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Family Businesses' Culture and Innovativeness of Successors

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Abstract: The article empirically examines the relationship between family businesses' culture and successors' innovativeness. A quantitative empirical research approach was adapted on the smaller sample of family SMEs in Slovenia. The research results demonstrate that the family business culture of individual orientation is perceived by successors as very important for their innovativeness and positively influences their creativity and process innovations. The empirical evidence also supports our hypothesis that long-term orientation of the family businesses culture positively affects successors' creativity, original thinking, experimenting with new ways of doing things, development of new ideas, new products and services. Research findings show that relationships between family businesses' culture influenced by founders' value system and successors' innovativeness are complex.

Keywords: family business; successors; organizational culture; innovativeness; transition country.

Organizacijska kultura družinskih podjetij in inovativnost naslednikov

Povzetek: Članek empirično preučuje razmerje med kulturo družinskih podjetij in inovativnostjo naslednikov. Rezultati raziskave kažejo, da družinsko podjetniško kulturo individualne usmerjenosti nasledniki razumejo kot zelo pomembno za svojo inovativnost in pozitivno vpliva na njihovo ustvarjalnost in procesne inovacije. Empirični dokazi podpirajo tudi našo hipotezo, da dolgoročna usmeritev kulture družinskih podjetij pozitivno vpliva na ustvarjalnost naslednikov, izvirno razmišljanje, eksperimentiranje z novimi načini delovanja, razvoj novih idej, novih izdelkov in storitev. Ugotovitve raziskave kažejo, da so odnosi med kulturo družinskih podjetij, na katere vpliva sistem vrednot ustanoviteljev in inovativnost naslednikov, kompleksni.

Ključne besede: družinska podjetja; nasledniki; organizacijska kultura; inovativnost; tranzicijska država.

1. Introduction

Several research studies report on the predominance, economic importance, and significance of family businesses (e.g. Mandl, 2008; Laforet, 2012). Family businesses present between 70 - 80 % of all firms worldwide and most of them are micro, small, or medium-sized (Mandl, 2008; Mohanakrishnan, 2020). Transfer of leadership and ownership rights has been recognized as one of the most challenging

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issues of family businesses' future (e.g. Miller et al., 2003; Sharma et al., 2003; Mandl 2008) and has been studied intensively since 1990 (e.g. Sharma 2004; Giambatista et al., 2005; Chirico, 2008). Since many family businesses fail due to unsolved or badly solved transfer to the next family generation (Morris et al., 1997; Miller et al. 2003), several research studies have explored the reasons for failure of family businesses' succession (e.g. Donckels, Fröhlich, 1991; Bjuggren, Sund, 2001; Dyck et al., 2002; Malinen, 2004) and factors of successful succession (e.g. Morris et al. 1997; Dyck et al., 2002; Saan et al., 2018; Rondi, De Massis and Kotlar, 2018).

