnet and Peanut we find that no such synergies have developed since their knowledge source has primarily remained internal. As demonstrated through the presentation of results Payroll principally leverages the knowledge detained by its human capital (mostly the founder) to tailors its services to clients' needs. Similarly, Magnet relies mostly on the CEO finding new products/suppliers and the sister's operational knowledge to transform the product. For example, even when acquiring a new innovative input (a form of external knowledge), Magnet develops internally – making "*thousand mistakes*" – the knowledge necessary to manipulate and process the material. Due to this lack of diversification and because these firms have remained largely inward-looking, they do not recognize the value of external knowledge sources and have maintained the status quo.

Influence of the Family on the Firm's Structural Capital

While the influence of the family was great in every case studied – in terms of the firm's culture, strategy, ability to change and structure itself – the impact of each, on the firm's value creation and growth, vary greatly. The key noteworthy aspect behind these variations lie in the aptitude of the firm to align its goals (strategy), resources, and governance to make them fit, which lead it to flourish over generations (Kammerlander et. Al., 2015). In the following sections, we detail how each element contributes or hinders the firm's value creation.

Family Influence on Strategic Planning

The main difference among the cases lie in the presence of a clear strategy and objectives for the firm. While Plastic and Peanut have developed a differentiated strategy and advanced strategic planning, enabling them to serve international clients and grow sustainably, we find that both Payroll and Magnet do not have a clear strategy for their business, and this is primarily due to the leadership, or family.

On one hand, Magnet is struggling with the CEO and sister's opposed strategic visions, which divert resources and hurt the business' profitability and growth. While the CEO wants to focus on distributing magnetic materials (with no clear differentiator), the sister wants to develop personalized projects with these (for schools, businesses, museums, advertising). Since the sister is in charge of sales and the CEO of all decision-making, the business is "stuck" as each one maintains their point of views. On the other hand, Payroll's CEO is now facing the consequences of not having developed a strategy for the past 35 years (as he served mainly family and friends). Namely, the business has diminishing profits and is struggling to grow, and this is because it does not have a clear customer segment to serve or differentiator. Furthermore, the business does not have a sales team or a sales or marketing strategy. However, the son involved in the business is currently trying to make this change.

Thus, in both cases, we see that the family behavior is directly responsible for the presence of a strategy. The impact of this lack of strategy on value creation means that the SMSFB has no guidance on how to use, combine, capitalize on or transform its resources in a way that make sense for a specific client segment. This is best explained by Sirmon et. Al. (2007) who state that "*To realize value creation, firms must accumulate, combine, and exploit resources*" (Grant, 1991; Sirmon & Hitt, 2003 cited Sirmon et. Al., 2007; p.273) and that "*value creation occurs when a firm exceeds its competitors' ability to provide solutions to customers' needs*" (Sirmon et. Al., 2007; p.273). Thus, without a clear strategy and strategic planning, value creation will be hindered as the firm will not be able to align its internal resources to external demands and adapt.

Family Influence on Change and Adaptive Capability

The main difference lies in the SMSFB's ability to undertake comprehensive and strategic changes. Most importantly, we find that it can maximize its value creation when the changes to its internal capabilities, resources, products and modes of organizing are aligned with external demand (Wang & Ahmed, 2007).

Indeed, both Plastic and Peanut developed advanced adaptive capabilities throughout their years of existence, as they were able to change their firm's processes, clientele, and structure. In fact, as they both went from serving small informal clients to being ISO certified and serving MNCs, the adaptation was not only pushed by the respective CEOs, but also by these international clients' pressures. Furthermore, the second generation involved in both businesses is greatly contributing to changing the business. While for Plastic, the son is leading changes to improve the firm's structural capital, cash flow and differentiated strategy, for Peanut, one of the daughters is changing the incentive structure and developing the internationalization strategy.

