

TOWARDS LONGEVITY: MANAGING INNOVATIVENESS IN FAMILY MICRO-SMALL-MEDIUM ENTERPRISES

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Abstract: This article explains the family and business strategies that the Micro-Small-Medium Enterprises (MSMEs) implement to dodge the ability-willingness paradox. The majority of the MSMEs in the metropolitan region of Jakarta are in their comfort zone. Only 15.90% utilize the Internet and 8.53% utilize the computer. According to the researchers' survey, most family businesses highlighted business longevity and emphasized the importance of technology and information. However, family MSMEs are still trapped in the ability-willingness paradox despite recognizing the importance of innovation. This study sampled five family MSME cases that are considered sustainable due to their innovativeness. It then investigated them by in-depth semi-structured interviews, observations, and field notes to explore how they strategize to employ innovativeness. The results signify the founders'/incumbents' receptiveness towards innovations in the business. It also signifies the stakeholders' contributive insights and the imposition of operations systemization. These findings stipulate the fundamentals for families in their MSMEs to engage in innovative activities that influence the longevity of their firms. This study concludes by recommending avenues for future research.

Keywords: family business, micro-small-medium enterprises, innovativeness, strategy, case studies

Abstrak: Artikel ini memaparkan strategi keluarga dan bisnis yang diterapkan oleh Usaha Mikro Kecil Menengah (UMKM) keluarga untuk menghindari paradoks kemampuan-kemauan. Mayoritas UMKM di wilayah metropolitan Jakarta berada di zona nyaman. Hanya 15,90% yang memanfaatkan Internet dan 8,53% yang memanfaatkan komputer. Menurut survei yang disusun oleh para peneliti, sebagian besar bisnis keluarga menyoroti umur panjang bisnis dan menekankan pentingnya teknologi dan informasi. Namun, meski menyadari pentingnya inovasi, UMKM keluarga masih terjebak dalam paradoks kemauan-kemampuan. Studi ini mengambil sampel 5 kasus UMKM keluarga yang dianggap berkelanjutan karena inovasi mereka, dan kemudian menyelidikinya dengan wawancara semi-terstruktur mendalam, observasi, dan catatan lapangan untuk mengeksplorasi bagaimana mereka menyusun strategi untuk menggunakan inovasi. Hasil tersebut menandakan penerimaan pendiri/pemegang jabatan terhadap inovasi dalam bisnis, wawasan kontributif para pemangku kepentingan, dan penerapan sistem operasi. Temuan ini menetapkan dasar-dasar bagi keluarga di UMKM mereka untuk terlibat dalam kegiatan inovatif yang mempengaruhi umur panjang perusahaan mereka. Penelitian ini diakhiri dengan merekomendasikan jalan untuk penelitian masa depan.

Kata kunci: usaha keluarga, usaha mikro-kecil-menengah,; inovasi, strategi, studi kasus

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INTRODUCTION

According to the Ministry of Communications and Informatics in Indonesia and Directorate General of Taxes (IndonesiaBaik.id, 2018), micro-small-medium enterprises (MSMEs) comprise 98.8% of all businesses contributing 60.3% to the Indonesian economy and about 97% of employment in 2018. However, even in metropolitan areas like Jakarta, most MSMEs are in their comfort zone: Only 15.90% are utilizing the Internet, and 8.53% are utilizing the computer (Bidang Neraca Wilayah dan Analisis Statistik BPS Provinsi DKI Jakarta, 2016). Additionally, most of these businesses are family-owned, as Deloitte Indonesia Country Leader Claudia Lauw mentioned that more than 95% of all businesses in Indonesia are family businesses (The Jakarta Post, 2019).

The researchers undertook a pilot study through surveys. It provides a notion that sustainability/continuity is the main concern of the founders/incumbents (Table 1). They acknowledge the critical role of technology and information in their family businesses (Table 2). This survey commenced by sending closed-ended questionnaires via email to 198 respondents, with 82 of them responding. Thus, most of them believe that technology and information play a significant role in the sustainability/continuity of their businesses. However, PricewaterhouseCoopers (PwC, 2018) indicated that to innovate to keep ahead is still one of the key issues and challenges faced by Indonesian family businesses.