However, we are lacking research that would address the effects of a successor's innovativeness on a family business's succession and centre systematically and extensively on the factors influencing innovative behaviour of the next family generation. Innovations have been recognized as an effective firm's respond to rapid changes in external environment (Nonaka et al., 2000) and are crucial for attaining firms' competitive advantage (Naranjo-Valencia et al., 2011). Fast changing environment requires raising a successor who is going to be able to add value to a family business by constantly seeking new opportunities and fostering entrepreneurship (Dyck et al., 2002; García-Álvarez et al., 2002) since past patterns and behaviours become less appropriate (Chirico, Nordqvist, 2010). Family businesses are often characterized to be risk adverse (Mandl, 2008), introverted, inflexible and burdened by family tradition (Kets de Vries, 1993; Gersick et al., 1997). More recent research suggests that family businesses can be quite innovative but are constrained in how innovation might be expressed by their deference to tradition (De Massis et al., 2016; Erdogan et al., 2020). There are evidences that family businesses become more conservative and less innovative over time (e.g. Donckles, Frölich, 1991; Ward, 1997; Zahra, 2005; De Massis et al., 2016). However, some other research studies demonstrate that established family firms place substantial importance on innovation practices and strategy (Craige, Moores, 2006) and the next family generation can be a driving force of innovation (Litz, Kleysen, 2001; Duran et al., 2016). Family business prosperity across generations depends on innovation to achieve desirable future outcomes and long-term goals (Jaskiewicz, Combs and Rau, 2015; Diaz-Moriana et al., 2018). Therefore, we find innovativeness of successors to be a specially challenging issue of family businesses' future that deserves research attention thus filling gap in the literature on innovative behaviour of family businesses (e.g. Craig, Moores, 2006; Ganzaroli et al., 2006; Frank et al., 2018). The literature considers organizational culture to be one of the most significant factors of organizational members' innovativeness (e.g. Litz, Kleysen, 2001; Prajogo, Sohal, 2001; Cakar, Ertuerk, 2010; Chirico, Nordqvist, 2010; Laforet, 2012). Organizational culture influences employees' behaviour to accept innovation as a fundamental value of the organization (Naranjo-Valencia et al., 2011) and shapes the firms' character and how they adapt to the external environment (Zahra et al., 2004). Shared beliefs, rituals, practices, and legacy help family businesses persist over time, albeit potentially posing a substantial constraint to change, particularly for those with high attachment to their tradition (Rondi, De Massis and Kotlar, 2018). Some family businesses tend to develop cultures that make them inflexible, resistant to change and stick to traditions thus becoming less proactive and innovative (Hall et al., 2001). The research of Zahra et al. (2004) shows that certain dimensions of family business culture (i.e., moderate individualism, decentralization, external and long-term orientation) are positively associated with entrepreneurship. Therefore, the main goal of our research is to broaden our understanding on the link between family businesses' culture and successors' innovativeness. The main research question that we address in our research is: What is the relationship between multiple dimensions of organizational culture and innovative behaviour of successors in family businesses?

In order to achieve a complex, detailed understanding of the issue under investigation, our theoretical framework presents the resource-based theory (RBT) in connection with entrepreneurship theory with the focus on family businesses. Entrepreneurship is about creating new or improving existing products, services or entities within specific markets or industries (Davidsson, Wiklund, 2001). New or improved products and services are the results of knowledge creation processes and innovation capabilities of firms (Lee, Choi, 2003). According to RBT, sustained competitive advantage derives from a bundle of resources and capabilities the firm controls that are valuable, rare, imperfectly imitable, and not substitutable (Barney et al., 2001). Within entrepreneurship theory, socially complex resources are often linked to founders and their firms. These are idiosyncratic resources since they are the result of strong interactions among family, its individual members and the family business (Chirico, Nordqvist, 2010). They are difficult to be observed, described or evaluated, but they have a large impact on competitive edge of the firm (Cabrera-Suárez et al., 2001; Zahra, 2005; Laforet, 2012). Many socially complex resources, like organizational culture, firm's image and human capital enable a firm to identify and use business opportunities more effectively than the others do (Cabrera-Suárez et al., 2001; Zahra et al., 2004). Organizational culture plays an important role in the resource-recombination process, thereby either supporting or preventing entrepreneurial performance and innovativeness (Chirico, Nordqvist, 2010; Craig, Dibrell and Garrett, 2014).

In this paper, we limit our research to the transfer of family businesses from the first (founding) generation to the second one which is the most problematic generational transfer (e.g. Miller et al., 2003) as only 30 % of the family firms survive this phase. The focus of our research is on intergenerational family succession in family micro, small and medium-sized firms (family SMEs), as research findings show that the majority of family SMEs' leaders prefer realizing succession within a family circle (e.g. Bjuggren, Sund, 2002; Le Breton-Miller et al., 2004; Letonja, Duh, 2015).

We limit our research on Slovenia, where the research on characteristics of family businesses (Antončič et al., 2015) revealed that 83 % of businesses are family businesses, they create 69 % of entire sales, 67 % of value added and employ 70 % of all employed. This estimate involves large companies employing over 250 people as well. Slovenia is one of transition economies that present a large sub-category of emerging economies (Hoskisson et al., 2013). As a new European state, it has been in last decades under transition process to independent state, the reorientation from former Yugoslavia to Western developed markets and the transition to a market economy (Lahovnik, 2004). Even though some authors claim that Slovenia is no more a transition country since it joined the EU (e.g. Grosman et al., 2016), several indicators show that economic transition from routine to innovative economy and society has not been finished yet in Slovenia (Bekö, Jagrič, 2011; Buşega, Dachin, 2015). Since research findings show that entrepreneurs in highly developed countries are more likely to engage in innovative rather than imitative activities (Koellinger, 2008), increasing of innovativeness of successors and family SMEs is crucial for development of Slovenia.

