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Innovativeness in Thai family SMEs: An exploratory case study

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ABSTRACT

Over the past decade, academic research has revealed innovativeness to be one of the core components effecting SME performance**.** This research aims to study the linkage between innovativeness and **"**familiness**"** in family SMEs**.** The paper employs a qualitative approach and exploratory case studies, in collecting data on three categories of firms manufacturing, trading and servicing companies in order to identify how **"**familiness**"** effects the innovativeness of their family SMEs**.** To identify how **"**familiness**"** either accelerates or decelerates innovativeness in family SMEs, we adopted the F**-**PEC scale as a tool to study the connection between family and business values and also the impact of family commitments to the company**.** We found that power, experience and culture accelerate innovativeness in family SMEs**.** The paper illustrates the important role of family in firm innovativeness and how this can bring competitive advantage and success to family SMEs**.**

Introduction

At present, perhaps one of the greatest challenges in multi-generational family enterprise is the transition across generations. If a firm wants to survive as a practicable enterprise in a competitive marketplace and remain family-owned, the family must not only engage and educate succeeding generations, but also encourage innovation in their firm. Family business studies have long emphasized that next-generation members can be a vital source of innovative and entrepreneurial ideas. On the other hand, family SMEs are often characterized by a type of 'familiness' that involves introspective personalities, weighed down by old traditions, inflexible and resistant to change (Carrasco-Hernández & Jiménez-Jiménez, 2013). Familiness is incurred by the family's possession of power, experience, and the affinity between the subsistence of culture in the family and the culture within the company (Klein, Astrachan, & Smyrnois, 2005).

This research draws upon existing theoretical and empirical studies, using the case study method in the areas of family SMEs and innovation. We build a theoretical framework to propose a model for conducting research of familiness in family SMEs and its linkage toward innovativeness in the three sectors of business that the Fourth SME Promotion Master Plan 2017-2021 (Office of Small and Medium Enterprise Promotion, 2017) has been applied to support amongst Thai SMEs: manufacturing, trading and services.

This research aims to answer the question of how and why familiness enhances or decelerates innovativeness in family SMEs. This work begins by describing the concept of SMEs as family businesses and offers definitions to facilitate understanding of this research. Then, the paper explains how the concept of 'familiness' correlates to the definition of family business.

Literature Review

Family SMEs

Family business. Family businesses are those which are owned and managed by members of a family (or families), who are responsible for sustaining the business from one generation to the next generation (Chua, Chrisman, & Sharma, 1999). Employees of family businesses represent

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both family identities and corporate identities of their family corporation. They develop this kind of status through social interaction (Li, Xin, & Pillutla, 2002). A family entity is best defined by their experiences in their families (Golden, 2001). It can be also perceived by the status of their family's role (Yogev & Brett, 1985). The main thing that makes family business different from non-family business is the intertwining and mutual relationship between the family and business systems (Sharma, 2004). This intimate relationship might support the family business's resources, profitableness and subsistence (Milton, 2008; Sirmon & Hitt, 2003). Whereas, this aspect of the family business will support them to subsist in economic regression and occasion of inconstancy, it might challenge them in period of boom and constancy as well (Milton, 2008).

SMEs. The term "SMEs" generally refers to small ~~to~~ and medium-sized enterprises, but there is no unanimous definition. Definitions of SMEs are widely different in different regions, dependent on the stage of economic development as well as pervasive social conditions. For example, a business might be defined as a~~n~~ SME for the purpose of getting government aid in Taiwan, even though it does not meet the general criteria (Rujirawanich, Addison, & Smallman, 2011). Furthermore, many indices are used to define the meaning of SMEs, such as number of employees, amount of investment, total amount of assets, sales and production volume. The Thai Ministry of Industry classifies an enterprise as an SME when it employs less than 200 people and owns a fixed capital of lower than 200 million baht (excluding land and properties) (Rujirawanich et al., 2011).

Therefore, in this paper, we will define a family enterprise/family SME as an ownership, partnership, enterprise or any type of ~~a~~ business organization which has both-- no greater than 200 employees and lower than 200 million baht of fixed capital, where the main power of possession is occupied by the family and the family members are self-employed in the company and/or the family's member is the CEO (Birdthistle & Fleming, 2003).

