Innovation and Success in Micro-Enterprises: The Role of Family and Environments

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Abstract. Innovation is often a crucial ingredient in entrepreneurial success; however, there is little known about the role of entrepreneurs in cultivating their innovative capabilities. This research addressed this issue by investigating the joint effects of firm-level innovation, two variables pertaining to entrepreneurs’ individual level (their family-to-business enrichment and support), and two environmental levels (environmental dynamism and competition). Through changes and differences of the external environments, and even the families at the individual level, entrepreneurs can help micro-enterprises achieve their goals and create new products and services.

Keywords: Micro-Enterprises, Innovation, Family, Environments, Entrepreneurial Success.

1. Introduction

Undeniably, micro-enterprises make up a significant part in the global economy and play a key role in both employment and wealth accumulation on a global scale (Berrone, Gertel, Giuliodori, Bernard, and Meiners, 2013; Prajogo and McDermott, in press). Vigorous entrepreneurial activities lead to new businesses, which in turn, create new job opportunities and enhance overall economic development (Acs, 2006). However, entrepreneurial activities are not always successful. According to previous research, low innovation capability will hinder entrepreneurial activities (Christensen, Parsons, and Fairbourne, 2010). Previous entrepreneurial studies have developed many new perspectives; however, most focused on relatively large size entrepreneurial firms (e.g., Baron and Tang, 2011; Tang and Murphy, 2012). Thus, their theories are not completely suitable for micro-enterprises. To address this research gap, this study treats night market vendors as samples of micro-enterprises to discuss entrepreneurial activities.

Berrone et al. (2013) pointed out that sociocultural and organizational elements are likely to influence micro-enterprises’ activities. Moreover, the role of external environment on innovation and performance has been widely studied, and acknowledged (e.g., Garg, Walters, and Priem, 2003; Levinthal and March, 1993; Jansen, Vera and Crossan, 2009). Previous research suggested that many environmental factors are stronger drivers of innovation among SMEs than among large firms (e.g., Bommer, 2004), which shows that environmental factors significantly influence innovation, and have different influence on enterprises of different scales. This study suggests that previous research neglected environmental effects on small size firms, thus, it is necessary to probe into this aspect.

In comparison to previous research findings, this study has the following academic and practical contributions. First, the present study addresses these concerns and presents a framework that shows how innovation behavior influences micro-enterprise success. Second, this study explored the environmental level factors (environmental dynamism and environmental competition) to show how the influence affects the relationship between innovation and micro-enterprises success. Finally, this study examines individual level factors (family-to-business enrichment and support) to show the influence on the relationship between innovation and micro-enterprises success.

2. Theoretical Background and Hypotheses

2.1. Innovation and entrepreneurial success

According to research, innovation is critical for cooperate competitiveness and success (Pavitt, 2005). Forsman, (2011) pointed out that innovation has been defined as the generation and implementation of new or improved services and products, which aim at increasing the competitiveness of an enterprise. Product
innovation is a crucial factor in firm performance (Verhees and Meulenberg, 2004; Forsman, 2011), in particular, the financial performances of enterprises (Balkin et al., 2000; Nijssen, Arboun, and Commandeur, 1995; Dunk, 2011). Therefore, the large-scale success of new products can increase sales volume and market share, which can attract new consumers, while maintaining the loyalty of old consumers (Wang and Wei, 2005; Gunday, Ulusoy, Kilic, and Alpkam, 2011). Therefore, Cheng and Krumwiede (2012) found that service innovation is not an end unto itself, but rather its value is in the facilitation and generation of outcomes that benefit new service performance regardless of financial rewards or market positions. Other studies have found that significant advantages result from enhancing the profitability of existing offerings and from providing new services (Avlonitis, Papastathopoulou, and Gounaris, 2001; Zhou, Yim, and Tse, 2005; Droge, Hildebrand, and Forcada, 2009). Koellinger (2008) argued that product and service innovations have positive relations with enterprise performance. Thus, enterprises should continuously provide innovative products or services; for example, “pure” service business or manufacturing industries should combine product innovation with service operations in order to derive continuous benefits (Berry, Shankar, Parish, Cadwallader, and Dotzel, 2006). Hence, different product and service innovation approaches should help entrepreneurs improve their firm operations and performance. Thus, this study proposes the following:

Proposition 1-1: Product innovation has a positive effect on entrepreneurial success.

Proposition 1-2: Service innovation has a positive effect on entrepreneurial success.