This drawback is due to the ability-willingness paradox, which means that family businesses have abundant resources and abilities to innovate, but they are unwilling to do so (Belitski et al. 2021; Chrisman et al. 2015). Many research pieces focus on understanding family firm innovation in the context of the large family business, yet few on MSMEs (e.g., De Massis et al. 2016; Rondi et al. 2020). Therefore, family MSMEs' idiosyncrasy in innovation decisions has to be investigated further.

There are still ongoing tensions in the family business for the need to keep the business as is or innovate (Suddaby & Jaskiewicz, 2020). Families tend to be risk-averse and fear wasting the resources they have accumulated over the years. Thus family firms stick to their traditional products and methods and are reluctant to grow (Lin & Wang, 2019). Some studies describe that family businesses are less innovative than non-family businesses (Gómez-Mejía et al. 2011).

Some studies even denoted that family businesses could be innovative but constrained by specific aspects of the family (Alfredo De Massis et al. 2016; Duran et al. 2016; Erdogan et al. 2020). Subsequently, this leads to the premise of the ability-willingness paradox, which means the family businesses have the resources to innovate but are unwilling to innovate (Chrisman et al. 2015; De Massis et al. 2014). This paradox leads to the lack of competitive advantage of family businesses and the frustration of some family members who cannot unlock their innovation potential. Thus, this study elucidates how family businesses resolve the paradox to thrive towards innovativeness.

Table 1. The important aspects of the family business for Founders/Incumbents

Q: What important aspects do you consider having high value for your family business? Please rank them with 1 (most important) to 5 (least important)

| | 1 | 2 | 3 | 4 | 5 |
|---------------------|--------|--------|--------|--------|--------|
| Business growth | 20.00% | 31.43% | 34.29% | 8.57% | 5.71% |
| Business profil | 33.33% | 19.44% | 30.56% | 11.11% | 5.56% |
| Business continuity | 37.14% | 31.43% | 17.14% | 8.57% | 5.72% |
| Employee welfare | 2.94% | 14.71% | 8.82% | 35.29% | 38.24% |
| Brand recognition | 8.57% | 5.71% | 8.57% | 37.15% | 40.00% |

Table 2: The importance of technology and information for Founders/Incumbents

Q: Do you agree that technology and information have an important role in your family business activities?

| Highly Disagree | Disagree | Neutral | Agree | Highly Agree |
|-----------------|----------|---------|--------|--------------|
| 0.00% | 3.13% | 12.50% | 40.63% | 43.75% |

Family-driven innovation focuses on the traditions and philosophies of family businesses to resolve the ability-willingness paradox (Rondi et al. 2019; Suddaby & Jaskiewicz, 2020). The family behaviors could provide deep insights into the family heterogeneity and their core competencies to explore and exploit innovations. Therefore, family businesses can innovate faster than non-families once they resolve to step up innovativeness (König et al. 2013). According to Duran et al. (2016), family businesses might seem to be conservative with their resources at first. They could be more efficient and effective in the innovative transformation than non-family businesses.

Hence, Barrett and Moores (2020) suggested developing further the paradox of ability vs. willingness to innovate based on paradox categories developed by Ingram et al. (2016) and Schuman et al. (2010). Both Barrett and Moores (2020) then materialized these paradox categories. They insinuated the following research questions: “What individual and firm abilities are needed to foster a willingness to innovate?” and “How do families cope with the uncertainty and time demands of innovation?”. Considering the firm size of

family MSMEs, the researchers in this study explore the emerging paradox that alludes to the development of innovation strategy. Furthermore, it instigated the following research questions:

1. What mindsets and strategies are required for family MSMEs to facilitate innovativeness?
2. How do their mindsets and strategies facilitate innovativeness?

METHODS

The researchers aimed to construct a conceptual contribution with an interpretative approach from primary data within about six months: in-depth semi-structured interviews, observations, and field notes. Five case studies shown in Table 3 were constructed based on the MSMEs’ size. The business’s life span of more than 20 years indicates survivability. Moreover, the discrete industry is involved in illuminating family MSMEs’ general innovativeness in Indonesia. Overall, this study proceeded for about six months (January-June, 2021), and interviews were primarily conducted online due to the pandemic.