About Familiness

'Familiness' is a particular word which has been used to cover why, when and how the success or failure of a family business occurs (Chrisman, Chua, & Steier, 2005; Habbershon, Williams, & MacMillan, 2003). It demonstrates those interactions among each family members, the family unit and the firm that result in systemic synergies. Pearson, Carr, and Shaw (2008) identify and define the term of 'familiness' as "resources and capabilities that are unique to the family's involvement and interactions in the business". Using the F-PEC Scale (Astrachan, Klein, & Smyrnios, 2002), we describe how the components of familiness, as the basis of a family firm, either enhance or decelerate innovative capabilities and competitive advantages that influence family SMEs' performances. Based on this perspective, a conceptual model, laws of interaction~~,~~ and a set of propositions are provided.

Evaluation of Innovativeness in Family SMEs

Innovativeness can be understood as a learning process, divided into the categories of technology and operations. Particularly, the integration of these capabilities will encourage innovation and bring competitive advantage to firms.

In previous studies, innovation in family businesses has been evaluated by developments that are grounded in the integration of four basic and complementary types of capability: technological, operational, managerial and transactional (Burgelman, 1994; Guan & Ma, 2003; Yam, Lo, Tang, & Lau, 2011). As noted, the factors themselves are not enough to explain exactly what leads to innovativeness. Lawson and Samson (2001) offer a model of innovation capability that can be separated into seven categories which are "vision and strategy, harnessing the competence base, organizational intelligence, creativity and idea management, organizational structure and systems, culture and climate and, finally, management of technology". These aspects can lead to a firm's innovations.

Looking first at the aspect of vision and strategy, the linkages between vision and strategy are the keystones of the efficient innovation management. Strategy is the major tool that is used to determine the resources, goods, procedure and systems that enterprises impose to handle any inconsistency in their companies. This is because firms make decisions according to their strategies about what operations and sections they have to take action in and in which market. Successful innovation needs an explicit integration of a common vision and the right strategic direction of the company.

In addition, innovation success is necessary to have the ability of allocating resources precisely to where it needs to be (Burgelman & Maidique, 1988). The significant factors consist of resource management, accessibility of money sources, innovation boosters and the application of e-business.

Organizational intelligence is elementary knowledge of customers and rivals. Burgelman and Maidique (1988) emphasize that understanding of both rivals and markets is significant in innovation management.

Moreover, creativity can be from the significant continuous improvements by employees, or alternatively, creativity is the thing which can be the radical idea that can change the strategy of the company or can create new businesses.

Successful innovation is necessary to have a business structure that is optimal to the business (Burgelman & Maidique, 1988). If the business structure and its process do not lead to a desirable environment, it is unlikely that other components of the innovation system will be successful.

It is vitally essential to have a suitable culture and atmosphere within the organization to support both the radical and incremental innovation in order to succeed. The components underlying the culture and structure construct are vision, centralization and formalization (Hoonsopon, & Ruenrom, 2012).

These days, technological management is very important for businesses. Vadastreanu, Bot, Farcas, & Szabo (2015) state that "the shift toward external networks and leveraging the entire corporate knowledge base has meant that we are more concerned with the management of technology within the overall organization, rather than research and development".

Proposition about Relationship between Familiness and Innovativeness

Family Power and Innovativeness. The power and ownership nature of a family corporation is obviously essential in the determination of the business goals, the shareholders' wealth and how managers of the company can be ruled (Holt, Rutherford, & Kuratko, 2007). The behavioral strategic controls realized through family ownership have a strong impact on innovation of the company (Hsu & Chang, 2011). In the same way, Lichtenthaler and Muethel (2012) found that a family's participation has a positive relationship with selected dynamic innovativeness and innovation capabilities. So, we present the following proposition:

Proposition 1. Family power supports the innovativeness in family SMEs.

Family Experience and Innovativeness. Experience in a family business can determine the level of a son's entrepreneurial spirit. Thus, how many members of the family working for their family owned company is perceived as a key determinant of how much experience the company gains from the family (Astrachan et al., 2002). In the past few years we have found that successful multi-generational family businesses intend to maintain their long-term prosperity by adopting innovation as mechanisms to convert the orientation and ensure the 'future-proofness' of their company. Following the lead of Bergfeld and Weber (2011), we put forward the following proposition:

Proposition 2. Family experience enhances the innovativeness in family SMEs.

