

Innovation Management in Small and Family-Owned Businesses

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ABSTRACT

This study addresses a gap in innovation management literature by examining how small and family-owned businesses develop and deploy strategic capabilities to support innovation under resource constraints. While prior research has predominantly focused on large, resource-intensive organizations, limited empirical insight exists into how smaller, family-controlled firms manage innovation in practice. Using a qualitative multiple-case study design, data were collected from five family-owned businesses through semi-structured interviews with owner-managers, supported by document analysis and non-participant observations. Thematic analysis revealed that entrepreneurial orientation, relational capital, and adaptive decision-making serve as key enablers of innovation, primarily through incremental process and service improvements. At the same time, financial limitations, informal governance structures, and family-driven risk aversion constrained the pursuit of radical innovation initiatives. Descriptive performance indicators indicated improvements in operational efficiency, customer retention, and cost control following innovation activities. This study contributes to theory by clarifying how strategic capabilities function as practice-based mechanisms for innovation in resource-constrained environments and extends family business research by demonstrating the dual role of family influence as both a constraint and a strategic asset. Practical implications are offered for business owners, educators, and policymakers seeking to support sustainable innovation in small and family-owned enterprises.

Keywords: Family Business, Strategic Capabilities, Incremental Innovation, Relational Capital, Resource Constraints

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1. Introduction

Small and family-owned businesses account for a substantial proportion of enterprises worldwide and play a vital role in employment, entrepreneurship, and regional economic development (Sibiya & Langa, 2026). Despite their prevalence, innovation research has historically emphasized large, resource-intensive organizations, resulting in limited empirical understanding of how smaller, family-controlled firms manage innovation. This gap is particularly significant because small and family-owned businesses often operate under persistent resource constraints, informal governance structures, and heightened exposure to environmental uncertainty (Larabi, 2025).

Innovation in small and family-owned businesses frequently differs from that of large firms in both scope and execution. Rather than pursuing large-scale technological breakthroughs, these firms often emphasize incremental innovation, including process improvements, service enhancements, and customer-driven adaptations (Sibiya & Langa, 2026). Family involvement further shapes innovation decisions by introducing long-term orientation, legacy considerations, and sensitivity to risk (Jocic et al., 2023; Calabrò et al., 2025). As a result, innovation in these firms is often embedded in day-to-day decision-making, close stakeholder

relationships, and practical responses to local market conditions rather than formal research and development systems (Nahapiet & Ghoshal, 1998).

Although prior scholarship has recognized the importance of innovation for firm survival and competitiveness, comparatively less attention has been devoted to understanding how small and family-owned businesses cultivate the capabilities necessary to innovate under constraint. This omission is important because the mechanisms that support innovation in large firms may not translate directly to firms characterized by limited capital, informal structures, and family-centered governance (Hossain et al., 2022; Teece, 2014). A more context-sensitive understanding is therefore needed to explain how strategic capabilities support innovation practices and shape growth outcomes in these business environments.

This study addresses that need by examining how strategic capabilities influence innovation practices and growth outcomes in small and family-owned businesses operating under resource constraints. In doing so, it contributes to innovation management and family business scholarship by clarifying how innovation is enacted in firms where adaptability, relational capital, and incremental improvement may be more consequential than scale, formalization, or technological intensity (Jocic et al., 2023; Larabi, 2025).

This study contributes to innovation management and family business scholarship in three important ways. First, it provides empirical insight into how strategic capabilities operate as practical mechanisms for enabling innovation in resource-constrained environments. Second, it extends existing theory by demonstrating that innovation in small and family-owned businesses is predominantly incremental, relationship-driven, and embedded in everyday organizational practices rather than formalized research and development systems. Third, it highlights the dual role of family influence as both a constraint and a strategic asset, shaping innovation decisions through long-term orientation and sensitivity to risk. Together, these contributions offer a more context-sensitive understanding of innovation in small and family-owned firms.

