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Abstract

Why are some family SMEs more innovative than others? We use the heterogeneity within family SMEs to explore how their socioemotional wealth (SEW) affects innovativeness. The ubiquity of smaller family firms means that their innovativeness is critical for policymakers, such as those in the United Arab Emirates, seeking innovation-led development. We conduct a multi-case study analysis of SEW and innovativeness in fourteen family SMEs based in the United Arab Emirates. Participants were from a range of sectors and across the employment size-range of family SMEs. None of the most innovative family SMEs had highly family-centric socioemotional wealth. High family-centricity was however evident in all the least innovative firms who survived on reputation and incremental customer or supplier-driven improvements. The least innovative firms were amongst the smallest but not the youngest, with firm age not influential for innovativeness. The paper proposes redressing family-centric SEW preferences to raise the innovativeness of family SMEs. This will involve longer-term decision-making that gives greater consideration to the interests of external stakeholder as well as future generations of the family.

Keywords: family SMEs, innovativeness, socioemotional wealth, size, necessity, survival

Introduction

Family firms, especially smaller ones, are the dominant form of enterprise in many countries (Miller, Steier, and Breton-Miller 2016) and their innovativeness continues to attract critical attention (Basco 2017; Chrisman et al. 2015; De Massis et al. 2015). Researchers have successfully adapted various theories – resource-based view, agency, and stewardship - to explain family firm innovativeness (Basco 2017; Berrone et al. 2012). There are also ongoing efforts to create dedicated family firm theory such as socioemotional wealth (SEW), where further development and testing are needed (Hu and Hughes 2020; Pearson, Holt, and Carr 2014).

This study responds to continuing calls for more research into the heterogeneity of family firms, rather than the differences between family and non-family firms (Hall and Norqvist 2008; Jennings, Reay, and Steier 2015; Newbert and Craig 2017). Calabrò et al. (2019) stress the need for a more contextualized understanding of family firms and innovation, while Dibrell and Memili (2019) urge further exploration of heterogeneity of their SEW priorities. Hence, this paper explores family firm innovation using the SEW perspective in the context of the United Arab Emirates (UAE), a regional setting where there is a dearth of research (McKelvie et al. 2014; Zahra 2011). Our research focus is 'family SMEs', family-owned business operating in the UAE with no more than 500 employees. Our purpose is exploratory, in line with most case study investigations of family firms (Leppäaho et al. 2016), framed by the research question: *How does SEW affect the innovativeness of family SMEs in the United Arab Emirates?*

Context is also important as the values and norms of the research setting can influence the behaviour of family firms (Howorth et al. 2010). The UAE has a national strategy intended to promote an innovation culture, especially among SMEs, aiming to make the country one of the most innovative in the world by 2021 (UAE National Innovation Strategy 2015). This national ambition has clear imperatives for family SMEs. The UAE is a fast-developing country in the Middle East, ranking ahead of other Arab countries in the ease of doing business (The World Bank 2018). When facing high technological and market dynamism, firms must be more innovative to survive (Kach et al. 2016; Miller et al. 2015). However, in this national context, Arab traditional family values embracing protectiveness of members and the inclination to put family interests above all else, such as innovation, align with the dominant perception of SEW priorities (Lalonde 2013). In contrast, recent local research finds that an innovation culture is more influential in promoting innovation than social or societal culture (Matroushi, Jabeen, and All 2018). Family firms in this region do appear to be less open to new thinking, less inclined to implement new ideas, and tend to stick with what they know and how they operate (PWC 2016). According to the Ministry of Economy (2017), the broad SME sector accounts for over 94% of all companies and 86% of private sector employment. Over 80% of these SMEs are family-owned and dominate many industries. The innovativeness of these family SMEs is critical to the success of this strategy in the UAE (PWC 2016), posing a major challenge to policymakers. Hence it is vital to understand the variation in innovativeness among such firms and, as a corollary, offer insights on the long-term survival of non-innovative family SMEs (Chrisman et al. 2015).

We contribute to the continuing work on extending the perceptions of SEW and how the resulting heterogeneity affects family firm behavior, including innovativeness (Calabrò et al. 2019; Filser et al. 2018; Gast et al. 2018; Miller et al. 2015). We find SEW priorities that remain highly family-centric are inimical for firm-level innovativeness. Such firms also tend to remain small, surviving on their local reputation and with the ongoing support of customers and suppliers (Martínez-Alonso et al. 2020). The next section discusses the literature and is followed by an explanation of the research design. We then report findings, conclusions, policy implications and suggestions for further research.

Literature review

We explore the heterogeneity of family SMEs when "extended priorities" (Calabrò et al. 2019: 345; Miller and Le Breton-Miller 2014) are introduced into SEW, and how this affects the innovativeness of such firms. This is a growing area of research within which there are mixed and sometimes contrary findings (Debicki et al. 2017; Filser et al. 2018; Gast et al. 2018; Gómez-Mejía et al. 2019; Ng et al. 2019; Swab et al. 2020).