Family Culture and Innovativeness. Culture has a radical effect to the innovativeness of a society or a corporation. Ownership of gainful cultural distinctions offers the corporation with the essential compositions to innovate (Ahmed, 1998). The article about corporate innovation highlights the significance of culture as a main factor in innovative performance (*Çakar*, 2006; Herbig & Dunphy, 1998; Branen, 1991; Feldman, 1988). So, we present the following proposition:

Proposition 3. Family culture enhances the innovativeness in family SMEs.

Method

In this research, we employ exploratory case studies in collecting data. A case study should be regarded if the research is focused on the studying of answers the 'how' and 'why' questions (Yin, 2003). The case study method was chosen because the cases can generate and gather the in-depth ideas of participants from those target family SMEs.

Sampling Design

In this research, we selected one case in each sector of business. We used this method in order to get specific information from each case which is suitable for basic understanding (Flyvbjerg, 2011). Miles and Huberman (1994) defined the case as "a phenomenon of some sort occurring in a bounded context. The case is, in effect, your unit of analysis". The family SMEs of interest were selected from among those listed by the Office of Small and Medium Enterprises Promotion. Research was performed within the framework of the proposition that "familiness enhances or decelerates innovativeness in the family business sector of SMEs". The primary research tool was the structured question-based interview following the F-PEC scale. Companies selected for the study consisted of three kinds of businesses: manufacturing, service and trading. Firstly, the participants were asked if they considered themselves as family businesses in the SME sector. This meant that they were family-owned. If they were not, they were disqualified. Secondly, if it was a family business, they were then asked if they engaged at least two generations of the establishing family. Lastly, they were asked whether at least one member of the establishing family was in a management position. This process assured that all three family businesses whose representatives we interviewed met our criteria, as shown in Table I.

Table 1
Company Profile as an Interviewee

Sector	Manufacturing	Trading	Service
Generation of Management	Second	Second	Third
Year Founded	1994	1995	1981
Capital Registered	220,000,000	10,00,000	13,200,000
Number of Employees	240	47	200
Type of Business	Raw Palm Oil	Printer and Copier	Transportation Servicing
Sale Volume (2016) Million Baht	865,240,559.34	37,840.790.25	47,890,563.55

Instrument Design

In this research, we adopted the F-PEC Scale (Astrachan et al., 2002). The F-PEC was first used as a model to measure the familiness of family business by Holt et al. (2007), who found it to be a beneficial tool. In the F-PEC model, F refers to family; P refers to power, which consists of ownership, governance and management; E refers to experience, which consists of generation of ownership, generation participated in management, generation presented on board of direction and number of participated family members; and C refers to culture, which is determined as the coincidence of the values of family and business, and family business obligation.

In this study, we utilized the F-PEC Scale to generate open-ended research questions for use in data collection for testing our propositions with empirical research.

Data Collection and Analyzing

The reliable sources for case studies consisted of documents, archival records, interviews, direct observation, participant-observation and physical artifacts (Yin, 2003). In this research we adopted the structured interview method. Content analysis was employed in analyzing data by using within-case and cross-case methods of analysis.

Results

Family Power and Innovativeness

As part of the F-PEC power subscale, we conducted interviews with representatives of three companies–manufacturing, trading and servicing–with structured questions about proportion of share ownership, holding company, governance board and management board, as shown in table II.

Company A, a manufacturing business, has 100% proportional share of ownership held by family members and no other share ownership. Company A has no share asserted in a holding company or identical entity. Company A has no governance board. Company A has three persons as management board members.

Company B, a trading business, has 100% of share asserted by family and non-family members, and no other share ownership. Company B has no shares in a holding firm or identical entity. Company B has two governance boards and two persons on its management board.

Company C, a transport service, has 100% of shares asserted by family and non-family members and no other share ownership. Company C has no shares in a holding firm or identical entity. Company C has three governance boards and three persons as members of its management board.

