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**Configurations of Innovation Patterns in Small Family
Controlled Firms in the UK**

By:

SARAH BEAINI

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Abstract

This thesis contributes to theory building in relation to the innovation patterns in small family-controlled firms in the UK. Although there is extensive literature on innovation, relatively little empirical work has been carried out on small family firm innovation. This study therefore aims to gain an understanding of how small family firms innovate, to consider how innovation is sustained from one generation to the next, and to develop a conceptual framework of small family firm innovation. Following a review of the business and innovation literatures and the undertaking of exploratory research, a number of themes prevailed in relation to innovation in small family firms. This prompted a need to consider small family innovation from a holistic perspective and led to an adaptation of Miller and Le Breton-Miller's (2005) 4Cs framework, which helped shape the primary fieldwork. A qualitative, multi-case, design was adopted, using eight small family firms purposively chosen, based on family control and generational involvement. Primary data was captured using semi-structured interviews, participant observation and secondary documents.

Analysis was based on a matched pairs method, in which data from observations, interviews and documents were combined with a compare/contrast strategy to gather insights about innovation patterns in the four pairs of cases. The insights gained from this were then aggregated and related back to the literature. The findings and discussion led to the development of an enhanced 5Cs framework of small family firm innovation, which contributes a holistic view of innovation that has not been offered within the literature. Small family firm innovation needs to be thought of as a configuration of key priorities or elements that vary from firm to firm, which is based on: closeness to external stakeholders and non-family employees; the cultivation of family and non-family members; continuity; control; and competence. The study contributes to theory building by providing this flexible framework and by suggesting ways in which it might be tested by further qualitative and/or quantitative research.

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1. Introduction

This thesis is based on the field of small family business and providing a configurational understanding of how they undertake innovation. This chapter introduces the thesis as a whole, providing the landscape of the research from start to finish from the research aims, existing family business and innovation literature, the methodology adopted through to the analysis of the data and final conclusions made.

1.1. Why family business research?

Two main reasons prompted this study on family business. The first is that there is a general need for further research on the topic of family business. The academic literature on family businesses can be said to have gained momentum from the mid-1980s (Casillas and Acedo, 2007). In spite of this and the widespread presence of family firms in the economy, further research in the area is needed (Poutziouris et al., 2004; Steier et al., 2004; Arregle et al., 2007). Family firms play a crucial role in the UK economy, with them representing three million businesses in the UK (Institute of Family Business, 2013) strengthening the need for further research on this group of businesses.

More specifically, the 'family' element distinguishes small family businesses from their non-family counterparts, promoting the need to specifically investigate innovation within this population of organisations. This 'family' aspect can carry unique characteristics in the form of human and social capital, which can result in high levels of trust within such organisations, enhancing employee commitment to the business (Sirmon and Hitt, 2003; Tokarczyk et al., 2007). Family members involved in small family firms can have distinct norms, values and visions which can in turn affect the governance structures, organisational cultures and strategic orientation within a business, distinguishing them from other small firms (Chua et al., 2003). Furthermore, the 'family' element within small family businesses creates a complex dimension that prompts a need to carry out research specifically in the field of family business and not to assume that they behave in the same way as their non-family counterparts. Therefore, this thesis does not assume that small family firms innovate in the same manner as non-family firms. Ultimately, this study aims to shed light on how the 'family' element affects the innovation patterns of small family firms.

The second reason for carrying out research on small family firms is more personal. I worked for a small family firm for more than three years, which triggered my interest in the field of family business allowing me to see first-hand how the intense and complex relationships between family members can simultaneously inhibit and facilitate the growth and success of family companies. This prompted my curiosity to find out more about the complex phenomenon that is the 'family firm'. I feel this experience sensitised me to the issues often associated with a family business, helping to carry out participant observations during the study.

1.2. Why study family firm innovation?

Despite reference often being made to innovation in the family business literature, there is limited empirical research on family firm innovation (Classen et al., 2013). The growth and success of businesses such as small family firms is often accomplished through innovative practices (Cooper 1979; Cooper, 1993; Cooper and Kleinschmidt, 1995; Radas and Bozic, 2009). Furthermore, innovation is becoming a means of survival for small businesses (Amabile, 1988; Huang et al., 2002; Martins and Terblanche, 2003; Humphreys et al., 2005; Pullen et al, 2008). Evolving technological developments and ever-changing customer needs are resulting in the need for firms to innovate more effectively and efficiently due to shorter product life cycles (Huang et al., 2002; Allocca and Kessler, 2006). This highlights the importance of shedding light on the subject of small family firm innovation.

1.3. Aims of the study and research questions

With family firms representing a key part of the economy in the UK (Institute of Family Business, 2013), further research on this subject is important. This, coupled with innovation being a vital ingredient in the success of companies, makes the study of family firm innovation a pertinent one. Therefore, this thesis aims to contribute to family business theory by shedding light on the innovation patterns within small family firms. Carrying out an extensive review of the family business and innovation literatures enabled the development of my research objectives. Furthermore, the literature review in chapters 2 and 3 highlighted several key research questions, which provided a focus for understanding how small family firms innovate.

The ultimate aim of the study is to contribute to theory on family business. To do this, the following research objectives are pursued:

- To gain an understanding of how small family firms innovate;
- To consider how innovation is sustained from one generation to the next;
- To develop a model of family firm innovation for researchers and practitioners.

The following research questions address the main research objectives:

1. What kind of organisational cultures and structures facilitate innovation in small family firms?
2. What kind of organisational cultures and structures inhibit innovation in small family firms?
3. What role do non-family stakeholders play in innovation within small family firms?
4. Do small family firms utilise external help when they innovate and if so, in what capacity?
5. Is there a difference between the generations in terms of innovation?

1.4 Definitions adopted during this thesis

In view of the focus of this thesis being on small family firm innovation, it is sensible to introduce the following definitions, which were adopted for the purposes of this study:

A family business: “more than 50 per cent of ordinary voting shares are owned by members of the largest single family group related by blood or marriage...and the company was owned by the second generation or more family members” (Westhead et al, 2002, p22). This definition has been extended to incorporate first generation controlled firms as these are relevant to the study at hand as they help to provide some insight into whether innovation is starting to be cultivated between the first and second generation family members.

A small family firm: The number of employees within a family business is used to distinguish its size. Therefore, the term “small” encompasses 0-49 employees.

Innovation: A broad definition of innovation has been adopted for this study to avoid narrowing the scope of this thesis particularly as it is unclear what small family innovation is at this stage. This is purely used to guide the research process.

Innovation for the purposes of this study is defined as a new product, process or way of working, or idea that is either new to the organisation, industry or the world as a whole. This is based on Schumpeter's (1939, 1947) classic broad definition of innovation as well as the incorporation of 'imported ideas' and 'processes' as advocated by Huber (1998). This definition takes into account different types and degrees of innovation as it is important not to exclude practices that could be interpreted as innovation.

1.5. Miller and Le Breton-Miller's (2005) 4Cs framework

Miller and Le-Breton Miller's (2005) 4Cs framework, which is highlighted in the family business literature in chapter 2, provides a holistic view of family firms. It outlines four priorities, which drive success within large family businesses. These priorities can be configured to support different strategies to create a competitive advantage such as innovation and quality leadership. According to the framework the 4 priorities of a family firm are: continuity; community; connect; and command. One of the key values of Miller and Le Breton-Miller's (2005) 4Cs framework is its flexibility to consider that each family business can have its unique idiosyncrasies, making it difficult to apply a 'one size fits all' model of small family innovation.

In spite of Miller and Le Breton-Miller (2005) referring to innovation in relation to their framework the focus is on radical innovation within large family firms. Furthermore, the authors have not empirically tested the 4Cs framework, providing scope to adapt it as a means of conceptualising small family firm innovation.

1.6. Research design

Chapter 5 outlines the research design adopted in this study. Taking an interpretivist methodological stance, this thesis utilises a qualitative based multi-case study research design. A need for such research is prompted by various scholars in the field of family business (e.g. Westhead et al., 2001; Karra et al., 2006; Nordqvist et al., 2009). The rationale for the use of qualitative research is that family firms are not a homogenous population of firms. In fact, family businesses are often seen as heterogeneous in nature (Birley, 2001; Nordqvist, 2005; Nordqvist et al., 2009).

1.6.1. Adoption of a multi-case study method

A multi-case study approach is employed to understand patterns between the case studies, enabling cross-case conclusions on how small family firms innovate. The research design this study adopts follows a two-stage process: exploratory semi-structured interviews; primary fieldwork consisting of semi-structured interviews and participant observations. Secondary documents are used including company websites and marketing material to provide a more holistic view of the innovation patterns between the cases.

1.6.2. Exploratory Research

The exploratory stage of the research process was conducted in April 2010 to gain an initial insight into family firm innovation and to test the semi-structured interviews. This fieldwork was carried out within six small family firms and involved conducting preliminary interviews with a senior family member within each business. Small family firms were selected from varying generational stages in an attempt to gain an understanding of not only family firm innovation but also how this is sustained from one generation to the next.

Emerging themes from the exploratory research are outlined in chapter 5 from which new theoretical and conceptual ideas are identified. More specifically, following on from the literature review and exploratory research, a conceptualised framework of small family innovation is developed based on an adaptation of Miller and Le Breton Miller's (2005) 4Cs framework as outlined in chapter 5.6. The original framework outlines 4 main Cs, which the scholars term as priorities. To reiterate, these are: continuity, connect, community and command. To adapt this framework specifically to the configuration of innovation in small family firms, the following Cs are suggested: closeness with external and internal stakeholders; cultivation of family and non-family members; competence; control; and continuity.

1.6.3. Primary fieldwork

The primary data collection is based on a multi-case study research strategy using semi-structured interviews, participant observations and secondary documents. This stage of the research was carried out between March and June 2011. The aim of this study is to gain an insight into the innovation patterns within small family firms.

Therefore, the rationale for using semi-structured interviews in addition to participant observation is to capture the family and non-family members' perceptions of innovation within the organisations as well as that of my own, as the researcher. Participant observation provided additional information that might not have been obtained through the interview process. The aim is to generate further and thicker insights into family firm innovation. Furthermore, it is of value to the study to adopt research techniques which could be carried out in the place where innovation takes place, namely within the firm.

1.6.4. Case selection

Family firms are often classed as a heterogeneous group of businesses due to the variation in ownership and management structures, generational and family involvement as well as their stage within the generational ownership process. These factors contribute to the complexity of studying family businesses. Taking their heterogeneous nature into consideration, a matched pair methodology is adopted based on generational elements and controlling family ownership to provide more powerful analytical conclusions rather than focusing on single case studies. The rationale is one of replication between the matching pairs by focusing on this sampling criterion. To enable a matched pairs sampling approach, two types of family controlled firms are identified, namely spousal and father and son owned/controlled family firms. Each case has to fulfill the criteria outlined in the definition in section 2.2 in terms of size, generational involvement and level of family control.

1.7. A cross-case analysis

Following the primary data collection a cross-case analysis was carried out between each matched pair to create a more in-depth understanding about the innovation patterns within small family firms. This helped to identify commonalities and patterns between the cases, which guided the search for new theoretical ideas relating to the

way in which small family firms innovate and how innovation is sustained between the generations.

1.8. Key indicators of innovation

Following a review of the innovation and family business literature in chapters 2 and 3, it became apparent that there is not a universally accepted definition of innovation. The definitions vary from broad to narrow perspectives focusing on innovation types to degrees of 'newness'. It appears that the notion of 'innovation' is somewhat open to interpretation, and is consequently dependent on how an individual or group of businesses' perceive the phenomenon. This highlighted the value for this study to gain an understanding of innovation from the small family firm's perspective. It is difficult to assume they will attach the same meaning to innovation as small non-family firms. Nevertheless, following the literature review key themes emerged as outlined in figure 2, which form a number of key indicators of innovation. These indicators were used to guide the exploratory and primary data collection. It is not an exhaustive list of indicators as I was open to capturing other meanings that small family firms attached to innovation, which is outlined in the enhanced 5Cs conceptual framework in chapter 9.

1.9. A conceptual framework

One of the main aims of this study is to develop a model of innovation within small family firms. Therefore, the initial conceptualisation of small family firm innovation as outlined in chapter 5 was enhanced following the primary data collection. Empirical data was found to support an adaption of Miller and Le Breton-Miller's (2005) 4Cs, namely an enhanced 5Cs framework, which is unique to the innovation patterns of small family firms. It presents 5 priorities: cultivation; control; continuity; closeness; and competence, along with the sub-priorities associated with each C. The enhanced 5Cs framework integrates all the perspectives and stakeholders involved in shaping innovation. Furthermore, the specificity of the sub-priority lends itself to identify the facilitators and inhibitors that affect the innovation patterns within small family firms.

1.10. Contribution to theory

Based on empirical data an enhanced 5Cs framework is presented which sheds light on how small family firms innovate. This involves configuring innovation within small family firms based on 5 main priorities and their associated sub-priorities: cultivation;

closeness; control; competence; and continuity. A unique contribution of this study is not only in providing a holistic understanding of innovation practices in small family firms but the role each priority plays in facilitating and inhibiting innovation. Each priority does not operate in isolation but can affect one another as innovation in small family firms operates on a holistic level. Therefore, innovation is a complex and multi-factorial practice within small family firms. The 'family' element of family firms carries idiosyncrasies specific to the firm, making it difficult to assume small family firms innovate in the same way. Therefore, the presented framework of small family firm innovation has the flexibility and adaptability to configure the 5 priorities based on an individual organisation's innovation patterns.

Furthermore, the cultivation priority appears to have the most significant effect on how innovation is sustained from one generation as well as providing a foundation for shaping innovation within small family firms. More specifically, the education and experience of family members affects their openness to innovation as whole. A high level of human capital appears to encourage the family members to be more receptive to internal and external ideas, thereby facilitating innovation. A family member's degree of openness has a knock on effect on the level of involvement of non-family members in generating and implementing innovation as well as the extent to which external help and information is utilised. Therefore, the cultivation priority has an instrumental role in shaping innovation within small family firms, providing another way this study contributes to theory in the field of family business.

2. Literature on Family Business

This chapter provides a review of the existing family business literature to enable an understanding of the prevailing subject areas as well as identify any research gaps. Firstly, the issue of defining a family business is addressed as this was a dominant theme within the literature, which helped shape the definition adopted for this study.

Following a review of the definitions, I address the existing literature on family business innovation as I identified this as an area with limited research. Next, I review the dominant subject areas that prevail within the family business literature and how this has shaped my study into family firm innovation.

2.1. Definitional issues

Handler (1989) argued that the impact family firms have on the economy is affected by the definition imposed on them. Family business literature has expanded considerably in the past 40 years with substantial work carried out on defining a family business. Numerous definitions of a family firm are discussed within the literature with there being no agreed definition as illustrated in table 1 (Handler, 1989; Westhead and Cowling, 1998; Steier et al., 2004; Le Breton-Miller and Miller, 2009; Howorth et al., 2010). A possible reason for this is the difficulty in having universally accepted definitions in the behavioural sciences literature due to the complexity, diversity and evolution of human behaviour (Hoy and Verser, 1994). Nevertheless, it is important to define a small family firm for the purposes of this study, which is addressed in section 2.2 of this chapter.

Table 1: Definitions of Family Business

SCHOLARS	DATE	DEFINITION
Ward	1987	A family firm is a business, which the owners intend to pass the business on to one or more family members.
Handler	1989	A family firm is an “organization whose major operating decisions and places for leadership succession are influenced by family members serving in management or on the board” (p262).
Ward and Aronoff	1990	A family firm is a business, which the owner and at least one other family member work.
Gersick et al.	1997	The involvement of different generations is often present with reference made to the firm being passed onto the next generation.
Chua et al.	1999	A family firm is “a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families” (p25).
Astrachan et al.	2002	The scholars re-enforce the importance of family involvement and influence as a crucial issue when attempting to define a family firm and consequently developed the F-PEC scale. This measures family influence in terms of power, experience and culture with each dimension consisting of sub-scales. By definition the scale assumes that family influence is the only important defining factor.
Nordqvist	2005	This scholar argues the importance in asking the firm, particularly a leading member, whether they consider themselves a ‘family firm’ as this will influence the behaviour of people working in the firm.
Miller et al.	2007	A family is one that involves multiple family members who are either an officer or hold a major ownership stake in the firm.
Milton	2008	A family firm is one where “family members must have a controlling ownership interest and be actively involved in the business at the strategic level and thereby influence its strategic direction” (p1065).
Sundaramurthy and Kreiner	2008	The family and their involvement is the defining feature of family firms.

Among the family business definitions outlined in table 1, there are a number of defining characteristics, which include the level of family involvement, family control and generational transfer. Some of the definitions are all encompassing, whilst others only focus on one of these characteristics. These defining elements will be considered when adopting a definition of a small family firm for the purposes of this study in section 2.2 below.

2.2. A Definition of a Small Family Firm

The European Commission (2005) categorised a micro enterprise as having 0-9 employees, a small enterprise as having 10-49, and a medium firm is classified as having 50-249 employees. The figure of 250 employees is used as the distinguishing figure between a Small and Medium sized Enterprise (SME) and a large firm (BosBrouwers, 2009). However, the definition of an SME can depend on the industry in which the firm competes (Blumertritt, 2004). The advantage of the European Commission's definition is that it is based on employment and no other criteria; therefore the definition is not varied according to the sector (Storey, 1994). Furthermore, Storey (1994) posited that the SME sector can be divided into three components: micro enterprises; small enterprises; and medium enterprises. Therefore, for the purposes of this study the term 'small' will encompass 0-49 employees.

Westhead and Cowling (1998) provide a broad definition of family business, encompassing many of the definitional elements outlined in table 1. Thus, the scholars' definition is not restricted to one single element. The authors define a family firm as one that has: more than 50% of family members as the controlling owners and managers; a company that perceives itself as a family firm; and has undergone an inter-generational transition. When identifying a family business two or more of these elements should be considered (Westhead and Cowling, 1998). For the purposes of this study, the control and generational elements are more relevant in answering the research questions. Therefore, a family firm will be defined in this study as one where, "more than 50 per cent of ordinary voting shares are owned by members of the largest single family group related by blood or marriage...and the company is owned by the second generation or more family members" (Westhead et al, 2002, p22). To incorporate first generation firms, where there is an intention of generational transition, this definition will be extended to include those firms that intend to pass the majority of owning shares on to the next

generation. These firms are relevant to this study as they will provide some insight into whether innovation is starting to be cultivated between the first and second generation family members.

2.3. Gaps in the Family Business Literature

2.3.1 Innovation in Family Firms

There appears to be limited empirical research on family firm innovation (Craig and Moores, 2006; Classen et al., 2013) despite scholars such as Aronoff (1998) and Gudmundson et al (2003) suggesting that family firms can often be highly innovative, which is vital to their long term success (Kraus et al., 2012). In contrast, scholars (e.g. Cabrera-Suarez et al., 2001) argue that family firms are not innovative. In spite of these contrasting views of a family firm's ability to be innovative, they play a vital role in the economy by representing three million businesses in the UK (Institute of Family Business, 2013), highlighting the value of gaining an insight into how these firms grow and succeed.

Litz and Kleysen (2001) stated that the majority of research conducted in the family business arena focuses on interpersonal and succession related issues pertaining the family and business system coming together. Having said this, succession is not the only issue for family firms as innovation is another key challenge (Casillas and Acedo, 2007). Therefore, there is a need for further research on family firm innovation, particularly as Kraus et al (2012) argued that innovation is the driving force to success for family firms. At the time of starting this thesis in September 2009, the main research in the field of family firm innovation had been conducted by McCann et al (2001), Litz and Kleysen (2001), Craig and Moores (2006), and Chin et al (2009), which will now be discussed.

McCann et al's (2001) research found innovative family firms place more importance on business goals than family goals. The scholars suggested that a major finding of their study was the importance of innovation in facilitating a firm's competitive market position particularly in established firms. The authors proposed that further research was needed to find out how family firms build and preserve innovative capacity. In addition, McCann et al's (2001) research found that privately owned family firms were more likely to take unusual market risks than publicly held companies. This might be

attributed to the ability of private firms to make quick and reactive decision to market opportunities due to leaner governance structures.

However, Litz and Kleysen's (2001) study attempted to find out how successful family firms thrive by using innovative initiatives by focusing on intergenerational innovation. The scholars gained the following insights from their in-depth case study: Deliberate initiatives facilitate the formation of relevant competencies necessary for intergenerational innovation; parental relinquishment plays a vital role in innovation; and the responsibility for family firm innovation lies with the younger generation in rectifying the elder generation's shortcomings or by providing new customer propositions. These insights are gained from one in-depth case study, which makes it difficult to infer any cross- case conclusions. To gain more of an overview of intergenerational innovation, multiple case study research would need to be carried out in different industries. Nevertheless, the scholars posed further questions for future research on family firm innovation which included: The adoption of externally developed innovations; the relationship between a family's system dynamics and the firm's innovative behaviour- what kinds of family cultures support innovation and which frustrate it; and non-family stakeholder involvement in the innovation process. In spite of this research being carried out in 2001, these research questions still appear unanswered. Therefore, these research questions have been incorporated into this study and will aim to provide an insight into the innovation patterns in small family firms and how innovation is sustained between the generations.

Furthermore, Craig and Moores (2006) noted that the link between family firms and innovation had not been empirically tested. Therefore, they conducted a longitudinal study into the relationship between the competitive environment, firm structure, information acquisition systems, and innovation in established family firms. The study measured this over time by sending questionnaires to Australian family owned businesses, which were older than 5 years. The first part of the study found a positive relationship between the breadth and speed of information acquisition in relation to the innovativeness within family firms. However, differences were found between family firms in their earlier and later stages. The correlation between techno-economic uncertainty and innovation was found to be weaker for later-stage firms. There appeared to be a stronger relationship between timeliness of information and innovation as the family firm moves into the later stages of its lifespan. The findings from the study infer that there is a stronger relationship between established family firms and innovation than perhaps previously assumed (Craig and Moores, 2006).

In slight contrast to the previous studies, Chin et al (2009) provided more of a comparative study into innovation between publicly held family firms and their non-family counterparts in the Taiwanese electronics industry. The authors found a negative association between family ownership and innovation, specifically in relation to patent quality. There are arguably several limitations of this study as it focuses on publicly held family firms based in one single industry outside of the UK. Nevertheless, the comparative element of the study appears to have become a more popular approach to studying family firm innovation. This has been particularly evident since I started this thesis in 2009, as subsequent research has been carried on family firm innovation with an emphasis on comparative studies between family and non-family firms. These studies include: Llach and Nordqvist, 2010; Kraus et al, 2012; Classen et al, 2013; and De Massis et al, 2015.

All these studies focus on providing comparative research between family firm innovation and their non-family counterparts outside of the UK, mostly utilising quantitative empirical analysis. De Massis et al (2015) focused on product innovation strategies and processes relating to small Italian family versus non family firms. The findings point to family firms carrying out different product innovation strategies to their non-family counterparts. Whilst, Llach and Nordqvist (2010) conducted a comparative study between family and non-family manufacturing firms in Spain and found family firms to be in an advantageous position to undertake innovation due to their access to a vibrant human resource pool. In contrast, Classen et al's (2013) exploratory analysis of a sample of family and non-family firms in Germany found that family firms invest less in innovation. These findings are based on large, publicly held family firms and by the scholars' own admission they are not necessarily applicable to small family firms (Classen et al., 2013).

Similarly, Kraus et al's (2012) research was conducted using large family firms in Finland, focusing on managerial and organisational innovation. Using an empirical survey, the scholars found that innovation within family firms was associated with longer term planning, with constant leadership and a more conservative strategic stance.

In the main, these studies focus on large family firms in countries outside of the UK and neglect to provide an in-depth insight into how small family firms undertake innovation and how it is sustained between the generations. Classen et al (2013) commented that further research into family firm innovation is necessary, with De Massis et al (2015)

suggesting the need for a study into the role of external social capital in innovation within family firms. This further re-enforces the need to address the role of external partners and information in small family firm innovation. Additionally, the increasing amount of research that has been carried out since the start of this PhD in September 2009 suggests the vibrant nature of the study of family firm innovation.

2.4 Complexity of family firms and their distinguishing features

Despite there being limited research into family business innovation, there are other prevailing theories within the existing literature. These have been explored in this section of the chapter to help to understand the complex nature and outline some distinguishing features of family firms. These theories include the utilisation of: the Resource Based View; Systems theory; Agency and Stewardship theory; Succession; and Entrepreneurship. Theories such as these have helped frame my research in family firm innovation.

2.4.1 The Resource Based View and the role of Familiness

The Resource Based View (RBV) is one approach to theory building in the family business literature (Habbershon and Williams, 1999; Chua et al, 2003; Habbershon et al, 2003; Sirmon and Hitt, 2003) that identifies family firms' unique capabilities resources, which can be leveraged to attain a competitive advantage (Barney, 1991). Gaining an insight into these characteristics may help gain an understanding into how small family firms innovate.

Habbershon and Williams (1999) asserted that it is the assessment of the firm's 'familiness' that creates the research criteria required for relating performance outcomes to the organisation's characteristics. Familiness can be defined as the bundle of resources unique to the family firm which is the result of the coming together of the business and family systems (Habbershon and Williams, 1999; Nordqvist, 2005). This can be a capability, which is difficult to imitate, thereby providing a competitive advantage for family firms.

Nevertheless, Habbershon and Williams (1999) argued the importance for a firm to assess, manage and invest in their familiness to ensure it does not become a familial

hindrance. Tokarczyk et al (2007) re-emphasised this point by arguing that assessing the familiness of a family firm allows the identification and explanation of differing resources in firms and how this can affect success. In contrast, Pearson et al (2008) criticised the RBV perspective as lacking specificity. Furthermore, Chua et al (2003) also provided a critical view of the RBV, as they commented that it assumes wealth creation as the only goal. Whilst this is a business goal, it is not necessarily a family one.

Sirmon and Hitt (2003) postulated that familiness provides family firms with important family unique resources and capabilities such as human and social capital as well as survivability. These unique attributes can provide both advantages and disadvantages for resource management in family firms. These resources can include enhanced consumer trust and increased employee commitment (Tokarczyk et al., 2007). One of the main capabilities unique to family firms is embedded tacit knowledge (Cabrera-Suarez et al., 2001). However, Nordqvist (2005) argues that even advocates of the RBV argue that firms can survive without unique resources, albeit they will not necessarily earn above normal profits. Thus, unique resources are not present in all firms. It may be pertinent to question what is meant by “normal profits” and whether unique resources are unequivocally linked to profits or if it is the efficient and creative use of existing resources.

There are contrasting views within the literature on the effect family ownership has on innovation and growth (Gundmundson et al., 2003; Chin et al, 2009). This particular aspect of RBV complements agency and stewardship theory in section 2.4.3 by outlining the importance of management and ownership structures in family business and how this can affect their performance. Management systems in family firms tend to be informal and ineffective in terms of control systems (Morris et al., 1997; MacKenzie, 2002) particularly in small more established family firms (Cater and Schwab, 2008) as opposed to more formal and effective structures present in non-family firms. In this study, it will be instructive to find out what effect the governance structures have on the innovation patterns in small family firms. The RBV may help explain the resources and capabilities, such as experience, management style, and rapport with stakeholders, that the senior generation should pass on to the younger generations to realise the family firm’s vision (Chua et al, 2003). This is particularly relevant for the purposes of this study as a family firm’s ‘familiness’ may help provide some insight into how innovation is sustained from one generation to the next.

The concept of 'familiness' in the family business literature may help to provide an insight into how small family firms innovate. It will be of value to the study to find out whether 'familiness' helps or hinders innovation in small family firms, which does not appear to have been investigated. Furthermore, the existing theory on the resource based view of family business helps provide a context for studying innovation in small family firms but is not necessarily sufficient to apply in isolation. The discussion thus far suggests that it is the 'family' element within family firms, which distinguishes it from non-family businesses, highlighting the value of carrying out research within this field of literature.

2.4.2. The Application of Systems Theory

There is much emphasis in the family business literature on the distinct family and business elements within family firms, which distinguishes them from their non-family counterparts. Some scholars have adopted systems theory to illustrate this, subsequently viewing the business and family dimensions as systems (e.g.; Casillas and Acedo, 2007; Gersick et al, 1997; Habbershon et al, 2003; Hoy and Vesser, 1994; Kepner, 1991; Rogoff and Heck, 2003; Tagiuri and Davis, 1996; Stafford et al., 1999).

Conceptual models of family firms using systems theory began with the two overlapping "circles" model made up of the family sub-system and the business sub-system, each having its own "norms, membership rules, value structures, and organizational structures" (Gersick et al., 1997, p5). Problems can therefore occur when individuals have to realise obligations in both sub-systems, which can in turn create conflicting pressure (Gersick et al., 1997). An integration between the business and family roles can "foster an entrepreneurial spirit" (Sundaramurthy and Kreiner, 2008, p426) in both new firms as well as mature ones.

Following on from the concept of two overlapping circles, a three circles model (Tagiuri and Davis, 1996; Gersick et al., 1997) was put forward, which suggested that a family firm consists of the family, business and owner sub-systems as outlined in figure 1.

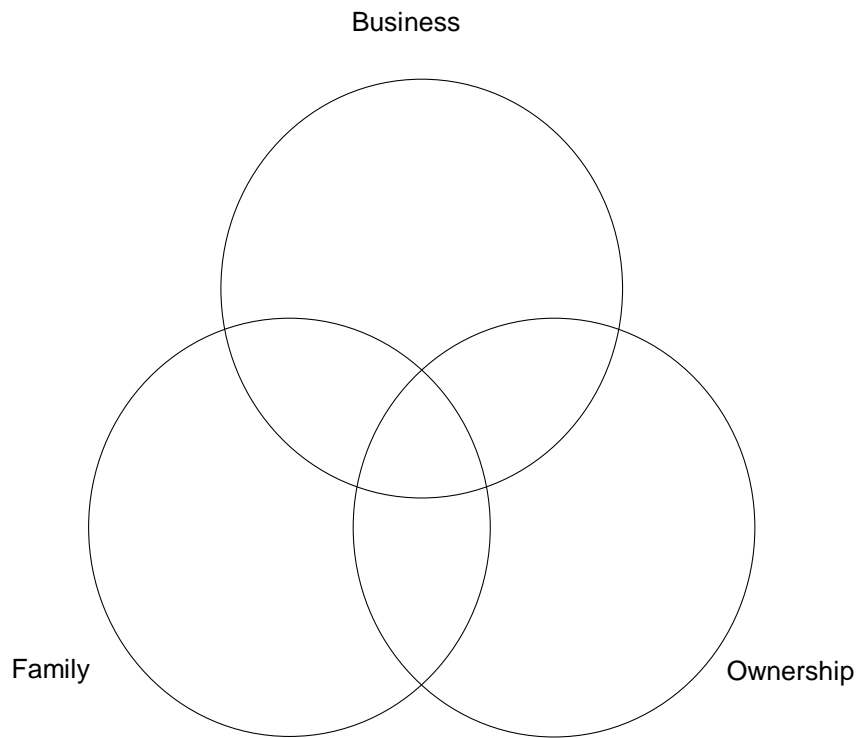


Figure 1: The Three Circles Model (Gersick et al., 1999, p287)

This model is the theoretical framework, which is universally accepted as the basis for conceptualising family businesses (Murray, 2002). The three circles model can be used to classify family business issues and illustrate the unique and inherent attributes relating to family firms, highlighting that these attributes can be a source of advantages and drawbacks for the owning families, and family and non-family employees (Tagiuri and Davis, 1996). Such attributes are thought to arise from the memberships between the family, management and ownership overlapping, which provide features that are distinctive to family firms. These features encompass simultaneous roles, shared identity, a lifelong common history, emotional involvement and confusion, the private language of relatives, mutual awareness and privacy, and meaning of the family company. The three circles model highlights the differing elements that are at play within a family firm illustrating their complex nature as opposed to their non-family counterparts. Furthermore, it highlights the value of viewing a family firm innovation from a holistic perspective that considers all three elements as well as their associated characteristics, and how their relationship can affect the innovative patterns within small

family firms. On this basis, systems theory could be a valuable approach to framing my study.

2.4.2.1. Systems Theory – Roles and Identities

Tagiuri and Davis (1996) suggested that family members working together share a sense of identity, which can stem from the family name or family bonds. However, this identity may cause family members to want to achieve their own separate identity. There are a significantly higher number of roles in family firms (Gersick et al., 1997) re-emphasising the complex nature of such organisations. Sundaramurthy and Kreiner (2008) re-enforce this point by identifying two main identities in family business – the family and the business. This is further supported by Beehr et al (1997) who suggest that there are two different roles operating in family firms- the work and family roles. In contrast, however, Milton (2008) distinguished between the personal, business and family roles within family firms.

Family members can often have 3 simultaneous roles in family firms in which they are concerned with different issues within each role. These issues can include a return on investment for owners, welfare of the family in the family role, and operational effectiveness in terms of the management role (Tagiuri and Davis, 1996). Thus, Cater and Schwab (2008) refer to family firms as hybrid organisations. A role identity has its own goals, norms, style of interaction and beliefs, which differ from other identities (Sundaramurthy and Kreiner, 2008). Therefore, conflict or confusion between the roles can occur in family firms, which can affect business and family relationships (Gersick et al., 1997). Kellermanns and Eddleston (2004) argue that is not simply role confusion that can occur but also conflict, which in moderate levels, can be advantageous. The scholars identified three types of potential conflict: task; process; and relationship conflicts. Kellermanns and Eddleston (2004) go on by saying that family firms should encourage moderate levels of task conflict to gather the commitment of family members for strategies that have been agreed and to improve the quality of decision-making. Moderate levels of process conflict will facilitate sharing and transferring of knowledge and information about the processes that are specific to the firm, which is essential for innovation (Davenport and Prusak, 1998). Relationship conflict can affect whether family members consider and implement others' ideas on task performance and business processes and emotional distress can inhibit the inclusion of diverse ideas (Eisenhardt and Zbaracki, 1992; Milton, 2008).

However, Tagiuri and Davis (1996) argue that creativity may be discouraged if it does not fit the family model/identity. This begs the question as to whether the family element inhibits or fosters innovation in small family firms. Family conflict can be minimized by providing family members with formalised responsibilities (James, 1999), which suggests a close and pertinent relationship between the family and business sub-systems. This further emphasises the importance of considering both systems in the study of family firm innovation rather than studying one element in isolation. Chua et al (2003) commented on the need for a synergistic and symbiotic relationship between the family and the business in order for a family firm to be sustainable. In this way, the business must provide value for the family and the family should add value for the business. Chua et al (2003) term value in this instance as economic and noneconomic benefits such as the family deriving social status from the business and the family providing emotional attachment in the form of an extended family in which workers feel they belong. This highlights the importance between the family and the business, which is a relationship that could be said to be unique to family firms. This notion of an extended family is re-emphasised by Karra et al's (1996) idea of a "quasi-family". Following this "extended family" line of thought, perhaps those family firms who adopt a close interaction between the family and business "circles" are more likely to utilise their non-family employees in carrying out innovation.

In summary, viewing a family firm as a system highlights the importance of considering the distinct yet overlapping family and business dimensions when studying family business. More specifically, it outlines the value of adopting a holistic approach to viewing practices within family firms. The application of systems theory, in conjunction with RBV emphasise the importance of considering the effect the 'family' dimension has on the overall performance of a family business. It therefore seems sensible to take a holistic approach to understanding how small family firms innovate. Two additional theories utilised within the family business literature are agency and stewardship theory, which focus on the relationship between ownership and management structures within a family firm and the affect this has on performance.

2.4.3. Agency and Stewardship Theory

Stewardship and Agency theory are two prominent yet complementary theoretical frameworks applied within the family business literature, which are seen to help in explaining the distinguishing features and dynamics within family firms (Westhead and

Howorth ,2006; Carlman et al, 2005). Both theories highlight the pivotal role ownership and management structures have on family firms and how this can affect a firm's performance and organisational objectives (Westhead and Howorth 2006, 2007). In a broad sense, both theories have the potential to inform my study into the innovation patterns in small family firms as they outline the significant effect ownership and management structures as well as organisational objectives have on a family business' practices. It will be of value to this study to gain an insight into the specific characteristics pertaining management and ownerships structures within small family firms that facilitate and inhibit innovation.

Agency theory is based on the assumption that the principal (owners) and agents (managers) are motivated by self-serving objectives and therefore their interests may not necessarily be aligned with each other. This in turn can create agency costs incurred by the principals, exhibiting a self-serving culture (Davis et al., 1997; Gomez-Meiji et al., 2001; Westhead and Howorth, 2006). Such costs can include a focus on short term profits, risk aversion, and a pursuit by executives of self-serving projects (Gomez-Meiji et al., 2001). To minimize such costs two broad control mechanisms, namely governance structures and compensation schemes can be put into place to protect shareholder interests (Davis et al., 1997). This can include owners conducting audits or performance reviews with their managers. Another potential scheme could be introducing long term rewards that are directly tied to organisational performance. These control mechanisms could be employed as means of controlling the potential disparity between the actions of the principals and the agents.

According to the agency perspective, families may pursue a utility that favours themselves rather than the company as a whole (Le Breton-Miller and Miller, 2009). This may involve using their status and power to put themselves and other family members in key management positions irrespective of suitability and having control over resources and assets and using them for personal reasons (Le Breton-Miller and Miller, 2009; Schulze et al., 2003). The decision to recruit family members into managerial positions, in conjunction with some family firms being risk adverse (Gomez-Mejia et al., 2007), can result in there being a lack of emphasis and resources for investment (Miller and Le Breton-Miller, 2005). This lack of investment coupled with risk aversion could limit and possibly inhibit a firm's ability to innovate and grow (Le Breton-Miller and Miller, 2009). Thus, the relationship between the owner and manager as well as the objectives a family business pursues can affect the firm's ability and outlook on innovation.

Based on stewardship theory, managers act as stewards who are motivated by the interests of the organisation as a whole, where non-financial objectives are pursued such as the need for recognition or a general work ethic, which in turn will benefit the owners (Muth and Donaldson, 1998). This would mean that the manager and principal's interests would be aligned, eliminating any agency costs and exhibiting an organisational serving culture (Davis et al., 1997; Muth and Donaldson, 1998; Habbershon and Williams, 1999; Arregle et al., 2007; Carlman et al., 2007; Le Breton-Miller and Miller, 2009). In this way, a mutual commitment to long term prosperity of a family firm can encourage trust, loyalty and group cohesion which indicate social capital (Arregle et al., 2007). Thus, Le Breton-Miller and Miller (2009) suggested that stewardship can extend beyond the family to include employees, managers and partners. Furthermore, Zahra et al. (2007) also noted that innovative products, processes, tactics and strategies can only be developed by utilizing the collective knowledge of employees. This emphasises the potential of gaining an insight into the role non-family employees play in small family firm innovation.

The intimate knowledge family owners and managers have can enhance an organisation's ability to cope with uncertainties related to long term decisions, which can help support long prosperity (James, 2006; Le Breton-Miller and Miller, 2009). However, knowledge sharing could be limited if valuable information lies with one or a few key family members or if family rivalries exist and there is reluctance to pass on information (Lansberg, 1999; Gomez-Mejia et al., 2001; Zahra et al., 2007). Furthermore, jealousy between family and non-family members or nepotism may also impede knowledge sharing or gaining new perspectives from others (Zahra et al., 2007). Thus, the relationship between family members and non-family employees may affect a firm's ability and willingness to share information and knowledge, consequently affecting the innovation patterns within small family firms. This emphasises the impact internal relationships can have on a family firm's ability to innovate, thereby pointing to the relevance of gaining an insight into the role of this element within the study at hand.

Stewardship in family firms can be characterised by flat and cohesive and involvement-orientated organisational cultures (Davis et al., 1997; Eddleston and Kellermanns, 2007; Le Breton-Miller and Miller, 2009). This point links with literature on innovation that associates decentralisation with innovation (e.g. Damanpour, 1991), suggesting the pertinence of gaining an understanding of governance structures for this thesis into the study of small family firm innovation. It raises the question – what governance

structures fosters or inhibits innovation in small family firms and what impact does this have on the innovation patterns of such organisations as a whole?

From the stewardship perspective, family firms might be more motivated to have close relationships with a broad range of external stakeholders that allow them to identify opportunities and update their current offerings (Le Breton-Miller and Miller, 2009). Relationships with a diverse range of groups can enhance the distribution of new ideas (Le Breton-Miller and Miller, 2009). However, homogenized opinions and ideas can result when family bonds are insular in nature whereby they are likely to pursue an agenda which may benefit the family more than the business (Poutziouris et al., 2004; Le Breton-Miller and Miller, 2009).

In short, according to both agency and stewardship theory, managers are seen to choose whether they behave as agents or stewards, which in turn dictates the nature of the relationship between the two parties (Davis et al., 1997). Carlman et al (2007) argued that family managers in family firms are a mixture of agents and stewards. Therefore, agency and stewardship theory can be used in conjunction with one another to explore management and ownership issues with family firms (Le Breton-Miller and Miller, 2009). More specifically, it will be of value to the study at hand to find out whether innovative small family firms exhibit more characteristics in line with stewardship theory or agency theory, or perhaps both. Either way, the theories provide a valuable insight into the importance of relationships within a family firm, whether it be between family members or non-family members and the effect this can have on organisational practices such as innovation.

2.4.4. Stewardship Theory and the Family Firm

Stewardship and the 4Cs Model

Miller et al (2008) argued that there are certain characteristics of stewardship that are demonstrated in family firms which include a commitment to long term prosperity (continuity) of the firm, nurturing the community of employees, and pursuing closer connections with customers to sustain the business (Miller et al., 2008). These characteristics follow Miller and Le-Breton Miller's (2005) 4Cs model, which outlines four priorities that drive successful family businesses. Furthermore, these priorities can be configured to support different strategies to create a competitive advantage such as

innovation and quality leadership. According to the model the 4Cs priorities of family firm are continuity; community; connect; and command. One of the main values of this framework is that it takes a configuration based approach to understanding family firms, which considers the heterogeneous and complex nature of this group of businesses (Miller and Le-Breton Miller, 2005). In particular, it complements the systems approach to understanding family firms as discussed in section 2.4.2.

The holistic approach of the 4Cs model takes into account all stakeholders and the value of complementary practices that benefit the organisation as whole, which follows the principles of stewardship theory as discussed in section 2.4.3. The continuity priority is based on the long term sustenance of a family firm which is based on family based values and missions that benefit the organization as a whole as opposed to simply achieving short term profits as well as fostering long term employment.

Miller and Le Breton-Miller (2005a) argue that a family firm's stewardship over continuity can occur in many forms including a strong emphasis on R&D of new offerings, a focus on enhancing the firm's reputation, more attention paid to broadening the market and market share. Due to the long tenure of family firm managers, it is argued that they are more concerned with the continuity of the firm rather than short term earnings which encourages them to invest in developing new products and technologies (James 2006). Miller and Le Breton-Miller (2005) argue that it is important for two generations to work together within a family firm to ensure sustenance of competencies and knowledge transfer. The involvement of multiple generations in a family firm can be perceived as an inclusive working environment incorporating different perspectives (Kellermans and Eddleston, 2004) and sharing knowledge between generations can enhance the quality of the knowledge (Gersick et al., 1997). Perhaps it is this involvement of multiple generations within a family firm that facilitates innovation and allows it to be sustained from one generation to the next, linking directly to the main research aims of this study. This is a pertinent point in relation to innovation in family firms and the effect the continuity priority has on it.

The community priority focuses on the importance of a cohesive community of employees within a family firm, which believes in the organisation's values. Miller and Le Breton-Miller (2005) argue that fostering and retaining a motivated and knowledgeable internal workforce is vital in the long-term survival of a family firm, indicating the complementary nature of the continuity and community priorities. The community priority is based on the principle that if employees can be encouraged to

follow the organisation's values then they can be trusted to work within the best interests of the firm, which in turn requires less bureaucratic control (Miller et al., 2008). This re-enforces the potential value of non-family employees in shaping innovation in small family firms.

The third priority in Miller and Le-Breton Miller's (2005) 4Cs model is connect emphasising the value of developing relationships with external partners providing access to additional resources and the potential for exchanging privileged information between the respective parties. Family businesses are seen to be more concerned with building lasting relationships and networks with customers and suppliers than those firms who are more interested in short term opportunities (Gomez-Mejia et al., 2001). This emphasises the potential value of external relationships in small family firm innovation. This suggests that external relationships can be instrumental in facilitating innovation in small family businesses, highlighting the importance of gaining an understanding of this within this study.

The fourth priority is that of command emphasising a family firm's ability to make bold and quick decisions, beating the competition in seizing opportunities. Miller and Le Breton-Miller (2005) argue that there is interplay and tension between the four priorities, which needs to be considered when developing strategy, for example the continuity priority emphasises maintaining momentum, whilst command focuses on action and redirection. To combat this it is important to employ a combination of priorities, which are relevant to the strategy.

Despite the authors' reference to innovation, their research is restricted to large successful family businesses focusing on the pursuit of radical innovation. Thus, the configuration of these Cs in relation to small family firm innovation has not been empirically tested. Furthermore, the 4Cs model has only been studied in an exploratory manner, thus an empirical study is required. Due to the holistic approach of this model, there is scope for Miller and Le Breton-Miller's (2005) 4Cs framework to guide my study on the innovation patterns in small family firms as it provides the flexibility to take into account that small family firms may apply different configurations of the Cs when undertaking innovation.

2.4.5. The Role of Social Capital Theory in Family Business

Despite the clear link between social capital and the RBV, many scholars apply and extend the notion of social capital in family firm literature in its own right such as organisational social capital (Arregle et al, 2007; Zahra, 2010), community level social capital (Lester and Cannella, 2006) and the link between familiness and social capital (Pearson et al., 2008). Newell et al (2004) observed that social capital is often defined differently by different scholars. Social capital is an intangible resource (Sirmon and Hitt, 2003), which takes a long period of time to develop (Zahra, 2010). The linkage between family members generates social capital providing an explanation for survival and the prosperity of family firms (Lester and Cannella, 2006).

Social capital, through reciprocal and trusting relationships, is the goodwill and resources available to someone (Arregle et al, 2007). In slight contrast, Nahapiet and Ghoshal (1998) defined social capital in terms of providing a bridge for an individual to gain information from external sources. Whilst other scholars, such as Coleman (1988) and Lester and Cannella (2006) viewed social capital as a bond between a defined group which is more internally orientated. Some definitions incorporate both aspects of social capital (e.g. Alder and Kwon, 2002). Zahra (2010) observed that there are two broad categories of social capital in family firms: familial and organisational. Familial social capital stems from family members relationships and interactions, whilst organisational social capital results from interacting, communicating and building diverse relationships with external stakeholders. Familial social capital can result in parents investing in their children and in their new ventures (Zahra, 2010).

Social capital within an organisation can create a number of benefits such as improving creativity (Perry-Smith and Shalley, 2003), assist the flow of information, improve communication, and create knowledge (Tagiuri and Davis, 1996; Lester and Cannella, 2006; Arregle et al., 2007). It should be noted that the literature on how family firms successfully share knowledge is limited (Zahra et al., 2007). However, Tagiuri and Davis (1996) commented that due to the emotional involvement between family members communication may not be interpreted objectively. Social capital can often be embedded in family members (Mustakallio et al, 2002). James (1999) expanded on this by arguing that research is needed into the implicit social contracts between family and non-family members. One could question whether social capital is necessarily confined

to family members or whether it could extend to include non-family members within the family firm.

The link between family social capital and organisational social capital is likely to be stronger in firms where the family is actively integrated in and when the family has demonstrated a great commitment to the management and ownership of the firm (Arregle et al., 2007), which follows stewardship theory and the value of having a close relationship between the two. Relationships between family members in family firms can create an ideal situation to develop social capital (Coleman, 1988), which is reinforced by increased reciprocity and exchange stemming from stability, interdependent interactions and closure prevalent in family businesses (Arregle et al, 2007). Family stability can be the result of children spending considerable time under the family's influence. Consequently, this can enhance one's understanding of the family members' values, behavioural norms, which are influenced by historical family traditions, and cognitive schemes. Family firms are often seen to have more stability in terms of ownership than non-family firms (Arregle et al, 2007; Gersick et al., 1997).

The family is a significant influential factor in a family firm's organisational identity, which affects the creation of organisational social capital (Arregle et al., 2007). Family social capital can stimulate strong bonds between family members, which in turn can influence the firm's current and future activities (Jack, 2005). Family members' access to external social networks such as professional organisations can provide additional resources and knowledge for the firm (Freel, 2003). Similarly, Zahra (2010) commented that organisational capital could provide an opportunity to acquire knowledge, facilitate learning and provide a broader perspective of one's industry. This can combat what Schulze et al (2003) argued as inward thinking sometimes present in family firms. Therefore, this re-enforces the important role external partners can play in facilitating innovation within family businesses further emphasising the relevance of this issue in gaining an insight into the innovation patterns of small family firms.

The boundaries between work and family social relationships can sometimes be blurred as family members will often work together and attend some of the same social events (Mustakallio et al, 2002; Arregale et al., 2007). This can result from members being simultaneously in two social groups, the family and the firm, which results in reinforced norms (Tagiuri and Davis, 1996; Portes, 1998) and higher levels of trust related norms (Coleman, 1990). Consequently, this strengthens the organisational social capital (Arregle et al., 2007). This provides further re-enforcement of the value of taking a

holistic approach to studying family firm innovation by considering both the family and business elements and the effect this has on innovation patterns. This internal interaction between family members, as well as intense interactions with external stakeholders such as customers, can contribute to organisational social capital (Arregle et al., 2007). This is particularly the case when there is mutual trust, which in turn can aid the knowledge, skills and experiences that are shared with external stakeholders and promote innovation (Zahra, 2010). This complements the connect priority in Miller and Le Breton-Miller's (2005) 4C's model. However, Cater and Schwab (2008) observed that high levels of familiarity and trust between family members encourage consensus-orientated and conflict-avoiding behaviour, which can result in the failure of dealing with controversial issues.

Family social capital is strengthened between family members who pursue similar goals (Arregle et al., 2007). It is important for family firms to define the family purpose, mission and values for long term growth (Ward, 1997). Arregle et al (2007) suggested that a family firm with a "weak family social capital is likely to be more similar to a non-family firm than to a family firm with strong family social capital" (p86). In this way, the authors are arguing that not all family firms are necessarily different to non-family firms. When weak family ties exist explicit formalisation of the business may be more effective (James, 1999). Personal ties between family members can change over time with different ties existing within different families (James, 1999). Strong organisational social capital can carry some risks such as impeding innovation as members can be deeply rooted in established practices and they can be more internally rather than externally focused (Janis, 1981; James, 1999; Pearson et al., 2008). This suggests that organisational social capital could be a double-edged sword potentially inhibiting whilst also facilitating innovation in small family firms indicating the complexity of small family firm innovation.

As opposed to Zahra's (2010) distinction of social capital, Lester and Cannella (2006) focused specifically on community-level social capital as a means for family firms to resolve problems associated with such firms such as succession and family disputes. The scholars argued that community level social capital could be achieved through networks with other family firms who may have successfully resolved similar problems. These networks can be in the form of trusted advisors from other family firms. However, the use of other family firms may be limited as the dynamics and kinship ties of a family can be very unique, making it difficult for there to be a standard way of resolving family conflicts or disagreements. The applicability of Lester and Cannella's (2006) work may

be limited in small family firms as they focus on family controlled public corporations that already have a board of directors. However, this is not to say that an adaptation of this idea may not be applicable to small family firms and to innovation. Another potential issue with this form of social capital is that family firms can be relatively secretive (Gersick et al, 1997) which may result in them being reluctant to include members from other family firms. This was found to be particularly the case for owner-managed family firms who are likely to be reluctant to delegate managerial responsibilities and less likely to seek external advice (Cromie et al., 1995). This raises the question as to whether external help is utilised in small family firm innovation.

It appears that the literature focuses on one type of social capital at any time but maybe a combination of both familial and organisational social capital is present when a small family firm undertakes innovation. Furthermore, broadly speaking social capital theory emphasises the vital role internal and external relationships can play in enhancing a family firm's access to knowledge and ideas, facilitating innovation. Therefore, it is of value to the study at hand to gain an understanding of how internal and external relationships shape innovation within small family firms.