Innovativeness

Innovation is the successful implementation of new ideas in an organization in the form of new products, services or processes that are a change to normal routines (Anderson et al. 2015). Innovation is a key element for organization performance (Camisón and Villar-López 2014; Tidd and Thuriaux-Alemán 2016), including in family firms (Kellermanns et al. 2012). There is no question that family firms can be more innovative than non-family firms due to longer investment horizons (Cruz and Nordqvist 2012; Miller et al. 2003; Zellweger et al. 2012); less bureaucracy (Hsu and Chang 2011; Chu 2011); and the patient capital and trust within families (Berrone et al. 2012). Duran et al. (2016) note that, while family firms invest few resources into research and development, they have better innovation outcomes including enhanced competitive advantage (Chirico and Salvato 2016). There is also no doubt that some family firms can be innovative and grow over long periods (Bergfeld and Weber 2011). But other family firms may be unwilling to pursue innovation because this needs a strong ongoing commitment of resources to R&D, exposing the family assets to significant risks (Zahra et al. 2014). Higher risk aversion, coupled with a lack of skills and financial resources, perpetuates an unwillingness to innovate in family firms (Gómez-Mejía et al. 2007; Gupta et al. 2010; Rosenbusch et al. 2011). External collaborations in support of innovation may also be perceived to endangering autonomy and the unique family ethos, threats the family firm is unwilling to countenance (Gómez-Mejía et al. 2011a).

Socioemotional wealth

SEW was first coined by Gómez-Mejía et al. (2007) and serves to integrate stakeholder management and institutional theory to provide a holistic analytical framework for family firms (Berrone et al. 2014). There is still debate about how it affects behaviour, specifically innovativeness, what dimensions it should contain (Newbert and Craig 2017; Brigham and Payne 2019), and how these are to be measured. Following Berrone et al. (2012, 259), in what some would see now see as a restricted and homogenous notion of SEW, this theoretical perspective posits that "family firms are typically motivated by, and committed to, the preservation of their SEW, referring to non-financial aspects or 'affective endowments' of family owners". Hence, family firm owners' willingness to commit resources to a potentially risky activity such as innovation would extend beyond purely financial considerations such as return on investment (Hauck and Prügl 2015). Considerations around SEW priorities are also central to recent treatments of the paradox of ability and unwillingness underlying family firm innovativeness (Block 2012; Chrisman et al. 2015; Covin et al. 2016; Fahed-Sreih and El-Kassar 2017; Gast et al. 2018). Despite the centrality of SEW to our understanding of family firm behavior and performance, Calabrò et al. (2019) report only a few empirical studies on family firm innovation using SEW as the theoretical lens while advocating further research on SEW with extended priorities and goals. Previous quantitative studies of the relationship between SEW-innovation have produced mixed results (Hauck and Prügl 2015; Filser et al. 2018: Gast et al. 2018).

What these studies do find is that SEW priorities themselves are indeed heterogeneous, reflecting the different circumstances and characteristics of the family members involved in the business over time. Miller and Le Breton-Miller (2014) and Miller et al. (2015) challenge the hitherto restricted homogenous notion of SEW in which family interests dominate those of all other (non-family) stakeholders. Calabrò et al. (2019: 345) endorse this by recommending further research that "builds on the idea that [family firms] may attach substantial importance to non-family stakeholders to ensure firm survival and the goodwill of the community towards the family." Craig and Newbert (2020) also recommend broadening the SEW discourse beyond its original restricted scope to include the interests of non-family stakeholders.

Miller et al. (2015) dichotomize this extended notion of SEW as either *family-centric* or *business-centric,* the former giving clear preference to the family while valuing and exploiting 'familiness' (Habbershon 2006). The family is favoured ahead of the business with nepotistic appointments and an intent to preserve family control and influence through intra-family succession events. Innovation would be disavowed as being hazardous for the family's endowment (Duran et al. 2015; Block et al. 2013). Family-centric SEW can be criticized as underpinning a very short-term, even myopic, focus to family firm decision-making, one that prioritizes the self-interest of the 'family' ahead of any obligations, moral or otherwise, to those external stakeholders, such as customers and suppliers, upon whom the family business depends (Berrone et al. 2014; Newbert and Craig 2017). Business-centric SEW can place the interests of the business and key stakeholders ahead of family claims and is the more likely to endorse innovation to build a stronger business, one capable of performing well and supporting into the future (Miller and Le Breton-Miller 2014).

Firm size and age

The tradition of strong family values in the UAE (Lalonde 2013) may indeed supress the heterogeneity of SEW among family firms. Hence, any variation in innovativeness will reflect other drivers of innovation, such as firm size and age. On the matter of firm size and innovation, larger family firms generally have advantages. They will have greater sales and production volumes over which to recoup the returns from product or process innovations. Larger firms have a greater resource base to carry the risks inherent in the pursuit of innovation albeit through a larger bureaucracy and the internal politicisation of the innovation process (Herrera and Sánchez-González 2013). Firm size has also been shown to influence the relationship between SEW and family firm strategic decision-making (Fang et al. 2016). Smaller family-owned firms are invariably more restricted (Cohen and Klepper 1996; Shefer and Frenkel 2005). Fernández and Nieto (2005) find that these smaller firms generally face extra size-related challenges in accessing the resources and capabilities needed to not only create but also sustain a competitive advantage. Thus, we expect firm size to be positively associated with innovativeness within family SMEs, especially if the *family-centricity* of SEW also weakens over time with increased firm size (Habbershon 2006; Schulze et al. 2003), i.e., innovativeness increasing with generational changes due to family successions (Zahra et al. 2014). Larger family firms should be more innovative if family control and influence weakens allowing more non-family managers to influence key decisions associated with innovation (Anderson and Reeb 2004; Morck and Yeung 2003; Stewart and Hitt 2012).