All three companies thus have 100% share ownership and no holding companies in the business. This may result in positive or negative situations for the firms. Regarding the question examined in the study, 100% share ownership held by the family can control the direction of the firm. The advantage is that those who play a role as a management team can take fast-moving action to propel their innovativeness, as shown in the study of Hsu and Chang (2011), who found that family possession is important according to behavioral strategic controls that have a significant positive impact on family's business innovation. However, what still merits further study is that, if the family power is not realized and does not enhance innovation, then power and family involvement might not accelerate the innovativeness in family SMEs. For example:

'I am the decision maker for the company and propose innovative direction for business.' (Manufacturing)

'I myself push strategies to drive new technology adoption in the company.' (Trading)

'No others are involved in decision making, so implementing new knowledge for business solutions is very quick.' (Service)

So, the results support the proposition that family power support the innovativeness in family SMEs.

Family Experience and Innovativeness

For the effect of family experience as an aspect of familiness, we asked the interviewees a set of questions about the generation that owns the company, the generation that is presented in management, the generation that is presented on the board of director and the number of involved family's members. The results are shown in table II.

Company A has a second generation of ownership, and the second generation also manages the company. Only the second generation is presented on the board of directors, and two members of the family participate actively in the business. There are not any family members who are not actively involved in the company but are interested. This company's CEO performs innovation capabilities that can be described. Firstly, Company A's CEO shows his visions and strategies as he focuses on both product and process innovations, particularly implementing innovations matching with the current target market. Secondly, Company A plays a role in harnessing the competence base, launching knowledge and experience sharing in benefit-creating innovations. In the dimension of organizational excellence, Company A has accepted knowledge from its clients and always seeks information on its competitors. Finally, Company A sets a goal for innovation by devoting time to setting up and providing training, and totally agrees with the advantage of linking technology with innovation to facilitate business success in the dimension of its organizational structure, culture and the management of its technology.

'As I am his son, I always adopt every comment from my dad for planning and fixing a problem or finding compatible new solution, as I believe in his experience.' (Manufacturing)

Company B has a second generation of ownership which also manages the company. The generation presented on the board of directors is of both the first and second generations. Two members of the family are actively involved in the company, and one family member is not actively involved but is still interested in the business. Moreover, there are two family members who are not interested in their family business at all. This company realizes that innovation is a keystone for the success of the company and its vision. Opening wide to employees to introduce new innovations in order to reduce risk is a policy with in-depth study in any matter. Company B tries hard to stay up-to-date on information and benchmark it with its competitor in order to create innovation. Its managers never hesitate to learn how the customers feel and listen as their customers speak. Moreover, brainstorming among the employees is promoted in the company. Finally, they try hard to stay caught up with technology and evaluate where it can fit and enhance the capability of the company, as a key role of their management of technology.

'Many long-terms business problems are solved by new technology in my generation as we learn to make a gap fulfillment with the combining of ideas between my uncle and me.' (Trading)

Company C operates with the third generation owning the company. The second and third generations manage the company and are also present on the board of directors, with three family members participating actively in the company. Company C enjoys its vision of being wide open to employees' contributing innovation in the company, by providing meetings and an open stage for idea presentations to encourage the employees toward innovation. Knowledge and feedback from customers are accepted as organizational intelligence, with employees encouraged to brainstorm for solving problems and advancing further development of the company. Company C also sets a goal for innovation training and encouraging continuous communication with employees to build a good working culture and climate. Finally, company C tries to seek for proper technology in order to improve its business of the management of technology strategy.

'The experience and feedback loop is a very important tool used in business problem solving when adopting new solutions.' (Service)

In discussion of experience effect, all of these three companies operate their businesses with second, third and further generations. It seems as though in transferring knowledge and experience from generation to generation, all of them play a similar role in vision and strategies that focus on innovation goals. All three of them reported that they have made changes to their companies since the second generation took over and turned into more innovation-oriented businesses. The result is that all of them can generate innovation or at least realize the importance of innovation as a key factor in business success, while still keeping the core competency from the former generation, then forming a new combination in order to build their competitiveness. This bears a relevance to prior research, as with Astrachan et al. (2002), who stated that experience in a family business can be determined as a consequence of a son's entrepreneurial input. Bergfeld and Weber (2011) said that successful family enterprises intend to retain their long-term prosperity by using innovations as mechanisms to convert the orientation and ensure the 'future-proofness' of the companies. Therefore, the result of this study supports the proposition that family experiences accelerate the innovativeness of family SMEs.

Family Culture and Innovativeness

In terms of culture, we posed six structured questions on an F-PEC culture subscale to the executive directors of the chosen companies, Company A, Company B and Company C, who are in the manufacturing industry, trading industry and servicing industry, respectively, as shown in table II.