2.4.6. Succession in Family Firms

Dyer and Handler (1994) observed that there has been a significant focus on succession in the family business literature as only a small percentage of family firms survive the transition to the second generation (Massis et al., 2008) with around a third surviving until the second generation and even less, a tenth being transferred to the third generation (Poutziouris et al., 2004). Thus, the subject of succession is often seen as a crucial one for family firms and Handler (1994) went as far as saying succession is the most important issue for family firms. However, a universal approach to succession has still not been agreed on (DeNoble et al., 2007). Due to the importance placed on succession within family business literature and the generational element of this study, it seemed sensible to review this topic in attempt to frame the inquiry at hand.

Handler (1994) identified five streams of research on succession in family business literature which are: succession viewed as a process; the role of the founder; the next generation's perspective; multiple levels of analysis; and the characteristics of successful successions. Since Handler made this observation over 20 years ago, it may be wise to supplement this to bring it up to date. The last stream of research

should incorporate the personal characteristics of successors that lead to more effective succession (e.g. Carlman et al., 1998) and the factors that can prevent succession (e.g. Massis et al., 2008).

A popular view of succession in the family business literature is to regard it as a process (e.g. Churchill and Hatten, 1987; Gersick et al., 1997; Stavrou, 1999; Westhead et al., 2001; Cadieux et al., 2002; Mazzola et al., 2008). It is a long term process which is essential to the survival of family firms (Stavrou, 1999). It may be essential to survival but it is not necessarily the only determinant contributing to family firm survival – how about innovation? Innovation could also potentially be viewed as a long-term process essential for survival as embraced within the continuity priority in Miller and Le Breton-Miller's (2005) 4Cs model.

There does not appear to be a universally agreed set of stages within the succession process, however many models tend to be based on the process starting before the successor enters the business and stops when the predecessor retires (Cadieux et al., 2002). Churchill and Hatten (1987) suggested four stages which follows a life cycle approach: the owner is the only family members directly involved; the offspring learns the business through training and development; leadership is shared between the founder and the successor; responsibilities and power are passed on to the successor. In reality it may doubtful whether stages 2 and 3 occur. Owner-managers may be reluctant to invest in employee training (Cromie et al., 1995), be it relating to a successor or a non-family employee. Having said this, family members in small family firms receive more extensive coaching and mentoring than non-family employees (Matlay, 2002).

Following Churchill and Hatten's (1987) conceptualisation of succession as a process, Handler (1990) proposed a 4 stage process of succession which focused on the role adjustment between predecessor and successor. In contrast though, Handler (1990) suggested that an owner's role changes in time in terms of the level of involvement and authority. As the predecessors' involvement and authority decreases over time the next generation family member's increases. Similarly, Cater and Justis (2009) suggested that the succession process follows a similar set of stages. Cater and Justis's (2009) study focused on small family firms and they posited that a positive parent-child relationship, long term orientation, and cooperation affect a successor's development. The scholars went on to argue that the parent often plays a lead role in mentoring the successor. This highlights the importance of a close relationship between family

members and that this in turn can facilitate the transfer of knowledge between generations, which could increase the potential for innovation (Le Breton-Miller and Miller, 2009). This re-enforces the value of gaining an insight into the internal relationships within small family firms and the effect this has on their ability to innovate.

To sustain performance through the generations, the youngest generation should be integrated into the family business (Handler 1989; Stavrou, 1999) to facilitate knowledge and information transfer from the senior generation to the young generation (Cabrera-Suarez et al., 2001; DeNoble et al., 2007). This prompts the question can the same be said about sustaining innovation between the generations, which links to one of the main objectives of this study? Do the younger and senior generations need to work alongside each other to facilitate knowledge transfer between them?

Several issues can occur within the succession process including the senior generation being reluctant to leave and the middle generation being impatient to take over (Gersick et al., 1997) and the offspring not necessarily having the appropriate skills, abilities and qualifications (Kets de Vries 1993; Schulze et al., 2003; Massis et al., 2008). In addition, the notion of succession planning could be said to be in contrast to an entrepreneur's need for control and power (Dyer and Handler, 1994). Due to altruism, family firms may be more likely to place family members in management positions, thus reducing the pool of potential candidates (Cater and Schwab, 2008). The pool of suitable family managers within a family firm may be limited in terms of having relevant experience and being of a certain quality appropriate for a Managing Director's position (Casson, 1982). Stavrou (1999) re-enforced this view by suggesting that it is important to encourage offspring to gain necessary qualifications and not to force them to join the family firm and assess whether an offspring should enter the business. Furthermore, Neubauer and Lank (1998) argued that having business related qualifications helps family members have more informed family discussions relating to the family business and enhances the ideas within a firm (Le Breton-Miller and Miller 2006). This discussion highlights the importance of qualifications within a family firm, therefore education might be one element that can affect a small family business' ability to innovate.

Family members may be deterred from suggesting that the founder retires in the fear that they are seen as acting in a disloyal manner or suppliers and customers who have a good relationship with the founder may resist doing business or forming relations with the next generation (Dyer and Handler, 1994). Lansberg (1988) highlighted that customers and suppliers of family firms are often used to interacting with the owner.

Therefore, some customers or suppliers may refuse to deal with anyone but the incumbent due to their close relationship. This emphasises the integral role of the owner within a small family business, highlighting the value of gaining an understanding of the role the owners plays in leading and facilitating innovation within small family firms. Perhaps the importance placed on the owner may affect the next generation's ability to innovate or gain valuable information from suppliers and customers particularly in smaller family firm. The influence of the successor may be limited if the founder has an enduring effect on a family firm's strategy particularly when there is a strong loyalty towards the original business, which is often the case in family firms (Gersick et al., 1997). This, in turn, may be an inhibiting factor for both succession and innovation in family firms.

For family firms to survive across generations it is important for the senior generation to be willing to consider new ways of doing things and for the younger generation to respect this (Cabrera-Suarez et al., 2001). Each generation should consider and accept suggestions for improving and managing processes and be willing to transfer knowledge and learn from each other which will facilitate innovation and improvements within the organisation (Davenport and Prusak, 1998). This highlights the importance of learning taking place between the generations and the potential impact this can have on their ability to sustain innovation. In addition, there is a need for the next generation to have an innovative spirit (Litz and Kleysen, 2001; Mazzola et al., 2008). However, Cabrera-Suarez et al (2001) and Milton (2008) noted that due to the intangibility of knowledge and skills one needs to consider how this can be transferred between generations. Family firms do not want to lose the tacit knowledge that is embedded in the senior members, which can be a major obstacle in the succession process. Equally, this may also be an obstacle in sustaining innovation from one generation to the next.

Each family by definition is different which makes it difficult to develop a prescriptive set of stages, which the succession process should follow. Each family firm is likely to embark on the process in a different way. For instance, Salvato (2004) distinguished between 3 types of family firms: founder-centered family firms in which the founder still plays a central role as succession has not occurred; sibling/cousin consortium firms which are made up of second and third or even later generations who hold major ownerships and management roles; and open family firms where majority ownership is not held by a single family or related families. This further re-enforces the heterogeneous nature of family firms and the importance of taking this into

consideration when studying innovation patterns in small family firms, thereby emphasising the value of applying a configuration approach to this study.

2.4.7. Entrepreneurship in Family Firms

Despite there being limited literature on family firm innovation there has been some research conducted into entrepreneurship in family firms (e.g Hoy and Verser, 1994; Zahra et al, 2004; Kellermanns and Eddleston, 2006). The concept of entrepreneurship can be closely associated to innovation, pointing to the relevance of reviewing the existing literature on this subject within the family business arena. However, research on entrepreneurial issues in small and medium sized family firms is underdeveloped (Fletcher 2004; Salvato, 2004) due to the focus on the interaction of the ownership, management and family systems within family businesses (Johannisson, 2002). The lack of research on entrepreneurship within small and medium sized family firms supports the focus of my study on small family firms. Johannisson's (2002) reference to systems theory and entrepreneurship re-enforces the value of viewing small family firms from a holistic perspective taking into account the complex elements operating within them.

A widely used definition of entrepreneurship is provided by Miller (1983) who refers to it as concept involving more than one dimension including product-market and technological innovation, pro-activeness and risk taking. Entrepreneurship and family business are seen as independent yet overlapping areas (Hoy and Verser, 1994) which is a process that is closely linked to the family, ownership and management dimensions of a family business (Fletcher, 2004). Family firms foster entrepreneurship due to the long term nature of such businesses, which allows them to dedicate resources for innovation (Zahra et al, 2004), linking the continuity priority identified in Miller and Le-Breton-Miller's (2005) 4Cs framework as a potential facilitator of innovation.

A study by Blake and Saleh (1995) found the environment in which a family firm operates affects their abilities to innovate with those operating in uncertain environments are more innovative than family firms in relatively stable environments. Johannisson (2002) noted that more professional management and less family involvement is important in the continuation of entrepreneurship in family businesses despite such firms often being seen as lacking professionalism (Poutziouris et al., 2004). Whilst, Zahra et al (2004) found that the cultural characteristics of individualism,

external orientation, decentralisation, and strategic and financial controls had more of an effect on entrepreneurial orientation within family firms than non-family firms. However, this is only the case when these characteristics were present, without them family firms were less likely to be entrepreneurial than non-family firms (Zahra et al., 2004).

Family firms are often seen to be less innovative as their non-family counterparts (Kellermanns and Eddleston, 2006). Kellermanns and Eddleston's (2006) research suggested that family firms can increase corporate entrepreneurship through strategic planning by recognising technological opportunities, pursuing organisational change and exploiting opportunities. However, Poutziouris (2002) commented that entrepreneurship alone does not necessarily equate to growth of a family firm as management's capacity and attitudes towards change also play a significant role. Kellermanns and Eddleston (2006) did not find a direct link between generational involvement and corporate entrepreneurship suggesting that multigenerational family firms are not inevitably more entrepreneurial (Kellermann and Eddleston, 2006). In contrast, Westhead and Howorth (2006) found evidence suggesting that multigenerational family firms can be seen as "wealth creators" in terms of facilitating entrepreneurship (p312).

Furthermore, Salvato (2004), based on a sample of Swedish family firms, found that methods of fostering entrepreneurship differ according to the type of family firm. In founder-based family firms, the focus should be on the second generation taking part in the entrepreneurial process and encouraging employee contribution through value based compensation. In sibling/cousin consortiums, leaders should be encouraged to embark on unrelated activities to broaden their experiences. In open family firms, emphasis should be placed on the large body of management. This is a valuable study as it takes into consideration family firms at different stages of generational ownership, linking directing to my study on innovation and how it sustained between generations. However, the sample does not necessarily apply to small family firms in the UK but it does re-enforce this issue of heterogeneity and that a 'one size fits all' approach to studying small family firm innovation is not necessarily appropriate but that a configuration based view would be of more value.

Despite the presence of literature on entrepreneurship in family business, there is little focus on innovation within small family firms. Reference is made to innovation but the

evidence suggests the need for empirical research on innovation in the family business literature.

2.4.8 Summary

In reviewing the family business literature, it is evident that family firms have distinguishing characteristics making them distinct from non-family businesses highlighting the value of studying family firms in their own right. The distinguishing and complex features within family businesses appear to stem from the 'family' element and the interaction of this with the rest of the organisational components. As heterogeneous entities it is difficult to apply an inflexible 'one size fits all' approach to studying the innovation patterns within small family firms. Therefore, Miller and Le Breton-Miller's (2005) 4Cs model has scope to guide this study. Furthermore, the application of systems theory within the literature highlights the value of viewing family businesses from a holistic perspective due their complex nature. The 4Cs model facilitates such a perspective, providing further impetus for the application of this framework in this study. Some key themes have emerged from the literature review, which will be employed to frame the inquiry at hand. More specifically, the discussion on agency, stewardship, succession and social capital theories highlighted certain characteristics within family businesses that may affect the way in which they innovate. These include: the governance structures within a small family business; their access to knowledge and ideas through internal and external relationships; and the role of the owner. Now that the family business literature has been reviewed, the next chapter will review the innovation literature to gain an understanding of the key themes governing this field of study, which will help inform the study of small family firm innovation.

3. Literature on Innovation

This chapter provides a literature review on innovation in SMEs. Despite the family business literature review in chapter 2 suggesting that family businesses are uniquely different to non-family business it still seems pertinent to review the existing innovation literature to provide a general understanding of the different definitions and types of innovation that have been researched thus far. Following this, a more specific review of the innovation literature is carried out focusing on innovation in SMEs and how they undertake innovation and the determinants and hindrances for SME innovation. I outline how aspects of the existing literature on SME innovation have helped frame my study as outlined in figure 2.

SMEs account for the majority of all businesses and employment in most developed countries, thus they play a vital role in economic growth and employment (OECD, 2012). In turn, innovation in SMEs is instrumental in driving economic growth and job creation (OECD, 2012), highlighting the value of carrying out research within this field of study. Furthermore, innovation is becoming a means of survival for SMEs (Amabile, 1988; Huang et al., 2002; Martins and Terblanche, 2003; Humphreys et al., 2005; Pullen et al, 2008). There is pressure on SMEs to innovate more effectively and efficiently due to shorter product life cycles (Allocca and Kessler, 2006), rapidly changing technology and customer needs, and increasing competition (Huang et al., 2002).

There are some contrasting views on whether SMEs can be innovative. For example, McAdam and McConvery (2004) asserted that SMEs resist innovation, whilst Cray (2002) noted that only a minority of SMEs are innovative. Despite a large and diverse amount of literature on SMEs and innovation, Hoffman et al (1998) argued that research on how SMEs undertake innovative activities is limited. Radas and Bozic (2009) reiterated this point which is interesting since it is almost 20 years since Hoffman et al's (1998) observation and in depth understanding is still lacking on this issue.

3.1. Approaches to Defining Innovation

To gain a general understanding of innovation for the purposes of this thesis, the various definitions of the phenomenon as well as the differing types of innovation, which are applied within the literature are explored. There is an inconsistency among the definitions used in relation to innovation, which may have consequently limited the academic progress made in this subject area (Garcia and Calatone, 2002).

Nevertheless, there are various noteworthy definitions of innovation in the literature such as Schumpeter's (1939, 1947) classic definition. He defined innovation in terms of the introduction of a new product, new methods of production, new source of supply of new materials, and opening a new market. However, from an economic perspective, McDaniel (2000) observed that Schumpeter's (1939, 1947) definition has been criticised for being too detailed and all encompassing. Since the introduction of Schumpeter's (1939, 1947) definition, scholars seem to have built on his meaning of innovation. For example, Afuah (1998) defined innovation in the field of high technology in terms of invention and commercialization. Furthermore, Garcia and Calatone (2002) made the distinction between innovation and invention. Hurley and Hult (1998) argued that innovation may not necessarily encompass entering new markets as this may refer more to entrepreneurship. However, it could be argued that entrepreneurship is an element of innovation (Amabile, 1988).

Innovation has also been discussed in the literature in terms of change with reference to the notion of innovativeness (Garcia and Calatone, 2002). Thus, there has been a definitional shift from innovation to more specifically innovativeness, which is the degree of change (Salavou and Avlonitis, 2008) or an aspect of a firm's culture that relates to openness to new ideas (Hurley and Hult, 1998) or the degree of newness (Garcia and Calatone, 2002). The issue of varying degrees of change may help in explaining the difficulty in defining innovation. Pearson (1991) defined innovation as change, which can be incremental or radical. Innovation can fall somewhere on the spectrum between continuous and discontinuous (Veryzer Jr, 1998). The "radicalness" of an innovation is arguably dependent on the perceptions of individuals within an organisation and the experience individuals have with the innovation being developed (Roberts and Berry, 1995). This issue of perception and perspective is pertinent with regards to innovation as the varying definitions appear to depend on one's perspective of it. Nevertheless, Huber (1998) adopted Schumpeter's (1939, 1947) use of a broad definition of innovation and expands it to include imported ideas and processes. Regardless of the source of innovation, the organisation modifies and customizes the innovations (Van de Van et al., 1989). Allocca and Kessler (2006) found that SMEs do not use external

sources for ideas. Lundvall (1995) and Freel (2003) follow this line of thinking and refer to the use of existing knowledge and developing it in a new manner. This point infers that when defining innovation, there is not necessarily a universally agreed definition but that one must make it clear from whose perspective the innovation is from.

Rather than viewing innovation as a “change”, some scholars refer to innovation as something “new” to an individual or another unit of adoption (Rogers 1971; Damanpour, 1991). The reference to “something” can vary from a product, process, service, policy or programme (Damanpour, 1991) to an idea, a business practice or object (Rogers, 1971; Blumertritt, 2004 ;). However, Martins and Terblanche (2003) integrated both “new” and “change” elements of innovation by viewing it as something new, which results in change. In this instance, change is seen to be the output of innovation, with something new being the actual innovation. Innovation can also be defined in terms of the business life cycle as illustrated by Heunks (1998) who argued that at the start up stage of a firm, the firm itself is the innovation as it can be seen to be “a new product-market combination” (p263) and as the firm grows it needs to emphasise innovations within the firm and within its context.

The discussion thus far suggests that there are various ways of defining innovation within the literature with no universally agreed definition applied. These vary from broad to rather specific views of innovation. In addition to this general overview of the approaches used to defining innovation within the literature, innovation typologies is another way of categorising the phenomenon.

3.2. Types of Innovation

Innovation can come in many different forms including the creation of new or better support services, the development of more efficient internal processes and new ways of maintaining customer relationships (Blumertritt, 2004). Distinctions are often made between radical and incremental innovations (Ettlie et al 1984; Damanpour, 1991; Radas and Bozic, 2009), product and process innovations (Damanpour, 1991; Blumertritt, 2004) and administrative and technical innovations (Knight, 1964; Damanpour and Evans, 1984; Madrid-Guijarro et al., 2009).

Damanpour and Evans (1984) and Knight (1964) argued that technical innovations relate to products, services and production process technology whereas administrative

innovations entail organisational structure and administrative processes. Product innovations are more appropriate when entering new markets before competitors and meeting customer needs, whilst process innovation indirectly affects the market position through enhanced productivity and reductions in cost (Nieto and Santamaria, 2010). All innovations can be evaluated in terms of their newness to the industry and the firm (Garcia and Calantone, 2002). This suggests that perhaps the definition of innovation is dependent on one's perception of the phenomenon. What one group of individuals or businesses perceive as an innovation may differ to that of another. This highlights a valid point in relation to studying small family firm innovation. How does this group of businesses perceive innovation? Small family firms may not perceive themselves as being innovative even if they are. This provides a rationale for the use of participant observation in this study to gain an understanding of the meanings the organisations attach to the term 'innovation' as compared to my perception as the researcher.

3.2.1. What is Radical and Incremental Innovation?

The distinction between radical and incremental innovation illustrates that innovation can be categorized in terms of the degree of change. A variation of these terms was provided by Nord and Tucker (1987), who distinguished between "routine" and "radical" innovations. In fact, Schumpeter (1939) argued that most innovations are based on reformulated existing knowledge and therefore cannot necessarily be classed as "radical". Radas and Bozic's (2009) suggested that three types of product innovations exist – line extensions, "me-too" products, and radical innovation with the first two falling under incremental innovation. This is echoed by Garcia and Calantone (2002) who suggested that incremental innovation can be defined as product improvements using existing technologies in existing markets.

Enkel and Gassmann (2010) took the notions of "radical" and "incremental" innovation a step further by distinguishing between incremental, market breakthroughs and radical innovations, which differ in the amount they benefit the customer with incremental providing the least and radical providing the most value. One could assume that incremental innovation is more likely to occur in SMEs as suggested by Nooteboom (1994), who inferred that both small and large companies are able to invent but larger firms are more equipped to invent new science based high-technologies as opposed to smaller companies who are likely to be better at improving existing technologies. This

suggests that the size of a firm affects their capacity to innovate and the type of innovation that is pursued.

3.2.2. The effect of radical and incremental innovation on strategy

To provide a deeper understanding of innovation this section highlights the impact the type of innovation an organisation such as a family business pursues can have on a firm's overall strategy. In other words, those firms pursuing radical innovation will adopt a different strategy structure to that of incremental innovation. In particular, Ettlie et al (1984) argued that radical innovation is supported by centralisation and informal structures, suggesting the need for greater top management support in the innovation process. In contrast, incremental innovation processes that lead to new product introduction rely more on traditional structural arrangements and market orientated strategies such as complex and decentralised organisational structures (Ettlie et al, 1984). However, this may be more applicable to large firms rather than SMEs, who are more likely to have larger and more complex organisational structures.

Ekvall (1996) suggested that certain characteristics such as risk taking, dynamism, freedom and debates play an important role in distinguishing incremental innovation from radical innovation. This is further emphasized by Veryzer Jr's (1998) research that inferred that discontinuous product innovation should be managed differently to continuous innovations and is less likely to require highly structured, formalised processes and systems. However, a limitation of Veryzer Jr's (1998) study is the focus on very large and successful Fortune 500 firms, confined to the United States, which does not permit the results to be generalisable.

3.2.3. Product Innovations Defined

Damanpour (1991) defined product innovations as “ new products or services introduced to meet an external user or market need, and process innovations are new elements introduced into an organisation's production or service operations” (p561). Product innovations are more appropriate when attempting to enter new markets before competitors and meet customer needs, whilst process innovation indirectly affects the market position through enhanced productivity and reductions in cost (Nieto and Santamaria, 2010).

Some scholars have simply focused on product innovations and proposed sub-types of innovations based on their innovativeness. For example, Salavou and Avlonitis (2008) identified three groups within a sample of SMEs, with each featuring different levels of product innovativeness. Straight imitators represent low product innovativeness in terms of product newness to customers and new product uniqueness, whilst presents a medium level of product newness to the firm. The product innovators category tends to encompass high product innovativeness in terms of new product uniqueness and product newness to the firms but only a medium level of product newness to the customers. These include more radical variations on existing products that surpass competitors' products but do not require customers to exert much effort when adopting the innovation. Concept innovators relate to medium product innovativeness where modest departures from existing products are sought that are reasonably differentiated from competitors. In the study, the straight imitators and product innovators emerged stronger in terms of product performance.

Garcia and Calantone (2002) distinguished between three types of degrees of product innovativeness – incremental, really new, and radical. All innovations can be evaluated in terms of their newness to the industry and the firm (Garcia and Calantone, 2002). Furthermore, Mosey (2005) suggested typologies of new products based on varying levels of newness to market which included: The same technology currently used by the firm; new technology to the firm, but not to the world; and lastly new technology to the world.

These distinctions of product innovation incorporate and expand on the concepts of “incremental” and “radical” innovations. Process innovation involves new ways of producing products or services as well as news ways of delivering them to customers (Blumertritt, 2004). SMEs are often seen to avoid new product development and focus on existing products and customers due to the potential risk involved in new product development (Storey, 1994; Laforet and Tann, 2006). The risk of failure of a new product may be too great for SMEs (Bos-Brouwers, 2009). This supports Verhees and Meulenbergs' (2004) argument that many innovations in small firms are based on off the shelf technologies or concepts offered by supplying industries. This raises the point about the type of innovation that is pursued in small family firms – product, process or service or perhaps a combination?

3.3. The Process of Innovation

One of the main aims of this study is to understand how small family firm innovate. To tackle this, it is important to review the existing literature on the process of innovation and assess whether any of the existing knowledge can help shape this thesis.

Many scholars refer to innovation as a process (e.g Freel, 1994; Blumentritt, 2004; Bos-Brouwers, 2009; Pullen et al., 2009), which is often conceptualised in terms of stages (Amabile, 1988). These stages are not necessarily fixed or one directional (King, 1992; McAdam and Keogh, 2004). Veryzer Jr (1998) argued that the stages of the innovation process occur sequentially, whilst Cooper (1983, 1990) suggested that they occur in parallel and interact with one another. Thus, a regimented framework is not necessarily appropriate for studying the process of innovation as it does not allow the consideration for dynamics and contextual issues which a more phenomenological approach does (McAdam and Keogh, 2004).

Bos-Brouwers (2009) noted that the process of innovation differs between large organisations and that of SMEs. Furthermore, Santarelli and Sterlacchini (1990) claimed that SMEs tend to be more development orientated as opposed to large companies being more research minded. This might be linked to SMEs having insufficient financial capital to conduct research. Van Dijk et al (1997) commented that SMEs tend not have a single, formal R&D department, rather their R&D efforts are dispersed across departments.

Many scholars have proposed specific stages of the innovation process particularly relating to new product development (Cooper 1990; Crawford, 1994; Freel, 1994; Nootboom, 1994). The basic course of the process of new product development includes the concept being evaluated in terms of market opportunity and customer needs (Crawford, 1994). Then the concept is refined, the technical feasibility of the concept is examined, and the design process then proceeds. This prescribed set of stages neglects to mention the idea creation stage, which could be said to be one of the first steps in the innovation process. Laursen and Salter (2006) emphasised the interactive nature of the innovation process particularly the interaction with key users and suppliers resulting in innovators often seeking external help when innovating, highlighting the role of external partners in innovation as referred to in chapter 2.

There are many differing perspectives on the procedures and integrative mechanisms involved in the innovation process. However, with regards to new product development, the early stages of these systems, prior to product development, tend to be characterized by idea generation, preliminary market and technical assessment, conducting a market study and market research, business analysis, and determining the marketing strategy (Cooper, 1990; Hughs and Chafin, 1996). Rather than a highly structured innovation process such as stage-gate systems increasingly the process has become more orientated towards probing and learning with a focus on iteration and interaction (Lynn et al., 1996).

Knight (1967) and Cummings and O'Connell (1978) outline a simple and fairly broad model of the innovation process. Knight (1967) simply identified two major phases of the innovation process. The first being the creation of the idea and its development and the second involving the introduction and adoption of the idea. Zaltman et al (1973) echoed that there are two distinct stages in the innovation process but identified slightly different stages to Knight (1967), namely initiation and implementation. Cummings and O'Connell's (1978) view of the innovation process expanded on these two stages. They suggested a five stage process starting with the initiation of the process, followed by the generation of alternative innovation ideas and the evaluation of alternative innovative ideas, the selection and initiation of an alternative, and lastly acceptance and routinisation.

A pre-determined and formalised approach to understanding of the innovation process has been discussed thus far, however it is argued that SMEs innovate informally (Barnett and Storey, 2000) making it less likely they have a formal innovation process in place. Bessant and Caffyn (1997) argued that there is no definitive path in implementing and developing the process of innovation. Can the same be said about the way small family firms innovate?

There is some dispute over the involvement of owners and managers throughout the innovation process. Some scholars argue that owner/managers have a direct role in generating ideas (Bos-Brouwers, 2009) whilst others argue that innovators are often not the creators (Knight, 1967). Heunks (1998) suggested that an entrepreneur does not necessarily need to be creative but be able to manage creativity by identifying the source of ideas and facilitate them. Heunks (1998) further commented that creative people have different characteristics to innovators. An innovator, on the other hand, has some slightly different traits to a creative person such as the desire for responsibility

and achievement. Consequently, innovators tend to be dynamic leaders (Heunks, 1998). It may be that owners and managers are forced to be both innovators and also creators in small firms due to the sheer size of the businesses. Alternatively, the owners may actively choose to take on the role as innovators and creators for the sheer desire to be in control. This highlights the importance of gaining an understanding of the role the owner/manager plays in innovation within small family firms.

The discussion in this chapter thus far has laid a foundation for defining innovation for the purposes of this study. It has provided an overview of the complexity of innovation in terms of various typologies and meanings attached to the term 'innovation'. In the next section, innovation will be defined to guide this study on small family firm innovation.

3.4. Innovation Defined For this Study

As discussed within this chapter thus far, innovation appears to be subject to interpretation, which is potentially the reason a broad definition of innovation is often applied. Therefore, it seems apt to apply a broad definition of innovation to guide this study rather than being too specific and narrowing the scope of this thesis particularly as it is unclear what small family innovation is at this stage. This provides scope for the definition to be fine-tuned once the research has been undertaken.

Schumpeter's (1939,1947) classic definition of innovation is considered to be all encompassing and has been amended by Huber (1998) to also incorporate imported ideas and processes. Therefore, it seems sensible to follow a similar format and utilise a broad definition of innovation for the purposes of this study. Therefore, innovation for the purposes of this study will be defined as "a new product, process, and way of working, or idea that is either new to the organisation, industry or the world as a whole". This definition takes into account different types and degrees of innovation as it is important not to exclude practices, which could be interpreted as innovation.

3.5. An SME's Capacity to Innovate

Often a distinction is made between an SME's ability to innovate as compared to their larger company counterparts. Therefore, this section will assess the existing literature on an SME's capacity to innovate in attempt to frame this study on small family firm innovation.

Despite the continuing debate over whether larger or smaller firms are more successful or active in product innovation, smaller firms are still seen as having distinct advantages such as the ability to implement change easier and respond faster to changes in the market (Salavou and Avlonitis, 2008). A strong relationship between firm size and innovation has not necessarily been established thus far (Nieto and Santamaria, 2010). However, some empirical evidence has suggested that small and large firms differ in their innovation efforts (Van Dijk et al., 1997) and the types of innovation they pursue (Nootboom, 1994). These differences can be explained in terms of the behavioural advantages usually assigned to large and small firms (Nieto and Santamaria, 2010).

SMEs are seen to have distinct advantages over larger firms in terms of a lack of bureaucracy leading to more flexibility, informal structures and customer orientation including close proximity to customers (Laforet and Tann, 2006; Bos-Brouwers, 2009). SMEs are often viewed as more flexible than larger firms allowing them to be more responsive to market and technological changes and increases the speed of internal communication and decision-making (Nootboom, 1994; Bos-Brouwers, 2009). Quicker decision-making in smaller firms can be seen to facilitate the implementation of innovation (Martins and Terblanche, 2003). Will the family element within small family businesses impede the speed of decision-making and therefore hinder innovation in small family firms?

Hoffman et al (1998) observed broad characteristics relating to innovation in SMEs across industrial sectors: product innovation is pursued more than process innovation; there is more of a focus on developing products for niche markets than mass markets; innovation tends to be more ad-hoc and project driven in smaller firms. Pullen et al (2009) and Heunks (1998) found that SMEs focus on incremental innovation projects. Allocca and Kessler (2006) noted that there is limited room for error in terms of innovation in SMEs, which may be a reason for SMEs being less willing to embark on radical innovations. However, this may only be pertinent to innovations that involve a high level of risk and resources, which does not apply to all types of innovations. This raises an interesting point in relation to small family firm innovation – will incremental innovation be pursued due to their potential risk adverse nature?

A useful comment was made by Leseure (2000) who observed that what works for one firm with regards to innovation does not necessarily work for another due to differing socio-economic cultures and management practices. This highlights the relevance of a configurational model such as Miller and Le Breton Miller's (2005) 4Cs framework in

relation to examining innovation in small family firms. This may be a reason why researchers have been unable to produce a definitive definition of innovation and the characteristics necessary for successful innovation. This is further emphasized by Bos-Brouwers (2009) who noted little consistency between all the firms in his study, suggesting a difficulty in assuming that all SMEs have the same characteristics with regards to innovation.

A number of determinants of successful innovation have been identified in the literature, which are outlined in section 3.6 below. This discussion further emphasises the multi-faceted nature of innovation and the relevance of this in framing the study of small family firm innovation.

3.6. Determinants for Successful Innovation in SMEs

3.6.1. The Role of Management

Laforet and Tann (2006) and Cooper and Kleinschmidt (1995) argued that the role of leaders and their commitment to innovation is important. Innovation is something that can be taught and learned but it must be nurtured and developed through top management commitment (Blumertritt, 2004). However, learning from the leader occurs in either an incidental or formal manner (Birdthistle, 2009). The reference to innovation being learned could relate to the importance of family members teaching the younger generation how to innovate ensuring it is sustained from one generation to the next. In fact, organisational learning is seen to be positively associated with innovation (Gray, 2002; Andrade et al, 2011), making this a potentially pertinent characteristic of small family innovation, which will be investigated in the research stage of this thesis. It will particularly help to shed light on how innovation is sustained between the generations, which is one of the main aims of this study.

It is important that CEOs are open to innovation and that they encourage and support the phenomenon by being open to questions and challenges as well as new ideas from stakeholders (Blumertritt, 2004). An owner-manager's proactive personality can be an influencing factor in innovation in SMEs (Becherer and Maurer, 1999). The tenure of management can be seen to be associated with innovation. New managers are thought to bring fresh ideas, different perspectives, and have fewer obligations to internal members than more established managers (Kimberly and Evanisko, 1981).

However, Damanpour (1991) did not find a significant association between managerial tenure and innovation. Some academics such as Burns and Stalker (1962) emphasized the importance of the owner-manager leading new-to-market product development. Whilst Hendry et al (1995) suggested that an owner-manager's power should be devolved for effective new product development.

Tenure of management links with Miller and Le-Breton-Miller's (2005) 4Cs framework with particular emphasis on the "continuity" priority. It highlights the importance of the owner and management structures in shaping innovation, which complements the discussion on both stewardship and agency theory within the family business literature review in chapter 2. Furthermore, it re-enforces the importance of investigating these structures for the purposes of this study to provide an insight into the ownership and management structures that exist within small family firms and how they facilitate or hinder innovation.

Reward, recognition and the availability of resources such as time, people and technology are support mechanisms that help promote creativity and innovation (Martins and Terblanche, 2003) as well as the support from supervisors (Chandler et al, 2000). Extrinsic and intrinsic rewards can be useful in keeping individuals focused and committed to success (Blumertritt, 2004). It is important to have an appropriate reward system set up that meets the individuals' needs (Blumertritt, 2004). However, Baer et al (2003) argued that recognition and monetary rewards are not always appropriate. Diverse individuals will help stimulate innovation (Martins and Terblanche, 2003).

3.6.2. The Influence of Learning on Innovation

Innovation does not simply lie with the management or senior staff members as Freel (2005) and Barnett and Storey (2000) argued that the more innovative a firm, the more crucial it is that individual employees' skills are enhanced through training either informally or formally. Higher skilled employees may enhance the probability of a firm being innovative in the first place. Freel (2005) noted that the skills required for successful innovation vary depending on the sector in which a firm operates in.

Training, education and development are all often said to be neglected in SMEs (Voss et al., 1998). Freel (2005) noted that this might be due to the cost of training in terms of time and finance as well as the fear that trained staff will be more employable, thereby

increasing the chances they may be poached by a competing company. This re-emphasises the value of gaining an understanding of the degree to which learning can affect the way in which small family firms innovate. Some organisations use team-based work systems to enhance their responsiveness and ability to foster innovation (Pirola-Merlo and Mann, 2004). Heterogeneous groups can stimulate creativity, however homogenous groups may have a stronger bond (Nystrom, 1979).

Commitment from organisations, the management of implicit learning, tacit knowledge and clear and open two-way communication are vital in the process of innovation (Humphreys et al., 2005). Knowledge can be seen as explicit, taught, or tacit, which is acquired through experience. It is tacit knowledge that is seen as an important source of competitive advantage (Gray, 2002), which is echoed by Nooteboom (1994) and Smith (2000). Barnett and Storey (2000) identified the potential challenges that SMEs face in relation to innovation, which include the limited skills of employees within a firm and the loss of key individuals with considerable tacit knowledge. This in turn can potentially affect an organisation's ability to survive. The value of retaining tacit knowledge might be a competitive advantage for small family firms due to the tendency for long term tenure of staff members which links with the continuity priority in Miller and Le Breton-Miller's (2005) 4Cs model. Therefore, the role of knowledge within small family firm innovation is another characteristic of learning that will be considered within this study.

Huber (1998) emphasised the importance of organisational learning in coping with the fast paced changing business environment which one is faced with. Huber (1998) further noted that it is not necessarily the organisations that learn but the people within the organisations. Furthermore, Freeman (1994) highlighted the importance of continuous organisational learning based on past experiences, indicating the potential value of previous work experience on small family firm innovation. One potential inhibitor for a family firm's learning capabilities would be if the family members did not have the opportunity to gain experience of working elsewhere. Having said this, Huber (1998) highlighted the value of learning through on-going experiences as opposed to simply those in the past as well as seeking knowledge from external experts. This is dependent on a firm's culture and whether they are willing to accept external sources of information and knowledge.

The discussion so far has been focused on the broad area of learning and how this can affect innovation. However, it is pertinent to highlight the specific elements of learning that have been mentioned such as experience, knowledge, training, education and development, which can affect an organisation's capacity to innovate. The research

carried out in this area has focused on non-family firms but what effect does the family element have on learning? Therefore, learning and its associated components will be one characteristic that will be investigated during the research stage of this thesis to gain an insight into the role it plays in small family firm innovation. Furthermore, it highlights the importance of understanding the specific elements of learning that either hinder or facilitate innovation and how this shapes small family innovation as whole. It is, therefore, important to utilise a framework within this study that allows this level of detail and specificity to be considered, which Miller and Le Breton-Miller's (2005) 4Cs model lends itself to by taking into account that each 'C' is made up of various elements.

3.6.3 Organisational Culture

Organisational culture appears to be a critical component of successful innovation (Blumertritt, 2004; Pullen et al, 2009; Martins and Terblanche, 2003). Culture can be defined as "a common set of shared meanings or understandings about the group/organization and its problems, goals, and practices." (Pullen et al, 2009, p214). Prajogo and Sohal (2001) asserted that the more innovative the culture, the higher the innovation performance. Organisational culture appears to stimulate innovation in firms (Martins and Terblanche, 2003). Pullen et al (2009) found that SMEs that achieve high innovation performance and focus on incremental innovation projects share the following internal characteristics; an adhocracy culture; the adoption of analyser or prospector business strategies; a high level marketing and R&D integration; no formalised processes; functional team structure; and an entrepreneurial climate. An adhocracy culture is externally orientated with a focus on flexibility and spontaneity emphasising the importance of external influences in the innovation process.

Blumertritt (2004) and Martins and Terblanche (2003) suggested SMEs should have an open culture, which supports innovation by using processes such as a suggestion box, or a mechanism for managing the evaluation and development of ideas. The latter helps transform creative ideas into innovation. Hence, a system must be in place to evaluate and manage the development of innovative ideas, which includes developing appropriate measures of performance including development and financial targets and assessing the idea in relation to these. An evaluation system can be important to assess the viability of an idea. If a formal evaluation process is in place, individuals generating innovative ideas will know their idea is being given a fair hearing encouraging further submission of ideas. However, SMEs often lack formalised

processes (e.g. Pullen et al., 2009) making it unlikely they will have a formalised evaluation process for ideas. Nevertheless, having organisational flexibility in terms of limited formalisation of the organisational structure and openness is necessary for innovation (Nystrom, 1979).

In addition to the importance of culture, Ekvall (1996) emphasised the importance of organisational structure and climate in relation to innovation. Cooper and Kleinschmidt (1995) reinforced this point by arguing the value of an entrepreneurial climate with emphasis on free time to embark on creative tasks and a clear strategy that is communicated within the firm, processes which are all necessary for innovation. Pullen et al. (2009) echoed this by suggesting that an entrepreneurial climate enables innovation. Furthermore, West (1990) identified four team climate factors essential for innovation: vision (shared commitment to a clear objective); participative safety (when team members feel like they can participate in decision making and can share ideas without the fear of mockery or ostracism); task orientation (a shared concern for a good level of performance); support for innovation (support for innovation within the team).

Specific values relating to organisational structure such as freedom (Amabile 1988, Ekvall 1996;) in terms of autonomy and empowerment, flexibility, as well as cooperative and cross-functional teams are seen to promote creativity and innovation (Martins and Terblanche, 2003). In addition, a flat structure and hierarchy is conducive for successful innovation (Chandler et al, 2000). SMEs are often able to adopt a horizontal leadership style, which provides them with an advantage over larger firms in terms of their capacity to innovate. Rothwell (1992) argued that a horizontal management style, coupled with increased decision making at lower levels, is a critical success factor for innovation. However, Pelham and Wilson (1996) argued the opposite and viewed centralised and formal organisations as more efficient but not as innovative. Furthermore, Damanpour (1991) and Ekvall (1996) found a negative association between centralisation and innovation. Furthermore, Martins and Terblanche (2003) referred to values associated with hierarchical structure such as rigidity, stability and order, and control as inhibitors of innovation.

An organisation's motivation to innovate is based on the firm's orientation towards innovation. This is composed of various important elements including an orientation towards risk rather than maintaining status quo, taking pride in the employees of an organisation and their capabilities, and being committed to an offensive strategy towards the future rather than a defensive one (Amabile, 1988). An organisation's

climate and culture plays an important part in its motivation to innovate, thereby highlighting the value of gaining an understanding of the types of cultures that hinder and facilitate innovation within small family firms. However, the discussion thus far has not considered the family element and the effect this has on the culture of such firms and on their capacity to innovate. This suggests that the organisational culture element is a relevant subject area to help guide the research stage of this study.

3.6.4. The Existence of Informal Processes

Smaller firms tend not to have formal, written innovation strategies, whilst medium companies tend to have formulated innovation goals (Bos-Brouwers, 2009). Relatively unformalised and loosely defined structures can stimulate innovation (Nystrom, 1979). In contrast, Damanpour (1991) found no significant association between innovation and formalisation, questioning the significance of this characteristic. However, Ekvall (1996) argued that formalisation in terms of bureaucracy impedes innovation. SMEs are often characterised as focusing on the short term as opposed to the mid to long-term (Bos-Brouwers, 2009) with an emphasis on analyser or prospector business strategies. The innovation system developed by a firm needs to be tailored to the organisation's strategies, objectives and people (Blumentritt, 2004). However, innovation in successful firms is part of their long-term evolution (Barnett and Storey, 2000). This suggests that the formality of an organisation's processes can be one factor affecting the way in which innovation is undertaken. This begs the question – to what extent does this affect the way in which small family firms innovate? Therefore, the formality of processes will be another characteristic that will be used to guide the research stage of this study in the pursuit of finding out how small family firms innovate.

3.6.5. External Help and Sources of Knowledge

The relevance of understanding the role external help plays in shaping innovation within small family firms was emphasised in the family business literature review in chapter 2, therefore this section re-enforces this point.

Maillat (1990) pointed out that SMEs often struggle to internalize all elements of the innovation process. To combat this, SMEs often seek external help by developing cooperations with other organisations (Hoffman et al., 1998; Freel, 2003; Allocca and Kessler, 2006; Van de Vrande et al., 2009; Nieto and Santamaria, 2010). Using a wide

range of external actors and sources to achieve and sustain innovation follows the open innovation perspective, whereby the search for new ideas is central to the innovation process (Laursen and Salter, 2006). Open innovation is based on the assumption that most organisations cannot conduct all R&D activities themselves. Therefore, they should create as much value as possible from their technological capabilities or other competences through a combination of technological exploitation and technology exploration (Van de Vrande et al., 2009). Van de Vrande et al., (2009) discussed technological exploration in terms of acquiring new knowledge and technologies externally through customers, external participation, external networking, outsourcing R&D, and inward licensing of intellectual property.

Chiaroni et al (2010) distinguished between inbound and outbound open innovation, where the former involves developing external relationships to access technical and scientific competences for improving internal innovation performance. The latter, on the other hand, involves establishing external relationships to exploit one's technological knowledge in the commercial arena. Inbound open innovation is more commonly practiced in mature markets (Chiaroni et al., 2010). Technological exploration emphasises the importance of external networking in gaining new ideas and innovations which can encompass external sources of social capital including individuals such as customers or organisations (Van de Vrande et al., 2009). Van de Vrande et al (2009) found both small and medium sized firms engaged in open innovation but there was a faster growth in the adoption rate of exploration activities in the latter. Furthermore, Chesbrough and Crowther (2006) noticed that open innovation does not involve the creation of new processes but rather builds on existing processes. However, Gassman (2006) suggests that open innovation can be appropriate for incremental as well as well as radical innovation. Laursen and Salter (2006) expand on this by noting that a narrower range of external sources tend to be used for radical innovations with an emphasis on external search depth particularly users, suppliers and universities with a broader search required for incremental innovations.

Cross-industry innovation, which is part of the open innovation perspective, focuses on creatively imitating existing solutions from other industries to meet an organisation's customer needs (Enkel and Gassmann, 2010). This appears to be a relatively new phenomenon in the area of open innovation. Enkel and Gassmann (2010) found that cross- industry innovation is used by larger firms who wish to reduce the time to market, resulting in mostly radical innovation. Further research is required with a focus on SMEs as cross-industry innovation might be a useful source of ideas for smaller organisations, identifying a gap in the innovation research.

Chiaroni et al (2010) observed that organisational structures need to be conducive to managing externally acquired knowledge and integrating this into internal innovation processes. Examples of this include aligning reward and incentive systems with open orientated goals and having cross-functional teams dedicated to open innovation as well as knowledge management systems in place to support the diffusion, sharing and transfer of knowledge. However, this may be more pertinent to larger firms who have the sufficient resources in place such as people and time and who are more likely to have a larger inflow of knowledge and ideas from external sources than a smaller firm.

The open model of innovation is also appropriate for SMEs who often struggle to internalise all aspects of innovation (Gassmann et al., 2010), as open innovation can provide an opportunity for such firms to overcome a lack of resources (Keupp and Gassmann, 2007). However, at the time of carrying out this literature review few studies had focused on open innovation in smaller firms and the barriers preventing the adoption of open innovation practices (Van de Vrande et al., 2009; Gassmann et al., 2010). This highlights an interesting gap in the innovation literature. Perhaps studying small family firm innovation will also contribute to knowledge in this area of the literature. Nevertheless, the research that has been conducted has found that SMEs implement open innovation less than large multinationals (Gassmann et al., 2010) and that organisational and cultural issues from the interaction between SMEs and external partners are the main barriers to open innovation in such firms (Van de Vrande et al., 2009). Most studies have focused on larger firms primarily in the high technology sectors such as pharmaceuticals (Chesbrough, 2003b; Chesbrough and Crowther, 2006), which is not necessarily representative of the economy at large with there being limited research on how organisations implement open innovation (Chiaroni et al., 2010). The open model of innovation is in contrast to the closed model that must generate, implement, distribute and support ideas and innovations on their own. However, it should be noted that open innovation is still a young area of research (Gassmann et al., 2010).

3.6.6. Relationships with External Parties

Collaborations or external help can come in the form of competitors, suppliers and customers (Rothwell, 1991; Freel, 2000). SMEs can only develop new products if they build networks with innovative customers and suppliers as well as meeting the unmet needs of new customers. This can be initially achieved by using existing product technologies in new markets (Hendry et al., 1995). Thus, networks with suppliers, professional or trade association partners, and social and professional contacts can be valuable sources of information (Huber, 1998; Malecki and Poehling, 1999).

SMEs are often viewed as having shallow knowledge, which is inherently tacit in nature. Therefore, external networks can be a valuable source of expertise and information that can supplement the shallow knowledge (Nooteboom, 1994). Innovation can lead to opportunities, which the organisation does not have the knowledge to cope with it (Huber, 1998). Customers in particular can provide SMEs with expertise, resources and can allow ideas to be piloted (Barnett and Storey, 2000). This is especially pertinent to small firms who often have the ability to have close relationships with customers, particularly with the owners of such firms (Madrid-Guijarro et al., 2009). Cooper and Kleinschmidt (1995) emphasised the need to involve the customer in the innovation process particularly with NPDs. The open innovation model points to the importance and often need for the utilisation of external help in terms of knowledge and expertise. Thus, it emphasises the benefit of close relationships with customers, suppliers and competitors. This suggests that external help and open innovation in general may be elements, which affect the way in which small family firms innovate. Using this characteristic to help guide the research stage of this thesis will help identify the role external help and information plays in small family innovation.

Having said this, scholars such as Freel (2003) and Nieto and Santamaria (2010) comment that collaborations are not necessarily a positive step for every small firm as its value depends on the sector and type of innovation pursued. For example, cooperation is seen to be apparent in high-tech firms (Brush and Chaganti, 1996). Perhaps, some SMEs require collaborations more than others such as newer firms with less experience may need to draw on experience from others (Allocca and Kessler, 2006). Therefore, there could be a relationship between the business life cycle and collaborations. Allocca and Kessler (2006) found that SMES do not use external sources for ideas as they often develop ideas themselves but require external assistance in implementing them.

Nieto and Santamaria (2010) argue that SMEs are less likely to collaborate than larger firms but Hoffman et al. (1998) suggested that SMEs are more likely to utilise external links. Whilst, Freel (2003) noted that many organisations successfully innovate without requiring any external collaboration, emphasising the importance of a firm's internal capacities and strategies. Smaller firms may view inter-firm alliances as risky due to the potential costs of managing, controlling and coordinating activities of the different parties involved (Nieto and Santamaria, 2010). However, this focuses on technological collaborations, there may be further types of collaborations and networks which may differ in their impact on innovation in SMEs.

Customers, in particular, can provide SMEs with expertise, resources and can allow ideas to be piloted (Barnett and Storey, 2000). Furthermore, Madrid-Guijarro et al (2009) argued that the importance of customers is especially pertinent to small firms who often have the ability to have close relationships with them, particularly with owners of such firms. It is not only the customers that are source of knowledge in the innovation process but external knowledge of competitors and the marketplace in general is important (Chandler et al., 2000; Laforet and Tann, 2006). Furthermore, Woodcock et al (2000) observed that SMEs often have insufficient knowledge of the competitor's products, thus are only aware of their own product's standing in the marketplace.

The discussions in sections 3.6.5 and 3.6.6 highlight the vital role external help and knowledge can potentially play in innovation in SMEs. More specifically, external help can come in the form of competitors, customer and suppliers. This links with the 'connect' priority of Miller and Le Breton-Miller's (2005) 4 Cs framework, which emphasises the role of external parties in successful large family firms. Therefore, it may be sensible to assume that a connection with external parties may be equally as valuable for the success of small family firms. Furthermore, the role of external help and knowledge appears to form a relevant characteristic of an organisation's ability to innovate. Therefore, it is pertinent to consider it as one of the characteristics that will guide research stage of this study to help shed light on how small family firms innovate. As family firms are often viewed as secretive are they more or less likely to utilise external help?

3.7. Inhibitors of Innovation in SMEs

The inherent characteristics of SMEs can bring about advantages as well as disadvantages in terms of innovation. As this thesis aims to understand the innovation patterns of small family firms it seems sensible to address both the potential facilitators and inhibitors that may affect the way in which they innovate.

A lack of resources is often cited as a common issue for SMEs. A lack of time and money (Nooteboom, 1994; Laforet and Tann, 2006; Madrid-Guijarro et al., 2009) as well as a lack of qualified personnel (Bos-Brouwers, 2009; Madrid-Guijarro et al., 2009; Radas and Bozic, 2009) are often seen to be constraints for innovation in SMEs. Even if a small firm consists of technically competent individuals, it may yield technical myopia (Nooteboom, 1994). It is not just the issue of a lack of qualified personnel but also management. Small business managers or owners often lack the appropriate training and education for successful innovation (Hausman, 2005; Madrid-Guijarro et al., 2009).

SMEs may struggle to gain access to funds for investment in innovation, which may limit the innovation activity (Bos-Brouwers, 2009). Cost can be seen to be a significant barrier to innovation (Radas and Bozic, 2009). It is often difficult to assess the viability of an innovation and this coupled with the risk and high monitoring costs can result in it being difficult to finance innovation (Freel, 2000).

For less innovative SMEs, market demand can be an inhibitor to innovation (Laforet and Tann, 2006). Madrid-Guijarro et al (2009) outlined that the external barriers to innovation include a lack of external partner opportunities, a lack of information, a lack of government support, and turbulence. The more turbulent an external environment the higher the potential for innovation, which provides a means for organisations in these environments to remain competitive and survive (Miller, 1987). According to Piatier (1984), a lack of government assistance is the third most significant barrier to innovation in Europe. However, this latter point may be limited in its value due to the date this was found to be the case. Hewitt-Dundas (2006) suggested that innovation in small firms can be impeded by a lack of partners for innovation. Radas and Bozic (2009) found that the level of information about markets and technology are factors that inhibit innovation in both developed and developing countries.

