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THE ANTECEDENTS OF THE FAMILY BUSINESSES AND FAMILY-OWNED SMES

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Abstract: This paper explores all the previous studies that are linked to the succession of family owned business. It includes all the variables under consideration and their relationship with each other. First of all, conceptual definitions are mentioned that lists some of the relevant definitions given by different authors over a period of time. After the table of conceptual definitions, the definition that is most suitable for this study is mentioned along with their author and year. Then, the review of primary literature theory and evidence are mentioned. This session covers the topic such as family businesses and family-owned SMEs as it includes original researches regarding the study under consideration. The subsequent session covers the topics such as innovation in a family business, succession in a family business, and leadership.

Keywords: Succession, Family business and leadership

Introduction:

The topic reviews the original study being conducted on the family business. The later session is about secondary literature theory and evidence that reviews family business and SMEs along with other variables under consideration such as innovation, succession, and leadership. The next session is about research problem theory, followed by a theoretical framework. The end of this paper talks about the research gap and conclusion. The conclusion gives an overview of all the sessions of this along with concluding remarks.

Conceptual Definitions

Terms	Definitions	Authors
Succession	It is defined as a progressive, predictable, directional change that enables to identify the next person to be replaced by older ones in the succession process.	MacArthur and Connell (1966)
	Formal and a deliberate plan that involves that transition of control from one family member to another.	Sharma, Chrisman, Pablo, and Chua (2001)
	In terms of family context, succession is the transfer of leadership to the next generation for the smooth continuation of the family business.	Davis (1968)
	It is a mutual role adjustment process that evolves slowly between predecessor and successor from next-generation.	(Wendy C Handler, 1989)
	It is the managerial transmission of control and ownership from one leader or leaders to the next leader or leaders, incorporating all preceding and following dynamics of transition.	Shepherd and Zacharakis (2000)
Innovation	Innovation define as the intentional introduction and implementation of ideas, processes, products, or services within the organization, group, and roles to the related units of adoption for the advantage of individuals, groups, overall organization, and society.	West and Farr (1990)

	Innovation is when new ideas, processes, products, or services are generated, accepted, and implemented.	Thompson’s (1965)
	Innovation is referred to the effective implementation of new products or services and processes that are beneficial for the firm and its stakeholders.	(West & Anderson, 1996) and later quoted by (P. K. Wong, Lee, & Der Foo, 2008)
	Innovation is thought of as a means to a change in the organization which can be a response to, either from an external environment or a proactive approach to influence the environment. Therefore, innovation is of different types such as product, service, new process, advanced technology, administrative systems, a new plan or program that be implemented on family firm members.	Damanpour (1996)
	It is defined as the creation of knowledge, reconfiguration of already available information, renewal of old procedures.	(Drucker, 2002)
	Defines five types of innovations namely new product, novel production, new suppliers, new organizational forms	(Ranis & Fei, 1961)
	Firms capacity and tendency to bring innovation in their products, processes, ideas conveniently and successfully	(Hult, Hurley, & Knight, 2004)
	It defines innovation as an invention that can sell a product or service profitably	(Crawford, 2008)
	It is defined as the search and promotion of new ideas and supporting those ideas to be implementing them	M. Singh and Sarkar (2012)
	It is defined as a creation of novel knowledge and ideas that helps in driving new business outcomes, that aim at developing market-driven processes and structures that enhances internal business processes and structure.	Du Plessis (2007)
Family Firm	A family firm or business is the one in which different family members of the same family are in the management and ownership of a business.	(Miller, Le Breton-Miller, Lester, & Cannella Jr, 2007)
	It defines a family business in which one family has the ownership and policy-making of the firm.	(Carsrud, 1994)
	A family firm is the one that owns enough equity to exert control over strategy and is positioned in upper management of the firm	(Sharma, 2004).
	a business that is possessed and controlled by a designated family	(Intihar & Pollack, 2012)
	A business such that the power of its ownership and control belongs to the representative of a family member is defined as a family business	(Diaz-Moriana, Hogan, Clinton, & Brophy, 2019)
Inter-generational transition	The inter-generational transition is defined as the transmission of knowledge from one generation to another.	(Boyd & Royer, 2012; Giovannoni, Maraghini, & Riccaboni, 2011)
Inter-generational transition	It is a process that involves the transfer of ownership and leadership control to the successor of the next generation.	Letonja and Duh (2016)
Small and Medium enterprises SMEs	In the process of intergenerational succession, relatively very few family firms transfer a majority of shares to the next generation.	Sharma, Chrisman, and Chua (2003)

SMEs are flexible, risk-taking, and reactive firms that quickly adjust themselves as per the variations in the environment	(Terziovski, 2010)

Research Definitions

Although there have been various aspects of understanding a term and therefore, each term should be conceptualized to best understand a situation according to the specific study. For instance, succession is conceptualized for this study as a specially designed process of transferring the management control and ownership from predecessor to successor for the continuation of business performance effectively. The definition presented by Shepherd and Zacharakis (2000) is the most suitable option as it includes the managerial control and dynamics of transition between predecessor and successor. As mentioned earlier, a successful succession plan is one that is well planned. The predecessor is ready to hand over all the business matters, such as strategic decision making to the successor, and the successor, on the other hand, is prepared to take all the responsibilities.

Furthermore, the definition of innovation presented by Wong et al. (2008) defines innovation as a new idea that proves to be beneficial for the company and its stakeholder. This benefit is explained in terms of achieving a competitive advantage by implementing novel and efficient methods of conducting business activities. Likewise, a family firm defined by D. Miller et al. (2007) is the most suitable description of a family firm for this study. As per the definition, ownership, and control of a firm belongs to one family. Moreover, Boyd & Royer, 2012 and Giovannoni et al., 2011 defines intergenerational transition as the transfer of knowledge from one generation to another. This definition complies with the model used for this study, which explains that knowledge is of two types. The first type of knowledge in the family business is explicit, and the other one is tacit knowledge. Inter-generational transition is considered to be the most difficult process in the succession process as tacit knowledge is difficult to transfer.

Critical review of primary literature theory and evidence

Family Business

A family is an economic unit that drives many other economic units (W. S. Schulze & Gedajlovic, 2010). Drastically, family firms are of great importance from an economical point of view for any country (Kraus, Harms, & Fink, 2011). Recently, there have been several businesses that are family-owned at an international level (Gomez-Mejia, Makri, & Kintana, 2010). However, the internationalization of the family firms has not been explored in much detail (Kontinen & Ojala, 2010).

Due to the heterogeneity, many efforts were made to find consensus on generalizing the term 'family business' (Harms, 2014); (Jaskiewicz & Dyer, 2017); (De Massis & Kotlar, 2014) and (Hernández-Linares, Sarkar, & López-Fernández, 2017). The research by Intihar and Pollack (2012) found that family involvement in a business by a considerable contribution of a family in control, succession, employment, and ownership. In these businesses, traditions of the past generations and legacy are very important, and the newer generations have made a habit of following the way their family has done business (Tàpies & Moya, 2012). Hence, the values and traditions of the family need to be continued for a successful family business.

The function of family businesses in supporting entrepreneurial behaviour in a firm is recognized by Lumpkin, Brigham, and Moss (2010). The functionality of family businesses and the development of entrepreneurship is stated by (Chrisman, Sharma, Steier, & Chua, 2013). Entrepreneurial vision is the foundation of every family business, and across its life span, explicit entrepreneurial behaviour will cultivate opportunities for growth in each new generation. Modern business management models point to the fact that there are a growing number of businesses trying to separate management and ownership (Pounder, 2015). Family-owned businesses continue to be the better performers in terms of financial point of view, although there is a lack of governance and monitoring mechanism for them (L. Wong, 2011). Therefore, family businesses need to follow models to keep the entrepreneurial behaviour intact, along with combined management and ownership.

