

## Chapter 38

# Entrepreneurial Leadership as a Driver of Innovation Success in Family SMEs in Colombia: The Difference Between Family and Non-Family CEOs

**Unai Arzubiaga**

*University of the Basque Country (UPV/EHU), Spain*

**Pablo Álamo**

*Sergio Áboleda University, Spain*

### **ABSTRACT**

*This chapter aims to analyze if entrepreneurial leadership, regarded as a distinctive feature of entrepreneurial processes, represents an essential element for obtaining satisfactory innovation performance in an emerging context such as Colombia in Latin America. The relationship between entrepreneurial leadership and innovation management works differently in family firms (FF) compared with their non-family counterparts. Indeed, there is no consensus in the literature on the effects of entrepreneurial leadership on innovation success in family small and medium-sized enterprises (SMEs). Exploratory research has been conducted considering a survey held on family SMEs in Colombia. Results highlight the importance of supporting entrepreneurial leadership in order to achieve the innovation goals in these types of organizations and show how these factors change between family SMEs with family CEOs and non-family CEOs. In this sense, although the focus in this chapter is on FF, the conclusions could be to some extent generalized to SMEs.*

## **INTRODUCTION**

One of the critical factors for firm survival and growth along time is achieving a sustainable competitive advantage. This competitive advantage, based on different competitive strategy capabilities (Chirico, Sirmon, Sciascia, & Mazzola, 2011; Dawson & Mussolino, 2014) and the difficulties of competitors for imitating them (Gedajlovic, Carney, Chrisman, & Kellermanns, 2012; Le Breton-Miller & Miller, 2006), gets sustained through continuous innovation. In this sense, continuous innovation involves balancing simultaneously opportunity seeking activities, also known as exploratory innovation, and advantage-seeking activities, also known as exploitative innovation (Randerson, Bettinelli, Fayolle, & Anderson, 2015; Chirico & Salvato, 2008). The strategic integration of both exploratory and exploitative innovation, known as organizational ambidexterity (O'Reilly & Tushman, 2008), may vary depending on the specific characteristics of the organizations.

Most companies worldwide are small and medium-sized enterprises (SMEs), specifically family SMEs (Berrone, Cruz, & Gómez-Mejía, 2012; Lumpkin & Brigham, 2011). However, research on the innovation-related topic in family businesses remain under-examined (De Massis, Frattini, Pizzurno, & Cassia, 2015; Schepers, Voordeckers, Steijvers, & Laveren, 2014; Steiger, Duller, & Hiebl, 2015; Voordeckers, Van Gils, & Van den Heuvel, 2007). There is a knowledge gap about how some of the most typical and distinguishing variables of family firms (FF) influence their innovation strategies. The interaction between the family and the business is the main difference between family and non-family firms (Boling, Pieper, & Covin, 2015), which may affect the style of management (Le Breton-Miller & Miller, 2006), entrepreneurship (Goel & Jones, 2016), and strategic decision-making (Sciascia, Mazzola, & Chirico, 2013; Boling et al., 2015). The primary goal of FF is survival (Cruz & Nordqvist, 2012), so as these firms are obliged to incorporate innovation into their strategic process (De Massis et al., 2015) as it is considered as a source of differentiation and value creation. Also, innovation helps to improve organizational efficiency and diversification.

Family firms provide an exciting context to analyze innovation management and its effect on firm survival (Chrisman, Chua, De Massis, Frattini, & Wright, 2015). On the one hand, families aim to maintain control of their businesses and pass it from one generation to the next (Zellweger, Nason, & Nordqvist, 2012). On the other hand, innovation allows firms and individuals to seek and develop new business opportunities in response to changes in the external environment (Kollman & Stöckman, 2014). In this regard, entrepreneurial leadership may play a crucial role for innovation management (Fontana & Musa, 2017), especially in FF as the senior management team and the chief executive officer (CEO) are the leading decision makers (Boling et al., 2015). More in particular, this entrepreneurial leadership in FF shed light about the importance of leaders as fundamental agents of changes in the organization by promoting an innovation-based culture, managing different innovation issues, showing high levels of commitment with this type of processes, leading the innovation strategy of the organization, and even feeling the need to innovate (Efferin & Hartono, 2015; Sorenson, 2000). These essential roles are even more significant for family SMEs as they usually suffer from a lack of tangible resources. In this sense, family SMEs depend on intangible assets such as the entrepreneurial leadership of family decision makers.

On this basis, this chapter analyzes the entrepreneurial leadership as an antecedent of innovation in the context of the FF. While innovation has been studied for decades, only recently it has been explored in the context of the FF. Furthermore, the role of the family in innovation management and its success is not yet well understood (Cruz & Nordqvist, 2012; Kammerlander, Dessi, Bird, Floris, & Murru, 2015). Family firms seem to be an appropriate setting to analyze the importance of innovation management and

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