We contribute to the entrepreneurship and family business research fields with theoretical and empirical insights on the role of organizational culture in promoting innovativeness of the successors in family businesses using data from a former socialist country and EU member state. Due to a common belief that organizations within similar environments usually have similar cultures and related mind-sets on how they do business (e.g. Oney-Yazici et al., 2007), we believe that our findings are useful for researchers, professionals and family businesses' owners and managers in countries with similar cultural and socioeconomic conditions.

The paper is divided into several sections. Following the introduction section, we present the theoretical background and develop hypothesis in the second section. In the next sections the research methodology, sampling, data collection and results are presented followed by a discussion of the research results. Concluding chapter highlights the most important findings, implications for practice and future research directions.

1.1 Theoretical background and development of hypothesis

Organizational culture as a construct has more facets and according to definition encompasses assumptions, beliefs, goals, knowledge and values, shared by members of an organization (e.g. Deal, Kennedy, 1982; Cameron, Quinn, 1999), shaping management styles and processes in the organization (Schein, 1990; Aycan et al., 2000). Organizational culture also plays an important role in the way firms innovate (Cakar, Ertuerk, 2010; Naranjo-Valencia et al., 2011; Craig, Dibrell and Garrett, 2018) and is recognized as one of the key enablers of new knowledge creation that enables innovations (Lee, Choi, 2003). It has considerable effect on innovation performance because the more innovative the culture is, the higher is the innovation performance (Prajogo and Sohal, 2001). Research of Naranjo-Valencia et al.

(2011) shows that adhocracy culture, which is externally oriented and emphasizes flexibility, creativity, entrepreneurship, and risk taking, fosters an innovative orientation of a firm. Firms with such a culture are "a dynamic and entrepreneurial place where people are willing to take risks" (Naranjo-Valencia et al., 2011, 64).

The organizational culture was demonstrated as an important distinct characteristic of family businesses (e.g. Astrachan et al., 2002; Klein et al., 2005). The family business culture is the result of the combination of different behavioural patterns stemming from the family business history, social relationships and family's beliefs and values (Hall et al., 2001; Chirico, Nordqvist, 2010). It reflects the close connection between a business and a family (Hall et al., 2001). Personality, values and attitude of the founders due to their long tenures and the centrality of their positions in their family and firm inevitably affect the family business culture (Hall et al., 2001; Sharma, 2004; Zahra et al., 2008; Dacin et al., 2019) which presents a legacy that is transmitted to the next generation (García-Álvarez, López-Sintas, 2001). According to Denison et al. (2004) the continuation of founder's values in the firm's culture can explain their research results indicating that family firms have recognizable, for business operations encouraging culture. As generations of successors in family firms nurture the culture of founders, the family business culture is difficult to imitate (Dierickx, Cool, 1989) and can be the source of a family business's competitive advantage (Laforet, 2012). The research demonstrated that a family environment and a family culture affect the innovation potential of individuals (Mumford et al., 2002) that is way a family culture is an important condition for innovation capacity from the early childhood of potential successors (Litz, Kleysen, 2001). Maintaining creative environments in families during childhood are prerequisites for creativity and innovation in businesses (e.g. Gersick et al. ,1997; Ženko, Mulej, 2011).

Zahra et al. (2004) focused on four dimensions of organizational culture in their research on the influence of the family business culture on entrepreneurship: individual versus group orientation; an internal versus external orientation; short versus long-term orientation; assumptions regarding centralization/ decentralization of coordination and control. Their research results showed that family business's culture characterized by moderate individualism, decentralization, external and long-term orientation is positively associated with entrepreneurial change. In our research, we explored all these four dimensions of culture and their influence on innovativeness of successors since several authors (e.g. Zahra et al., 2008; Naranjo-Valencia et al., 2011) suggest to study links between various dimensions of culture, flexibility and innovativeness.