Firm age may also capture this as family firms develop through inter-generational successions and attitudes change towards growth, size, and innovation (Berrone et al. 2014; Clifford et al. 1991; Howorth et al. 2010; Howorth and Hamilton 2012; Woodfield and Husted 2019) and an increasing number of non-family members appear among senior management of family businesses and on the board (Fang et al. 2016; Howorth et al. 2010). The imperative of family harmony and continuity (Chirico 2008; Gilding et al. 2013) and the preservation of the family endowment may also wane overtime as family size falls and other career options present to possible family successors. As the family control and influence reduces, these businesses become less family-centric in their SEW and more able and willing to embrace innovation (Schulze et al. 2003; Hauck and Prügl 2015). Larger and older family firms are a dominant construct in explaining firm-level innovativeness. These firms should be more innovative due to their scale, economies of growth, and waning family-centric SEW as family successions bring in both new generations and more non-family members into senior management levels.

Summary and research question

While high family-centricity may raise the ability to innovate, it can also decrease the willingness to innovate by reinforcing the need to preserve the family estate in perpetuity (Li and Daspit 2016; Rosenbusch et al. 2011; Werner et al. 2018). There is also heightened unwillingness when innovation requires external collaboration with professional expertise (Classen et al. 2012) or the recruitment of knowledge-intensive managers (Gómez-Mejía et al. 2011a). Studies have confirmed a negative relationship between innovativeness and the degree of family control and influence, reflecting the unwillingness to compromise the family's affective endowment (Gómez-Mejía et al. 2011b; Martinez-Alonso et al. 2020; Munari et al. 2010). However, such is the heterogeneity within family firms, several recent studies report relationships between degree of family control and influence and innovativeness as either null (Filser et al. 2018; Krasnicka and Steinerowska-Streb 2019) or positive and necessary (Gast et al. 2018). National policy could seek selectively to resource and fund the growth of family firms, hoping that such initiatives will over time reduce the family-centricity of SEW. However, if family firms, larger and smaller, older, or younger, choose to maintain tight family-centricity, they are then less likely to engage in innovative activities, confounding any association between size and innovativeness (Revilla and Fernandez 2012). Hence our research question: *How does SEW affect the innovativeness of family SMEs in the United Arab Emirates?*

Research design and methods

A multiple-case design is used, following Yin (2014), to investigate innovativeness in fourteen family SMEs in the UAE. Multiple cases are necessary to capture the heterogeneity of smaller family firms and innovation (De Massis et al. 2015; Gibbert et al. 2008; Graebner and Eisenhardt 2004). The design can also provide more robust findings based on pattern matching logic (Yin 2014). We used five selection criteria:

- Majority of the firm's ownership is held by one owning family
- At least two members of the owning family hold key managerial positions
- All firms had been trading for at least 3 years prior to the field study
- All firms had less than 500 employees
- Firms were selected to ensure variation in size and industry sector

The first two criteria are our definition of 'family business'. There is still no consensus on a definition of a family business and we accept that some will view this definition as too restrictive (see Howorth et al. 2010). However, majority family ownership has been used in many previous studies and other types of family firms could not readily identified. The third criterion was to allow enough time for any innovation to be developed, especially among the younger firms. The upper size limit of 500 employees confined our sample to one accepted definition of 'SME' (OECD 2005) while ensuring a range of firm sizes.

We filtered family firms from the database of Khalifa Fund for Enterprise Development and other UAE directories, and then classified these by employment size and industry sector to obtain variation within the sample (Chrisman and Patel 2012). Invitation letters were emailed to 210 potential informants and, after several rounds of phone and email follow-ups, fourteen family firms agreed to participate fully in the field study, a relatively large number for a qualitative inquiry. All our SMEs were surviving at the time of the study and so some survivor bias will arise. We were unable to contact owners of family firms that had gone out of business.

The approach means becoming immersed in comprehensive information on each firm and building an understanding from the emerging patterns (De Massis and Kotlar 2014; Patton 2001; Yin 2014). Semi-structured interviews were carried out with either the founding family owner or the next generation family manager. Interviews lasted between 50 minutes and two hours. An interview protocol ensures consistency in the data collection process, outlining key steps and procedures to be followed before, during and after the interview. (The interview guide is in Appendix 1.) A native Arabic speaker with research experience was present during each interview to interpret when necessary. Professional transcribers converted each recording into a written document. The native Arabic speaker conducted follow-up telephone interviews when necessary to clarify information and obtain missing data. Secondary information such as company catalogues, websites, newsletters, and interviewer notes were triangulated with the interview data to enhance construct validity and reliability. The structured section of the interview yielded operational measures of *innovativeness* following Grundström et al. (2012), and *SEW centricity* based on the criteria used by Kellermanns et al. (2012). These served to focus the unstructured section of the interview on the wider issues of the nature of innovation and the importance of family.

Most quantitative studies measure innovativeness using subjective self-ratings by single informants on multi-item Likert scales where sample sizes do allow internal validity to be confirmed (e.g., Eggers et al. 2013; Filser et al. 2018; Gast et al. 2018;). External validity of such measures has to assume that informants have accurate and consistent perceptions of their own innovativeness and that of competitors. In this qualitative study, *innovativeness* is assessed in interviews by first ascertaining the frequency with which each family firm introduces new products, services, or processes. If the firm introduced one or none in the last three years, it is classified initially as ‘low’; at least three new introductions in three years is deemed ‘high’ intensity. Other firms are classified as ‘moderate’. These classifications were then confirmed by further questions about how our informant’s innovativeness level compared with direct competitors and their innovation process, if there was one (see Interview Guide, Appendix 1). The innovations reported were predominantly incremental in nature, involving mainly improved or new products or services, confirming the findings of Alberti and Pizzumo (2013).

