

## **INNOVATION AND CHANGE MANAGEMENT IN ROMANIAN SMES FAMILY BUSINESS**

*Eduard Gabriel CEPTUREANU<sup>1</sup>*

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### **ABSTRACT**

*The purpose of this paper is to investigate Romanian SME family business innovation and change. We discover that so far only a few theoretical contribution and research has been offered in the field of innovation within the context of small family businesses. The findings suggest that innovation and change are decisive to the long-term survival and performance of family SMEs.*

**KEYWORDS:** *entrepreneurship, innovation, change management.*

**JEL CLASSIFICATION:** *O30, O32, L26, M10.*

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### **1. INTRODUCTION**

Focus on small- and medium-sized enterprise family business continues to increase among academics as the dominance of SMEs on economy persist (Sharma, 2004), and the importance of small family businesses is increasingly acknowledged (Brouthers et al. 1998; Le Breton-Miller and Miller, 2008; Richbell et al., 2006; Ceptureanu, 2014). We are interested in SME family businesses and the key role of change management and innovation in such type or organizations. Prior research has highlighted the necessity of innovation in order to refine current opportunities for the success of family businesses across multiple generations (Kellermanns et al., 2012; Naldi et al., 2007; Zahra, 2005; Ceptureanu, 2015d). A number of research investigate change and innovation within family businesses (Craig and Dibrell, 2006; Craig and Moores, 2006; Gudmundson et al., 2003; Kellermanns and Eddleston, 2006; Kellermanns et al., 2012; Litz and Kleysen, 2001; McAdam et al., 2010; Ceptureanu, 2015b; Petrisor et al., 2014). Sharma and Salvato (2011) present factors who enable family companies to innovate in a sustainable way across generations. This issue has been explored by some researchers through the construct of entrepreneurial orientation (Nordqvist et al., 2008; Zellweger et al., 2010; Fucec, 2012; Ceptureanu, 2015c), by others considering specific resources within family businesses promote and/or constrain innovative and entrepreneurial activities (Sirmon and Hitt, 2003, Ceptureanu, 2015d). Patel and Fiet (2011) have suggested that family businesses have some peculiar advantages over their non-family counterparts with respect to discovering new opportunities through a conjunction of common family business characteristics such as long-term orientation, low personnel turnover, long entrepreneur possession and family ties that may lead to this advantage. Innovation is important to the success of SME family businesses (Ceptureanu, 2015e). Yet, we still have limited understanding of factors that promotes or constrains innovative entrepreneurial activities (Ceptureanu, 2015a). Innovation was identified by Schumpeter as one of the key aspects of the entrepreneurial process (Schumpeter, 1934). He emphasizes the entrepreneur's critical role in innovation and consider entrepreneur as the driving force of economic development. Family businesses, as mentioned above, can be considered as a unique bundling of two influencing systems - the family and the business. As such combinations and re-combinations

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<sup>1</sup> Bucharest University of Economic Studies, Romania, eduard\_ceptureanu@yahoo.com

towards innovation will likely involve both systems in varying degrees over time.

## 2. RESEARCH

The research survey involved a study of 800 small family businesses with less than 50 employees to investigate the relationship between change and innovation.

### Investigated areas:

#### Change management

1. Levels, goals, and strategies
2. Measurement system
3. Sequence of steps
4. Implementation and organizational change
5. Resistance to change

#### Innovation

1. Number of new ideas
2. Quality of ideas
3. Efficient implementation of quality ideas
4. Success achieved from the implementation of new ideas.

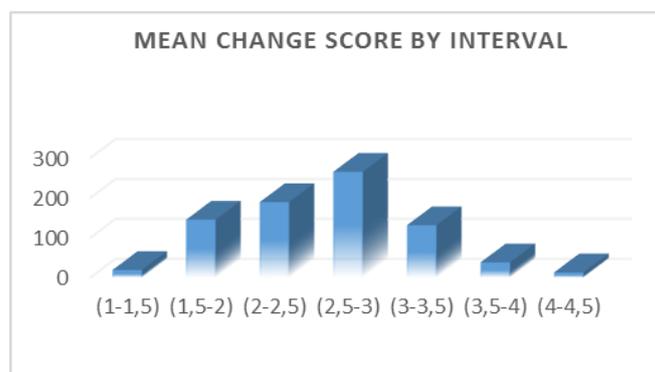
The organizations were selected on the following criteria:

- High growth SMEs
- Undergoing substantial change
- Family businesses

The intention was to select family SMEs which had shown a high level of growth and which had a commitment to ongoing change.