Table 3. Profiles of Informants in Family MSMEs

| Company Name & Types of Business | Life Span of Business | Name | Age | Position | Details |
|----------------------------------|-----------------------|--|-------|-------------------|---|
| FLC, Timber Distributor | 32 years | FA, Male, Founder & Incumbent | 66–70 | CEO | FA worked as a foreman in a construction company before starting FLC Company. |
| | | FB, Female, Founder’s Spouse, Co-Founder | 51–55 | Retired | FB owns and co-founded the company together with FA. |
| | | FC, Female, 2nd Generation Successor | 21–25 | Manager | FC is the youngest daughter and yet the successor, as she had has been involved daily in the business. |
| SHL, Fishery | 25 years | SA, Male, Founder & Incumbent | 61–65 | Director | SA is the founder of SHL Company, currently training his successor. |
| | | SB, Female, Founder’s Spouse | 56–60 | Advisor | SB actively provides advice for issues occurring in the business. |
| | | SC, Male, 2nd Generation Successor | 26–30 | Commissioner | SC is actively overseeing the governance and operations of the firm and advising the long-term strategies and budgetary system. |
| TCA, Building Materials, Retail | 21 years | TA, Male, Founder & Incumbent | 46–50 | Managing Director | TA is the founder of TCA Company. He used to work for a tile retail store and then set up this company with his wife and the help of a close friend. |
| | | TB, Female, 2nd Generation Successor | 21–25 | Manager | TB is the elder daughter. She is working full time as the manager of the company. She is passionate about the business and the transgenerating the legacy of her parents. |
| | | TC, Female, Key Non-Family Employee | 21–25 | Manager | TC is an administrative staff in operations, purchasing, and inventory control. She has been working in the company for about 5 years. |

Table 3. Profiles of Informants in Family MSMEs (continue)

| Company Name & Types of Business | Life Span of Business | Name | Age | Position | Details |
|----------------------------------|-----------------------|---|-------|------------------------------|--|
| VRN, Restaurant | 23 years | VA, Female, Founder's Daughter, Incumbent | 41–45 | Managing Director | VA took over from her mother, who was the founder of the restaurant after her siblings were unwilling to continue the business. |
| | | VB, Female, 3rd Generation Successor | 16–20 | Manager | VB has been involved in the business, helping out her mother. |
| | | VC, Female, Successor's Sibling | 21–25 | Manager | VC is currently trying out new recipe for the restaurant and snack food. |
| XNG, Tea Producer | 20 years | XA, Male, Founder & Incumbent | 46–50 | Managing Director | XA is the founder of XNG Company. He is an overseas graduate who came back to set up this business. |
| | | XB, Female, Founder's Spouse | 46–50 | Finance & Accounting Manager | XB is a co-owner and oversees all the finances of the company. |
| | | XC, Male, Key Non-Family Employee | 51–55 | Regional Sales Manager | XC has been working in the company for about 10 years, managing sales and receivables, purchase order, and promotions. He had the experiences working in other large companies for more than 10 years. |

The case studies represented discrete industries. First is FLC, a wholesale distribution industry. Second is SHL, considered as a fishery firm. Third is TCA, a retail industry. Forth is VRN, a food service industry. And last is XNG, a manufacturing industry. All these sampled cases or family MSMEs have a life span of 20 years or more, reflecting the firms' competitive ability. Based on Geroski (2007) survival rate, they can be considered successful. Each of the family MSME composed of 3 informants consisting of (1) the founder/incumbent, (2) one family member who is familiar with the family and business, and (3) the third could be another family member or non-family team member who is also familiar with the family and business.

From the interview data in each informant's transcript, the researchers had to translate and proceed with data reduction. Then categorizing the data, thematic analysis, and pattern coding are employed for each family MSME case. Finally, as commended by (Miles et al. 2014; Yin, 2017), a cross-case analysis is implemented (Table 4) to induce the emerging latent variables.

RESULTS

As shown in Table 4, after cross-case analysis of the five family MSMEs, the researchers were able to induce the following latent variables: Innovation receptiveness

(Variable 1), Stakeholders' contributive insights (Variable 2), and Operational systemization (Variable 3). These three emerging variables are required to nurture the willingness to innovate in family MSMEs.

