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Marketing-related resources and radical innovativeness in family and non-family firms: A configurational approach

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ABSTRACT

Family (FFs) and non-family firms (NFFs) are increasingly shown to be distinct in their operations, including their marketing-related resources, decisions, and actions pertaining to innovation. The current research explores the possibility that while some drivers of innovativeness – radical innovativeness, in particular – may be common to both family and NFFs, how these drivers combine to produce radical innovativeness may not always be the same for these two firm types. Data from 1671 firms operating in four countries were analyzed using fuzzy set qualitative comparative analysis. Results reveal six configurations of behavioral proclivities and/or resources that predict radical innovativeness, including two that are unique to FFs, three that are unique to NFFs, and one that is common to both firm types.

1. Introduction

Over the past decade, a growing body of research has addressed the topic of innovation in family (FFs) and non-family (NFFs) firms (e.g. De Massis, Frattini, Pizzurno, & Cassia, 2015; Filser, Brem, Gast, Kraus, & Calabrò, in press; Kotlar, De Massis, Frattini, Bianchi, & Fang, 2013). Much of this research focuses on the matter of whether FFs are more or less innovative than their non-family counterparts. Results generally support the position that FF status inhibits innovation, although results are mixed with some studies even pointing to the opposite conclusion (De Massis, Frattini, & Lichtenthaler, 2013). Other research on the topic has taken a different approach, focusing not on what type of firm is more innovative, but on what type of innovation (e.g., radical or incremental) each type of firm is likely to produce.

Missing from the burgeoning literature that explores innovation in family and NFFs is exploration of the possibility that what drives innovation may be different in these two types of firms. While uncovering possible differences in innovation output for family and NFFs has been an informative endeavor, identifying what enables them to innovate is arguably equally important. Just as prior research has found that innovation tends to be driven by many of the same determinants in both large and small firms (e.g., Quinn, 1985), perhaps the same factors produce innovation in both family and NFFs. However, recent research suggests that some factors which drive innovation in FFs may not do so – or, alternatively, do so to a greater extent – in NFFs.

This study focuses on the question of what drives innovation – radical, market-leading innovation, in particular – in family vs. NFFs. While innovation has been found to result from myriad influences, this research focuses on a handful of marketing- and innovation-related behaviors and resources that have been repeatedly shown to drive innovation. These factors include the firm's proclivity toward networking, customer responsiveness, proactiveness, and risk-taking, as well as the availability of financial resources to support innovative activity (e.g. Eggers, Kraus, & Covin, 2014; Shepherd & Wiklund, 2005). The premise of the current research is that it is not simply the presence of these individual behavioral proclivities and resources that may differentially drive innovation in FFs and NFFs. How these proclivities and resources are configured may also differentially drive innovation in these distinct firm types. For example, while amenability to risk-taking may be inherent to producing innovative outputs, the commonly observed desire for wealth preservation among FFs (e.g. Le Breton-Miller & Miller, 2006;

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Lumpkin & Brigham, 2011) may make it less likely that such firms will take risks in pursuit of innovative outputs if they do not also have significant reserves of financial resources. Thus, while risk-taking and financial resources may individually and generally predict whether firms are likely to produce various innovative outputs, the combination of a proclivity toward risk-taking and the availability of a significant financial resource base may be more commonly observed among innovative FFs than among innovative NFFs.

The current research aims to identify combinations of the aforementioned behavioral proclivities and financial resources that drive radical innovation in FFs and NFFs. Consistent with the concept of equifinality, it is assumed that there is more than one way to combine these factors to successfully promote radical innovation. The revelation of such combinations is the purpose of this research. To identify these workable combinations – that is those *configurations* (Harms, Kraus, & Schwarz, 2009) associated with higher levels of radical innovativeness – this research employs fuzzy-set qualitative comparative analysis (fsQCA) and an extensive dataset collected from 1671 firms in four countries. Results indicate that radical innovation levels are generally associated with different specific combinations of marketing- and innovation-related proclivities and resources among family and NFFs, although one combination was common to both types of firms.

2. Theoretical foundations

2.1. Innovation research in family and non-family firms

Rößl, Fink, and Kraus (2010) identify a family firm as a company where the majority of the capital is held by several members of a family, which intends to hold this for more than one generation, and which controls the management of the company irrespective of a family member or an external being the CEO of the company. Family firm research typically assumes that FFs behave differently from NFFs (Xi, Kraus, Filser, & Kellermanns, 2015), with FFs often being described as conservative, less risk-taking and entrepreneurial, more long-term oriented, less focused on growth, slow in decision-making, and unable to react or change in accordance with markets (Habbershon, Williams, & MacMillan, 2003; Lubatkin, Ling, & Schulze, 2007).