2. Problem Statement

The innovation management literature has not adequately explained how small and family-owned businesses develop and deploy strategic capabilities to support innovation under resource constraints. Existing research has largely emphasized large, resource-intensive organizations, leaving limited empirical understanding of how smaller, family-controlled firms manage innovation in contexts shaped by informal governance structures, financial limitations, and heightened environmental uncertainty (Larabi, 2025). In addition, although family involvement was recognized as an important influence on decision-making, less was known about how it simultaneously constrained and enabled innovation through long-term orientation and sensitivity to risk (Jocic et al., 2023; Calabrò et al., 2025). This gap in the literature limited understanding of how innovation practices emerged in small and family-owned businesses and how those practices contributed to measurable growth outcomes.

3. Purpose Statement

The purpose of this study was to empirically examine how strategic capabilities influenced innovation practices and growth outcomes in small and family-owned businesses. By integrating qualitative insights with descriptive performance data, the study provided a contextualized understanding of innovation management in resource-constrained, community-based enterprises.

4. Research Questions

This study was guided by the following research questions:

- RQ1: How did strategic capabilities enable innovation practices in small and family-owned businesses operating under resource constraints?
- RQ2: What forms of innovation emerged in small and family-owned firms where financial, structural, and governance limitations constrained traditional innovation approaches?
- RQ3: How did these innovation practices influence growth outcomes such as operational efficiency, customer retention, and cost control?

5. Conceptual Framework

This study was grounded in strategic capability theory, the resource-based view theory, and socioemotional wealth theory. Together, these perspectives provided a framework for understanding how innovation practices developed in small and family-owned businesses operating under resource constraints. Innovation management literature has traditionally emphasized formal research and development, technological investment, and structured processes as key drivers of innovation performance. Although these perspectives have been useful for explaining innovation in large organizations, they have not fully captured the realities of small and family-owned businesses, where innovation is often shaped by informal learning, experiential knowledge, and close stakeholder relationships (Sibiya & Langa, 2026; McKeen & Smith, 2021). In these firms, innovation frequently emerged through practical adaptation rather than through formalized systems of research and development.

5.1. Strategic Capability Theory

Strategic capability theory provided a primary lens for understanding innovation in the context of small and family-owned businesses. Strategic capabilities refer to an organization's ability to integrate, deploy, and reconfigure resources in response to changing environmental conditions (Teece, 2014; Teece, 2022). In smaller firms, these capabilities were often embedded in owner-managers' entrepreneurial orientation, relational capital, and adaptive decision-making rather than in formal structures or dedicated innovation units. Prior research suggested that such capabilities supported innovation by enabling firms to respond flexibly to market conditions while compensating for limited financial and human resources (Larabi, 2025). In this study, strategic capability theory helped explain how firms transformed everyday knowledge, relationships, and practical judgment into innovation practices that supported growth.

5.2. Resource-Based View Theory

The resource-based view theory further strengthened this perspective by emphasizing that competitive advantage did not depend solely on the volume of resources a firm possessed, but also on the strategic value of those resources and the firm's ability to mobilize them effectively (Hossain et al., 2022). For small and family-owned businesses, valuable resources often included tacit knowledge, close customer relationships, local market understanding, and trusted supplier networks (Kero & Bogale, 2023). Although these resources may have appeared modest when compared with those of larger firms, they became strategically significant when leveraged through strong capabilities and aligned with ongoing innovation efforts (Nahapiet & Ghoshal, 1998). The resource-based view theory therefore supported the argument that

resource limitations did not necessarily prevent innovation. Rather, the strategic use of available resources shaped the forms of innovation these firms pursued.