Innovation Receptiveness

First and foremost, firm founders/incumbents must acknowledge the essential needs of innovation contributing to the firm's performance, market share, and social and environmental outcomes (Ahmad et al. 2020; Cox, 2005). This awareness triggers the vigilant search for creativity and design to achieve innovativeness in any type of innovation as illustrated by Keeley et al. (2013): profit model, network, structure, process, product performance, product system, service, channel, brand, and customer engagement. The founders/incumbents in this study understand in their minds the necessity and self-motivation to innovate in order to compete in their market segments (e.g., OctasyIva et al. 2021):

At the very least, we do not just sell wood now, but also plywood, then there are materials too. So it is more of product diversification. Nevertheless, as I said, never give up. Now many are buying (from us). (FLC Founder & Incumbent, FA)

So, from time to time, people are more modern, those who make modernization changes continue, and generations continue to do so. (SHL Founder & Incumbent, SA)

Table 4. Interpretative Analysis

| Emerging Latent Variables in Family MSME's Innovativeness | Case FLC | Case SHL | Case TCA | Case VRN | Case XNG |
|---|--|---|--|--|--|
| Innovation Receptiveness | <p>*Interpretation The mindsets of the family about innovating business products is evident.</p> | <p>*Interpretation The family is aware that they must be open to innovation.</p> | <p>*Interpretation The family is aware of the fast-moving technological era to compete in the marketplace.</p> | <p>*Interpretation The family is aware of the necessity of innovating to compete in the market segment.</p> | <p>*Interpretation The family is vigilant-ly looking out for creative and innovative ideas and opportunities.</p> |
| | <p>FA: Must be consistent, and continue to be a positive person. At the very least, we don't do not just sell wood now, but also plywood, then there are materials too. So it's it is more of a product diversification. But However, like I said, never give up. Now many are buying (from us).</p> | <p>SA: So, from time to time, people are more modern, those who make modernization changes continue, and generations continue to do so. Yes, about the spirit, we have to be enthusiastic, right, because with the spirit, everyone can be motivated and things can run well everyone can be motivated and things can run well with the spirit.</p> | <p>TA: It's important. Especially in an era like this, everything is instant, so it's important to innovate.</p> | <p>VA: By focusing on the family business that we are running, we can see its development as well and can innovate if it is necessary to change. It may also be necessary see outside (global development) to be aware of the era, so that they (ideas) can be applied in business.</p> | <p>XA: Making changes continuously, of course, is the competition in this business world, and that is getting tougher. The competitors also continue to fight for market share, so it is also impossible for us to remain silent and not compete.</p> |
| | <p>FB: Hmm, at least it's product diversification. We accept making frames. I want it to be online based, so I can reach more people in the marketplace.</p> | <p>SB: Must be open to innovation, yes.</p> | <p>TB: It's (The world is moving) really fast, especially for technology, things that we used to think couldn't happen now have become common. So innovation is necessary, yes, basically whatever changes, we must be able to follow as long as the changes are beneficial and not detrimental other people.</p> | <p>VB: So, I have to focus on the business family, how to develop it, run it, and apply innovations. We can also see examples from the outside world, like what innovations I can take from the outside to apply in my business.</p> | <p>XB: The innovations have been done. Before everything was done by hand, and a lot of human labor was needed, It took a long time to produce. [...] From there we innovate by using machines, with machines that work faster.</p> |
| | <p>FC: We have to be a positive and consistent person. I want it to be an online-based system and also to reach a bigger market.</p> | <p>SC: Yes, I myself am a young generation, yes, as a successor, a potential successor, yes, I am open to innovation, and I am open to inputs, because without innovation we cannot compete with others. So I'm very open, very interested.</p> | <p>TC: [...] is very important because innovation is what we create something different from our competitors. So we have to innovate, develop products as well or develop so that our company grows.</p> | <p>VC: With a focus on the main business, successor can provide all the capabilities and ideas and innovations in this family business, for the sake of business development in the long term.</p> | <p>XC: These employees must always be given trainings, given directions, and motivation, so they have to be creative....</p> |
| Stakeholders' Contributive Insights (Employees', Successors', and Customers') | <p>*Interpretation The insights and opinions of employees is evident, but lacking involving the successor's. The founder and spouse have the final call in decision-makings.</p> | <p>*Interpretation Founder is quite open to inputs and insights from the successor, but there is no complete trust yet.</p> | <p>*Interpretation Founder is open to suggestions from the employees and his two daughters. He even delegates the innovative initiation and activities to the successor.</p> | <p>*Interpretation The family believes that good relationship is required with their workers, or else innovation will be hampered.</p> | <p>*Interpretation Founder, his wife (co-founder), and key non-family employees are encouraging their employees to be vigilant in providing new innovative ideas as benchmarking strategies.</p> |