Building on Miller et al. (2015), we extend the measure of *family centricity* using two dimensions of SEW (see Berrone et al. 2012): (1) family control and influence, including the extent to which non-family members hold senior management positions, and (2) the expressed desire for intra-family transfer ownership to the next generation (following Gilding et al. 2013). On the first dimension SEW, there is a degree of family control and influence in all our firms given our definition included majority family ownership. Where non-family members are not involved in senior management and there is a strong expressed desire for succession to the next generation of the family, family-centricity is deemed 'high'. Where non-family members are already among the senior management and there is a weak or no desire at all for continued intra-family succession, then family-centricity is 'low'. Other combinations are ambiguous, e.g., non-family as senior managers but strong desire to ensure succession and are rated 'moderate' on family-centric SEW.

Data analysis followed the steps recommended in previous studies (De Massis and Kotlar 2014; Marshall and Rossman 2011) and by Gioia, Corley and Hamilton (2012). We read through the interview transcripts and secondary data several times to get a comprehensive understanding of each firm, organising the emerging themes into categories using diagrams, tables, and highlighting text (by hand). Then NVivo 12 analysed the information on each firm, arranging properties into the categories identified in the previous step. These first-order categories included types of innovation; motivation to innovate; challenges to innovation; R&D activities; competitive advantage; family control and influence; and succession intentions. The relevant text extracts were then re-arranged within each category, generating second-order codes. For example, under 'motivation to innovate', we grouped effectiveness, problem solving, customer demands, and competitor pressures, which we re-coded into a separate category called ‘necessity to innovate’. Emerging categories were crosschecked between firms in an iterative manner until theoretical saturation with no new categories emerging. (A data structure table following Gioia et al. 2012 is in Appendix 2.) Finally, to help elucidate patterns, we classified firms according to their employment size into three categories following Kushnir (2010): ‘micro’ = 10 or fewer employees; ‘small’ with 11 to 50 employees; and ‘medium’ having between 50 and 500 employees.

Findings

The goal of qualitative research study is to find and explain patterns emerging from rich data (Attride-Stirling 2001; Cavana et al. 2001; Yin 2014). Table 1 lists our firms by size within each level of innovativeness. Within the limits of multi-case methods, this pattern is consistent with a strong inverse relationship between our two-dimensional measure of family-centric SEW, and firm-level innovativeness. We develop our findings under four sub-themes: patterns of SEW, firm size and innovativeness; contrasting high and low innovators; pattern mismatches; and, finally, the survival of non-innovative family SMEs.

Insert Table 1 around here

Patterns of SEW, firm size and innovativeness

There is no association here between firm size and age in this group of firms (insignificant rank correlation = +0.07) because we have several non-innovative firms that are both old and micro (firms 10, 12, 13, 14). Firms such as these, while not experiencing much growth, have nevertheless survived decades without being innovative. Using the pattern matching approach (Yin 2014), the seven most innovative firms comprise the three largest firms but also four smaller firms (firms 4, 5, 6, 7). While five of the six least innovative firms are micro, firm size is not a prerequisite for innovation. None of the 'high' innovative firms have highly family-centric SEW, in sharp contrast to all of the least innovative firms who remain highly family-centric. Continuing with this approach, when we consider the seven 'high' innovative firms (1 through 7), none have retained a high level of family centric SEW and only one (firm 7) is in the micro size category. Of the seven least innovative firms (8 through 14), only one, firm 8, is medium-sized and has not retained high family-centricity. The degree of family-centricity is clearly playing an important role in distinguishing between the most and the least innovative of these family SMEs: where family-centricity is high, innovativeness is always low (firms 9 through 14), despite differences in firm size. Conversely when family-centricity weakens (firms 1 through 8), innovativeness is usually high, with the exception of the moderate level of innovativeness in firm 8. Of the seven most innovative firms, three are medium; three are small, and one is micro, employing only ten people. The final pattern between firm size and family-centricity is also apparent with five of the six micro firms retaining high family-centricity but, of the eight larger SMEs, only one (firm 9) is highly family-centric. The pattern between firm size and innovativeness is apparent but less consistent than that between family-centricity and innovativeness, suggesting that the centricity of SEW is more influential for innovativeness than firm size. This finding is interesting given the importance of traditional family values in the UAE which may have limited the heterogeneity of SEW, suppressing any relationship with innovativeness.

<u>Contrasting high and low innovators</u>

Table 2 summarises the main patterns and provides selected extracts from firms with exhibiting high and low levels of innovativeness.