This discussion on the inhibitors of innovation in SMEs mentions many of the characteristics also referred to in section 3.6 in relation to the successful determinants of innovation such as the role of external help and information, informal processes, and learning. Therefore, it seems sensible to assume that these characteristics have the potential to act as both facilitators and inhibitors to innovation depending on the organisation in question. Thus, it is pertinent for this thesis to take into account that innovation is a multi-faceted process and that the characteristics discussed within this literature review will be used to guide the research stage of this study to shed light on how small family firm actually undertake innovation. To provide a deeper and unique insight into small family innovation the characteristics will be examined in terms of their role as either facilitators or inhibitors of innovation.

At this point of the thesis it is timely to provide a synthesis of the key themes that have emerged from the innovation literature review in this chapter as well as the family business literature review in chapter 2. It is these key themes that will guide this study on small family firm innovation.

3.8. A Synthesis of the Key Themes in the Innovation and Family Business Literature

On reviewing the innovation literature, it can be argued that the meaning of innovation is dependent of one's perception of the phenomenon. One group of businesses might perceive the way in which they are operating to be innovative whilst another might not consider it as innovation at all. Therefore, this study will be mindful of this when deciding on the research methodology to adopt. For instance, a mixture of semi-structured interviews as well as participant observation will capture the respondents' perceptions of innovation as well as that of the researcher's to gather a richer insight into small family firm innovation. To enable this it is useful to synthesise the key themes from the innovation and family business literature that can be used to inform the research stage of this study, which is outlined in figure 2. These themes form a number of key indicators of innovation, which will be used to guide the data collection. These indicators are not an exclusive list of the elements that signal innovation as this study will be open to other meanings of innovation within small family firms.

The key indicators of innovation in figure 2 have enabled the focus of this study to be sharpened by identifying a series of key research questions relating to the overall aim of understanding how small family firms innovate. These relate to the role of non-family

employees in the innovation process: the role of external help; and the organisational structures and cultures that facilitate and hinder innovation. The research questions are outlined in section 3.9 below.

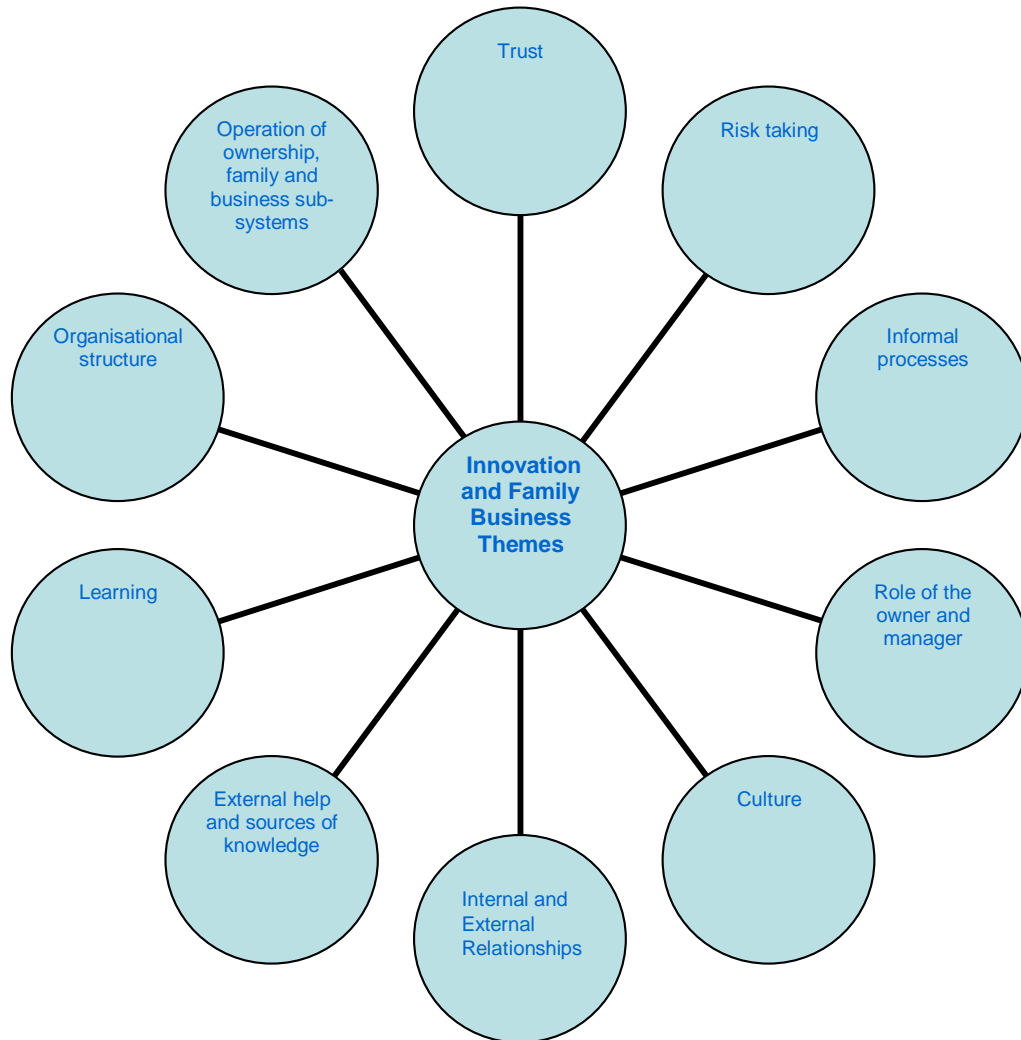


Figure 2: A synthesis of the key themes in the innovation and family business literature

Furthermore, looking at figure 2, innovation can be seen as a multi-factorial process encompassing several elements. The literature on innovation seems to focus on one dimension at any time (Pullen et al., 2009) identifying a need for a more holistic view of innovation. Therefore, this study will look at the innovation patterns of small family firms, providing an insight into the multiple factors shaping innovation as well the elements that hinder it.

3.9. Research Questions

The literature review highlighted several research questions, which will provide a focus for ultimately understanding how small family firms innovate

1. What kind of organisational cultures and structures facilitate innovation in small family firms?
2. What kind of organisational cultures and structures inhibit innovation in small family firms?
3. What role do non-family stakeholders play in innovation within small family firm?
4. Do small family firms utilise external help when they innovate and if so, in what capacity?

The final research question relates directly to the research objective pertaining how innovation is sustained between the generations:

5. Is there a difference between the generations in terms of innovation?

3.10. An Understanding of the Configurations of Innovation Patterns in Small Family Firms

This section sets out my initial theoretical conceptualisation, providing an understanding of the configurations of innovation patterns in small family firms, which is based on the literature review in chapters 2 and 3. This will lay a foundation for the rest of the thesis, particularly the primary data collection and analysis.

When one defines the process of innovation it tends to be multi-dimensional (Amabile, 1988; Cooper 1990), thus it makes sense to look at innovation from a holistic view rather than focusing on specific dimensions such as climate and organisational structure. This can overcome the issue of reductionism (Pullen et al., 2009). Miller and Le Breton-Miller's (2005) four Cs framework as referred to in chapter 2 provides a more holistic view of family firms, which lends itself to being valuable for the purposes of this thesis and the study of innovation patterns in small family firms. The scholars propose four Cs or what they terms as priorities, namely continuity, community, connect and command which family firms configure according to support different strategies.

As discussed in chapter 2, continuity relates to family firms emphasising the importance of the long-term survival of the company in which lengthy tenures are often supported. The community priority focuses on nurturing internal employees by encouraging teamwork and socialisation between members of staff. A connection with external partners, on the other hand, helps to develop enduring relationships for long-term survival. Command, the final priority, is based on ensuring a firm has the freedom to make bold and adaptive decisions making the firm more nimble.

Miller and Le Breton-Miller (2005) often discussed these priorities in relation to successful large family firms, rather than poor performing ones. It is therefore valuable in terms of contributing to theory to also consider these priorities in relation to small family firms and their innovation patterns. Thus, Miller and Le Breton-Miller's (2005) 4Cs are not necessarily applicable to small firms and their innovation patterns, making it likely that an adaptation of this framework will be required. I will not address the adaptation at this stage but provide a critique of the framework, providing a foundation for it to be potentially adapted at a later stage of this thesis. It is evident from the innovation literature that there are distinct differences between the manner in which small firms innovate as compared to their larger counterparts. For example, the owner or manager in small firms seem to play an important and controlling role in innovation, which points to an area which is not addressed in the scholars' original 4Cs. In fact the command priority seems to contradict this as it suggests that freedom is provided and this may not be possible when power is centralised to the controlling owners of a small business.

Additionally, learning has emerged as a significant feature of innovation in small firms in the literature as outlined in figure 2, which the original 4Cs framework does not consider. These are a few critical aspects of the framework, which may require adaptation. Nevertheless, at this stage it provides a solid conceptual starting point in studying innovation patterns in small family firms from a holistic perspective. In addition, the configuration based aspect of the framework provides the flexibility to address the heterogeneous nature of family businesses, which emerged as a distinctive and relevant issue in the family business literature in chapter 2. This study does not aim to apply a 'one size fits all' view of small family firm innovation but to take into account that family firms may innovate differently due to their heterogeneous nature, which is facilitated by the configurational element of this framework.

4. Research Design

This chapter sets out the interpretative based research design adopted in this thesis, starting with an initial overview of the research methods used in the current family business literature, followed by literature on interpretivism and how this links with my case study based research design. The aim of this thesis is to understand how small family firms innovate and to consider how this is sustained from one generation to the next. Therefore, the aim is not to generalise about the family firm population but to understand a particular sub-set pointing to the relevance of interpretative based research methods. The chapter then goes on to outline the data collection methods adopted for the purposes of this study, namely a multi-case study approach with the utilisation of participant observations and secondary document, followed by the case selection and data analysis techniques.

4.1. Research Methods used in the Family Business Literature

It is a useful starting point to discuss and assess the dominant research methods used in existing family business literature in an attempt to identify a gap, if any, in the adoption of a specific research technique. In particular, quantitative research methods are popular in the study of family business (Karra et al., 2006; Kellermanns and Eddleston, 2006). These tend to take the form of mail surveys using statistical analysis (e.g Carlman et al., 1998; McCann et al., 2001; Eddleston and Kellermanns, 2007; Gomez-Mejia et al., 2007; Zahra et al., 2007; Miller et al., 2008). More often than not, quantitative surveys tend to be cross-sectional with the exception of some longitudinal studies (e.g. Craig and Moores, 2006). The mail surveys tend to be sent to the CEO of the sample organisations, with key family members also being targeted to aid representation (Chua et al., 1999; Sharma et al., 2003; Eddleston and Kellermanns, 2007).

Fewer scholars within the family business literature appear to utilise interpretivist and qualitative research methods, but when they do, case study research tends to be predominately adopted (e.g Litz and Kleysen, 2001; Ram, 2001; Ainsworth and Wolfram-Cox, 2003; Howorth et al., 2004; Karra et al., 2006; Cadieux, 2007; Hall and Nordqvist, 2008; Nordqvist and Melin, 2008; Steier, 2007). Within the case study research utilised in the family business literature, more than one method of data collection is often used such as interviews as well as observations (e.g Hall et al., 2001;

Hall and Nordqvist, 2008;) and documents (Ram, 2001; Fletcher, 2002; Ainsworth and Wolfram-Cox, 2003; Steier, 2007; Nordqvist and Melin, 2008). In particular, Nordqvist and Melin (2002) used interviews, observations and documentary studies, which were guided by an actor-orientated view with the aim of pinpointing where, when and by whom key strategic decisions and actions were made. Additionally, the use of documents can make perceptions more objective (Mazzola et al., 2008). Using multiple data collection methods is pertinent in family business research where perceptions between leaders and family members can differ (Mazzola et al., 2008). More specifically, Cater and Schwab (2008) shared their results from the case study research with their respondents to gain feedback, which helped improve the quality of the data.

The case study research design adopted in the family business literature appears to vary from the use of a single case study approach to a multiple case study approach (Yin, 2012). Multiple case studies provide an opportunity to understand themes or patterns within the sample of cases, identifying any similarities or differences. Findings from multiple cases help build explanations and arguments but are not meant to produce general findings (Yin, 2012). Interestingly, McCollom (1990) emphasised that qualitative field research is appropriate for the field of family business as it provides an opportunity to capture rich information through depth rather than breadth, which is important in understanding the complexity of family firms in terms of culture, structure and roles.

4.2. Interpretivism in the field of Family Business

Various scholars have argued that there is a greater need to conduct interpretivist and qualitative research in the field of family business (Westhead et al., 2001; Karra et al., 2006; Nordqvist et al., 2009). The rationale for this is that family firms are not homogenous as they are often viewed as a heterogeneous population (Birley, 2001; Nordqvist, 2005; Nordqvist et al., 2009). Additionally, family firms are often seen as complex entities that differ from non-family firms as pointed out in the literature review in chapter 2. A potential reason for this is the interlinked sub-systems operating within family firms, namely the family, the business, and ownership dimensions (Tagiuri and Davis, 1996; Gersick et al, 1997). Thus, it is difficult to make generalisations about a population that is both complex and heterogeneous in nature (Birley, 2001), which is what quantitative research strives to achieve. Interpretivists, on the other hand, do not seek to achieve statistic generalisations but aim to find patterns and relationships between family firms (Nordqvist et al., 2009). In-depth interpretive approaches will provide deeper insight into the unique characteristics of different family firms and their

needs, motives, roles and relations, which are often tacit in nature (Nordqvist et al., 2009). This is where methods such as observations can be of value and therefore will be utilised in this study.

Rather than restricting the discussion to the different research methods utilised in family business literature, it is useful to provide an overview of the dominant research paradigms often cited in management research in general. This provides a wider and deeper understanding of the research methodology adopted within this thesis. The interpretivist paradigm is not the dominant research model in management research but it is gaining momentum (Willis, 2007). This paradigm assumes that the world can only be understood from an individual's point of view and that science is subjective rather than objective. Interpretivists seek to understand a particular context rather than search for universal laws and generalisations as in positivism and postpositivism (Willis, 2007). To achieve this, Dilthey's (1976) notion of *verstehen*, meaning "understanding" following the interpretivist paradigm (Burrell and Morgan, 1979) is employed. The notion of *verstehen* and subsequently the goal of interpretivism differs to positivism which seeks to explain rather than understand (Willis, 2007).

4.3. An Adoption of the Case Study Method

Following this general discussion on the dominant research methods used in management research and more specifically the family business literature, I will focus on the study at hand and the research techniques I adopted for this thesis. A case study approach was employed for the purposes of this study as it provided an understanding of "what" innovation is in small family firms and "how" it is achieved (Yin, 2012). This type of research will allow the social phenomena of innovation to be understood from the inside by analyzing the following: experiences of individuals or groups; interactions and communications; and documents (Flick, 2009). Dilthey (1976) argued that the methods employed in natural sciences that "search for external causes and fundamental laws to explain their behaviour" (Easterby-Smith, 1991, p24) are inappropriate and the notion of *verstehen* is more suitable as a means of the researcher understanding human beings and the reasons for their actions. Therefore, case study research I adopted for this study to gain an understanding of how small family firms innovate within their social world.

According to Yin (2003), there are four types of case study designs: single case designs (holistic); single case (embedded) designs; multiple case (holistic designs); multiple case (embedded) designs. Single case designs can be appropriate when a single case

represents an extreme or unique case or when a single case is representative or a typical case. However, a single case may not turn out the way one initially thought. Holistic designs are suitable if the case study is examining the global nature of an organisation or a programme, whilst an embedded approach focuses on specific units. Following the holistic approach of Miller and Le-Breton Miller's (2005) framework, it seemed appropriate to adopt a holistic case study design that focused on innovation as a whole within a small family firm rather than focusing on a specific unit of a firm. Furthermore, multiple case studies are more robust but can require extensive resources and time. The aim is to follow "replication" logic as opposed to a sampling logic for single cases. In my study each small family firm was the subject of an individual case study but the study as a whole covered several small family firms. Analytical conclusions arising from two or more cases are more powerful than a single case study.

A Holistic Multi-Case Study Design

A multi-case approach was employed within this study as it provided an opportunity to understand themes or patterns within the cases, identifying any similarities or differences. Findings from multiple cases helped to build explanations and arguments but were meant to produce general findings. Furthermore, the use of multiple cases helps to develop cross-case conclusions about innovation (Yin, 2012), which enhances the robustness of the results. Chiaroni et al (2010) posited that the use of a multiple case study analysis is appropriate for understanding "how" the process of change such as innovation takes place relating directly to the main aim of this thesis. Additionally, a case study based approach allows me to be as close to the innovation process as possible and therefore addressed the research questions at hand (Veryzer Jr, 1998).

Gathering rich empirical data, which is enabled by a case study approach, is more apt when studying the process of innovation due to its episodic nature (Enkel and Gassmann, 2010). Case study research seeks to produce thick descriptive data through a variety of sources of data such as observations, structured or non-structured interviews, analysis of documents such as journals and dairies, and a variety of qualitative data sources such as texts (Merriam, 1998). To facilitate this, semi-structured interviews as well as observations and secondary sources were utilised in this study. The reasons for the use of these particular data sources will be discussed later in this chapter.

4.4. A Two Stage Process - Exploratory and Primary Research

The research design for this study followed a two-stage process, starting with exploratory semi-structured interviews to gain some initial insights into innovation patterns in small family firms. This preliminary stage of research helped to identify themes to formulate the primary case study research design. It was also used to inform the primary research stage which consisted of semi-structured interviews and participant observation. Secondary documents such as marketing material and websites were also utilised.

4.5. Data Collection Instruments Used

My data collection followed Yin's (2003) suggestion of a case study protocol, which increases the reliability of case study research and guides data collection. I put together an outline of the questions I intended to ask specific interviewees. Semi-structured interviews and participant observations were the main primary data gathering instruments. The data collection instruments used were standardised, which is advocated for confirmatory studies and multiple case study designs to enable the comparison of findings (Yin, 2003).

Informed consent: This was obtained from every participant by fully explaining the research brief, what it was about and how the data will be used. Every participant was given the opportunity to refuse to participate in the study. Confidentiality was maintained at all times, which was stressed to each individual. This was enabled by ensuring the anonymity of the participant's and organisation's names. Fictitious names were used instead. It was made clear that participants could request clarification at any point about any research issues that were unclear.

Semi-Structured Interviews

The use of semi-structured interviews goes hand in hand with this study's interpretive stance as interpretivists believe in this form of interviewing (Willis, 2007). Furthermore, case study interviews tend to be relatively unstructured and open ended in nature (Silverman, 2000; Willis, 2007) and assume a more conversational stance between the researcher and respondent (Yin, 2012). For this particular study, face-to-face semi-structured interviews were conducted at each organisation. Mazzola et al., (2008)

highlighted the importance of conducting semi-structured interviews where the phenomenon, innovation in this situation, takes place.

Furthermore, when conducting interviews in the family business arena, Nordqvist and Melin (2008) emphasised the value of interviewing numerous family members from different generations and levels as well as non-family members. Interviewing various respondents can provide the opportunity to take into account differing interpretations. This, in turn, can enhance the trustworthiness of the results, which is essential when attempting to make a scientific contribution in understanding a particular phenomenon in family business (Hall, 2002). For this reason, several family members as well as non-family members were interviewed within each organisation during the primary stage of data collection. More specifically, owners and managers within each case be it family and non-family members will be interviewed to gain perspectives on the innovation patterns within small family firms from differing levels of authority within each firm. This will help to shed light on the ownership and management structures within each firm and the impact this has on the way they innovate – the importance of which is highlighted by the discussion of the agency and stewardship theory in chapter 2. Furthermore, interviewing both family and non-family members within each case helped represent both business and family systems operating within each organisation to provide a deeper insight into studying innovation in small family firms. Interviews were carried out across all the cases between March and June 2011.

During semi-structured interviews respondents were asked to provide his/her own insights into the process of innovation and the firm in general (e.g Yin, 2003). For example, respondents were asked to provide an example of an innovation the firm had undertaken and how they went about achieving this as outlined in the sample questionnaire in appendix 1. It was a focused interview where relatively short interviews were conducted at one time, lasting around one to two hours with open ended questions and followed a conversational manner (Yin, 2003). Having said this, interviews followed a certain set of questions outlined in the case study protocol (Yin, 2003). Questions were based on themes that emerged from the literature review and exploratory research that are outlined in my conceptualized framework – the adaptation of Miller and Le Breton-Miller's (2005) 4 C's configuration framework as outlined in chapter 5. More specifically the interview questions mainly centered on the priorities: cultivation, competence, control, cultivation and continuity, Sub-questions relating to each of these priorities were outlined for further probing (e.g. Noor, 2008) as illustrated in the sample questionnaire in appendix A.

The semi-structured interviews were recorded for accuracy (Bryman and Burgess, 1999; Veryzer Jr, 1998) and then transcribed. Transcripts allow content analysis to be conducted (Silverman, 2000). Furthermore, quotations from transcriptions allow the reader to become closer to the empirical material by enabling the voices of respondents to be heard and consequently indicating how my interpretations have been achieved (Hall, 2002).

Participant Observation

As well as semi-structured interviews consisting of open-ended questions, participant observations and secondary documents were also utilised. Participant observation was employed to gain information that might not have been obtained through the interview process. The aim of this was to generate further insights into family firm innovation (Yin, 2012) and provide a thicker description of the phenomenon as well enhancing the consistency of the conclusions (Handler, 1989). More specifically, a review of the innovation literature in chapter 3 suggested that the meaning of innovation is dependent on the perceptions of an individual or group of businesses. Therefore, to understand how small family firms innovate, it was of value to apply participant observations to gain an insight into innovation from the researcher's perspective and compare this with the meanings the respondents attached to the phenomenon during the semi-structured interviews.

Participant observation provides an insight into the social setting from the actors' perspective rather than relying on their "retrospective account" (Mason, 2002, p86). This type of data collection can be particularly useful when the actors may be unaware or have partial understanding of the situation dynamics, which may particularly be the case in small family firms. This involved observing the setting in which innovation takes place within the organisation and taking observation field notes which were later used in data analysis. This was undertaken across all the cases between March and June 2011. At least one full day of participant observations were undertaken within each organisation. This involved undertaking various tasks for each organisation such as competitor analyses. Secondary documents can be useful in cross-validating information gathered during the primary fieldwork. Therefore marketing material and company websites were referred to, enabling a more holistic view of the organisation.

A potential drawback of participant observation, however, is researcher bias especially if one becomes immersed in the role and finds it difficult to assume a position of external observation (Yin, 2012). This may be more likely when participant observation is undertaken over a long period of time within one or two businesses but this is not the case in this study as there are eight firms. Observations were recorded in the form of field notes outlining what I saw and heard (Silverman, 2000) to provide thick and rich descriptions of what was happening within each organisation (Willis, 2007).

4.6. Case Selection

Cases were purposely selected based on a differing level of family and generational involvement in an attempt to provide a more representative picture of small family firms due to their heterogeneous nature (Nordqvist et al., 2009). In contrast to quantitative studies, case selection does not require randomisation as the main aim is to choose cases that have a higher propensity to replicate, extend or develop the theory, thus purposive sampling should be pursued (Eisenhardt, 1989). The optimum number of case studies can vary between 4 and 10 and additional cases should be added to a study in an iterative manner until there is little improvement noted according to Eisenhardt (1989). In contrast, scholars such as Creswell (1998) argued that no more than 4 cases should be studied at any one time. However, seven cases were selected for the initial exploratory fieldwork and eight for the primary stage of data collection. The reason for choosing eight for the primary fieldwork was to facilitate a matched pairs approach to the case selection as utilised by some scholars within the family business arena (e.g. McConaughy et al., 2001; Miller, Le Breton-Miller, Lester, & Cannella, 2007) in an attempt to search for commonalities between the pairs (Granata and Chirico, 2010).

There appears to be no list of independent, unquoted family businesses available in the UK (Westhead and Cowling, 1998) which makes case selection for both qualitative and quantitative research more complicated as convenience samples are often resorted to for this reason such as membership lists of professional associations (Carlman et al., 1998). Due to this very reason Cadieux (2007) resorted to identifying sample family firms for her qualitative study through personal contacts, business publications, professional organisations and the internet. Thus, professional organisations, in particular a local accountancy firms specialising in SMEs, were employed in identifying cases for this study. The cases had to fulfill the criteria outlined in the definition in section 2.2 in terms of size, generation and level of family control. Both micro-firms and small firms were selected for the study, which were classed as having between 0-49

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employees according to the European Commission (2005). Firms that had either undergone or were due to undergo a generational transition in terms of ownership and those where at least 50% of the shares were owned by family members qualified.

Sampling in family business research, be it quantitative or qualitative, appears to focus on a particular region or country rather than across multiple countries (e.g. Schulze et al., 2003), thus case selection focused on the Yorkshire area for commuting purposes as the fieldwork was undertaken at the businesses themselves to facilitate a deeper understanding of innovation and how it was undertaken. Therefore, it was not feasible to do this if the cases were spread out across the country. As outlined in chapter 3, there is no universally agreed definition of innovation as it is a notion that is potentially open to different meanings. However, a broad definition has been adopted as a guide to the research collection stage, which is outlined in section 3.4. This definition has been revised in the conclusion chapter.

Gaining Access: Often, one of the main obstacles in case study research is gaining access and acceptance (Willis, 2007). This may be pertinent in family businesses as they can be particularly secretive and private (Handler, 1989; Gersick et al., 1997). Thus, establishing and maintaining a rapport with respondents can be crucial (Willis, 2007). This may be a potential reason for the popular use of quantitative mail surveys in family business literature.

Using local professional organisations, in particular a local accountancy firm to approach potential cases helped break down the initial access barrier. The managing director of the local accountancy firm had a keen interest in my PhD topic and was more than willing to assist in any way possible. Therefore, he approached the clients he felt would be suitable. This provided an initial 'foot in the door' as he had an existing rapport with his clients making them potentially more amenable to taking part in the study. This reduced any potential mistrust that there may have been if I had approached the cases directly. A research brief was sent to six clients. Four of which responded, and two of which fit the case selection criteria. This enabled there to be four matched pairs, with a total of eight cases. From the clients who were both suitable and willing to take part in the study, face-to-face meetings were set up with each of the managing directors to discuss the research brief in person. The aim was to build a rapport and a level of trust between myself and the key players within each organisation. The better the rapport the more likely the participants were to be open to sharing information with me. At this stage, confidentiality and anonymity of all data was stressed to the participants.

Each organisation was offered a copy of the study's key findings as part of the access strategy.

Case Selection Criteria

As previously mentioned, I have adopted Westhead and Cowling's (1998) definition of a family business for the purposes of this study, which is widely used by family business scholars (e.g. Poutiouris et al., 2006) and has been published in various journals. This provided a broad guide for my case selection, which involved the following criteria: more than 50% of the firm is owned by members of the largest single family group involved within the business; and the firm has undergone (or is due to undergo) a generational transition. This links with my research objectives particularly the latter criteria which relates to understanding how innovation is sustained between generations. Therefore, family control and generational involvement were the main criteria for my case selection.

Generation Involvement: The value of the generational involvement criteria in my selection of cases is further emphasised in Gersick et al's (1997) widely accepted life cycle model. This model suggests that family firms follow the transition from a controlling owner, to a sibling partnership and finally through to a cousin consortium through the generations. Furthermore, the model emphasises the importance of the generational element within family firm literature. It neglects, however, to consider intergenerational elements where there are perhaps two generations involved in the business. Intergenerational elements were reflected in the exploratory fieldwork part of this study. In addition, Gersick et al's (1997) model is based on large family firms making aspects of it not applicable to the study of small family firms and assumes that a family firm will transcend into a cousin consortium, which is not necessarily the case.

Controlling Owner: The second sampling criteria employed for the primary research was that of controlling owner, which directly links to the Westhead and Cowling (1998) definition used for the purposes of this study. Huberman and Miles (2002) argued that specifying the population, in this case small family firms, in a matched pair design reduces the extraneous variables.

Therefore, a matched pair design was used based on generational elements and controlling family ownership to provide more powerful analytical conclusions rather than focusing on single case studies. The rationale is one of replication between the matching pairs by focusing on this sampling criterion. To enable a matched pairs

sampling approach, two types of family controlled firms were identified, namely spousal and father and son owned/controlled family firms.

Spousal relationships coined as 'copreneurs' in the family business literature (e.g. Fitzgerald and Muske, 2002), represent married couples who share ownership of a family business. Some studies on spousal partnerships in the family business literature have focused on the power dynamics between the couple. The findings have been mixed with the husband being seen as the dominant figure in terms of decision-making (e.g. Panthieu and Cardell, 1993; Kirkwood, 2009), whilst other studies have found the wife to play a more crucial role. A number of factors can affect the role of each spouse within a family firm including their knowledge base, their passion for the business, their ability to perform as well their long term commitment to the survival of the company (Poza and Messer, 2001). Therefore, it will be instructive to this study to find out the role each spouse plays in small family firm innovation.

4.7. Brief Overview of Cases Selected for Primary Research

Six of the cases that were used in the exploratory research were carried through to the primary research stage as they matched the case selection criteria. Two further cases were selected to enable four matched pairs. A local accountancy firm specialising in SMEs was approached to assist in this. Table 2 provides a snapshot of the eight cases that were used in the primary research stage of this study. These included: a manufacturer of storage solutions; a vitamins, minerals and supplements manufacturer; a fishing retailer; a natural healthcare manufacturer; a design manufacturer; a retail jeweller; a textile manufacturer and a property developer.

Table 2: Case Studies used for Primary Research

	Family controlling ownership	Generational involvement	Size	Industry	Turnover	Growth	Buy-in or generational transfer
			MATCHED PAIR 1				
a) Complete Storage Solutions - Manufacturer of storage solutions	Father and son	First and second	7 employees	Point of sale displays, store fitting and exhibition contracting in UK	£500,000	Mature	It will be a buy-in when the next generation takes over
b) VMS UK - Vitamin, minerals and supplements manufacturer	Father and sons	First and second	49 employees	Manufacturer of branded and own brand vitamins, minerals and supplements	£10million	Growing	It will be a buy-in when the next generation takes over
			MATCHED PAIR 2				
a) Fish More - Fishing retailer	Father and Son	Second and Third	12 employees	Fishing retail	£750,000	Mature	Generational transfer
b) Nostril - Natural healthcare manufacturer	Father and son	Second and third	6 employees	Global natural healthcare products – manufacturer	£3million	Emerging	Bit of both

			MATCHED PAIR 3				
a) Design For You - Design manufacturer	Husband and wife	First and second	7 employees	Manufacturer in commercial catering, refrigeration, catering and medical	£1million	Growing /Mature	Partly buy-in
b) The Diamond Boutique – Retail jeweller	Husband and wife	Second and indirect involvement of first	11 employees	Retail jewellery in UK including bespoke jewellery	£900,000	Mature but bespoke side of the business is growing	Buy-in
			MATCHED PAIR 4				
a) Sugdens - Textile manufacturer	Husband and wife (wife – limited role)	Fifth	31 employees	Textile manufacturing in UK and now just entering storage business for small companies	Refused to say	Mature	Buy-In
b) Hawkins - Property development	Husband and wife	Fifth	11 employees	Property development in UK and energy efficiency	Refused to say	Energy efficiency side is growing	Partly buy-in

4.8. Data Analysis Techniques

The post-modern critique sees all knowledge as relative “so there are no guarantees as to the worth of activities of researchers or the truthfulness of statements” (Cassell and Symon, 2004, p319). To some extent this criticism applies to all research methods and not simply qualitative methods. However, it emphasises the importance in legitimatising the case study research in this study, therefore data analysis followed Miles and Huberman’s (1984) three step method of data reduction, data display including the use of charts, and conclusion drawing and verification where patterns are noted. In addition, the plausibility of provisional conclusions is tested. This allows a researcher to indicate how they have reached their conclusions (Silverman, 2000) and provides an element of transparency, which is crucial in ensuring quality in qualitative research (Flick, 2009). Furthermore, Handler (1989) argued that researchers should outline their method in terms of use and implications, which will involve recording an audit trail (Lincoln and Guba, 1985). These authors propose the use of audit trails to explain how one has obtained one’s research and the reasons why in a self-critical fashion. This allows the audience themselves to judge the rigor of the research. Thus, the information presented in this thesis will present an audit trail outlining how I have carried out my research and reached my conclusions.

Once the data was collected, content analysis of the interviews was undertaken to identify core constructs or themes (e.g Mazzola et al., 2008). This involved reading the transcriptions and field notes from observations repeatedly and annotating the emerging themes within each case study (Murray, 2002). This was done through the use of coding (e.g Thomas, 2002) by thematic headings (Silverman, 2000), which allowed the empirical material to be categorized (Nordqvist et al., 2009). The coding was based on the themes identified in the literature and exploratory data, namely based on the adapted Cs framework outlined in chapter 5, as well as identifying additional arising issues, if any.

Based on the adapted Cs, theoretical categories were selected in which similarities and differences were sought, across the cases, which was facilitated by using a matched pairs sampling method (e.g Westhead et al., 2001; Allouch et al., 2008; Granata and Chirico, 2010). Carrying out cross case analysis helped to create a more in-depth understanding about the phenomenon being studied (Huberman and Miles, 2002). To facilitate this, I used Huberman and Miles’ (1994) suggestion of forming a matrix of theoretical categories and

placing the evidence within it for each matched pair. This allowed me to search for patterns between the case studies to be identified and guided the search for new theoretical ideas (Nordqvist et al, 2009) relating the broad area of innovation in small family firms. For example, table 3 below illustrates the matrix table used for the cross-case comparison for matched pair 1.

Table 3: An example of cross data comparison – taken from Matched Pair 1

	Cultivation	Control	Continuous	Closeness	Competence
Family Member 1 – Generation 2	Over 40 years working in family business	- He is the decision maker	-Always worked for the family business	Travel to meet clients with the son -two way relationships with customers and doctors	Formalised processes
Family Member 2 – Generation 3	-Almost completed business degree -Private schooling -the father developing him with different roles -Freedom to make mistakes	-He and his father are the decision makers	-Worked for the business since it started	-Arrange events and customers -external sources of ideas -Travel with the father	Use of first name for father and formalised processes
Non-family member 1 – Logistics Manager	-Experience of working in family businesses -the father developing him with different roles	- The father is the main decision maker but the son is starting to make some decisions	Worked with Tom since 1995	-Knew the son from a young age -Personal relationship with the father	
Non-Family Member 2 – Production Manager	-Electrical engineering degree -experience of working in family business	- The father is the decision maker	-Worked for this family business since 2006	-Communicate with the father and son 5-6 times a day	Physical distance
Family Member father Generation 2	- No personal education /experience -Ensured son had private schooling and degree	--The son is overall in charge and drives the business forward -He is semi-retired and runs the Leeds store	-Worked in the business since 14 years old	-Close relationship with the son -close relationship with the customers – over 30-40 years have known them -Distrusting relationship will internal staff	- Physical distance with son -Only speak on the telephone -It is as if they run different businesses
Family Member - the son Generation 3	-Private School -Business Degree -1 year placement at British Airways -freedom to make mistakes -Intentional development by father in the family business during summer holidays and weekends	-He is overall in charge - he runs two stores and online business as well as catalogue business	-Worked in business since leaving university in 2008	-Close relationship with customers as works on shop floor -Distrusting relationship of staff -External help with the website	- Physical distance with father -Only speak on the telephone -It is as if they run different businesses -External help with website to professionalise it
Non-Family Member 1 – Store Manager	-No formal education -Worked in post office previously -Enjoys fishing	-Manager of the megastore -Son overall in charge	-worked for the business for 20years since 1991	-Close relationship with customers as goes fishing with many of them	

5. Exploratory research

Exploratory research was the first stage of this study's research design process. The aim was to gain an initial insight into the patterns of innovation in small family firms and inform the primary data collection stage. This chapter sets out the research design process that was adopted for the exploratory research stage and outlines how it is has informed the second research stage.

5.1. Research Design

To gain an initial insight into family firm innovation and to test the semi-structured interviews, exploratory fieldwork was carried out with seven small family firms. This involved conducting preliminary interviews with a senior family member within each firm. Small family firms were selected from varying generational stages in an attempt to gain an understanding of not only family firm innovation but also how this is sustained from one generation to the next. Case studies were accessed through recommendations from professional bodies, namely a local accountancy firm, and personal contacts (e.g. Cadieux, 2007) to gain initial access as family firms can be particularly secretive and private (Handler, 1989; Gersick et al., 1997). Therefore, it was ensured a rapport with respondents was established and maintained (Willis, 2007). To do this, contact was made with the managing director of each case and the research brief was fully explained.

A face-to-face meeting was arranged with each company before conducting any research to reduce any suspicion or worries that the firms may have to help build a rapport and a degree of trust. This also allowed me to gain an initial impression of the organisation and provided an opportunity to ask questions regarding the suitability of the company in terms of innovation and succession plans. Each case was asked for the number of employees they had to ensure it was classed as a small family firm. The European Union Commission (2005) definition of a small business was applied, which is 0-49 employees. In addition, I ensured each firm met the family control criteria as outlined in Westhead and Cowling's (1998) definition of a family firm. Therefore, more than 50 per cent of ordinary voting shares in each firm were owned by family members.

From the cases that agreed to take part in the research, seven cases were deemed appropriate in terms of size, family control and generational stage. Semi-structured interviews were conducted at each organisation in April 2010 with a senior member of

the family working in the firm. Semi-structured interviews provided an opportunity to gain an understanding of the interviewee's world (Easterby-Smith et al, 1991). In all the cases but one this involved interviewing the owner. In one case, both the first and second generation senior family members were interviewed. However, only a short interview was conducted with the first generation owner due to time restrictions on his part.

The questions in the interview were primarily based on relevant themes emerging from the literature on innovation particularly on SMEs and family business literature as re-stated in figure 3. These themes form a series of key indicators of innovation which were reflected in the interview questions. This provided the opportunity to test the interview questions in terms of the length and quality of the questions (Gill and Johnson, 2002) as well as gain an initial insight into how small family interpret innovation. The questions were split into two sections. The first section was based on the firm and the family including the organisation itself such as the history, the market in which it operates, and information about the family members involved in the firm and their roles (e.g. Handler, 1990). The second section focused on how the creation of new ideas and innovation occurs and the processes in place facilitating this.

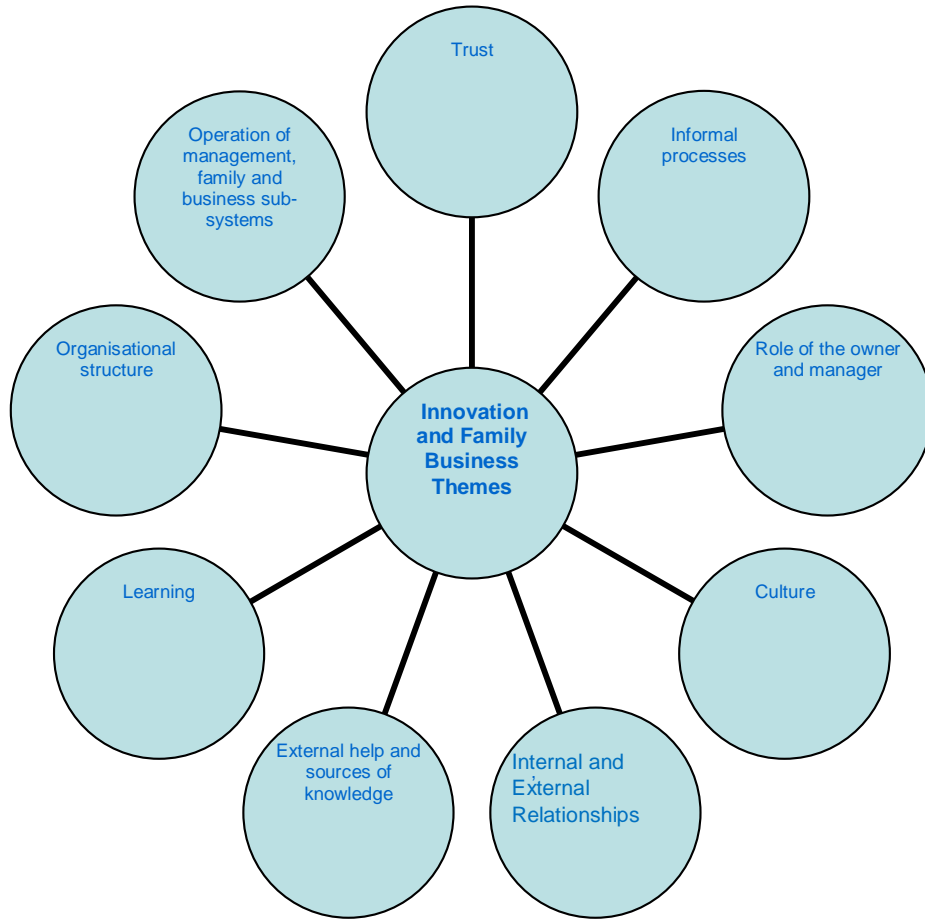


Figure 3: Re-statement of A synthesis of the key themes in the innovation and family business literature

5.2. Data Analysis

Each interview was tape recorded with the respondent's permission for accuracy (Bryman and Burgess, 1999; Veryzer Jr, 1998) and then transcribed. An example of one of the interview transcriptions can be found in appendix B. After reading the transcriptions numerous times to become familiar with the information, data analysis took place in the form of content analysis, undertaken to identify core constructs or emerging themes (e.g. Mazzola et al., 2008). This was conducted for each case study to enable a within-case form of analysis by using a matrix table (Miles and Huberman, 1984) to map out the themes that emerged within each family member's interview transcriptions. This provided a visual tool to identify recurring innovation themes and patterns within and across the case studies as illustrated in the example in table 4.

Table 4: Example of Matrix Table

	Structure	Culture	Trust	Relationships	Learning
Family Member 1					
Family Member 2					
Non-family Member 1					
Non-family Member 2					

5.3. Limitations

Potential limitations of the exploratory fieldwork include the potential bias of the selection of the case studies as access to one company was gained via a personal contact. Unfortunately, due to accessibility issues this was one of the only options available at the time. Additionally, the results only provided limited insight into family firm innovation as in most cases only one family member was interviewed. Nonetheless, the aim of this exploratory research was not to replace the primary fieldwork stage but to provide some initial insight into innovation in small family firms and to assess the adequacy of the interview questions in order to guide the fieldwork.

5.4. Case Profiles

As previously mentioned, seven small family firms were selected for the exploratory stage of the research design. The profiles of each case are outlined in table 5 below to provide a snap shot of each firm. A notable feature of all the case studies is that they have all grown despite the recent economic downturn in the UK, thus it is interesting to understand how this has been achieved.

Table 5: Case Studies used in Exploratory Research

Company	Ownership	Family Member interviewed for exploratory research	Industry	Turnover	Growth	Buy-In or Generational Transfer
Sudgens Textile company	5 th generation husband and wife – limited involvement of wife	Husband	Textile Manufacturing in UK Mature	Refused to say	Entered new markets specifically storage for small businesses in UK	Buy-in Bought it from father
The Diamond Boutique Jewellery Company	2 nd generation husband and wife	Husband	Jewellery Retailer and Manufacturer in UK Mature	£900,000	Opened an additional store in December 2010	Buy-in Bought one store from his father's business
Hawkins Property Development	5 th generation husband and wife	Husband	Operates in: property market on a national basis; plant hire on a local basis; and energy performance locally. Growing and Mature	Refused to say	Entered energy performance market which is run by wife	Buy-in and generational transfer 50% shares were passed from father and he bought his uncle's 50% shares
Fish More Fishing Company	3 rd generation father and 2 nd generation son	Father	Fisher Retailer Mature	£750,000	The son opened an additional store	Generational transfer
Online Opticals Online optician	1 st generation entrepreneur	Entrepreneur	Online optical retailer Growing	£1million	Hiring of additional staff members to deal with growth	Not applicable as it is start up
Nostril Natural Healthcare Manufacturer	2 nd and 3 rd generation father and son	2 nd generation father	Global Natural healthcare Emerging	£3million	Adding product lines and selling to different countries	Bit of both
Design For You Design Manufacturer	1 st generation husband and wife Involvement of 2 nd son	2 nd generation son	Point of sale displays, store fitting and exhibition contracting in UK Mature	Refused to say	Moving into different markets	It will be a buy-in when the next generation takes over

5.5. Emerging Themes from Exploratory Data

Following the data analysis of the exploratory research several themes emerged, most of which can also be linked with the key indicators of innovation identified in figure 2 from the literature review. These themes are discussed below.

Trust

Trust was a recurring theme not just between family members and non-family members but also with clients. Many of the firms often conducted business based on verbal agreements. Trust between family members is emphasised by Tagiuri and Davis (1996) and Coleman (1990). Trusting relationships can strengthen social capital (Arregle et al., 2007). According to Ekvall (1996), trust is an important aspect of an organisational climate that stimulates innovation. This is more likely to present in organisational climates in family firms if there is not a high degree of conflict. In contrast, when there is a lack of trust members may be suspicious of each other and reluctant to share ideas for fear of their ideas being stolen (Ekvall, 1996).

Informal processes and organisational structure

A clear theme was a lack of formal processes relating to innovation and structure. In particular this related to goals, strategies, processes, and evaluation. The companies lacked formal processes in place for innovation. Scholars such as Barnett and Storey (2000) and Kimberley (1991) argued that SMEs innovate informally as discussed in chapter 3. Litz and Kleysen (2001) observed that innovation often occurs in a less planned and more emergent manner, which may explain the lack of planning. To illustrate the use of informal processes, the term “gut feeling” was used by the interviewees to determine the worthiness of an idea or innovation.

Relationships

The importance of the role of the customer was highlighted by all the cases in terms of the generation of new ideas. External networking with customers can provide new ideas and innovations, which can encompass external sources of social capital (Van de Vrande et al., 2009). A focus on the customer helps sustain a business, which is emphasised by the stewardship perspective in the family business literature highlighted in chapter 2 (Miller et al., 2008). There was an emphasis on building relationships with

the external stakeholders facilitated by personal interaction between the owners and external parties. Family firms may take a more personal approach to marketing such as top managers networking with customers (James 2006). Freeman (1994) asserted that building relationships with external sources can provide information, knowledge and advice which are vital for innovation as well as continuous organisational learning based on past experiences. This also links in with the recurring theme of learning.

Learning

Learning from mistakes and learning the business whilst working with their predecessor were emerging themes. For example, the third generation in the natural healthcare manufacturer had been given the freedom to make mistakes and had allowed him to learn. In the design manufacturer, natural healthcare manufacturer and the fishing company two generations are involved, with the younger generation having a degree of freedom and autonomy to learn and develop ideas. Specific values relating to the structure such as freedom (Amabile 1988; Ekvall 1996) in terms of autonomy, empowerment and flexibility are seen to promote innovation (Martins and Terblanche, 2003). This provides an initial insight into how innovation is sustained from one generation to the next.

Part of the learning theme included education and training. All the owning families were degree educated apart from the natural healthcare manufacturer as the second generation son quit university to start the family firm with his father. This contradicts Kellermanns and Eddleston's (2004) finding that family members usually occupy high positions without necessarily having the appropriate training and qualifications. The importance of family members gaining qualifications is emphasised by Stavrou (1999).

Culture

The cases share common characteristics in terms of their organisational cultures. Honesty and integrity were values shared by all the firms. It is important for the founder of a family firm to have ethics as this becomes apparent to fellow employees and customers (Hoy and Verser, 1994). These values were often embedded in the business practices such as paying suppliers' bills on time. Openness to new ideas is common among all the cases either from internal or external sources. Blumentritt (2004) and Martins and Terblanche (2003) suggested SMEs should have an open culture, which supports innovation.

External sources of information

The companies utilised external sources of information such as the internet, trade magazines, trade shows, attending functions, and seminars. The managing director of the jewellery company attended numerous sales and marketing seminars relating to different industries to gain wider perspectives. This helped him devise an innovative marketing strategy, which is new to the jewellery industry but not new to the world. The fishing retailer adopted an idea from another organisation in a different industry and applied it to their organisation and industry. In the innovation literature this is coined as cross-industry innovation, which is part of the open innovation perspective, focusing on creatively imitating existing solutions from other industries to meet an organisation's customer needs (Enkel and Gassmann, 2010).

External help

In addition to external sources of information, external help emerged as a prominent theme. Both the property development and textile firms use a non-executive board of directors to develop their business, which according to the managing director of the textile company allows him "to bounce ideas off". The textile company also used an external consultant for developing one of their processes to try and get new customers. The use of external help was something that would not have been considered by the previous generation of this firm. The natural healthcare manufacturer places a great deal of emphasis on external help through universities and doctors.

The rationale for the use of external help and information was given as limited internal knowledge. This correlates with James' (1999) observation that family firms may be restricted by their technical competencies of family members required when entering more specialised markets, which may result in more reliance on contractors and suppliers. Using a wide range of external actors and sources to achieve and sustain innovation follows the open innovation perspective, whereby the search for new ideas is central to the innovation process (Laursen and Salter, 2006). The open model of innovation is also appropriate for SMEs who often struggle to internalise all aspects of innovation (Gassmann et al., 2010) as open innovation can provide an opportunity for such firms to overcome a lack of resources (Keupp and Gassmann, 2007). However, few studies have focused on open innovation in smaller firms and how they manage this and the barriers to adopt open innovation practices (Van de Vrande et al., 2009;

Gassmann et al., 2010), which will be re-visited later in the thesis. Some family business literature contradicts the use of external help and information as family firms can be secretive (Gersick et al, 1997). This was found to be particularly the case for owner-managed family firms who are likely to be reluctant to delegate managerial responsibilities and less likely to seek external advice (Cromie et al., 1995).

Centralised power

Centralised power is a theme in all the companies where ultimate decision-making lies with one family member, the owner. Often the reason the cases cited for this was to react and make quicker decisions. This contradicts some of the innovation literature as Miller and Friesen's (1982) research suggested that centralisation in certain types of organisations may encourage innovation, whilst it may inhibit it in others. However, Damanpour (1991) conceded that centralisation inhibits innovation. Furthermore, Rothwell (1992) argued that a horizontal management style with increased decision-making at lower levels is a critical success factor for innovation. However, Ettl et al., (1984) found that centralisation is more conducive to radical innovation. Literature on entrepreneurship in family firms found that centralisation of power may produce rigid organisational structures and limit innovative ideas being shared, consequently hindering entrepreneurship. However, decentralised authority will enhance flexibility and in turn promote independent contributions from members (Zahra et al., 2004).

Centralisation of power is also exemplified by the fact that senior family members lead the process of innovation within the cases. This usually lies with one of the most senior family member, the owner.

Incremental innovation

This appears to be pursued by all the firms. This is based on Radas and Bozic (2009) and Garcia and Calantone's (2002) distinction of incremental innovation encompassing line extensions and "me-too" products with radical innovation resulting in discontinuities of both market and technology. This appears to correlate with the literature on SMEs that argues that incremental innovation is often pursued (Heunks, 1998; Pullen et al., 2009).

Non-family employees

Non-family employees appear to play an important role in family firm innovation within the cases. In those cases where non-family members play an important role in innovation it appears that there is a strong bond and trust among the family members and non-family members due to their established relationships. This exemplifies the presence of emotional attachment in the form of an extended family in which workers feel they belong (Chua et al., 2003; Karra et al., 2007).

Furthermore, Zahra et al (2007) noted that innovative products, processes, tactics and strategies can only be developed by utilizing the collective knowledge of employees. The role of the non-family employees in family firm innovation varied within each company. A non-family manager plays an important role in the implementation of innovation in the design manufacturing firm, whilst non-family directors and managers have input into all stages of innovation in the textile and jewellery firms. To re-emphasise the role of family employees, the fifth generation owner of the property development company hired a sales and marketing manager to take the business forward. This could be linked to the theme of professionalism, as bringing in outside help enables the firm to be more professional (Dyer 1989).

Professionally Managed

Among the cases, there appeared to be a certain degree of professionalism in terms of a separation between work and home life, which primarily focused on every attempt to be made not to discuss work at home. This use of formality in terms of the use of forenames rather than “dad” was a recurring theme throughout the interview with the second generation in the natural healthcare manufacturer. This aspect of formality signals professionalism according to scholars such as Songini, 2006 and Hall and Nordqvist, 2008. The managing director of the jewellery firm stated that he has his “business head” on in the office despite working with his wife and mother. More family members are involved in these two firms than the other cases, thus one may assume that professionalism may help build more harmonious relationships within the firm, allowing more productivity in terms of innovation. Johannisson (2002) noted that more professional management and less family involvement is important in the continuation of entrepreneurship in family firms. Family firms with relatively less family involvement tend to have the upper hand over those firms with multiple generations being involved

(Miller et al, 2008). However, Miller et al (2008) do not make the distinction between the levels of family involvement that is conducive to greater returns.

