1. Introduction to the Research Handbook on Entrepreneurship and Innovation in Family Firms

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1. BACKGROUND AND MOTIVATION

The majority of firms in our societies are family firms (Astrachan, 2003; Xi et al., 2015), which have, as an organizational form, gained increased interest of politicians and researchers alike as backbones of regional communities and the overall economy (Bichler et al., 2021; Calabrò et al., 2021; Le Breton-Miller and Miller, 2009), particularly during the recent global financial, health and political crises. These family firms and their members shape and maintain these communities by generating value, creating jobs and enforcing regional sustainability (Memili et al., 2018; Peters and Kallmuenzer, 2018).

Family firms are typically defined through ownership of the business by one or a few families (Daspit et al., 2021; Hernández-Linares et al., 2018). Thus, the owning family can exert substantial influence on key strategic decisions and the development of the business through their ownership, sometimes in conjunction with the participation of family members in management (Davis, 1983) as well as family members on supervisory boards (Von Schlippe et al., 2021). In many family firms, ownership and management are maintained across several generations, and a key challenge for their long-term survival is to sustain the entrepreneurial and innovative spirit of the founding generation of entrepreneurs for their successors (Littunen and Hyrsky, 2000; Roffia et al., 2021; Strobl et al., 2022).

Almost all firms regularly need to continually innovate and renew their way of doing business in order to stay competitive, as they risk losing their entrepreneurial capacity when they mature (Kellermanns and Eddleston, 2006; Filser et al., 2016). However, family firms face numerous additional challenges with regard to their innovative and entrepreneurial behavior (Zahra et al., 2004). Some scholars regard family firms as rather old-fashioned, introverted, inflexible and lacking in entrepreneurial spirit (i.e., a contradiction), while others argue the opposite and view family firms as a setting where entrepreneurship is enabled to flourish (i.e., a synonym) (e.g., Kraus et al., 2011). This contradiction is also grounded in the family firm’s general tendency to innovate. Research has consistently demonstrated that family
firms invest less in R&D activities, but on the other hand it has provided conflicting results on whether or not these inputs are transformed into better innovation outputs than non-family firms (Block et al., 2022; Duran et al., 2016). Some studies find that family firms prefer more predictable types of innovation such as incremental innovation (Chrisman and Patel, 2012) or process innovation (Classen et al., 2014).

There are some dominant explanations as to why entrepreneurship and innovation in family businesses are different from non-family firms (e.g., Aldrich and Cliff, 2003; Randerson et al., 2015). These provide arguments for advantages and disadvantages for family firms when it comes to innovation and entrepreneurship. Researchers have identified a paradox in family firm innovation (Chrisman et al., 2015; König et al., 2013). On the one hand, family firms are often characterized by a very good ability to facilitate innovation activities (e.g., Hu and Hughes, 2020). As ownership and central management positions are often in the hands of a few family members, necessary bold decisions to innovate or transform the organization and related substantial resource allocations or reallocations can be made by a few people without long and inefficient political maneuvering (Le Breton-Miller and Miller, 2006). De Massis et al. (2014) describe this ability of the family to direct, allocate, add to, or dispose of a firm’s resources as well as to make strategic, structural, and tactical decisions as family ability as discretion. Furthermore, family firms are known to rely on unique financial, human, social and dynamic resources (Sirmon and Hitt, 2003; Soluk et al., 2021) that are an important source with which to explore and execute entrepreneurial opportunities. Consequently, there is increasing evidence that families in business are robust sources of entrepreneurial activity (Naldi et al., 2007).