Insert Table 2 around here

The largest three firms (1, 2, and 3) employ between 120 and 400 people. These are mature businesses with some erosion of family control, reflecting mainly the introduction of non-family members into senior management positions. These firms are well-resourced and so more willing to support innovation. Firm 1 has an R&D department and an annual budget allocation to support innovation. Firm 2 has pursued a growth strategy of unrelated diversification (jewellery, watches, real estate, food) and now has third-generation family involved in the business. It has also professionalised its management team with several non-family members now in key managerial positions and able to drive innovation. As stated by the third-generation manager:

> 'Our competitiveness is based on reputation of service and selling premium quality product. I am very proud of my grandfather's reputation in the industry. Our current priority is to expand our business, that's why we are investing in sweet manufacturing business now, slightly different from our current business in trading and service'. (Firm 2)

Firm 3 has implemented Enterprise Resource Planning and two second-generation family members are responsible for innovation, ensuring the firm is alert to changes in technology, especially improving product design using 3D printing technology. These three firms have the resources to support their proactive innovation strategies with both technology push and demand-pull perspectives being as key drivers (Brem and Voigt 2009; Di Stefano et al. 2012).

The three small firms (4, 5 and 6) employ between 15 and 30 people and include the youngest business, Firm 5, founded in 2015. Firms 4 and 5 are two of the most innovative in the study, and among the smallest. Both founding families are very focused on the business and on innovation, and no intention to retain the business in family ownership. Firm 4 has a non-family member in the top management team, devotes 20-30% of its annual expenditures on innovation. Firm 5, the youngest firm in the study, had already allowed non-family members to spearhead several new service developments. Both these innovative firms are highly customer-focused on their respective markets:

> 'Innovation is important in our business...[it] is essential to stay in the market because our market is fast changing and the only way to adapt is to be directly involved in the business' (Firm 4)

> '[We aim to] stay the first kids' club in strategy and innovation. We have meetings with the parents, surveys that ask what they are looking for in a kids' club, and assessment and performance where parents can come to see the progress of their kids' (Firm 5)

All three firms (4, 5, and 6) have appointed several non-family members in managerial positions. Firms 4 and 5 were willing to let non-family members to take total charge of the business in future. The other firm had hopes for second-generation family members to succeed in the business but there is no firm requirement or indeed expectation that this would happen. The CEO of firm 6 spoke about his son's involvement in the business:

> 'It does not make sense to give an outsider to take in charge of the company as I already have capable sons to take the business forward. But this depends on their goals. If my sons want to continue and expand this family business than they are more than welcome. If they want to do something else there would be no holding back. It's totally up to them!' (Firm 6)

Compared to firms 4 and 5, firm 6 is stronger in terms of a desire for ongoing family control. However, firm 6 already has outsiders in management positions and is not fixated on family succession.

Pattern mismatches

The previous discussion of our findings has been based around the replication logics evident especially when exploring quite subtle patterns (Yin 2014). The imprecision of the pattern matching is due to only three firms: 7, 8, and 9 – see Table 3.

Insert Table 3 around here

Firm 7 has higher innovativeness and weaker family-centricity than observed in other micro firms. Firm 8 has lower innovativeness than we would expect given both its medium size (80 employees) and lower family-centricity. Firm 9 has maintained a high degree of family-centricity given its size (46 employees) but is much less innovative than other firms of similar size. This firm has twelve family members involved in running the business but no outsiders, and still considers itself to be a relatively small business. They do not engage in innovation as they see their business as operating in a buy-then-sell merchandising model.

Survival of non-innovative family SMEs

Given the importance of innovation for competitive advantage, how do non-innovative family firms survive? Among our six micro firms, five of these (Firm 10-14) match the expected pattern of high family-centricity and low innovativeness, indeed no innovation at all in some instances. All these firms have survived without significant innovation for over 10 years and four have been in operation for at least 30 years. According to De Massis et al. (2015), the ability to innovate is measured by owner’s discretion to direct, allocate, add to, or dispose of resources for innovation purposes. As such, this group of firms might have a high ability to innovate but also a high unwillingness to so do, exemplifying the innovation paradox (Chrisman et al. 2015). These micro firms are useful in addressing the corollary to the paradox: if innovation is important for firm performance, how are smaller family firms able to survive? These firms do not emphasise innovation, relying instead on other sources of competitive advantage (Agyapong et al. 2016). Table 4 summarises our qualitative data on these firms and our interpretation of their competitive advantage.

Insert Table 4 around here

The lack of innovation has not yet forced the exit of these micro family firms. They have each been able to develop other bases of competitive advantage other than they have however all been driven by necessity to regularly adopt small incremental changes under pressure from customers, competitors, and suppliers (Martinez-Alonso et al. 2020). Necessity trumps unwillingness to permit enough adaptation to survive but changes are indeed modest and low risk. There is of course some considerable irony in this finding bearing in mind Newbert and Craig's (2017) recent critique of (family centric) SEW as being narrowly self-interested and pursued without any 'moral obligation to protect and promote the interests of those on whom their businesses depend' (Newbert and Craig 2017). Here we demonstrate the vital nature of such dependence on external stakeholders for the long-term survival of some family SMEs that remain too family-centric for their own good. In Figure 1, we conceptualise how the construct of necessity, reflecting the task environment of customers, competitors, and suppliers, acts as the balance point between ability to innovate and willingness to do so.

Insert Figure 1 around here

This diagram shows the necessity to innovate (see Data structure table in Appendix 2) as a pivot point reflecting an amalgam of external drivers such as the need for cost efficiency, customer demands and other competitive pressures. As these stakeholder pressures grow, the pivot point moves from right (unwilling to innovate) towards the left (abilities to innovate), when some changes can be made. Once done, the pivot returns to the right of the scale and the family-centricity of SEW remains unchanged throughout.