Professionally managed firms often relate to non-family firms as key decision makers and managers are recruited from the labour market rather than the family, with ownership being dispersed among several individuals (James, 1999). Thus, the cases are not following the atypical professionally managed firm but may be adopting a degree of professionalism reducing the family conflict and allowing innovation to take place.

Buy-In

After conducting the preliminary interviews within each firm, it became evident that many of the cases were not simply passed onto the next generation but bought by them. This is true for all the firms apart from the fishing retailer and the online optician. There appears to be limited research on this issue within the family business literature but it is a striking feature of many of the firms in this study. This could suggest that if the next generation has a financial stake within the business they may be more motivated to make it succeed. Therefore they may be more inclined to innovate. Perhaps this helps to sustain innovation between the generations, linking directly to one of the main aims of this study. As there is a lack of family business literature to support this, it is certainly an area for future research.

Table 6: Compare and Contrast of the emerging themes

	Design Manufacturer	Textile	Property	Online Optician	Retail Jeweller	Natural healthcare	Fishing Retailer
Trust	Verbal Agreements		Verbal agreements				
Informal Processes	Yes	No	Yes	Yes	Yes	Yes	Yes
Organisational Structure	Flat	Hierarchical	Flat	Flat	Flat	Flat	Flat
Relationships	Customer Supplier Competitor	Customer Supplier Competitor	Customer	Customers Supplier Competitor	Customers Supplier Competitor	Customer	Customer Supplier Competitor
Learning	From mistakes Freedom to learn		From mistakes	From mistakes	From mistakes	Freedom to learn	From mistakes Freedom to learn
Culture	Honesty and integrity Openness to new ideas	Honesty and integrity Openness to new ideas	Honesty and integrity Openness to new ideas	Honesty and integrity Openness to new ideas	Honesty and integrity Openness to new ideas	Honesty and integrity Openness to new ideas	Honesty and integrity Openness to new ideas
External Sources of Information	Yes	Yes	Yes	yes	Yes	Yes	Yes
External Help	Yes	Yes	Yes	Yes		Yes	
Centralised Power	Yes – one decision maker	Yes – one decision maker	Yes – one decision maker	Yes – one decision maker	Yes – one decision maker	Yes – one decision maker	Yes – one decision maker
Incremental Innovation	Radical	Incremental	Incremental	Incremental	Incremental	Radical	Incremental
Non-family employees	Play an important role	Play an important role	Play an important role	Play an important role	Play an important role		Mistrust
Professionally managed		Limited number of family members	Distance between husband and wife at work	Limited number of family members	Separation of work and family	Use of first name with father	Separation of work and family
Buy-In	Yes	Yes	Yes	No	Partly	Yes	No

The exploratory research has provided a number of preliminary themes relating to innovation patterns within small family firms, which has helped to formulate the primary case study research design in terms of the semi-structured interviews. The preliminary research has also informed the primary data collection where additional family members as well as non-family members were interviewed to gain a more in-depth insight into small family firm innovation. It is noteworthy to mention that the exploratory findings are limited to a single perspective of innovation as only one member was interviewed.

Following the findings from the exploratory research, the themes identified in figure 2 from the literature review, can be expanded to incorporate additional elements.

Therefore, figure 4 overleaf outlines an updated view of the innovation patterns within small family firms, which form the basis for the primary research stage of this thesis and an initial conceptualisation of the innovation patterns in small family firms.

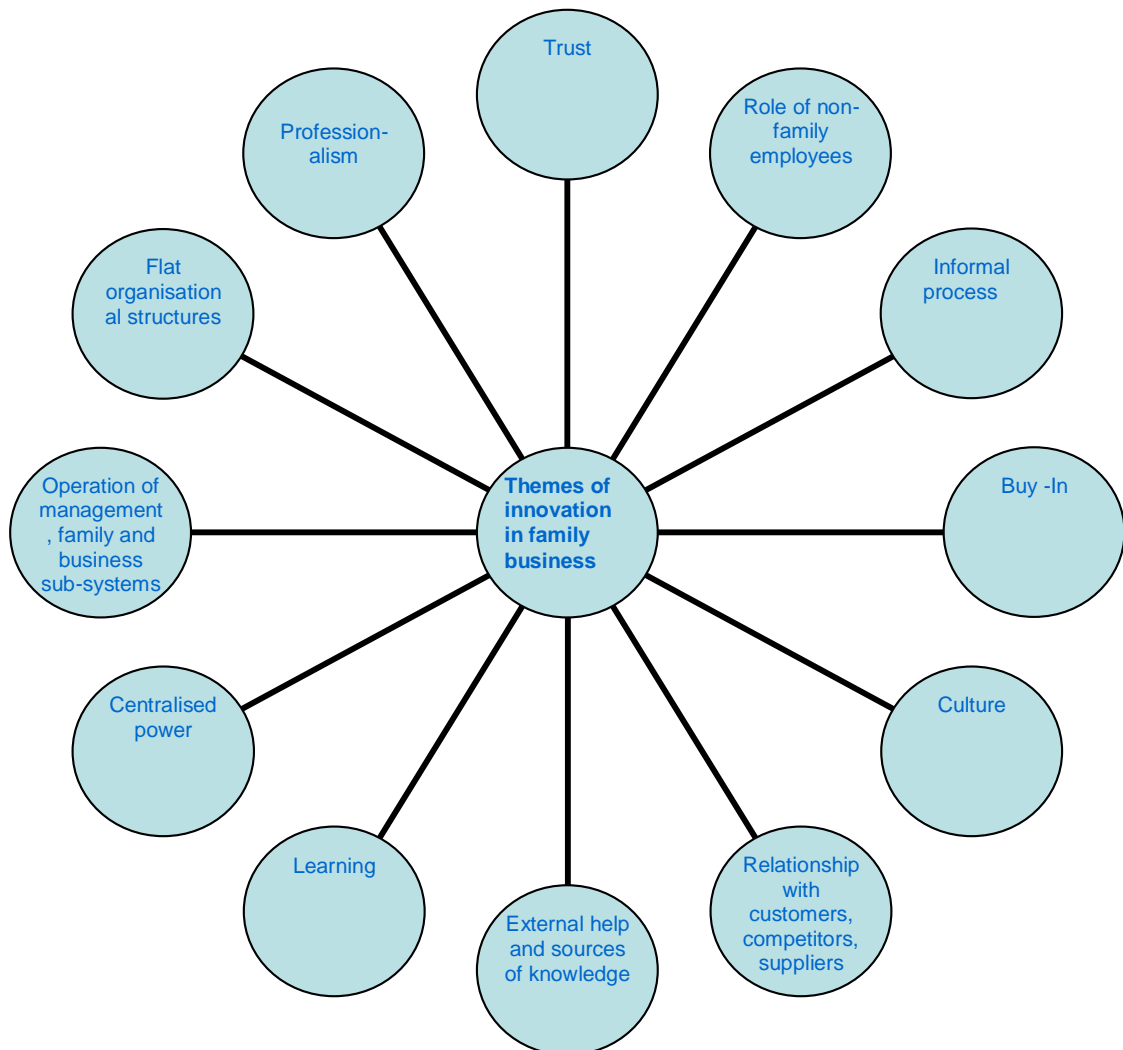


Figure 4: Themes of innovation in small family business expanded

5.6. An Understanding of the Configurations of Innovation Patterns in Small Family Firms – Expanded

Following the literature review and exploratory research, an adaptation of Miller and Le Breton-Miller's (2005) 4Cs framework can be suggested. As outlined in 3.10, Miller and Le Breton-Miller's (2005) original 4 Cs include community, connect, command, and continuity. However, the scholars often discuss these priorities in relation to successful large family firms, rather than poor performing. Therefore, based on the literature review in chapters 2 and 3 as well as the themes emerging through the exploratory research an adaptation of the Miller and Le Breton-Miller's (2005) 4Cs framework is suggested.

One difference between my adapted version of Miller and Le Breton-Miller's (2005) model and their original framework is that I have not utilised the command priority, in fact it has been replaced with control. Command relates to freedom within a firm, which may be relevant to the study of large family firms but it is not necessarily applicable to the investigation at hand. In addition, centralisation has emerged as a prevailing theme in the exploratory fieldwork, making control a more pertinent priority. However, an emphasis on control contradicts some of the innovation literature as Damanpour (1991) and Rothwell (1992) argued that centralisation inhibits innovation. Literature on entrepreneurship in family firms found that centralisation of power may produce rigid organisational structures and limit innovative ideas being shared, consequently hindering entrepreneurship. Decentralised authority on the other hand is thought to enhance flexibility, promote independent contributions from members (Zahra et al., 2004). Nevertheless, control, namely centralisation may be conducive to small family firm innovation due to the size of the firms.

A prevalent theme in the innovation literature is a close relationship with external networks or collaborations, which is particularly emphasised by the open innovation perspective (e.g Gassmann, 2006; Laursen and Salter; Van de Vrande et al., 2009; Enkel and Gassmann, 2010) as well as a close relationship with non-family employees. The role of non-family members in small family firm innovation was another emerging theme from the exploratory research. The literature on this is limited but Zahra et al (2007) noted that innovative products, processes, tactics and strategies can only be developed by utilising the collective knowledge of employees. The value of non-family members could be a form of the family providing emotional attachment in the form of an extended family in which workers feel they belong (Chua et al., 2003; Karra et al., 2006). The exploratory research identified both internal and external relationships as an

emerging theme in small family firm innovation particularly in the development of ideas. Therefore, the connection priority with external stakeholders appears a pertinent one but should be adapted to also incorporate non-family employees. The emphasis is on close relationships, be it external and internal, for this reason “connection” will be replaced with “closeness” priority.

The continuity priority, in particular continuous communication and employment, emerged as a prominent theme in the exploratory research, pointing to the relevance of this priority in the adaptation of Miller and Le-Breton Miller’s (2005) 4Cs model. The continuity priority is interlinked with most of the themes. Logically innovation is a continuous process, where all the themes need to operate continuously to achieve long term success for a family firm. Therefore, this priority has been carried through from the original Cs framework. The commonalities lie in the importance of relationships, both internally and externally. However, the original framework distinguished between the two, namely the community priority relating to internal relationships and connect encompassing external relationships. The adapted Cs framework combined both of these into one priority – closeness - to emphasise the importance of building relationships in general.

Cultivation in terms of learning, education and training of family members and nonfamily members appeared to be an important emerging priority. This is particularly pertinent in terms of sustaining innovation in small family firms. Cultivation was found to be significant in both the innovation literature and exploratory research and is particularly relevant to the study at hand. In the case of the design manufacturer, natural healthcare manufacturer and fishing retailer, where two generations are involved in the business, the younger generation is given a degree of freedom and autonomy to learn and develop ideas. Specific values relating to the organisational structure such as freedom (Ekvall 1996; Amabile 1988) in terms of autonomy, empowerment and flexibility are seen to promote innovation (Martins and Terblanche, 2003). All the owning families are degree educated in subjects relevant to their industries or in general business studies apart from the natural healthcare manufacturer in which the second generation son quit university to start the family firm with his father and sister. This contradicts Kellermanns and Eddleston (2004) who suggest that family members usually occupy high positions without necessarily having the necessary training and qualifications.

Professional management was an emerging theme in the exploratory research in relation to a separation of work and family life and the use of formality within the

business. Johannisson (2002) noted that more professional management and less family involvement is important in the continuation of entrepreneurship in family firms. Family firms with relatively less family involvement tend to have an advantage over those firms with multiple generations being involved (Miller et al, 2008). Therefore, professional management may facilitate innovation within small family firms, highlighting the need for another priority, which will be labeled “competence”. Thus, it is proposed that the configuration of innovation patterns in small family firms will be based on closeness with external stakeholders and non-family employees; cultivation of family and non-family members; continuity; control and competence.

As outlined, my proposed adaptation of Miler and Le Breton-Miller’s (2005) 4C’s includes some similarities and differences compared to the original framework. Therefore, table 7 provides a direct comparison between both the original and adapted versions of the framework. As discussed, the commonalities lie with the continuity priority and an emphasis on relationships. Therefore, the community and connect priorities have been combined to form a new priority – closeness. The differences between the original and adapted frameworks include the addition of the following priorities: cultivation; competence; and control.

Table 7: Comparison between original C’s and new adapted C’s

Original Cs framework (Miller and Le Breton-Miller, 2005)	Adapted Cs Framework
Community	Closeness
Connect	Control
Command	Cultivation
Continuity	Continuity
	Competence

My adaptation of Miller and Le Breton Miller’s (2005) 4C’s framework guided the collection of data during the second phase of the research design, in an attempt to gain a deeper insight into how small family firms innovate and how this is sustained between generations. This facilitated the ultimate objective of this study, which is to develop a model of innovation in small family firms and contribute to knowledge in the field of family business.

5.7 Primary Data Collection

The discussion in this chapter has focused on the first stage of the research design, namely the exploratory research, which provided a foundation to carry out the second stage of the design, the primary data collection. Therefore, the following section of this chapter discussed the primary data collection in terms of the sampling method used, the research techniques adopted as well as providing a brief description of each case study. In addition, I discuss the utilisation of the adapted C's framework and how this was used to guide data collection.

In the primary fieldwork, a case study design was adopted. My adaptation of Miller and Le Breton Miller's (2005) 4C's framework guided the collection of data which was based on the literature review and exploratory fieldwork in an attempt to gain a deeper insight into how small family firms innovate and how this is sustained between generations. This will facilitate the ultimate objective of this study, which is to develop a model of innovation in small family firms and contribute to knowledge in the field of family business.

According to Yin (2003), there are four types of case study designs: single case designs (holistic); single case (embedded) designs; multiple case (holistic designs); multiple case (embedded) designs. Single case designs can be appropriate when a single case represents an extreme or unique case or when a single case is representative or a typical case. However, a single case may not turn out the way one initially thought. Holistic designs are suitable if the case study is examining the global nature of an organisation or a programme, whilst an embedded approach focuses on specific units. Following the holistic approach of Miller and Le-Breton Miller's (2005) framework, it seemed appropriate to adopt a holistic case study design that focuses on innovation as a whole within a small family firm rather than focusing on a unit of a firm. This allowed me to gain a better understanding of how small family firms innovate within the organisation as whole. My adaptation of Miller and Le Breton Miller's (2005) 4Cs framework helped guide the questioning.

Multiple case studies are more robust but can require extensive resources and time. The aim is to follow "replication" logic as opposed to a sampling logic for single cases. In my study each small family firm is the subject of an individual case study but the study as a whole covers several small family firms. Analytical conclusions arising from two or more cases are more powerful than a single case study.

My data collection followed Yin's (2003) suggestion of a case study protocol, which increases the reliability of case study research and guides data collection. I put together an outline of the questions I intended to ask specific interviewees. Semi-structured interviews and participant observations were the main primary data gathering instruments. The data collection instruments used were standardized, which is advocated for confirmatory studies and multiple case study designs to enable the comparison of findings (Yin, 2003).

During semi-structured interviews respondents were asked to provide his/her own insights into the process of innovation and the firm in general (e.g Yin, 2003). For example, respondents were asked to provide an example of an innovation the firm had undertaken and how they went about achieving this as outlined in the sample questionnaire in appendix 1. It was a focused interview where relatively short interviews were conducted at one time, lasting around an hour with open ended questions and followed a conversational manner (Yin, 2003). Having said this, interviews followed a certain set of questions outlined in the case study protocol (Yin, 2003). Questions were based on themes that emerged from the literature review and exploratory research that are outlined in my conceptualized framework – the adaptation of Miller and Le Breton-Miller's (2005) 4 C's configuration framework. More specifically the interview questions mainly centered on the priorities: cultivation, competence, control, cultivation and continuity, Sub-questions relating to each of these priorities were outlined for further probing (e.g. Noor, 2008) as illustrated in the sample questionnaire in appendix 1.

Participant observation was also employed to gain information that might not have been obtained through the interview process. The aim of this was to generate further insights into family firm innovation (Yin, 2012) and provide a thicker description of the phenomena as well enhancing the consistency of the conclusions (Handler, 1989). This involved observing the setting in which innovation takes place within the organisation and taking observation notes which will be later used in data analysis. Secondary documents can be useful in cross-validating information gathered during the primary fieldwork. Therefore marketing material and company websites were referred to, enabling a more holistic view of the organisation.

5.8. Case selection for primary research

In contrast to quantitative studies, selecting cases in qualitative research does not require randomisation as the main aim is to choose cases that have a higher propensity to replicate, extend or develop the theory. For this reason purposive sampling will be pursued in this study (Eisenhardt, 1989).

As stated earlier, for the purposes of this study, I have used Westhead and Cowling's (1998) definition of a family firm which is widely used by family business scholars (e.g. Poutiouris et al., 2006) and has been published in various journals. This provided a broad guide for the case study selection. This criteria is: more than 50% of the firm is owned by members of the largest single family group; the firm has undergone an intergenerational transition. This criterion links with my research objectives particularly understanding how innovation and creativity is sustained between generations. Therefore, family control and generational involvement were the main criteria in my selection of cases.

The value of the generational criteria is further emphasised in Gersick et al's (1997) widely accepted life cycle model. This model suggests that family firms follow the transition from a controlling owner, to a sibling partnership and finally through to a cousin consortium through the generations. Furthermore, the model emphasises the importance of the generational element in family firm literature. It neglects, however, to consider intergenerational elements where there are perhaps two generations involved in the business. Intergenerational elements were reflected in the exploratory fieldwork. In addition, Gersick et al's (1997) model is based on large family firms making aspects of it not applicable to the study of small family firms and assumes that a family firm will transcend into a cousin consortium, which is not necessarily the case.

The second criteria employed for the primary research was that of controlling owner, which directly links to the Westhead and Cowling (1998) definition used for the purposes of this study. A matched pair design was used based on generational elements and controlling family ownership to provide more powerful analytical conclusions rather than focusing on single case studies. The rationale is one of replication between the matching pairs by focusing on this criterion. To enable a matched pairs approach, two types of family controlled firms were identified, namely spousal and father and son owned/controlled family firms. Spousal partnerships, coined as copreneurs in the family business literature (e.g. Fitzgerald and Muske, 2002), represent married couples who

share ownership of a family business. Some studies on spousal partnerships in the family business literature have focused on the power dynamics between the couple. The findings have been mixed with the husband being seen as the dominant figure in terms of decision-making (e.g Panthieu and Cardell, 1993; Kirkwood, 2009), whilst other studies have found the wife to play a more crucial role. A number of factors can affect the role of each spouse within a family firm including their knowledge base, their passion for the business, their ability to perform as well their long term commitment to the survival of the company (Poza and Messer, 2001). Therefore, it will be interestingly to find out the role each spouse plays in small family firm innovation.

Six of the cases that were used in the exploratory research were carried through to the primary research stage. The on-line optician was the only case that was discarded as it did not fit the new case criteria. Therefore, two new cases were selected. A local accountancy firm specialising in SMEs was approached to assist in this. Due to the issue of confidentiality, I could not approach the firms directly but the director of the accountancy firm was kind enough to approach his clients who were small family firms, on my behalf. I put a research brief together which was e-mailed out to six clients. Four of which responded, and two of which fit the case criteria. This enabled there to be four matched pairs, with a total of eight cases. Table 8 overleaf outlines the eight cases that were used in the primary research.

Table 8: Sample of Case Studies used for Primary Research

	Family controlling ownership	Generational involvement	Size	Industry	Turnover	Growth	Buy-in or generational transfer
			MATCHED PAIR 1				
a) Complete Storage Solutions - Manufacturer of storage solutions	Father and son	First and second	7 employees	Point of sale displays, store fitting and exhibition contracting in UK	£500,000	Mature	It will be a buy-in when the next generation takes over
b) VMS UK - Vitamin, minerals and supplements manufacturer	Father and sons	First and second	49 employees	Manufacturer of branded and own brand vitamins, minerals and supplements	£10million	Growing	It will be a buy-in when the next generation takes over
			MATCHED PAIR 2				
a) Fish More - Fishing retailer	Father and Son	Second and Third	12 employees	Fishing retail	£750,000	Mature	Generational transfer
b) Nostril - Natural Healthcare Manufacturer	Father and son	Second and third	6 employees	Global natural healthcare products – manufacturer	£3million	Emerging	Bit of both
			MATCHED PAIR 3				

a) Design For You - Design manufacturer	Husband and wife	First and second	7 employees	Manufacture in commercial catering, refrigeration, catering and medical	£1million	Growing /Mature	Partly buy-in
b) The Diamond Boutique – Retail Jeweller	Husband and wife	Second and indirect involvement of first	11 employees	Retail jewellery in UK including bespoke jewellery	£900,000	Mature but bespoke side of the business is growing	Buy-in
			MATCHED PAIR 4				
a) Sugdens - Textile manufacturer	Husband and wife (wife – limited role)	Fifth	31 employees	Textile manufacturing in UK and now just entering storage business for small businesses	Refused to say	Mature	Buy-In
b) Hawkins - Property development	Husband and wife	Fifth	11 employees	Property development in UK and energy efficiency	Refused to say	Energy efficiency side is growing	Partly buy-in

5.9. Analysis Techniques used in Primary Data Collection

The interviews were manually transcribed and coded to enable me to become very familiar with the data at which point I identified a list of themes for each case. Where appropriate I grouped sub-themes under a main theme as a way of managing the amount of the data captured. To organise the data, I used Huberman and Miles' (1994) suggestion of carrying out within case analysis as well as cross-case analysis for each matched pair. This allowed the similarities and differences between each case to be outlined, leading to a more in-depth understanding about the phenomenon being studied (Huberman and Miles, 2002). For example, table 9 below illustrates the matrix table used for the cross-case comparison for matched pair 1.

Table 9: An example of cross data comparison – taken from Matched Pair 1

	Education and Experience	Organisational structure and control	Culture	External help and information	Formalisation	Definition of innovation
The father – Mike Generation 1	-degree -experience within Vitamins market in UK -experience within large multinationals	He is the main decision maker with some input from key non-family directors	-Learning culture -Professionalism between the family -Close and personal relationships with staff	Customers are a valuable source of information	-Introduction of formalised processes (e.g. stage and gate) -Does not manage sons directly	Generation of ideas from external information from clients
Two sons - Adam and Joe Generation 2	-no degree (eldest son) -business degree and year placement with Asda (youngest son) -both have had different roles within the company	The father is in control and is the centre of the organisation	- The father has a hold on staff - Paternalistic culture between non-family members and father - Their father is their boss	- Adam: direct relationship with Asda	-see the father as 80% boss -the youngest son refers to father by first name	
Non-family member 1 – Environmental Health and Safety Manager (Ross)	-computer degree -worked with the father previously and for a competitor - been given different roles within the business	The father is in control with input from key non-family members	- Close family culture Learning and development		- Formalised processes – stage and gate	His development and understanding of different aspects of the business – increasing his knowledge
Non-Family Member 2 – Marketing director (Funda)	-marketing degree -experience of working with a competitor and multinational -promoted to director within 6 months	The father with input from key nonfamily members	-family culture -paternalism between the father and staff -openness -fear factor with sons and some staff members		-formalised processes she has brought in from previous experience -she manages one of the sons	- formalised processes from previous work experience
Non-family member 3 – Export director Simon	-Degree from same university as youngest son -Experience working in large corporation -No export experience -on the job training	The father mainly with input from key non family members	-close relationship with sons and father and their partners		- formalised processes – stage and gate	Having the right knowledge and skills in the business through non-family members

Father – Jonny Generation 1	<ul style="list-style-type: none"> - MBA - work experience in public and private industries including multinationals - wants to high level of education in the company 	-The son	<ul style="list-style-type: none"> -learning and development -resistance to change 		<ul style="list-style-type: none"> - physical distance with father -only speak on the telephone - limited family involvement - use of formalised system i.e. balanced scorecard 	<ul style="list-style-type: none"> - New technology, change, the business going forward
Son – Archie Generation 2	<ul style="list-style-type: none"> - PhD - experience of manufacturing with large multinational - phased learning when joined the company -wants to high level of education in the company 	- He is ultimately in charge but key input from senior team	<ul style="list-style-type: none"> - learning and development 	- close relationship with customers. He is the only one who deals with them	<ul style="list-style-type: none"> - Use of formalised system i.e. balanced scorecard - refers to his father by first name 	<ul style="list-style-type: none"> - New ideas for the business stemming from education and training - Driving the business forward
Non-family Member 1 – Sales manager (Fred)	<ul style="list-style-type: none"> - MBA sponsored by the firm - experience of working within large corporations 	-Ultimately the son but input from senior team	<ul style="list-style-type: none"> - resistance to change - learning and development 		<ul style="list-style-type: none"> - use of formalised system i.e. balanced scorecard - Brought formalised processes with him from work experience - returns policy 	<ul style="list-style-type: none"> - new ways of working internally from his previous work experience
Non-Family Member 2 – Production Controller (Ken)	<ul style="list-style-type: none"> - marketing degree from his home country - has been promoted within the company 	- the son	<ul style="list-style-type: none"> - learning and development - close family orientation 			<ul style="list-style-type: none"> - freedom to make decisions and learn from mistakes

6. An Analysis of the Innovation Patterns within Father and Son Controlled Small Family Firms

The primary data was analysed in two sections. There are eight case studies resulting in four matched pairs, thus each analysis chapter addresses two matched pairs. Miles and Huberman's (1994) approach to case study analysis is applied in which a within case analysis is initially carried out for each matched pair, followed by a cross case comparison. This helped to determine the configuration framework for each matched pair, which is discussed in my discussion and concluding chapters. Each within case analysis is preceded by a brief background on the firm and the actors involved in the primary data collection.

Due to sheer amount of data captured during the primary data collection once the interviews and observations were coded, a table of themes has been prepared for each case study. Manually transcribing and coding the interviews allowed me to become very familiar with the data. During the manual coding, I identified a list of themes for each case. Where appropriate I grouped sub-themes under a main theme as a way of managing the amount of the data captured. This allowed the data to be displayed in an accessible way that illustrates how I have achieved my final conclusions. Each of the most significant themes within each case are addressed and discussed within this chapter.

6.1. An Analysis of the Innovation Patterns in Matched Pair 1

The following two cases, namely VMS UK, the Vitamins, Minerals and Supplements Manufacturer (case A), and Complete Storage Solutions, the manufacturer of storage solutions (case B), are matched pairs based on first and second generation father and son controlled small family firms. This section sets out a within-case analysis for each firm, following by a cross-case comparison.

6.1.2 Innovation Patterns within Case A - VMS UK (Manufacturer of Vitamins, Minerals and Supplements)

Company Background

The first generation father set up the company in 2001. With an extensive background working for large PLCs with proprietary brands, food brands, and private label brands, the father felt there was an opportunity for a vitamins business in the UK, particularly in the private label sector. At the time of starting the business, the father was in his mid-50s, making it quite late in his working career to start his own company. No other family members were involved in setting the business up. The father has two sons, one of which was working at the time of starting the business and the other was just starting university. The business operates in the Vitamins, Minerals and Supplements market in the UK and Europe as a whole. They have distributing partners in over 20 countries worldwide including the Middle East. This number is continuously growing as are the brands they are manufacturing particularly their own brands, which range from children's vitamins to women's supplements. Their clients in the UK include some of the large supermarket chains.

At present, the family members involved in the business are the first generation father and his two sons. The father has a business studies university degree, with his youngest son following suit who carried out a business degree, which included a one-year placement in industry. The father is the main shareholder within the business with the remaining shares being held by the sons. This company is the largest among all the eight case studies in terms of turnover and employees. There are 49 members of staff in total.

At the time of interview, both sons were fully involved in the business in managerial positions. However, since conducting the primary research, a non-family member has notified me that the two sons were appointed as directors in February 2013. This appointment has obviously not occurred straightaway as both sons have worked their way up to this position, which has taken them 11 years. Three non-family members have director level positions, namely the export director; marketing director; and production director. All three individuals make up the board of directors.

In conjunction with the father, Mick, and his two sons (Adam and Joe), the marketing director (Funda), export director (Simon) and the environmental and safety manager (Ross) were all interviewed for the purposes of this study. Now that the scene has been set, the themes that emerged within this particular case during the primary data collection stage will be discussed and analysed.

The Role of Education and Work Experience

All interviewees, apart from the eldest son, Joe, have been educated to degree level in a relevant subject area, most of which have carried out business degrees bar the Environmental and Safety Manager, who has an engineering degree. However, the eldest son opted to go straight into the working world after finishing school.

Education within the non-family employees appeared to be favoured by the father emphasising the importance he places on it within the business. For example, during the interview the father made reference to the fact that the export director, Simon, had obtained his degree from the same university as his son. Furthermore, the export director made a similar reference in his interview by saying *“Mick really liked the fact I went to the same university as his son despite it being years ago”*.

The father can obviously see the value of his non-family employees having a university degree as well as his son. A business degree will provide the individuals with business acumen that can be applied within the family firm. In addition to education, work experience is also a dominant theme across the family and non-family members who were interviewed.

The father himself has relevant experience of working in the Vitamins, Minerals and Supplements (VMS) market as well as working for multinational corporations.

“This business stemmed from my experience in the retail sector and working in the vitamins industry... I’ve been involved in many plc non-food companies including private labels...I’ve been involved in the UK industry throughout my career” (Mick, the father).

Interestingly, all the interviewees have worked in multinational firms including the two sons. The eldest son previously worked in sales for a large corporate bank and the youngest son worked for Asda as part of his placement during his business degree. In fact, Asda is currently one of the firm’s biggest clients. Whilst on this

placement, the son actually had dealings with the family business. His experience working for Asda has been fruitful in understanding their systems and processes as well as forming key relationships with members within this multinational company.

His father stresses how important his son's experience has been to the family business - *"his experience with Asda has been invaluable and we now have a very good relationship with them as a result...He (Adam, the youngest son) had a lot of experience of working for the world's largest retailer and their systems...he knows more about their systems than they (Asda) do"*. At the time of carrying out my research the youngest son, Adam, was working within logistics in the family business and dealt directly with members within Asda. It is not clear whether it was an intentional decision to do a placement within Asda but certainly doing a business degree and gaining general business know-how was. It was something that the father encouraged *"I wanted my sons to go to university and get a good education like me. It is important to have this sort of grounding in life...Adam is rather like me, we're very similar in the way we act in business and in our personal lives. I enjoy working with him"*.

This statement is rather expressive as it suggests that the close relationship between the father and youngest son seems to derive from his proudness of him following the same path as he by attending university and having "invaluable" experience of working with one of the firm's largest clients. Not only does it suggest that the father was (or still is) a role model for this particular son in terms of education and the way he carries himself within the business world, but he was also intentionally encouraged him to follow a similar path. Furthermore, the father's use of the word "grounding" suggests he views a university degree as a foundation for development and learning, which he himself has found beneficial in his career to date. Interestingly, the eldest son was not mentioned in this statement who did not attend university despite the encouragement. It emphasises the importance the father places on education and experience among the family and non-family members in terms of being able to innovate and run a successful business.

The marketing director has a range of work experience from working with a direct competitor within the VMS industry as well as a multinational firm within the bed industry. In addition, the export director previously worked for a global drinks company and the environmental and safety manager worked with the father in

another large organisation. This will have given these non-family members different insights into the workings of larger, international companies as opposed to a small family firm they are currently working in. The marketing director makes direct reference to her experience of working in large corporations:

“I came from a background that involved being very professional, so I think I brought an element of professionalism to a company that had a family culture and open culture – I brought some discipline”(Funda, marketing director). In this statement Funda refers to her experience of working in larger companies which has facilitated her bringing new ways of working into the family business, namely “professionalism” and “discipline” which did not previously exist. This new way of working can be seen to be the marketing director’s perception of innovation and the vital role her previous experience has played in bringing formal processes from a different industry to this family firm. However, is this the only dimension that facilitates innovation within this firm? This question will be tackled in the discussion chapter.

Remaining within the theme of experience, two of the interviewees, namely the environmental health and safety manager and marketing director have both previously worked for competitors. This does not seem to be a deterrent but rather a positive attribute for the father. Perhaps it provides the organisation with a competitive advantage having an insight into the inner workings of direct competitors and is, therefore, a source of new ideas for the business reinforcing his openness to change and innovation.

Intentional development carried out by the father

The father has made sure both sons understand the business by placing them within different departments in different roles. The father could have appointed his sons as directors from day one but chose not to. In fact, he made a conscious decision not to do this. *“I’ve seen family businesses work differently where the father is the chairman and the son is the managing director and the two of them work together and that’s not for here – not yet”* (Mick, the father). The use of ‘not yet’ in the father’s statement suggests that his intention in the long term is for his sons to work closely with him at a director level but that this privileged has to be earned. Therefore, being a family member does not equate to automatic access to the top echelons of this family business. The sons must prove themselves and

understand the business as a whole. In this way they are being treated the same as a non-family member. Having said this, the point of difference between the sons and non-family members is that the former will almost certainly become directors if they can prove themselves.

The father is using his insight from his knowledge of other family businesses when making this conscious decision not to appoint his sons as directors straightaway. This forms a direct link between the father's intentional decision to develop his sons and the knowledge he has gained throughout his working life. This intentional decision by the father will equip the sons with deeper knowledge of the inner workings of the business from the top to the bottom, thereby enhancing their ability to run and drive innovation within the company. Perhaps this form of intentional development facilitates the sustenance of innovation within the family firm in the long term. Furthermore, it reinforces the value the father places on learning and development within the business suggesting a culture of learning which is not restricted to the family members but also key non-family members.

When the business first started, the father offered a selling role to his eldest son, who was working in sales for a large, multinational bank at the time. From day one, the eldest son has been involved in the business. The youngest son joined the business straight after finishing university. Both sons have had roles in different departments within the business including the factory, sales, logistics and operations *"both my sons have undertaken different roles within the business since they starting working here which is important for them"* as stated by the father. This is reinforced by the eldest son who explains how he has been given increasing responsibility as time has gone on in different roles *"within the last two years I have been moved into sales and into the offices and have been given more and more responsibility"* (Joe, the eldest son). It is not just the sons that the father has developed but also non-family members, namely the environmental health and safety manager, export director and marketing director. Interestingly, Ross - the environmental health and safety manager - noted that out of all the companies he has worked in, this is the only one that has *"given (him) more opportunities to develop by offering different roles"*. This is quite a powerful statement to make about this family business and more specifically about the father. This non-family member has worked for larger and medium sized companies including a non-family run competitor none of which have offered him the same opportunities to develop as an

individual and in his career. Furthermore, he has been offered the chance to undertake different roles within the business allowing him to have more of a holistic understanding of how the company operates. This knowledge may enable him to generate ideas for the business. In this way, this non-family member views innovation as the opportunity to develop and gain exposure to different aspects of the operations, enhancing the level of knowledge relating to the business.

During my observations, I was able to have an informal conversation with the environmental health and safety manager who referred to his experience within the firm allowing him to be better informed to “suggest changes within the business” and “understand why changes are needed”. Based on this conversation, I would extend this non-family member’s perceived view of innovation as follows: innovation is the development of individuals within the family business facilitates an increases in knowledge enhancing their ability to generate new ideas within the firm and makes them more open to embracing change.

The marketing director was promoted within 6 months of being with the company and the export director was hired without any previous export experience. This highlights the importance the father places on key non-family members within the business and the role he plays in developing them by taking on the role of a ‘father’.

“I didn’t know anything about export, so I did some research before my interview and Mick seemed satisfied with what I had done. I think he liked me and saw potential in me....He did help me when I started my job as he gave me some export contacts to give me a starting point which I found really useful actually”. (Simon, export director).

“I’ve had so many opportunities to develop, which I have never had before”. (Ross, environmental health and safety manager)

Part of the environmental health and safety manager’s current role includes providing monthly reports to the father. Therefore, he works closely with the father - *“he (the father) listens to me and I feel he trusts me. I talk to him every day and give him an update on my findings” (Ross, the Environmental health and safety manager)*. As this is a new role for this individual, he was sent on several training courses and does so annually – *“I didn’t really know much about health and safety before but Mick (the father) sent me on some useful courses. I have to go every*

year as things are always changing” (Ross, the environmental health and safety manager).

The father promoted the marketing director a lot quicker than his own sons, who have taken years to be promoted to director level as compared to 6 months. *“My role has expanded considerably and now I feel we communicate more professionally as a business. I was promoted within 6 months of being here to Marketing director which was really surprising as I didn’t expect to be promoted so quickly but Mick obviously saw something good in me” (Funda, marketing director).* This statement highlights this particular non-family member’s development within the company, which has expanded her knowledge and experience. More specifically, this non-family member was promoted into directorship before the two sons. This suggests a level of ‘professionalism’ within the family business, which does not necessarily favour family members over their non-family counterparts. It puts the business needs before the family needs. This point links directly with the professionalism theme discussed later in this chapter. Furthermore, out of all the cases being investigated this was the firm which felt the most corporate when conducting my research. The sons did not have their own offices but sat in amongst non-family members. In fact, two non-family members had their own offices. There were no artifacts or physical signs indicating that the company is a family business. Based on this analysis, one could perceive innovation within this firm as the activities that involve putting the business needs before that of the family.

The father and key non-family members – the decision makers

The father and key non-family members are the central decision makers as family and non-family control is a recurring theme throughout all the interviews. The father highlights the importance of people in the success of the business *“number one to the success of the business is people”* which indicates a reason for the importance he places on key non-family members.

The father refers to the *“core group”* in his interview, suggesting that decision-making is concentrated among a select few individuals. *“It is the core group of directors that help me make decisions. I really value them and their input” (Mick, the father).* This emphasis on key non-family members is further exemplified by the environmental health and safety manager’s reference to “they” in his interview. For

example, *“if you come up with ideas they (the core team) do listen”*. The core team relates to the father and the board of directors, which includes the marketing director, the production director and the export director. The use of ‘they’ and “core group” suggests that the father’s perspective on control within the firm is more team orientated as opposed to solely lying with himself. However, he later contradicts this with his frequent use of “I” in his interview indicating his control over the organisation. *“I would much prefer someone with dynamism, ideas and innovation...I’m very specific who I employ as people are so important to the business”*.

Despite the importance placed on these specific non-family members, the father does appear to play a central role in the organisation. For example, the export director frequently refers to the father as the main decision maker *“Mick is very much the decision maker”*, indicating an element of family control. This is reiterated by the sons who interestingly say *“Mick is at the end of the day our boss”*.

However, the marketing director states *“since I joined the business Mick does ultimately make the decisions but he is open to new ideas and suggestions...Since I joined the company it definitely has a more consultative approach to decision making now”*. This change in decision-making style suggests one way in which the firm views innovation – in terms of internal changes, which are new to them. Furthermore, despite decision-making ultimately lying within the father, the marketing director’s reference to the father being “open to new ideas and suggestions” indicates an open culture within the business where innovation is encouraged.

On numerous occasions the export director made reference to the father in terms of control and *“driving the business forward”* suggesting that he plays a pivotal and central role within the firm. Despite the father being the main driving force in the success of the business, the export director refers to the importance the father places on *“people”* and having the *“right people and products”*. This further emphasises the importance of non- family members and their respective skill sets and knowledge allowing the business to move forward. These terms used by the export director suggest he perceives innovation as having specific individuals within a business who have the right skills and knowledge, which facilitates the organisation to grow and succeed in the long term. This re-emphasises the

importance of knowledge within this firm and a learning based culture. This will be addressed in the discussion chapter.

A professional family firm?

An element of professionalism appears to be present between the father and his two sons as they both report directly to a non-family member, the marketing director.

“They have my surname but they never have to report to me as I have made sure they report to other people within the business” (Mick, the father). This seems to be an intentional strategy from the father to minimise the potential family dynamics that one might think may arise from working with family members, indicating a level of professionalism. Furthermore, the father’s use of the word “report” is both formal and corporate in nature and is not a term one would necessarily use when discussing family members. It is a cold and detached word inferring the father’s attempt at avoiding nepotism. This level of professionalism might help the organisation resemble more of a corporate non-family organisation and reduce the impact the family relationships have on the business. *“I want my sons to be treated in the same way as everybody else. Why should they be treated differently” (Mick, the father).*

Leaving the responsibility of managing the sons to non-family members may prevent a strain on the father and son relationships but has the opposite effect on the non-family members involved. The general presence of the sons in the office is seen to be threatening for some members of staff as noted by the marketing director - *“the sons cause a fear factor, people worry that if they do not get on the good side of them they’re in trouble”.*

The term “fear factor’ suggests that despite the father’s attempts at trying to achieve a sense of equality between the sons and non-family members there seems to be underlying family dynamics at play. The sons utilise the fact that they are part of the ‘family’ and leverage this to their advantage in terms of power and control over non-family members. Both the sons and the non-family employees are aware that it is highly likely the two sons will inherit the business one day, therefore they want to remain on good terms with them as they have control over their future careers. This

in turn makes non-family members fearful of how they act and what they say to the sons. Furthermore, it may prevent them from suggesting new ideas to the father in case the sons become jealous of the praise they receive if the idea is accepted. Therefore, despite the level of professionalism existing within the organisational structure, the mere existence of the family element may inhibit innovation within the firm, as non-employees may prefer to 'play it safe' and pursue the status quo. This suggests an aspect of the organisational structure, which may limit or negatively affect innovation from taking place within this business. This point will be addressed in the discussion chapter.

There appears to be a contradiction between what the father is trying to achieve by limiting his professional contact with his sons and the reality of the organisation being a family business. Interestingly, the father is unaware of the so-called "fear factor" that the sons are creating within the company. As much as he is trying to minimize the effect the family dynamics have on the business perhaps this is an impossible task, which could have a negative effect on the firm's ability to innovate in the long term.

One aspect of professionalism within the company appears to be in the form of more formalised processes such as team briefings and weekly meetings, making the company operate more effectively. "*We now have team briefings and send out official communications...I personally have weekly meetings with my staff... a lot of family businesses don't have these sorts of things but corporate ones do so we have adopted this and it is positive*" (Funda, marketing director). The fact that these changes have taken place suggests that the father is open to new ways of working within the organisation and ideas from non-family members. Furthermore, during my observations within this firm, a series of new ways of working were being put into place from formal processes to improvements to the existing production techniques. It seemed that a number of small changes were being introduced to the way this organisation was operating, suggesting a sense of 'everyday innovation' being undertaken, which is new to the business but not new to the world. This will be addressed in the discussion chapter.

Father or boss?

The youngest son referred to his father by his first name throughout the interview indicating a level of formality. This may be linked to both sons viewing their father as more of a boss than an actual father: *“As Adam (youngest son) said, I see him (the father) as 80% boss and 20% father and I don’t want to be seen that way by my kids.” (Joe, eldest son)*

This suggests that the eldest son does not necessarily regard the professional relationships that are present between the father and sons as a positive attribute. Despite this comment, the sons’ note the pivotal role the father has played in making the business a success *“the business wouldn’t be the same without him (the father) so I wouldn’t change anything about the way he is” (Joe, eldest son)*. This comment suggests that there is still admiration for the father. In contrast, the sons have observed that despite their rather formal relationship with their father, the same cannot be said for the non-family directors:

“Many of the directors see him (the father) being 50:50 as a father figure and a boss” (Joe, eldest son).

The sons even refer to one specific non-family employee, who was not interviewed, who they claim regards Mick, the father as *“80% dad and 20% boss” (Adam, youngest son)*. This appears to be the complete opposite to how the sons perceive their father. *“People look up to him (the father)”* as stated by the marketing director illustrating that the father is seen as a father figure to many within the firm:

“Mick deals with problems like you would expect him to in a father and son situation. He does this with all of us, not just me.” (Funda, marketing director)

The marketing director’s reference to the father dealing with issues in a father and son situation suggests an element of a paternalistic culture, which seems to encourage employee loyalty and commitment *“you can see Darren’s passion for the business as he thinks the world of my dad”* which Adam, the youngest son says in relation to one of the non-family employees working for the business. Adam goes on to say *“he (the father) has a hold on people and they don’t consider leaving”*. Interestingly, there is a contrast between the relationships between the family

members and that of the father and non-family members. Throughout this chapter thus far a professional relationship appears to have come across between the father and his two sons, which is in contrast with this paternalistic relationship that seems to exist between the father and non-family members. Therefore, the organisational culture appears to be a combination of paternalism and professionalism. This adds to the complexity that the family element of the firm brings to the organisation, as the father appears to go out of his way to achieve a professional relationship between the sons to negate any potential conflict and dynamics that may affect the business' ability to succeed. This sheds light on the organisational culture that exists within this particular family firm and the impact it may have on their ability to innovate.

The introduction of Stage and Gate

This is the only company within the eight case studies that had their values and visions formally written down. *"We have brought in a new process which is a stage and gate process. I asked colleagues from another company to implement this here" (Mick, the father)*. The reference to "new process" could be said to be the father's perspective of innovation within the family business with it relating to an idea for an internal process, which has been used in other organisations in other industries.

During the time of the primary research in May 2011, a new process had just been launched within the organisation. This was the stage and gate process, which the father introduced to organise the creation of new ideas and the process of innovation as a whole. This involves the formalisation of the generation and presentation of ideas within the business. In this way, the father views idea generation and management a crucial aspect of innovation within this firm. Any member who has a new idea or suggestion within the business has to present this on a Friday to the father and the board of directors. As part of my participant observation, I was present during one Friday in May 2011 in which employees presented their ideas to the organisation. It was evident that the father, Mike, was in control of steering the session. Out of the three employees who I witnessed presenting their ideas, each of them directed their suggestions to the father reinforcing his dominant position within the company and in innovation as whole.

All ideas presented during the stage and gate process were welcomed and were considered by the father and the board of directors as 'innovation'. *"Every idea, big or small is important to us and presents a vital part in us being to innovate and succeed as a business. I know we (the board of directors) don't have all the ideas"* (Mike, the father). The ideas varied from small amendments to manufacturing and administrative processes to introducing a new product to an existing market. The new stage and gate process instills a level of openness within the organisation's culture with the aim of encouraging innovation from all employees, not just from the directors. This re-enforces the valuable role non-family employees play in the process of innovation within this family business. From my observations during the stage and gate process and the father's reference to "ideas big or small..." it suggests that innovation is considered to be all encompassing within this small family firm, whether it is a small amendment to an existing process or the introduction of a new product to an existing market. There appears to be an emphasis on internal innovation be it a process, way of working or product as opposed to something that is revolutionary to the world. This re-emphasises that everyday innovation is being undertaken within this firm.

A close 'family' organisational culture

Internal relationships are fostered through *"company football team on Wednesdays and we always have social events"* (Mick, the father). The environmental health and safety manager even uses the word "close" to describe his relationship with other departments:

"As part of my role I work closely with production team. I know most of them anyway as I used to work in production...We're all close as everybody knows you. You feel part of a team which I like." (Ross, environmental health and safety manager).

The use of the word "close" is rather emotive and tends to be associated with a positive relationship. It suggests a level of familiarity within the firm, which is not necessarily restricted to one team but the organisation as whole. This suggests a friendly and close-knit culture. That extends beyond the family members to include non-family members. This particular non-family member appears to have a personal relationship with the father and sons, *"I get on really well with them on a personal point of view"* (Ross, environmental health and safety manager). This personal

relationship may encourage individuals to feel valued and part of the 'family', thereby enhancing their commitment to organisation's success.

Furthermore, this close 'family' culture is further exemplified with the presence of paternalism, as referred to earlier in the chapter. The father is the only employee within the organisation that has his own office in which all the board meetings take place. He always leaves the door open and likes employees to feel they can speak to him directly, which I witnessed in my observational studies. He has even conducted one to one meetings with every single employee within the organisation showing that he cares about his employees and their feedback, which I was able to observe while I was conducting my data analysis. During these meetings, it was apparent that the employees were in awe of the father, hanging off his every word seeking his recognition. For example, the environmental health and safety manager appears to want recognition from the father in the following statement: *"On a Friday they have a meeting and submit ideas and I get to see the directors and Mike gets to see me coming up with ideas"*. The use of the phrase "Mike gets to see me coming up with ideas" indicates that this particular non-family member enjoys the fact he is visible to the father and that he is seen to be coming up with ideas and attempting to be innovative. This comes back to the concept of paternalism and people wanting to be recognised for their contributions to the firm. This, in turn, suggests that in addition to a learning aspect to organisational culture it is one that is also family orientated, with particular emphasis on paternalism, which can act as a motivating factor in facilitating innovation within this firm. In this way, this non-family member is viewing innovation as a means of gaining positive recognition from the family. This point will be addressed in the discussion chapter.

Customers – a key source of information

External sources of information particularly customers such as Asda, seem to be important to the father and the business *"customer involvement is essential to generating ideas for us...The closer we can work with them (customers and suppliers) the better"* (Mick, the father). This statement infers that the father perceives innovation as the generation of ideas and external information through the development of a close relationship with customers. Furthermore, it is the family members who take the lead in developing such relationships with customers

“customers like to deal directly with a family member” as noted by Adam, the youngest son. It is not just the father who closely interacts with clients but the sons, mainly the youngest son, Adam. This highlights the important and powerful role the ‘family’ play in building and sustaining such a close relationships with customers. Furthermore, Adam’s previous work experience with Asda has allowed him to have an invaluable insight into how the organisation operation, providing the family business with somewhat of a competitive advantage. In addition, he has an existing close relationship with the firm enhancing the exchange of information and ideas. Would this relationship be as strong if he had not worked for them previously? Suffice to say, Adam’s previous work experience has helped him develop a close rapport with the customer, further emphasising the importance of the experience element in the process of innovation within this business.

Summary

Innovation within this particular family business can be seen to take the form of everyday internal changes and introduction of new processes and ways of working. An open yet family orientated culture stimulates the generation of new ideas, which is facilitated by knowledge gained through education and previous work experience. Innovation is primarily led by the father but key non-family members play a pivotal role in the process. The potential family dynamics within the firm are minimized by an attempt by the father to create a professional working relationship with his sons. Furthermore, the father made the conscious decision to develop both of this sons by ensuring they take on multiple roles within different areas of the organisation, providing them with a sound understanding of the inner workings of the business. This could stand the sons in better stead to take over and grow the business in the long term, thereby sustaining innovation between the generations.

6.1.3. Innovation Patterns within Case B – Complete Storage Solutions (Manufacturer of Storage Solutions)

Case Background

This is a small family business owned by the first and generation father and son. It was originally owned by a father and son team before this new family took over. Therefore, it has always been seen as a family business.

The business originally started in 1948 as a sole trader. It consisted of one man selling refrigeration shelves and found that there was a market for spares as they kept on becoming broken. He worked as a sales man and in 1956 the business became limited with it primarily still making shelves for the refrigeration market. In the early 1960s the business was controlled by a father and son team. The business moved to its current site in 1989 at which point it manufactured equipment for refrigeration, catering and shelving. The current family bought the business in 2006. Prior to this, the first generation father entered the business as a consultant in 1991 as the business was losing money and the banks were going to foreclose it. The father invested in the business in 1992 and in 2000 the original owners sold their shares making the banks and the father the only shareholders. It was not until 2006 that the current family owned the company outright and the banks were bought out. The son became involved in 2001.

In its current form, the business is a manufacturing company that operates in the commercial catering, commercial refrigeration market, and medical markets. Since the son has been involved in the business, they also supply wire work for office management systems and make equipment for surrounds for football stadiums.

The business consists of five office staff as well as nine factory workers. There are three senior managers who are all non-family members and two directors, both of which are family members. The total number of employees in this company is 19. The four senior managers have been hired since the family bought shares in the company in 2000. There are four voices examined within this case study, the two family members involved in the business and two key non-family members. The two family members are the son, Archie and father, Jonny, who own and run the business and the non-family individuals include a key senior manager – the Sales

manager, Fred and the Production Controller, Ken. Both non-family members were put forward by the son as key individuals to be interviewed. Significant themes emerged from the interviews and participant observations during the primary data collection, which will be discussed below.