Family businesses are the most dominant type of business in the world (Goel, Mazzola, Phan, Pieper, & Zachary, 2012); (Daspit, Holt, Chrisman, & Long, 2016); (Nordqvist, Wennberg, & Hellerstedt, 2013). The complexity of these businesses demanded their issues to be investigated and resolved (Siebels & zu Knyphausen-Aufseß, 2012). Therefore, Family Business Review helps in highlighting and eventually solving s family business issues. It is among the top journals in the business category (Sharma, Chrisman, & Gersick, 2012). After the establishment of this journal, there has been a significant contribution by many scholars (Litz, Pearson, & Litchfield, 2012), (Craig & Salvato, 2012). A study revealed that there are many employment opportunities in this field as it has a lot of aspects to work on (Craig & Salvato, 2012). Another study explored 257 family businesses and classified dependent variables in previous studies (Yu, Lumpkin, Sorenson, & Brigham, 2012). Stewart and Hitt (2012) found the significance of professionalism in family business. James, Jennings, and Breitkreuz (2012) differentiated between family sciences and family business. It also suggested the ways through which the gap is filled by studying 25 previous studies on the subject. Craig and Salvato (2012), worked on structure, direction, and uniqueness in family business research.

The issues faced by family businesses before the formation of Family Business Review were underexplored (Kontinen & Ojala, 2010). Family Business Review (abbreviated as FBR) were established to help business advisors and managers better understand and solve business issues (Sharma et al., 2012). It was noticed by James et al. (2012) that almost all previous scholars of family business field were affiliated to the same consulting university that provides book-based researches with latest knowledge on family businesses. Therefore, it lacked to consider different perspectives on family business issues and to come up with new solutions. Similarly, Ramadani and Hoy (2015) reviewed three books regarding family business issues and found that a poor transition of successors lead to many legal issues that result in complete loss of the business.

Apart from studying family businesses, intergenerational transition, portfolio entrepreneurship, transgenerational business researches should also be considered. As a part of running a single business, many family businesses run multiple businesses (Salvato, Chirico, & Sharma, 2010); (Sieger, Zellweger, Nason, & Clinton, 2011); (Thomas Markus Zellweger, Nason, & Nordqvist, 2012). Hence, the research should not only be done at an individual or organisational level but also on multiple levels that include the interplay of various units that are controlled by a family (James et al., 2012); (Litz et al., 2012); (Stewart & Hitt, 2012).

Nelson and Constantinidis (2017) insisted on viewing family business from a gender lens and mentioned that families are made of relationships between male and female. The relationship children have with their parents or siblings or even cousins, have implications on the succession planning of the family business. Many scholars emphasized understanding the dynamics of family ties. For instance, (Pigliucci, Thompson, & Halverson, 2015) found that for wealth management of family business from old to younger generation and its planning is effective for continuity of business (Morgan & Wyman, 2014). Similarly, Fernández-Aráoz, Iqbal, and Ritter (2015), found that apart from West, Asian Pacific regions have more than 50 per cent of the family businesses. Bain (2015), suggested that 68 per cent of the turnover of family businesses. Koh, Ling, Kong, and Ejercito (2015) stated that in China and other South Asian regions, 75 per cent of family business will be passed on to the next generation. As per PwC Family Business Survey (2013), in India, 50 per cent of the family business revealed the intentions to pass on their family business to the next generation.

Dana and Smyrnios (2013) mentioned that 70 per cent of the businesses in Australia are family owned and controlled. While Family Business Australia 2013 reported 50 percent of the workforce are employed by businesses owned by families. Parsons (2013) studied that Vietnam refugees and found that Vietnamese Australians are the majority of business owners of SMEs in Australia. According to Cling et al. (2010), family businesses are more about longevity and sustainability of the business rather than a succession of business from the predecessor to successor(Alfaiza, Abed, Sultan, & Riyadh, 2021).

Family-owned SMEs

Most SMEs are possessed and controlled by family representatives, so they are family businesses (Jayaram, Dixit, & Motwani, 2014). The firm's owner has to handle the management and decision making of the firm to the successor. The impact that family dynamics and preparation of a successor had on the growth of a business is positively correlated with the business growth (Mokhber et al., 2017). Therefore, it is important to consider succession planning for the growth of the family business(Sultan & Noor, 2017).

The degree of the competency level of SMEs and succession issues were investigated by a research study (Ghee, Ibrahim, & Abdul-Halim, 2015). The research found out that the family business's performance was heavily dependent on family relations, style of management, morals, beliefs, and the preparation of the successor. Succession issues and, more importantly, succession experience play a significant role in the performance of a business. As per a study, there is a positive impact on members of a family being involved in the insights of family business or are aware of business ideas learned from their nuclear or extended family (Bizri, 2016).

The greater the number of family members in the family business, the greater will be the conflicts in business. The higher the number of family members, the more difficult it will be to decide the next successor. The research also suggests that succession is of tremendous significance, and successors should be chosen after careful and extensive consideration to avoid future conflicts (Schlepphorst & Moog, 2014). Therefore, the selection process of the successor should be started at an early stage(Sultan, Noor, & Nasirun, 2018).

Family-owned SMEs are concern about the network formation with other businesses as compared to non-family firms (Kontinen & Ojala, 2012). This is because of strong family ties and trust between the members of the family that runs the business which is considered as family capital (Gomez-Mejia et al., 2010). Like equity capital, family capital has an impact on the overall strategy, business activities, and investment opportunities of the family firm (Moog, Mirabella, & Schlepphorst, 2011). However, to expand the business outside the boundaries of family, family firms need to focus on external networks. So it can get the information required to establish business out of the comfort zone (Neubauer & Lank, 2016).

The research explores SMEs managed and controlled by family (Basco, 2014) and (Howorth, Rose, Hamilton, & Westhead, 2010). . Goel, Jussila, and Ikäheimonen (2014) stated that the governance of family businesses are unique because of parallel management of ownership, control, and management of the business. The research on SMEs controlled by family firms, mentions that families have an influence over the resources, strategies, decisions, and choices in long term (Howorth et al., 2010). The resource-based view is the theory that is mostly used to explain the characteristics of a family that is inclined towards innovation (Matzler, Veider, Hautz, & Stadler, 2015) and (Hernández-Linares & López-Fernández, 2018). The entrepreneurial behavior differentiates family and non-family-owned SMEs (Chell & Karataş-Özkan, 2014) and (Melin, Nordqvist, & Sharma, 2013). Kraiczy, Hack, and Kellermanns (2015) found that family SMEs are less innovative, risk-averse, and more conservative than non-family firms as they are long-term oriented. The greater the family participation in a business, lesser will be the investment in innovative (J. H. Block, 2012). While other studies reveal that due to their long term orientation, family SMEs are committed to innovation (Llach & Nordqvist, 2010). One of the findings regarding the risk-averse behaviour of family SMEs affects the innovative decision-making of the firm.

The capital of the family business is owned by the family and remains within the family from generation to generation (Llach & Nordqvist, 2010). Even if the family members do not hold major positions in the business, it still has the heirs of their business and can exert their influence over business matters (Basco, 2014). Similarly, lack of diversity in portfolio and capital, the risk-taking behavior is minimal in family businesses (Schmid, Achleitner, Ampenberger, & Kaserer, 2014). The family members continue to decide on conventional procedures for generations, leaving no possibility for innovative performances (Jell, Block, Henkel, Spiegel, & Zischka, 2015). On the other side, non-family members have no ownership or personal affiliation with the firm (Casillas, Moreno, & Barbero, 2011). Therefore, it is more likely to take the risk and come up with innovative decisions to flourish the business in exchange for compensation or reward while family members are concerned about the legacy, identity, and socio-economic wealth of the business (Jell et al., 2015; Sultan et al., 2018).

SMEs are the economic engine in developing countries. for example, it is capital saving, create job opportunities, and are labor-intensive (Liedholm & Mead, 2013); (Melese, 2017). As per Adebiyi and Banjo (2017), SMEs in any country serve as entrepreneurial ventures that drive innovation, followed by employment opportunities. These firms use local raw materials and resources. They provide intermediate products that are required by large firms to make the final products. These firms highly focus and specialized (Zafar & Mustafa, 2017). Therefore, it enhances the economy of any country through the specialized work of SMEs.