We found that, in all three companies, the family has an influence on the business and family issues. They incorporate their family values into their business values. Since all the members of the family are willing to put effort into helping the business be successful, they provide discussion among members of the family on the business issues. As a result of culture subscale, all companies that we studied feel loyalty to the family business.

In addition, in our study, we found that all three family businesses agree that their family values are compatible with the value of business. The members of the family feel proud that they are involved in their family business. They also gain by working with the family business for a long period. In particular, the members of all three companies consent to the objectivity and policies of their family's businesses. They are truly concerned about the destiny of the family business as well. All of them feel that being participants in the family business has a positive impact on their lives, and really understand and support the decision making with regard to the future of the business.

With regard to innovativeness, in light of the firm's innovation capability via the F-PEC subscale for vision and strategies, harnessing the competence base, the culture and climate in table iii, the executive directors of the three companies gain strategic input from members of the family. They encourage employees to introduce innovation into the company because they believe that their innovations will bring success to the business. As the family realizes that making innovation a priority will bring success to the business, the family agrees on providing the in-house funding for the R&D to acquire and/or create innovation, an important part of harnessing the competence base. In terms of culture and climate, we found that the executive management treats employees as part of their family, which facilitates smoother communication among and helps to achieve innovation and positive learning outcomes.

'We share the same values for business success and operate our business with unity.' (Manufacturing)

'Both management and employees rely on the same organization culture, as we are a family.' (Trading)

'My uncle managed the business in a very professional style, and that style has transferred into the present management style. We are family but we are also professional.' (Service)

Table 2

Interview Result as the F-PEC Scale Concept

Sector	Manufacturing	Trading	Service
Power			
Proportion of share ownership by family	100%	100%	100%
Management board by family	3 persons	2 persons	3 persons
Experience			
Generation who owns company/generations who manage company	2nd / 2nd	2nd / 2nd	3rd / 2nd and 3rd
Generation activates governance board	2nd	1st and 2nd	2nd and 3rd
Number of family members participating actively in company	2 persons	2 persons	3 persons
Cultures			
Family influence on business	1st generation	1st generation	1st and 2nd generation
Family members agree on family values and business values	All members agree	All members agree	All members agree
Family members are proud of family business	All members are proud	All members are proud	All members are proud
Family members feel gaining benefit from business in long run	Feel gaining benefit	Feel gaining benefit	Feel gaining benefit
Family members agree with goals, plans and policies of family business	All members agree	All members agree	All members agree
Family members put positive influence in family business	Put positive influence	Put positive influence	Put positive influence

In conclusion, using the F-PEC culture subscale, which purposely studies the connection between family values and business values and the business commitments to the firm, we found that in all three selected companies in the manufacturing, trading and service industries, familiness influences the family business in terms measurable on the F-PEC cultures subscale. From our study via the F-PEC culture subscale, we found that the culture supports innovativeness.

Table 3
Innovativeness

Sector	Manufacturing	Trading	Service
Visions and Strategies			
Vision on innovation	Focus on product and process innovation	Focus on operation process innovation	Wide open to innovation
Strategies to create innovation	In-depth study and innovation by owner	Encourage employees to contribute innovation	Provide meeting and stage for employees to contribute innovation
Vision on innovation bringing success into business	Need to assure by in-depth study on innovation before introduction to business	Totally agree that innovation brings success into business	Totally agree that innovation brings success into business
Harness Competence Base			
Manage existing resources to increase innovation	Collect information from others for creating innovation	Collect information and up-to-date information from others and competitors for creating innovation	Collect and study information from inside and outside company for creating innovation
Sharing knowledge and experiences between employees	Encourage employees to share knowledge and experiences	Encourage employees to share knowledge and experiences	Encourage employees to share knowledge and experiences
Funding for R&D to acquire and create innovation	Supported by family	Supported by family	Supported by family
Utilize e-commerce	Plan to provide website for clients	Utilize e-commerce as advertisement tool to display products and services	No website but utilize emails as tool to contact clients and employees
Organizational Intelligence			
Manage client requirements	Learn from client requirements	Learn from client requirements	Always listen to clients
Aware of competitors	Seeking for information of competitors from public	Always seeking for information of competitors	Utilize sport rules that competition always has winners and losers. No one is always winner or loser. Keep competitors as fellows
Recently Existing Innovation	New process innovation for green palm oil production	New service business model using incremental digital technology	In-house real time tracking system for transport service
Level of Innovation	Radical Process	Incremental BMI	Incremental Service
Type of R&D	In-House	Outsource	Outsource