Bringing education to the business

From the primary research and observations, it is apparent that education is a recurring theme between both family members and the non-family members.

The son emphasises the importance of education in terms of his own personal qualifications *“I’ve got a PhD”* as well educating the staff *“we’ve signed up with York College to get a level of training for the shop floor”*. Obviously, the son has not just left school and worked for the family business but has worked his way up to the highest academic qualification possible. Perhaps this is a reason for the importance he places on his staff being educated. The son’s use of the term *“a level of training”* implies that he is not merely trying to provide the shop floor employees with a basic training but achieving a certain standard, which is expected by everyone. This in turn will broaden their knowledge and skills. This opportunity is clearly not restricted to family members and key senior non-family members but employees across the organisation, emphasising the dedication and importance of training in driving the business and the role that every individual plays in this.

“We’ve sponsored our sales manager to do an MBA... and we’ve already got benefits back as a result...we’re trying to get better education into the business and drive the business forward” (Archie, the son).

In this statement, the son makes a direct link between education and success of the business with his reference to *“benefits”* and *“a result”*, which are two positive terms used to describe education and development within the organisation. Furthermore, reference is made to education *“driving the business forward”* suggesting a symbiotic relationship between learning and business growth within this family business. The son’s continuous reference to education and training suggests the existence of a learning culture within this organisation and the importance it plays in facilitating business success now and in the future. Based on this, it could be said that the son is viewing innovation as the education and development of both family

and non-family members within the organisation as a means of increasing their knowledge base, facilitating growth and success in the business. During my observatory work within this family firm, it became even clearer the emphasis the family members place of education, particularly the father as he chatted at length with me about his daughter and her qualifications and career success. She also has a PhD and is apparently highly regarded in her profession. They are certainly a highly educated family and this is reflected in their attempt to improve the standard of education within the business.

Furthermore, there is a divide within the company between the top-level managers including the two family directors and the rest of the staff *“There is quite an academic top tier and the level below nothing – not even NVQs” (Fred, sales manager)*. This is obviously a challenge for the organisation and points to the reliance of the top tier of the organisation to drive the business forward. The sales manager highlights education as the precipitating force allowing the top management team to be *“open to new practices, new markets and innovation”*, inferring the value of education in this firm for pushing innovation forward. The sales manager’s statement implies a strong association between innovation and the firm’s pursuit of embarking on new practices and entering new markets. In this way, innovation within this family business can be seen to be associated with ways of working which are new to the organisation but not necessarily radically new.

The sales manager shares the same view with family members with regards to the importance of education and development *“I enjoy the challenge in developing these people...one thing I tried to do when I joined the business was to break the barriers down between the office and factory by saying you come into the office and you go down there (the factory) and understand the products” (Fred, Sales manager)*.

However, there appears to be resistance to change within the business to education, particularly from the office and factory staff *“none of my admin staff want to go to college or university” (Fred, Sales manager)*. This is an issue the company is going to have to tackle as many staff members have worked for the business before this family bought the business *“the length of time the staff has been here is a problem as they are stuck in their ways” (Fred, Sales manager)*.

It is interesting to note that the key non-family members within the business, namely the sales manager and operations manager are both educated to MBA level. This may be a reason for them playing such important roles within the business. The Production Controller, another non-family member, has been promoted several times within the business and is degree educated from his home country of Poland. This is emphasised by the Production Controller himself, who, within the 6 years he has worked for the business has worked in three different areas of the factory:

“I’ve worked shop floor for a year, then as a machine operator and then three years in warehouse.....I am now responsible for planning on wire work... I’m fully responsible for some parts” (Ken, Production Controller). This particular non-family member’s use of the word “responsible” suggests he is given a certain degree of freedom within his role to make decisions. This indicates a level of trust on behalf of the family owners as well as allowing this individual the scope to make mistakes and learn from them. This re-enforces the existence of a culture of learning and the emphasis placed on non-family members in facilitating and benefiting from such a culture. Interestingly, freedom and learning cultures in general can be seen to be positively associated with innovation. In this way, this non-family member may perceive innovation as the freedom to make decisions and learn from mistakes. During my observations, I noticed an office containing a bookshelf full of academic textbooks based on “operations management” further illustrating the emphasis on education and learning within this business.

The value of previous work experience

Another theme that appears to be recurring among the interviewees is previous work experience. The father, son and sales manager have all previously worked in large organisations, *“I worked for a PLC who made super tension power cables...then I went to Pirelli” (Archie, the son).* He was only with this company for 6 months as he did not agree with some of the political decisions they made. The father has previously held management positions within a range of companies from small to large multinationals such as a subsidiary of Philips. In the smaller companies, the father has had many managerial roles and has been the chief executive for a public organisation. In 1989, the father got involved in turnaround roles and started working for the banks as a consultant in recovery scenarios. The

family business was created later in the father's career providing the father with a solid foundation of work experience within a variety of different businesses in different industries. Not only have the son and father gained relevant work experience in manufacturing but the son has a number of years of experience working in multinational organisations. This has probably stood him in good stead coming into the family manufacturing business in terms of how to run a manufacturing business. The sales manager has also worked in a variety of large companies such as the Postal Force and Amazon. This has allowed him to implement processes he has picked up from his work experience into this family firm:

"When I came into the organisation they used to give loads away...we would just send the customer out a new item without checking it. Now I ask the customers to send their faulty products back and we will analyse it. If there isn't a problem then we will send them a carriage charge for us having to mess around with it. Have you tried to send anything back to Amazon? They have so many controls in place" (Fred, the sales manager).

The sales manager's reference to "they have so many controls in place" indicates an element of structure and formality to the process of returning items at his previous place of work, which he has brought with him and implemented at this family firm. This illustrates the benefit of this non-family member's previous experience and how a process used in another firm in another industry has been put into practice in this small family firm. In addition, this formal process could be seen as an element of professionalism, which will be discussed later in this chapter. This internal everyday change could be seen to be a form of innovation within this firm. The process is not new to the industry or the world as whole but is a new way of working for this family business. This example of everyday innovation within the business stems from a non-family employee; in particular it results from their previous work experience. In this way, the sales manager views innovation as the introduction of professionalism within the family business through the implementation of a new formalised process used in another organisation in a different industry. This will be addressed within the discussion chapter.

Furthermore, the fact that this new process was accepted indicates the son and father's openness to considering and applying ideas from non-family members.

Therefore, this re-enforces the vital role non-family members play within the business and the positive role learning can have in facilitating change within the business. Interestingly, the father and son do not explicitly mention within their interviews the value of previous work experience in facilitating innovation as their focus is on education and training. It is clear from the sales manager's interview that his previous experience has brought about internal changes within the organisation.

The sales manager emphasises that as much as he has taught the organisation, he has also learnt from them *"I have learnt as much as they have since I started here"* (Fred, sales manager). This further emphasises the culture being one of "learning".

Intentional Learning

When the son joined the business 11 years ago, his father made sure he learnt the business in a phased manner, prompting "phased learning":

"Over a period of time I was given more involvement in the sales side and the general side of the business...but started in operations and growing the factory...Now I'm just general manager." (Archie, the son)

The son's reference to "over a period of time I took more involvement" suggests his climb to directorship was a gradual process. It infers his father made the intentional decision for his son to understand different areas of the business as opposed to starting at the top. Having experience and knowledge of different parts of the business will provide the son with a solid understanding of the inner workings of the organisation as whole, better equipping him to make informed decisions in a director role. This illustrates how the father has attempted to develop his son by enhancing his skills and knowledge of the family business before he became a director. Furthermore, it provides a useful insight into how the learning culture is not simply focused on non-family employees but also between the family members, shedding some light on how innovation is perhaps sustained between the generations. This will be addressed in the discussion chapter.

However, there appears to be resistance from staff members to this approach to learning and development *"employees in the office are more reluctant and there is*

heavy resistance” (Jonny, the father), which potentially causes a hindrance to moving the business forward....Because you have low labour turnover you have reluctance to change and learn....we’re too cozy at times” (Jonny, the father).

In this statement, the father refers to the culture and relationships within the firm being “too cozy at times”. This comment has a negative connotation associated with the close-knit team that currently exists within the firm. Most of the staff members have worked for the organisation for a prolonged period of time, which in some circumstances could be regarded as a positive attribute for a company but on this occasion the father sees it as a negative factor. The issue relates to the close ‘family’ culture, which can be a double-edged sword. On one hand the firm has benefited from employee loyalty but on the other hand there is a resistance to change as well as a reluctance to embrace education and development. This element of the culture can be seen to hinder change, which could have a negative effect on innovation within the business. Due to their long-term tenure staff members become close, which can encourage a sense of being too comfortable within the organisation. This aspect of organisational culture will be addressed in the discussion chapter. Learning is a dominant and pertinent aspect of this firm’s culture but despite its positivity the resistance to change could limit the benefits.

Improved Communication

“We’ve taken a much more joined up approach to our business...we have a much more holistic approach through communication...” (Archie, the son) The use of the words “joined up” and “holistic” indicates that through teamwork and closer working relationships within the organisation and more continuous communication, the firm is trying to build stronger internal relationships. The word “holistic” in particular infers the importance of involving everyone in the organisation in terms of communication. Rather than a hierarchical organisation structure more of a flatter and closer structure exists, which facilitates easier communication. From my observational studies, it was clear that the firm was trying to move away from a hierarchical structure where the family members, particularly the son, have limited communication with the shop floor workers. Despite the son having his own office, he sat in the open plan office with the rest of the office staff to make him more visible and approachable within the organisation. The son being physically closer to

his staff members reduces any potential communication barriers, which may have existed and in turn this helps to speed up the implementation of innovation.

In terms of internal family relationships, the father only works in the office one day a week *"I'm in the office only one day a week now and I will do some work from home"*. Despite there not being close physical interactions between the father and son, they communicate daily regarding the business. *"We speak every day on my way home even though he's (the father) not here"* (Archie, the son). The son makes a point about telephoning him on his way home to fill him in about the day's activities. This indicates a close relationship between the two of them. The fact that their daily communication occurs outside of the office means no one else is aware of the contents of their discussions. This form of communication is restricted to the two family members, suggesting an element of family control, which links directly with the control priority. The close relationship between the father and son is further emphasised by the father's recurring reference to his son in his interview in relation to control and ideas.

"Archie (the son) does all the operations, sales things like that... All the changes are things Archie brought in and nothing to do with me....He (the son) is very much into gadgets and god knows what, that's his skill and I don't have that skill. He keeps it going forward and the technology we use in the business....Without Archie, innovation would be very low".

The father's reference to his son bringing in all the changes suggests that the business going forward and innovation in general can be directly attributed to the son. This in turn indicates that the family plays a prominent role in innovation within this family firm. Furthermore, the father speaks about his son rather fondly and in a very positive manner. In fact he is rather modest about his input in the innovation process and success of the firm with his reference that the changes within the firm have nothing to do with him. This extract is directly in relation to innovation and therefore provides the father's perspective on innovation. He associates the term innovation with 'change', the business 'going forward' and "technology", which all occur internally within the organisation. From my observations within this firm, I would extend this view of innovation to incorporate the introduction of new processes, which have been generated through learning or external sources. The

role of learning and external sources in facilitating innovation will be addressed in the discussion chapter.

The clients bring a lot to the table

External relationships are a theme that recurs in the interviews *“I have a very strong relationships with my customers because I still personally look after accounts. I make sure I go and see them and make an effort to do so. I have always done this. It is an enjoyable part of my job. It is important they see me the family behind the business.”* (Archie, the son). Throughout this statement, the son uses the pronouns “I” and “my” indicating a close relationship between him and the clients. The use of the term «my clients» suggests a sense of ownership in that he is the only person within the firm who should communicate with clients. This possessiveness can be seen to be associated with control, linking to the theme of family control, which is discussed later in the chapter. The son’s dedication to dealing with clients personally may provide the firm with a competitive advantage in that he is showing them how important they are to the business as he is dealing with them directly. When clients communicate directly with the family owner, there may be a higher level of trust and loyalty, thereby enhancing the relationships formed.

Furthermore, the son explains that this close relationship helps with the introduction of ideas *“our prime source of ideas is our customer base and we are too reactive to what are suppliers are doing. When I meet with clients they say what issues they are having with our products or things they have seen elsewhere that they would like us to implement. You would be surprised at the ideas you can glean from just a chat”*. The son’s statement is revealing in several ways. He refers to clients being their “prime source of ideas” suggesting that the majority of ideas stem from them, highlighting the importance of clients not only in relation to the current balance sheet but to the future growth of the business. It seems that through a trusting relationship and regular communication with clients, they are rather willing to put forward ideas to improve the business. Therefore, the son’s close relationship with the clients is vital for idea generation within this family firm and consequently innovation. From the son’s statement, the ideas from clients seem to be in the form of internal improvements or implementing ideas from other companies or industries. Therefore if most of the ideas are generated from clients then most of the innovations the firm

pursues are new internal ways of working or processes within the firm either in the form of small improvements or changes drawn from other companies.

Openness to external help

It is not just customers and suppliers who play an important role in generating ideas but also the family firm's utilisation of external help in the form of hiring a consultant two days a week, namely the Operations Manager. This particular individual has been working for the business on a consultancy basis since 2009. With an MBA, he has a high level of education and experience in operations management. His role is to manage the factory side of the business and the staff working in this area. This is exemplified by the fact that his office overlooks the factory allowing him to oversee the operations throughout the day.

During my observations, I noticed that the operations manager spends a considerable amount of his day watching the factory from his office where he has a 'bird's eye view' of the day-to-day operations. It was the sales manager who suggested using this particular consultant. *"I knew Peter from the army and knew how good he was, so suggested we brought him on board as his skills are invaluable and I know Archie (the son) agrees as he wouldn't still be working for us"* (Fred, sales manager). This non-family member's reference to the consultant's skills being "invaluable" insinuates that the family firm are not only willing to embrace external help but that they acknowledge, particularly the son, that they do not have all the skills necessarily required for business success. This suggests an element of openness in this family firm's organisational culture. Furthermore, hiring this particularly consultant was a suggestion made by a non-family member indicating the son's openness to ideas generated by key non-family members highlighting their role in innovation within the firm.

The son is the epicenter of the business

Control is the very reason the son provided for joining the family business: *“I wanted to work for myself and wanted more control”*. The business is certainly in family control *“Jonny is the chairman and I’m the MD...Quite a bit of direction comes from me but not all of it” (Archie, the son)*. This was re-enforced during the observations, as the son is the only one with his own office, with everyone else in the business, including the father, having a desk in the open plan office area. The son’s office is designed in such a way that he can oversee the whole organisation from the factory to the open plan office. Since the son joined the business, the father has gradually decreased his hours and control over the business. Currently, the father is in the office one day a week and works the rest of the time from home. He only works part time and primarily deals with the finance side of the business *“I am semi-retired now” (Jonny, the father)*. Both the father and the son are the only shareholders and directors of the company. The son is currently the managing director of the business. According to the father *“everyone comes under Archie (the son)”*.

In addition, each of the non-family members who were interviewed made reference to the existence of family control with particular emphasis on the Sales manager:

“The owner/director pretty much holds all the cards and their knowledge is pretty much ingrained in the products which means change and growth only occurs incrementally...Archie (the son) is hands on...and gets involved in things strategically which isn’t always the best thing to do...Archie has been keen on building a management team around him that suits him – that suits challenge and debate” (Fred, the Sales manager). This non-family members’ reference to the owner holding “all the cards” suggests a sense of centralised control within the family firm, which lies with the family who own the business. The sales manager insinuates that this centralized control has a negative effect on change within the organisation as illustrated by his reference to “change and growth ONLY occurs incrementally”. Due to family control, knowledge is limited within the firm, which results in changes and improvements being restricted to existing products and processes. This in turn inhibits growth. Therefore, this firm merely pursues

incremental innovation. In this way family control can be seen to be an inhibitor to innovation within this family firm.

On the surface the son seems to believe he is providing more power to non-family members *“my team of senior managers and I develop strategies and goals and we all make decisions” (Archie, the son)*. The son’s constant use of “we” throughout his interview further reinforces this view. His reference to “we all make decisions” suggests a consultative approach to decision making. The son is open to input from his senior management team and values their opinions in the running of the business. However, the son’s dominant role is reflected in his statement with his use of “my team” which suggests a sense of ownership over his management team as previously discussed. Therefore, despite his openness to ideas and suggestions from key non-family members he appears to retain and want to keep hold of a dominant role in controlling this family firm. This suggests that despite their importance non-family members play a limited role within this business.

The introduction of a formal strategic management tool

An interesting change that was taking place within this family business at the time of my primary research was the introduction of a formal strategic tool, the balanced scorecard. This new tool was mentioned by the father and son as well as the sales manager during their interviews:

“We needed to introduce the balance scorecard to help us plan ahead and be more professional about how we operateWe’ve had nothing in terms of measurement before this” (Fred, sales manager).

We’ve just introduced the balanced scorecard which is bringing more order to our strategic outlook” (Archie, the son).

“Archie has brought in an operational scorecard...Archie has a strategy map for the next 3 years. I am sure Archie will tell you all about it and show you the balanced scorecard” (Jonny, the father).

In the sales manager's statement he refers to the fact that "we've had nothing in terms of measurement before this". This suggests that the introduction of this tool is a change, which is new for the company but not necessarily new within the business world. This provides an example of incremental innovation taking place within the business and their openness to embrace formalised processes. The use of a formalised process such as the balanced scorecard aims to make the business operate more efficiently, providing more opportunity to innovate.

This change seems to go hand in hand with the attempt to increase the education of the staff within the organisation particularly sponsoring the sales manager to do an MBA. *"I know a lot about the balanced scorecard as I have studied it during my MBA...I think it will work well"* (Fred, sales manager). Furthermore, during my observations I asked whether I could view their proposed balanced scorecard, which the sales manager was more than happy to discuss with me. His knowledge of this strategic tool was extremely apparent. He was extremely passionate about implementing it within the business and helping to make it a success. He went on to explain that he has helped some of the other members of the management team to also understand how the tool operates. His MBA gave him a sound understanding of the balanced scorecard and similar strategic tools, which allows him to implement it within the business and pass this form of learning on to others around him. In this way, knowledge encourages change and consequently innovation to occur within a business. The role of education in the way small family firms operate will be addressed in the discussion chapter.

A level of professionalism

Throughout the son's interview and the observational studies, the son referred to his father by his first name, "Jonny", inferring a professional working relationship from the son's point of view. This might help the organisation operate more professionally and perhaps helps the son be taken more seriously as the Managing Director.

Interestingly, the father referred to the limited involvement of family members making the business less complex *"my daughter decided not to join the business and do her own thing, which makes things simpler"* pointing to another sub-theme within this priority, namely limited family involvement. Does less family involvement

allow such family firms resemble that of non-family owned corporations? What impact does this have on the firm's ability to innovate?

Summary

Among all the case, this family firm has the highest level of educated family and non-family members. It is an intentional strategy of the father and son to educate their staff to a desired level. This not only increases their knowledge base, but also enhances their openness to new ideas within the business. This, in addition to the value of previous work experience has prompted somewhat of a learning culture within this family business. This is exemplified by the introduction of two new internal innovations, the balanced scorecard and improvements to the company's returns policy. The family and key non-family members view innovations as changes that move the business forward. Non-family employees and clients play a pivotal role in the introduction of ideas into the business, which is facilitated by a close relationship between both parties. However, family control prevails within the business, which can limit the amount of knowledge that reaches the son, thereby acting as a potential inhibitor to innovation.

6.1.4. Cross-Case Comparison of the Innovation Patterns in Cases A and B

It is clear from the data analysis from case A and B and table 10 that the patterns of innovation within each firm is not restricted to one dimension but the interaction of multiple dimensions. Both cases share certain characteristics, one of which includes an emphasis on the role of education and previous work experience among both family and non-family members. These dimensions have directly contributed to the introduction of new processes within each firm. For example, the sales manager from case B previously worked for Amazon, which prompted him to suggest and implement a change to the family firm's returns policy.

More specifically, previous work experience of individuals has provided both firms with ideas from other industries that they have implemented within their firms. This coupled with a high level of education among family members and key non-family employees broadens the individuals' knowledge and skill sets has enhanced their capacities to innovate. Furthermore, the importance of education is ingrained into

case B's culture where learning and development of all employees is encouraged. Linked to the theme of learning is intentional development of younger generation, which has been carried out by the senior generation within each case. The sons have not been automatically promoted to director level but have been encouraged to take on roles in different aspects of the business to ensure they understand the inner workings of the organisation. There is a strong focus on learning and development of family and non-family members within both cases.

Another stream of new ideas into the business for each case is that of customers. In each firm, the family plays a pivotal role in facilitating a close relationship with clients, which not only sustains the business but allows it to innovate through the introduction of new ideas. This indicates the businesses' openness to consider ideas from external sources. Having said this, family control is another dimension, which recurs across each case, which could inhibit the knowledge and ideas generated through learning and external sources. In each firm, one family member is the main decision maker with some input from key non-family members. This form of organisational structure may limit the amount of new changes that are considered and implemented into each business.

The firms' organisational cultures differ somewhat as case A has a hybrid of a professional yet family orientated culture where the father has intentionally encouraged a professional working relationship between himself and his two sons, whilst in contrast an element of paternalism exists between him and non-family members. His intention is to minimise the negative effect of any potential family dynamics on the success of the business. This is another example of the father's intentional behavior in attempt to put the business needs ahead of family ones. Perhaps innovation partly occurs within this firm as a result of the father's intentional decisions to develop and professionalise his relationships with his sons. Having said this, the 'family' element within both case A and B's organisational cultures is arguably a double-edged sword as it could act as an inhibitor to innovation. In case A for example, the two sons cause a "fear factor" among some non-family employees due to their powerful positions as family members and the fact that they will one day become the owners of the business. This in turn could prevent certain members from being open with their suggestions and ideas in case of the reaction they receive from the sons.

Within case B, a close 'family' culture is seen to have encouraged non-family members to become too comfortable within the workplace. This has resulted in a resistance to change and reluctance to embrace education and learning. It highlights the complexity the 'family' elements bring to the study of innovation patterns within small family firms and further emphasises the importance of looking at multiple dimensions and the role they play in either facilitating and hindering innovation.

Table 10 Cross–Case Comparison in Matched Pair 1

	Education and Experience	Organisational structure and control	Culture	External help and information	Formalisation	Definition of innovation
The father – Mike Generation 1	-degree within Vitamins market in UK -experience within large multinationals	He is the main decision maker with some input from key non-family directors	-Learning culture -Professionalism between the family -Close and personal relationships with staff	Customers are a valuable source of information	-Introduction of formalised processes (e.g. stage and gate) -does not manage sons directly	Generation of ideas from external information from clients
Two sons - Adam and Joe Generation 2	-no degree (eldest son) -business degree and year placement with Asda (youngest son) -both have had different roles within the company	The father is in control and is the centre of the organisation	- The father has a hold on staff - Paternalistic culture between non-family members and father - Their father is their boss	- Adam: direct relationship with Asda	-see the father as 80% boss -the youngest son refers to father by first name	
Non-family member 1 – Environmental Health and Safety Manager (Ross)	-computer degree -worked with the father previously and for a competitor - been given different roles within the business	The father is in control with input from key non family members	- Close family culture Learning and development		- formalised processes – stage and gate	His development and understanding of different aspects of the business – increasing his knowledge
Non-Family Member 2 – Marketing director (Funda)	-marketing degree -experience of working with a competitor and multinational -promoted to director within 6 months	The father with input from key nonfamily members	-family culture -paternalism between the father and staff -openness -fear factor with sons and some staff members		-formalised processes she has brought in from previous experience -she manages one of the sons	- formalised processes from previous work experience
Non-family member 3 – Export director Simon	-Degree from same university as youngest son -Experience working in large corporation -No export experience -on the job training	The father mainly with input from key non family members	-close relationship with sons and father and their partners		- formalised processes – stage and gate	Having the right knowledge and skills in the business through non-family members

<p>Father – Jonny</p> <p>Generation 1</p>	<ul style="list-style-type: none"> - MBA - work experience in public and private industries including multinationals - wants to high level of education in the company 	<ul style="list-style-type: none"> -The son 	<ul style="list-style-type: none"> -learning and development -resistance to change 		<ul style="list-style-type: none"> - physical distance with father -only speak on the telephone - limited family involvement - use of formalised system i.e. balanced scorecard 	<ul style="list-style-type: none"> - New technology, change, the business going forward
<p>Son – Archie</p> <p>Generation 2</p>	<ul style="list-style-type: none"> - PhD - experience of manufacturing with large multinational - phased learning when joined the company -wants to high level of education in the company 	<ul style="list-style-type: none"> - he is ultimately in charge but key input from senior team 	<ul style="list-style-type: none"> - learning and development 	<ul style="list-style-type: none"> - close relationship with customers. He is the only one who deals with them 	<ul style="list-style-type: none"> - Use of formalised system i.e. balanced scorecard - refers to his father by first name 	<ul style="list-style-type: none"> - New ideas for the business stemming from education and training - Driving the business forward
<p>Non-family Member 1 – Sales manager (Fred)</p>	<ul style="list-style-type: none"> - MBA sponsored by the firm - experience of working within large corporations 	<ul style="list-style-type: none"> - ultimately the son but input from senior team 	<ul style="list-style-type: none"> - resistance to change - learning and development 		<ul style="list-style-type: none"> - use of formalised system i.e. balanced scorecard - Brought formalised processes with him from work experience - returns policy 	<ul style="list-style-type: none"> - new ways of working internally from his previous work experience
<p>Non-Family Member 2 – Production Controller (Ken)</p>	<ul style="list-style-type: none"> - marketing degree from his home country - has been promoted within the company 	<ul style="list-style-type: none"> - the son 	<ul style="list-style-type: none"> - learning and development - close family orientation 			<ul style="list-style-type: none"> - freedom to make decisions and learn from mistakes

This matched pair includes the Fishing Retailer, Fish More (case C), and the Natural Healthcare Manufacturer, Nostril (case D), which are both controlled by the second and third generation father and sons. A background on each case is provided, followed by a within-case analysis and a cross case comparison.

6.2.1. Innovation Patterns within Case C – Fish More (Fishing Retailer)

Case Background

This fishing retailer is in its third generational of family involvement with both the second generation father and third generation son controlling the business.

The business was started by the first generation father in 1961. Initially, the business was involved in maggot farms until the EU regulations restricted this market, which prompted the business to move towards fishing tackle retail. Two family members currently work within the business, the second generation father and the third generation son.

The business initially consisted of one retail unit. Expansion into several further units was attempted but failed, which led the business to revert back to the original one unit in Leeds. There are three retail stores at the moment and the son manages two of them and the father manages the third one, the smallest one, which was the original unit.

The second generation came into the business at the age of 14 and has not known anything different than fishing and the family business. The son, on the other hand, joined the business after completing a four-year business degree at university, which involved a year in industry working for British Airways.

There are ten non-family members that work in the business, some full time and others part time. All but one of the employees have been with the business for more than 15 years and have no formal education. However, all of members have a keen a passion for fishing, which brought them into the business in the first place. There is quite an age gap between the third generation son and most of the non-family

members, so much so that one would not necessarily know that the son runs the business.

The only non-family member with any real authority has been in the business for over 20 years and is classed as the store manager of the mega-store. With no formal education, his past work experience has involved being a postman. However, the son still maintains overall responsibility for both stores.

The actors who were interviewed for this study were the father (Phil), son (Mark), and the non-family store manager (Neville). Only one non-family member agreed to be interviewed for the purposes of this study. From the observations and interviews carried out during the primary research stage specific priorities prevail within this case.

Intentional family learning

The second-generation father has worked for the family business all his life and has not known anything else. With no qualifications and experience, his learning stemmed from on the job training, suggesting a lack of intentional personal learning. In contrast to this, he makes reference to his son's level of education, which has been facilitated by a conscious decision from the father, Phil:

"I said throughout my life that you (Mark, the son) will never have a job here, so I sent him to private school and he went to university. It was his decision to join the family business. I just wanted him to have a better education than me and a better start in life."

This signals that, despite the lack of the father's personal education, he wanted his son to have a better level of education enabling him to have a career outside of the family business. This highlights the importance of education. Despite the father's reluctance for the son to join the family business, the son worked in the organisation during the summer holidays whilst he was at school and university. This could be interpreted as a way of the father intentionally developing the son to learn the business. This made it easier for the son to join the business full time:

“I had already worked in the business, so I knew what to do and where everything was. I used to work here in the summer holidays and part time during school. I enjoyed it. So it wasn’t weird joining the business full time.” (Mark, the son)

The son is the only member of the organisation with formal education in terms of private schooling and a university degree. This becomes apparent in the sheer gap between himself and the staff within the business. For instance, the son is the only member who drives the business forward.

“My son plays a more major role at work at driving the business forward, he has come up with all the internet ideas and catalogues, and new branches opening up is all down to him. He is always coming up with ideas.” (Phil, the father)

“Mark (the son) makes a lot of changes in the business like the internet but doesn’t include us. He just gets on with it himself. I don’t know what he is doing most of the time.” (Neville, Store Manager).

The father specifically uses the term “forward” in his statement in relation to his son’s role in generating ideas, which infers he associates the growth of the business with innovation. More specifically, he refers to new marketing methods such as catalogues as well as the opening of new stores suggesting he views innovation as imitation ideas, which are new to the organisation and incremental in nature. The store manager on the other hand refers to the word “change” in his statement, which is his all-encompassing term referring to innovation.

“Our latest website and ideas in the company are down to me. Our web presence wasn’t that good when I joined the business full time, so I have really improved it and it looks more professional now.” (Mark, the son)

“Mark always has ideas and has changed a lot since he joined the business, which is what the business needed.” (Phil, the father).

Both the son and father refer to “ideas” in their interviews, with the creation and implementation of ideas being directly attributed to the son. Therefore, the son is a source of creativity within the business.

“I don’t know why we need to sell online, I think we are ok as we are. We have done ok without the internet, so why do we need it now?” (Neville, store manager).

The non-family member’s comment “I don’t know why we need to sell online” suggests a negative attitude to change. Furthermore, it infers he has a limited understanding of the reason behind this internal innovation. This may be attributed to a lack of business related acumen, education and experience of working in many other businesses. He may not understand the logic behind internet-based selling in general terms or he may have a lack of insight into the general running of the business and its need to remain competitive. Whatever the reason, it highlights that the son is moving the business “*forward*” by himself. This suggests that his level of education, coupled with work experience at British Airways has allowed him to be better equipped in terms of knowledge and skills to grow the family business. There is no evidence that indicates that the son’s ability to develop ideas and innovate has stemmed directly from his father. It may be partly down to his high level of education and work experience. Therefore, education and experience potentially plays an important role in sustaining innovation from one generation to the next and the father has facilitated this by providing the son with private schooling and encouraging him to attend university.

A knowledge gap between the family and the non-family members

The son’s level of education appears to be a double edged sword as the father suggests that it negatively affects internal relationships within the organisation, which will be tackled later in this chapter.

“He (Mark, the son) went to Leeds Grammar School...so he is used to a different environment and the staff here are only fishermen. There is a big gap between them.” (Phil, the father). This is re-enforced by the store manager’s reference to the son as going to some “*posh school*”.

The father’s use of “*only fisherman*” infers a negative view of the non-family members within the business. It suggests that they are limited in their skill sets reflecting a wide gap between the son and the non-family members in terms of education and experience. This may affect their business acumen but nevertheless,

by being fisherman they have relevant industry knowledge and common ground with the clients allowing potentially closer relationships to be formed with them.

“They are fishermen so they know a lot of the customers and the products but they don’t understand the business and why we would need to make changes and grow the business.” (Phil, the father)

The father’s negative view of his non-family employees is highlighted even further with his reference to their lack of understanding of the business. This in turn has a knock on effect on the implementation of change and growth in general within the business. A lack of understanding has resulted in resistance to change. The non-family members seem to be satisfied with the status quo within the business. This suggests the limited role non-family members play in generating and implementing ideas within this family firm. As much as the son’s level of education appears to have helped the business, it may also be hindering it in terms of creating a significant divide between himself and the non-family members, thereby providing a potentially inhibitor to innovation. This suggests that education can simultaneously be a facilitator and inhibitor of innovation in this small family firm, emphasizing the complexity of family business.

A lack of trust

A common theme between all the interviews was that of internal relationships, more specifically an issue of trust:

“Mark (the son) never tells us anything, which annoys me as I’ve been here longer than him but I suppose he is family isn’t he.” (Neville, the store manager)

“He (Mark, the son) tends to run both stores but this is difficult because he can’t be in both stores at once so you’re leaving staff alone sometimes and you don’t know what’s going on or anything” (Phil, the father).

“I can’t work on the internet side of the business as much as I would like as I have to work here (the shop floor) to make sure everything is ok if you know what I mean (looks over at non-family member)...I don’t really trust the staff and I would like to get rid of some members but it is really difficult as they have been here a long time. I

think my dad is more reluctant to get rid of them than me as he has worked with them for years.” (Mark, the son)

The son’s use of the term “you know what I mean” in reference to him having to be present on the shop floor indirectly suggests his lack of trust of the non-family members. This was supported with his non-verbal cue of looking over at a particular non-family employee as he was making this remark. He infers he cannot focus on growing the business as his time is constrained to managing the shop floor, which does not appear to be his preferred task. Furthermore, the fact that he does not delegate this task to a non-family member further reinforces a lack of a trusting relationship between the family and the non-family members. If this prevents the son from focusing on implementing new ideas within the business, then this may be inhibiting innovation within the firm. This issue will be addressed in the discussion chapter.

Knowing the customer

In contrast to the negative internal relationships, the father speaks positively about external relationships with customers. Family members get, in the words of the father, “*stuck into*” running the business and work mainly on the shop floor, providing an opportunity to have a close interaction and presence with customers.

“Because our staff are fisherman and part of the fishing community, they (customers and staff) go fishing together and talk with each other when they’re in the store and in social situations...We chat with them (customers) and they just stand around and talk about fishing, which is good sometimes but they don’t always buy something. They will sometimes just come in for a chat” (Phil, father)

“I have known a lot of our customers for years as we all go fishing together every few weeks. We all have a laugh and spend hours you know fishing” (Neville, store manager).

The father’s reference to “they will sometimes just come in for a chat” suggests that customers feel comfortable enough to simply visit the store without buying anything. A sense of friendship exists between the family and non-family members and their

customers. This close relationship could provide this business with a competitive advantage over their competitors, enhancing their ability to survive and grow.

This close relationship with customers can be seen to have a positive effect on the business in terms of gaining external information and ideas:

“Customers come into the store and tell us what other local fishing companies are doing such as loyalty cards and discounts” (Phil, the father), allowing them to gain external information. This is further emphasised by the son who commented, “it’s important we talk to our customers and understand what they want. This is how I can do things like the catalogue and the website. (Mark, the son)

The son’s phrase “this is how I can do things like the catalogue” suggests that clients act as a primary source of ideas and information for the business. It is this information that facilitates new processes and marketing methods to be introduced into the organisation. In this way, the son is inferring that customers provide a source of innovation for the family business through the generation of ideas. This is facilitated by the existing close relationships with clients. Furthermore, the father’s statement refers to ideas stemming from “what other local fishing companies are doing”. This suggests that the ideas that the firm is implementing are an imitation of what their competitors are doing. In this way, the father sees innovation as a form of generating and implementing ideas based on what their competitors are doing within their industry. During my observations I was party to a meeting between the son and the individual hired to implement the internet based changes. The son made several references to one of their main competitors saying “this is how Claytons do it and I want our website to do something similar”. Therefore, I would agree with the son and father that their source of innovative activity stems from external sources, namely customers and competitors. This will be addressed further in the discussion chapter. More specifically, innovation within this family business seems to relate to on the generation of ideas based on an imitation of existing practices carried out within the industry, which involve incremental changes within the firm.

The family business has a close relationship with their customer base, which is illustrated by the father’s reference to customer commitment *“we do have customers that have come in for the last 30-40 years”*. This is reinforced by the store manager who states *“we (the staff) go fishing with a lot of our customers so they come in and*

stand around chatting with us for ages sometimes". This suggests that despite the lack of a close internal relationship, the non-family employees such as the store manager do have a close rapport with the clients. Is this close relationship negated by the lack of internal relationship with the family members? Therefore, it is not clear whether this dimension hinders or facilitates innovation in this firm, re-enforcing the complexity of family businesses.

Open to external help

In an attempt to grow the internet side of the business and re-launch a new website, the son hired external help to facilitate this. This individual was initially a customer who came into the store that the son met. He was hired on a contract basis to start with and now the son has hired him as a member of staff to solely work on professionalising and improving their website. *"I work on the shop floor most of the time unfortunately and I don't know how to develop a website so I hired someone to help me with the web and improve it. It's looking great now. He knows exactly what to do, so I'm glad I hired him as this is really important for the business"* (Mark, the son). This suggests the son's openness to accept external help and the realisation that he does not have all the necessary skills as an individual to implement his ideas. The fact that he was initially employed on a contract basis and is now a permanent member of the team not only indicates the son's dedication to the internet side of the business but also to hiring individuals with specific skill sets and knowledge. This makes the process of making every day changes and improvements to the internet side of the business easier to manage and implement. This is an example of everyday innovation taking place within the firm. Furthermore, this indicates that the son's view of innovation is gaining external help and skills necessary to implement internal changes within the business. This will be addressed further in the discussion chapter.

Throughout the interview the father refers to his son rather fondly and seems to trust him implicitly as he gives him freedom in terms of making decisions and changes within the business *"Mark (the son) is completely responsible for innovation and moving the business forward with his ideas as he is good at that side of things. I've taken a step back since Mark joined the business full time. He knows what he's doing."* (Phil, the father).

It appears from this statement that the father associates innovation with ideas that facilitate change and move the business forward, which he infers is led by his son. During my observational work I had a casual discussion with the father about what the business used to be like before his son joined. Interestingly the father attempted to sell online but struggled to implement it. He did not seek external help as he thought he might have been able to carry it out in-house. He also attempted to put a catalogue of products together but he felt it looked rather unprofessional. He showed me a copy of the brochure he did, which he has kept to remind himself not to attempt it again. There is no comparison between the one the son has put together and the one the father did. The son's reflects the firm's brand clearly and concisely in an eye-catching manner. The father's is full of text with limited product imagery and looks rather dated. The son has implemented the father's idea in a fresh and contemporary manner. This suggests that the son has had an instrumental role in implementing the father's ideas and has brought a new perspective on these areas, which the father previously struggled with. This, in turn indicates that everyday innovation has improved since the son has joined the business and has brought knowledge and skills to the organisation that were previously lacking. Part of this could be attributed back to his education and work experience.

The son is the boss

In terms of direct ownership of the business, it is certainly family owned with the father and son owning all the shares. In relation to the day-to-day running of the business, the father has management control over one of the stores and the son manages the rest of the business.

"He (the son) knows what he is doing, so the business is in good hands. I am semiretired now and just run one of the stores and I leave the rest to Mark. It's working out well this way." (Phil, the father).

The son has taken a prominent role within the family business straight away *"my son plays more of a major role in the business since he started which we're both (the father and the son) happy with"*, with the father taking a step back. The business seems to be in a state of succession with the father in a position of semi-retirement, giving primary control to the son. This is exemplified with the son driving the

business forward *“with him (the son) coming in its all new internet work, catalogue work and new branches opening up. He has ideas to expand the business even more but I leave this up to him.*

It’s not for me.” (Phil, the father).

When talking to the son during my observational studies, he made it clear that he intends to grow the family business with the opening of a mega-store in the near future. Based on the existing issues with trust I foresee some issues from a staffing point of view with regards to the opening of a new store. The son can only be in one place at one time and seems to be the only one implementing change within the organisation as well as managing most of the business. If he spreads himself too thinly across the business without non-family members he can rely on to help him then the success of these changes may be negatively affected. This might be even more prevalent once the father retires fully. This element of family control may begin to impede the firm’s growth unless the son manages to employ non-family members he can trust and delegate key responsibilities to. Therefore, if the current organisational structure remains the same then this family firm’s ability to innovate may be limited in the near future.

Family control was a recurring theme across all the interviews. When asked about family control and who makes the decisions in the business, the son points to himself as being the main decision maker *“if we disagree I get my way”*. The son’s use of “my way” suggests his sense of possessiveness over the running of the company. He is asserting his dominant position within the firm despite both him and his father being controlling owners. Furthermore, it infers he has the final say on all matters and is not afraid of asserting this. This could be one of the root causes of the troubled relationship between him and non-family members, which is illustrated by the store manager’s statement below:

“He (Mark) does what he wants without asking anyone else. He has done since he started working herewe don’t get involved with that much as it’s always Mark and Phil but mainly Mark. It would be nice if he included us sometimes but I don’t think this will change. ” (Neville, store manager)

The store manager’s statement has an element of sarcasm in it with his use of “it would be nice if he included us” in reference to the son including the non-family

members in his decisions and changes within the business. The use of sarcasm further re-enforces the problematic relationship that exists between the son and the non-family employees. It highlights this is partly done to resentment that the son has complete control over the business but also that he does not include them in the changes he implements within the firm. Communication is lacking within the firm. Resentment and unhappiness coupled with a lack of communication may lead to a de-motivated pool of employees who are unlikely to embrace or instigate changes within the business. This further re-enforces that innovation is restricted to the son, limiting the amount of changes that can be feasibility introduced into the business.

Physical distance between father and son

In spite there being a close relationship between the father and son in terms of there being trust and freedom, there is a physical distance between them at work. They do not work directly together which may minimise any potential family dynamics that may arise. During my observations I noticed that there was little contact between them apart from an odd phone call otherwise it was the son who was very much in control. The one phone call was the father telephoning the son regarding an issue he wanted his advice on. This way of working provides further evidence of the son being given the freedom to make changes and holding a dominant position within the firm.

Long term tenure of non-family members

Despite the apparent friction within the business, all the non-family members but one have been with the business for over 15 years indicating continuous employment. When the store manager was asked what he enjoys about his job, he replied *"I love fishing"*. In most instances, employee loyalty is seen as a positive outcome but it is debatable whether this is true for this business. The father attributes the continuous employment to a lack of prospects *"they're not educated and most of them haven't really worked anywhere else as they joined us straight after school, so where would they go?"* Both the son and father would like to change some of the non-family members but feel they cannot do this. *"We have employees who have been with us forever"* (Phil, the father) but this appears to be another double-edged sword, as the father feels obligated to retain their employees despite their lack of desire to grow the company. *"I can't get rid of them (staff members),*

they have been here for years. Even though some of them are not suitable we're stuck with them. I don't really know what to do with them really" (Phil, the father).

This shows that the father cares about his employees and is taking on a paternalistic role of sorts protecting his staff members despite his issues with them. This paternalistic aspect of the culture may be unique to family firms and be ingrained in the way some of them innovate. This is an instance where long-term employment is acting as an inhibitor to innovation for this organisation.

Summary

The prevailing themes within this case study lie with family control where the responsibility of generating ideas and implementing innovation resides with the family with little input from non-family members. In fact, there is a negative relationship between the son and the non-family members within this family business, which could be limiting the amount of innovation taking place now and in the near future. This is partly attributed to a wide education gap between the son and staff members resulting in a substantial difference in skills and knowledge. The son's education has provided him with the ability to implement changes within the business, which his father struggled to previously put into place but it has also created a staff base who resent him and the power he holds within the organisation. External sources of ideas play a pivotal role in innovation within this firm. More specifically, ideas stem from customers and competitors and take the form of me-too ideas that have already been implemented by companies within their industry.

As the firm is in a state of succession, it is interesting to note that the father made a conscious effort to instill a high level of education in his son which has provided him with a sound knowledge and skill base to implement innovation. This dimension, in isolation, may not necessarily be sufficient to ensure the sustenance of innovation between the generations as there are many other factors which could affect the firm's capacity to innovate such as the distrusting culture, which currently exists. This highlights the complexity of the study of innovation within this firm and other family firms and the need to acquire a holistic view of the phenomenon.

7.2.2. Innovation Patterns within Case D – Nostril (Natural Healthcare Manufacturer)

Case Background

This company is owned and run by a second and third generation father and son. They are a Natural Healthcare Manufacturer operating in the over the counter pharmaceutical sector and compete with large pharmaceutical companies. Thus, it is interesting to know how innovation has allowed a small family firm such as this to compete and represent a threat in a marketplace dominated by large, powerful companies. At the time research was conducted in 2010, the business turned-over around three million pounds a year. It involves two family members and a small team of four non-family members, who have all been with the business since it started in 2003.

When the business started in 2003 it only revolved around one product, Nostril, which is essentially to prevent hay fever through the use of a white powder that is inhaled through the nose. Since then, eight further line extensions and new products have been introduced. It is a completely new product in the market and in the world. The family members did not invent the product but have bought the rights to the invention of this “white powder”. Their skills lie in marketing the product and taking it to market. The business operates on a global level with their products being sold in over 20 countries worldwide.

In 2003, the business consisted of the first, second and third generations but unfortunately the first generation died leaving the other two family members running the business. The second generation father is the managing director and majority shareholder with the son being the export director with some shares. All the shares are owned by the second generation father and third generation son.

The first generation was behind the introduction of the store Magnet which he sold to a larger player in the market. Family business is in this family’s blood and can be traced back six generations: *“Our family have always been into business, so that’s all I know” (Tom, the father).*

Before the launch of this particular business, the second generation father worked closely with his father before him in several international exporting businesses indicating a sense of intentional learning between the previous generations. Whether this has been sustained between the second and third generation will be tackled in the case analysis. The second generation father has 40 years of experience in business and in particular the export business, making it easier for him to apply this to the current business. The current business model of this firm revolves around the marketing and exporting of their natural healthcare products. Having been to boarding school and in private education all his schooling career, the third generation son was in his final year of a business degree when the opportunity arose to set this particular business up. At 20 years of age and with no prior work experience, he was invited by his father to join the family business. The non-family members involved in the business are the inventor of the initial product with his daughter and son-in-law who focus on the production side of the business and a logistics manager who runs the office and logistical areas of the business in terms of shipping items to relevant countries.

The actors interviewed for the purposes of this study were the second generation father (Tom), the son (Luke), the non-family Logistics Manager (Dean) and the Production Manager (James). The significant themes that emerged from the primary data collection will now be discussed.

The father is at the heart of the business

A dominant and recurring theme throughout the father's interview was one of control.

"I regard myself as the boss...I like to get my own way"

"I am the managing director and if anything goes wrong the hands are on my back...I am the majority shareholder anyway".

During my observational study it was apparent who is in control as the father is the only individual within the business with his own office as everyone else works within an open plan working space. Despite working closely with the son, the father maintains that decisions and responsibility essentially lie with him. From my observations, it seemed that this is a way of leading by example, allowing the son

room to understand the business. This will be discussed in more depth later in the chapter. Reference is made by both the logistics and production managers to the father being the main decision maker, with the son beginning to take a more prominent role pointing to centralised family control:

“It’s mainly Tom (the father) who makes the decisions in the business but Luke (the son) is starting to a little bit more but it is mostly Tom. He is a dominant figure round here.” (Dean, the Logistics Manager)

“Tom is the decision maker for now but this may change as Luke gets older. Luke has more responsibility now than before” (James, Production Manager). This is in slight contrast to the son who refers to himself and his father as being in control and making the key decisions *“it will be mainly myself and Tom who make the decisions and move the business forward”*. This is slightly contradicted by the father who maintains he is the main decision maker and does not make reference to the son. Having said this, the son constantly refers to the father throughout the interview indicating the dominant role he plays within the company. Furthermore, the son’s reference to “moving the business forward” suggests that he views innovation as a process allowing the business to grow and succeed over the long term, which is led by the father and son. This indicates that innovation is controlled by the family within this particular business.

A father and son relationship

The son and father have a close relationship as they constantly travel together to meet with clients and openly and regularly communicate with each other suggesting a close internal family relationship.

“We travel to see clients together just the two of us and we get to chat about business without any interruptions. This happens a few times a month” (Luke, the son). The son’s reference to “we travel to see clients just the two of us” suggests a sense of enjoyment from spending some one on one time with his father. It provides time for the two of them to bond and have open conversations. Not only does this time facilitate open communication but it seems to improve the relationship between the two of them. Despite the previous comment about the father being in control, the

fact that the father takes the son on business trips to see clients suggests the son's pivotal role within the business now and in the future. This indicates a sense of the father having faith in his son's ability to represent the family business as a 'family unit', which involves a level of trust between the two family members. It also provides an opportunity for the son to understand how the client side of the business operates and gain an insight into how to build a rapport with their vast worldwide client base. When probed about this during my observations, the father stated that he had been taking his son with him on business trips for a number of years. Therefore, it is an intentional strategy on the part of the father to spend time with his son and for him to be exposed to this side of the business, which is facilitated by a close working relationship between them. Working together closely allows the son to learn from the father from a business perspective, allowing him to be in a stronger position to take over the family firm in due course and enhancing his knowledge and skills within the company. This in turn will help sustain innovation between the generations through this form of learning and development. This form of development will be discussed in more detail later in the chapter.

Despite there being a close relationship between the family members there is physical distance between the Production Manager and the rest of the team, which seems to put a strain on the internal working relationship between him and the family. In spite of this, this non-family member seems to make an effort to gain the father's respect *"I want the business to do well for Tom, so I make sure I always put 100% into everything I do"* (James, Production Manager). The use of the phrase "I want this business to do well FOR Tom" suggests this non-family member cares for not only the business but the father himself indicating a sense of an innate desire to please the father suggesting an element of paternalism. This in turn could motivate this non-family member to not only work productively but also go beyond this and be open to anything that is in the best interest of creating a success for the business such as innovation.

During my observations, I was party to a skype conversation between the Production Manager and the father who were discussing production techniques for one of their new products. The non-family member was very enthusiastic about manufacturing the new product to the best of his ability using the most efficient production techniques available. He was forthcoming with ideas to improve the efficiency. The father was extremely encouraging and seemed to have trust in this

individual as he stated “you know what you’re doing so I will let you get on with it James”. The non-family member’s response to this was “thanks, you know I won’t let you down. I will keep you posted on the progress of production”. The Production Manager was not only grateful for the father giving him the freedom to make his own decisions in relation to production but eager to please him. This particular product was being manufactured for the first time but the non-family member was open to trying new production techniques to find the most efficient method possible. Based on this, I gained a sense that innovation for this non-family member in relation to this particular scenario equated to being open to trying new ways of manufacturing a product to gain the desired outcome, which was not necessarily efficiency but gaining the satisfaction of the ‘family’ within the business, facilitated by a paternalistic organisational culture. While for the father, innovation in this instance constituted trusting this particular non-family member and giving him the freedom to produce this product in the quickest and cheapest way possible. This element of organisational culture will be addressed in the discussion chapter.

External knowledge and ideas is the key to their success

External parties such as research institutions, experts, universities, and customers are vital to the success and development of this family business.

The father stated *“we have close links with universities and doctors, which is one reason why we have been so successful...knowledge is so important in this company, so we make sure we communicate with people in the industry and medical people”*. The father’s use of the terms “close links” and “we make sure we communicate” suggests that there is a need for close working relationships with external parties, which is a deliberate decision on the part of the business. This closeness is facilitated by open communication between the two parties. The father openly accepts that external sources of knowledge are required for the business to thrive, therefore a close working relationship is vital. This is echoed by the son who stated: *“ideas come from different sources and sometimes it has come from the doctors we speak to on a regular basis. Our contacts are really important in our field as don’t have the you know medical know-how” (Luke, the son)*. This indicates that external contacts are imperative to the generation of ideas for the business. These relationships tend to be facilitated by the father and son through regular contact.

The father and son's reference to external sources of information being necessary for the business infers their view of innovation involving business success through external sources of knowledge. I found this to be the case during a meeting I attended during my observations as the son was discussing their latest product invention, which stemmed from a customer's idea who used the Nostril hay-fever product on one of their horses by accident.

The third generation son took this idea further by conducting research trials and working closely with key doctors, universities, and the customer in question to ascertain the worthiness of launching this new product. At the time of the interview in April 2011, this product was just about to be launched as the son was showing me the packaging they were going to use and talking about it with much excitement and enthusiasm. They were in the process of meeting with distributors in the countries they had selected to launch this new product in. At the time of research the product was the first of its kind in industry worldwide. I would extend the father and son's view of innovation in this instance to involve the generation of a radical new idea generated by external information facilitated by a close relationship between the family and external parties. This view of innovation will be addressed in the discussion chapter.