5.3. Socioemotional Wealth Theory

Family business scholarship also provided an important theoretical foundation by highlighting the role of socioemotional wealth, defined as the non-financial value families derive from ownership and control (Calabrò et al., 2025). Preservation of socioemotional wealth can shape strategic decisions by encouraging stability, continuity, and long-term orientation, while also increasing sensitivity to risk (Smajić et al., 2023). In the context of innovation, this dual influence helped explain why small and family-owned businesses were less likely to pursue radical or disruptive innovation but more likely to emphasize incremental improvements that aligned with family goals and long-term sustainability (Jocic et al., 2023). In this study, socioemotional wealth theory clarified how family influence functioned not only as a constraint on innovation but also as a strategic force shaping the direction and pace of change.

5.4. Innovation in SMEs and Family-Owned Businesses

Recent empirical research has increasingly emphasized that innovation in small and medium-sized enterprises (SMEs) and family-owned businesses differs substantially from innovation processes observed in large corporations. Studies have shown that SMEs frequently rely on flexibility, local market responsiveness, and relational networks to support innovation activities rather than formal research and development systems (Hassan et al., 2024). Family-owned firms, in particular, often leverage tacit knowledge, long-standing stakeholder relationships, and community embeddedness to support continuous operational adaptation (DiBella et al., 2023). Empirical findings by Jocic et al. (2023) further demonstrated that entrepreneurial orientation positively mediated innovation outcomes in family firms, particularly when innovation efforts aligned with long-term strategic priorities. Similarly, Sibiya and Langa (2026) found that frugal and incremental innovation practices allowed smaller firms operating under resource constraints to remain competitive despite limited access to capital-intensive innovation infrastructure.

5.5. Incremental and Radical Innovation Trade-Offs

Recent scholarship has also examined the trade-offs between incremental and radical innovation in family-owned and resource-constrained firms. Incremental innovation typically involves continuous improvements to existing products, services, and operational processes, whereas radical innovation introduces substantial technological or organizational disruption (Yusof et al., 2023). Empirical evidence suggests that family-owned businesses tend to favor incremental innovation because it aligns more closely with long-term continuity goals and reduced tolerance for financial risk (Chen et al., 2024). Although radical innovation may offer opportunities for rapid growth, it often requires significant capital investment, formalized governance structures, and increased organizational risk exposure that smaller firms may be unable or unwilling to absorb (Acemoglu et al., 2022). As a result, many family-controlled firms pursue adaptive and customer-centered innovation strategies that prioritize sustainability, operational efficiency, and relationship preservation over disruptive transformation (Nidaazzi et al., 2026).

5.6. Informal Governance and Innovation Decision-Making

Governance informality also plays an important role in shaping innovation management within small and family-owned firms. Unlike large corporations characterized by formal hierarchies and structured innovation systems, family firms frequently rely on centralized decision-making, informal communication patterns, and relationship-based authority structures (Smajić et al., 2023). While these informal governance arrangements may limit strategic diversification and increase sensitivity to risk, they can also facilitate rapid decision-making and organizational adaptability (Laing et al., 2022). Prior studies have shown that informal governance structures often enable owner-managers to respond quickly to customer feedback and changing market conditions, thereby supporting incremental innovation and operational flexibility (Larabi, 2025). However, governance informality may also constrain radical innovation by limiting external collaboration, reducing formal strategic planning, and concentrating decision authority within family leadership (Chu, 2026).

5.7. Theoretical Integration

Taken together, the preceding empirical and theoretical literature provided an integrated framework for examining innovation in small and family-owned businesses. Strategic capability theory explained how firms adapted to changing conditions, the resource-based view theory clarified the importance of intangible and relationship-based resources, and socioemotional wealth theory illuminated how family influence shaped innovation choices. Collectively, this framework supported the argument that innovation in small and family-owned firms was not simply constrained by limited resources, but was actively shaped by the interaction of capabilities, relationships, and family-centered strategic priorities.

6. Methods

This study employed a qualitative multiple-case study design to explore innovation management practices in small and family-owned businesses. A multiple-case approach was appropriate because it allowed for an in-depth examination of innovation practices across several firms while also supporting cross-case comparison (Creswell & Creswell, 2023). The design was especially well suited to the study's purpose because innovation in small and family-owned businesses is context dependent and often shaped by organizational culture, family involvement, and resource limitations. By examining multiple firms within comparable settings, the study was able to identify recurring patterns while preserving the contextual richness of each case.