Individual versus group cultural orientation refers to the value that is placed upon individual versus group contribution in a family business. In family businesses with a group cultural orientation, especially cooperation and collaboration in decision-making processes are emphasized. Individuals that share knowledge and cooperate are rewarded and there is common belief in such family businesses that only joint efforts can bring the best solutions. Therefore, it can be expected that a group cultural orientation could have several positive effects on entrepreneurship (Zahra et al., 2004) also due to the research findings indicating that team working emphasize innovation (Naranjo-Valencia et al., 2011). However, in such family businesses exists the danger of limiting the freedom of family and non-family employees to express their ideas and to make autonomous choices and changes, which can lead to strong inclination toward preserving traditions (Chirico, Nordqvist, 2010). Some authors define such cultures as closed cultures (e.g. Hall et al., 2001; Chirico, Nordqvist, 2010) that hamper innovation and adaptation to the market. Too little individualism may discourage the recognition of radical innovations. The cultural orientation of individualism supports risk-taking, autonomy, individual empowerment, and commitment, and facilitates the recognition of innovations by individual and entrepreneurship (Zahra et al., 2004). Such cultures are described as open cultures where family and non-family employees are encouraged to express their ideas and act proactively thus supporting innovations and proactive attitude (e.g. Hall et al., 2001; Chirico, Nordqvist, 2010). Even though individual and group cultural orientations seem to be opposing forces that should be brought in balance in order to facilitate entrepreneurship and innovativeness, there are empirical evidences that the moderate levels of individualism are associated with the highest level of entrepreneurship (Morris et al., 1993; Zahra et al., 2004).

Therefore, the following hypothesis is developed:

H1: *Family business's culture characterized by moderate individual orientation is positively associated with innovativeness of successors in family SMEs.*

Research on centralization/ decentralization of coordination and control indicates that family businesses often centralize their operations, that is, ultimate decision-making lies with one family member – the owner/ founder (Gersick et al., 1997). Centralization is believed to be a factor that undermines entrepreneurial activities (Hall et al., 2001) and could inhibit innovation (Miller, Friesen, 1982; Damanpour, 1991). Decision-making structure is found to be more centralised in first-generation family firms than in later-generation family firms (Dyer, 1988; Hall et al., 2001). This centralised decision-making is mainly caused by founder centrality, that is, the powerful influence of the founder on organizational development present in first-generation family firms (Brun de Pontet et al., 2007). This founder centrality is reduced when the firm moves to the second generation (Cruz, Nordquist, 2010), and consequently, decision-making becomes less centralised (Kelly et al., 2000). Culture of orientation toward decentralization of control and coordination is recognized to be positively associated with entrepreneurship (Zahra et al., 2000; Zahra et al., 2004) and family businesses with a greater innovation posture are those having both less formality and greater decentralization (Craig, Moores, 2006).

Therefore, the following hypothesis is developed:

H2: *Family business's culture characterized by decentralization of decision making, control and coordination is positively associated with innovativeness of successors in family SMEs.*

An internal versus external cultural orientation refers to the family business's beliefs about its relationship to the external environment (Zahra et al., 2004). The literature suggests that firms with externally oriented culture will favour the generation of innovations while internally oriented culture is associated with imitation orientation of a company (Naranjo-Valencia et al., 2011; Leiss, Zehrer, 2018). Firms with internal cultural orientation emphasize development of knowledge and expertise within a firm. However, such an inward orientation might present an obstacle for entrepreneurship and innovations in family businesses since it might inhibit a family business's ability to explore innovative ideas (Zahra et al. 2004). It could be dangerous if successors' preparation for taking over a family business relies only on internal knowledge since rapid changes require from younger generations to be up to date with recent technological, product and market developments (Duh, 2014). There are research evidences showing that more innovative R&D projects are based to greater extent on external information in comparison to less innovative projects (Turner, Makhija, 2006). Customers, suppliers, and competitors present an important source of knowledge and expertise that can be incorporated into new concepts, technologies, products, or systems (e.g. Becerra-Fernandez, Sabherwal, 2001; Nonaka et al., 1994; Nonaka et al., 2006). Zahra et al. (2004) found that a family business's culture with a strong external orientation is an important antecedent of entrepreneurship due to exposure of employees to different sources of knowledge leading to improvements of their ability to identify opportunities for entrepreneurship.
Therefore, the following hypothesis is developed:

H3: *Family business's culture characterized by external openness is positively associated with innovativeness of successors in family SMEs.*