This potentially better ability of family firms to facilitate innovation and entrepreneurship is challenged by significant limitations regarding the willingness to pursue particularly radical forms of innovation or entrepreneurial transformation (Ceipek et al., 2021). Family firms are often considered to act conservatively coupled with inertia in departing from established business practices (Chrisman and Patel, 2012). Other often mentioned characteristics are their path dependency (Gersick et al., 1997), rigid mental models (König et al., 2013), and a focus on family-centered, non-financial goals (Gómez-Mejía et al., 2007). Business families are known to put great emphasis on preserving socio-emotional wealth which incorporates all “non-financial aspects of the firm that meet the family’s affective needs such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty” (Gómez-Mejía et al., 2007, p. 106). Thus in every business decision, (financial) opportunities are contrasted with the risk of losing socio-emotional wealth (Gómez-Mejia et al., 2011). This leads to higher risk aversion and a clear preference for less uncertain endeavors, in conflict with the typical characteristics of innovation and entrepreneurship. For instance, Block et al. (2011) find that a strong focus on family preservation over business goals changes the family owner’s preference and discourages financial investment. Potential short-term gains may be sacrificed for the wish to maintain the family tradition for future generations. Due to their often-long history, in particular older family firms and their decision makers are often bound to tradition and may show rigidity when it comes to innovating the firm (De Massis et
al., 2016; Erdogan et al., 2019). While the actions and behaviors of entrepreneurs and entrepreneurial teams in the nascent, early and growth stages of the business cycle have been widely researched (Le Breton-Miller and Miller, 2013), there is a dearth of literature that sheds light on the later stages when the ownership and management of the firm becomes the responsibility of the founder’s offspring and professional management. Research, however, shows that, especially in later generations, family firms are less entrepreneurial and exploit significantly fewer opportunities than non-family firms (De Massis et al., 2021). As the firm grows and becomes more complex, so does the family and its complexity, which may substantially impact innovation and entrepreneurship (Kraus et al., 2012).

It is apparent that family firms and entrepreneurship are not generally contradictory, they just go about it differently, by leveraging their distinct familiness (Fritz et al., 2021; Habbershon et al., 2003). Thus, rather than stating whether or not family firms are innovative or entrepreneurial, it is important to understand the individual circumstances and context in which family firms benefit from their superior ability and suppress their potentially reduced willingness (Debellis et al., 2021). Research has recently called for better understanding the impact of sources of family firm heterogeneity on innovation and entrepreneurship instead of contrasting family and non-family firms (Daspit et al., 2021; Gerken et al., 2022; Randerson et al., 2021). These peculiarities of family business innovation and entrepreneurship create further paradoxical tensions (Erdogan et al., 2019). On the one hand, continuous renewal and entrepreneurship are cornerstones of sustainable competitiveness (Kallmuenzer and Scholl-Grissemann, 2017; Nikolakis et al., 2022); on the other hand, tradition (Bonti and Cori, 2018) creates a tendency to conserve the status quo.

Furthermore, the above-mentioned particularities of family firms regarding innovation and entrepreneurship are currently challenged by unique circumstances. We are facing fast-changing and uncertain times in which family firms must deal with significant challenges and threats in order to remain competitive. Prominent examples such as digitalization (Ceipek et al., 2021; Soluk et al., 2021; Heider et al., 2022), sustainability (Adomako et al., 2019; Clauß et al., 2022; Nikolakis et al., 2022), or the many global crises (Kraus et al., 2020; Breier et al., 2021) require family firms to continually reflect upon and potentially renew their business.

Consequently, this research Handbook aims to provide an updated integration of the management of innovation and entrepreneurship and the particularities of family firms (Fletcher, 2005; Calabrò et al., 2019). We particularly aim to contribute to a better understanding of the determinants and contexts of innovation and entrepreneurship among different family firms and under different environmental constellations and challenges, on which future research can build and thus provide important recommendations for practice.
2. OBJECTIVE AND CHAPTERS OF THIS HANDBOOK

Following these conceptual groundings and gaps in previous research, this Handbook aims at providing a hands-on collection of current and relevant chapters of use to entrepreneurship, innovation and family firm scholars/researchers, for teaching postgraduate and doctoral classes as well as for practitioners in the field of SME and family firm management and consulting, as well as politicians in their endeavor to support and learn from family firms as the backbone of our societies.