Table 4. Interpretative Analysis (continue)

| Emerging Latent Variables in Family MSME's Innovativeness | Case FLC | Case SHL | Case TCA | Case VRN | Case XNG |
|---|--|---|--|---|--|
| | <p>FA: At least I just ask their opinion, what are the pros and cons. The rest is all in my hands the decision.</p> <p>Q: Who is the person behind each innovation? May I know? A: Yes, my wife and I of course... also after discussing with office people.</p> | <p>SA: Yes, we must act on every decision; I must approve the decision. But approval by the leader first. It's still not a 100% auto-no-my."</p> | <p>TA: It's definitely a different era from with (my two daughters), so everything is now in order (by my two daughter), by system. After that, we don't need to be tired anymore because there is a system.</p> | <p>VA: Yes, as the owner, I must have a good relationship with the workers because if not, it can inhibit innovation/new ideas.</p> | <p>XA: From the sales force, their role will be to look out for new competitors in the marketplace. For example they would say, 'As for R&D, Sir, how about we try this flavor? How about we change the design in the future like this? Or the packaging is like this?</p> |
| | <p>FB: We're applying innovation, we've got to see it from the previous feedbacks of the customers who had purchased from us. [...], the decision is still 100% with us.</p> | <p>SB: Field Note (April 17, 2021): According to the WA message, Incumbent has difficulty in trusting Successor due to lack of experiences.</p> | <p>TB: Well, precisely because the employees here haven't got the chance to innovate, so I'm here as the innovator.</p> | <p>VB: Of course, because in any work environment, the relationship between employees and owners must be good, if for example, they don't have a good relationship, then the communication becomes messy, they can't exchange ideas, give ideas and others. This can hinder innovation.</p> | <p>XB: Inputs from our employees are collected, considered and examined thoroughly. If for example it makes sense, then we will proceed.</p> |
| | <p>FC: So I cannot decide on my own. Must be with my parents' approval.</p> | <p>SC: For every action taken, there must be a meeting and approval from the father first, so it has not been fully let go.</p> | <p>TC: [...] for example, if we have innovative ideas, we can give suggestions to our owners, like that..."</p> | <p>VC: Yes, owners and successors must have good relationship with workers, so that they can jointly develop innovations. If there is no good relationship, innovation will be hampered, of course. XC: Regarding employees' creativity, they must be smart in reading the market... Competing in the sense of knowing what rivals are currently doing.</p> | <p>XC: Regarding employees' creativity, they must be smart in reading the market... Competing in the sense of knowing what rivals are currently doing.</p> |
| Operational Systemization | <p>*Interpretation Founder understands the need to organize to expand the business market, but still perplexed on how to do it. Successor feels the urgency to mend the governance and operational system of the company.</p> | <p>*Interpretation The family aligns their decision-makings based on the orientation of their business system.</p> | <p>*Interpretation The family makes sure their business system platforms such as bookkeeping and inventory control are in order to develop further in their marketing activities.</p> | <p>*Interpretation The family set a communication practice that everyone in the business must be involved. There is also a financial system that the founder and wife are using.</p> | <p>*Interpretation The founder and key non-family employee rely on the established management system to step up their innovations.</p> |