An important dimension of a family business's culture is its *orientation toward time*. Long-term orientated culture supports those "value creating activities that have a low probability of success but are important for new business creation and revenue generation" (Zahra et al., 2004, 367). According to RBT long-term oriented cultures can be an important resource for increasing entrepreneurship (Zahra et al., 2004) since they focus on social rather than economic exchanges, enhances employees' commitment, their motivation, encourages seeking innovative ideas and looking for formation on potential or ongoing changes in markets (Zahra et al., 2008). However, short-term orientated culture supports those projects that have an immediate high potential feedback (Zahra et al., 2004). Zahra et al. (2004) and Craig and Moores (2006) claim that long-term orientation includes a joint vision of the founder and successor, the capability of innovating and bringing constantly new products, services and processes to the market and putting emphasis on industry leadership to remain competitive in the global business environment.

Therefore, the following hypothesis is developed:

H4: *Family business' culture characterized by a long-term orientation is positively associated with innovativeness of successors in family SMEs.*

2. Research methodology

We adopted a quantitative empirical research approach focusing on organizational culture as one of the factors influencing innovativeness of successors in family SMEs. Quantitative research started with developing a questionnaire and validating it by experts and on the smaller sample of family SMEs in Slovenia.

Innovativeness of successors was measured by Jackson Personality Inventory (JPI) that was adapted from Jackson (1994) by Mueller and Thomas (2001). An individual (i.e., a successor) achieving a higher number of points on the JPI scale is creative and inventive individual that is capable of original thinking, motivated for development of new solutions to problems and likes improvisations. In the scale for measuring innovativeness of a successor, we included eight variables/assertions (V1-V9 in Table 2). Additionally, we applied the scale of entrepreneurial orientation of Covin and Slevin (1991) and Covin and Wales (2012). We applied only those variables that refer to innovativeness (V9-V11 in Table 2). Perceptions of successors regarding their innovativeness were measured using a five-point Likert scale (1 = strong disagreement; 5 = strong agreement) with the exception variables measuring development of new process and services (1 – In the recent 5 years I developed 0 new lines of products and services/ new processes; 5 – In the recent 5 years I developed more than 5 new lines of products and services/ processes).

Our measure of *organizational culture* is based on the four dimensions of the family business's culture (i.e., individual orientation, decentralization of decision making, control and coordination, external openness, and long-term orientation) identified by Zahra et al. (2004). Several research studies reveal that these dimensions of organizational culture enhance entrepreneurship and innovativeness (e.g. Morris et al., 1993; Hall et al., 2001; Craig, Moores, 2006; Chirico, Nordqvist, 2010;). Perceptions of successors on how a particular dimension of the family business's culture influences their innovativeness were measured using a five-point Likert scale (1 = strong disagreement; 5 = strong agreement).

We conducted a mail survey to collect data necessary to test our hypotheses. We applied univariate (analysis of means, variance, reliability index Cronbach alpha) and multivariate (correlation) statistical methods. We used the coefficient Cronbach alpha to test the reliability of the variables involved. The Cronbach alpha values range on the interval from 0 to 1; higher values show a better reliability, acceptable are values between 0.60 and 0.95, Cronbach alpha, lower than 0.50 is unacceptable (Bhattacherjee, 2012). The Pearson correlation coefficient was used to test the strength of dependency (not causality) between the variables. In social studies, we are usually satisfied with 5 % (0.05) or even 10 % (0.10) precision, which means that correlation is significant at the 0,05 level (2 tailed) or at the 0,10 level (2 tailed) (Hussey, Hussey, 1997). If the values of probability are higher then 0.05, the correlation is random, not statistically significant, there is not enough evidence that they exist.

2.1 Sampling and data collection

Questionnaires were sent to a random sample of 408 SMEs in Slovenia, selected from the database of family SMEs of the authors of this paper. We received fully completed questionnaires from 103 family SMEs reflecting a response rate of 25% that is higher than rates reported in other family business studies (Zahra et al., 2008). Regarding the size class, we did not limit our research to small and medium sized family firms (from 10 to 249 employees) only, as we suppose that numerous micro family firms from zero to nine employees face the problem of transferring ownership and management to the next generation as well.