SMEs often have to restrict themselves because of limited capacity in terms of capital, resources, finances, and so on (Choudrie & Culkin, 2013); (Healy, Ledwith, & O'Dwyer, 2014). In such situations, inside stakeholders (Schweisfurth & Herstatt, 2016), members (J.-S. Chen, Weng, & Huang, 2018), and even external stakeholders (Brunswicker & Vanhaverbeke, 2015) can be utilized to restore the activities and to fulfill the deficiencies. Werner, Schröder, and Chlosta (2018) mentioned that SMEs are dependent on the family-business owner’s beliefs, values, and thinking patterns.

Pantano, Priporas, Viassone, and Migliano (2019) explored that Italian family SMEs and tried to find the link between external networks and the innovativeness of the firm. They revealed that to bring innovativeness in the firm, resources are required to gained to external stakeholders.

Succession in Family Business

Succession is considered to be the problem that is given the highest priority in family businesses (Mokhber et al., 2017). Moreover, other studies argued that it is a firm's most significant issue (Munagapati, 2018). The transfer of a firm's ownership from the older to the younger generation and the corresponding effects it has on the firm is a central issue. The need for a successor is often made unavoidable for a family due to near retirement and to carry on family business (Duesberg, Bogue, & Renwick, 2017).

Contemporary studies explored the different avenues through which succession occurs and exploring socio-economic wealth (DeTienne & Chirico, 2013). An example to demonstrate the complexity of succession can be seen in how sometimes transferring the firm is ideal; not doing it is not a failure. This is shown when handing over the business itself is less important than conveying the essential values that define the business (Salvato et al., 2010). For example, an entrepreneurial state of mind or less critical than producing opportunities for future generations by building up family assets through the firm.

Succession can also be seen in terms of entrepreneurship, as a way of a past entrepreneurial sense leaving and a new one entering, particularly trying to determine how the entrepreneurial spirit of the new generation along with the environment in which they grew up translate into changing the workings of the business (Nordqvist et al., 2013).

As per Steier and Miller (2010), succession in family business is the process of transition of management control and leadership from predecessor to successor who can be family or non-family member. Walsh (2011) explored succession as an act of transformation of management and business title to a subsequent generation. The key positions and ownership remain within the family. Such transformation or transition to family members or non-family members is not an easy task (Ward, 2016a). Therefore, a succession plan and its aspects are the only way to ensure the continuity of the business for generations (Federation of European accountants, 2016). On contrary, weak succession planning puts the whole business at some serious risk of either discontinuity or handing over the business to an outsider. Duh (2012) declared succession failure as a severe backlash for any family business. A study conducted by Poza and Daughtery (2014) considered an effective succession plan as a key to continue the business. It was further discovered that a well-documented, organized, unbiased succession plan can help in sustaining the family business over a longer period. Similarly, Stadler (2011) regarded effective succession as continuity of the business.

In the support of Surdej (2010), Woodman (2017) reinforced keeping the family wealth parallel to the effective transfer of a business as both of these tasks are equally important. Another study by Meneses, Coutinho, and Pinho (2014), states that succession in a family business is the one in which managerial position is transferred from one family member to another. The ownership and leadership from the incumbent to successor is the succession process (Steier & Miller, 2010). A succession plan is a business plan that involves the transfer of ownership. It takes place when the business owner wants to exit from the responsibilities but also wants the business to continue on previous procedures (Quigley & Hambrick, 2012). It also depicts the desire to transfer ownership rather than closing the operations.

The researchers such as Efferin and Hartono (2015) mentioned the transfer of business assets as a part of a succession plan along with management control and leadership. It was also revealed that an effective management control exerted by the family members on business, defines the success of an effective succession plan. Williams Jr and Mullane (2019) stated that a succession plan also includes the preservation of tacit business knowledge that is gained through being a part of family. It also aids in attaining competitive advantage for generations.

There are many stages which, when combined form part of the succession process, includes not just the selection of successor but also, their incorporation into the company and taking over some of the management responsibilities until finally when the predecessor steps down (Schell, de Groote, Moog, & Hack, 2020). There are multiple stages in the business life cycle of any firm but succession is the most significant stage in life cycle of a family business as it has an impact on future business's culture, continuity, strategy, and environment (Abuznaid, 2014); (Cater III & Kidwell, 2014). Arasa and Obonyo (2012) Mentioned a well-planned succession and its execution are the main tasks in a business. As mentioned by Tirdasari and Dhewanto (2012), succession plan is the main factor of succession and if the succession plan is in accordance with the family culture, beliefs, and values, there is a greater possibility of succession to be successful.

When the business owner is near retirement age, succession is the most concerning issue. In such a situation, a succession of ownership is the top priority of any family business (Long & Chrisman, 2014). The succession plan has multiple pre and post stages (Zhang & Rajagopalan, 2010). Not all family business has the same process, various researches mention different stages or phases of the succession process. Moreover, it is dependent on the dynamics of responsibilities and roles required by the business to run smoothly (Brenes, Madrigal, & Requena, 2011). For instance, as per Porfírio, Felício, and Carrilho (2020), the succession process is classified into three categories, the first is the pre-stage when the successor learns about the business, then comes the entry stage where the transition of ownership, management, and leadership is involved and the final stage when successor holds the key managerial positions. Another study by Ramadani, Bexheti, Rexhepi, Ratten, and Ibraimi (2017) states three phases of a succession plan, the knowledge gained while working in the business, participation in business activities, and leadership succession. Likewise, Chrisman, Kellermanns, Chan, and Liano (2010), mentioned the succession process as a four stages process between father and son. The first stage is the one in which the father operates the business on his own, the second stage involves the son that learns the business operations from father and through working in the firms, the third stage is the one in which father and son work together to operate the business and then comes the final stage in which father steps back and the son moves forward to take all the responsibilities of the business.

Gagnè, Wrosch, and Brun de Pontet (2011) addressed the need for the owner's succession plan and studies the variables that play a role in the owner's retirement age and selection of a successor. The study revealed that factors outside the firm have an impact on succession plan but whether it ensures the long term success of the business is yet to be discovered. Another study by Hill (2019) considered the significance of the succession plan and economic output after succession. He emphasized understanding the effectiveness of the succession plan. In this context, it is significant to address the contradictory views of family members to avoid succession failure (LeCounte, Prieto, & Phipps, 2017). Smith, Hair Jr, and Ferguson (2014) investigated various family-owned firms and confirmed that dedication to the values of the family leads to an effective succession plan. Also, (Filser, Kraus, & Märk, 2013) explored effective succession and concluded that healthy relationships, trust, communication foster the success of a succession plan. While studying the issues that family firms face, Dias and Davila Jr (2018) summed up the selection of a successor as the most serious issue.

Many scholars researched the factors that have an impact on the succession process. For instance, Ghee et al. (2015), states teamwork, leadership style, nature of the relationship, and successor criteria are the main variables that have an impact on the succession plan. Likewise, Khosa (2020), a well-prepared plan, intrinsic motivation, social relationships that turn out to be economic benefits are three internal factors that affect the succession plan. Moreover, Julius Giarmarco (2017) categorized the factors that define the level of succession plan as formal qualification, relative experience, and training. Froelich, McKee, and Rathge (2011) found a direct proportion between level of preparation and success of succession plan. The greater is the preparation of succession, the greater is the probability of a succession plan being an effective one. Furthermore, Aljeemaz (2017) contended that three steps are necessary for succession plan. These steps involve analysis of business activities, evaluation of working family members, and identification of the right family members for the right position.