By bringing together 20 contributions of 59 thought leaders in the field from 13 different countries (in addition to this editorial chapter), this book is not exclusive to a particular region but takes an international perspective and provides insights of a conceptual/theoretical, empirical and methodological nature from diverse national contexts and cultures.

The book chapters in this Handbook are therefore classified in the following into precisely these three overarching themes: (I) novel/conceptual perspectives on theoretical frameworks and advancements in entrepreneurship and/or innovation in family firm research; (II) current state-of-the-art/empirical research in entrepreneurship and/or innovation in family firm research; and (III) new and established methods for rigorous in-depth research on entrepreneurship and/or innovation in family firms.

2.1 Part I: Novel Theoretical Advancements and Perspectives on the Fields of Entrepreneurship and/or Innovation in Family Firm Research

In the opening chapter on “Mapping the intellectual structure of family firm research and proposing a research agenda”, Markus Wulff, Victor Tiberius and Raj V. Mahto report on a bibliometric analysis of 4056 articles on family firms published between 1960 and 2020. The authors identify the most productive and most cited journals, the most cited authors, and the 25 most cited articles. The science mapping reveals agency theory, definitions, entrepreneurship, internationalization, ownership, resources, socio-emotional wealth, and succession as the predominant research themes.

The chapter on “State of research on family businesses and the corporate brand: current findings, future fields of research and approaches to strategic use” by Giuseppe Sorrentino, Mario Situm and Stefan Märk is dedicated to the topic of the corporate brand in family firms, the current state of research, possible future research approaches and possibilities for strategic use. Methodologically, a literature review was carried out and the results show that there are only very few research results and findings in that specific research field, so that the influence of the corporate brand on strategic decisions of family businesses (e.g., in the context of business succession, with regard to capitalization or use as loan collateral) can be classified as unresearched. Overall, family businesses make little or no strategic use of the corporate brand, e.g., brand value, so there is sufficient potential for further scientific and practical development in this context.
The chapter “Disruptive innovation in family firms – a systematic literature review” by Josef Schindler provides an integrative picture of the state of the art of the research on disruptive innovation response strategies. Its particular focus is on strategies to balance both sustaining and disruptive innovation and their respective organizational design and culture in family firms. Findings show that firm performance increases when applying the concept of innovation ambidexterity, while its inherent complexity mitigates the effect and can even reduce overall performance. The practical matter of how to manage this complexity efficiently appears to be a decisive factor that has to date been insufficiently investigated, enabling avenues for further research as a result.

The chapter “Institutional influences on succession intentions: an extension of the theory of planned behavior” by Simon Jebsen and Britta Boyd focuses on one of the core challenges of the family firm nature: firm succession. This chapter takes a theoretical perspective, dealing with an extension of the theory of planned behavior by adding a national-level lens on the mechanisms influencing succession intentions. In their work, the authors apply mixed multilevel analyses showing how four social security policies (family, health, pension, and labor market) directly and indirectly affect succession intention.

The chapter titled “Family business resilience: a multilevel process approach” by Javier Monllor, Doaa Althalathini and Shelley Beck aims to develop a conceptual framework that explains the important topic of resilience within family firms. The chapter finds that family business resilience is a multilevel process over time and over generations, of interactions between individuals, family, family business and community. Through these interactions, family firms can increase the protective factors that allow them to withstand and recover from future external or internal, negative or positive disturbances that stress its current functioning, viability or development.

The chapter “A new intersection in family business: causation, effectuation and entrepreneurial bricolage approaches” by Mihaela Mikić, Tin Horvatinović and Marina Dabić proposes a new theoretical model by combining the postulates of the family business life cycle concept with the underpinnings of causation, effectuation and entrepreneurial bricolage theories of entrepreneurial behavior. Based on the findings of articles that are published in the Web of Science and Scopus database on these topics, three propositions are proclaimed. Even though family firms follow entrepreneurial paths that are similar to those followed by non-family firms, there are some distinct differences. In comparison to non-family firms, family firms to a greater extent make use of causal principles in the early phases of the life cycle, while effectuation and bricolage approaches are more utilized in the middle stages of the life cycle. These results have ramifications for further theoretical development and empirical investigations.