Table 4. Interpretative Analysis (continue)

| Emerging Latent Variables in Family MSME's Innovativeness | Case FLC | Case SHL | Case TCA | Case VRN | Case XNG |
|---|--|--|---|--|--|
| | FA: Must know how to organize the company's capacity and continue to be consistent, don't just give up and want to close the business when there's an obstacle. | SA: Every meeting I have given (Successor) the experiences we have acquired, and our company's way (system). We must pass them on to him. | TA: So everything is now in order, the system. After that, we don't need to be tired any more because there is a system, right, e-commerce also helps a lot. There's a lot. | VA: If later I want to inform about new innovations /ideas, it will be hampered if only a few people know while others don't. Then the situation could become complicated and later everyone cannot do his or her job well. | XA: Yes, so the innovation can be successful because the employees' management system is structured and they understand what to do. |
| | FB: N/A | SB: Q: Are these (family) regulations brought into the company's system as well? A: Yes | TB: You have to be active on Instagram, Face-book, Whatsapp, you have to be neat, especially in the service that is usually for consumers to access. We have to respond quickly via WA, via telephone like that. And also updating if the goods are not in the store. I try to update to customers as much as possible, e.g. the available discounts and the name of the products. I have to keep updating the product barcodes as well. | VB: So when it comes to operational systems, my parents are still in charge. Operational matters such as recording expenses and revenues. | XB: N/A |
| | FC: I have to reorganize the structure and how the company runs. Because if it's still with a structure like this, it can't outreach to more people (potential customers), because of the existing limitations. | SC: Yes, of course (Incumbent) immediately gave examples of what can be done and what can't. Of course this is based on the orientation of the business system. | TC: We move from the manual system to a digital system. So, we have used computer system, and every the stock inventory is clear and updated. We can also go online, We don't use handwritten receipts, but we have paper receipts with codes and barcodes. | VC: Every day there is communication session that needs to be attended to address issues from minor to major things, so that there will be no misunderstanding between one another. | XC: The team provides the innovated product. For employees, the point is that from the factory side, they carry out based on the (factory) system. And there are formulas they must follow.... Oh, the system I meant was the programming system in the computer, which is related to distributions. |

It is important. Especially in an era like this, everything is instant, and it is essential to innovate.
(TCA Founder & Incumbent, TA)

By focusing on the family business that we are running, we can see its development and innovation if it is necessary to change. It may also be necessary to see outside (global development) aware of the era so that they (ideas) can be applied in business.
(VRN Incumbent, VA)

Continuing to make changes in the competition in this business world is getting tougher. The competitors also continue to fight for market share, so it is also impossible to remain silent and not compete.
(XNG Founder & Incumbent, XA)

These statements by the founders illuminated the innovative receptiveness in their mindsets. Focusing on the founders is vital because they establish longevity

through their cultures and traditions (Suddaby & Jaskiewicz, 2020; Tan et al. 2019). As supported by Volná et al. (2015), innovative receptiveness intrigues vision and is more likely to initiate strategic management practices to achieve the firms' goals. Thus they are in better strategic positions to gain a competitive advantage (Covin & Miles, 1999; Lumpkin & Dess, 1996). Hence, to summarize these findings, the researchers suggest the following proposition: **Proposition 1.** Founders'/ Incumbents' innovation receptiveness contributes to the success of family MSMEs' innovativeness.

Stakeholders' Contributive Insights

Baldwin and Von Hippel (2011) emphasized that innovation should shift from a company-centered attitude to an open and collaborative one. A firm in an isolated form will not sustain significantly when technological advancement diminishes the boundaries between stakeholders (Lee et al. 2012). This research shows employees' apparent contribution of innovativeness, especially in Company FLC, VRN, and XNG.

Q: Who is the person behind each innovation? May I know?

A: Yes, my wife and I, of course... also after discussing with office people.

(FLC Founder & Incumbent, FA)

Of course, because in any work environment, the relationship between employees and owners must be good, if they do not have a good relationship, the communication becomes messy. They cannot exchange ideas, give ideas, and others. This can hinder innovation.

(VRN Successor, VB)

Inputs from our employees are collected, considered and examined thoroughly. If, for example, it makes sense, then we will proceed.

(XNG Founder's Spouse and Co-Owner, XB)

It is also plausible for Founders to delegate innovativeness to their successors, with the consciousness of their limited capability to innovate, such as in Company TCA:

It is a different era from with (my two daughters), so everything is now in order (by my two daughters), by the system.