Schell et al. (2020) state some of the qualities that a successor should possess for the family business are relevant skills, managerial capabilities, and tacit knowledge of the business. In contradiction, a successor who does not have such qualities or skills may lead to the failure of the whole business or may compel other potential members to fight to win the position of being a successor (Pounder, 2015). It is of greater significance than the potential successor is prepared to face all the hardships and challenges in the path of holding the position (Ward, 2016a). Or, there can be a condition where predecessor may be over-attached to his position and attempts to keep potential successor away from gaining the required skills to hold the positions.

Another factor that affects the succession is the interest of the successor in the business and business-related matters (Bizri, 2016). It is argued that greater the commitment and sincerity towards the family business, the greater will be interested in the business. If a successor is not interested to work for the family business, the motivation to take over the business from the predecessor will be low (Mejbri & Affes, 2012). Brown (2020) investigated the time, potential candidate, and procedure of succession plan along with the expectation, results, and change that successor will bring during his or her regime. The study discovered that the success of a plan is only possible if it deals together with all mentioned variables. Therefore, the interest and capabilities of a successor to obtain the necessary skills, knowledge, and training are among the essentials for successful succession (Brenkman, 2020). It is a complicated plan that demands to deal with multiple factors at a time at a personal and professional level. For this purpose, monitoring the progress of the successor at each point during this journey can ensure survival on the right path (Ogundele, Idris, & Ahmed-Ogundipe, 2012).

Among other factors that affect succession are jealousy and negative competition among subsequent generations, the reluctance of the owner to pass on the ownership title (Heidrich, Csákné Filep, & Mosolygó-Kiss, 2018). Marler, Botero, and De Massis (2017) suggested that potential successors should make efforts to build healthy relationships with business stakeholders and the business itself to better understand the culture of the business. The firms should invest in the potential successor for building self-confidence as it is found to have a direct impact on the succession process (Wiryakusuma, 2020).

Critical review of the secondary literature theory and evidence

Innovation in Family Businesses

Innovation is essential for family firms due to the dual nature with which it benefits them. Such a dual nature advances the accumulation of competitive benefits and aids the organization's performance and development for the foreseeable future. This feature of having a similar goal with multiple future generations supporting it is unique to family firms (Yuan, 2019). There is a higher willingness, from family firms with a broader investment portfolio, to look for more innovative approaches and to coordinate with external innovation, according to Calabrò et al. (2019). In family firms, family members share the risk and must be mutual in trust and understanding for innovative inputs (De Massis, Frattini, & Lichtenthaler, 2013).

Similarly, T. Zellweger, Sieger, and Halter (2011) stated that family members might not consider different career paths if they potentially threaten family assets even if the investment promises significant future development and opportunities. Due to the uncertainty involved and the depreciation of short term wealth, family managers often don't choose this route. Examples of these include investing in research and development, taking risks, or exploring any avenue that does not ensure the long term survival and health of family members and the firm. Thus, family managers are more prone to pursue immediate safe opportunities than those who promise growth but invite risks (De Massis, Kotlar, Chua, & Chrisman, 2014).

By studying the link between the risk-taking nature of a successor and innovation, it was found to have direct relationship. The higher the risk-taking nature of an entrepreneur, the more the firm will be engaged in the entrepreneurial activities results in more innovation (Letonja, Jeraj, & Marič, 2016). A positive relationship was also found by Zybura, Zybura, Ahrens, and Woywode (2020) between the risk-taking nature of a manager and the performance of tasks in an innovative manner. It can be generalized that innovation depends upon the risk-taking nature of the entrepreneur. The time, form, and magnitude of innovation are subjective open a leader's orientation towards time. Leaders that are time-sensitive pursue significant innovation a short period of time after taking a position in contrast to future-oriented leaders, who pursue it over an extended amount of time (Yuan, 2019).

Feranita, Kotlar, and De Massis (2017) found that although family firms used to invest less in research and development they exhibited more innovativeness in their businesses. It is found when a firm has collaborated innovative behavior they tend to come up with more innovative ideas (Newman, Herman, Schwarz, & Nielsen, 2018). There have been many studies that combine the concepts from family firms and the management field. For instance, (Lambrechts, Voordeckers, Roijakkers, & Vanhaverbeke, 2017) revealed that SMEs have been engaged more in open innovation and at the same time preventing any loss that may occur from implementing new ideas. Another study by Casprini, De Massis, Di Minin, Frattini, and Piccaluga (2017), provided the procedure for family firms to acquire and transfer knowledge through open innovation. (Brunswicker & Vanhaverbeke, 2015); (Dahlander & Gann, 2010). S. K. Singh, Gupta, Busso, and Kamboj (2019) suggested that a firm could remain competitive if it innovate at continuously with the external environment. Popa, Soto-Acosta, and Martinez-Conesa (2017) revealed that family firms that are opened to novelty, can benefit from external exploitation and internal innovation. Klewitz and Hansen (2014) found out that interaction with outside firm's boundary increases the capacity of small firms to innovate. Many studies on open innovation in family firms showed that open innovation practices improved the small and medium firms business' performance (Brunswicker & Vanhaverbeke, 2015); (Ahn, Minshall, & Mortara, 2017); (Martinez-Conesa, Soto-Acosta, & Carayannis, 2017) and (Popa et al., 2017). Likewise, Fakhreddine, Amaraa, and Landrya (2012) and Withers, Drnevich, and Marino (2011) argued that a well-established family firms have more capacity to innovate as they have deeper understanding of its environment, network and earned a name in the society.

Firms that hire non-family members at the top management positions are found to be more innovative (Liu & Xue, 2020). Woodfield and Husted (2017) found that successors play a significant role in bringing the innovation in the family firms. Expósito, Fernández-Serrano, and Liñán (2019) examined the effect of innovation practices on innovative outcomes of small and medium enterprises. It was discovered that innovation has a positive impact on product, procedure, and marketing in SMEs where firm age had a moderating variable. Rumanti, Samadhi, and Wiratmadja (2016) discovered that introduction of product or process innovation in a family firm had positive impact on competitive advantage. The literature on innovation in family firms showed that collaboration has a positive effect on innovation in SMEs (Pustovrh, Jaklič, Martin, & Rašković, 2017). Interestingly, SMEs more frequently interact with the external participants than large corporations (Bos-Brouwers, 2010). In this aspect, SMEs are an advantageous position because it's small size, more decentralized, and less bureaucratic than large sized firms (Popa et al., 2017).

Several studies revealed entrepreneurship of predecessor in family firm, defines that innovation in the family firms. For example, De Massis, Di Minin, and Frattini (2015) found that external links and the business network of predecessor results in product innovation. (Justin B Craig, Dibrell, & Garrett, 2014) decentralized decision making leads to innovation. Chrisman and Patel (2012) pointed out research and development, marketing, and promotion are directly proportional to product innovation. Classen, Carree, Van Gils, and Peters (2014) stated eco-friendly procedures and diversification leads to innovation. On contrary, (Classen et al., 2014) found an inverse relationship between diversification and innovation.

Varis and Littunen (2010) explored the link between profitability and growth of small firms with the implementation of different types of innovation in that firm. The results of the study revealed that product innovation and market innovation had positive relationship with profitability (Eggert, Hogreve, Ulaga, & Muenkhoff, 2011). Especially, when externally available information sources had been incorporated in a family firm such as exhibition, the internet, media, and so on (De Zubielqui, Lindsay, & O'CONNOR, 2014). (Demircioglu, Audretsch, & Slaper, 2019) explored that links between sources of knowledge with the type of innovation. It is empirically testified that the information source from customers, workers, and educational institutes had a positive impact on all types of innovation but educational institutes had the most important while analysing innovative activity of the family firms. In terms of process innovation, an association was discovered with the information gained through various financial organization (Erdogan, Rondi, & De Massis, 2020). It was concluded that firm's growth and organization's different types of innovation had indirect impact, while none of types of innovation had positive impact on profitability of firm (Mai, Vu, Bui, & Tran, 2019).