Conclusions and further research

We find some family SMEs in the UAE to be much more innovative than others and associate this with their lower family-centric SEW (Memili and Dibrell 2019). These innovative family

SMEs are proactive in their innovative endeavours although these are nevertheless mainly incremental and product-oriented, with a strong customer-driven focus. Among these innovative firms, some have never been family-centric while in others, it has waned over time: family firms do not have to be old or large before family-centricity weakens. Our least innovative firms remain highly family-centric, consistent with the traditional family values of the UAE, yet survive based on their local reputation and close relationships with their customers and suppliers. Any innovation in these firms is the result of intermittent prompting by these external stakeholders, the very parties whose interests do not concern family-centric SMEs.

This paper also shows the complex interactions among SEW, firm size and innovativeness. Resource-based scholars highlight the importance of having more resources thus indicating larger size improves firms' innovation position (Stewart and Hitt 2012). From the patterns revealed in this study, firm size matters for family SME innovation, but it is not necessary: our seven most innovative firms included one micro firm and three small firm (cf. Blombäck and Wigren 2009). However, of the six least innovative firms, five are micro firms and one is small. Centricity of SEW drives innovation in these firms although this in turn appears linked to firm size. Our results suggest that SEW may be more influential for innovativeness than firm size, in these family SMEs in the UAE.

Low entry barriers and the ease of doing business in the UAE ensures ongoing competition pressure, especially from foreign firms, and family SMEs will continue to need prompting to be sufficiently innovative. The UAE National Innovation Strategy for 2021 seeks to promote a culture of innovation generally across all businesses, including family SMEs. We do not dispute this emphasis (Matroushi et al. 2018) but our findings suggest that more attention should now be given to mitigating the effects of family-centric SEW, alongside other considerations such as R&D incentives to increase innovation inputs. There could be more education provided on the professionalization of family business management by developing non-family managers (Hall and Nordqvist, 2008; Howorth et al., 2010); the need for succession planning to include key non-family stakeholders (Fox, Nilakant, and Hamilton 1996; Gilding et al. 2013); and the building of more trust-based relationships with these external stakeholders (Newbert and Craig 2017).

The research reported here has important limitations. Our findings have no statistical validity. This is a single-country qualitative study with all the firms based in UAE and these findings cannot be extended to other times and places. Our scope was confined to surviving family SMEs and we were not able to extend our exploration to family SMEs who had gone out of business. This is one gap that could be addressed in future research. The influence of higher generation involvement on SEW priorities (Le Breton–Miller and Miller 2013; Gu, Lu, and Chung 2019) also merits closer study, especially as generational transfer can be a key opportunity to bring change into a family business. A comparison of the innovativeness of firms that have remained family owned through succession and those that have not would also provide useful insights into the effects of SEW. Such studies could be conducted in the Middle East to redress the current Western emphasis in the family business literature.

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Table 1. Profile of the smaller family firms in this study

Firm	Industry	No. of employees	Year founded	Size category	Family-centricity (SEW)	Innovative-ness
1	Shipping	400	1988	Medium	Mod	High
2	Trading & services	300	1970	Medium	Mod	High
3	Footwear	120	1990	Medium	Mod	High
4	Advertising	30	1981	Small	Low	High
5	Children Gym	15	2015	Small	Low	High
6	Food trading	15	1992	Small	Mod	High
7	Perfume	10	2010	Micro	Mod	High
8	Construction	80	1980	Medium	Mod	Mod
9	Fruit trading	46	2005	Small	High	Low
10	Building materials	10	1991	Micro	High	Low
11	Real Estate	9	2000	Micro	High	Low
12	Auto Garage	8	1988	Micro	High	Low
13	Retail	6	1984	Micro	High	Low
14	Real Estate	3	1975	Micro	High	Low

Table 2. Innovation in smaller family firms

Innovativeness	High	High	Low
Size category	Medium	Small	Micro
Family-centricity	Moderate	Moderate/Low	High
Firms	1,2,3	4,5,6	10,11,12,13,14
Selected extracts:	Firm 1. The largest firm has seen rapid expansion and now has several overseas subsidiaries. The eldest son joined the business upon graduation and spearheaded many new initiatives, setting aside a yearly budget for R&D projects. Main innovation driver: "*In shipping we have to always use new technologies to be efficient in the market. Mainly customer needs, observing demand in the market is critical"*	Firm 4. They innovate because "*Cutting cost and maximize profit is essential.*" They innovate by "*checking out exhibitions in Dubai and personal friends in foreign countries, benchmarking previous projects. We like to keep in touch with our customers to satisfy their need so their opinion matter sometimes in product and cost wise."*	Firm 10. Owners do not consider themselves innovative. Introduce new products based on customers' requests, usually as extensions of current lines. Competitive advantage (CA): Location and customer convenience '*all items under one roof*'.
	Firm 3. The family makes all major decisions although they employ outsiders in the business. Main innovation driver: *"How to increase sales we can't survive in this market, so we always have to think of new ideas to increase our sales and reduce our cost at the same time"*.	Firm 6. *"'Innovation helps the company stay in market or at least remain competitive. If there is no innovation at all, new companies would overtake the old companies. We always have discussion with senior staffs and salesmen on how to attract more customers. It can be difference in packaging style or introducing new products that can be mixture of number of products.'*	Firm 13. Business has no innovation budget and considers itself not innovative and unwilling to take risks. They have introduced new services (home delivery) and products (imported foodstuffs) as responses to customer demand. CA: Customer orientation and responsiveness '*Giving some specific tailored service to customers*.'