Discussion

When considering innovation in family SMEs by the type of innovation, past surveys have revealed that small firms are more likely to emphasize generation of incremental innovations than larger companies (Kammerlander & Ganter, 2015). However, when taking a deeper look at the family business, statistics show that they generally tend to focus on product or service innovation, followed by process innovation and business model innovation. From the case study, service and trading companies launched incremental services and business models, while manufacturing companies launched radical process innovation through implementation in their operation. The service company operates as a transporter owning more than 200 trucks with services connected nationwide. A few years ago, this company faced serious complaints by customers about the delivery time commitment. Further, many parcels were either lost or stolen. The owner and team immediately identified the problem. They found that it was due to reckless control and lack of responsibility by the driver from destination to destination. Later, a new service system was launched powered by GPS and digital technology which was available on mobile applications. This allowed the company and customers to track the location of the trucks and get delivery status updates.

The trading company is a printer and copier company that suffered from low profitability using the original business model. With increasing competition in the market, they gained a very low margin when only selling and buying against the high bargaining power of both supplier and customer. Catching up to the pain point of customers made them realize that buying office equipment was a waste of spending. This company fixed the issue by offering a rental model with price charge calculated by usage. Moreover, they set up an onsite service notification system in case of equipment malfunctions. This incremental innovative business model, plus the innovation in service, was well received by customers. The manufacturing company is a palm-oil production company. The R&D department undertook the development of product and production process quality control. A couple of years later, the head of the R&D department proposed new ideas concerning new production processes complying with green and zero waste technology. This company re-engineered the production process for more innovation that could significantly reduce electricity consumption by generating power from the by-product of oil palm bunches and shells. As the interview results showed, the manufacturing company was the only company getting close to radical innovation.

Why do small family businesses emphasize less on radical innovation? The most critical concern of a small family business is associated risk-taking. It is a common view that family businesses are declining risk and less willing to innovate, even though they have the advantage of resources to do so. This is mainly due to concerns about the possibility of a negative outcome and a consequential reduction in the family's wealth. However, familial functions in a small family firm could advocate for the business to overcome that barrier.

The power of a family business owner has a positive impact on firm innovation when they actively participate in the innovation process and dedicate to activities related to firm's technological change (Gonzalez, Rodriguez, & Sossa, 2017). The results from Table III show that business owners can advocate for organizational intelligence in order to support innovation by drawing on their business networks, followed by sharing industry information with the employees and competitors they have worked with over decades (Hoonsopon & Puriwat, 2015). Relevant to previous research, family business owners can also specifically foster innovativeness by allocating budgets for long-term innovative projects under careful risk monitoring to enhance their competence base (Kammerlander & Ganter, 2015).

In conformity with power, family culture can advocate family firm innovativeness. Building an appropriate environment and atmosphere for their staff or employees, including proposing innovative shared vision and strategy, can become a good organizational culture that fosters innovation in a family firm. Openness and warmly welcoming any ideas proposed by staffers is an effective practice to allow others to come up with innovative ideas for improving a firm's products, services or processes (Leal-Rodríguez, & Albort-Morant, 2016). When this practice has become a company's guidelines, it can ensure that every idea will be shared openly, without internal filtering from fear or any hesitation, across hierarchical levels and departments. This is accomplished by holding cross-functional, cross-hierarchical integration, both internally and externally of the firm, to achieve firm innovativeness (Hoonsopon & Ruenrom, 2012).

Family experience is one core competence that fosters innovativeness for a firm. Family firms, both big and small, prefer less risk taking and dynamism, but not less innovativeness (Short et al., 2009). This is under the condition when a family firm preserves enough long-term orientation on innovativeness and the willingness to innovate. Preserving long-term orientation could positively propel innovativeness by mitigating risk or unexpected events that might occur from too little experience (Lumpkin, Brigham, & Moss, 2010). Without a doubt, firms can launch R&D progressively when they gain related experience from generation to generation cumulatively. Subsequently, radical innovation could be feasible, as we found from interviewing the manufacturing company.