Innovation is considered a crucial factor for the economic success and survival of NFFs and FFs alike (Leenen, 2005). Innovation includes the creation of novel or advanced products, processes, or services and typically ranges from *incremental* to *radical*, the latter being defined as groundbreaking, totally new to the market, and incorporating a high degree of new knowledge and/or technology that is a clear, risky departure from existing practice. Radical innovation can spur firm growth, create competitive advantage, and facilitate organizational renewal (McDermott & O'Connor, 2002).

A recent literature review article identifies 23 studies on the topic of innovation in FFs, out of which 17 are studies comparing FFs and NFFs (De Massis et al., 2013). The authors conclude that "family involvement has direct [but mixed] effects on innovation inputs (e.g., R&D expenditures), activities (e.g., leadership in new product development projects), and outputs (e.g., number of new products)" (p. 10). A recent study by De Massis et al. (2015) finds on the basis of ten case studies that FFs focus on incremental product innovations, whereas "non-family firms are more often engaged in breakthrough and radically new product development projects, which aim to offer completely new functionalities to customers and are targeted to unknown market segments" (p. 12).

As detailed below, prior research has identified several conditions that can drive radical innovativeness. The current research starts with the proposition that these identified conditions will play a role in promoting radical innovativeness in both FFs and NFFs.

Proposition 1. *Networking, customer responsiveness, proactiveness, risk-taking, and financial resources are all relevant to achieving radical innovativeness.*

2.2. Determinants of radical innovations and their possible linkages with family firm status

2.2.1. Networking

Through external networking activities with industry partners, individuals become aware of new technologies which may be relevant to their own organizations. Individuals thus acquire knowledge and information through boundary-spanning activities. Moreover, innovative corporations tend to be heavily involved in strategic partnering (Hagedoorn & Duysters, 2002). Additional studies explore the positive link between networking and innovativeness (e.g., Sullivan & Marvel, 2011). In a study of factors leading to radical innovativeness in SMEs, Eggers et al. (2014) find that the highest innovation level is achieved by firms that concurrently operate in highly technologically turbulent environments, engage in networking with industry partners, and that are responsive to customer needs.

The role of networking in FFs is being increasingly investigated. For example, using data from 106 organizations in Ghana, Acquaah (2012) finds that NFFs are better able than FFs to use their firm-specific managerial experience to manage the resources and capabilities obtained from networking relationships with stakeholders from the local community, whereas FFs benefit more from networking relationships with bureaucratic officials. Using survey data from 199 U.S. large FFs, Spriggs, Yu, Deeds, and Sorenson (2013) find that the link between innovative capacity and performance is moderated by the type of collaborative network orientation observed and the dispersal level of FF ownership.

2.2.2. Customer responsiveness

Von Hippel (1978) was one of the first to highlight the pivotal role of customers in innovation processes. Freel (2003), likewise, notes positive associations between innovation efforts and collaborative linkages with customers. Customers should play an active role in the innovation process, in part, because they are often capable of identifying novel ideas for product development. Gemünden, Heydebreck, and Herden (1992) show that 75% of all analyzed companies engage customers in the innovation process, and nearly 50% identify customer engagement as a precondition for innovation success. Studies suggest that user engagement is particularly effective at promoting incremental innovation (e.g., Pittaway, Robertson, Munir, Denyer, & Neely, 2004). Christensen and Bower (1996) argue that customers are most valuable in helping firms to further developing existing products, however customers are often not the source of groundbreaking new ideas. Thus, the influence of customer responsiveness on innovativeness may vary according to the type of innovativeness under consideration, with such responsiveness having a stronger effect on incremental innovation and a weaker – or potentially negative – effect on radical innovation.

Regarding the possible relationship of FF status to customer responsiveness, Beck, Janssens, Debruyne, and Lommelen (2011) find on the basis of 111 Belgian FFs that customer responsiveness has a positive impact on innovation performance. In a study of eight U.S. firms, Tokarczyk, Hansen, Green, and Down (2007) find support for the idea that *familiness* is a resource which promotes a customer-oriented culture which, in turn, leads to firm performance. Zachary, McKenny, Short, and Payne (2011) conclude from a content analysis of 1120 shareholder letters from 224 large U.S. firms that customer responsiveness has a positive performance impact in non-family as well as in FFs.

2.2.3. Proactiveness

Whereas responsiveness focuses on immediate customer needs, the concept of proactiveness is concerned with acting in anticipation of future problems, needs, and changes. Proactiveness refers to efforts to take initiative, anticipating and enacting new opportunities, and creating or participating in emerging markets (Entrialgo, Fernandez, & Vazquez, 2000). A firm can create a competitive advantage by anticipating future demand changes (Lumpkin & Dess, 1996) or by shaping the