6.1. Sample and Setting

The sample consisted of five family-owned firms operating in retail and service industries in the southeastern United States. Purposeful criterion sampling was used to identify firms that met the study's inclusion requirements. To participate in the study, firms were required to (1) be independently owned and family operated, (2) employ fewer than 50 employees, (3) have operated continuously for at least five years, and (4) demonstrate evidence of recent innovation activity, such as operational improvements, service modifications, process adaptations, or customer-driven changes. These criteria aligned with the study's focus on established small and family-owned businesses operating under resource constraints while actively engaging in innovation-related practices.

Participants were recruited through regional business networks, local chamber of commerce referrals, and direct outreach to owner-managers. Initial contact was made through email

invitations explaining the purpose of the study and participation requirements. All participating firms voluntarily agreed to participate.

The study included a total of eight semi-structured interviews conducted across the five participating firms. One to two interviews were conducted per firm depending on organizational size and participant availability. Participants primarily included owner-managers and family members directly involved in operational and strategic decision-making. Interviews ranged from 45 to 60 minutes in duration and were conducted either in person or virtually, depending on participant preference.

As shown in Table 1, the sample included firms from both retail and service sectors and reflected variation in size and years in operation. This sampling approach supported the study's focus on firms that were sufficiently established to demonstrate observable innovation practices while still reflecting the structural and financial constraints commonly associated with small and family-owned businesses. The inclusion of firms across both retail and service sectors also allowed for modest variation in organizational context while maintaining comparability across cases.

Table 1. Sample Characteristics

Firm	Industry	Employees	Years in Operation
Firm A	Retail	12	9
Firm B	Service	18	15
Firm C	Retail	25	21
Firm D	Service	10	7
Firm E	Retail	47	28

6.2. Data Collection

Data collection involved semi-structured interviews with owner-managers, each lasting between 45 and 60 minutes. The interview protocol focused on innovation activities, strategic decision-making, resource constraints, and perceived performance outcomes. Semi-structured interviewing was appropriate because it provided consistency across cases while still allowing participants the flexibility to elaborate on firm-specific experiences and practices. Interview data were supplemented by document analysis and non-participant observations. Documents included operational records, marketing materials, and other internal materials relevant to innovation activities and business performance. Non-participant observations of day-to-day business operations provided additional contextual insight into how innovation practices were enacted within each firm.

The interview protocol consisted of open-ended questions designed to explore innovation activities, strategic decision-making processes, resource constraints, family influence on innovation, and perceived organizational outcomes. Questions focused on how innovation opportunities were identified, how decisions regarding innovation investments were made, and how firms adapted to operational and market challenges. Follow-up prompts were used to encourage elaboration and clarify examples provided by participants. The semi-structured format ensured consistency across cases while allowing flexibility for firm-specific experiences and contextual detail to emerge during interviews.

Prior to data collection, participants were informed of the study's purpose, the voluntary nature of participation, and confidentiality procedures. Participants provided informed consent before interviews were conducted. Firm names and participant identities were replaced with

pseudonyms to protect confidentiality. The study protocol was reviewed and approved in accordance with institutional ethical research procedures.

6.3. Data Analysis

All interviews were audio-recorded and transcribed verbatim prior to analysis. Data analysis followed an iterative thematic coding process that allowed patterns to emerge across cases. Initial coding focused on identifying recurring concepts related to strategic capabilities, innovation practices, and growth outcomes. These codes were then refined into broader themes through repeated comparison across interviews, documents, and observational notes. Cross-case analysis further supported identification of common patterns as well as variation in how innovation was understood and enacted across firms.

