



ERASMUS+ KA2 Strategic Partnership
2014-1-HU01-KA200-002307
INtergenerational Succession in SMEs' Transition – INSIST



INSIST Project Conference

Family Business (FB) and Innovation Are FB Truly Non-Innovative?

Csaba Makó

*Family Firms and the Challenges of their Sustainable
Development*

Firmy rodzinne wobec wyzwania trwałego rozwoju

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Cracow University of Econor



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Agenda

1: Role of Innovation in the FB

1.1. Innovation: Top priority for FB

1.2. Key dimensions of innovation: Absorptive Capacity, Human, Structural and Relational (Network) Capital

1.3. Structural Capital: Innovative Work Organisation in European Perspective

2: Why to Innovate? Outcomes of the innovation: productivity and employment growth – Some empirical experiences





1.1 Role of Innovation in the FB: Top priority

Question: *Key challenges for the FB in the next five year?*

(Source: Global Family Survey, 2014.)

(1) Need to continuously innovate: (2014)	62 % (2012) – 84 %
(2) Attracting the right skills talent:	58 % (2012) – 61 % (2014)
(3) Retaining key staff:	46 % (2012) – 48 % (2014)
(4) Reducing cost:	n. d. (2012) – 44 % (2014)
(5) Need for new technology:	37 % (2012) – 41 % (2014)
(6) Need to professionalize business:	n. d. (2012) – 40 % (2014)
(7) Company succession planning:	32 % (2012) – 36 % (2014)
(8) Conflict between family members:	9 % (2012) – 11 % (2014)





1.2 Role of innovation for FB: Factors shaping innovation capacity of firm

Absorptive capacity of the firm → innovation capability of the firm

- Notion of **absorptive capacity**: ability to recognise the value of new information, assimilate it and apply to commercial ends, it is one of the most crucial aspects of an organisation's innovation ability.
- Absorptive capacity is shaped by the „intellectual capital” which is composed by the following three types of capital:
 - (a) *Human capital*
 - (b) *Structural capital*
 - (c) *Relational or network capital*





1.3 Role of innovation: Share of innovative/learning work organisation in EU-24

Share of higher than the EU-28 average. (EWCS, 2010)

Form of work organisation	EU-15	NMS + 2
I. Learning/innovative Organisation	Netherlands, Denmark, Malta, Sweden, Belgium, Germany, Austria, Finland, Luxemburg and Italy	Latvia, Slovenia, Estonia and <i>Poland</i>
II. Lean organisation - limited learning capacity	Malta, Austria, Finland, Luxemburg, Spain, U.K., Ireland	Slovenia, Estonia, Lithuania, Croatia, Czech Republic, Romania and Bulgaria
III. Taylorist organisation – lack of learning capability	Portugal, France, Cyprus, Spain, U.K., Greece, Ireland	Hungary, Croatia, Slovakia, Czech Republic, Romania, Bulgaria
IV. Traditional organisation	Italy, France, Cyprus, Spain, Greece	<i>Poland</i> , Croatia, Slovakia, Czech Republic, Romania, Bulgaria



Role of Innovation and Competitiveness of the SMEs: the Hungarian Case

Nation wide survey on the competitiveness of this sector in the Hungarian economy. *Survey: March–June 2013 (period surveyed: 2010-2012)*

*Key problem: **knowledge deficiency** syndrome of the SMEs.*

Factors assessed (10):

1. Human capital, 2. Financing, 3. Cooperation, 4. Product & Process Innovation, 5. Administrative routines, 6. Strategy of Competitiveness, 7. Technology, 8. Internationalisation, 9. Marketing, 10. Use of ICT and on-line presence (social media)

Results: Share of the firms with highest competitiveness: **4,7%** versus share of firms with lowest competitiveness: **24%**.





Role of Innovation and Competitiveness of the SMEs: the Hungarian Case

Weak points of the Hungarian SMEs (FB) (Source: Szerb, at. Al. 2015:19-20)

- Complete lack of language skills (40.5 %)
- *Lack of further training in the firms (57.8 %)*
- *Not involved in any kind of cooperation (54 %)*
- Firms introducing product & process innovation (16.9 %)
- No any new things or innovation in the firm (33.2 %)
- They have to cope with strong competition (41.9 %)
- Complete lack of marketing communication (31.5 %)
- *Lack of web-site in the firm (49.5 %)*





2. Why to Innovate? Innovation Outcomes: productivity improvement and employment generation

Some Empirical Experiences:

2.1. Positive Impacts of the technological innovation, e.g. the extensive use of ICT: „... the better competence of American companies in the utilisation of ICT explains as much as 50 per cent (%) of the differences in growth in productivity between Europe and the US.” (Alasoini, 2014: 39)

2.2. „why Europe has lagged behind the US in adopting ICT is **management styles**. Research has shown that getting the full potential from ICT investments requires **organisational redesign**, and that US firms are better at employing management techniques that can facilitate transformation.” (Miller-Atkinson, 2014:3)





2. Why to Innovate? Innovation outcomes: continuous improvements in productivity and Quality of Working Life

2.3. Finnish example (Ramstad, 2014).

- **Productivity** (five variables): 1. quality of goods and services, 2. flexibility of customer service, 3. productivity of work, 4. fluency of operations, 5. quality of operation (these variables are measuring 'functional productivity' instead of financial one (i.e. profit, market value, growth in sale, and so on..))

- **Quality of Working Life (QWL)** (five variables): 1. mental well-being, 2. social relationships, 3. development of professional skills, 4. working as a team, 5. cooperation between management and employees.

„... **two-thirds of the respondents argued that the workplace development projects resulted in *simultaneous improvements* ... decentralised decision making, employee competence, and internal and external cooperation were positively associated with simultaneous improvements.**” (Ramstad, 2014: 39)

Csaba Makó

Krakow, 27 January 2016 – Cracow University of Economics



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2. Why to Innovate? Learning from the shortcomings of the „leading-edge” countries.

E.g. the Finnish paradox.

*„Finnish young people and young adults are among the pioneers of the digital world, ... It is surprising that this does not appear to have shaped into a significant competitive for business in Finland. E.g., the utilisation of social media is low particularly in industrial companies ... **social media is utilised in the development of product and services by just one in ten companies.**”*

(Alasoini-Lyly-Yrjaainen-Ramstad-Heikkial, 2014:35)



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Mako.Csaba@tk.mta.hu

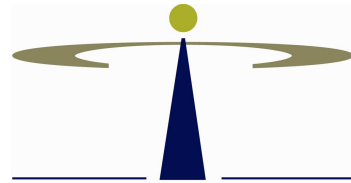
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