Education and previous work experience has added value to the organisation

The son has been to boarding school and has always been in private education. In addition, he started a business degree, which he decided to leave prematurely due to the start of the family business. This seems to have provided him with some solid business knowledge which he has put into practice within the business in terms of developing business plans and business strategy *"I do the business plan and the business studies style SWOT analysis and four Ps"*. The value of education is reinforced by the production manager who has an electrical engineering degree, which in his own words has *"helped with managing the factory and gaining an understanding of how everything works"*.

The production manager previously worked for his own family's business for 5 years but he and his father were not getting along, thus he decided to cut his ties and work

for this family firm. Interestingly, the other non-family member who was interviewed had also extensive experience of working for a family business *“I worked for a family firm for 5 years until the son came into power, it just wasn’t the same then so I had to leave”*. (Dean, the Logistics Manager). Perhaps their previous experience of working in other family firms has allowed them to be more in tune with the work ethic in family firms and a general understanding and empathy towards family businesses. This previous experience could partly explain the production manager’s desire to please the father as discussed earlier in this chapter. The inventor of the Nostril previously worked for the Body Shop, which provided him with experience of working for a large multinational firm, who prides itself on being ethical. There may be a potential synergy between the values of this multinational and working for a family business.

The father – the teacher

The son and the two non-family members have always been given a degree of freedom by the father, which has provided them with a chance of learning from their mistakes. This appears to be an intentional learning strategy on the part of his father.

“I get to do what I want and sometimes I do make mistakes but how else do you learn? I have never got into any trouble for the mistakes I have made but I have just made sure I have not made the same mistakes again...I have learnt so much from Tom, he has been in business for over 40 years. He knows so much” (Luke, the son). As touched upon earlier in the chapter, the father appears to be intentionally developing his son and this statement provides further evidence of this. The son’s reference to *“I have learnt so much from Tom (his father)”* suggests that along with the freedom the father has provided him to learn from his mistakes, he has been an invaluable source of knowledge about the business. This sense of knowledge exchange appears to be limited to the father and son and not necessarily extended to non-family members. This suggests a sense of tacit knowledge relevant to the company being controlled by the family within this business.

Despite the valuable role the non-family members play in the business, this suggests that control of the business as well as the relevant know-how rests within the family. Ordinarily, one may think that this sort of family control would limit the

knowledge base within the business but as already discussed, the family are open to external information. Therefore, this centralised form of knowledge does not necessarily inhibit the firm's ability to innovate. As previously mentioned, this form of knowledge transfer enhances the potential for innovation to be sustained between the generations. This re-enforces the important role knowledge and freedom play in allowing this family organisation to innovate now and in the future.

Interestingly, during the Logistics Manager's interview he discussed the son's development within the business and said *"his dad wanted him to do every job in the factory so he knew what he was doing. So when he (the son) joined the business he started from the bottom and I think this was the best way"*. This statement suggests that in addition to transferring knowledge, the father has intentionally encouraged the son to learn about the business from his own perspective from the bottom up in attempt to equip him with more know how relating to the operation of the business as a whole. Furthermore, according to this non-family member, this method of learning is exactly what the father's father did with him when he first joined the family business. This appears to be a generational way of learning and suggests that this is one way innovation has been sustained from one generation to the next within this family firm. It also infers that family learning and development is ingrained in this firm's culture, which may have facilitated this business to not only survive but thrive and innovate in a competitive industry that is full of global players.

A commitment to the family

Throughout the logistics manager's interview, several references were made to the length of time he has worked with the father making it a significant theme. The fact he has worked with the father for 16 years shows an element of commitment. This is further emphasised by the logistics manager refusing to retire as he enjoys working for the father and the family business despite ill health and being of retirement age. This commitment may be partly due to the personal relationship he has with the father *"my wife used to teach Luke (the son) years ago...I knew him (Tom, the father) socially before I started working for him. We used to drink in the same pub and we always used to chat"* (Dean, the Logistics Manager). This statement indicates closeness between the father and this non-family member that extends to other members of each other's families. He knew the son before he started working for the family business suggesting a familiarity existing between him and the family

members. In this sense he could be seen as an extended member of the “family” indicating a close, family orientated culture. This supports the paternalistic relationship between the Production Manager and the father as discussed earlier in the chapter. This close, family culture creates commitment to the business including innovation among the non-family members, which will be addressed in the discussion chapter.

Summary

The father is intentionally developing his son by exposing him to all aspects of the business including visiting clients as well as providing him with the freedom to make mistakes and learn from them. In this sense, knowledge within the business is controlled between the family members. This, in conjunction with external sources of information such as clients and doctors form the basis for the generation of ideas and innovation within this family business. A close relationship with continuous communication between the family and external members is pivotal in facilitating innovation. Furthermore, close relationships are further emphasised within this firm by the existence of a close, ‘family’ orientated culture, which promotes a sense of commitment to innovation from non-family members.

7.2.3. Cross-Case Comparison of the Innovation Patterns between Cases C and D

Cases C and D are a matched pair in terms of family control and generational involvement. They are both controlled by a father and son in the second and third generation. However, they operate in distantly different markets and industries. Thus, a cross case comparison will be tackled outlining the differences and similarities between the two small family firms as outlined in table 11.

Table 11: Cross Case Comparison for Matched Pair 2

Fish More Case C	Education and Experience	Organisational structure	Culture	External information and help	Formalisation and professionalism	Definition of Innovation
Phil – the father Generation 2	- No personal education /experience - Ensured son had private schooling and degree	--the son is overall in charge and drives the business forward -he is semiretired and runs the Leeds store	- them and us between son and non-family members -paternalistic aspect to culture as he does not want to get rid of staff	-Close relationship with the son -close relationship with the customers – over 30-40 years have known them -distrusting relationship will internal staff	- physical distance with son -only speak on the telephone -it is as if they run different businesses	-Ideas generated from different industries (imitation ideas) -ideas generated from clients and competitors –led by the son -changes within the business
Mark –the son Generation 3	-Private School -Business Degree -1 year placement at British Airways -freedom to make mistakes -intentional development by father in the family business during summer holidays and weekends	-he is overall in charge -he runs two stores and online business as well as catalogue business	-mistrusting non-family members -knowledge gap between him and non-family members	-close relationship with customers as works on shop floor - -external help with the website	- physical distance with father -only speak on the telephone -it is as if they run different businesses -external help with website to professionalise it	-ideas generated from clients and competitors -external ideas and information
Non-Family Member 1 – Store Manager (Neville)	-no formal education -worked in post office previously -enjoys fishing	-manager of the mega-store -son overall in charge	-lack of communication between the son and non-family employees -he thinks the son is posh -does not understand why changes have to be made	-close relationship with customers as goes fishing with many of them		-

Father – Generation 2	Over 40 years working in family business	- he is the decision maker	-always worked for the family business	Travel to meet clients with the son -two way relationships with customers and doctors -close relationship with external parties vital for business	Formalised processes due to the industry	- trusting non-family employees with the freedom to make changes
Son – Generation 3	-almost completed business degree -private schooling -the father developing him with different roles -freedom to make mistakes	-he and his father are the decision makers	-the father acts as a role model for son through learning and development -learning from the father	-external sources of ideas -travel with the father	Use of first name for father and formalised processes	- The family led innovation - Moving the business forward
Non-family member 1 – Logistics Manager	-experience of working in family businesses -the father developing him with different roles	- the father is the main decision maker but the son is starting to make some decisions	-freedom to make decisions and learn -close, personal relationship with father and son			
Non-Family Member 2 – Production Manager	-electrical engineering degree -experience of working in family business	- the father is the decision maker	-freedom to make decisions and learn -regular communication with father -learning from the father			- new ways of producing a product - pleasing the family

Family control residing between the father and son is certainly a dominant theme across both cases C and D in terms of centralised decision making. In each family business, innovation is led by the family with a vital role of external parties such as clients in generating ideas. The families in both firms are aware they do not have all the necessary knowledge and skills in-house making it imperative to seek it externally. This indicates openness to external help and information. Knowledge is a powerful facilitator of innovation within each firm, particularly in case D, which lies within the family domain as opposed to being extended to non-family members, limiting the latter's role in shaping innovation. The father in each case has made the deliberate decision to enhance their son's knowledge base indicating how innovation is sustained between the generations. Both fathers sent their sons to private school and both went on to higher education in the field of business management, providing a grounding in business theory and practice. The father in case D has taken this further by exposing his son to all aspects of the organisation including the client side. Furthermore, the sons in both firms are given a degree of freedom by the fathers to make their own decisions and learn from their mistakes. This sense of development is more pronounced in case D where the father puts a lot of trust in his son.

A close and personal relationship with external parties is emphasised by both firms, which in turn enhances their access to new ideas and information. This theme of closeness is extended to the non-family members within case D where there is a strong commitment to the family and the family business as a whole. In fact, some non-family members within this firm are treated as an extended family, indicating a close 'family' orientated culture where innovation is embraced. This is in contrast with case C in which there is a mistrusting relationship between the son and non-family members. Part of this can be attributed to the knowledge and education gap between them, which causes a lack of openness to innovation within the business thereby limiting the amount of innovative activities taking place. This lack of trust is in contrast to the culture within case D where the father is seen to trust non-family employees.

In summary, innovation in both firms is led by the controlling family, who accept that they do not have the necessary information and skills within the business and therefore seek new ideas and knowledge from external sources, which in turn is facilitated by

close and personal relationships. Innovation is further facilitated within case D as this closeness is ingrained within their organisational culture creating a commitment to the introduction of new ideas. However, the mistrusting culture in case C limits and potentially inhibits innovation. Therefore, despite the distinct similarities between the patterns of innovation within these firms, there are certain dimensions that result in them innovating differently.

7. An Analysis of the Innovation Patterns within Spousal Controlled Small Family Firms

The following chapter addresses matched pairs 3 and 4, both of which are controlled by husband and wife teams. The innovation patterns emerging from the primary data for each matched pair will be discussed below.

7.1. An Analysis of the Innovation Patterns in Matched Pair 3

Both firms in this matched pair are controlled by a spousal partnership, namely a husband and wife team, involving first and second generation family members. Each case will be discussed individually in the first instance starting with a brief background, followed by a within case analysis. Once this has been carried out, a cross case comparison for this matched pair will be tackled outlining the similarities and differences between the two companies in terms of the way they carry out innovation and how this is sustained from one generation to the next.

7.1.1. Innovation Patterns within Case E – The Diamond Boutique (The Jewellery retailer)

Case Background

In 1982 the first generation father set up a jewellery retailing business. The business started as one retailing unit but by 2006 it had expanded to four units. At this point the father ran the business with the help of his two sons. In 2008, the youngest son, Carl, decided to break away from the family business and set up on his own. There were two main reasons for this: firstly, the father refused to discuss the future of the business and any potential succession plans; secondly, Carl felt the family business was not going in the direction he wanted, namely towards own brands. Therefore, in 2008 the son bought one of the stores from the family business and started his own jewellery company.

He now runs this business with his wife, Sam. He had worked in the family business with his father since 1990 when he worked on the weekends and during holidays when he was at school and university. When he bought the Shipley store from his father, he kept the existing staff members, which included four non-family members whom of which he had worked with since he started working for the family business on a full time basis.

When Carl started his own business in 2008, his mother decided to join him and work alongside him. Carl owned the business, but his mother helped him with the accounts and worked on the shop floor. She had always worked in the family jewellery business since it started in 1982, thus was experienced in working in a retail jewellery environment. She did this until her and Carl's father divorced in 1996. Carl's mother only worked in his business until 2010 when she decided to leave due to differing opinions on the running of the company and her refusal to be managed by a senior non-family member. Therefore, Carl and his wife are the current shareholders of the business with indirect involvement from Carl's father, which will be elaborated on below.

The business was doing so well that in December 2010, Carl opened a second jewellery unit as the previous store was a means to an end to kick start his own business. The Shipley store was not where he wanted his business to be as his vision was to have a boutique jewellery store that only carries jewellery designed and made by him. This new store would be the first time Carl could truly put his own stamp on his company and do it the way he wanted to as the first store was rooted in the previous family business. Carl and his wife, along with four new non-family members work in this new store.

When Carl left the family business in 2008, it was on bad terms and he did not speak to his father for a number of years but since opening the new store in 2010, he and his dad have become close again. His father has set up a separate Rolex watch based business in partnership with Carl that works alongside his new jewellery retail store. When I asked Carl if I could interview his father, he was rather reluctant due to the past history between them. He did not want this to be stirred up.

Both Carl, the husband, and his wife Sam, were interviewed for the purposes of this study as well as two key non-family members, the General Manager for the whole business, Linda and Hannah, the Assistant Manager for the new store. A number of significant themes emerged from the interviews and observations carried out within this firm, which will be discussed below.

Education, Education, Education

It is interesting to note that all the participants have a university degree. The husband, despite knowing he will work in the family business, wanted to broaden his horizons by gaining a degree in marketing.

"I don't necessarily have a passion for jewellery, I was always going to join the family business but wanted to learn about something I had a passion in – marketing" (Carl, husband). Based on this statement, the husband's motivation to undertake a university degree was to broaden his knowledge base through learning in a subject area that he was interested in. Interestingly, he has a passion for marketing, which he puts into practice within this family business. The husband specifically attributes marketing to the firm's success thus far. The general manager echoed this by attributing marketing to the success of the business. In this way, the husband infers that innovation within this firm is creating business success through education and learning. This point will be addressed in the discussion chapter.

It is noteworthy to mention that all four non-family employees who the husband has employed to work with him in the new store have university degrees pointing to the importance of education for him and the firm. When probed about why the husband did this, he answered:

"Degrees show a willingness to learn and we always need to learn" (Carl, the husband). This re-enforces the husband's view that learning is pivotal to the organisation's ability to innovate and succeed. Furthermore, his use of "we always need to learn" in his

statement indicates the importance of continuous learning within the firm. Therefore, learning is a process that should not remain static and individuals should always strive to enhance their knowledge and skills base. Education indicates that someone is open to learn in the first instance, increasing the individual's propensity to continue learning thereafter. This goes hand in hand with the husband's vision of being different to other jewellers. *"There are so many jewellers around, so I want to be different"*. Continuous learning seems to enable this family business to distinguish themselves from their competitors. The husband's use of the word "different" suggests he views being innovative as applying continuous learning to enable him to undertake internal activities and create products that allow him to stand out from other businesses within the industry. During my observations, I witnessed two jewellery and selling training sessions that the husband held with non-family employees in order to enhance their knowledge and skills. Therefore, I would concur that this family business places strong emphasis on continued learning and development, which in turn facilitates their capacity to innovate.

The family business is all the husband knows

It is noteworthy to discuss the theme of previous work experience, as this recurred in everyone's interviews but the husband's. This is perhaps due to the fact that he has never worked anywhere but the family jewellery business.

"Jewellery is all I know" (Carl, the husband).

It is interesting to explore whether the fact the husband has never worked anywhere but the family business has had a negative impact of the level of innovation undertaken within the organisation. It could be that this lack of experience has meant that his ability to apply the marketing theory gained during his university degree is limited. This is potentially a reason why the husband finds the implementation of ideas difficult. This will be addressed in the discussion chapter.

"I come up with the ideas but I let others make it happen" (Carl, the husband). During my observations, I noticed that on several occasions the husband insisted that

formalised processes needed to be in place to ensure the smooth running of both stores but deferred the actual implementation to his wife, who was previously a manager in a large financial services organisation. When his wife asked for his input on the implementation of the processes his response was “I don’t care, I just want you to do it”. Working for a large firm, the wife had to previously follow formalised procedures *“In my old job I used to do one to one’s and performance plans. It was all spreadsheets and documents” (Sam, the wife)*. Therefore, the wife’s previous experience, namely for a large professional firm as opposed to a small family business provided her with exposure to different ways of working. This has equipped her with the practical skills of implementing new concepts within an organisation. In this way, it can be inferred that the wife views innovation as introducing new ways of working within the business facilitated through the knowledge gained in her previous work experience. The husband, on the other hand, has not been exposed to such a formalised way of working. All he is aware of is the way his father ran the business before he took over. His learning seems to help him generate ideas he wants to put into place within his business but his delegation to others suggests an inability to implement these ideas. This highlights the value of the wife in the process of innovation within the firm. More specifically, her previous work experience has provided her with practical knowledge of the inner workings of such firms and how to implement new ideas into this small family business. Therefore, the husband and wife appear to play different roles in the process of innovation in this firm.

The Assistant Manager previously worked for Laura Ashley, a large clothing and home wear chain where formal procedures had to be adhered to and makes reference to this in her interview. *“At Laura Ashley we did things really differently, there were rules I had to follow. They had a massive manual we had to read and follow!” (Hannah, Assistant Manager)*. This non-family member’s reference to “we did things really differently” infers that there is a substantial difference between the inner workings of her previous employer and this current family business. This emphasises the Assistant Manager’s exposure to the processes of a larger firm, providing her with a broader perspective on how businesses can operate. This in turn, may enhance her openness to changes within this small family firm, particularly the introduction of more formal processes. During my observations, I was party to a morning meeting where the introduction of the

formal processes was discussed. The Assistant Manager was very keen to share with everyone her experiences of the processes used during her time at Laura Ashley. Out of all the non-family members at the meeting, she was the most visibly upbeat about the new processes. In this way, learning through work experience can facilitate the acceptance of innovation within this small family business.

Going the extra mile for customers

The husband deals directly with customers and enjoys building a rapport with them. This is all part of his customer retention strategy. He and his wife have formalised this process to ensure it becomes a core part of the company's day-to-day operations. A close relationship with external customers is a theme that recurs among all four members' interviews. The husband discusses the importance of the relationships with customers for the organisation as a whole. Apart from himself building close relationship with the customers, he also encourages his staff members to do the same. He even provides his staff members with a budget to spend on personal gifts for key customers.

"I had a lady last week who bought the most expensive pair of diamond earrings I have ever sold. She was supposed to be going to Brussels for an 80th birthday, so wanted to treat herself to these earrings but her flight was cancelled, she was so upset. Anyway, she just mentioned to me in passing that she was going to the Boxtree for a meal instead. So I called the restaurant and ordered her favourite wine to be waiting for her on her table when she arrives. She was so happy that she came into the shop the week after and gave me the biggest hug I have ever received. It cost me £50 and this lady will probably never shop anywhere else now. I think that is innovation at it greatest" (Carl, the husband).

The husband's quotation is rather revealing in several ways. It indicates that he does indeed deal directly with customers and aims to build a close relationship with this customer by going that step further customer service wise. The quotation also infers that the husband is proactive when it comes to customer service. He defines this action

as innovation, indicating a sense of what innovation means to him and the company. It is not necessarily creating something revolutionary but implementing creative thinking and doing something that the firm has never really done before, indicating the type of incremental innovation that is carried out within the firm. There is a desired outcome of innovation within this firm, namely creating superior customer service through close customer interactions with the ultimate aim of creating repeat business.

Since the husband's interview in 2010, the firm have implemented a formalised customer relationship management process forcing all members of staff to be more customer focused, building a close long term relationship with them. This is a way of formalising innovation within this business, encouraging a more innovative organisational culture.

The husband's openness to external help

Interestingly, the husband mentioned that his father was never open to external help or information as he did not believe he needed it. This was one of the many issues the husband had with the original family business.

"Dad thought we had the necessary skills we needed and I told him we didn't but he wouldn't listen" (Carl, the husband).

Since starting his own business, the husband has attended marketing and business seminars to improve his knowledge and skills in the area. *"I'm constantly reading books on business and marketing and attending seminars....both paid ones and government run ones"*. This further emphasises the importance the husband and the firm place on continuous learning as previously discussed. The husband's openness to external sources of information may be partly attributed to his education. As stated earlier in this case analysis, the husband views a university degree as indicative of an individual's openness to learning. The same could be said about him and his positive outlook on utilising external information.

During my primary fieldwork, I conducted participant observations by taking on the role of marketing consultant for the company. During this time, the husband provided me with the freedom to make decisions and implement new ideas such as the customer relationship management process and developing and implementing a new online marketing strategy. This not only indicates the husband's openness to external help but the role it plays in facilitating innovation within this small family firm. This will be addressed in the discussion chapter.

The effect a close-knit team has on the business

All the staff members at the original store have all worked together since 2000. They all know each other's partners and families and chat about personal matters together. Every Friday, all the members of this store take it in turns to go round to each other's houses for dinner.

"All the girls at the Shipley store are close" (Hannah, Assistant Manager)

"I have known the girls for years, we go round to each other's houses for dinner" (Linda, General Manager)

This closeness between the staff members may be facilitated by the small number of people within the team, as there are only four members of staff who work in the original store on a regular basis. This sounds rather positive but the reality is that it has caused the husband and wife some problems, particularly since opening the new store. In particular, other staff members have not taken Linda's promotion to the position of General Manager well.

"It has been hard for Linda (general manager) to make the transition to general manager at the Shipley store as I don't think the girls have liked her promotion especially the ones that are older than her and have been here longer" (Sam, the wife).

“I have gone from their friend to their boss overnight, it has and still is very challenging for me but I was not going to turn it down as I have worked hard to get here” (Linda, General Manager).

The general manager’s reference to going from “friend to their boss” indicates the difficulty which can arise when members have worked together for a prolonged period of time in a close ‘family’ ingrained organisation. Rather than professional relationships existing, the members saw each other as ‘friends’ and it is difficult to exercise any authority over someone who is classed as a ‘friend’. This promotion was part of a series of changes within the business including the introduction of a number of formalised processes such as seven daily tasks everyone has to submit to the husband every afternoon. The attitude has been rather negative to these changes.

“We’re struggling to move the business forward sometimes due to resistance from certain individuals. I suppose this is going to always be a challenge” (Carl, Husband)

“Some staff members have been here for over 20 years and they don’t want to start doing things differently” (Linda, General Manager). Here this non-family member is suggesting that with long term employment can come positive and negative attributes. Despite the closeness between the members, they are used to a certain way of working and the husband has introduced a number of internal changes, which is taking them out of their comfort zones. Despite the essence of learning acting as a positive attribute for some non-family members it appears to have the opposite effect on others. This resistance to change could act as an inhibitor or in part limit the impact the innovation has within this small family business. This will be addressed further in the discussion chapter.

The role of non-family employees

All four members interviewed in the primary research unanimously concur that the husband is the ultimate decision maker, with the wife as the second in command indicating an element of family control. This centralised control is not surprising as the husband left the original family business as he felt stifled creativity wise. He plays a

more central role than his wife as she only works part time as they have two small children to look after.

“Carl is at the top. The Smith’s (husband and wife) are at the top of the tree” (Linda, General Manager)

“Carl (husband) definitely makes the decisions around here” (Hannah, Assistant Manager)

With the husband as the main decision maker it may make it easier and quicker to implement change as well providing the flexibility to react quickly to market conditions, as there is no one else he needs to consult. Does centralised decision making inhibit change within the company? It may do if the husband never consulted with anyone else but he does confer with the General Manager on strategic decisions to gain her perspective as well as providing her with the freedom to run the Shipley store and make day-to-day operational decisions. This indicates the key role of this particular non-family member, illustrating that the husband is open to others’ opinions and ideas as well as trusting her to do a good job.

“Linda (general manager) is my eyes and ears at the Shipley store. I know she does things in my best interest...She has experience of working for a large company so comes up with useful operational suggestions” (Carl, the husband). The husband’s statement is quite revealing in two ways. Firstly, he suggests that the general manager’s past experience of working within a larger organisation enables her to bring operational ideas to this small family business. This re-enforces the role of learning in the process of innovation within this firm as discussed earlier in this chapter. In addition, the husband infers he is open to new ideas from this particular non-family member, indicating her role in innovation within the business.

Limited family involvement within the business

The main reason the husband left the original family business was that there were too many family dynamics between him, his brother and his father, which was hindering the progression of the firm in his eyes.

"I got fed up with the lack of progress in moving the business forward. My dad never wanted to discuss succession and my brother was lazy and left me to do all the work. I wasn't getting anywhere" (Carl, the husband). This statement infers that the husband felt that the family dynamics were hindering innovation within the original family business and is therefore conscious of the negative effect this can have on a business. This is further emphasised by departure of the husband's mother from the current family business. His mother would not accept a non-family member to be her boss and she was not in agreement with the direction the husband wanted to take the business. There appeared to be somewhat of a power struggle between the two family members "she thought she was the boss" (Carl, the husband). This was also echoed by the wife who stated "it is easier without Janet (the mother) now as we know who is in charge and where the business is going". The wife's statement suggests that the involvement of additional family members within this business caused an issue in relation to who was in control, which in turn affected the company's ability to progress and move forward. In this way, the wife indicates that innovation is facilitated by limited family involvement and clear spans of control.

Summary

Education is a focus for the husband within this family business. He views it as an indication of one's openness to learn and continue doing so. He has therefore made a conscious decision to employ non-family employees with university degrees to work in his new store. The husband views continuous learning as a means of facilitating innovation within the firm. In addition, he believes innovation for the business is about creative thinking and not revolutionary thinking.

Furthermore, previous experience of working in larger organisations has played a role in the implementation of innovations in this company, which is a task that the husband delegates to his wife and non-family employees. Despite family control prevailing in the business, non-family members play a critical role in the firm's success.

Due to an emphasis on learning a number of formalised processes have been introduced into the business. This has seen some resistance from some members of staff, particularly the ones that have been with the organisation for a long period of time. The husband and wife feel a sense of loyalty to their non-family members despite this resistance, indicating how a close family culture can hinder the implementation of innovation within this firm.

The husband has made a conscious decision to limit the family involvement within the business to himself and his wife to minimise the family dynamics preventing the company from focusing on innovation.

7.1.2. Innovation Patterns within Case F – Designs For You (Design Manufacturer)

Case Background

The family members involved in this business are the first generation husband, Richard and his wife, Margaret as well as their second generation son, Sean, all of whom were interviewed for this study. The first generation husband started the business in 1984 when he saw a gap in the market for the manufacture of point of sale displays and floor coverings. He started the business in Scotland and then moved to Bradford in West Yorkshire. When the business moved to Bradford, the operation expanded considerably. In Scotland the business consisted of the husband designing point of sale displays and floor coverings with the actual manufacture of the products being outsourced. In this new location, the business moved into the manufacturing side as well as the design.

Since the business first started, the husband has played a pivotal role as the designer for all their products and his wife has always been involved in an administrative capacity.

Since 2007, the eldest son has become involved in the business, as he was made redundant from his previous marketing job. Currently, the business has four non-family members working in the factory with one of them being the factory manager. The three family members sit upstairs in the office and the non-family members are based in the factory on the ground floor. All the non-family workers have worked in the business for at least 15 years with the factory manager having worked in the firm since 1988.

The factory manager, Trevor, was interviewed for the purposes of this thesis to provide a different perspective, specifically that of a non-family member. He has been with the company since it moved to Bradford in 1988. He is the only non-family that has been involved from the start and he plays a pivotal role in the business managing the factory. The other non-family members were not keen on being interviewed as they felt that they would not be able to answer the questions fully. The significant themes that emerged from the data collection are discussed below.

A new project for the son

At the time of observation and interview in June 2011, the husband and son were working on a new project together. The husband noticed that from talking to some of his clients that stair rods were going to come back into fashion. He passed this idea onto his son and told him to find out where he could source them and then implement the idea. The husband did not have time to run with the idea himself but thought it was the perfect opportunity for the son to capitalise on.

“Dad comes up with all the ideas. He is an idea’s man. He always has been. I would say this is his main strength. He is better at it than me I think. Where my strength lies is my commercial experience – my commercial mind” (Sean, the son). The son’s statement and the stair rods example are very revealing in terms of his perception of innovation and the family members’ respective roles in the process. The father appears to have the creative flair and generates ideas whilst the son has the commercial experience to take the idea to market. The ideas are not necessarily novel but they based on the father identifying an opportunity and encouraging his son to translate it into business practice. Based on my observations whilst working within this family firm, it appeared that the son

was utilising his marketing knowledge and skills to implement the stair rods idea. After speaking to a potential client he turned to me and said “that’s how I used to generate business for Clarks”. When I probed the son further on this comment, he explained that Clarks was his previous employer and it was exciting for him to be able to utilise his business and marketing skills on this project. This may have been aided further by his business degree. Therefore, at this point I would expand the son’s perception of innovation to include the senior generation as the generator of ideas, which is then passed on to the younger generation to translate into business practice facilitated by the knowledge and skills gained during previous work experience and education.

The wife and non-family members in the firm do not have university degrees and seem to be less involved in developing ideas and growing the business. *“I haven’t been to uni or anything but I get certain things, the others (in the factory) struggle. They want to do what they do and go home which is fair enough you know but I have been here a while and I like Richard and the family.” (Trevor, Factory Manager)*. Could the wife’s and non-family member’s lack of involvement in innovation be attributed to their lack of education? Is a lack of education an inhibitor to innovation? It appears that the son and husband seem to be the driving forces of innovation within this organisation.

Teaching the son a few tricks

“I wanted my sons to have the best education possible and that’s why I sent them to private school. It cost me an arm and a leg but I have no regrets. I was working hard to give them a good education.” (Richard, the husband). The husband’s statement infers the importance he placed on educating both of his sons to a high level. He worked hard to achieve this for his children and provide them with a good start in life. The husband seems to have made more a conscious effort to develop his eldest son, Sean. For example, after speaking to a client the father saw a gap in the market for rug clips and encouraged his son to pursue this idea. The son was working for a marketing company at the time, thus the husband suggested he set the business up as a side-line to his current day to day job in an attempt to test the market. Furthermore, the husband equipped the son with the manufacturing contacts as well as potential customers he may wish to pursue.

“I wanted him (the son) to have some experience of the manufacturing business and what better way than getting hands on experience. I thought it was a good idea but didn’t have time to do anything about it. The business (Rug Clips) is going from strength to strength and he is the main supplier of them in the UK now. I can really see this business growing even bigger in the future.” (Richard, the husband). It is evident from the husband’s statement that the son’s rug clips business is continuously growing, which is a positive sign. Furthermore, the husband wanted to provide the son with specific manufacturing business experience and the necessary tools to facilitate this. The son was given a helping hand from the father in terms of the “what” and “who” but gave him the freedom to find out “how” to do it. This could be said to be a form of intentional learning between the first and second generations, which will have developed the son’s skills and knowledge of operating within the design and manufacturing industry. This in turn will stand the son in good stead for taking over the family business. In this way, the father could be seen to view innovation as intentionally enhancing the next generation’s knowledge and skills within the family businesses industry by giving them the necessary freedom to implement new ideas. This will be addressed further in the discussion chapter.

Clients are a source of ideas

“I work closely with clients to ensure they get exactly what they want...The idea for the stair-rods came from talking to client...I know most of our customers well as I have always dealt with them and have done for years”. (Richard, the husband) The stair rods example suggests that a close relationship between the husband and clients provides him with an insight into market trends, highlighting any potential opportunities for innovation within the business. Furthermore, the husband himself has developed a relationship with his clients over a number of years, suggesting a sense of mutual trust between the parties. This trust in turn seems to have created a close working relationship, facilitating the sharing of information. In this sense, the husband’s statement suggests that he views innovation as the generation of ideas through a close and trusting relationship with clients. The role of the clients in shaping innovation will be addressed further in the discussion chapter.

A close relationship with clients appears to be restricted to the father and son as opposed to the wife and non-family members. "I don't have to deal with clients – I leave it to Richard and Sean" (Margaret, the wife) "I've taken over dealing with customers a bit more. I think I'm a bit more professional than dad and they are important to the business. He is good with them sometimes if he is in a good mood" (Sean, the son). The son seems to have taken it upon himself to be more proactive in dealing with clients as opposed to leaving it solely in the hands of the husband. He refers to himself as "more professional" which intimates he may have more of a business relationship with clients as opposed to a personal close one. Perhaps this stems from his commercial working experience. In this sense, the son's view of innovation is slightly different to the husband's in that he believes that a professional relationship between him and the clients facilitates the generation of ideas within the business.

The son insinuates that the husband can be moody with clients on occasion, which is partly why he has taken over some of the client responsibility. Despite this aspect of negativity, the husband seems to have maintained a close relationship with clients over the years which begs the question does a personal, closer relationship facilitate a longer term relationship with customers and therefore encourage knowledge and information exchange between the family and the clients? If so, will a more professional relationship between the son and clients limit the amount of new ideas gleaned from the customer? Either way, both the son and husband appear to have dominant roles in building relationships with clients within this family business.

A family culture

There is a long-standing relationship between the son and non-family members as he has essentially grown up with them since he was 10 years old.

"I've seen him (the eldest son) grow up. He used to come and play in the holidays. He's a lovely lad. It's nice to see how well he has turned out you know." (Trevor, Factory Manager). "I've known Trevor for years, he's like a granddad to me. I used to come and play in the yard as a kid with my brother." (Sean, the son)

The son appears to have a close and personal relationship with the non-family members within the business. This is illustrated by the son's regular communication with the factory workers. *"I make sure I go downstairs and chat with them (factory workers) as much as I can. I know about their lives and I tell them what's going on with me and what I got up to at the weekend – things like that"* (Sean, the son). This indicates that the son attempts to act as a bridge between the family members located 'upstairs' in the office and the factory workers 'downstairs'. The father does not often make a point of going to the factory as he often waits for the factory manager to come to office to see him. The son appears to be making a conscious effort to steer away from the existing hierarchical organisational structure and improve the flow of communication within the business. In my observations, I overheard the son discussing the stair rods business with one of the factory workers and asking for their opinion on manufacturing techniques. This suggests that the son is making an intentional decision to include non-family members in the implementation of innovative ideas, which the husband does not currently do. In this way, innovation can be seen as the son implementing a creative idea utilising the knowledge and help of non-family members.

The husband still rules the roost

There is a significant theme of central control lying with the husband. This is exemplified by the husband's and factory manager's ongoing reference to the husband as *"the boss"*. The factory manager never uses the husband's first name as he only uses the term *"boss"*. He does not refer to the wife or son by this term. Furthermore, the husband refers to himself as *"the boss"*.

"This is my company, so I get to make all the noise. I have worked really hard to get here so why shouldn't I be in control" (Richard, the husband).

"I just do the accounts really. I leave everything else to Richard. He's good at that." (Margaret, the wife).

The wife's use of "just" suggests that she does not play a dominant and controlling role within the organisation despite being a director and shareholder. The husband's dominant role is further re-enforced by the fact the father refuses to fully retire and pass the firm onto the son *"I am still the boss, it is my business. I started it from scratch, so why should I just give it up. I enjoy it. All I would do if I retired is stay at home doing nothing. Work keeps me active."* (Richard, the husband). The husband appears very sentimental about the business as he started it himself as opposed to inheriting it and feels rather possessive about it. Despite the son's growing role within the firm, particularly with clients as discussed earlier, the father appears to be holding onto the reigns of the business. How does this affect innovation within the business? The son refers to the husband's centralised position affecting changes within the firm: *"I can't make many changes while my dad is around as he is still the boss and I need to respect that and he is really stubborn, so trying to make any changes is nearly impossible"* (Sean, the son). The fact that the son feels he *"can't make many changes while my dad is around"* suggests that innovation occurs on the husband's terms. The stair-rods and rug clips examples illustrate the husband's willingness to encourage innovation but these were side-line business ideas as opposed to changes to the existing design manufacturing business. His sentimental attachment to the family business may affect his openness to major changes. In this way the sons suggests that the husband plays a central role in leading and facilitating the innovation within the organisation, which he views as inhibiting innovative activity.

This theme of centralised control can be expanded further to include the generation of ideas. Despite the input from clients, the business seems to revolve around the husband's creativity in terms of his designs. When probing the son about who will conceive new ideas when his father retires, his answer was that *"no one else has the same skills as dad. I can't come up with the designs he does. The business revolves around dad and his skills and ideas. In 1990, he did a design for Salts Mill, (an art gallery) which was ahead of its time. He's always been ahead of his time. The design is still current now"* (Sean, the son). The term "ahead of his time" is particularly interesting as it provides an insight into what innovation means to the son and this company. It seems to be about the husband using his creative flair to design a novel product that is new to the firm and the industry. Furthermore, it re-enforces the central role the father

plays in the generation of ideas within the business, which has already been touched upon briefly during this chapter.

“All the designs come from the boss and always have done. No one else in the business can do what he does” (Trevor, the factory manager). This non-family member suggests that the husband is the only individual within the family business who has the necessary skills to design new products. This begs the question, how will it survive in the next generation’s control without him and his skills? Is the business sustainable without the father? Central ideas in this particular case could inhibit innovation within the business in the long run. It might be that this issue forces the son to diversify the family business once the husband retires fully, which will change the meaning of innovation for the organisation at that point. This suggests that the way in which the firm undertakes innovation will have to change and adapt to the situation. Does the generational element in family business mean that the meaning of innovation continually evolves? This will be addressed in the discussion chapter.

The factory manager appears to act as a link between the office where the family members are based and the rest of factory workers. He is the only non-family member that appears to communicate with the father. He then in turn relays any messages to the factory workers *“I get on well with the boss, I’ve known him for ages like” “Not everyone gets him but he is ok you know” (Trevor, the factory manager).* This suggests a hierarchical organisational structure within this family business, which limits the amount of communication and interaction between the family members and the rest of the non-family members. This re-enforces the central role of the family, more specifically the husband, in the process of innovation within this firm. The involvement of non-family employees seems very limited. Does this limit the opportunity to develop and share new ideas?

Summary

Innovation within this firm is very much family led, particularly by the first generation husband and second generational son. The wife has a limited role. The husband appears to be the generator of ideas, whilst the son uses his university degree and

previous work experience to implement these ideas. The husband plays a dominant role in this organisation as all members in the business regard him as “the boss” even his wife.

The son makes it clear that innovation occurs on the husband’s terms. He has suggested two ideas for side-line businesses, which the son has implemented. Despite some ideas being generated by a close relationship with clients, the husband is the main generator. This begs the question whether the family business will be able to survive without him. It might be that the son is forced to diversify, suggesting that that the way in which the firm undertakes innovation will have to change and adapt to the generation running it. Therefore, the meaning of innovation for this family firm may change once the next generation succeeds the business.

7.1.3 Cross Case Comparison of the Innovation Patterns between Cases E and F

Table 12: Cross Case Comparison between Matched Pair 3

The Diamond Boutique	Education and Experience	Organisational structure	Culture	External information and help	Formalised processes and professionalism	Definition of innovation
<p>Husband (Carl)</p> <p>Generation 2</p>	<ul style="list-style-type: none"> -Marketing degree -Worked in family business straight from university 	<ul style="list-style-type: none"> -He is the main decision maker -Importance of key non-family members especially Linda -He provides ideas and nonfamily or wife implements them 	<ul style="list-style-type: none"> -Emotional attachment to staff members despite their resistance to change -Learning and development culture -Open to external information 	<ul style="list-style-type: none"> -With clients - External help from clients and training -Customer Relationship Management Process 	<ul style="list-style-type: none"> Limited family involvement -Customer retention strategy 	<ul style="list-style-type: none"> -Creating business success through learning and education -being different to other jewelers through continuous learning -Creative thinking which does not have to be revolutionary
<p>Wife (Sam)</p> <p>Generation 2</p>	<ul style="list-style-type: none"> -degree in business management -experience in large financial services company 	<ul style="list-style-type: none"> -Carl is the decision maker -importance of Victoria (nonfamily) -implements some ideas 	-	<ul style="list-style-type: none"> -with clients 	<ul style="list-style-type: none"> Limited family involvement -introduction of formalised processes such as 'seven tasks a day' -customer retention strategy 	<ul style="list-style-type: none"> - new ways of working gained through work experience
<p>Non-family member 1</p> <p>General manager (Linda)</p>	<ul style="list-style-type: none"> -Jewellery and silversmith degree -worked for larger jewellery company 	<ul style="list-style-type: none"> - Carl is the decision maker and then wife is second in command - she has responsibility for day to day operations of one store 		<ul style="list-style-type: none"> -internal (problems with being their boss) -with clients -Carl with clients 	<ul style="list-style-type: none"> Limited family involvement -customer retention strategy 	
<p>Non-Family Member 2</p> <p>Assistant Manager (Hannah)</p>	<ul style="list-style-type: none"> -Degree in History of the Fine and Decorative Arts -Trainee Valuer of Jewellery - Assistant Manager at large retailer 	<ul style="list-style-type: none"> - Carl 	<ul style="list-style-type: none"> - resistance to change from some staff members -she is open to change due to her work experience 	<ul style="list-style-type: none"> -close internal relationship - Carl with clients 	<ul style="list-style-type: none"> Limited family involvement -customer retention strategy 	<ul style="list-style-type: none"> -acceptance of new ways of working due to her previous experience

Table 13: Cross Case Comparison between matched pair 3 (cont)

Designs For You	Education and Experience	Organisational structure	Culture	External information and help	Formalised processes and professionalism	Definition of innovation
Husband Generation 1	- design degree - experience of working for small design company	-father in charge and is reluctant to relinquish control -the father generates ideas	- close with factory manager and son	-close with factory manager -close working with son on specific projects	-not present	-giving the son the freedom to implement ideas enhancing knowledge and skills -Generation of ideas through a close relationship with clients
Wife Generation 1	-not done anything apart from work in the family business -prefers to be a mum	-husband in charge	-husband and son work closely together	relationships with clients to her husband	-not present	
Son Generation 2	-Private School -Marketing Degree -intentional development by father in the family business during summer holidays and weekends -father helped him set up a related business -experience of working in marketing at Walt Disney and in another family business	-father in control but does try and make suggestions about changes -father comes up with ideas and he implements them -trust between husband and son	- close family culture -he grew up knowing some of the non-family members	- starting to take over from husband dealing with clients	-more professional relationship with clients	- first generation generating ideas and second generation translating it into commercial experience -a professional relationship with clients facilitates generation of ideas -the father developing ideas that are ahead of time
Non-Family Member 1 – Factory Manager	-no formal education - experience of working factory environment	- father in charge but asks for his input into the implementation of designs -acts as a go between the family and the rest of factory works (hierarchical structure)	-worked for the business since it moved to Bradford in 1988	-close relationship with the family. Chats with them everyday	-not present	

There are certain similarities and differences between the innovation patterns between cases E and F as outlined in table 13. In both firms, the husband is the main ideas generator, whilst the implementation of ideas is delegated to an individual with more commercial awareness. In this way, previous work experience plays an important role in the implementation of innovation across both family businesses. In the retail jeweller, the wife's experience of working for a large organisation allowed her to have the knowledge and skills to introduce a formalised way of working into the business. Whilst in the design manufacturer, the son's previous experience in marketing provided him with the commercial awareness to translate ideas into practice.

There is an openness by both husbands to accept ideas from clients but the husband in the retail jewellery business is more open to external sources of information and learning. Furthermore, both firms place an importance on internal learning. The husband in the design manufacturer attempts to intentionally develop his son by providing him with the freedom to learn about the manufacturing business by encouraging him to set up businesses of his own. Whilst the husband in the retail jeweller business promotes a sense of continuous learning among all members within the organisation by introducing training sessions and providing non-family employees with the freedom to develop creative and innovative client relationships. In this way, they are viewing innovation as a means of providing individuals with the freedom to enhance their knowledge and skills.

Despite a close relationship existing between the family and non-family employees within both businesses, only the retail jeweller appears to view them as a vital source of knowledge and skills in enabling innovation within the businesses. However, this closeness appears to be a double-edged tool within the company as there is some resistance to change from particular non-family members but the husband and wife are reluctant to do anything about the issue as they feel a sense of loyalty towards them. This could limit the acceptance of innovation within this business. This suggests that a close 'family' culture within this firm seems to simultaneously inhibit as well as encourage innovation indicating the complexity of this business.

The husbands play a dominant and controlling role in both businesses, with limited input from their wives. This appears to limit the potential of family dynamics, particularly

in case E, causing confusion over the span of control and the direction in which the business is heading. This can result in more of a focus on the business needs as opposed to family ones within each organisation, thereby facilitating innovation.

It is clear that multiple elements within this matched pair can affect how innovation is undertaken, thereby suggesting the complexity of addressing this phenomenon.

7.2. An Analysis of the Innovation Patterns within Matched Pair 4

This matched pair consists of two small family firms owned and controlled by husband and wife teams in their fifth generation. Case G is Sugdens, a company operating in the textile industry and case H is Hawkins, a property developer. The innovation patterns within each small family firm will be addressed below. Each case will be tackled separately, in which a brief company background will be provided, followed by a discussion on the key themes that emerged from the primary data collection.

7.2.1. Innovation Patterns within Case G – Sugdens (Textile company)

Case Background

The business was formed in 1878 as a wool trader on the Bradford Wool Exchange. The company continued in the wool trade for two generations. The third generation moved into synthetics in the early 1950s. The fourth generation then took the business into the plastics trade. Currently, the firm is owned by the fifth generation and operates in the textile industry with the manufacture of plastics and fibre. The fifth generation owner, Gerry (the husband) bought the company in 2000 when his father retired. The company is currently owned by a husband and wife team who are both directors of the company. However, the wife plays a limited role in the company. She is a shareholder, along with her husband but does not currently work in the organisation.

When Gerry took the business over in 2000, there were 16 staff members and at the time of interview in 2011, there were 31 employees, which illustrates how the business has grown over the years. The business provides plastic and fibre to the furniture and automotive industry. Since Gerry bought the business the textile industry in the UK has shrunk, thus he has had to sell new products into different markets. *“If my father came back into the business now, he wouldn’t recognise about 60% of the customers. We’ve had to change completely” (Gerry)*. There are no UK manufacturers of the fibre they produce left in the UK.

For the purposes of this thesis, Gerry and two non-family members were interviewed.

Gerry's wife was asked to be interviewed but she refused, as she is not really involved in the business on a day-to-day basis. The production manager, Tony, was interviewed as he has been with the firm since 1972 and initially worked for Gerry's father. He is in charge of production and reports directly to Gerry on a daily basis. The second non-family member is the administrative manager, Shirley. She has been with the company since 2000, at which time she began as a bookkeeper and then was asked by Gerry to set up and manage an ISO quality system for the firm. The significant themes that emerged within this firm will now be discussed.

Working in parallel with his father

The husband, Gerry, went to boarding school as a child, thus was not very close to his parents growing up. He then went on to university to do a business degree providing him with a sound level of education. After completing his degree, he went on to a management training scheme at Marks and Spencer's in London, giving him an insight into the inner workings of a large multinational company. After two years, he decided he wanted to come back to Yorkshire to work with his parents and start a family with his wife. At this time, Gerry set up a parallel company to the family firm in 1997, whilst his father was still running the family business.

Both companies operated in similar markets and it allowed Gerry to understand the market and have an indirect involvement in the family business, as they were both based in the same building. This gave him the opportunity to start building a rapport with the clients and become accustomed to the markets as well as learning the family business while his father was still running it. Gerry and his father never worked side by side in the family business but his father oversaw this parallel business. This meant that he was able to ask his father questions about the business and the market in general terms:

"I was on the same site as my dad but we never actually worked together if that makes sense. It was a good way for me to indirectly have exposure to the business...I used to ask my father lots of questions and I'd accompany him when seeing suppliers and quiz him as it was a learning phase for me" (Gerry, the husband). The husband's use of "I" in the above quote indicates that it was Gerry who was the one who was initiating this learning phase rather than it being an

intentional strategy of the father. He had the motivation to learn about the family business and increase his knowledge about the industry it operates in. The husband was preparing himself from a skills and knowledge point of view to take over the family business. This begs the question did his education play a vital role in the husband's self-motivation to learn? This will be addressed in the discussion chapter.

Interestingly, the father encouraged Gerry to attend university and "*gain experience of the working world out there*" (Gerry, the husband). This suggests an intentional decision on the part of the father to ensure Gerry had a certain level of business acumen in terms of knowledge and experience before considering working in the family business. In this way, the father was encouraging Gerry to learn, which in turn may have helped facilitate the husband's motivation to continue learning.

Furthermore, the husband attributes learning directly to his ability in diversify the family business' product portfolio: "*The previous company helped make a lot of the changes in this (family) business*" (Gerry, the husband). This statement suggests that the husband's parallel business and thirst for learning provided him with invaluable know-how and experience, which has helped him shape the current family business. In this way, the husband is viewing innovation as the process of continuous learning, which enhances an individual's knowledge base and skill set allowing changes to be made within a business. Based on observational studies I would add the role of education and previous work experience to this definition of innovation within this family firm. While I was carrying out participant observations within this company I sat in on a meeting between the production manager and the husband. They were discussing making production in the factory more efficient and Gerry made direct reference to his experience of working at Marks and Spencers and the techniques they employed to make production leaner. This suggested that he was utilising knowledge that he had learnt from his previous work experience, which has provided him with a production idea that he can implement in the business. This will be addressed further in the discussion chapter.

Training and development of non-family employees

Thus far the theme of learning has been discussed in terms of the family members but there also appears to be non-family development in terms of training and career progression. Both non-family members interviewed have been provided with training, with the administrative manager receiving external training and the production

manager receiving on the job training from employees within the firm. The administrative manager's training was instigated by Gerry, himself: "*Shirley (the administrative manager) needed ISO training, so I asked a client to help us out with this. She does it every year as there are always changes*" (Gerry, the husband). It is clear from this statement that the husband's self-motivation to learn is extended to non-family members. He wants to enhance the knowledge base within the firm suggesting a culture of continuous learning and development promoted by the husband.

"I've had training from people who have been here. You always have to learn with Nylon. There's always something to learn." (Tony, production manager) This non-family member re-enforces the importance the family business places on learning. However, the production manager's reference to "you always have to learn with nylon" suggests that there is a need to learn due to the materials the business uses. Nevertheless, this element of continuous learning will help encourage new ways of thinking and working, enhancing the probability of innovation occurring within the firm.

A family involvement rule

Interestingly the family business operates under the rule that it is the eldest sibling within each generation that gets the opportunity to take the family business on. Therefore, the business is never going to have more than one family successor. This in itself limits the family involvement within the firm. This was used by Gerry as the reason why the business has been able to survive and grow suggesting he views limited family as a facilitator of innovation within this organisation. Currently, it is only Gerry who is involved in the family business, and in the generation before that it was his father.

"There is an unwritten rule that only one sibling can be involved in the business and the other one gets cash" (Gerry, the husband)

Thus, there are no other family members to answer to making the decision making process quicker and relatively free of multiple family involvement, simplifying the ownership structure. This will eradicate the potential for any family conflict affecting the business and make the firm more agile in terms of implementing new ideas and embarking on diversification. In this way, limited family involvement, coupled with a

continuous learning culture may be enhance innovation within this family business. The role of limited family involvement will be addressed in the discussion chapter.

When probed about his wife's involvement in the business, Gerry was rather vague "only on paper", "not really". The main role she has is to socialise with clients with him to represent the 'family' element within the business. Needless to say, that despite the firm resembling a non-family firm in terms of the limited family involvement, the "family" aspect does appear to still play an important role, particularly in terms of the image of the business in the eyes of the client.

A traditional hierarchy

All three participants emphasise the theme of central control, with this lying primarily with Gerry. The organisational structure is rather traditional within the firm with Gerry sitting firmly at the top of the tree, with his managers below him, and the factory workers below them.

"He is a really good boss and I speak to him every day about what's going on in the factory. He (Gerry) tells me I am his eyes and ears in there (the factory)" (Tony, production manager). This statement is revealing in several ways. The reference to this non-family member being the husband's "eyes and ears" suggests a certain level of trust between the two individuals. Gerry trusts him enough to manage the factory workers and ensure they are meeting organisational goals and objectives. Furthermore, this level of trust is facilitated by regular communication, as they seem to meet every day to discuss production matters. I witnessed this taking place each time I visited the family business indicating it did actually take place. It was an informal meeting where both individuals were freely discussing issues relating to the factory and Gerry was provided with a daily production update.