2.2. Environmental level moderators: Environmental dynamism and competition

Environmental dynamism means frequency and unpredictability of change of external environments of firms. The change is different according to technology or preference of consumption. Supply of materials is also a critical factor (Dess and Beard, 1984; Jansen et al., 2006; Jansen et al., 2009). In comparison to a stable environment, the uncertainties of environmental dynamism result in pressure or risk of enterprises. Thus, entrepreneurs attempt to improve current situations and treat changeable environments as opportunities for change and enhancement (Jansen et al., 2009). Current products or services do not completely respond to the changes of current environments (Wang and Li, 2008). Therefore, when environmental dynamism is more changeable, it is necessary to have innovative behavior. Zahra (1993) stated: “When rivalry is fierce, companies must innovate in products, explore new markets, find novel ways to compete, and examine how they will differentiate themselves from competitors.” In other words, highly dynamic environments make enterprises improve products or services or have innovation that lead to success by competitive advantages.

Environmental competition means competition between enterprises and rivals in the market (Atuahene-Gima, 2005; Chang et al., 2011). Generally speaking, when a market is less competitive, enterprises can fully apply their resources and control future markets. However, when market competition is severe, they must be active instead of passive (Auh and Menguc, 2005). In more competitive markets, in order to catch rivals, they will have the motive of innovation (Jansen, van den Bosch, and Volberda, 2006). In changeable environments, their life cycles will be reduced, and current profits are uncertain. Thus, enterprises must seek new opportunities. According to previous research, when enterprises actively developed new products or services, they could usually create higher performance (Ireland, Hitt, and Sirmon, 2003; Rauch, Wiklund, Lumpkin, and Frese, 2009).

Proposition 2-1: Environmental dynamism moderates the relationship between innovation behavior and entrepreneurial success, such that this relationship is stronger in highly dynamic environments than in stable environments.

Proposition 2-2: Environmental competition moderates the relationship between innovation behavior and entrepreneurial success, such that this relationship is stronger in highly competitive competition than in mild competition.

2.3. Individual level moderators: Family-to-business enrichment and support

Research in the past decade demonstrated that family-to-business enrichment positively influence outcomes of work, and it is gradually discussed in the field of entrepreneurial research (e.g., Eddleston and Powell, 2012; Powell and Eddleston, 2013). Enrichment theories mean individuals obtain resources through their roles in family and apply these resources to work (Eddleston and Powell, 2012). According to many previous empirical findings, family-to-business enrichment can improve work attitude and behavior (e.g., job satisfaction, higher job effort, and performance) (McNall, Nicklin, and Masuda, 2010; Powell and Eddleston, 2013), which shows that family can influence work. With positive family and work relations, individuals
make progress at work. For instance, their interpersonal communication is improved to lead to more precise decision making, judgments, and reinforced knowledge and creative visions (Grzywacz, Carlson, Kaemar, and Wayne, 2007). For micro-entrepreneurs, positive family-to-business enrichment will enhance their innovation behavior and performance. Moreover, research demonstrated that entrepreneur’ roles in the family (e.g., being a father or mother) can enhance their development of skills. They can apply their managerial experience from home to work. Many entrepreneurs even learn from their spouses or parents in order to be successful (Ruderman, Ohlott, Panzer, and King, 2002; Powell and Eddleston, 2013).

Family-to-business support in entrepreneurial activities can be defined as social support obtained from family members (Jennings and McDougald, 2007; Powell and Eddleston, 2013). Family-to-business support is part of the classification of theories of social support. Social support can be allocated into overall environment and individuals’ social lives (Cohen and Wills, 1985; Uchino, 2004). This study adopts the latter as the definition. According to previous research, social support at the individual level exists in the relations of group members or family, and leads to emotional support, and even suggestions or assistance (Uchino, 2004; Powell and Eddleston, 2013). In addition, Berrone et al., (2013) argued that familial support is of vital importance for micro-enterprise performance. For example, family members provide substantial support, such as external financial or physical resources (Burt, 1992). Moreover, evidence suggests that when entrepreneurs have more family support, they are more likely to be successful (Blanchflower and Oswald 1998; Berrone et al., 2013).

Proposition 3-1: Family-to-business enrichment positively moderates the relationship between innovation behaviors and entrepreneurial success, such that this relationship is stronger in high enrichment than in less enrichment.

Proposition 3-2: Family-to-business support positively moderates the relationship between innovation behaviors and entrepreneurial success, such that this relationship is stronger in high enrichment than in less enrichment.

3. Conclusions

This study suggested that the innovative activity development of micro enterprises depends on more than the entrepreneurs’ individual level. Environmental dynamism and competition in the external environment also have significant influence on the innovation activities of micro enterprises. This study divided environmental level into environmental dynamism and competition; and divided individual level into family-to-business enrichment and support. With the effects of these factors, entrepreneurs can obtain excitation and useful resources in order to enhance their innovation activities. The use of these situations will influence innovation activities differently. By studying these two different dimensions, this research enhanced academic views and provided suggestions for practical use.

4. References


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