Descriptive quantitative indicators were collected to contextualize the qualitative findings and provide additional insight into operational changes associated with innovation activities. These indicators were derived primarily from participant-reported operational records and internal business documents shared during interviews, including customer tracking reports, fulfillment records, and monthly operating summaries. Although the indicators were not independently audited, owner-managers verified the accuracy of the reported figures during member-checking procedures. The indicators in Table 2 reflected approximate pre- and post-innovation conditions over a 12- to 18-month period and were aggregated descriptively across participating firms by calculating average patterns of change rather than conducting statistical analysis intended for generalization.

Table 2. Innovation Outcomes

Outcome	Pre-Innovation	Post-Innovation	Change (%)
Customer Retention Rate	72%	81%	+12.5%
Order Fulfillment Time	4.8 days	3.6 days	-25.0%
Monthly Operating Costs	\$42,000	\$38,500	-8.3%

Figure 1 visually summarizes aggregated post-innovation performance patterns across participating firms and is intended to support interpretation of the descriptive indicators presented in Table 2.

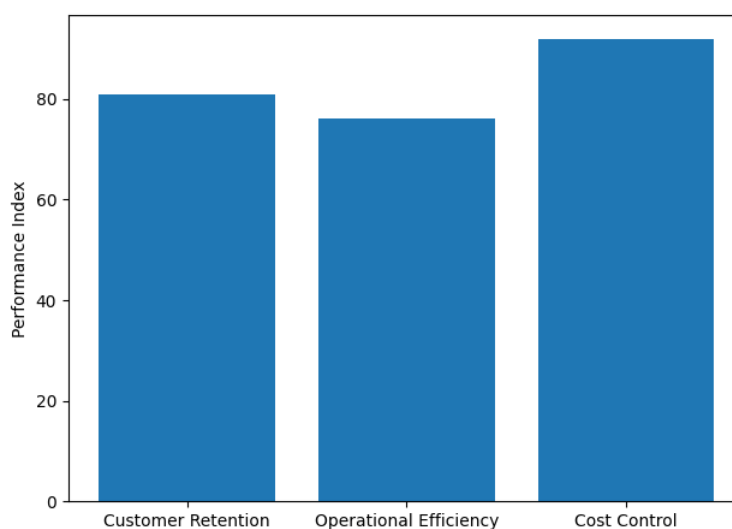


Figure 1. Post-Innovation Performance Indicators

The descriptive indicators were used to complement qualitative findings rather than provide statistically generalizable results. Collectively, the indicators suggested improvements in operational efficiency, customer retention, and cost control following incremental innovation activities.

To further enhance analytical rigor, coding was conducted in multiple stages, including initial open coding followed by focused thematic coding to refine and consolidate emerging patterns. Codes were continuously compared across cases to identify both commonalities and variation in innovation practices. This iterative process ensured that the resulting themes were grounded in the data while also aligned with the study's conceptual framework.

6.4. Trustworthiness and Rigor

To enhance the rigor of the study, several strategies were employed to strengthen credibility, dependability, and transferability. Triangulation was used across interviews, document analysis, and non-participant observations to corroborate findings from multiple data sources. Member checking was also incorporated to validate interpretations with participants and ensure that emerging themes accurately reflected their experiences. In addition, an audit trail was maintained to document coding decisions and analytic procedures throughout the study. Thick description further supported transferability by providing sufficient contextual detail about the firms and their innovation practices. Finally, descriptive quantitative indicators were incorporated to complement the qualitative findings and strengthen the overall analytical validity of the study. These strategies align with established qualitative research standards for credibility, dependability, and transferability (Lincoln & Guba, 1985).