## 3. RESULTS AND DISCUSSION

Figure 1 shows the change scores for the SMEs on the sample. Given that a Likert type scale maximum innovation score was 5 but the actual range was 3, 03 (maximum 4.45 and minimum 1.42). The mean change score for all the 800 companies was 2,935. This score show that the average family SME have slowly adopted change practices but have still to reach the point where they are exhibiting the full range of characteristics expected from an innovative company.

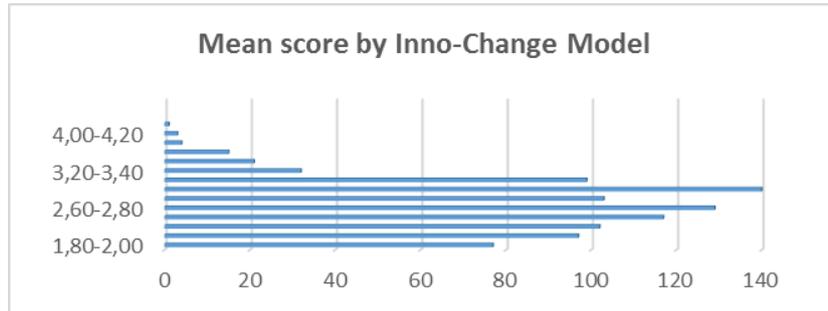


**Figure 1. Mean change score by interval**

*Source: own research*

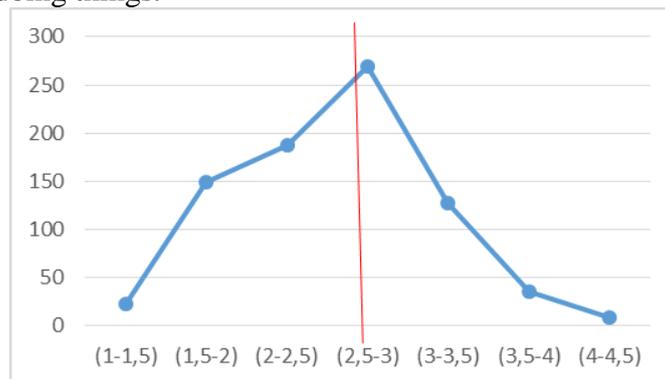
Figure 2 records the mean score by our model. The information suggest that family companies performed good at a) Levels, goals, and strategies, b) Sequence of steps, c) Increased number of new ideas and d) Improved quality of ideas but not so good at a) Measurement system, b)

Implementation and organizational change, c) Resistance to change, d) Improved quality of ideas and e) Improved resultant success achieved from the implementation of new ideas.

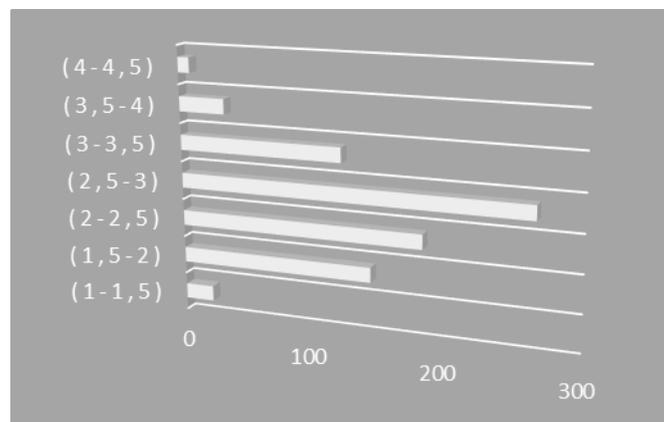


**Figure 2. Mean score by Inno- Change Model**  
 Source: own research

Figure 3 records the mean scores by change and innovation model segment for the investigated family companies. The top five and bottom five segments are given in Tables 1 and 2. Tables would suggest that family SMEs appear to be medium to good at producing ideas or plans and giving a high degree of consideration to ideas before decisions are made, but that in practice entrepreneurs don't actively support new ideas which means that employees don't receive support from entrepreneur, nor are they empowered or given encouragement to take on the role of finding new and improved ways of doing things.