Furthermore, despite Gerry being the boss, both the production manager and administrative manager comment on the fact they are given a degree of freedom to make decisions themselves: *"He (Gerry) relies on his employees – he leaves you to it a lot. He knows he can't do everything and I don't think he wants to...I ask for help sometimes but he wants me to try and get on with it by myself. I have made a couple of mistakes as it is new to me but he doesn't mind"* (Shirley, Administrative Manager). This level of freedom re-enforces the trust the husband has in his non-family

members to make decisions. From this non-family members' reference to making mistakes it seems that the husband provides individuals with the room to learn from their mistakes. He promotes this sort of learning as opposed to individuals relying on him for the answers. This re-enforces the existence of a culture of continuous learning. Furthermore, the administrative manager's statement suggests the way in which she views innovation – a process which is new to her as an individual, which is implemented through a process of learning from mistakes facilitated by the husband providing her with a degree of freedom.

Working differently to his father

Despite there being a traditional hierarchical organisational structure, Gerry makes a point of personally delivering wage packets to each individual and makes a point of asking them how they are. From talking to the husband during my observations, the organisational structure during his father's reign was rather rigid in that the father never spoke to the factory workers, whilst Gerry has taken it upon himself to break this tradition. The reason he provided was that he wants the business to retain some of the tradition from the previous generations but with an element of new. He termed it "*a different way of doing it*". His reference to "a different way" suggests that in this way he is viewing innovation in this instance as a different way of working as compared to the previous generation. This view of innovation is echoed by the Production Manager who stated "Gerry is different to his dad. He is more you know friendly and he visits the factory, which the guys love. It shows he cares". This in itself could be seen an internal innovation that Gerry has brought into the business, which is certainly not something he has learnt from the previous generation.

Using a non-executive director

Gerry has used a non-executive director since 2002 to provide him with assistance with ideas and decisions as he is the only decision maker within the business. "*The problem with being the only decision maker is that I don't have anyone to bounce ideas off with. It can get lonely*" (Gerry, the husband). The husband infers that the limited family involvement might be a double-edged sword as he suggests that it limits the generation of ideas within the business. Thus, he has chosen to use the help of external expertise to facilitate the generation of ideas. His reference to the word "lonely" in his statement intimates that his use of external help is not restricted

to the generation of ideas but companionship in a business sense. It provides him with someone he can discuss the family business with. Gerry interestingly notes that his father would not have sought external help in this way as he felt he would struggle to take criticism from someone outside of the firm. This indicates another change that Gerry has implemented since taking over the business and the fact that he is perhaps more open to external ideas and suggestions. In this instance, the husband can be seen to viewing innovation as the utilisation of external help in the generation of ideas and information. This will be addressed further in the discussion chapter.

During the time of my primary research in April 2011, Gerry was moving into the storage market and was just in the process of hiring one individual to run this. They already had storage facilities on site they could use, thus it was just a matter of marketing it. This was part of the company's plan to be less reliant on the shrinking textile industry and move into new markets. A marketing individual had been hired on an interim basis and was due to start the following month to advise Gerry the best way to market this new aspect of the business. During my participant observation, Gerry asked me to do a competitor analysis on the storage market by looking at their websites and put together a marketing strategy for this new venture as he realises that he does not have the relevant marketing know-how or the time to do this himself. This re-enforces the fact that Gerry and the firm in general are open to external help. It is a way of addressing the fact that there are skills and knowledge that they need help with and are not ashamed of this. This will put Gerry and the business in a better position to be able to innovate and move forward.

The clients like the “family” element

Gerry appears to deal directly with the customers, which occasionally involves his wife too to communicate the “family” element of the firm, which was mentioned earlier in this chapter.

“All customers ask for Gerry. I think they like to talk to the family, which is a bit annoying sometimes as he Gerry can be really busy...Customers drive things in our business. The idea about being ISO quality accredited came from a customer and they even helped me train up on it. This is given us more credibility” (Shirley, Administrative Manager). This non-family member's reference to the clients wanting

to see the “family” is interesting as the wife does not play an active part in the day-to-day running of the business. It seems that the clients like the “family” element of this firm and it provides a sense of warmth and trustworthiness. This is important for this business as clients are a source of ideas and help for the business, demonstrated by the ISO quality accreditation. In this instance, this non-family member is suggesting that innovation is the introduction of new internal processes within the business generated through the use of external help and information.

Long-term employment between the generations

Half of the staff members, 16 in total, have been with the organisation since the fourth generational father owned it. For example, the production manager has been with the company since 1972, thus started when Gerry’s father was running the business. This indicates a certain level of loyalty and commitment to the organisation, which might have helped the firm survive for five generations. As opposed to other cases in this thesis, long-term employment does not seem to have negatively affected the firm’s ability to adapt and make changes. This may be down to the fact that change has always been present within the culture, certainly within the last three generations as Gerry’s grandfather moved into synthetics, his father then progressed the firm into the plastics trade and now Gerry is moving the firm into storage. *“You could say change is ingrained in this business since changes have been made since my grandfather had the business” (Gerry, the husband)*. A culture of change will make it easier for the organisation to implement innovation. Change goes hand in hand with the learning aspect of the company’s culture enhancing innovation within this family business.

Summary

Learning and development forms an important aspect to this family business’ culture. The husband himself gained a relevant university degree and experience of working in a large organisation before joining the family business. Furthermore, he was encouraged by his father to set up a parallel business to the main family operation. This allowed him to have exposure to the family business’ clients and suppliers as well as gain an understanding of the company as a whole. The husband’s commitment to learning and development continued when he joined the family

business and extended to key non-family members. In addition, non-family members are given a degree of freedom to make decisions and learn from their mistakes encouraging the implementation of new ideas.

Due to an unwritten rule, this family business is not allowed more than one sibling to control the company, limiting the family ownership. This may limit the potential of family dynamics but seems to have encouraged the husband to seek external help in the form of a non-executive director and external information from clients. Both the administrative manager and the husband seem to regard innovation within the business as the utilisation of external help and information in the generation of new ideas.

Despite the husband's openness to external help, the business retains an aspect of traditionalism with the existence of a hierarchical organisational structure. Having said this, the husband has made a conscious effort to reduce the formality of this by personally delivering every staff member's play slip. This is a change that was brought about by the husband, which his father never did. In this way both the husband and production manager view this generational change as a means of innovation within the business.

7.2.2. Innovation Patterns within Case H – Hawkins (Property)

Case Background

This property development organisation is a fifth generation firm owned by a spousal partnership. The company was established in 1850s. It was initially set up as a building company and has been a growing company until 1970s. As a business based in Huddersfield in West Yorkshire, it has built most of the town's major buildings including part of the university, hospitals, and council offices.

The business is currently owned by the fifth generation husband and wife team. When the husband first became involved in the business, both his uncle and father each owned 50% of the company.

When the two fathers retired, the husband and his cousin were each left with 50% of the company. The husband has since bought his cousin out of the business and subsequently now owns all the shares with his wife, Anna. He is the majority shareholder.

The business currently operates within three markets: Firstly, the property market where they build commercial properties for clients such as multinational supermarket chains; secondly, the plant hire market that services local builders; and lastly the energy performance market.

With 11 employees across all three arms of the business, two non-family members were interviewed for the purpose of this thesis. The first member is the sales and marketing manager, Zak, who is the newest member of the company. The second non-family member that was interviewed was the Managing director of the property side of the business, Dan. He has been with the organisation since 2005 as an employee but has worked as a consultant for the organisation since 1995. In addition, the husband and wife, the controlling owners of the family business, were also interviewed. The significant themes emerging from the data will now be discussed.

Learning and development between the generations and non-family employees

Before joining the family business the husband attended university and trained as a chartered surveyor. He went then worked in London for seven years as surveyor for a large company. Following this, he worked in Leeds for two years for a medium sized firm and then decided to leave to join the family business, which he felt obliged to do. *“I left to come here because I was the only one of the next generation and my father and uncle were both towards the autumn of their careers and it needed the next generation to come in” (Jim, Husband).*

When chatting with the husband during my observations, he mentioned that it was his father that told him to *“become a surveyor and get some experience, then join the business” (Jim, the husband)*. His father made a conscious decision to encourage him to become a chartered surveyor and gain some practical experience before joining the family business. This will have provided the husband with relevant skills and know-how that he could apply to the family firm particularly the property development side of the business. It suggests that the father was ‘priming’ him to succeed the family business and to be as well-equipped as possible when doing so. The husband gained experience of working for both larger and medium enterprises, which will have provided him with the insight of the inner workings of these organisations. This sense of generational development is not restricted to the fourth and fifth generations but also the husband’s three sons who are still at school. During the school holidays he encourages his children to work in the family business. *“Jim’s kids sometimes work in the plant hire arm of the business. I’ve spoken to them sometimes, they’re nice kids and they just seem to get stuck in.” (Zak, Sales and Marketing Manager).*

It seems that there is a focus between the generations on development through work experience, be it in the family business or external companies. This in turn will help to broaden an individual’s commercial awareness standing them in a stronger position to sustain and grow the family business. This is not simply restricted to the family members as the husband recently hired a sales and marketing manager who has specifically worked in large corporations including Manchester United. Interestingly,

the husband made two references to this particular non-family member's experience with Manchester United throughout his interview. *"He was in a position at Manchester United and decided to leave to come and work for us. So he has put away his slick suits to work here... I'm sure he can teach us a thing or two"* (Jim, the husband). The last sentence in the husband's statement is rather interesting. The use of the word "teach" relates directly to the notion of learning and suggests that the husband is open to being taught 'new tricks' from others. This is said in relation to the non-family member's previous experience indicating that the husband perceives that this will provide new ideas or ways of working into the family business. In this way, the husband is viewing innovation as an openness to internal and external learning and development between the familial generations and non-family employees.

Informal ownership rules

It is an unwritten rule that only male family members can join the family business. There are informal ownership rules within the family, which limits ownership to sons and not daughters. The aim of this is to limit the number of family members being involved in the company at any one time. *"My grandfather had one daughter and two sons – my father, uncle and aunt – and when he died the daughter got money to compensate and the two boys got the shares in the business"* (Jim, the Husband). In the words of the husband this makes the business: - *"much more closer knit and less possibility for family dynamics...I've got pals with family companies who have 48 shareholders and it is tricky. So I'm glad I'm not in this position... I have more room to breathe"* (Jim, the husband). Based on the husband's statement he seems to view the informal ownership rule as a positive attribute allowing the firm to have a more harmonious working environment. A leaner ownership structure has allowed the husband to have more freedom to make decisions as he sees fit. This in turn will facilitate speedier decision making and implementation of innovations.

The husband seems to have taken this ownership rule to another level by buying his cousin and uncle out of the business making him the only shareholder other than his wife. The structure of the business currently resembles one similar to a small non-family organisation due to the limited family involvement. This has been a deliberate decision on the husband's part to potentially eradicate the potential for family dynamics to interfere with the running of this family business.

Even though the wife is involved in the business, she runs a separate arm of the organisation, the energy efficiency side of the business, which again was an intentional decision on the husband's part. He wanted his wife to be involved in the business but in a separate capacity. She and the husband are the only members involved in the energy efficiency side of the business. The husband is, in the words of his wife, her "boss" but contact is limited. *"I hardly see Jim at work and I think this makes things easier. I just get on with my energy efficiency business."* (Anna, the wife) This further reinforces the limited family involvement in the business, as the wife does not get involved in the other aspects of the business. *"Anna (the wife) doesn't get involved in anything we do – she has her own business... I don't really see Anna, she just gets on with what she needs to. It lets Jim get on with changes he wants to do in the business"* (Zak, Sales and Marketing Manager). The sales and marketing manager's statement infers that the limited family involvement allows the husband to focus on making changes within the business. He concurs with the husband that the limited family involvement is a positive attribute and that it facilitates the implementation of change. In this way, this non-family member is suggesting that innovation encompasses changes within the business, which is led by the husband and facilitated by the limited family involvement. This will be addressed further in the discussion chapter. During my observations, I witnessed a conversation between the husband and sales and marketing manager. They were discussing implementing a new advertising strategy and the husband literally said "yep, go ahead. Put it into action". A decision to implement this new strategy was made within minutes! The husband did not have to consult with anyone else.

Freedom to make decisions

As previously mentioned, the husband plays a dominant role within the business particularly as there is limited family involvement. Even the wife reports to him *"Even I go to him for big decisions."* (Anna, the wife) He is the only person who is involved in all three arms of the business and is the main decision maker. However, in spite of this element of family control non-family members such as the Property Managing director and Sales and Marketing manager are given a high degree of freedom within their roles.

"I'm given a lot of freedom in terms of making decisions and changes but if it involves a lot of money I have to go to Jim (the husband)" (Zak, Sales and Marketing

Manager.) "It's like running my own business, which I enjoy. I sit down with Jim to develop strategy but he then just leaves me to get on". (Dan, Property Managing Director) It seems that both these non-family members are given a substantial amount of freedom to make decisions without consultation with the husband. Therefore, the husband has an element of trust in these non-family employees. This element of trust and freedom goes hand in hand with culture of learning, which was discussed earlier in the chapter. A trusting relationship between the husband and non-family employees seems to have facilitated a degree of freedom, which in turn encourages individuals to try new ideas and not necessarily fear making mistakes as this is part of the learning process. This suggests that key non-family members play a vital role in innovation within this business. In this way, both non-family members seem to view innovation as the freedom to make their own decisions and changes within the business facilitated by a learning culture and trusting relationship with the husband. This will be addressed further in the discussion chapter.

Having said this, these non-family members do not seem to have complete control as the sales and marketing manager has to refer to the husband in relation to decisions involving a considerable amount of money. Therefore, they are given a degree of freedom but ultimately the husband is in control. In addition, during my observations, I noticed that despite this freedom some non-family members still wanted the husband's approval. For example, the sales and marketing manager seemed keen to speak to him about his ideas such as a new marketing campaign. It seemed as though the husband played a more prominent role in sanctioning the implementation of new ideas than perhaps portrayed in the interviews.

External Stimulus

The husband meets weekly with a non-executive board of directors, which helps him make some particularly difficult decisions within the business. He started meeting with this board of non-executive directors in 2009. All members on this board are chief executives of their own businesses in varying industries providing him with different and yet important perspectives.

"The non-executive board are a form of outside stimulus and they can say why the hell are you doing that and hold you more accountable...It (the non-executive board) makes me look forward and identify potential problems and opportunities on the

horizon as well as dealing with the current” (Jim, the husband). This statement suggests that despite the limited family involvement element within this family firm being a positive attribute, it can perhaps limit the company’s strategic capacity. The husband is open to external help in the form of business owners in different industries extending the potential for knowledge transfer to expand beyond the parameters of the markets in which this family business operates. This can provide the opportunity to share ideas and discuss business related matters with like-minded individuals. Furthermore, the use of this form of external help seems to provide the husband with a holistic view of the business in terms of the current and future potential for growth and improvement. In this way, the husband is viewing innovation as the generation and sharing of cross-industry knowledge and ideas facilitated by external stimulus to promote growth and improvement within the family business now and in the future. This will be addressed in the discussion chapter.

Interestingly, the husband noted that his father would have never accepted external help and this was one main difference between them. He attributed this to the fact his father did not see the benefit of using or needing external help and did not trust any outside sources of information. This indicates a key difference between the husband and his father before him. This may have been facilitated by the husband’s openness to learning. Perhaps it is not an issue of whether innovation is sustained but how the younger generation’s capacity to innovate is continuously developed through learning? This will be addressed in the discussion chapter.

Knowing the customer

Before the property managing director joined the family business he was working as a consultant for a similar business operating in similar markets. This meant he had an existing rapport with one of the business’s most important clients – Morrison’s. This allowed this non-family member to continue building a close relationship with them once he joined the business. *“I’ve worked with them (the clients) for ages, so I know a lot of them well...they’re good to work with.” (Dan, Property Managing Director).* The fact that this non-family member had an existing relationship with this client indicates the value of his previous work experience and how this has benefitted the family business.

Furthermore, the wife emphasises the importance of building a rapport with her clients and that this is the basis of her success. *“The market is so competitive, the main thing that allows me to be competitive is building a relationship with them” (Anna, the wife)*. The use of the term “competitive” suggests that the wife uses a close relationship with her clients as a distinguishing factor in a market where the service offering is relatively standardized. In this way, she perceives innovation as developing a close relationship with clients to stand out and be a success within the marketplace. During my observations I was based in the same office as the wife and I heard several telephone conversations with her clients. She had a personal tone with them and always asked about the family and recent holidays and events. There appeared to be a relaxed element to the conversations as if she was conversing with a friend. She even went as far as asking one client if they had received the gift she had sent them. In this sense, I would concur that innovation in the wife’s view is based on building a close relationship with clients to differentiate her business from others. However, based on my observations I would add some specific attributes to the relationship, which she seems to apply, namely a personal and creative approach to building a rapport with her clients. In particular, sending a client a gift seems to take the notion of relationship building to another level with an element of creativity.

A ‘close’ team

A close relationship is not restricted to clients but also within the family business. It is interesting to note that each member, apart from the husband, referred to a close relationship with the husband himself and not necessarily anyone else within the firm. This again highlights the important and central role the husband plays within the organisation. This close relationship is emphasised by the continuous use of the word “close” in all the members’ interviews.

“I work closely with Jim and we chat socially too. He knows my kids and I know his. I haven’t really experienced this in my previous jobs. It is a nice touch” (Zak, Sales and Marketing Manager). This is a particularly interestingly statement as this non-family members refers to not only a close internal relationship but a personal one. His relationship with the husband seems to go beyond a work realm into social one, facilitated by open communication between individuals. The sales and marketing manager has never experienced this sort of working relationship in his previous jobs. This might be partly attributed to the fact he has worked for large corporations. In

spite of the limited family involvement within this family business, a close internal culture seems to exist between the family and non-family members. This in turn may facilitate a close relationship with clients as discussed earlier.

Close internal relationships will help with morale and commitment within the organisation, and therefore suggests willingness to innovate within the business. This is exemplified with the fact that the Property Managing director has been involved with the firm for over 16 years and has a longstanding relationship with the husband.

Bringing fresh blood into the business

When the husband joined the family business he made several redundancies. His reason for doing this was to bring in *“new younger management who are in touch with new ways of the work and were prepared to move the business forward”* (Jim, the husband). One of these individuals had been with the organisation for over 50 years. The husband wanted to eradicate the existing culture of *“we never did it this way”*. Making staff members redundant can be a difficult for any business but for a family firm it can be rather traumatic especially if the staff members have been employed through two generations. Nevertheless, the husband seemed focused on *“moving the business forward”* and views new staff as one of the ways of achieving this. In this way he is viewing innovation within this family business as the appointment of non-family members to bring new ways of working to the organisation. This suggests the importance the husband places on non-family members in facilitating innovation within the business.

An example of this is the appointment of the sales and marketing manager. This was a newly created role, which the husband felt was necessary to grow the business and he was aware that he did not have the necessary skills in-house to achieve this. This sales and marketing manager states a *“change”* as the main reason for his appointment: *“I was hired to look at changes that should have been made before as no changes had been made for 49 years. Jim (the husband) really wants to move the business forward and that’s why he brought me in. They’ve never done any marketing before”* (Zak, Sales and Marketing Manager).

The appointment of a sales and marketing individual in itself indicates the husband's desire for change within the company and acceptance of help in achieving this. Furthermore, it appears that the husband has a different way of working to his father as the business had not undergone any changes for almost half a century. Has his openness to learning gained through his education and work experience provided him with this willingness to seek external help to make changes within the business? This provides further impetus suggesting that innovation has not necessarily been sustained between the generations but rather it has been improved.

Summary

The husband is the ultimate decision maker within the firm but provides his wife and non-family employees with a degree of freedom to make their own decisions through a trusting and close working relationship. This forms part of the organisation's focus on learning and development. It is exemplified by the husband's determination to replace older staff members with new forward thinking individuals such as the sales and marketing manager as well as his openness to external ideas and help. He made the conscious decision to seek external help in the form of non-executive directors who operate in different industries. All of these elements, in conjunction with the limited family involvement shape the way in which this family business innovates.

7.2.3. Cross-Case Comparison between the Innovation Patterns in Cases G and H

Table 14: Cross Case Comparison for Matched Pair 4

Sugden's Case G	Education and Experience	Organisational structure	Culture	External information and help	Formalised Processes and professionalism	Definition of Innovation
Husband (Gerry) Generation 5	-business degree -worked for M&S for 2 years -set up a parallel business in same location as family business. Mum and dad involved in this	-he is the decision maker -traditional hierarchical organisational structure -he trusts Tony to be his eyes and ears through daily communication	-many of the same staff members still there from when he took the business over from father -he talks to his managers on a daily basis -continuous change ingrained in the culture -continuous learning and development	-directly with customers, involves his wife in this -close relationship with a nonexecutive director	-limited family involvement -one sibling rule	Continuous learning increasing knowledge and skills facilitating change utilisation of external help in the generation of ideas - a different way of working to his father
Non-family member 1 – Administrative Manager (Shelly)	- ISO training	- Gerry is the decision maker but given a degree of freedom	- training and development	- the husband has direct contact	- limited family involvement: only Gerry	A process which is new to her as an individual The introduction of new processes gained through external information
Non-Family Member 2 – Production Manager	-apprentice engineer -on job training	- Gerry is the decision maker -given freedom	-learning culture -close relationship with Gerry	- the husband has direct contact	-limited family involvement: only Gerry	A different way of working to the previous generation

Table 15: Cross Case Comparison for Matched Pair 4 (cont)

Hawkin's – case H	Education and Experience	Organisational structure	Culture	External information and help	Formalised Processes and professionalism	Definition of Innovation
Husband (Jim) Generation 5	- trained chartered surveyor -7 years of experience working for a large company in London	-Jim in charge of the whole business and his manager's report into him -traditional hierarchical organisational structure	-learning and development -trust his non-family employees -close relationship with non-family employees	-open to external help -deals directly with clients -close relationship with a non-executive board of directors	- limited family involvement -sibling rule -wife runs separate arm of the business	Openness to external and internal learning and development Sharing of cross-industry knowledge and ideas
Wife (Anna) Generation 5	-qualified surveyor -worked in management for multinational drinks manufacturer	-Jim is her boss but she essentially given degree of freedom	-close relationship with non-family members within the business	-close relationship with clients which key to her business	- physical distance between them at work -she runs separate arm of the business	Differentiating her service from competitors
Non-Family Member 1 – Property Managing Director (Doug)	-qualified surveyor -previously worked with larger supermarket chains, one of which is current customer	-- given a degree of freedom but Jim is the boss	-learning and development culture -close relationship with Jim	-close relationship with Morrisons due to previous experience with them	- as if there are three separate businesses	Freedom to make own decision facilitated by learning culture and trusting relationship with the husband
Non-Family Member 2 – Sales and Marketing Manager (Scott)	-graphic design degree -worked for advertising agencies and for Manchester United	- Jim in charge but is given a high degree of freedom	-learning and development -close and personal relationship with Jim	-Jim deals with clients	- had very little involvement with the wife	Changes within the business which is led by the husband and facilitated by limited family involvement Freedom to make own decisions facilitated by learning culture and the husband trusting him

A cross-case comparison between cases G and H, as outlined in tables 14 and 15, is particularly interesting as they are both fifth generational businesses, which have managed to survive thus far. There are some significant similarities between the two firms. Firstly, there is an unwritten rule in both firms that limits the family involvement. This a conscious decision by previous generations to limit the number of family members who can own and control the business. This has resulted in the husband in each company playing a dominant role in the overall control of the business but also in terms of leading innovation, as the wives operate in a limited capacity.

In one way, limited family involvement could be perceived to be a positive attribute reducing the potential for family dynamics, facilitating quicker and speedier implementation of innovation. However, it seems to have prompted both husbands to seek external help in the form of non-executive directors. Both view this as a form of innovation facilitating the generation of ideas for the business. Furthermore, this can be expanded to incorporate cross-industry ideas and information in the case of the property development company. This form of openness is a form of behaviour not previously pursued by the previous generations in either business. Therefore, it might not be an issue of sustaining innovation between the generations but continuously developing the capacity to innovate.

Both businesses have adopted an organisational culture of learning and development. The husband in each firm has a relevant university degree and work experience of working for large organisations in related industries to that of the family business. This has provided them with not only an openness to learning but enhanced knowledge and skills that have been applied within the businesses. This has facilitated the generation of new ways of working for the family firms. Learning and development is not restricted to the husbands but is extended to the non-family members, who through a trusting relationship with the family members these individuals are provided with the freedom to make decisions and the room to learn from their mistakes. This encourages continuous learning as advocated by the husband in each firm.

Following this analysis and looking at table 15 above, it is evident that multiple elements within this matched pair affect each firm's ability to innovate. Therefore, it is beneficial to view innovation from a holistic perspective that can be configured

accordingly to reflect the innovation patterns within a particular family business. The discussion chapter will address this view of small family innovation in more detail.

8. A Discussion on the Patterns of Innovation in Small Family Firms

Following on from the analysis chapter, the main findings from this study will be synthesised and developed into a conceptual framework of the innovation patterns in small family controlled firms. This will be explained in relation to existing innovation and family business literature.

8.1. A conceptual framework of small family firm innovation

Following a review of the family business and innovation literature in chapters 2 and 3, and exploratory research carried out on seven small family firms outlined in chapter 5, a number of themes prevailed in relation to innovation. This illustrated that innovation could be viewed from a multi-factorial perspective despite the innovation literature only focusing on one single element at one point in time (Pullen et al., 2009). This in turn, prompted a need to consider innovation from a holistic perspective. Therefore, this thesis highlights the interrelationship between the multiple factors shaping innovation in small family firms. As such, this study provides a configuration-based understanding of innovation patterns within a small family firm including the elements that facilitate and hinder it. This provides a broad contribution to knowledge in both the innovation and family business fields.

To conceptualise this multi-factorial view of small family firm innovation, I have adapted a well-regarded family business framework that is suitable for portraying a holistic view of innovation, whilst taking into account the heterogeneous nature of family firms. This framework is Miller and Le-Breton-Miller's (2005) 4Cs, which has been addressed in the family business literature review in chapter 2. The configuration element of the 4Cs framework is particularly relevant to the study of small family firms as it provides the flexibility to tailor the configurations to a firm's specific idiosyncrasies. Furthermore, family firms are heterogeneous in nature, which makes it difficult and inappropriate to apply a static and rigid model of innovation. The original Cs, which Miller and Le-Breton-Miller (2005) refer to as priorities, include continuity, community, connect and command, which I have adapted in section 5.6 to be specific to small family firm innovation. In particular, following the exploratory fieldwork analysis, I suggested the following adaptation to the original 4Cs framework: the command priority to be replaced with control relating to centralisation and organisational structure; connect to be replaced with closeness to emphasise

internal and external relationships; and two additional Cs to be added, namely cultivation and competence. Cultivation relates to learning and addresses the sustenance issue – how innovation is sustained between the generations, which is particularly relevant to this thesis. Professionalism and associated sub-priorities fall under the competence priority.

Following on from the exploratory research, the findings from the primary data collection highlighted several significant themes relating to the patterns in which small family firms innovate. Furthermore, the way in which these small family firms innovate bear some similarities to one another but distinct differences exist re-emphasising the value of applying a configuration based framework. Based on the findings from the primary data collection outlined in chapters 6 and 7, I have enhanced my adaptation of the 4Cs framework to incorporate sub-priorities under each of the adapted Cs as well as highlighting the role the priorities play in facilitating and hindering innovation. This is conceptualised as the enhanced 5Cs framework. This provides a deeper level of insight and specificity into how small family firms innovate and highlights another point of difference between my enhanced 5Cs framework and Miller and Le Breton-Miller’s (2005) 4Cs model. A snapshot of the main differences between the scholars’ 4Cs framework and my enhanced 5Cs is outlined in table 16 below. A summary of the empirical evidence to support the enhanced 5Cs framework is provided in table 17 overleaf.

Table 16: A comparison between the original Cs and the new enhanced Cs

Original Cs framework (Miller and Le Breton Miller,2005)	Enhanced 5Cs Framework Priorities and sub-priorities
Community	Cultivation Sub-priorities: Education, work experience, development, training, freedom and learning
Connect	Closeness Sub-priorities: Internal relationships with non-family members, external relationships
Command	Control Sub-priorities: Organisational structure, centralised family control, and non-family involvement
Continuity	Continuity Sub-priorities: Long term employment
	Competence Sub-priorities: Formal processes, limited family involvement, professionalism,

Table 17: An overview of the findings from the primary data

Priorities and sub-priorities	Matched Pair 1	Matched Pair 2	Matched Pair 3	Matched Pair 4	Inhibitor/ Facilitator of Innovation
Cultivation (education, work experience, freedom, development, and learning)	<ul style="list-style-type: none"> -Importance of education and work experience among family and non-family members -This has resulted in introduction of internal new processes -Intentional development of younger generation -Focus on learning and development 	<ul style="list-style-type: none"> -Deliberate action by fathers to increase knowledge base of sons through education -Lack of education of non-family employees causes knowledge gap in case C -Sons given freedom to make decisions and learn from mistakes 	<ul style="list-style-type: none"> - Previous work experience facilitates implementation of ideas -Intentional learning of family member in case F and non-family member in Case E (given a degree of freedom) 	<ul style="list-style-type: none"> -Fifth generation husbands are educated and have previous work experience bringing new ways of working to the firms -Learning and development cultures extended to non-family -Freedom to make decisions and learn from mistakes 	<ul style="list-style-type: none"> -Generally a facilitator of innovation as knowledge gained through higher education and work experience in larger organisations results in the introduction of new processes and new ways of working -A disparity in the level of education can limit innovation and cause mistrusting relationships as in Case C.
Control (Organisational structure, centralised family control and non-family involvement)	<ul style="list-style-type: none"> -One family decision maker but input from key non-family members 	<ul style="list-style-type: none"> -Centralised decision making (father and son) -Innovation led by the family 	<ul style="list-style-type: none"> - Husband is the main ideas generator -Implementation of ideas delegated - The husbands play dominant and controlling roles with limited involvement of wives 	<ul style="list-style-type: none"> -Unwritten rule limiting family control -Husbands play a dominant role with limited involvement by wives 	<ul style="list-style-type: none"> - Centralised decision making makes implementation of ideas quicker -Issues with centralisation negated by seeking input from key non-family members
Closeness (Internal and external relationships)	<ul style="list-style-type: none"> - Ideas from clients - Close relationship between family and clients -Close relationship between family and non-family members (paternalism) - 'Family' element is double edged sword e.g. feeling too comfortable in the firm causing resistance to change 	<ul style="list-style-type: none"> -External parties play vital role in innovation including clients generating ideas -Openness to external help -Close relationship with employees in case D but mistrusting relationship in case C 	<ul style="list-style-type: none"> - Openness to accept ideas from clients -Close internal relationships cause a hindrance to innovation in case E 	<ul style="list-style-type: none"> -External help in terms of ideas from non-executive directors due to limited family involvement 	<ul style="list-style-type: none"> -Close external relationships generates new ideas -Close internal relationships can hinder innovation through resistance but facilitate it through paternalism - The 'family' element can simultaneously be inhibitor and facilitator of innovation
Competence (Formal processes, limited family involvement professionalism)	<ul style="list-style-type: none"> - Case A – element of professionalism between father and sons -Introduction of formal processes 	<ul style="list-style-type: none"> Level of formality between family members (distance and the use of first names) 		<ul style="list-style-type: none"> -Limited family involvement emulating a non-family firm 	<ul style="list-style-type: none"> -Facilitator of innovation as reduced potential family dynamics
Continuity (Long term employment)	<ul style="list-style-type: none"> Continuous employment contributed to resistance to change 		<ul style="list-style-type: none"> Long term employment causes a resistance to change 		<ul style="list-style-type: none"> -Continuous employment can inhibit innovation

The main themes emerging from the primary data collection have been categorised under each of the enhanced 5Cs in table 17 along with the associated sub-priorities to provide an overview of the innovation patterns between the matched pairs. It provides empirical data to support my enhanced 5Cs framework, highlighting the relevance of revising the original Cs framework, which outlines a broad contribution to knowledge that this thesis makes to the field of family business. Table 17 provides a foundation for the rest of the chapter by providing a basis for a general discussion on the enhanced 5Cs and their roles in shaping innovation within small family firms as well as specific innovative patterns between father and son controlled firms and spousal controlled businesses.

8.2. The Enhanced 5Cs – A Discussion

Each priority and its associated sub-priorities will now be addressed in relation to the primary data findings and existing family business and innovation literature.

The Role of the Cultivation Priority

This particular priority relates to the themes of education, previous work experience, development, freedom, training and learning, which emerged in the primary data analysis chapters. This highlights that the cultivation priority and the other Cs consist of several sub-priorities, which small family firms each place a different emphasis on. Cultivation is one of the key priorities, which is dominant across all of the cases. A notable finding is the high level of education among the family members within the firms, which results in an increased level of individual human capital (Sardeshmuth and Corbett, 2011). Interestingly, this contradicts some of the existing literature, which suggests that family members usually occupy high positions without necessarily having the necessary training and education for successful innovation (e.g. Hausman, 2005; Kellermanns and Eddleston, 2004; Madrid-Guijarro et al., 2009).

Education, in the form of a university degree, provides the individuals with a solid level of knowledge in a specific field. More specifically, many of the younger generation family members in the firms held degrees in business studies equipping them with know-how directly applicable to running and managing the family

business. This, in turn, seems to encourage an openness to continuous learning as outlined by the husband in case E, the jewellery retailer, who made a direct link between education and an individual's ability to learn. He provided this as reason for employing staff members with university degrees. Furthermore, the husband made a direct link between continuous learning and the business' ability to innovate by distinguishing themselves from competitors.

The knowledge gained through education can be a source of new ideas within a family business as exemplified in case B – the manufacturer of storage solutions. Within this particular family business, a high level of education was promoted throughout the organisation from the bottom up. For this reason senior level managers and directors were encouraged to undertake MBAs, which consequently led to the sales manager introducing a new formalised strategic process within the business, namely the balanced scorecard. This is an example of a process, which was new for the family business but not new to the world or industry. This suggests that education can help facilitate what can be termed as 'everyday innovation', which involves internal changes to the way a business operates. This highlights the importance of education in developing and introducing formalised processes within this organisation, suggesting a direct link between education and professionalism within the firm as advocated by Hall and Nordqvist (2013). This overlaps with the competence priority, which will be discussed later in this chapter. Furthermore, this example highlights that the value of education is not restricted to family members within the firms but also non-family individuals indicating their role in shaping innovation. The higher the education of the family and non-family members the more skills and knowledge the business will have at its disposal, which will enhance the probability of a firm being innovative (Barnett and Storey, 2000; Freel, 2005).

However, it is noteworthy to mention that the role of non-family members varied between the matched pairs highlighting one of the different ways in which small family firms innovate. For example, in matched pair 1, non-family members played a key role in suggesting and helping to implement new ideas. However, in matched pair 2 the non-family member's role was limited to the point of almost non-existent. Furthermore, education seemed to be one of the main factors causing this limited role as highlighted in case C, the fishing retailer, as the disparity in the level of education between the son and the non-family members was vast that it meant that there was a lack of understanding of how and why changes were taking place. This

lack of education among the non-family members may limit these individuals' level of knowledge and hinder their openness to new ideas, thereby inhibiting innovation (Amabile, 1990; Hall and Nordqvist, 2008). This suggests that the value of education within small family firms is rather complex as it can be simultaneously a facilitator and inhibitor of innovation. This, in turn, highlights the importance of understanding innovation on an individual or matched pair basis as each small family firm has different idiosyncrasies. Furthermore, it also suggests that the issue is not the education of the family members as indicated in the literature but the level of know-how among non-family members.

The cultivation priority helps to shed light on one of the main aims of this thesis. It helps to identify how the older generation sustains and encourages innovation among the younger generations through intentional decisions relating to their cultivation. It is not necessarily achieved through knowledge exchange between them as suggested in the succession literature (e.g. Cebrera-Suarez et al., 2001; DeNoble et al., 2007) but rather through external learning through the encouragement of education. For example, the second generational father in case C, the fishing retailer, sent his son to private school and encouraged him to attend university before joining the family business. In addition to this form of external learning, the older generations developed the younger generations through on the job development by encouraging them to understand the business from the bottom up by undertaking different positions within the firm. This form of learning can be seen as the older generation's way of "grooming" (McCall et al., 1988) the younger generation. This provides the younger generations with the insight and knowledge of the inner workings of the organisation, enhancing their operational know-how of the firm. This form of intentional development and learning helps to facilitate innovation within the firms (Andrade, 2011). For example, the father in case A, the VMS business, ensured his two sons had worked in the factory as well as in various departments within the firm to broaden their understanding of the business and its products.

However, the most notable finding in relation to the sustenance of innovation between the generations was highlighted in matched pair 4. Both cases within this matched pair are fifth generation firms, which according to the family business literature is somewhat of a rare breed (Massis et al., 2008) and therefore provides an interesting insight into the sustenance of innovation between the generations.

Both fifth generation husbands undertook a relevant university degree and gained work experience before joining the family business. Why would they both go to university and work elsewhere if they were going to join the family business? The answer leads on to the sub-priority of development. The fourth generation fathers in both firms appear to have had an influential role in developing their sons before they joined the family business. This appears to be an intentional strategy in both cases, where the fathers have encouraged the fifth generation to develop their individual human capital, allowing them to be better equipped to run the business and enhancing their ability to generate new ideas (McCall et al., 1988; Hall and Nordqvist, 2008; Sardeshmuth and Corbett, 2011). These firms are the longest standing family businesses within this study, making their findings relevant in terms of shedding light on the sustenance issue.

An element of intentional development was evident in the form of education and external work experience, which was encouraged by the previous generation. However, this is where the development stopped as the younger generations in both firms worked very differently to their predecessors, utilising business practices the previous generation would have never pursued. In particular, the use of external sources of help and information was not something that had previously been considered never mind embraced. This will be discussed further in the closeness priority. However, it suggests that it is not an issue of simply sustaining innovation between the generations but equipping the next generation with the necessary skills and know-how to innovate differently, as it is a continuously evolving phenomenon.

The role of development is not restricted to family members but also extended to non-family members. Through trusting relationships with the controlling family owners, key individuals are given a degree of freedom within their roles to make their own decisions. This encourages an element of learning from their mistakes suggesting a culture of continuous learning within these businesses, which is seen to be positively associated with innovation (Gray, 2002; Andrade et al, 2011). Key non-family members within the cases have been provided with the opportunity to undertake different roles within the organisations resulting in a holistic understanding of the organisations. This enhances knowledge of the family business facilitating their ability to suggest internal improvements as well as their openness to change. This in turn, enables knowledge of the family business to extend beyond

the family members, increasing the innovative capacity of the firm (Barnett and Storey, 2000; Freel, 2005).

Closely linked to education is the sub-priority of work experience, which emerged as a significant theme among the cases. This relates to an individual's previous experience working for other companies in different industries. This was not simply restricted to non-family members but also applied to family members. For example, the previous generations in both firms in matched pair 4 encouraged their sons to gain experience of working in other businesses in related industries. More specifically, the fifth generation in case G, the textile manufacturer, worked for the multi-national giant Marks and Spencer before joining the family business. This provided him with an insight into the manufacturing processes of a large, multinational firm. He made direct reference to introducing a manufacturing technique used in Marks and Spencer into the family business. It is this insight into the running of large multinational firms in different industries, which seems to have provided a source of new ways of working, particularly in relation to adding some formality to the family businesses. The marketing director echoed this in case B, the VMS business, who suggested her previous experience has allowed her to bring some "professionalism" to the family firm. This is what Dyer (1989) classified as external professionalism, which helps a family firm become more efficient and productive in the way it operates, providing another link to the competence priority. Having input from previous roles in previous organisations seem to provide another element that facilitates organisational learning, which allows individuals to bring new ideas to a business enhancing everyday innovation and learning within these small family firms (Gray, 2002).

Furthermore, exposure to the inner workings of larger firms seems to have provided some of the small family firms with the skills to not only generate new ideas but also implement them. For example, the father's previous experience with multinational manufacturer in case A, the VMS business, equipped him with the know-how that enabled him to introduce and implement the formalised stage and gate process. Adopting an existing idea used in one industry and applying it to another could be classed as a form of cross-industry innovation, which is part of the open innovation perspective (Enkel and Gassmann, 2010). The literature on this focuses on the application of this form of innovation in the transfer of innovations in larger firms in different industries with limited research done on SMEs let alone family businesses.

Therefore, this element of cross-industry innovation could shed light not only within the family business field but also that of innovation.

The family members within the cases who did not have any previous work experience appeared to struggle with the implementation of new ideas. For example, the husband in case E, the jewellery retailer, devolved the implementation of ideas to his wife who had previously worked in management for a large financial services firm. He was able to generate ideas through his continuous learning but struggled to have the practical know-how to put them into place. This highlights that despite the role of education in facilitating innovation it should not be viewed in isolation as previous work experience can also play a vital role in facilitating the process as a whole.

As outlined, there are several sub-priorities within cultivation that overlap and can affect the way in which a small family firm innovates. However, there are four further priorities, which can also shape small family innovation. The control priority will now be discussed.

The Role of the Control Priority

This priority relates to the organisational structures within the cases. The control priority is less complex than the other priorities due to centralised family control being evident in all of the matched pairs. This is facilitated by the limited number of family owners within each firm. Among most of the cases, there are no more than two controlling owners both of which are family members. One exception is the VMS business, which has three family shareholders – the father and his two sons. Nevertheless, in all the cases there is one majority family shareholder who is also the main decision maker within the business. This is a notable feature of all eight cases, with limited family involvement being a conscious and intentional decision for both businesses within matched pair 4, who have an unwritten rule that no more than one sibling can join the family business. This will be discussed further within the competence priority. This results in a flatter, less complex organisational structure. A simpler structure acts as a facilitator of innovation within these firms, particularly in relation to the implementation of ideas as decisions are made quicker and more efficiently as a result (Martins and Terblanche, 2003). Furthermore, the existence of centralised family control allows the organisations to be more

responsive to market and technological changes and increases the speed of internal communication and decision-making (BosBrouwers, 2009; Nootboom, 1994).

In contrast, there are arguments within the innovation and family business literature that suggest that centralised decision-making can inhibit innovation as it limits the ideas coming into a business (e.g. Damanpour, 1991; Ekvall, 1996; Le Breton-Miller and Miller, 2009). However, this limitation could be negated by the fact that the findings outlined in chapters 6 and 7 suggest that despite the existence of family control, the input of key non-family members is often sought. One key example is the introduction of the stage and gate process in case A, the VMS business, which opens up the generation of ideas to every member of the organisation. The process is steered by the father but he is open to ideas from everyone in the business. Another example is from the sales manager in case B, the storage solutions manufacturer, who suggested a new process for managing the returns process for faulty products. The second generational son was open minded enough to provide this non-family member with the freedom to implement this idea.

Despite decision-making and innovation in general terms being led by the family members, there is an openness to ideas and advice from non-family members with a focus on financial objectives as opposed to family ones. This reflects what Westhead and Howorth (2007) term as an open family firm. This openness increases the accessible pool of knowledge available to them, enhancing the potential for innovation. The family members' openness to information and ideas may partly stem from their education and previous work experience as discussed within the cultivation priority. Furthermore, key non-family members hold management positions emulating what Westhead and Howorth (2007) term as a professional family firm, linking with the competence priority. Therefore, in these cases a hybrid of a professional, yet open family firm exists. This seems to negate centralisation as an inhibitor to innovation as the family members are open to others' views and ideas and focus on growing and improving the business rather than pursuing family related altruism.

This complements stewardship theory in the family business literature and the importance of the collective knowledge of family members in different generations as well as non-family employees. Relationships with a diverse range of groups can enhance the distribution of new ideas (Le Breton-Miller and Miller, 2009) and

therefore fosters innovation. This aspect of stewardship theory is also linked to the closeness priority. This facilitates exposure to different perspectives. This illustrates that by utilising the collective knowledge of key employees within a firm the quality of knowledge can be enhanced, thereby encouraging innovation (Zahra et al., 2007). Therefore, where a consultative approach to decision-making and idea generation exists, there is a close interaction between the family, business and ownership dimensions, which facilitates innovation within small family firms. However, it is important to note that the use of a consultative approach to decision making varied between the matched pairs. For example, it was certainly more evident within matched pair 1 as opposed to matched pair 2, where family control prevailed. Essentially, this relates to a small family firm's organisational structure and the emphasis they place on non-family members, which ultimately can affect their innovative capacity. This provides further impetus to consider innovation within small family firms on an individual basis as opposed to applying a 'one size fits all' approach.

An interesting finding relating to the control priority is that of the control of knowledge. Evidence of this was apparent in case F, the design manufacturer, where the first generation husband has control of design know-how, which forms the backbone of the business. Design ideas are dependent on one person in this case, which could question whether the firm is sustainable in the long term. This relates directly to the tacit knowledge and skills that this family member has, which cannot necessarily be passed on to the next generation. It is not necessarily a deliberate act of control on the part of the father but nevertheless it could potentially inhibit innovation in the long run once the next generation succeeds him. This in turn, may force the second generation to diversify into different markets or hire an external design consultant. In turn, this further emphasises that innovation may not necessarily be about sustenance between the generations but continuous development in their capacity to innovate.

The discussion thus far has included how the cultivation and control priorities can shape the innovative patterns of small family firms, but how does the closeness priority affect it?

The Role of the Closeness Priority

This priority relates to relationships that exist within small family firms, be it externally with customers and other external bodies or internally between the core family members and all members within the firm. It is a prominent priority that emerged among each matched pair. As mentioned within the control priority, closeness can be linked to stewardship theory within the family business literature, which values the interaction with a diverse source of individuals, be it internal or external. In particular, close relationships between the family and non-family members in addition to seeking external help and information can help increase a family firm's exposure to ideas and additional knowledge vital for innovation.

Close and personal internal relationships between family and non-family members exist within many of the cases. This means there is a close integration between the family and business dimensions within the firms, promoting the notion of organisational capital, which encourages a sense of an "extended family" culture (Chua et al., 2003; Karra et al., 1996). This could be seen as a unique feature of family firms. This in turn, can create a sense of loyalty and commitment and facilitate non-family members' willingness to act in the benefit of the business such as generating new ideas. For example, in matched pair 1, the marketing director in case A was motivated to introduce new ways of working such as formalised weekly teams meetings due to her close relationship and respect she had for the father.

This notion of a family culture is taken a step further within case A, the VMS firm and case D, the natural healthcare manufacturer through the existence of a paternalistic role both fathers appear to be play in relation to non-family members. For example, in case A the sons commented on their father being seen by key non-family directors as 50:50 as a father figure and a boss. Whilst, in case D, the production manager is motivated to introduce a new way of manufacturing for the business in an attempt to please the father. This element of paternalism seems to encourage employee loyalty (Mueller and Philippon, 2006) and commitment, suggesting a close, family culture. Furthermore, the fathers seem to be viewed by non-family members as role models and perceive innovation as a means of achieving recognition. This indicates that the family members plays a dominant role not simply in terms of decision making, as outlined in the control priority but also as role models to non-

family members providing a form of observational learning, which encourages the engagement in creative behaviours (Hirst et al., 2009). This complements the cultivation priority and the vital role learning plays in facilitating innovation within these small family firms.

Furthermore, these close internal relationships are facilitated by an element of trust between the family and non-family members. Trusting relationships results in social capital (Arregle et al, 2007), which can improve creativity (Perry-Smith and Shalley, 2003). Where trust does not exist, internal relationships can be negatively affected, which in turn can negate the innovative capacity of a family business. An example of this is evident in case C, the fishing retailer, as the third generation son felt he had to carry out all innovative activity from idea generation to implementation as he did not trust the non-family members to carry out such duties. This, by his own admission, meant that the level of improvements and changes he could make within the business was limited, inhibiting innovation. Another interesting example was case A, the VMS business, which despite the existence of a close paternalistic relationship existing between the father and non-family members, the sons caused what was described as the “fear factor”. The sons instilled an element of fear among individuals with the fact that one day they will take over the family business. This in turn meant that they held a powerful and influential position within the business causing non-family members to be aware of their actions and wary about presenting ideas to the father. This ‘fear’ of the sons one day owning and running the business could create a cautious workforce, thereby reducing the generation of ideas and inhibiting innovation (Ekvall, 1996). These examples highlight that the internal dynamics between the family and non-family members can differ between each small family firm, thereby affecting their innovative patterns.

The family members within each firm have a close relationship with external parties, particularly customers. The family members appear to take a more personal approach to communicating with customers which allows them to facilitate a long term relationship with them providing them with key ideas for developing the business (James 2006; Zahra, 2010). Therefore, customers play an important role in innovation within small family firms. Family members within each firm enable a close relationship through continuous face-to-face communications. In fact, most of the customers seem to want to deal directly with a family member as the ‘family’ element seems to instill a level of trust in them. Furthermore, centralisation of

ownership appears to facilitate this closeness as dealings with the 'family' are restricted to one or two members. The fewer the people involved with liaising with the clients the better the chances of building a closer relationship. This provides a direct link between the closeness and control priorities.

This close relationship helps to promote a market – orientated culture, which essentially enables the firms to better understand their customers and develop new products to meet their needs (Tokarczyk et al., 2007). This goes hand in hand with the open innovation perspective in the literature, which is the use of a range of external actors and sources to achieve and sustain innovation, whereby the search for new ideas is central to innovation (Laursen and Salter, 2006). This is interesting as few studies have focused on open innovation in smaller firms and how they manage this and the barriers to adopt open innovation practices (Van de Vrande et al., 2009; Gassmann et al., 2010). This study may shed some light on this area.

Blumertritt (2004) and Martins and Terblanche (2003) suggested that SMEs should have an open culture to foster innovation, which is facilitated by a close relationship with external parties such as customers. This element of openness can be linked to the cultivation priority and the value of education and previous experience in increasing an individual's openness to learning and enhancing knowledge. The closer the relationship, the more likely they will be able to extract useful ideas (Zahra, 2010) and information from them and ultimately ensure repeat business. This was exemplified in case D, the natural healthcare manufacturer, where their latest product idea which was to develop a variation of their Nostril product to use on horses came directly from a client. Furthermore, organisational social capital between the family members and external sources such as customers within the family firms can facilitate the generation of information, knowledge and advice which are vital for innovation (Freeman, 1994; Martins and Terblanche, 2003; Zahra, 2010). This highlights the close external relationships with clients as a vital element facilitating innovation within these small family firms.

In addition to customers, the cases utilise other forms of external information and help including external agencies, contractors, universities and non-executive directors further emphasising an open element to their cultures. The firms realise they do not have all the necessary skills and knowledge in-house to undertake

innovation. An interesting example is matched pair 4 who both utilised external information in the form of non-salaried individuals who provided advice and assistance to the husbands in terms of running their business. This is referred to as “community-level social capital” within the family business literature and is associated with an effective way of resolving disputes within family firms (Lester and Cannella, 2006). However, it also appears to be an effective way of helping to implement ideas and innovation within these firms. This external input illustrates that both family members are open to external help and information, vital for open innovation. Interestingly, both of these firms note that external help or information would certainly not have been sought by the previous generations. This contradicts the family business literature that states established family firm behaviour is deeply rooted in tradition, which can sometimes prevent such firms from pursuing external support (Jensen, 2003).

This highlights a change between this generation and the preceding one. This openness may have stemmed from their education and experience as well as the difficult economic times that they have and still are operating in. Another potential explanation may relate to Cater and Schwab’s (2008) findings that broad external networks were not developed in small family firms due to the strong and long term ties between family members. As both these small family firms have limited family involvement, they may have had to seek external help. This also inks to the competence priority, which will be discussed later in this chapter.

The preceding priority that will be discussed is that of continuity and the effect it seems to have on small family firm innovation.

The Role of the Continuity Priority

This priority is the one ‘C’ that appears to act mainly as an inhibitor to innovation. The close internal relationships outlined within the closeness priority has resulted in the long term employment of certain non-family members, which in some cases has caused a resistance to change within the business. For example, the husband and wife in case E, in jewellery retailer, do not feel they can get rid of any staff members despite them being unsuitable for the company. The same sort of loyalty exists in case F, the design manufacturing business, with the husband and wife refusing to

let any staff members go despite not being able to afford to pay their full wages for a short period of time. As much as this can help foster a close family orientated culture, it can be said to be an inhibitor to innovation particularly where a resistance to change exists.