7. Results

Analysis revealed three dominant themes across cases: the deployment of strategic capabilities, the constraint-driven adaptation of innovation practices, and growth through incremental innovation. These themes were consistently reflected across multiple data sources, including interview narratives, observational insights, and supporting documentation, thereby strengthening the credibility of the findings. Across the participating firms, entrepreneurial orientation, defined as a firm's propensity toward innovation, proactiveness, and risk-taking (Lumpkin & Dess, 1996), emerged as a critical driver of opportunity recognition and responsiveness. Owner-managers consistently described monitoring customer feedback, observing local market conditions, and making practical adjustments to products, services, and operations in response to emerging needs. As one participant explained, "We pay attention to what customers are saying every day and make changes quickly if something is not working." These patterns suggested that innovation was not typically formalized through structured research and development processes but instead developed through ongoing managerial judgment and close engagement with the business environment.

Relational capital also played a central role in enabling innovation across cases. Strong relationships with customers and suppliers facilitated rapid feedback loops and supported the continuous refinement of products and services. In many instances, owner-managers described innovation as emerging directly from customer interactions, recurring service issues, or opportunities identified through trusted business relationships. One owner-manager noted, "Most of our improvements come directly from conversations with customers; they tell us what they need and we adjust." These findings reinforced the importance of relationship-based resources in small and family-owned businesses and highlighted how innovation often developed through localized knowledge and interpersonal exchange rather than through large-scale investment. Across the sample, most of the firms reported implementing at least three

incremental innovation initiatives within the previous two years, further underscoring the prevalence of continuous improvement strategies.

At the same time, financial constraints and family-driven sensitivity to risk limited the pursuit of radical innovation. Only two firms reported attempting large-scale innovation initiatives, and both efforts were discontinued because of perceived financial risk and uncertainty. As one participant stated, “We considered a bigger investment, but it felt too risky for the business and the family, so we decided to focus on smaller changes instead.” These findings suggested that while firms remained open to innovation, they tended to favor lower-risk adaptations that aligned with existing capabilities, available resources, and long-term business continuity. In this way, innovation was shaped not only by opportunity but also by the practical boundaries imposed by financial limitations, informal governance structures, and family-centered decision-making.

Descriptive performance indicators provided additional context for understanding the outcomes associated with these innovation practices. As shown in Table 2, firms reported improvements across several key performance measures following innovation activity. Customer retention increased from 72% to 81%, order fulfillment time declined from 4.8 days to 3.6 days, and monthly operating costs decreased from \$42,000 to \$38,500.

These changes suggested that incremental innovation contributed to measurable gains in operational efficiency, customer loyalty, and cost control. These post-innovation patterns were also visually summarized in Figure 1, which illustrated the direction of performance improvement across the reported indicators.

Overall, the findings indicated that innovation in small and family-owned businesses was predominantly incremental, capability-driven, and closely tied to relationship-based knowledge. Rather than pursuing disruptive innovation, firms relied on entrepreneurial orientation, relational capital, and adaptive decision-making to make practical improvements that supported sustainable growth over time.

8. Discussion

The findings of this study advance understanding of how innovation is enacted within small and family-owned businesses operating under conditions of resource constraint. Across cases, innovation emerged not as a function of formalized research and development systems or large-scale technological investment, but as an ongoing, capability-driven process embedded in everyday organizational practice. Entrepreneurial orientation, relational capital, and adaptive decision-making operated as interrelated mechanisms through which firms continuously identified opportunities, responded to environmental changes, and implemented incremental improvements. This pattern challenges dominant assumptions in innovation management literature that equate innovation primarily with scale, formalization, and technological intensity, and instead demonstrates that innovation can be effectively sustained through context-specific, practice-based processes in smaller, family-controlled enterprises.

From a theoretical perspective, the findings extend strategic capability theory by demonstrating that capabilities in small and family-owned firms are enacted through practice rather than structure. While prior research has conceptualized strategic capabilities as organizational-level competencies, the present study shows that, in resource-constrained environments, these capabilities are operationalized through the day-to-day actions of owner-managers. Innovation was driven by continuous interpretation of customer needs, iterative adjustment of operational processes, and real-time decision-making informed by localized market conditions. These findings suggest that strategic capabilities in such contexts are less dependent on formal

systems and more reliant on experiential knowledge, situational awareness, and managerial judgment. Accordingly, this study reframes strategic capabilities as dynamic, practice-based processes that enable sustained innovation even in the absence of extensive organizational resources. This interpretation aligns with prior work integrating dynamic capabilities and resource-based perspectives to explain firm adaptability in changing environments (Kero & Bogale, 2023).