**Figure 3. Mean score by Inno-Change Model**  
 Source: own research



**Figure 4. Mean innovation score by interval**  
 Source: own research

**Table 1. Top criteria scores**

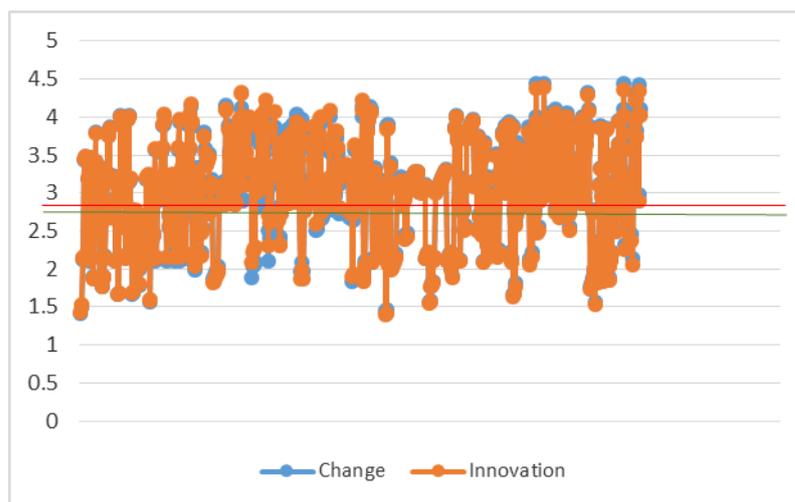
Model criteria	Mean score	Segment title
1.2	1,9	Measurement system
1.4	1,95	Implementation and organizational change
1.5	2,01	Resistance to change
2.2	2,30	Quality of ideas
2.4	2,40	Success achieved from the implementation of new ideas

Source: own research

**Table 2. Bottom criteria scores**

Model criteria	Mean score	Segment title
1.1	3,70	Levels, goals, and strategies
1.3	3,40	Sequence of steps
2.1	4,10	Increased number of new ideas
2.2	3,60	Improved quality of ideas

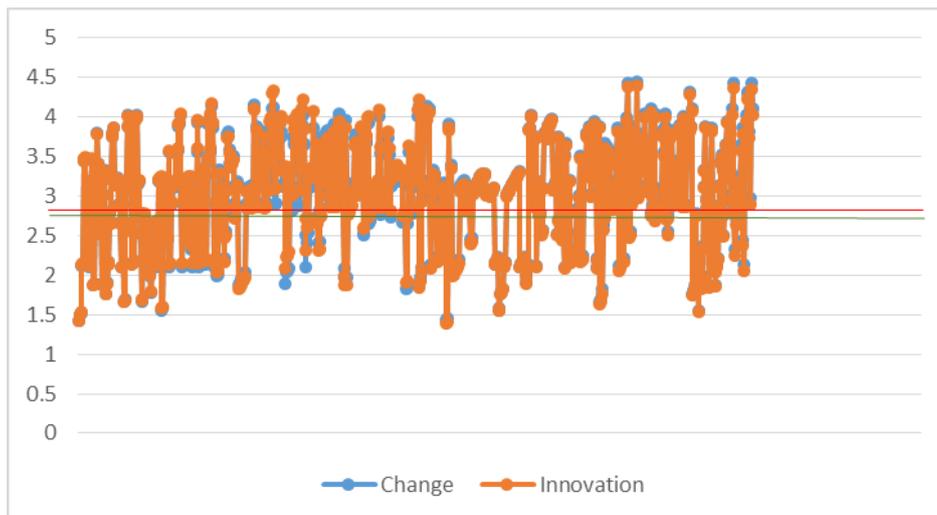
Source: own research



**Figure 5. Comparison between change and innovation score**

Source: own research

The innovation scores derived from the change are illustrated in Figure 4. Figure 5 highlights this similarity by plotting a line graph of the innovation and change scores against each other. This analysis suggest that a culture of change within a family SME act as a strong foundation on which an innovative culture can be built. When the change and innovation were correlated the following results were obtained (Table 3). The results highlight that not only is there a very strong link between change and innovation, but that the same strong link exists between change and the different aspects of innovation as assessed by the model. The findings revealed a number of consistent factors relating to those organizations which had scored high on both change and innovation and those organizations which had scored highly.



**Figure 6. Comparison between change and innovation score**

Source: own research

**Table 3. Change and innovation correlation on Inno-Change Model**

	<b>Correlation</b>
Change components	0,971
Innovation components	0,959

Source: own research

#### 4. CONCLUSIONS

The findings have indicated that there appears to be a link between change and innovation in Romanian family businesses SMEs. In the current competitive global markets innovation is a means by which SMEs may not only stimulate competitive value but in some cases it may indeed be necessary for survival (Craig and Moores, 2006; Sirmon and Hitt, 2003). Yet to date, current family business research has only paid cursory interest to the area of innovation and lacks an organising framework or theory (Carr and Sequeira, 2007; Chrisman et al., 2005; Litz and Kleysen, 2001). For an organization to succeed in these turbulent times and achieve innovation they must foster a culture and processes that promote flexibility in their responses to environments factors (Popescu, 2013, Ceptureanu, 2015f).

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