The chapter “Introduction to corporate entrepreneurship in family firms: overview and current issues” by Vanessa Weimann, Maike Gerken and Marcel Hülsbeck introduces the reader to the concept of Corporate Entrepreneurship (CE) in family firms and illustrates the current status of research on how family firms manage to
pursue CE activities. The authors identify the three most important research gaps in the field and some promising questions to determine the direction in which the field is moving.

### 2.2 Part II: Current State-of-the-Art Research in Entrepreneurship and/or Innovation in Family Firms

The chapter “Resilient businesses in times of crisis: pandemic effects on competence strategies in rural family SMEs” by Kristin Sabel, Cecilia Dalborg and Yvonne von Friedrichs investigates the effects of the COVID-19 pandemic and entrepreneurial resilience of family SMEs, with special focus on competence strategies. The study applies a quantitative methods approach, with data extracted from a web-based survey. The results of the study include the finding that the family SMEs that show greatest entrepreneurial resilience in the face of the pandemic have mainly operated in diversified businesses and have reacted by seizing new opportunities and by making new investments, although not by employing or dismissing staff. The results also show that the competence demand has remained unchanged in family SMEs during the COVID-19 pandemic.

The chapter “Role of boards of directors of family SMEs in balancing tradition and innovation” by Paolo Roffia and Stefania Moracchiato deals with the important contributions of boards of directors (BoD) to entrepreneurship and innovation in family SMEs. It adopts key corporate governance theories to examine the control, strategic and service roles of BoDs and investigates their demographic elements (i.e., composition, characteristics and structure) and processes and tasks. It finds that the BoD is fundamental for innovation from two main perspectives: first, by deciding on, developing and implementing innovation strategies, and second, by intrinsically fostering innovation, entrepreneurship, and performance improvement based on demographics (e.g., recruitment of non-executive independent directors and qualified and skilled BoD members) and functioning (e.g., processes such as adequate and timely documentation and performance-based remuneration, and tasks such as risk assessment and management and performance control).

The chapter “New concepts for traditional family-run inns” by Alexander Plaikner, Barbara Weiskopf, Katharina Weiskopf and Marco Haid deals with family-run inns in rural alpine areas. Relevant challenges for the businesses as well as strategies and innovations that these businesses need in response to socio-demographic change are identified. Applying a qualitative approach, semi-structured interviews were conducted. This chapter shows that traditional family-run inns need new and innovative concepts to respond to the challenges of our time.

The chapter “Product and process innovation activities of family firms in comparison to non-family firms” by Izabella Steinerowska-Streb and Teresa Kraśnicka explores the main similarities and differences in the innovation process of small and medium family firms (FFs) and non-family firms (NFFs). The study results presented in the chapter show how the creation of product and process innovations in FF and NFF begins. They also demonstrate who initiates innovations and decides about
innovation implementation there. Moreover, they reveal that FFs and NFFs differ in the degree of formalization of the whole innovation process.

The chapter “Introducing ownership innovation as an approach to study family firms’ ownership practices” by Suvi Konsti-Laakso, Marita Rautiainen, Timo Pihkala and Naveed Akhter deals with family owners’ role in conducting innovative activities in their pursuit of control and development of the family business ownership. Using a qualitative case study, we show how family firm owners create, develop and adopt new organizational structures, practices and tools to manage their family business ownership.

The chapter “(Social) innovation as a way out of a crisis? How small family firms become innovative” by Börje Boers deals with social innovation activities of three Swedish small family firms, exemplifying different types of innovation in these firms. These innovations are conceptualized as a continuum of innovations, which is depending on the degree of involvement of owner-managers on the one hand and the degree of involvement of employees on the other hand. The chapter applies a comparative case study method and finds a continuum of innovations from incremental to social innovations.