After that, we do not need to be tired anymore because there is a system.

(TCA Founder & Incumbent, TA)

Well, precisely because the employees here have not got the chance to innovate, I am here as the innovator.

(TCA Successor, TB)

In Company XNG, the successor also often provides insights to the founder/incumbent whenever there is an opportunity to communicate with him as Father and Son:

I usually convey my ideas to my father when my father is relaxed and not busy. Usually, my father is sitting in the garden or sitting in the living room. Frequently, I convey my ideas when my father is eating.

(XNG Successor, Field Notes on April 9, 2021)

The investigation outcome from both Company FLC and SHL may suggest that the founders/incumbents are still holding tight to control their firms' management and having a trust issue with their successors:

So I cannot decide on my own. It must be with my parents' approval.

(FLC, Successor, FC)

There must be a meeting and approval from the father for every action taken, so it has not been entirely let go.

(SHL Successor, SB)

Field Note (SHL, Founder's Spouse, SC, April 17, 2021):

According to the WA message, Incumbent has difficulty trusting Successor due to lack of experience.

Trust amongst stakeholders in the company is essential to spur innovative insights and activities (Carmeli & Spreitzer, 2009; Hattori & Lapidus*, 2004), while especially engaging with customers inspires co-creativity and co-creation in the organization (Erhardt et al. 2019; Herrera, 2016; Parmentier & Mangematin, 2011). However, from this study's investigation, only Company FLC is apparent in engaging customers in its innovative process:

We are applying innovation; we have got to see it from the previous feedbacks of the customers who had purchased from us.

(FLC Founder's Spouse and Co-Founder, FB)

Thus, the outcome from the pattern analysis insinuates the lack of successors' contributive insights and customers' engagement. Both of these deficiencies may suggest the inadequate breakthrough from the ability-willingness paradox that keeps the family MSMEs in their respective firm size. To summarize these findings, the researchers theorize the following proposition:

Proposition 2a. Employees' contributive insights contribute to the success of family MSMEs' innovativeness.

Proposition 2b. The successor's contributive insights are negatively associated with family MSMEs' innovativeness.

Proposition 2c. Customers' contributive insights are negatively associated with family MSMEs' innovativeness.

Operations systemization

Systemizing operations in firms involves setting governance to formalize their daily operations successfully (Markus & Jacobson, 2015). Supported by Yew and Xavier (2021), organizing resources and setting daily routine operations to imprint the "how-to-do" systems are pivotal for this study's family MSMEs to engage in their innovativeness:

Must know how to organize the company's capacity and continue to be consistent, do not just give up and want to close the business when there is an obstacle.
(FLC, Founder & Incumbent, FA)

I have to reorganize the structure and how the company runs. Because of the existing limitations, it cannot reach more people (potential customers) if it is still with a structure like this.
(FLC, Successor, FC)

Of course (Incumbent) immediately gave examples of what can be done and what cannot. Of course, this is based on the orientation of the business system.
(SHL, Successor, SC)

We move from the manual system to a digital system. So, we have used a computer system, and every stock inventory is precise and updated. We can also go online, we do not use handwritten receipts, but we have paper receipts with codes and barcodes.
(TCA, Key Non-Family Employee, TC)

The discipline to iterate the operational system in the restaurant business is evident when the successor emphasized that every team member must attend the regular meetings to provide inputs and be well informed of the upcoming changes in the business:

Every day, a communication session needs to be attended to address issues from minor to significant things so that there will be no misunderstanding between one another. (VRN, Successor's Sibling, VC)

Regarding Company XNG, since it is a tea-manufacturing firm, it has set the team member system as well as the distribution system to automate most of its daily operations:

Yes, the innovation can be successful because the employees' management system is structured and understand what to do.
(XNG, Founder & Incumbent, XA)

Oh, the system I meant was the programming system in the computer, which is related to distributions.
(XNG, Key Non-Family Employee, XC)

The researchers thus derive the following proposition:

Proposition 3. Operations systemization contribute to the success of family MSME's innovativeness