Kosmidou and Ahuja (2019) identified six configurations that lead to the family firm innovation which are social and economic wealth, professionalism, business environment, environmental dynamics, and multiple generation involvement. Family firm's innovation studies showed that the economic goal of family owners are to sustain their control and independence on the firm (Kotlar & De Massis, 2013). Consequently, such an attempt of control on family business limits the choice of investing in innovative activities (J. Block, Miller, Jaskiewicz, & Spiegel, 2013). Another study showed that for firms to invest in innovative activities may require investing in specialized human capital that is outside the family business (Gomez–Mejia et al., 2014). By hiring non-family members in business, overall family control may jeopardize (Nieto, Santamaria, & Fernandez, 2015). Family firms that have economic benefits as a priority, are more concerned about securing managerial positions (Gomez–Mejia et al., 2014). These actions ultimately lead to the stagnation of strategic management of family firms (Firfiray, Cruz, Neacsu, & Gomez-Mejia, 2018). Family firms are more concerned about non-economic goals rather than economic goals ((Gomez–Mejia et al., 2014); (Ma, Mattingly, Kushev, & Ahuja, 2013). Such firms are more focused on maintaining the harmony and status of the family business (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011); (Kotlar & De Massis, 2013)), to secure a positive reputation (Deephouse & Jaskiewicz, 2013), and to project control over family (Jones, Makri, & Gomez–Mejia, 2008). Berrone, Cruz, and Gomez-Mejia (2012) suggested to research more about the social and economic goals that impact innovation and orientation towards entrepreneurship.

Family business that are more concerned about long term success of the firms, are more focused on family cohesion (Eddleston & Kellermanns, 2007). Such concentrations increase the possibility of adapting the innovation as a new business means (Firfiray et al., 2018). To maintain family firm reputation and image demands a strategy that keeps the firm to competitive in long run (Strike, Berrone, Sapp, & Congiu, 2015). Resultantly, it motivates the firm to take a risk and find new opportunities (Gomez-Mejia, Neacsu, & Martin, 2019). Such family businesses are ready to let go of short-run benefit as an opportunity cost to gain long-run benefits and returns (G. T. Lumpkin & Brigham, 2011). Long term survival of a family business, as well as the reputation of family firms, are two main goals (Chrisman, Chua, Pearson, & Barnett, 2012), they no longer perceive the allocation of resources in innovative activities as less important investments (Firfiray et al., 2018).

Researchers had been greatly fascinated by the paradox that family firms are more productive than non-family despite their minimal investment in innovation. For instance, a study conducted by Duran, Kammerlander, Van Essen, and Zellweger (2016) found that innovation that has been time-specific helps in achieving competitive advantage. The desire for family firms to achieve financial security is negatively associated with innovation (De Massis et al., 2015). The scarce resources to explore new opportunities negatively affect the family firm innovation (Chrisman, Chua, De Massis, Frattini, & Wright, 2015).

To date, many researchers have explored the factors that may affect the family firm's innovation (Beck, Janssens, Debruyne, & Lommelen, 2011); (Cruz & Nordqvist, 2012). Similarly, (De Massis et al., 2015) pointed that more a firm is flexible and unstructured, greater is the possibility of innovation process in family firms. The literature also reveals that support by family members is positively associated with the innovative activities (Bammens, Notelaers, & Van Gils, 2015). Many researchers explored innovation from life cycle perspective, as (Brumana, Minola, Garrett, & Digan, 2017) at initial stage of the business, innovation is found to be higher as compared to later stages.

Many studies identified that family firms are inclined to incremental innovation while non-family firms tend to exhibit radical changes towards innovation (Nieto et al., 2015). Likewise, family firms have less propensity to take a risk and are more reactive than proactive (Short, Payne, Brigham, Lumpkin, & Broberg, 2009). Gomez–Mejia et al. (2014) reported that family firms less invest in the R&D department even when they are operating as high technology industries. (De Massis et al., 2015) compared family firms with non-family firms and found that both firms have different strategies for product and process innovation.

Another study revealed that adaption to innovation and technological methods depends on the family CEO (Kammerlander, Dessi, Bird, Floris, & Murru, 2015). Strike et al. (2015) found that family CEOs often let go the riskier opportunities to fulfill their social and economic goals. The characteristics and attitude of the founder of family firms also plays important role in innovation. Past studies revealed that age, duration, and the dual role of CEO and founders are some of the common characteristics (J. Block et al., 2013); (Boling, Pieper, & Covin, 2016). The founder who is also CEO is positively related to firm innovation (J. Block et al., 2013); ((Boling et al., 2016); (Le Breton-Miller, Miller, & Lester, 2011). However, many studies showed contradictory conclusions. For example, (Bauweraerts & Colot, 2017) mentioned that there is an inverse relation but (Eddleston, Kellermanns, & Zellweger, 2012) stated a positive association between age and innovation of CEO.

Many scholars have found the presence of positive relationship between firm's performance and innovation (Justin B Craig et al., 2014); (Stenholm, Pukkinen, & Heinonen, 2016). Family member's participation in family business is found to have a moderating effect on performance and innovation (Diéguez-Soto, Manzaneque, & Rojo-Ramírez, 2016); (Chang, Wu, & Wong, 2010). Among other factors that influence performance-innovation relation, for instance, Spriggs, Yu, Deeds, and Sorenson (2013) registered collaborative networks enhances the capacity of family firm to innovation.

Other studies on innovation explored the factors that lead the innovation in the family firms. For example (Broekaert, Andries, & Debackere, 2016) identified that flexible environment of the business leads to innovation. Another study conduct by (Carnes & Ireland, 2013) mentioned the resource bundling process that includes initiating, enhancing, and stabilizing resources as a mediator between familiness and innovation. Classen et al. (2014) quantitatively examined inputs and outputs of a prominent family role in German SMEs. Another research question had been answered by De Massis et al. (2015), by empirically tested the product innovation generates innovative outputs. Family leader's image and risk-taking behavior positively contribute to firm performance (Memili, Eddleston, Kellermanns, Zellweger, & Barnett, 2010). Bennedsen and Foss (2015) stated that there is an ambitious interaction between family firms and innovation. It is implied that family influence over business sometimes brings in advantages and responsibilities which in return makes the business less innovative (J. H. Block, 2012); (Munari, Oriani, & Sobrero, 2010) or may even enhance its innovation capacity (Classen, Van Gils, Bammens, & Carree, 2012); (Llach & Nordqvist, 2010).

Literature regarding innovation deals with small and medium-sized enterprises (Lee, Park, Yoon, & Park, 2010); (Thorpe, Holt, Macpherson, & Pittaway, 2005). They have explored the challenges and opportunities in terms of innovation relative to the size of the firm i.e. small, medium, and large. As small to medium-sized firms are characterized by instant decision making, greater risk-taking propensity, and flexibility in response to external opportunities. It is through innovation that these SMEs can stand out and mark their unique position in the market (Tan, Fischer, Mitchell, & Phan, 2009). They rely on internal resources and collaborations for innovation and competitive advantage (Popa et al., 2017).

Furthermore, a firm in which top management positions are all family members i.e. fully managed by family members can have a detrimental impact on innovation of that firm (Classen et al., 2012); (Cruz & Nordqvist, 2012); (Kellermanns, Eddleston, Sarathy, & Murphy, 2012). Because these positions are filled due to family ties, not based on qualification or some other professional criteria and thus non-family firm has an edge over family firms as they have more diverse perspectives of analysing the situation (Classen et al., 2012); (Liang, Li, Yang, Lin, & Zheng, 2013); (Li & Daspit, 2016). On the other side, hiring diverse workforce bring out new perspective and creativity (Sirmon & Hitt, 2003); (Matzler et al., 2015).

Moreover, innovation suffers in way that when arguments may return into conflicts between members of a family and decisions may get biased. Whereas, non-family firms may act as neutral arbitrators and may involve in a rational decision-making process (Cruz & Nordqvist, 2012); (Liang et al., 2013). As per the search by Laforet (2013), positive correlation was found between innovation and non-family decision making.