Table 3. Firms that do not pattern-match

Firms	7	8	9
Innovativeness	High	Moderate	Low
Size category	Micro	Medium	Small
Family-centricity	Moderate	Moderate	High
Synopsis:	Aim is to "*to increase brand awareness and revenue growth*" through innovation. Introduced over 25 new perfume types in last in the last three years: "*We rely on customer survey, sales personnel and supplier networks to suggest new ideas. We are a small company and I decided on major stuff, so we can introduce new perfume quickly, to be competitive.*" Founded by two brothers and friends. Owners wish to see the family "*working together as a team to aim towards international success*" but are open to having non-family in management positions.	Adopting new construction industry processes but there is no R&D budget. On innovation: "*It's all needs based. In construction industry lot of developments are taking place particularly in new material, and new products are coming more frequently. We need to keep ourselves up to date with the developments*. *But we don't work ourselves on innovation. We work in consultation to our client …the client makes the decision we just expose him to different options.* The owner makes most of the decisions, with the help of his two sons. He would prefer them to take control in future but is open to a non-family person managing the business one day.	"*We don't do innovation this kind of thing. It is not important in our business; we just buy and sell the fruits. It's not necessary for our workers to think of this.*" This fruit trader provides many jobs to the owner's family, with twelve of them in different departments and positions. The business is considered the lifeblood of the family. On appointing non-family managers, the owner said: "*No, because they will keep profit as the top priority not the reputation or consider the wellbeing of family members*".

Table 4. Survival strategies in low innovative family firms

9	Have never introduced a new product but have developed a slightly better local delivery service. Competitive Advantage (CA): Networks '*build close relationships with customers and suppliers*.'
10	Owners do not consider themselves innovative. Introduce new products based on customers' requests, usually as extensions of current lines. CA: Location and customer convenience '*all items under one roof*'.
11	The only recent innovation was to use social media to communicate with the customer base, but this was copied by competitors. CA: Reputation '*There is nothing unique about us [but] we have high valued reputation in the market.'*
12	Only recent innovation was to computerize the vehicle servicing schedules. CA: Reputation '*The history and reputation of our garage helps us to keep our customers around.*'
13	Business has no innovation budget and considers itself not innovative and unwilling to take risks. They have introduced new services (home delivery) and products (imported foodstuffs) as responses to customer demand. CA: Customer orientation and responsiveness '*Giving some specific tailored service to customers*.'
14	Has not introduced any innovative process or service. CA: Reputation and niche strategy '*We have a heritage that spans over 50 years [and] focusing on marketing new property development projects for major developers.*'

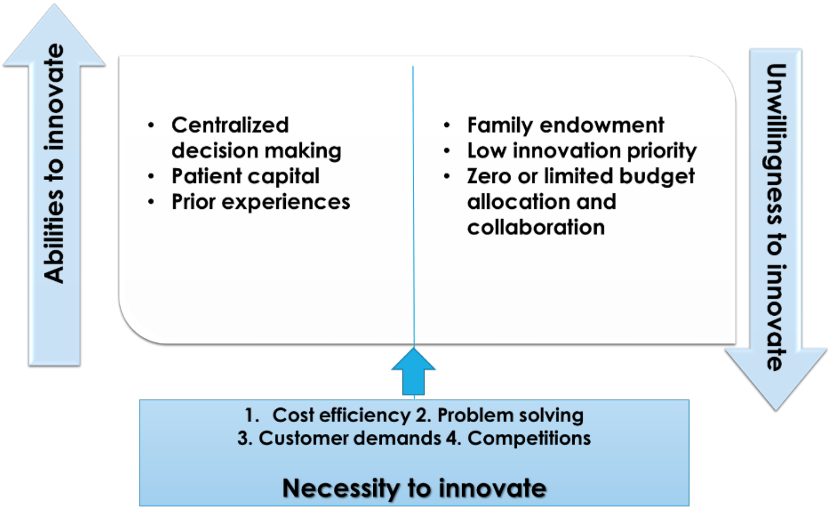

Figure 1. Ability, willingness, and necessity to innovate in family firms

Appendix 1 Interview guide

1. ***Company background***:
   Year founded? Number of employees? Industry?
   Annual R&D and innovation budget?
   What is something unique about this company compared to competitors?

2. ***Interviewee information***:
   Current position? Age? Education level?
   Generation in the family involved in this business? Total time with this business?
   Prior employment experience?
   What is one thing that makes you proud about this company?

3. ***Governance***:
   Who makes most of the company decisions? How many members are there in your family who works in the company? What positions do they hold?
   What are the contributions of the family member/s in improving the company's innovation? Do you have any expectation(s) regarding one or more family members continuing with the company in the future? Why?
   Would you mind if it were someone outside the family to take-charge of the company in the future? Is the family a consideration factor in terms of decision-making at the company?

4. ***Innovation***:
   What was the company's first innovation/product? During the last 3 years, how many new product or service was introduced in this company?
   Please explain the new products/services briefly, especially how and why they were introduced.
   Do you think that this company is more innovative than its direct competitors? Why?
   How is product innovation process managed and organized in the company? What are the roles of employees, customers and external partners in your innovation projects?