The chapter “Analysis of the internationalization of the family business from the approach of entrepreneurial orientation” by Felipe Hernández Perlines and Domingo Ribeiro-Soriano shows how entrepreneurial orientation in different family generations influences the internationalization of family businesses. Based on a dataset of 174 Spanish firms, the authors can empirically show that entrepreneurial orientation is a key determinant to family firms’ international performance and that this effect is greater in second and later generation family firms.

The chapter “International entrepreneurship of family firms from Central Europe: the example of Poland” by Krzysztof Wach, Agnieszka Głodowska and Marek Maciejewski deals with the problem of internationalization patterns of family firms from Poland. It applies a quantitative design based on two surveys conducted in 2014 and 2018 among Polish firms. It finds that family firms from Poland prefer to internationalize incrementally in stages and, what is more, into closer markets. Exporting is the dominant international entry mode, but foreign capital stimulates investment modes. Foreign capital plays a meaningful role in the scale and speed of internationalization of family businesses from Poland.

The chapter “Family businesses’ business networks in the VUCA world” by Katie Hyslop, Dietmar Roessl and Isabella Hatak deals with family firms’ perception of the challenges of the VUCA world and how these challenges affect the shaping of their business networks. By adopting a qualitative approach, the chapter finds that family firms acknowledge the characteristics and the managerial challenges of the VUCA world, which calls for diverse business networks. The chapter further suggests that it is the combination of weak ties with partners in the business network – which provide access to diverse knowledge – and strong ties among members of the family business – which strengthen absorptive capacity and thereby foster major organizational learning – that has the potential to enhance family firms’ effective dealing with the VUCA world.
2.3 Part III: New and Established Research Methods in Entrepreneurship, Innovation and Family Firm Research

Family firm innovation research is in need of outcome variables measuring innovation behavior and success. In this regard, patents are considered as proxies for technological innovation. The chapter “Patent data and how it can be matched to (family) firm data: an example and a guideline” by Tom Willeke, Jörn Block, Matthias Johann, Darius Lambrecht, Holger Steinmetz and Issah Wunnam deals with the matching of patent and firm data. More concretely, it introduces a detailed seven-step guideline to how patents can be matched to firms, which is a necessary first step for every family firm innovation study based on patent data and patent-based measures. The matching process is illustrated using a sample of more than 10,000 family and non-family manufacturing firms from the German Mittelstand.

The chapter “Serious games to study the management of paradoxes in family firms: introducing a research agenda” by Clemens Krüger, Laura Bechthold and Reinhard Prügl exploratively introduces a self-developed serious game to advance (family) entrepreneurship research and behavioral management theories. Besides the qualitative and quantitative findings from 181 game participants, the chapter proposes a new research agenda that harnesses context-rich games for behavioral analyses, entrepreneurship education, and the development of coping strategies for the management of paradoxes.

The chapter “How and when do family businesses support entrepreneurship? An exploratory analysis on the relationship among family influence and entrepreneurial opportunities in family firms” by Álvaro Rojas, Daniel Lorenzo and Pedro Núñez-Cacho explores the interactions between family and business systems, family resources and capabilities, and entrepreneurial capabilities, to shed light on how and when entrepreneurial behavior strategies are developed in family businesses. A mixed methodology is developed, by using both quantitative (PLS-SEM) and qualitative (fsQCA) methods, to analyze a sample of 32 Spanish family businesses in an exploratory study. The study contributes to the existing debate on entrepreneurship in family businesses by presenting the concept of entrepreneurial family capital, which arises from the analysis of the iteration relationships that allows the application of fsQCA techniques.

In their chapter “A case study of an emergent, family owned and operated private tour company”, Daniel M. Spencer and Lenna V. Shulga take a mixed-method approach to investigate a family firm case in Hawai‘i. Based on a mixed-methods research design, they find that much of the firm’s success results from its employees’ high levels of intrinsic and extrinsic motivation, entrepreneurial aptitudes, job satisfaction, and good fit between their personalities and their positions.
REFERENCES