Additionally, innovation is impacted when there is a limited number of members of a family who can be a part of the business and are capable enough (Chua, Chrisman, & Bergiel, 2009); (Parker, 2016). Many family firms, hired non-family members in later generations to overcome such limitations (Cruz & Nordqvist, 2012); (Matzler et al., 2015); (Sirmon & Hitt, 2003), (Cirillo, Mussolino, Romano, & Viganò, 2017); (Vandekerkhof, Steijvers, Hendriks, & Voordeckers, 2015). With increasing size and complexities over coming generations, family firms may have insufficient internally generated resources (Fang, Randolph, Memili, & Chrisman, 2016).

Hillebrand (2019) investigated the relationship between generation and innovation of family firms. They found out that families exhibited more innovation as they pass on their management and ownership to the coming generations. J. H. Block (2012) argued firms have more inner conflicts with later generations than earlier generational owned firms. Similarly, early generations are less likely to invest in innovative activities. Cruz and Nordqvist (2012) suggested that new challenges and dynamics drove the later generations to adopt the innovation than earlier generations. The more the later generations are involved in the family business, the greater will be innovation (Erdogan et al., 2020). As the later generations are better at identifying the new opportunities that foster innovation (Cruz & Nordqvist, 2012).

As per the resource-based view on family firms, it is stated that later generations and workforce diversity promote innovation (Cruz & Nordqvist, 2012). Evidence reveals that the later generations are more likely to analyse beyond the boundaries set by predecessors and therefore, later generations would bring the innovation in family firms (Bergfeld & Weber, 2011). J. H. Block (2012) found firms that operate under multiple family members have a negative impact as it generates conflicting views than operating under a single owner.

Families that are open to change and technological use may foster innovation, whereas a family that exhibits control and believes in consensus shows moderate to zero levels of innovation (Sciascia, Clinton, Nason, James, & Rivera-Algarin, 2013). Therefore, family firms should provide the coming generation the liberty to explore and new experiences so that they can transmit knowledge and skill in novel ways (Litz & Kleysen, 2001). Moreover, the previous generation shapes the control between business and the family system for the succeeding generation. Therefore, researchers have recognized it as a generational perspective (Cruz & Nordqvist, 2012) and the degree of influence it exerts over the next generational influence (Kellermanns et al., 2012). As only a few firms sustain during the transition from one generation to the next one (Le Breton–Miller, Miller, & Steier, 2004), researchers have examined if innovation can contribute to the sustainability of family firms (Le Breton–Miller et al., 2004), there are many examples such as (Cirillo et al., 2017); (Cucculelli, Le Breton-Miller, & Miller, 2016).

However, there can be two aspects that can help in determining the family firm influence, one is the intention to cascade the control to next generation and the other one is the family control over management. These mentioned characteristics act as mediators in innovation and generation relationship (Arrondo-García, Fernández-Méndez, & Menéndez-Requejo, 2016); (Cirillo et al., 2017).

Leadership in Family Firms

Family firm's successor is the one that can ensure the longevity of firm through growth and innovation (Jaskiewicz, Combs, & Rau, 2015). As per Short, Sharma, Lumpkin, and Pearson (2016), for the firm to survive till generations, it is necessary to select next generation's leader and handover the management. In addition, the selection of successor should possess certain qualities that help in differentiating him from others like care, honesty, respect, integrity, and fairness (Trevino, Hartman, & Brown, 2000). Moreover, traditions, experience, value, and knowledge that has been transferred from one generation to the next foster responsibility and ethical management of the firm (Ali, Frynas, & Mahmood, 2017). An owner or a leader of a business or a team is the one that motivates the followers to achieve their task effectively and efficiently (Andriani, Kesumawati, & Kristiawan, 2018). There is found to be a positive relationship between leadership and organizational goals, commitment, and motivation (Ismail, Mohamed, Sulaiman, Mohamad, & Yusuf, 2011). Research reveals that leadership style plays an important role in the productivity and working environment of employees (Hammer, Kossek, Anger, Bodner, & Zimmerman, 2011).

While planning the succession or generational management transition, owners or managers often neglect the important aspect of generational transition is the cognition and emotional transition of successor (Boyatzis & Soler, 2012). One of the inherited parts of succession is the leadership transition (Tichy, 2014). It takes several years to prepare the next leader to take over but it is realized at the exit of predecessor from the business (Ward, 2016b). Therefore, anticipation and preparation of emotional and cognitive aspects of the successor are very important (Umans, Lybaert, Steijvers, & Voordeckers, 2020). Lefebvre and Lefebvre (2016) found out that being a leader of the next generation includes, preparations, anticipation, and management of the hardships that may occur while the transition process. As per Efferin and Hartono (2015), leadership transmission requires adjustment of present and future leadership roles. Hall (2012) revealed that leadership transmission is often a confusing task as relationships in the family business are tied through unclear boundaries of being family members and business participants. Similarly, Hoang and Gimeno (2010)discovered that disengagement from one role of and engagement in another novel role i.e. from the predecessor to successor might be difficult procedure (Ashforth, Kreiner, & Fugate, (2000). This transition state gives rise to the base of conflicts as it generates stress (Lobley, Baker, & Whitehead, 2010).

Innovation has been identified as a key driver for sustainability and for attaining competitive edge for businesses (Al-Husseini & Elbeltagi, 2012). As per the survey, it was found that leadership is the driving force of innovation (Barsh, Capozzi, & Davidson, 2008). Other studies, also comply with these findings that leadership plays an important role in the innovativeness of firms (Denti & Hemlin, 2012), (Overstreet, Hanna, Byrd, Cegielski, & Hazen, 2013) and (Kim & Yoon, 2015). There are only a few studies that explore leadership and its impact on innovation or entrepreneurial orientation (Shrestha, 2012);(Uprety, 2016). Paudel (2019) explored the reason behind the failure of many firms and found a lack of appropriate leadership style and innovation to be the reason for failure. In the same context, (Paudel, 2020) examined the SMEs of Nepal and revealed poor leadership and lack of implementation of innovation to be the reason.

There are several types of leadership styles that are associated with the innovativeness of the firm such as transformational leadership style and transactional leadership style (Paulsen, Callan, Ayoko, & Saunders, 2013) and (Khan, Aslam, & Riaz, 2012). The transactional leadership style is a type of leadership style that leads the organization through rewards or compensations for making up to the required performance (Yukl, 2010). The reward is the motivating force for the employees (Golla, 2012), (Yukl, 2010). In this type of leadership, innovation is at stake because, to get a tangible reward, the employee often follows the simplest and straightforward method of achieving the target, and consequently, the creativity can be compromised. Whereas the transformational leadership style is an extension of transactional leadership, it attempts to drive the ethical consciousness and reforms the organization (Odumeru & Ogbonna, 2013). It involves charismatic and inspirational influence. In addition, it encourages the employees to find novel ways of solving the issues. Thus, motivating employees towards innovation (Wilkins & Carolin, 2012).

A transformational leader is the one that provides social support, to meet the needs of subordinates. Such leaders provide positive engagement through motivation, stimulation, inspiration, foster self-belief, and confidence to rely on their capabilities so that they can perform better (Arnold, Connelly, Walsh, & Martin Ginis, 2015). As per (Choi, Kim, & Kang, 2017), it promotes enthusiasm, commitment, higher efforts of employees towards their tasks. (Stavrou & Ierodiakonou, 2016) mentioned that leaders who inspire to motivate their subordinates are perceived to be trustworthy, being charismatic and of broad vision that helps in not only business-related work but also mentor them for their matters such as assistance at personal level. In the same context, such leaders are perceived to be authentic and genuine (Spitzmuller & Ilies, 2010).