Many attempts have been made to define family business (e g., Astrachan et al. 2002; Mandl 2008). However, none of them has been commonly accepted as family businesses are not homogeneous group of firms. Research findings demonstrate that they differ in their ownership structure, intergenerational involvement, and stage of business development (Gersick et al., 1997). In order to make the concept of family business operational (e.g. Lambrecht, Lievens, 2008) we decided to employ a broader definition of a family business and asked each respondent whether he/she considers the business as a family one. Prior research confirmed that key stakeholder's perception of the business as being a family one is an important defining variable (Sharma et al., 2003; Zahra et al., 2008). All 103 respondents reported being a family business.

The average age of family SMEs in our research is 23.5 years. In the sample, we identified two groups of the first-generation family businesses. The first, larger group (79.6%) consists of those family businesses where the succession process is still going on. The founders are strongly involved into ownership, management, and daily operations of the firm, they are active and employed, while successors are already involved, not necessary employed in the family firm, some of them are students. The second, smaller group (20.4%) consists of those family businesses where the succession is going to be almost completed or has been recently completed. Successors are already formally involved in the family firm and they are employed, the management and ownership of the firm has been already partly or entirely transferred from the founders to the successors, while founders are retired, but still active in a firm. This family businesses structure is in line with some other research results for Slovenia indicating a high share of family businesses in the first/ founder generation which are approaching the transfer of leadership and ownership rights in the near future (Mandl, 2008; Duh, 2009). The successors in our sample are mostly men (63; 61.2%). The sample consists of 54 (52.4%) micro, 30 (29.1%) small and 19 (18.5%) medium size firms. Although micro firms prevail in the sample, the average number of employed is 30, which is the size of a small firm and these firms employ on average three family members (2.77). The firms from service industries dominate our sample - 46.6 % (48), followed by production firms - 27.2 % (28) and trading firms - 26.2 % (27). The sample involves firms from all but one statistical region of Slovenia (Zasavje) and the distribution of the sample is broadly consistent with number of firms in statistical regions of Slovenia.

3. Research results

Variables that measure perceptions of successors on the importance of four dimensions of organizational culture on their innovativeness are shown in the table 1. The coefficient of reliability of the family business culture construct (Cronbach's alpha) is 0.744, which means that the reliability of the construct is good (the value of the coefficient is between 0.70 and 0.90). Innovativeness of successors was measured by eleven variables (table 2). Coefficient of reliability (Cronbach's alpha) was 0.764 indicating that the reliability of the construct innovativeness of successors is good (the value of the coefficient is between 0.70 and 0.90).

Table 1: Variables of the family business culture

Variable	Family business culture	Mean	Standard deviation
V12	Culture of moderate individual orientation enhances successor's innovativeness.	3.95	.996
V13	Culture of decentralization of decision-making, control and coordination enhances successor's innovativeness.	3.85	.938
V14	Culture of external openness enhances successor's innovativeness.	4.19	.793
V15	Culture of long-term orientation enhances successor's innovativeness.	4.02	.883

Table 1 provides research results on the importance of the four selected dimensions of organizational culture for successors' innovativeness. Successors place substantial importance on external orientation of the family business culture (mean value 4.19), followed by long-term orientation (mean value 4.02), and moderate individual orientation (mean value 3.95). The decentralization of decision-making, control and coordination of the family business culture is evaluated as the less important cultural dimension in relation to innovativeness (mean value 3.85). Standard deviations of data are below 1.0, distribution of data is consistent, normal.

Table 2. Correlation between the family business's culture and innovativeness of the successors in family SMEs