The findings advance the resource-based view by highlighting the central role of intangible and relationship-based resources in shaping innovation outcomes. These findings align with research emphasizing the role of community embeddedness in shaping value creation and strategic behavior in family firms (Lumpkin & Bacq, 2022). Relational capital, manifested through strong customer relationships, trusted supplier networks, and deep local market knowledge, consistently functioned as a primary enabler of innovation. These resources facilitated rapid feedback loops, reduced uncertainty, and supported continuous refinement of products and services. Importantly, the results indicate that competitive advantage in small and family-owned businesses is not contingent on resource abundance, but rather on the firm's ability to mobilize and integrate available resources effectively within ongoing innovation activities. This contributes to a more refined understanding of resource utilization in constrained environments, where adaptability and alignment outweigh scale.

In addition, the study deepens understanding of socioemotional wealth theory by clarifying the dual and context-dependent role of family influence in innovation processes. Consistent with prior research, family involvement was associated with heightened sensitivity to risk and a reluctance to pursue radical or disruptive innovation initiatives. However, the findings also demonstrate that this long-term orientation and emphasis on continuity function as strategic assets that support sustained incremental innovation. By prioritizing business longevity and preserving family legacy, firms exhibited a consistent commitment to gradual improvement, operational efficiency, and customer responsiveness. This duality underscores that family influence should not be interpreted solely as a constraint on innovation, but rather as a shaping force that influences the direction, pace, and form of innovation activity.

Beyond theoretical contributions, the findings also have important implications for how innovation success is conceptualized and evaluated in small and family-owned businesses. The observed improvements in customer retention, order fulfillment time, and operating costs demonstrate that incremental innovation can produce meaningful and measurable performance outcomes. These results challenge traditional innovation metrics that prioritize breakthrough products or technological disruption and instead support a broader perspective that recognizes operational efficiency, responsiveness, and customer loyalty as valid indicators of innovation success. In doing so, the study contributes to a growing call for more context-sensitive approaches to evaluating innovation performance, particularly within small firm environments.

Taken together, these findings establish that innovation in small and family-owned businesses is best understood as a continuous, adaptive process shaped by the interaction of strategic capabilities, relationship-based resources, and family-centered priorities. Rather than being constrained by limited resources, these firms exhibit a distinct and effective form of innovation characterized by flexibility, responsiveness, and close alignment with local market conditions. This perspective not only extends existing innovation theory but also highlights the limitations of applying models derived from large, resource-intensive organizations to smaller firms. By foregrounding the lived realities of small and family-owned enterprises, this study offers a more precise and contextually grounded account of how innovation is managed, sustained, and translated into measurable performance outcomes.

9. Limitations and Future Research

This study was subject to several limitations that should be considered when interpreting the findings. First, the sample was geographically bounded to small and family-owned businesses operating in the southeastern United States, which may limit the transferability of the findings to firms operating in other regional, national, or international contexts. Economic conditions, cultural norms, labor dynamics, customer expectations, and institutional environments may differ substantially across regions and could influence how innovation practices are developed and sustained within family-owned firms. In addition, the sample consisted primarily of firms operating within retail and service sectors.

Although these sectors provided valuable insight into relationship-based and operational forms of incremental innovation, firms operating in manufacturing, technology-intensive, or highly regulated industries may experience different innovation pressures, governance structures, and resource requirements. Consequently, the findings should be interpreted within the context of smaller retail- and service-oriented family businesses operating in the southeastern United States rather than generalized broadly across all small and family-owned enterprises. Moreover, the researcher's interpretation of qualitative data may have been influenced by contextual familiarity with small business environments, although efforts were made to minimize bias through systematic coding and triangulation.

