Chapter 7

How Family Involvement in Management Affects the Innovative Behavior of Private Firms:
The Moderating Role of Technological Collaboration with External Partners

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ABSTRACT

By taking insights from the Socioemotional Wealth theory, this chapter investigates the effect of family involvement in management on firms' innovative behavior, namely on their innovation effort. Furthermore, this research analyses whether firms are more willing to develop innovative efforts when they are engaged in technological collaborations with external partners, such as suppliers or customers. Authors used a panel dataset on 3,060 observations of Spanish manufacturing firms for the 2000–2012 period. The findings show a negative incidence of family managers on firms' innovative efforts. The empirical findings also reveal that technological collaborations with suppliers weaken the negative effect of family involvement in management on innovative effort.

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INTRODUCTION

In recent years, scholars are paying increasing attention to innovation management in family firms (Arzubiaga, Kotlar, De Massis, Maseda, & Iturralde, 2018; Calabrò et al., 2018; Diéguez-Soto, Garrido-Moreno, & Manzaneque, 2018). Specifically, some authors have centered their attention on the innovative character of family firms (Gomez-Mejia et al., 2014; Llach & Nordqvist, 2010; Martínez-Alonso, Martínez-Romero, & Rojo-Ramírez, 2018). In this regard, it has been argued, based on a Socioemotional Wealth (SEW) perspective (Berrone, Cruz, & Gómez-Mejía, 2012; Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007), that family firms are less willing to invest in innovation than their non-family counterparts (Chen & Hsu, 2009; Chrisman & Patel, 2012; Munari, Oriani, & Sobrero, 2010). Therefore, up to now, most prior research has focused on how family firms handle their innovation investments (Duran, Kammerlander, van Essen, & Zellweger, 2016; Röd, 2016).

However, family firms represent a highly heterogeneous group (Berrone et al., 2012; Carney, Van Essen, Gedajlovic, & Heugens, 2015; Samara, Jamali, Sierra, & Parada, 2018). In this vein, family involvement in management can be considered a source of heterogeneity within family firms (Casillas, Moreno, & Barbero, 2010; Detienne & Chirico, 2013; Rojo-Ramírez & Martínez-Romero, 2018), which has been underexplored with respect to their innovative behavior. Thus, our study covers this research gap by theoretically and empirically investigating how such family involvement in management is related to private firms' innovative behavior, i.e., their innovation effort. The examination of this issue is of paramount importance, as innovation is increasingly considered as the engine that allows family firms to obtain sustained competitive advantages in the market, ensuring their long-term survival (Hauck & Prügl, 2015; Manzaneque, Diéguez-Soto, & Garrido-Moreno, 2018).

Moreover, our study goes a step further and analyses two specific factors that might moderate the relationship between family involvement in management and innovative effort. In this regard, the effects of technological collaborations with external partners, namely customers and suppliers, were included as additional elements that might influence the relationship mentioned above. We contend that such collaborations may reduce family managers' unwillingness to develop innovative efforts.

To test the proposed relationships, we developed an empirical study with different econometric models using a panel data sample of 3,060 observations about Spanish manufacturing firms for the 2000-2012 period. The data were obtained from the Spanish Survey on Business Strategies.

The findings reveal that as family involvement in management increases, firms develop fewer innovative efforts. Moreover, our findings also show that technological collaborations with suppliers diminish the negative effect that family management has on innovative effort. Meanwhile, technological collaborations with customers do not have a significant impact on such a relationship.

This research makes multiple contributions to the family and the innovative research fields. First, it examines the underexplored relationship between family involvement in management and innovation effort. Second, it answers the call for further research on how private firms take advance of technological collaborations with external partners to drive their innovative behavior. Finally, it reveals that family managers develop more innovative efforts when they carry out technological collaborations with suppliers.

This chapter proceeds as follows. The next section presents the theoretical framework and hypotheses. The methods, sample, data, and variable measurements are then described. Subsequently, we display the empirical results. Finally, we present the discussion and conclusions section, in which some managerial and practical implications are included.