5. ***Challenges to innovate***:
   Did the company any face any problem/issue when developing new product/service? If yes, what were the problems/issues?
   How did the company overcome the problems/issues? In your opinion, what is the greatest challenge to innovate? Do you think innovation is critical for your company's survival? If yes, why? If no, why not?
   In your opinion, what is the most important factor for a company to become innovative?

Appendix 2 Data Structure (following Gioia et al., 2012)

Quote (1st order)	**2nd order themes**	**Aggregate dimension**
<u>Family involvement</u> *As it has been started with my father, and me being the first son in the family, he expects me to continue it, and I have been taking care of it since more than 5 years now. The family runs on the income of the business, so we need to consider the family's interest when we run the business. (Firm 10)*	Family-centric	
My sons will take over the company. We will not take finance from outsiders or appoint non-family people in the top management. (Firm 11)	Family-centric	
Why would I let any non-family member take key positions in this business? I prefer to take loan rather than share equity with outsiders. (Firm 12)	Family-centric	
Yes, I expect this business continue to be run by family members. I don't believe in outsiders because they will keep profit as the top priority not the reputation or consider the wellbeing of family members. (Firm 9)	Family-centric	
The business was started by family, so it would be natural for family to continue the legacy.	Family to business-centric	Continuum of socioemotional wealth
The outsider would take charge only if we sold the company to him. The reason is simply because this is a family business though we have some managers who are outsiders. (Firm 1)	Family to business-centric	
It does not make sense to give an outsider an opportunity or take in charge of the company as the owner already have more than capable sons to take the business forward. But it's ok to hire someone outside, depends on qualifications, and previous experience. If they satisfy and benefit the company, then it would be okay to hire them. (Firm 6)	Family to business-centric	

We have many from outside family already working with us. But we will continue to control the business. (Firm 2) *I am very proud that it's a family business where it was small company and grew to supply till now. We have one director which is not in our family though we also considered the interest of family when we make any business decision. I don't expect my son to take over this business in the future. (Firm 4)* *We separate the business from the family issues. I don't mind the business to be managed by someone professional in the future. (Firm 5)*	Business-centric Business-centric	
<u>Competitive advantage</u> *Our competitiveness is based on reputation of service and selling premium quality product. I am very proud of my grandfather's reputation in the industry. (Firm 2)* *We are proud of our commitment to keep customers satisfied. (Firm 1)* *The priority in the company is to improve its technology machines and hire as much labour to satisfy customer needs and any time frame for jobs. (Firm 4)* *Our products are direct response to our customers' demands. We have launched 25 new products into the market. (Firm 7)* *The history and reputation of our garage helps us to keep our customers around. Firm (12)* *All kinds of materials and sanitary items under one roof (which is not available anywhere else in Dubai). (Firm 10)* *We obtained the agency for a brand that didn't exist in the regional market. (Firm 3)* *As a long run family business, we build close relationships with customers and suppliers. (Firm 9)*	Reputation & product quality Customer orientation Innovation & customer orientation Customer orientation & product innovation Reputation Location and customer convenience First mover advantage Network	Abilities to innovate

We are the only kid's gym club in Alain that have licenses. We aim to stay the first kids' club in strategy and innovation (Firm 5) *We have a heritage that spans over 50 years [and] focusing on marketing new property development projects for major developers. (Firm 14)* *First company to import premium frozen fishes and vegetables from Bangladesh, Thailand, Pakistan and started distributing in UAE. (Firm 6)* *There is nothing unique about us [but] we have high valued reputation in the market. (Firm 11)* *We are giving some specific tailored service to customers. (Firm 13)* *We are much more innovative than our competitors because we always look for new and superior building material products. (Firm 8)*	First mover advantage and innovation Reputation First mover advantage Reputation Customer orientation Innovation	
Motivations to innovate *We were asked by Dubai Land Department and Dubai Real Estate Regulation Authority to update our system. This also help us to better organise. (firm 14)* *We supply almost most of the constructional items, as well as we are always open to new products that enters the market and has a good future with a good margin. When customer requests, we source for it. (Firm 10)* *As demanded by customers, we introduced complimentary service of cutting service for frozen foodstuffs (Firm 13)* *There are too many players in the real estate industry, we started to offer our products through the social media to compete with others. (Firm 11)*	Cost efficiency Cost efficiency and customer demands Customer demands Competition	Necessity to innovate

Recently, our systems upgraded to computerization because of customer response. (firm 12)	Customer demands	
Challenges to innovation *We don't have a set budget on innovation. We don't deal with banks and loans, it's against our family interest. So, if a project needs funding it needs to wait until the funding is available within the firm itself. (Firm 1)* *No, we don't have any budget because we don't develop anything. We just sell what's already been developed. (Firm 10)* *We don't have fixed budget for R&D very project is difficult, but mostly is meeting the customers' requirement, we can't cut corners to have perfect job. (Firm 4)* *Innovation is not critical in our business as we can survive by buying and selling in the usual way. (Firm 11)* *No, we only provide services so no budget for any innovation project (Firm 14)* *We don't do innovation because we are a trading company. (Firm 9)* *Innovation in the non-freehold real estate market is rare, thus, it doesn't pose a major threat to the company's survival. (Firm 14)* *Due to early success of the family business without being very innovative, we think innovation is less important than running the business in usual. (firm 13)*	Limited budget and family consideration Low priority Low priority Low priority Low priority Low priority Low priority Low priority	Unwillingness to innovate