

## Can family-managed businesses drive innovation while maintaining control?

*Enhancing process innovation in family firms: the role of R&D collaboration and technology protection*

RUBÉN MARTÍNEZ-ALONSO · MARÍA J. MARTÍNEZ-ROMERO · ALFONSO A. ROJO-RAMÍREZ · VALENTINA LAZZAROTTI · SALVATORE SCIASCIA

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**F**amily firms play a vital role in the global economy, yet many face unique challenges in fostering innovation, especially in uncertain times. This article investigates the impact of family involvement in management on process innovation and examines how external collaborations and technology protection can support these efforts. Understanding these dynamics is crucial for family firms looking to balance tradition with transformation.

### WHAT WE STUDIED

The study utilized a sample of 5,332 firm-year observations from Spanish manufacturing family firms, spanning from 2007 to 2016. Employing upper echelon theory, the research focused on examining family involvement in management, R&D collaboration with suppliers, and the role of technology protection, particularly patents, in fostering process innovation. Structural equation modeling was used to analyze these relationships and determine mediating and moderating effects.

### KEY INSIGHTS

#### **1. Family Involvement and Process Innovation**

Family-run firms tend to prioritize control and stability, often leading to conservative management approaches. The study found that increased family involvement in management generally correlates with a lower likelihood of pursuing process innovation. This reflects a reluctance to engage in risky innovation practices that might threaten the family's control over the firm.

#### **2. The Role of R&D Collaboration with Suppliers**

R&D collaboration with suppliers can serve as a crucial pathway to process innovation. However, family-managed firms often hesitate to collaborate due to concerns over potential control loss and knowledge spillover. The study found that family involvement negatively influences collaboration with suppliers, thereby reducing opportunities for innovation.

#### **3. Technology Protection as a Moderator**

Technology protection, specifically through patents, can alleviate family managers' concerns about collaboration. High levels of technology protection were found to mitigate the negative impact of family involvement on R&D collaboration. When patents and other protections are in place, family firms are more likely to engage in R&D collaborations, enhancing their capacity for process innovation.

### TAKEAWAYS

#### **Balancing Family Control with Innovation Needs**

Family firms should consider a strategic balance between control and openness to innovation. Prioritizing family members with technical expertise in management positions may encourage a more innovation-friendly environment.

#### **Leveraging Supplier Relationships**

Building strong, mutually beneficial relationships with suppliers can provide valuable external expertise while fostering innovation. Family firms may benefit from a gradual approach to R&D collaboration with trusted suppliers.

## Embracing Technology Protection

Investing in patents and other IP mechanisms is essential for family firms aiming to pursue R&D collaborations without risking their control over proprietary processes. Technology protection enables family firms to engage in high-stakes collaborations with greater confidence.

## IMPACT

This research highlights that while family-managed firms may initially struggle with process innovation, the strategic use of technology protection can unlock new possibilities for growth and efficiency. Future research might explore how different family dynamics, such as generational changes or diverse family branches, influence innovation strategies.

## RECOMMENDATIONS

Family firms are encouraged to:

- Assess the innovation capabilities of family members before appointing them to management roles.
- Develop trusted supplier relationships to facilitate R&D collaborations.
- Invest in technology protection mechanisms, such as patents, to secure and support process innovation.

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## CEFEO AUTHORS



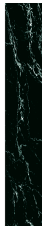
### Salvatore Sciascia

*Affiliated Professor*

*LIUC Business University*

[ssciascia@liuc.it](mailto:ssciascia@liuc.it)

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