Transformational leadership provides a healthy working environment for the business (Kossek, Pichler, Bodner, & Hammer, 2011)). Arnold (2017) mentioned that leadership style has a great impact on the effectiveness of business performance. Transformational leadership style fosters lower level of stress, turnover, and burnout of employees as it focuses on empowering them to better use the available resources (Arnold, 2017); (Lorinkova & Perry, 2017)). Under such type of leadership, members of business experience positive energy, synergy, and support informally and formally (Ten Brummelhuis & Bakker, 2012). (Goh, Ilies, & Wilson, 2015) mentioned that such leaders enhance the well-being of individuals, reduces the interference between work and family, minimizes the intentions of quitting the work (Greenhaus, Ziegert, & Allen, 2012), and enhances work-life balance (Greenhaus et al., 2012).

For a family business, transformation leadership more appropriate as (Koch & Binnewies, 2015) stated that such leaders allow their subordinates to manage family and business along with the surety of any negative consequences. Moreover, Hammond, Cleveland, O'Neill, Stawski, and Tate (2015), a transformational leader is flexible enough to deal with employees at an individual level and tailored the solution as per the difficulty faced by each employee. Research confirms that those who worked under transformational leaders have an intrinsic benefit of performing better than others because they are self-confident about their capabilities (Walumbwa & Hartnell, 2011). One of the studies also stated that when leaders are found to be following transformational style then their subordinates' exhibit a higher level of commitment and lower level of turnover (Nazim Ali, Ali, & Tariq, 2014). Moreover, it is found to be true that under transformational leadership, employees have lesser organizational conflicts and greater involvement in their work (Carter, Armenakis, Feild, & Mossholder, 2013).

On one side, a transformational leader works on building the morale of subordinates and encouraging them to prefer collective goals over personal interests. On the other hand, transactional leadership is the one that uses reward and punishment to motivate the employees to perform better. Such a type of leader motivates subordinates by offering them incentives and compensations for their efforts. While punishing them for not performing as per the expectations such as demotions, salary deductions, and so on.

The literature shows the positive influence of transactional and translation leadership styles on the performance of any firm (Piccolo et al., 2012); (Jackson, Meyer, & Wang, 2013). Contemporary studies on leadership state two types of leadership styles transformational and transactional leadership. (Hassan, Mahsud, Yukl, & Prussia, 2013), identified transformational leaders that can enhance the overall performance and productivity of the firm through encouragement and a proactive approach. Whereas, ((Northouse, 2018); (Hassan et al., 2013)) found a transactional leader to have a reactive approach and focuses on the ultimate attainment of the organizational goal through the self-interest of subordinates.

After analysing SMEs, Yıldız, Baştürk, and Boz (2014) declared both of the leadership styles to foster business performance. Shrestha (2012) analysed leadership styles in Nepal and confirmed a positive relationship between leadership styles and business outcomes. Mesu, Sanders, and van Riemsdijk (2015) considered transformational leadership more appropriate for enhancing the performance of businesses than transactional leadership. (Dai, Dai, Chen, & Wu, 2013) also complies with the findings and highlights transformational leadership to be more effective. Arham (2014) studied the effectiveness of leadership styles in developing countries and found strong correlation between excellent performance and transformational style. Shrestha (2012), empirically found transformational leadership to be the key factor in the productivity effects of the firm as compared to transactional leadership. Arham (2014) examined the SMEs of Malaysia found the strong impact of transformational leadership on entrepreneurial orientation. Therefore, he further stated that leadership style brings and implement innovativeness in any firm (Nijstad, Berger-Selman, & De Dreu, 2014). Bottomley, Burgess, and Fox III (2014), revealed innovativeness of a business is linked with transformational leadership of the business owner.

Research problem theory and synthesis

In an Australian context, such a type of study will be more likely to generate attention-grabbing and distinct outcomes when viewing things from two different perspectives. As it is different from the other studies that focus on non-family firms that would help in understanding the family business and the impact it exerts on it (Benavides-Velasco, Quintana-García, & Guzmán-Parra, 2013). The first perspective is that conventional family relations may have a different influence on the firm development through innovation as every explicit element of succession may yield different outcomes (Rau, Schneider-Siebke, & Günther, 2019). The second perspective is that family-based SMEs in Australia have limited capacity for resource allocation for managerial conservativeness and innovation, resulting in just survival in the market instead of growth and sustainability (Rau et al., 2019).

The study determines whether, for family firms, succession improves the innovativeness of a family business and also whether succession by predecessor or successor has an impact type of innovation that has been adopted by business entrepreneurs depending upon the business dynamics of that specific business.

It will be mainly investigated whether the innovative activities of family firms are enhanced by succession and particularly which successor, succession, or predecessor associated factors has an impact on the aptness of innovation in terms relating to the adoption of various innovation types (Hacibayramoğlu, 2014).

To begin with, only minor portions of the problem of the succession process have been discussed in individual studies leading to fragmentation of succession literature. All the relevant parts of the succession process, such as family context, risks, or unexpected events during succession, have not been explored by researchers (Botella-Carrubi & González-Cruz, 2019). Similarly, since in innovation literature, previous researches only deal with specifical adoption of just one type of innovation but technologically, this is also fragmented. The tendency towards innovation in organizational processes have largely been ignored. One cannot find a single study that shows us an in-depth tendency that relates to all the different types of innovation that could be adopted.

Development and justification of the research theoretical framework

This study implies the model of knowledge transfer and successor's development in family firm, as shown in figure 1, presented by (Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001). This model is based upon the resource-based theory and related knowledge-based views that can help us to identify multiple factors that play a role in family firms. The knowledge-based view focuses on knowledge, which is the most strategic resource of the firm. Thus, it can be inferred that knowledge base views are the subset of resource-based theory. As per this approach, the element of knowledge becomes the most important aspect of the succession process (Spender, 1996). The objective of the firm is the application of already acquired knowledge to on-going business activities (Grant, 1996). This knowledge and specialized skills enable the firm to infuse innovation to business products or services and thus giving the firm a competitive advantage over its competitors (Ikujiro Nonaka & Takeuchi, 1995). This knowledge reduces the uncertainty and makes things more meaningful (Uit Beijerse, 1999). A firm is only able to fully utilize its resources to gain a competitive advantage through innovation when proper knowledge has been integrated into business production (Grant, 1996). It is based on the combination that how a firm create, acquire, apply and transfer the knowledge (Bierly & Chakrabarti, 1996). One main problem of knowledge-based views is the difficulty of transferring the knowledge necessary to reach a unique position.

Although there have been various aspects of understanding a term and therefore, each term should be conceptualized to best understand a situation according to the specific study. For instance, succession can be conceptualized for this study as a specially designed process of transferring the management control and ownership from predecessor to successor for the continuation of business performance effectively. The definition presented by Shepherd and Zacharakis (2000) is the most suitable option as it includes the managerial control and dynamics of transition between predecessor and successor. As mentioned earlier, a successful succession plan is the one that is well planned, the predecessor is ready to hand over all the business matters, such as strategic decision making to the successor, and the successor, on the other hand, is prepared to take all the responsibilities.

Moving forward, the definition of innovation presented by P. K. Wong et al. (2008) which defines innovation as a new idea that proves to be beneficial for the company and its stakeholder.