Based on the interviewed case study, Thai SMEs, especially family businesses, possess innovativeness that can be illustrated in two aspects, namely SME owner characteristics and organizational characteristics. SMEs owner characteristics play an important role in innovation of the firm (BarNir, 2012). According to the pattern of Thai family SMEs, business owners act as both business and family leaders at the same time. This influences their family members to absorb entrepreneurial experience collectively. Firm leaders' children work as firm employees in supporting the business, while also teaching them invaluable experience. When a family member goes for higher education, they can elaborate on prior experience with the comprehensive principles gained from studying. Of course, this is a great incubation period where family members can gain a lot of innovative ideas, new networking and the fulfilment of entrepreneurship that will sustainably benefit the business. Another aspect is organizational characteristics. The organizational management layer is very lean when compared to a bigger company, so SMEs are very agile in operational activities. SMEs and family SMEs always stay close to their customers, who help them to realize the real problems or even meet the needs of customers as a source of knowledge. This can lead to hard work for finding out alternative solutions that are innovative (Hurley & Hult, 1998).

The interview results also illustrate the SMEs' climate that led them to innovate. As previously mentioned about the agility of SMEs operational activities, interviewees revealed that working as a family was very effective for them. They were averse to organized work, instead choosing a relaxing and friendly working climate, such as meeting at the dinner table. Perhaps because of this particular relationship, family SMEs tend to utilize more informal communication that is still very effective with both family and non-family employees when needing rapid business feedback and decision-making. The results show that building this kind of work climate can also eliminate barriers between business owners and employees. Employees can also be engaged in the business as they feel like being a part of the business, which enhances their creativity and leads to innovative solutions for the company (Hoonsopon & Puriwat, 2017).

Last, but not least, the interview results show the relationship between research and development (R&D) and innovation, in line with previous research (Kapsali, 2011). Service and trading companies are not opposed to investing in R&D since perhaps they both potentially need a research base for their operation or customer solutions. Unnecessary spending in R&D might be an increasingly risky investment. However, both service and trading companies are implementing outsourced developers in order to develop their in-house innovation. On the other hand, the manufacturing company established its own R&D department since the direct field graduation of second-generation family members. After returning to the company, he worked hard as the head of the R&D department, which he also set up. A few years later, this manufacturing company could implement new process innovation, which is proof of successful R&D. Manufacturing revealed that the R&D role not only works as a research unit, but also as a connecting node for the company with external sources of knowledge such as universities and research institutions. This might be evidence of how important the role of R&D is for innovativeness in SMEs.

Conclusion

The purpose of this research is to study whether faminess enhances or decelerates innovativeness in family SMEs. According to Pearson et al. (2008), "Familiness" is defined as resources and capabilities which are characteristic to the family's participation and interactions in the firm. We adopted the F-PEC Scale as designed by Astrachan et al. (2002), which describes how the components of familiness are the basis of a family firm for enhancing or reducing innovative capabilities and competitive advantages that influence family SMEs performance.

From this study, we found that familiness with regard to family power, experience and culture exerts a significant positive influence on innovativeness in family SMEs. We found in our study that innovativeness in a family is dependent on the family context, which can be explained by power, experience and culture. In the cases we examined, the familiness encourages and supports the management on the innovation that will bring company success in the long term.

Implications

This article also has direct managerial implications. This paper emphasizes the crucial role that family plays in the innovativeness of family firms. Those families who are associated in business in the three dimensions of power, experience and culture must recognize this important role and not underestimate the effect of familiness. This is because they must remain innovative to make sure that there is the competitive advantage of the family's business from one generation to the next generation.

The opportunities for a further study might also include how the characteristics of the family's business affect the management and organization that will lead to innovativeness. Decision-makers of a family business can benefit advantages and diminish the weakness of the familiness context in order to enhance innovation processes in the firm. In addition, performers who are consultants for family business in the field of innovativeness will benefit from this further research. In particular, our research provides a suggestion that family firms should be encouraged to be aware of the other side of the coin, of how familiness contexts may provide barriers to innovativeness.

This case study will urge future academic works in the new research arena of innovativeness in family SMEs, at the interaction of the innovation studies and family business area. This study presents merely brief facets from cases amid a very complex topic, thus we highly recommend others to continue researching in this area.

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