Managerial Implications

Besides welcoming innovative ideas, the conceptual model can enhance innovativeness. For example, Founders or Incumbents of family SMEs can start engaging customers and successors' contributive insights to co-create products that provide a win-win situation for their firms and customers (e.g., Saragih & Tan, 2018). Family SMEs should establish operations systemization, so they can allocate more time to strategize for medium to longer term objectives, especially during this COVID-19 pandemic. For academicians, they could extend this study by employing quantitative methods to analyze how each proposition influences innovativeness.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

For the long-term sustainability of family businesses, they must be innovatively driven (Roed, 2016; Urbinati et al. 2017) and work out the ability-willingness paradox. The constructed conceptual model in Figure

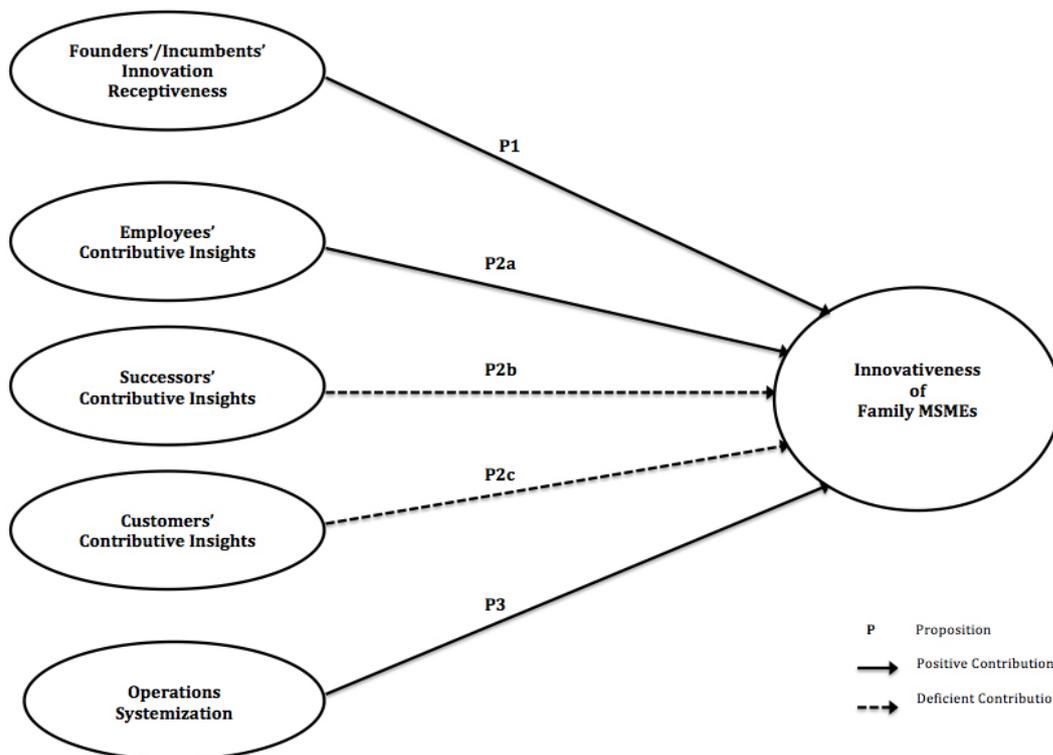


Figure 1. Constructed conceptual model

1 illuminates the mindsets and strategies to facilitate the innovativeness of family MSMEs to sustain their competitive environments.

Recommendations

This study is not without limitations. First, the sampled family MSMEs are domiciled in Indonesia, so the findings may not be generalizable to other regions. Further studies could extend to other rural regions of Indonesia or other countries. Second, except for Company XNG whose successor has not yet fully joined the family business, the sampled family cases have their successors involved in the firm for less than five years. Hence, this could explicate the deficient contribution of successors' contributive insights to innovativeness. Further study could sample successors who have been involved in their family businesses for more than five years to examine the impact of their contributive insights.

The researchers also recommend investigating a more variety of industry sectors or simply focusing on one particular industry, manufacturing or services, known as the two most popular industries that researchers scrutinize (Ortiz-Villajos & Sotoca, 2018; Rondi et al. 2021). Further study is also encouraged to examine the dimension of trust within the family members

-especially incumbent and successor- that could contribute to innovativeness. Overall, trust is the key to any relationship in family and business.

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