The study also relies in part on self-reported data from owner-managers, which introduced the possibility of response bias, selective recall, or the tendency to present innovation activities and performance outcomes in a more favorable light (Creswell & Creswell, 2023). Although triangulation across interviews, documents, and observations strengthened the credibility of the findings, the potential subjectivity associated with participant accounts remained a methodological limitation. In addition, the qualitative multiple-case study design provided depth and contextual richness, but it did not support statistical generalization.

Future research could build on this study by examining innovation practices across a broader range of geographic regions, industries, and institutional settings. Comparative studies involving firms in rural and urban environments, as well as cross-regional or cross-national designs, would help clarify how context shaped the relationship between strategic capabilities, family influence, and innovation outcomes. Longitudinal research would also be especially valuable because it could capture how innovation practices evolved over time, particularly as firms responded to changing market conditions, generational transitions, and shifting resource constraints.

Furthermore, future studies could further investigate the role of digital technologies in shaping innovation in small and family-owned businesses. Tools such as e-commerce platforms, automation, digital marketing systems, data analytics, and artificial intelligence may influence how firms develop capabilities, manage customer relationships, and adapt to environmental change. Exploring these dynamics would deepen understanding of how technology interacted with entrepreneurial orientation, relational capital, and adaptive decision-making in resource-constrained firms. Future research might also incorporate mixed-method or quantitative designs to test the relationships identified in this study across larger samples and to examine whether similar patterns emerged across different business contexts.

10. Conclusions

This study provided empirical evidence that strategic capabilities played a central role in shaping innovation practices and growth outcomes in small and family-owned businesses. Although resource constraints and sensitivity to risk often limited the pursuit of radical

innovation, the findings indicated that incremental innovation, supported by entrepreneurial orientation and relational capital, generated meaningful and sustainable performance improvements. These results underscored the importance of understanding innovation in small and family-owned firms as a capability-driven process grounded in adaptability, close stakeholder relationships, and long-term responsiveness to local market conditions.

The study also offered important practical implications for multiple audiences. For business owners and family-firm managers, the findings suggest several practical approaches for strengthening innovation capabilities under resource constraints. Firms can support low-cost capability development by implementing structured customer feedback systems, conducting brief monthly operational review meetings, and encouraging employee participation in continuous improvement discussions. These practices may strengthen entrepreneurial orientation and adaptive decision-making without requiring significant financial investment.

Moreover, family-owned businesses may benefit from establishing simple governance mechanisms that balance socioemotional wealth preservation with strategic risk-taking. Examples include involving nonfamily advisors in major innovation decisions, implementing periodic strategic planning discussions, and separating operational decisions from family relationship dynamics when evaluating innovation opportunities. Such practices may reduce excessive risk aversion while preserving the long-term orientation valued within family firms.

The findings also suggest that small and family-owned businesses should adopt practical performance indicators to monitor the effectiveness of incremental innovation initiatives over time. Rather than relying solely on traditional financial measures, firms may benefit from tracking operational and customer-centered indicators such as customer retention rates, repeat purchase frequency, order fulfillment time, employee-generated improvement suggestions, operational error rates, and monthly cost savings associated with process improvements. These relatively simple key performance indicators (KPIs) can provide owner-managers with accessible methods for evaluating whether innovation activities contribute to operational efficiency, customer responsiveness, and sustainable growth.

For educators, the results highlight the importance of incorporating experiential learning opportunities that emphasize incremental innovation, adaptive problem-solving, and entrepreneurial thinking within small business environments. For policymakers, the findings point to the need for targeted support programs, technical assistance initiatives, and small-business innovation training opportunities that recognize the unique governance structures and resource limitations commonly faced by family-owned enterprises. Collectively, these findings reinforce the argument that innovation in small and family-owned businesses is most sustainable when grounded in adaptive capabilities, relationship-based learning, and context-sensitive governance practices.

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