Spotlight
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Can partnerships transform the way family firms innovate?

How knowledge collaboration unlocks growth

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Family businesses are often described as paradoxical. On the one hand, they are deeply rooted in tradition, prioritizing stability, legacy, and stewardship. On the other hand, their survival across generations depends on adaptability and innovation. Owners and managers frequently wrestle with questions like: *Should we take risks on new markets or protect the family's wealth? Should we prioritize long-term resilience or short-term growth?*

Academic literature has often painted family firms as more conservative in innovation compared to their non-family peers. This narrative stems from their risk aversion, reliance on internal financing, and emotional attachment to legacy. Yet, in practice, many family firms—from Italian eyewear giant **Luxottica** to global food leader **Barilla**—have repeatedly demonstrated their ability to innovate and adapt through creative strategies.

The recent study by **Audretsch, Belitski, Guenther, and Vershinina (2025)** provides fresh evidence that helps resolve this paradox. By analyzing how family and non-family firms invest in knowledge creation and collaborate with external partners, the researchers show that innovation in family firms is not inherently weaker—rather, it is conditional on how firms manage and leverage knowledge.

For family businesses facing new pressures from globalization, digitalization, and sustainability challenges, these insights could not be more timely.

WHAT WE STUDIED

The research focused on innovation dynamics in family versus non-family firms using **micro-level data from 9,266 UK firms (2006–2016)**. These firms were selected as some of the most innovative in the country, making the dataset particularly rich for studying innovation strategies.

Data and Method

- **Source**: UK Community Innovation Survey (UKIS), harmonized across Europe, supplemented by the UK Business Structure Database.
- **Sample**: Firms with at least 50% family ownership were classified as family firms (about 16% of the sample).
- **Measures**:
  - **Innovation outputs**: Share of sales from new-to-market (radical) and new-to-firm (incremental) products.
  - **Absorptive capacity**: Internal R&D expenditure and proportion of skilled employees.
  - **External collaboration**: Partnerships with regional, national, European, and international partners.
- **Analysis**: Multilevel regression models captured the interplay between firm-level factors and regional contexts.

This design enabled the researchers to test four hypotheses:

1. Family firms are not inherently less innovative than non-family firms.
2. Absorptive capacity boosts innovation equally in family and non-family firms.
3. Regional collaborations benefit family firms more than non-family firms.

4. International collaborations (outside Europe) also benefit family firms more strongly.

KEY INSIGHTS

1. Family firms are just as innovative as non-family firms

Contrary to the stereotype, the study found no significant differences in overall innovation performance between family and non-family firms .

This suggests that innovation is not limited by ownership type but by strategy. Family firms are capable of innovating at the same level as others—if they invest in the right resources and collaborations.

2. Absorptive capacity is a universal driver of innovation

Absorptive capacity refers to a firm's ability to **recognize, assimilate, and apply new knowledge**. It is built through R&D, training, and hiring highly skilled workers.

- A 1% increase in R&D spending was associated with a **24% increase in innovation outputs**.
- Hiring more skilled employees also produced measurable gains .

Importantly, these effects were **equally strong** for family and non-family firms. This finding highlights that while family firms sometimes underinvest in R&D, those that do invest reap the same rewards.

3. Regional collaborations leverage trust and reputation

Family firms collaborating with **regional partners**—suppliers, customers, universities, and local government—achieved significantly higher innovation outcomes.

Why does this matter? Family firms are often deeply embedded in their communities, enjoying long-standing trust and reputation. This makes local collaboration especially fruitful, since it reduces transaction costs and builds on shared values.

The Italian eyewear company **Luxottica** illustrates this well. Founded in 1961 in a small Italian town, Luxottica grew into a global giant while relying heavily on regional networks of skilled artisans and local universities for design and technology. These collaborations anchored its innovation before expanding globally.

4. International collaborations unlock radical innovation

While regional ties are powerful, they can also create a **lock-in effect** if firms rely only on local knowledge. To achieve **radical innovation**, family firms benefit most from **international collaborations outside Europe**.

The research showed that family firms engaged in global partnerships were almost **three times more likely** to boost product innovation compared to peers without such collaborations .

A case in point is **Barilla**, the Italian food company. While rooted in Parma and long committed to regional suppliers, Barilla recognized the limits of local knowledge. To meet global health and sustainability trends, it partnered with international nutrition experts and research institutions, leading to innovations like gluten-free and whole-grain pasta.

This shows that international collaboration provides family firms with access to diverse, sometimes tacit knowledge that fuels breakthrough products.

5. National and European collaborations add little value

Surprisingly, collaborations at the **national or European level** showed no significant benefits for family firms.

This "middle ground" may not provide the trust advantages of local ties nor the diversity benefits of international partnerships. It suggests that family firms should strategically focus on either **near (regional)** or **far (global)** collaborations, rather than spreading resources across intermediate levels.

TAKEAWAYS FOR FAMILY BUSINESS OWNERS

Build absorptive capacity

- **Invest in R&D**: Even modest increases in research spending yield strong returns in innovation.
- **Hire and train talent**: Skilled employees are essential to absorb and apply new knowledge.

Leverage regional strengths

- Use your **trust-based reputation** to collaborate with local universities, suppliers, and customers.
- Start with local experiments before scaling internationally.

Go global for radical innovation

- Don't stop at national or European partnerships. **Look beyond close cultural or institutional contexts** for truly novel insights.
- Use digital tools to overcome geographic barriers and maintain global networks.

TAKEAWAYS FOR POLICYMAKERS

Strengthen local ecosystems

- Support family firms in forming regional innovation clusters that build on trust and legacy.

Facilitate global knowledge access

- Provide grants and programs that lower the barriers to international collaboration, including joint R&D initiatives and bilateral agreements.

Balance incentives

- Policies should encourage both **internal investments (absorptive capacity)** and **external collaborations**, recognizing that family firms often lack the financial resources of non-family peers.

IMPACT

The findings reshape the conversation about family firm innovation. Rather than asking whether family firms are innovative, we should ask: *under what conditions do they innovate most effectively?*

The evidence suggests that family firms excel when they pursue a **dual strategy**:

1. **Internal strength** through absorptive capacity.
2. **External openness** through targeted collaborations.

This dual approach allows them to protect their heritage while embracing new ideas, positioning them not only to survive across generations but also to lead innovation in their industries.

RECOMMENDATIONS

For family business leaders, the message is clear:

- **Stop underestimating your innovative potential.**
- **Invest in internal knowledge creation.**
- **Be bold in seeking global partners.**

For policymakers and advisors, the task is to **create environments that help family firms connect knowledge dots**—both locally and globally.

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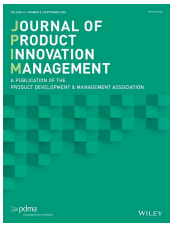

Audretsch, D. B., Belitski, M., Guenther, C., & Vershinina, N. (2025). Innovation in family firms: The role of absorptive capacity and knowledge collaboration. Journal of Product Innovation Management.

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