

# Chapter 1

## Reading Between the Lines: Innovation Strategies in Small and Medium-Sized Family Firms – An Exploratory Study

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### **ABSTRACT**

*This chapter contributes to strategic management studies in family firms by focusing on innovation strategies as drivers to guarantee firm survival across generations. Specifically, built on the construct of family business innovation posture and based on the content analysis of 10 small and medium family firm narratives, this chapter identifies the figure of the father as the cornerstone in whom innovation strategies have their origin and their evolution as firm-driven, family-driven, and/or market-driven. The chapter proposes a model that highlights the dimensions of family heterogeneity and provides new insights into the relationship between the role of the father figure and three drivers related to family business innovation: product and production quality, past knowledge, and risk-taking propensity.*

### **INTRODUCTION**

Family businesses approach strategic management differently from other types of firms (Chrisman, Chua, & Sharma, 2005; Sharma, Chrisman, & Chua, 1997), as the controlling family's influence, interests, and values play a dominant role in making strategic decisions (Aldrich & Cliff, 2003; Sirmon, Arregle, Hitt, & Webb, 2008). This is particularly true for innovation strategies that help family firms to “renew

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companies, enhance their competitive advantage, spur growth, create new employment opportunities and generate wealth” (Hayton & Kelley, 2006, p. 407). The actual context in which firms operate and where they must survive is highly competitive, characterized by uncertainty and risk (Obradovic & Obradovic, 2016); for this reason, firms that want to create value and sustain their competitive advantage must approach innovation strategically (Dogan, 2017; Frow, Nenonen, Payne, & Storbacka, 2015).

In this scenario, the implementation of innovation strategies is a key factor, essential to the survival of long-term enterprises (Serrano-Bedia, Palma-Ruiz, & Flores-Rivera, 2019; Hult, Hurley, & Knight, 2004). This is particularly true for family-owned businesses, which can exist for several generations (Saiz-Álvarez & Palma-Ruiz, 2019; Jaskiewicz, Combs, & Rau, 2015). This long-term perspective, which is necessary to assure family firms’ continuity, considers several capabilities, including innovativeness (i.e., the ability or capacity to innovate) (Craig & Dibrell, 2006; Mairesse & Mohnen, 2002). It is particularly relevant for small- and medium-sized family-owned businesses (De Massis, Frattini, & Lichtenthaler, 2013) because, as recently suggested, they represent “everyday entrepreneurship” (Saiz-Álvarez, Leitão, & Palma-Ruiz, 2019; Welter, Baker, Audretsch, & Gartner, 2017). Also, as these enterprises are the most common type of business organization in many different regions of the world (Miller & Le Breton-Miller, 2005a), innovativeness symbolizes the will to survive in a market.

Although some scholars believe that more attention should be paid to how innovativeness impacts the strategies of family firms, steps should be taken to understand their innovation strategies (Chrisman, Chua, Le Breton-Miller, Miller, & Steier, 2018; Diaz-Moriana, Clinton, Kammerlander, Lumpkin, & Craig, 2018; Duran, Kammerlander, Van Essen, & Zellweger, 2016; Filser, Brem, Gast, Kraus, & Calabrò, 2016). In this sense, goals, governance, and resources provide useful insights into family firms’ strategic factors (Daspit, Chrisman, Sharma, Pearson, & Long, 2017), and investigating them can promote understanding of the contradictory ongoing debate over innovation in family firms (Zahra, 2012). The literature shows an ambiguous and discontinuous framework underlying family firms’ resistance to change (Sharma & Manikutty, 2005) or, in other cases, innovativeness (Llach & Nordqvist, 2010), as well as how they adopt different levels and types of innovation during their lifecycles (De Massis, Chirico, Kotlar, & Naldi, 2014; Duran et al., 2016). Examining strategic innovation postures, scholars have developed constructs for family business innovation posture, and have identified four ideal types: seasoner, re-enactor, digger, and adventurer (Rondi et al., 2018). Other researchers have argued that the founder’s imprinting influences the innovation propensity, and this aspect tends to emerge clearly from stories in this type of family that are narrated about past generations, focused on actors and events that affect innovativeness and strategic management (Kammerlander, Dessì, Bird, Floris, & Murru, 2015).

This chapter, inspired by this stimulating debate, contributes to strategic management studies within the family business domain, challenging the topic of innovation strategies, by giving a close reading, somewhat between the lines, to the accounts of ten (10) family firms. Specifically, following the problematization perspective suggested by Alvesson and Sandsberg (2011), this work, based on the awareness that heterogeneity in family firms affects innovation strategies, disentangles this intertwined situation by addressing the following questions: “*Is there a main driver that influences innovation strategies in small family firms?*” If so, “*What is the driver, and how does it act?*”

In this chapter, according to the construct of the innovation posture of the family firm, defined as the strategic orientation of the owning family imprints on the family business, shaping the firm’s innovation climate, philosophy, and practices (Calantone & Rubera, 2012; Erdogan, Rondi & De Massis, 2019), we focus on the role played by family business narratives in uncovering the mentioned attitude. By examining the variety of innovation postures of family businesses in relation to different levels of risk-taking

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