Furthermore, a paternalistic and family culture as outlined in the closeness priority, has led to what the sales manager in case B terms as a “comfort blanket” and “comfort zone”. Due to the ‘family’ aspect, a sense of feeling safe and comfortable exists within the family firm, which seems to have made the employees used to a certain way of working and they do not appear to want this to change. Therefore, the paternalistic and family culture could be said to be a potential factor hindering innovation and change. This provides further re-enforcement that the ‘family’ element can be rather complex in that it can simultaneously be a facilitator of innovation enabling the generation of new ideas through the creation of close internal and external relationships, whilst also potentially inhibiting it by creating a resistance to change. Interestingly, the members who were resistant to change within this case were not educated. Furthermore, it was education they were resisting as the family were encouraging all non-family members to undertake some sort of academic qualification. This re-enforces that education and experience can create a sense of openness, a notion, which has been mentioned throughout this chapter thus far. As one of the facilitators of innovation, it is important for this openness to exist within an organisation from the family through to the non-family members.

The competence priority has been referred to on several occasions throughout the discussion so far, indicating the importance to consider the Cs not in isolation but together as a whole. This priority will now be addressed fully.

The Role of the Competence Priority

The competence priority seems to have a positive effect on the family interactions when present, therefore helps innovation to take place. It might be thought that small family firms are at a disadvantage as compared to their non-family counterparts due to the mere involvement of family members and the potential of family dynamics. However, this study has shown that the competence priority,

namely professionalism, is evident in all but one of the cases across all the different generations. In particular, this priority relates to the following sub-priorities: Limited family involvement; professionalism; and a level of formality including the use of formal processes.

There are no more than three family members involved in any of the firms in this study. As mentioned earlier in this chapter, this is an intentional strategy and tradition on the part of both the fifth generational firms in matched pair 4. For both companies, it is an unwritten rule that only one sibling can enter the family business, which limits the complexity of involving too many family members. The fifth generation property company went as far as buying his uncle out of the business to reduce the family involvement. This limited family involvement links to centralised control as outlined in the control priority, which makes decision-making quicker and in turn facilitates speedier implementation of innovation. Furthermore, Johannisson (2002) noted that more professional management and less family involvement is important in the continuation of entrepreneurship in family firms despite family firms often being seen as lacking professionalism (Poutziouris et al., 2004). Therefore, one could postulate that a more professional family firm is one element that may help to foster innovation in small family firms.

Linked closely to this is the physical distance between family members in all the firms. For example, the father and son in case C, the fishing retailer work in different stores and very rarely physically work together. It is almost as if they are running separate businesses. This is echoed in case H, the property company between the husband and wife team. This distance further simplifies the family working relationships and reduces the amount of family dynamics that can occur, which may interfere with running the business and carrying out innovation. This form of competence appears to be more prominent among the firms in their later generational stages with case F, the fishing retailer being in a transition from second to third generations and case H, the property company being in its fifth generation.

It is noteworthy to mention the level of formality used between family members within the cases. For example, in case A, the VMS business the sons referred to their father by his first name as opposed to “dad” or “father”. The sons went as far as saying that they viewed their father as “80% boss and 20% dad”, indicating a level of working professionalism which is associated with more successful family companies

(Dyer 1988, Hall and Nordqvist, 2008; 2013). This illustrates the importance of professionalism among the family members, minimising the potential family dynamics making the firms appear more like a small non-family firm (James, 1999), which in turn enhances their innovative capability (Tagiuri and Davis, 1996).

A common form of innovation within the firms was the introduction of formal processes which were new to the organisation such as stage and gate in case A and the balanced scorecard in case B, which derived from either education or previous work experience, as outlined in the cultivation priority. Interestingly, stage and gate is a process directly related to innovation and is documented within the innovation literature as a concept developed by Cooper (1990) indicating that case A, the VMS business, has become not only more professional in the way they operate as a business but also how they innovate.

These elements of professionalism may allow the organisations to resemble aspects of a small non-family firm and therefore operate more effectively, reducing the opportunity for the 'family' element to stifle innovation. This, in conjunction with the presence of some of the positive elements of a 'family' firm such as the closeness and trust could provide these businesses with more of a competitive advantage in terms of their innovative capability as compared to their non-family counterparts. However, this further reinforces the complexity of studying innovation in small family firms and the need to apply a holistic and configuration based view of the phenomenon.

8.3. Innovation Patterns in Father and Son Controlled versus Spousal Controlled Small Family Firms

The eight case studies selected for the purposes of this study can be categorised according to two distinct types of small family firms – those controlled by a father and son team – matched pairs 1 and 2 in chapter 6- and the businesses controlled by a spousal partnership – matched pairs 3 and 4 in chapter 7. Thus far, I have discussed the findings in relation to the enhanced 5Cs in general terms but it is timely to provide a more specific discussion of the similarities and differences between the innovative patterns of father and son versus spousal controlled small family firms.

Among both categories, the cultivation priority is pertinent in relation to higher education and work experience outside of the family business. This provides the controlling owners with an enhanced level of knowledge of their market from a theoretical and practical point of view. The main difference between the categories of firms within the cultivation priority is internal development. The fathers in matched pairs 1 and 2 make an effort to develop their sons by encouraging them to work in the family business when they are at school on a part time basis or they are given a range of different roles within the business to gain a better understanding of the family firm from the 'bottom up'. It is this priority in particular, specifically among the father and son controlled cases, where it is evident that the fathers are grooming their sons to succeed the family business and better equip them to sustain and develop their capacity to innovate from one generation to the next.

Among all the firms there is a close but yet distant relationship between the father and sons relating to both the competence and closeness priorities. Despite both members actively working within each firm they often do not work in close proximity to one another, limiting the amount of family dynamics or issues that could occur, which may inhibit innovation. However, regular communication is often maintained between them such as daily telephone conversations. This element of physical distance is also mirrored in the spousal controlled firms with the wives working on an ad-hoc basis or running a separate arm of the business.

It is the sons who have close working relationships with both customers and suppliers in both matched pairs 1 and 2. This provides the sons with exposure to new ideas helping to facilitate innovation and sustain innovation between the generations. This close relationship could be a way of the fathers providing the sons with the freedom to develop and equip them with the knowledge to move the business forward through innovation. In contrast, it is the husband in the spousal controlled firms who have direct communication and close relationships with suppliers and customers with the wives having very little involvement. This emphasises the dominant role of the husbands in the spousal partnerships (e.g. Panthieu and Cardell, 1993; Kirkwood, 2009). Therefore, family control is more centralised and concentrated in the spousal firms as it relates to one individual as opposed to at least two in the father and son controlled firms. This form of centralisation has resulted in the need for such companies to seek external help with

their ideas and strategy making. Therefore, this alters the way in which they innovate.

A notable feature of the spousal controlled firms is that the husband seems to play a pivotal role in generating ideas with limited input from the wives on the whole. This suggests that the husbands play a more dominant role in innovation within these firms. This form of centralisation could act as an inhibitor of innovation in terms of restricting their exposure to new ideas. This is minimised by the husbands' consultative approach to decision-making and innovation by involving key non-family members. In addition, some of the husbands appear to be the idea generators but not the implementers. Instead reliance is on key non-family members to implement ideas. This was particularly the case within matched pair 3.

The key role of the non-family employees within the spousal controlled firms suggests the husbands' openness to others' views and opinions. This openness is extended to external sources of information and help, facilitating open innovation (Hoffman et al., 1998; Freel, 2003; Allocca and Kessler, 2006; Van de Vrande et al., 2009; Nieto and Santamaria, 2010). Interestingly, the spousal controlled firms have less family members involved in the day to day running of the business as compared to the father and son controlled firms. One reason for this is the limited role the wives play within each firm. This limited family involvement may limit the potential of family dynamics, increasing the opportunity for innovation and success within the firm (Dyer 1988, Hall and Nordqvist, 2008; 2013). In fact such family firms may resemble professionalised non-family businesses, whilst having the distinct advantage of having a close family orientated culture. This in turn may enable closer internal and external relationships, which is present within all the cases. Perhaps this professionalism, coupled with a close family orientated culture provides small family firms with a competitive advantage over their non-family counterparts, enhancing their ability to be more innovative.

The cultivation priority plays a pivotal role in helping to sustain and develop the capacity to innovate between the generations in the father and son as well as spousal controlled firms. In particular, the sub-priority of intentional development on the part of the previous generation enhances the younger generation's human capital (Hall and Nordqvist, 2008) through education, work experience and on the job training and development. This in turn, equips the younger generation with a

wider knowledge base, allowing them to bring these skills and experience to the family firm enhancing innovation (Amabile, 1990). Furthermore, education and previous work experience seems to provide the family members, particularly the husbands in spousal controlled firms with an openness to new ideas and ways of working that extends beyond what would have been considered by the previous generation. For example, the use of external non-executive directors would have never been considered by the previous generations in matched pair 4. Therefore, as previously mentioned it may not be an issue of sustenance but rather a continuous development of the capacity to innovate. In addition, this highlights a pertinent difference in the innovation patterns between the older and younger generations. This is also echoed in case E, the jewellery retailer, who left the family business partly as his father was not forward thinking enough. Perhaps the intentional development that the older generation is instilling in the younger generations is equipping them with the ability to be more innovative and open minded about trying new ways of working.

This discussion re-emphasises the need to configure innovation practices in small family firms on an individual firm basis or at least on a category type basis due to the control/ownership structure of such firms affecting the way in which they innovate.

8.4 Wider Implications of the Findings

The three circles model (Tagiuri and Davis, 1996; Gersick et al., 1997) as referred to in the family business review in chapter 2, lends itself to providing a dimensional element to the findings on small family innovation. The model complements this study's focus on providing a holistic understanding of how small family firms innovate. According to the model there are three dimensions operating within a family business, which interact with one another, namely the business, the family and ownership. The principles of this model can be a valuable way of organising the 5Cs in relation to the dimension of a small family firm they relate to. For example, the priorities relating directly to the family members can be assigned to the family dimension, whilst any Cs that are relevant to non-family members relate to the business dimension. The control priority applies to the ownership dimension. Therefore, it is a useful framework for not only providing a deeper insight into the innovative patterns of small family firms but how the 5Cs affect various aspects of a

family business. For example, using the principles of the three circles model, table 18 overleaf outlines the innovation patterns for matched pair 1.

Table 18 takes the summary in table 17 a step further by highlighting the inter-relationship between the priorities where they translate across the dimensions, particularly the family and business dimensions. For example, looking at table 18 cultivation, competence and closeness appear in both the family and business dimensions for this particular matched pair, indicating the interrelated relationship between these priorities affecting the way in which these small family firms innovate. Furthermore, the model provides scope to highlight the priorities and sub-priorities that are facilitators and inhibitors of innovation, suggesting areas in which a family business could improve their innovative capacity and the dimension within the organisation it relates. This highlights a practical application of the principles behind this model within this study of small family firm innovation. For example, in table 18, the inhibitors to innovation appear to lie within the business dimension, which pinpoints where improvements could be made. In conjunction with the enhanced 5Cs framework, this helps to shed light on how small family firms innovate, providing a broad contribution to knowledge in the field of family business.

Table 18: Configuration of Innovation Patterns for Matched Pair 1

	Family Priorities	Business Priorities	Ownership Priorities
Closeness	- Family members deal directly with customers -Close relationship between the family members	-Internal relationships -Openness to external help and information	
Cultivation	Education of family members	-Development of non-family members -Education of non-family members	
Competence	-Distance between the family members	- Formality and processes	

Control			-One family member is the main decision maker -Key non-family members play an important role in the business
Continuity		- Continuous employment hinders innovation	

8.4. Summary

This chapter has provided a general overview of the findings from the primary data analysis as well as a more specific synthesis of the innovation patterns of father and son and spousal controlled family businesses. Therefore it is timely to provide a summary. The discussion has highlighted that a holistic view of family firm innovation is required due to the complexity of family businesses. This is evidenced by the fact that many of the 5Cs such as closeness can simultaneously inhibit as well as facilitate innovation in small family firms. More specifically, the ‘family’ element carries many complexities, which need to be considered and managed in relation to small family firm innovation. Furthermore, throughout the discussion on the enhanced 5Cs, there is a distinct overlap between each priority and therefore they need to be considered as a whole and not in isolation.

It is clear from the discussion that due to the heterogeneous nature of family firms, the role of each C and its associated sub-priorities differs between each case, which in turn alters the way in which each small family firm innovates. Each firm has its specific idiosyncrasies relating to organisational structure, culture and level of education. Throughout the discussion it was clear that the firms emphasised different aspects of culture from learning and openness to professionalism. This in turn affected the firms’ openness to external and internal sources of information and ideas, altering the way in which they innovate.

However, out of the all priorities it is noteworthy to reiterate the key role the cultivation priority seems to play in small family innovation. Despite the sub-priorities

within this C differing between each small family firm, one commonality among all the cases relates to education and previous work experience of family members. Furthermore, this contradicts some of the existing family business literature, which suggests family members often neglect to possess the relevant academic qualifications when joining the business. The findings suggest that education and previous work experience among family members appear to play a determining role in terms of the involvement of non-family members within the business, external parties' role in the generation of ideas, and the degree of openness to new internal ways of working. Thus, cultivation is the one priority that seems to shape the rest of the Cs and ultimately has an instrumental effect on the innovative patterns within the small family firms. Furthermore, through a configuration of the enhanced Cs each small family firm appeared to undertake a form of 'everyday innovation', with the introduction of internal new ways of working and products, which were new to the organisation but not necessarily new to the world, shedding light within the family business literature on the way in which small family firms innovate.

This has provided the foundation for a more in-depth discussion of the study's contribution to knowledge, which will be addressed in the proceeding chapter – the conclusion.

9. Configurations of Innovation Patterns in Small Family Controlled Firms

In this final chapter, I consolidate the thesis as a whole and the contributions this study makes to the field of family business. Not only do I outline the theoretical and methodological contribution of this study but also the implications for policymakers. Additionally, further research avenues and limitations of the study are addressed at the end of the chapter.

The topic of family business is a particularly relevant one that has gained momentum in the academic field since the mid-1980s (Casillas and Acedo, 2007). Nevertheless, further research in this field is required (Arregle et al., 2007; Poutziouris et al., 2004; Steier et al., 2004) particularly in relation to small family businesses, which have received limited attention within the literature (Poutziouris, 2002). This suggests the importance of further research on small family firms, hence the relevance of this thesis. Theoretical developments in the field of family business have focused on topics such as succession, defining family firms, social capital theory, stewardship theory, resource based view, agency theory, systems theory, and entrepreneurship. The aim of much of the existing literature is to consider how family firms differ to their non-family counterparts at the same time as deciphering their complexity.

The current literature demonstrates a vibrant and growing field of research but a systematic search identified gaps for further research, namely innovation within small family firms. Few studies have carried out empirical research on innovation within this field (Classen et al., 2013), which is surprising since this topic is associated with being the main impetus to success for family firms (Kraus et al, 2012). The main research that has been carried out on family firm innovation has been conducted by the following scholars: McCann et al., 2001; Litz and Kleysen, 2001; Craig and Moores, 2006; Chin et al., 2009; Llach and Nordqvist, 2010; Kraus et al, 2012; Classen et al., 2013 and De Massis et al., 2015. Among the limited research on family firm innovation, one aspect of innovation appears to be investigated at any one time with a focus on large firms outside of the UK.

The current research on family firm innovation includes an in-depth single case study in the United States on intergenerational innovation (Litz and Kleysen, 2001) a longitudinal study between the competitive environment, firm structure, information acquisition systems, and innovation in established family firms (McCann et al., 2001); strategies family firms pursue when carrying out innovation (Craig and Moores, 2006); and comparative studies between non-family and family firm innovation outside of the UK (Chin et al., 2009; Llach and Nordqvist., 2010; Kraus et al., 2012; Classen et al., 2013; and De Massis et al., 2015). None of these studies research family firm innovation from a multi-factorial and configuration based perspective to gain an insight into how they actually innovate from a holistic point of view. This highlights the importance and contribution of this thesis in providing research on innovation within small family firms from a holistic and configuration perspective.

Due to the gap in the family business literature, the intention of this thesis is to provide a multi-factorial and configurational understanding of how small family firms innovate using a holistic approach. Additionally, the way in which innovation is sustained between generations will be addressed to provide further insight into small family firm innovation. Therefore, to enable a contribution to theory in family business, the following research objectives have been pursued: To gain an understanding of how small family firms innovate which is not addressed in the current family firm innovation research; To consider how innovation is sustained from one generation to the next providing an additional dimension to understanding how small family firms innovate; To develop a model of family firm innovation that can be utilised by researchers and practitioners alike and to suggest practical applications of this research. At this point it is timely to re-state the research questions associated with these objectives:

1. What kind of organisational cultures and structures facilitate innovation in small family firms?
2. What kind of organisational cultures and structures inhibit innovation in small family firms?
3. What role do non-family stakeholders play in innovation within small family firms?
4. Do small family firms utilise external help when they innovate and if so, in what capacity?

5. Is there a difference between the generations in terms of innovation?

The proceeding sections will address each of these research questions and how the findings from this study have contributed to knowledge in the field of family business.

9.1. What kind of organisational cultures and structures facilitate and inhibit small family firm innovation?

Throughout this thesis there has been an emphasis on understanding innovation in small family firms from a holistic and configuration based perspective, which needs to be taken into consideration when addressing the research questions. In this way, there are several aspects of organisational culture and structure within small family firms, which can facilitate innovation. The roles of these elements vary between the small family firms. However, some general characteristics have been found. One aspect of the organisational culture that all the small family firms shared within this study was that of learning and development, particularly between the family members. This element links with the cultivation priority outlined in chapter 8.

This learning and development orientation stems from the family members' education and previous work experience in larger organisations, which appears to enhance their level of knowledge, facilitating a general openness to learning. This notion of 'openness' is carried through into the family business. This is usually encouraged by the senior generation as a form of intentional development of the younger generation before they join the family business. This, in turn, can result in an openness to change and new ideas within the organisation be it from the family, non-family members or external parties, which facilitates innovation. This is also re-enforced by the senior generation developing the younger generation within the firm by encouraging them to understand the business as whole through the involvement in different roles within various areas of the organisation. This sense of development between the generations equips the younger generations with the knowledge, skills and openness to embrace innovation, shedding light on how innovation is sustained between the generations. Furthermore, when the learning and development culture is extended to the family business as whole, the level of knowledge and experience the organisation has at its disposal is enhanced, facilitating the generation of internal ideas and openness to change from the non-family members.

It is this openness that acts as one of the facilitators of innovation, which is interlinked with all the research questions, forming a key element in shaping the way small family firms innovate. Another element that was evident among some of the small family firms was that of professionalism particularly between the family members, linked to the competence priority. In these firms the potential family dynamics were minimized by limited family involvement or distance between the family members working together. In the organisations where this was emphasised, non-family members played a key role in the business, which will be discussed further in relation to research question 3. More specifically, professionalism appeared to prevail among the older generational firms. In one of the small family firms, the two sons went as far as classifying their father as more of a boss than a dad. Professionalism seems to be restricted to the family members within the firms, whilst a sense of paternalism existing between the family and non-family members. This highlights the complex nature of these firms' organisational cultures.

Paternalism, linked to the closeness priority, emphasises a close relationship between the family and non-family members within the businesses, as highlighted by the closeness priority. It is this element that distinguishes family firms from their non-family counter-parts, making it difficult to assume they innovate in the same way. This close internal relationship is somewhat of a double-edged sword. In some instances it appears to motivate individuals to act in the best interest of the family and the business as a whole, which can include the generation of new ideas and consequently facilitate innovation. In return, the non-family members often seek approval for their efforts. However, this aspect of the culture seemed to have a negative impact on some of the small family firms' innovative practices, particularly when non-family members have worked for the business for a long period of time. This can cause a resistance to change as they become too comfortable within the business especially when they have worked for the previous generation and are consequently used to a certain way of working. In such cases there appears to be a sense of loyalty between the family and non-family members to the extent that the family feel obliged to retain staff members in spite of their resistance to change or unsuitability. Therefore, a close internal relationship can also act as a hindrance to innovation within small family firms.

Across all the small family firms, centralised family control prevailed which links to the control priority. The organisational structure is much less complex than the

cultures within the small family firms as one family member is the main decision maker. This can be partly attributed to intentional unwritten rules stipulating the limited involvement of family members as well as the general size of the businesses. This lends itself to faster decision making and speedier implementation of innovation. Centralisation can be associated with hindering innovation by limiting the available pool of knowledge and expertise. However, this is negated by many of the small family firms' consultative approach to decision-making where input from key non-family members is considered, which provides access to different perspectives and collective knowledge. This, in conjunction with non-family members' high level of education and experience can facilitate innovation and in fact has partly attributed to the introduction of new ways of working and internal processes within some of the small family firms such as formalised team meetings. This emphasises how non-family members can shape innovation within small family firms and links to research question 3, which will be addressed in the next section.

To summarise, the findings from this study suggest that a small family firm's organisational culture is particularly complex and multi-faceted, in which some of the elements particularly the close internal relationships can simultaneously inhibit and facilitate innovation.

9.2. What role do non-family stakeholders play in innovation within small family firms?

Non-family members can play an important role in facilitating innovation as outlined in section 8.2. The value of their input is more relevant when they have a high level of human capital in the form of education and previous work experience, linked to the cultivation priority. This enhances their knowledge and potential for generating new ideas for the small family firms. This is dependent on the family members' openness and ability to identify non-family members as assets to the growth of their firms. This was the case for most of the small family firms with some of them purposely hiring university educated employees and ensuring they were developed within the business. One of the organisations went as far as paying for their staff members' education to increase the level of knowledge within the business. This resulted in non-family employees introducing new processes and ways of working, where they played a vital part in generating and implementing innovation.

The family members appear to determine the level of involvement of non-family employees play within each firm. For example, one of the firms introduced a new formal process - stage and gate, which was a procedure for generating ideas. This encouraged all members of the organisation to come forward with ideas to improve the business. This places an importance on all non-family members in enhancing innovation within the firm. In contrast, in another small family firm there was very limited input from non-family members in the running of the business as whole due a distrusting relationship between the family and employees. This can partly be attributed to an educational gap between the son and the non-family members, which limited their openness to innovation. This links back to the importance of education and experience among not only family members but also between employees. This, in turn, can affect the role non-family members play in innovation within small family firms.

The organisational structure within the family firms affects the role of non-family members. Those businesses with limited family involvement, particularly where one member controls the firm have no other choice but to rely on non-family employees. In this way, key non-family members play an instrumental role in shaping innovation within these organisations and are given a degree of freedom to do so. Having said this, family control prevailed throughout the small family firms in relation to relationships with external parties such as clients. In spite of the importance placed on key non-family members within the small family businesses, their role is limited to internal innovation and they have very little input into external sources of innovation. This leads onto the fourth research question, which will be tackled in the next section.

9.3. Do small family firms utilise external help when they innovate and if so, in what capacity?

This research question links very closely with the notion of openness and the closeness priority as outlined in chapter 8. Each small family firm utilises external help in some shape or form. There appears to be a realisation from the firms that they are unable to internalise all parts of the innovation process and that external sources represent a vital source of ideas. One feature that prevailed among all the small family firms was the close relationship the family has with customers. This was an instrumental source of ideas for most of the small family firms. In many instances,

new products or processes were put into place within the firms directly as a result of the close relationship with customers. For example, the idea for developing a hay-fever product for horses for one of the small family firms came directly from a customer. This suggests the vital role customers play in shaping innovation within small family firms.

The valuable role of customers seems to be determined by the close relationship family members cultivate with them. It is through regular communication and face-to-face meetings that facilitates this close relationship and the generation of new ideas for the businesses. Furthermore, it is the 'family' element within the firms that seems to instill a level of trust in the clients, enabling this close relationship and the generation of ideas. This reverts back to research question 1, and the valuable role the 'family' element can play in facilitating innovation within small family firms.

In addition to customers, each small family firm seems to utilise different aspects of external help in the form of universities, non-executive directors, consultants and doctors. In some instances, the small family firms are forced to utilise external sources of information. For example, the organisation operating in the natural healthcare industry has to seek the input of doctors and universities due to the regulatory nature of the industry. The fifth generational small family firms, on the other hand, feel the need to meet with non-executive directors due to their limited familial organisational structure. Furthermore, this form of external help provides the family owners with different perspectives from different industries, forming an element of cross-industry innovation. In fact, seeking external help is one form of behaviour that distinguishes them from the previous generation. This point relates to research question 5 and will be addressed in the next section.

Before research question 5 is addressed, it is timely to summarise the discussion thus far. By addressing research questions 1 to 4, it is clear that multiple, interlinked elements shape innovation within small family firms, re-emphasising the importance of understanding small family firm innovation from a holistic perspective.

Furthermore, the role that each element plays in facilitating innovation differs between the small family firms requiring a configuration approach to understanding how small family firms innovate, providing a broad contribution to knowledge.

9.4. Is there a difference between the generations in terms of innovation?

This research question helps to shed some light on the research objective pertaining how innovation is sustained between the generations. The most notable difference between the ways in which the generations innovate lies with the fifth generational small family firms. The current generations in both firms seek external help in the form of non-executive directors, which would not have been considered by the previous generations. The limited family involvement cannot be necessarily the attributing factor as both firms have an unwritten rule that only one sibling can succeed the family businesses. A more sensible argument lies within the notion of openness. The senior generations of both firms intentionally developed the younger generation by encouraging them to undertake a university degree and work experience in large organisations before joining the family business. This could have instilled a level of openness to knowledge and learning, making them inclined to seek external help and information. In this way, their human capital and an openness to learning could put them in a better position than their predecessors to go beyond merely sustaining innovation between the generations but continuously developing their capacity to innovate by seeking further external sources of ideas.

In the case of one of the small family firms, it seems that it is not a matter of choosing to innovate differently between the generations but that they are forced to. This is due to the tacit knowledge and skills lying with the senior generation. There is limited scope to transfer this on to the younger generation as the innovative capacity of the small family firm in its current form derives from the senior generation. The elder generation seems to have tried to develop his son to overcome this problem by encouraging him to operate sideline businesses alongside the family firm, which operate in slightly different markets.

Therefore, within these small family firms, it is not so much an issue of sustaining innovation but developing the capacity to continuously innovate, which is facilitated by the senior generation providing the younger generation with the necessary skills and know-how.

9.5. Small Family Firm Innovation – A Theoretical Contribution

As outlined in chapter 8, an enhanced 5Cs framework can be presented to shed light on how small family firms innovate. Based on the findings of this study this involves configuring innovation within small family firms based on five main priorities and their associated sub-priorities: cultivation; closeness; control; competence; and continuity. A unique contribution of this study is not only in providing a configurational understanding of innovation practices in small family firms but the role each priority plays in facilitating and inhibiting innovation. Each priority does not operate in isolation but can affect each other as innovation in small family firms operates on a holistic level. Therefore, innovation is a complex and multi-factorial practice within small family firms that is fluid and continuously evolving. Not only does this thesis address the innovation patterns in small family firms from a holistic stand point it also takes into account the heterogenous nature of family businesses. The 'family' element of family firms brings with it features unique to the business, making it difficult to generalise about how small family business innovate and inappropriate to develop a 'one size fits all' framework. Therefore, the presented model of small family firm innovation has the flexibility and adaptability to configure the priorities to small family business' specific idiosyncrasies to reflect their innovation patterns.

Another pertinent contribution to theory is that the cultivation priority appears to have the most significant effect on how innovation is sustained from one generation to the next as well as providing a foundation for shaping innovation within small family firms. More specifically, the education and experience of family members affects their openness to innovation as a whole. A high level of human capital appears to encourage the family members to be more receptive to internal and external ideas, facilitating innovation. A family member's degree of openness has a knock on effect on the level of involvement of non-family members in generating and implementing innovation. Therefore, openness to new ideas and information is one of the key elements in shaping the innovation patterns within small family firms.

At this point in the thesis, it seems timely to re-visit the definition of innovation outlined in section 3.4 in chapter 3, which was used as a broad guide for the research collection stage. Following the insights gained from this study, the definition of innovation can be fine-tuned to reflect the perceptions of phenomenon

from a small family firm's perspective. Small family firm innovation is a complex set of practices, which can be understood in the context of five priorities, namely cultivation, control, closeness, competence and continuity as well as their associated sub-priorities. These priorities need to be configured to reflect a small family firm's specific innovation patterns.

Following the discussion on how this thesis contributes to theory, the implications of this study will be highlighted.

9.6 Implications for Practice

In chapter 8, the three circles model (Tagiuri and Davis, 1996; Gersick et al., 1997) was introduced as a means of providing a dimensional presentation of the 5Cs framework. Complementing the holistic approach to understanding small family firm innovation, this model views a family business as comprising three separate yet overlapping dimensions, namely the business, the family and ownership. This lends itself as a means of categorising the 5Cs under the dimension they relate to. Furthermore, it highlights which part of the family business the facilitators or inhibitors of innovation lie within, identifying key areas for improving innovation as whole. Therefore, incorporating the enhanced 5Cs model with the three circles model (Tagiuri and Davis, 1996; Gersick et al., 1997) provides a number of practical applications for policy makers and practitioners. It offers a visual snap shot of the innovation patterns within a small family firm highlighting to a firm where its strengths and weaknesses are in terms of innovation and the areas of the business they relate to. For example, if the inhibitors of innovation relate to the business dimension, then this is an area of the small family business that requires improvement to enhance their innovative capacity. Furthermore, the application of sub-priorities within the enhanced 5Cs framework allows this improvement to be more targeted to the particular issue that seems to be hindering innovation. For example, resistance to change from non-family employees seemed to be a recurring issue hindering innovation within this study. The more specific the issue identified, the more likely it can be resolved or improved.

Therefore, the enhanced 5Cs framework in conjunction the three circles model (Tagiuri and Davis, 1996; Gersick et al., 1997) provides a diagnostic tool for change agents or consultants seeking to develop innovation within small family firms.

9.7 Methodological Implications

To understand “how” small family firms innovate and how this is sustained from one generation to the next, a qualitative research methodology has been adopted within this thesis. More specifically, a multi-case study was utilised to capture deeper insights into the unique characteristics of the innovation patterns in small family firms in terms of their specific needs, motives, roles and relations which are often tacit in nature. The research design adopted within this thesis followed a two-stage process, with exploratory semi-structured interviews being conducted initially, followed by primary fieldwork consisting of semi-structured interviews, participant observation as well as the analysis of secondary documents. The use of multiple data collection methods is particularly relevant in the study of family business to gain an insight into the different perceptions of innovation from the interviewees’ perspectives as compared to that of the researcher.

More specifically, participant observation was utilised to gain information that might not have been obtained in the semi-structured interviews. The aim of this was to generate further insights into family firm innovation and provide a thicker description of the actors’ perceptions of innovation. A review of the innovation literature in chapter 3 suggested that the meaning of innovation is dependent on the perceptions of an individual or group of businesses. Therefore, to understand how small family firms innovate, it was of value to apply participant observation to gain an insight into innovation from the researcher’s perspective and compare this with the meanings the respondents attached to the phenomenon during the semi-structured interviews. It provided rich and thick descriptions of the innovation patterns within the cases, highlighting the proven value of participant observation in researching small family firms. Furthermore, numerous family members from different generations and levels as well as non-family members were interviewed within each organisation to provide a basis for different interpretations to enhance the trustworthiness and rigor of the results. This is where the participant observation and secondary documents played an important role in providing a wider/holistic understanding in relation to the results.

For this particular study, face-to-face semi-structured interviews were conducted at each organisation. The participant observation involved undertaking a task set by the firm, which included competitor analyses’ and customer retention marketing

plans. As outlined in chapter 5, eight cases were chosen based on family control and generational involvement to facilitate a matched pairs approach to the sampling as utilised by some scholars within the family business arena in an attempt to search for commonalities between the pairs. The cases were paired together based on generational transition and controlling ownership to provide more powerful analytical conclusions rather than focusing on single case studies. The aim was to search for commonalities between each matched pair and to develop a model of small family firm innovation. Despite previous family business scholars utilising a matched pairs approach within the literature, this case criteria has not previously been applied within the innovation research but it was relevant to the study at hand and achieving the research objectives. This highlights an empirical contribution of this study.

9.8 Limitations of the study

One limitation of this study is that the information gathered from the eight cases was only captured over a short period of time due to time constraints. The number of cases involved made it impossible to conduct a longitudinal study. A longitudinal study would have captured greater data on how the companies innovate on several occasions over a longer period of time to assess whether the way in which small family firms innovate changes at different points in time. This would also have been useful to capture data on the firm's innovation practices and how this differed once the successor took over. This would help to assess how innovation is sustained between generations. In order to capture this information the researcher would have to select small family firms, which are in a state of transition of ownership from the older to the younger generation. However, one difficulty with this could be assessing when the transition of ownership will actually take place and if it does when the older generation will leave the business as their presence could affect or inhibit the younger generation's ability to innovate. There is scope for a longitudinal study into the configuration of innovation patterns in small family firms and this is a potential area for further research.

The data captured within some of the cases was limited by the refusal of some individuals to be interviewed. This constraint was evidenced in the example of a non-family member in the fishing retailer, the father in the jewellery retailer, and the wife in the textile firm. The aim was to interview an equal number of family and non-

family members to capture a balanced number of perspectives within the firm. Having said this, individuals' lack of willingness to participate was reflective of their views and roles within the business and information was gleaned from this. For example, the reason the wife in the textile firm provided for refusing to take part in the study was her limited role in the business, pointing to the dominant and centralised role the husband played within the organisation. This unwillingness to participate in the study affects access and can often be an issue with family firms who are sometimes secretive in nature.

This problem could have limited the range of perspectives on how the small family firms innovate, particularly in the cases of the fishing retailer and the design manufacturer where the family members who were interviewed outnumbered the non-family members. The result of this imbalance could be that the data captured from the interviews are more biased towards the family perceptions of how the business innovates. For this reason, I also employed participant observation and secondary data sources to provide data on the configuration of innovation patterns from a different standpoint to that gleaned from the interviews.

9.9 Key areas for further research

Five out of the eight cases studied have undertaken generational transfer via a buy-in rather than by non-financial means. As the main aim of this thesis was to understand how small family firms innovate, it was not possible to explore this area further. It will be interesting to find out whether this feature has an impact of innovation within small family firms and if this is the case, whether it has a negative or positive effect. This potential research issue could raise several questions such as when the younger generation buys the firm from the previous generation does this make them more motivated to succeed and therefore more likely to innovate due to the financial commitment they have made? Does a family firm that has been bought from the previous generation reflect more of a professional firm due to the financial transfer?

It would be interesting to investigate how small family firms undertake radical innovation in terms of innovation that is not only new to the organisation but new to the industry and the world. This would be a useful comparison to this study where most of the cases undertake everyday innovation. A topic of research would be to

identify whether the enhanced 5Cs need to be adapted for different types of innovation.

Some valuable findings emerged from the primary data analysis particularly in relation to the innovation patterns between father and son and spousal controlled family firms. These could be taken further by investigating the enhanced 5Cs framework using quantitative methodology. For example, notable features of the spousal controlled firms include the husband playing a pivotal role in decision making and generating ideas with limited input from the wives on the whole. This suggests that the husbands play a more dominant role in innovation within these firms. Based on these findings, it could be hypothesised that: male owners of small family firms are more likely to be the ideas generators than female owners; male owners of small family businesses are more likely to be leaders of innovation than female owners. Hypotheses such as these could be tested using a large scale quantitative survey that could be sent to a sample of small family firms in the UK. A study such as this could pave the way for further research in the field of small family firm innovation.

10. References

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Appendices

A. Sample of Primary Data Interview Questions

The business

1. Tell me about this company; when and how it came about; which family members are involved and their roles.
2. Tell me about the background of the family members involved in terms of previous work experience and education.
3. Can you tell me about the industry your company operates in?
4. Whereabouts does your company fit in the market?
5. What is the vision and what are the values of the company? Would you say you have a long or short term vision? How does this relate to previous generations, previous values, cultures or ways of working?
6. What are the advantages and drawbacks of working with family members?
7. How has the business changed from one generation to the next? What has stayed the same?
8. How was/is information and knowledge shared between you and the previous/next generation? What do you do differently?
9. Do you have any concerns about the company and the effect the business has on the family? What aspects of the business you are happy with at the moment?
10. Tell me about the structure of your organisation. What are the advantages and drawbacks of this structure? How does this structure relate to previous generation? Are employees given a degree of freedom and autonomy?
11. Tell me about the relationships within the business, between family members and non-family employees
12. How do members of the organisation tend to communicate with each other? How often does this usually take place? Is feedback provided to employees? How do they react to this?

13. What do you think has made the firm able to survive and be successful?

Innovation

1. What do you and your organisation define as an innovation?
2. What drives the company to innovate?
3. How does the firm support and encourage innovation?
4. Do have formal written innovation goals and strategies?
5. How are goals and strategies developed in your firm? Who is involved in developing such strategies/goals?
6. Who makes the decisions in the business in general terms and in relation to innovation? Are individuals responsible for their own actions within the firm?
7. How do you identify opportunities for innovation? How quickly are these opportunities acted upon?
8. To what extent do you pursue opportunities which involve a high degree of uncertainty?
9. Tell me about an innovation your organisation has developed and introduced to market.
10. What are/were the goals of this innovation?
11. What prompted this innovation?
12. Have any other firms developed a similar innovation?
13. How are ideas for innovations generated and by whom? Have any family members working in the firm generated new ideas? If so, in which generation (s)? (IF APPROPRIATE)
14. Is creativity among family members in the firm encouraged and supported across generations? If so, how is this done?
15. How do you encourage the development of new ideas in the organisation? Are there any reward or recognition mechanisms in place (either monetary or nonmonetary) for generating new ideas? Is everyone in the firm encouraged to put forward new ideas?
16. What sources of information do you use in developing new ideas? How do you acquire this information? (Internal or external orientation)
17. What skills have allowed you to be able to be creative and innovative?

18. Do competitors, suppliers or customers play a role in the creation of new ideas? If so, how?
19. What kind of relationship do have with customers and suppliers? How have you built a rapport with your suppliers and customers? (if appropriate)
20. Has innovation and creativity increased since this company began?
21. Do your ideas and way of innovating differ from the previous generations? If so, in what ways? Have you learnt anything from the previous generation in terms of innovation?
22. Do you use any external help in supporting, developing and distributing a new innovation? If so, what are the advantages and disadvantages of using them?
23. Who is involved in the process of developing an innovation and what are their roles and responsibilities?
24. What factors in your organisation would you say prevents you from innovating?

B. Transcript from the Fifth Generation Wife (Anna) In Hawkins, the Property Development Company

Can you tell me about your background?

My background is in property – buying and selling. This is a property based company so when Jim and I moved from London back to Yorkshire and we had two of our children and I wanted to get back into the workplace, Jim was expanding the investment arm of the business which meant that property work needed to be done. This is not John's forte and it as something I could do and it fitted in with child care arrangement and I worked on an ad-hoc basis and it was basically looking after tenants. I really missed working.

I came back to work as soon as I could when the kids when back to school. I have a degree and great management experience, so never wanted to just be a stay at home mum. About 2 ½ years ago I became involved in energy management surveys and this became an opportunity as a new part of the business which I gave me flexibility to work in the business as well as my responsibilities at home. So I had to go and get a diploma and take exams etc. Which I did over 6 months – it was distance learning and then started to really push the energy performance side of the business which is still under the banner of Jim Radcliffe and sons. It is a separately run part of the business but still under the umbrella company. It is something I predominantly work on my on as well as admin support. I am the only one in the business qualified to do so. John's property contacts has been invaluable in terms of ringing up and doing my marketing do – people who know us personally in the property arena and contacts Jim knows and then expanding it from there. I have a reasonable amount of work, I'm not going to make our millions but it is a good cash generator and it keeps me very busy. I also have my property management going as well.

How often do you work?

I work full time during term time and part time during the holidays where I fit the work in around the children. I'm always on the other end of the phone. The energy performance work is very much down to me and my time so I can do it anywhere – in the evenings, from home.

How about your education?

I did a degree at Newcastle poly and then worked in London for 6 years for a multinational drinks company and then moved to the Halifax office when we moved back up here.

Can you tell me about the energy performance industry?

It is the measure of a building's carbon emission. All the agents need to instruct to landlords to do the EPCs. The legislation is changing in October as agents have the responsibility to have the energy performance certificates. So I'm extremely busy at the moment. The certificates never get looked at but it is something they have to do but they don't really care about it. I have a number of agents in Halifax, Huddersfield where I do a number of jobs for them from small corner shops to larger buildings. Most people who do EPCs tend to be a sole trader. Out of the 12 people I trained with only 4 people are now qualified as the exams are more intense than they tell you. Because I have a property background and I have a property company backing me I wasn't put off. There a number of property companies who have trained a number of people in house to do them and I can't believe more people haven't done this. Because a lot of customers don't see the point in the certificates but know they have to do it they are price sensitive so I'm not making as much money as I thought I would as prices have halved since I started. But I will not be the cheapest, I pride myself as 100% reliability and this works well for me in terms of getting agents on board and then they then try and persuade their clients to go with me.

Are there a lot of competitors in West Yorkshire?

I don't think there are – there's one guy in the Huddersfield and Halifax area who is my main competitor. He is similar to us in that he has a lot of properties but he has been around for longer than me and he knows a lot of the agents. Also he is a man and that matters as he can market himself as their pals whilst I can't do that as people feel uncomfortable if I do that. This guy has been known to say let me take you out for lunch but I have been told they wouldn't accept an invitation like that from me as they would feel uncomfortable. So I have to do a lot more work over the telephone but I don't think I have a lot of competition. A lot of people use Google to find EPCs. I am the first page of

Google for some criteria but I don't have enough money to invest in Google campaigns. I tend to try and build relationships with people.

Are your clients just in west Yorkshire?

No, I try and market myself on M62 corridor as you can be anywhere in an hour as far down as Sheffield and up to Newcastle which covers an enormous areas.

Does your main competitor do the same?

I don't know. I don't know much about my competitors which is an error on my part but people also keep things close to their chest.

What would you say are the values of the business?

I work on is that we are a solid company who have been around for 200 years and we do what we say we're going to do even though we're not the cheapest. We are successful at what we do. Other companies have folded over the time but we have kept going. Reliability and having an erm being responsible within the industry is what we pride ourselves on.

What is the vision for the company?

The property management side of the business definitely long term. EPC could be like the hips pack and could be taken away by the government at any time. I don't want to employ anyone. If I had too much work I would subcontract out but still keep things inhouse and use people I know.

With management side – do you deal with residential and commercial?

It is all commercial

Who else is involved in the management side?

John, he does the strategic planning and I tend to do the day-day as he has the overview of the whole company as he might see an investment opportunity.

What is it like working with Jim?

There are a lot of drawbacks as we are both really strong minded and competitive. We both think we know best. It is very difficult to leave work at the office. If we fundamentally disagree about something it is difficult not to take it home. Also all our eggs are in one basket so if it goes wrong it really does go wrong. Working with your husband puts a strain on the relationship. However, having all your eggs in one basket means successes are shared and we are not dividing it between too many people. We also manage our own diaries so if we want to and watch one of our children playing cricket then we don't have answer to anyone. When things are good in the business things are great but when things are bad everyone else will get paid but we might not.

That's not always easy. The workforce never see that as they just see our cars and us taking holidays despite the fact it could all go belly up. I have learnt an awful lot from the business as he has always worked and done management training and been involved in chief executive groups and networking groups and he is very good at that. I'm good that going out there and doing the job but not at managing a business so we work well as a team. He has the overall strategic view over the business which I don't think too many people should do and I work for him in this way. But I am pleased he doesn't know how to do EPC as it's my thing. It allows more cash coming into the business. I don't think I get treated any differently to anybody else. I hardly see Jim at work and I think this makes things easier. I just get on with my energy efficiency business." But Jim is the chairman and everything comes back to him.

How has the business changed since Jim took over the business?

When Jim's father and uncle ran the business it was very much local, family, working with other local family businesses. One generation just did what the previous generation had done. However the world has become a lot smaller and I

don't think our children will necessarily come into the business and stay in Huddersfield. But it was expected that Jim to come into the business – it was an assumption as would take over the business as he was in property and I think he always thought he would come into the family business as he always wanted to work for himself. I don't think the previous generation would have known what to do if Jim hadn't taken over. Neither his brother nor sister have come into the business as they were not in property.

What's stayed the same in the business?

Erm, I think erm (long pause) I think trying to keep it all within the family but now the family is Jim– there aren't uncles and aunties. Jim took over his father's side of the business and started working with his uncle who owned the other half but decided to split the business. His uncle now runs his side of Jim Radcliffe and sons with his son which is nothing to do with us financially and legally. I think we – Jim and I – had seen too many families fall out when you have 2 or 3 generations in a business and everyone wanting a slice of the pie and you have one or two people doing all the work whilst everyone is getting the rewards. It was a big thing to split the business emotionally and legally but we needed to as Jim wanted to run the business in the way he saw fit and William needed to run the business in the way he wanted. So if you have too many people trying to make the decisions then it can cause problems.

Are they under a new name?

No they still use Jim Radcliffe and sons but I heard they may change their names.

Do people get confused between the two businesses?

They did at first but not anymore.

Is that because they deal with different markets?

Yes, they're builders. We don't do any building. We are just developers and EPCs etc.

Do you subcontract your building work to them?

I think they have tended for work but I don't think there has been any work they have done. They use our plant hire.

How is information shared between you and John?

We erm, it's not formal. It was very much on an ad-hoc basis. After I worked here for 6 months he asked for end of year accounts but I didn't know who to do this so I asked for help from Jim and Annette. I defer a lot of business decisions to him. We try and set up monthly meetings to go through things but we're too busy. It's ad-hoc – not formal.

Do you have any concerns about the effect the business has on the family?

The pressures that Jim and I put ourselves under financially adds to the stress but there are great things as well such as taking time off when the children are off. There are other times when the children complain and say why are we painting the offices but we say well we would have to pay someone to do it if we didn't and five of us doing it will ensure it is done quicker (she laughs). It gives them experience as well which they wouldn't ordinarily get. If we didn't have our business they wouldn't get this experience which is good for the family. It is all very close to home – next month what are figures going to be next month. But we have a great life and go to some fantastic places. Last Sunday I had to see someone and give them their EPC as I wanted my money and they were going on holiday the next day (she laughs). So it does encroach on family time sometimes.

Can you tell me about the structure of the organisation?

Erm, Jim is the chairman, Doug is the MD and he works for us and with us. Then there's me. There's a lot of different businesses that run from here and Jim likes to keep them compartmentalised. Sandra and Annette are in the office. In the plant hire which is a standalone organisation we have Peter who is the plant hire manager, Sam who runs the office and we have 3 or 4 guys who work in the yard and we have Scott as the sales and marketing manager who deals a lot for the plant hire and for me and Jim– brochures, corporate image, signage and advising all of us. He is someone who can give us an overview of the organisation.

We are a narrow structure, Annette got married this year abroad and Sandra wanted to go they juggled it but two of them were off for a week and this was a big gap. We have no slack at all. So I have to step in sometimes to do some jobs in plant hire if need be – that's because I am the family. So no one can hide in this structure and everyone talks to everyone.

Are employees given a degree of freedom and autonomy?

I think they are – Annette and Sandra have to as they been here a long time and they know what needs to be done and they are left to get on with their jobs. I don't get too involved in plant hire but I think we leave those to it. If you have a job you just need to do it. We are flexible with them – if they need to take their husband to hospital then that's fine especially if they get all their work done and equally they will stay behind until 6pm if we are busy. So there is flexibility on both sides. I get to set my own strategy and targets within my part of the business. I just go to Jim for some guidance but he basically leaves me to it.

Can you tell me about the relationships between family members and non-family members?

I don't think there is competition as Jim is the boss and his relationship with Doug is one of mutual respect and Doug is given autonomy to do his thing. Effectively other people are employees. I think everyone is harmonious but I might be naïve in saying that. I think we get on well. We're only a small company, so we all know each other and are close. I like to chat with Annette (the in-house accountant) and Valerie (the administrative manager), we always have a laugh Jim as any boss can be demanding at times. He treats me the same as anyone else in the office. They don't say anything to us about problems.

How do members of the organisation tend to communicate with each other?

We are good at talking face to face within the office. I don't know how the plant hire works.

Who is based on the office?

Me, the girls, Jim, Doug, Scott.

Do you all have your own offices?

Yes

How often do you tend to communicate?

It's ad-hoc. Jim might have more structured meetings with Annette as she does the accounts.

Is feedback given to employees?

There used to be formal appraisal system. But I don't know what happens to be honest.

What's made the business able to be successful and survive?

My business or the whole business?

Both.

In terms of my business, I have had huge support from Jim and everyone else particularly financially initially and with a website and training and referrals. I am driven to be successful. I would's deny we are financially driven – we love the rewards. Jim is driven to be successful so this drives me to be successful for him. I want to be successful in his eyes. We also have a lot of friends who have very successful businesses and there is an element of competition about where you're going this year, what school do your kids go to. This pushes us.

What do you and your organisation define as an innovation?

I don't know really. I suppose I think I have been innovative by seeing an opportunity and going for it. I am not a creative, innovative or entrepreneurial but you could

define that as innovative – seeing an opportunity and going for it. Jim is creative in terms of the opportunities he sees and where he gets his clients from. I think Jim is good at marketing – he knows what he wants and goes for it. Whilst I know what I want in my head but I don't know how to get there and I think about things for a very long time. I don't like to spend money on brochures etc and so I'm not as innovative as John. My cash flow is tighter though.

What drives the company to innovate?

Keeping up with the market. You have to change and be flexible. Looking for new ways to get clients to spend their money. Trying to do what we do and do it well within a certain amount of money.

How does the firm encourage and support innovation?

Because we are such a small organisation – there has to be an assumption that everyone is doing the best job they can. It is a reliance on other people and them keeping up with the market.

Do you and Jim encourage that?

We don't encourage it but we don't discourage it either.

How are strategies developed in the firm?

Erm, probably financially driven. From my knowledge I don't think there is a major structure.

Who tends to be involved?

Jim is. Jim and Doug for the overall business. I develop the strategy for my own business as I'm the only one who knows the market.

Does Jim get involved?

No – I do ask him questions sometimes.

Who makes decisions in the business?

Jim is the decision maker but does listen and take advice from others but he is definitely in charge. Even I go to him for big decisions

Who makes decisions about innovation?

Jim but he listens and takes advice from others. If there is a system needs changing or money needs to be spent it all goes through Jim.

How do you identify opportunities for innovation?

I think it's keeping abreast the market of what's going on in terms of regulations and seeing what people need. It's being able to move with the changes coming through. EPC is tightly regulated so there is no room for innovating but I try and be innovative in my marketing and strategy for getting work. For example, I'm marketing to portable buildings and architects to get new builds. So I'm not just relying on agents to ring me up. I want to do some specific marketing package at the end of summer/September. For example, at Easter I sent out chocolate bars with a new wrapper on with the company name and the fact we do EPCs and sent 100 of those and it cost me £50 and it provoked a lot of e-mails. You have to do something a little bit quirky. At Christmas I am definitely going to send out Alkaselsers (she laughs).

What sources of information are used when coming up with a new idea?

Erm, I think ideas come in all guises. You can read an article, talk to someone, going on Google. If it works it works.

Do competitors, suppliers and customers help with ideas?

Yes, using the best of what other people do and do it better and in your way. I ought to be much more aware of what my competitors are doing but I don't have the time. I

don't see it as productive use of my time even though I probably should monitor what they're doing.

What kind of relationship do you have with your clients?

A good one as I pride myself on reliability. I can always justify my results. I think I have a good relationship with my EPC clients. The market is so competitive, the main thing that allows me to be competitive is building a relationship with them

What factors prevent you from innovating?

Lack of knowledge, financial and having faith in what I'm doing and what I want to do. And not going down a route that is going to waste money.

Do you do any training?

I put myself on lots of training courses. I use Business Link who run free courses so I do marketing, networking and social media courses. I'm also a member of an organisation of female emerging entrepreneurs – it's part of forward ladies. We talk about our business issues and concerns and helps you manage your business better by listening to how they run their businesses and the problems they have. Forward ladies run business courses as well – some are social events and some are learning. I do continuing professional learning development relating to EPC to make sure I'm up to date.