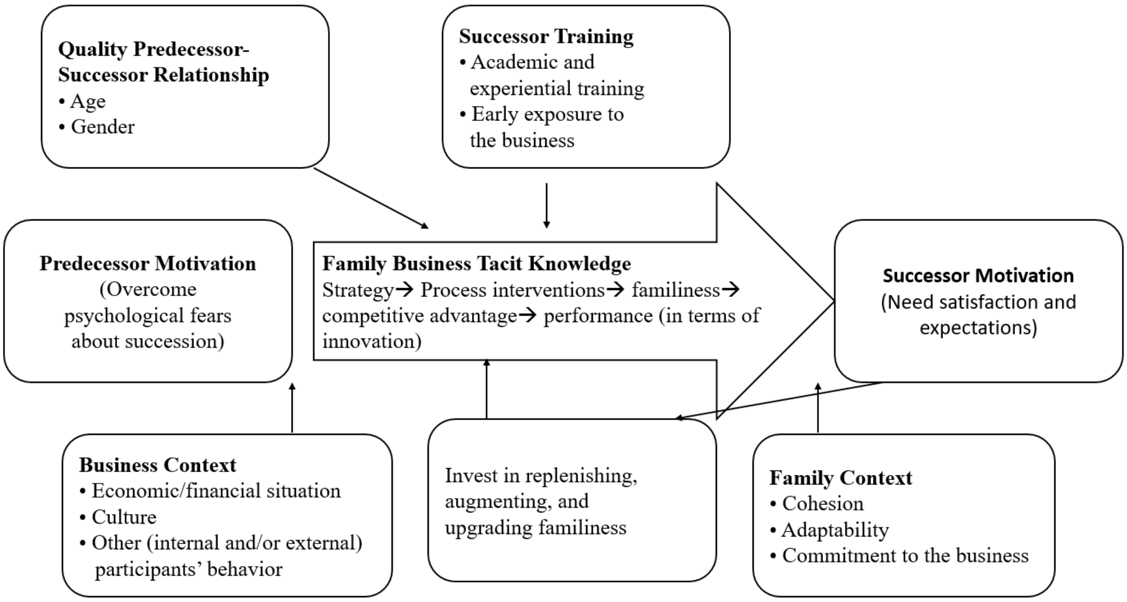

Figure 1.1 Model of Knowledge Transfer and Successor's Development in family Firm

As per this model, knowledge in a family firm can be divided into two main categories, one is explicit knowledge, and the other one is tacit knowledge. Explicit knowledge is the one that is codified or articulated understanding, such as learning from an academic education that is passed on through the system of languages and codes. For instance, information regarding statistics, process features, etc. are examples of explicit knowledge because of their ease of transferability. Tacit information is an implicit knowledge that cannot be standardized because it is learned or acquired through interaction with the resources and individuals. Tacit knowledge is context-specific because each member of the family has its ability to process the given information. It is, therefore, includes thinking patterns, insights, perceptions, and ability and skills to perform the business activities (Ikujiro Nonaka & Takeuchi, 1995). As per one of the researchers, tacit knowledge more difficult to transfer than explicit knowledge (Kogut & Zander, 1992). On the positive side, tacit knowledge is hard to be replicated by competitors as it is communicated by the understanding between family firm members, which includes cognitive abilities, common schemes, analogies, and so on (Grant, 1996). A successor can learn tacit knowledge while staying at home that includes the predecessor's thinking patterns, ideas, expectations, and so on (Szulanski, 1996).

The resource-based view theory analyses the resources that are available in a firm and emphasizing that specialized resources and capabilities are integrated part to sustain the competitive advantage (Madhani, 2010). For a firm to optimize its competitive advantage, it should identify the family firm's resources and capabilities, According to this theory, there are bundles of resources, but only those which are unique, complex, not substitutable, and intangible are the reason for competitive advantage. Thus resource-based views facilitate the researchers to analyse those resources (Habbershon & Williams, 1999). As per the definition given by (Amit & Schoemaker, 1993), stocks are considered to be a firm's resources that the stockholder owns and controls. These resources are then transformed into finished goods through mechanisms like technology, management system etc.

In contract, capabilities are intangible, informational based, a firm-specific ability that is developed over time and through interaction between resources of the firm and is, therefore, considered as the human capital of the firm. Even if a firm has numerous resources and capabilities, the success is still not certain. It is a competitive advantage that makes a firm perform well in comparison to other firms under competition. Resultantly, competitive advantage can be gained through innovation and is, therefore, incorporated in the model.

During the analysis of family businesses, it is essential to analyse family context, which is a part of the model. So the first and foremost feature is a sense of commitment and dedication that family members working for family business have towards the business. Family members believe that they have a shared responsibility and exhibit more passion and devotion towards business activities than non-family members (Gallo, 1995; Leach, 1993). Such firms deploy their method of doing business that is rare, valuable, and imitable. Thus, features of the family business such as commitment, shared culture, reputation, trust, perception of quality enable the family firm to have strategic resources and capacities that consequently helps them sustain long term and success (Habbershon & Williams, 1999).

The term familiness that has been used in the model refers to the unique resources and capabilities a firm possesses because of interaction among family and family firm's business (Thomas M Zellweger, Eddleston, & Kellermanns, 2010). Thus, familiness helps to implement the right strategies that enhance the efficiency and effectiveness of the firm. By recognizing the significance of transferring the knowledge during the succession process, it plays a major role in developing and maintaining the competitive advantage. The transmission of knowledge sets the basis for innovation (Davenport & Prusak, 1998).

The process of transferability between predecessor and successor is direct and continuous, which enables the successor to gain tacit knowledge. This tacit knowledge is important for intergenerational succession and the training of next-generation and creates distinction from competitors. This model provides perspectives for family firm succession process between predecessor and successor and factors that hinder the process of knowledge transmission.

Performance excellence is the key to a competitive edge (Pisano, 1994). Hence, incorporating innovation to perform uniquely becomes an important aspect. The relationship between successor and predecessor should also be considered as their attitudes, abilities, and performance plays a significant role in the progression of family firm (Barach & Ganitsky, 1995). According to Wendy Cohen Handler (1989), the greater the relationship, the better will be the succession process as it will be featured by great understanding, respect, and complementary behavior.

Innovation depends upon the individual's intellectual knowledge and resources (Amar & Juneja, 2008; Delgado, Martín de Castro, & Navas, 2011; Marcati, Guido, & Peluso, 2008). The contributing factors to innovation and competitiveness are the learning and acquisition of knowledge (Justin BL Craig & Moores, 2006; Laforet, 2012; I Nonaka & von Krogh, 2009; A. Schulze & Hoegl, 2006). Knowledge-based views emphasize on firm's innovativeness through the conversion of tacit and explicit knowledge (I Nonaka & von Krogh, 2009).

Hence the underpinning theory i.e. resource-based theory would have helped us understand the how succession process in a family business can impact innovation. Also, keeping all the factors that impact the succession process under consideration that are mentioned in the model.

Research problem gap

This study explores the impact of the succession of family businesses on innovation and leadership. This study is based on Australian family-owned SMEs which is an underexplored area in the field of a family business. Specifically, one can find many pieces of research on innovation in SMEs in the Australian context such as (Hadryś-Nowak, 2018; Pozzey, 2013; Price, Stoica, & Boncella, 2013). The previous studies examined the effect of succession on innovation or the effect of type of leadership on innovation. However, the collective impact of succession on innovation and leadership is yet to be explored. Therefore, the collective impact is recognized as a research gap for this study.

Conclusion

As the sustainability of family businesses is dependent on succession and innovation, therefore they should be dealt with strategically. Kammerlander and Holt (2018) and Pham, Bell, and Newton (2019) are examples of successful scholars that focus on the aspects affecting the positive outcomes of the succession process. There have been various studies that discussed the innovation intensity of different family businesses around the world (H.-L. Chen & Hsu, 2009), (Chrisman & Patel, 2012), (Cassia, De Massis, & Pizzurno, 2011). An integrated approach to such issues with regards to the literature is important, although this approach is often neglected. Therefore, identifying succession related factors that affect family businesses and their link with innovation activities to improve understanding is important. Moreover, it is worth noticing that they may also come as factors of innovation tendency that are registered after succession, with regards to whether to continue the same type of innovation or expand into new types (Fuetsch, Frank, Keßler, Bachner, & Süss-Reyes, 2019).

Financial economists have recognized that the performance of a family business is poorer than non-family businesses and that family business can be challenging (Gilding, Gregory, & Cosson, 2015; T. Zellweger et al., 2011). Paying attention to this gap of identifying the factors that have an impact on the succession process and innovation of a business is the main goal of this research paper. Hence, in this paper, the aim is to analyse the effect of succession on family business innovation concerning Australian SMEs.

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