When looking at Payroll and Magnet, we see that both firms have experienced very little change, and this has been linked to their high level of family inertia. As explained by Chirico, family inertia is a factor which can "*prevent the creation of dynamic capabilities.* […] *where* *paternalism […] influence family inertia positively*" (2008; p.137). This is what we witnessed for these two cases' who were unable to develop adaptive capabilities because the two CEOs have maintained the status quo in their firm. As defined by Chirico, paternalism is an "*attitude not to make changes, no freedom to express ideas and make autonomous choices and changes*" (2008; p.143). For Magnet, this is because the CEO has never given up on his vision and refuses to focus the business on the sister's differentiation strategy. She was never able to lead change or make autonomous choices for the business. For Payroll this is because until a few years ago, the business created enough value by relying solely on the CEO's family and friends as key business partners, which also gave little incentives to change to the SMSFB. Furthermore, as explained by the son involved in the business, the firm is paternalistic and the only one deciding is the CEO.

By preventing change, these two firms negatively impact the development of their dynamic capabilities and their value creation. In both cases they are struggling to grow and sustain their profit levels, in the case of Magnet, the firm's survival is even at risk (800,000 pesos of debts with suppliers and the bank).

Family Influence on the Culture

When considering the impact of the family on the business culture, the main difference between our four cases lie in the presence of these strong level of paternalism. As explained above when high level of paternalism is present in the firm, it causes inertia and there is a generalized belief inside the firm that, the only one making decision is the CEO. In turn, this creates an atmosphere which hinders entrepreneurial behavior and limits the amount of new knowledge the firm leverages, which does not maximize value creation. This is described by Chirico "*a stable level of knowledge, presence of paternalism based on a closed culture and low level of entrepreneurial drive do not enable the firm to increase its level of value creation*" (2008; p.154).

Since both Payroll and Magnet possess high level of paternalism, it can partially explain why they struggle to create value. Furthermore, this attitude negatively impacts the culture since employees have no autonomy in decision making or freedom to express new ideas (Chirico, 2008). On the other hand, Plastic and Peanut's CEO have positively influenced in unique ways their firm's culture and ultimately, value creation. Plastic by focusing on a culture of continuous improvement and Peanut by formalizing its business, similarly to a large firm's structure. Plastic's CEO has a strong focus on continuous improvements, which can be seen at all level of the firm: he wanted to become ISO certified 15 years ago, he focuses the business in continuously enhancing its human capital (from the lowest to highest levels), etc. As such, this focus on human capital is the unique influence of the family on the business culture. In turn, this focus helps the firm maximize its value, as explained by Mahoney & Kor (2015) who find that investments in firm-specific human capital create a conduit for building and advancing the firm's core competencies which ultimately lead to economic value creation.

Looking at Peanut, we found that the unique influence of the family lies in the strong push by the CEO to formalize the business. By focusing on developing its firm's structural capital (accountability, focus on results, no nepotism, weekly reports for everyone including the family members) it was able to enhance the SMSFB's reputation with international clients, offering processes, quality and reliability which local firms could not. This became the cornerstone of Peanut's competitive advantage and value creation: benefiting from knowledge sharing from MNCs clients through this formal structure (i.e. joint product development department). This concept is explained by Zanda (2011) who describes how interaction between structural capital and knowledge sharing can help the firm develop a competitive advantage.

Family Influence on the Governance

The main difference between our cases lies in the presence of control and incentive systems. What we found was that Plastic and Peanut both possesses, with different levels of development, controls and incentive systems which are directly linked to performance assessments and not to subjective appreciation.

For example, both SMSFBs rely on key performance indicators at the quality and volume level to control and reward plant employees. On the contrary, both Peanut and Magnet failed to develop such systems because their CEOs do not see value in implementing them. While the son of Peanut CEO wants to enhance the firm's structural capital (control and incentives to motivate employees and make them do more than the bare minimum), his father thinks it would be a loss of time and money, and so the firm remains the same. Similarly, the sister of Magnet's CEO also wants to enhance the firm's structural capital (developing bonuses for the sales' persons) but the CEO resists since for him, doing a great job is normal (see presentation of results).

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