Innovativeness of successors		V12	V13	V14	V15
I often surprise with novel ideas (V1)	Pearson Correlation	.049	-.021	.128	.260**
	Sig. (2-tailed)	.635	.842	.203	.009
	N	97	93	100	100
I am often being asked to help people in creative activities (V2)	Pearson Correlation	.155	-.088	.146	.214*
	Sig. (2-tailed)	.133	.411	.152	.034
	N	95	90	98	98
I am more satisfied if I develop a novel idea as if I master a skill (V3)	Pearson Correlation	.041	-.085	.148	.092
	Sig. (2-tailed)	.691	.419	.140	.359
	N	98	93	101	101
I prefer work which requires original thinking (V4)	Pearson Correlation	.086	.014	.033	.200*
	Sig. (2-tailed)	.405	.892	.746	.047
	N	97	93	99	99
Usually I do not continue with work as I was used to do (V5)	Pearson Correlation	-.100	-.024	-.024	-.060
	Sig. (2-tailed)	.332	.819	.811	.555
	N	96	91	99	99
I prefer the work which requires inventiveness as skills and practice (V6)	Pearson Correlation	.059	.073	.103	.091
	Sig. (2-tailed)	.562	.489	.305	.368
	N	98	93	101	101
I am a very creative person (V7)	Pearson Correlation	.212*	.034	.081	.222*
	Sig. (2-tailed)	.037	.743	.421	.026
	N	97	93	100	100
I like to experiment with different styles of doing the same things (V8)	Pearson Correlation	.188	.138	.082	.212*
	Sig. (2-tailed)	.066	.190	.418	.034
	N	97	92	100	100
In the recent 5 years I developed / started to market 1 (2, 3-5, more than 5 (new lines of products and services (V9)	Pearson Correlation	.167	.090	.151	.255*
	Sig. (2-tailed)	.124	.417	.157	.016
	N	86	83	89	89
In the recent 5 years I developed / started to market 1 (2, 3-5, more than 5) new processes (V10)	Pearson Correlation	.227*	.109	.127	.174
	Sig. (2-tailed)	.041	.341	.248	.112
	N	82	79	85	85
In the recent 5 years the changes in production / services/ process lines... (V11)	Pearson Correlation	.098	-.054	.139	-.007
	Sig. (2-tailed)	.374	.634	.200	.945
	N	84	80	87	87

Research results demonstrate statistically significant (at $p < 0.05$) positive weak correlations between culture of individual orientation (V12) and innovativeness of successors, measured by »I am a very creative person« (V7), and »In the recent 5 years I developed/ started to market 1 (2, 3-5, more than 5) new processes« (V10). There is also a statistically significant weak positive correlation (at $p < 0.01$) between culture of long-term orientation (V15) and successors' innovativeness measured by »I often surprise with new ideas« (V1), »I am often being asked to help people in creative activities« (V2), »I prefer work which requires original thinking « (V4), »I am a very creative person« (V7), »I like to experiment with different styles of doing the same things« (V8), and »In the recent 5 years I developed/ started to market 1 (2, 3-5, more than 5) new lines of products and services« (V9).

The research results revealed that even though all four dimensions of family business culture were recognized by successors to be of importance for their innovativeness, only two dimensions of family business culture (i.e., individual and long-term orientation) are positively related with successors' innovativeness. We did not find any support for the impact of other two dimensions explored (i.e., decentralization of decision-making and external openness) on successors' innovativeness.

4. Discussion

The empirical evidence supports hypothesis H1, which stated that culture of moderate individual orientation positively affects successors' innovativeness. The research results revealed that the family business culture of individual orientation is perceived by successors in family SMEs as very important for their innovativeness and positively influences successors' creativity and development of new processes. Traditions as beliefs, customs and practices are consciously transmitted. Family businesses that encourage and support successors who are prone to accept higher levels of risk and uncertainty, make autonomous choices and changes, are those with higher probability to successfully transfer in the next family generation and to survive the after transfer stage. Our results are in line with Zahra et al. (2004) and Dacin et al. (2019),

Our research revealed that successors believe that family culture of decentralization of decision- making, control and coordination affects their innovativeness. However, they found this dimension of the family business culture as less important as other dimensions. The reason for such result might lay in the structure of our sample with prevailing first generation family firms that are often characterized by centralization of decision-making prevail (e.g. Dyer ,1988; Hall et al., 2001; Brun de Pontet et al., 2007). The results indicate that centralization at least in the first-generation family SMEs that are in the process of transfer to the next family generation is not recognized as an obstacle for successors' innovativeness. This may be due to the founders' managerial behaviour in which they succeed through activities, policies, and procedures to generate values supporting creativity and innovation (e.g. Naranjo-Valencia et al., 2011). However, studying the correlation between the variables measuring innovativeness of successors and family culture of decentralization of decision-making, control and coordination, no positive correlations were confirmed. Therefore, we cannot confirm our hypothesis H2.

The research showed that family business culture of external openness was assessed by successors to be the most important for their innovativeness (the arithmetic mean is 4.19). However, according to the research results no correlation exists between the variables of successors' innovativeness and the external openness dimension of the family business culture. Thus, we cannot confirm our hypothesis H3.

The fourth variable, included in our construct of family culture, is the family culture of a long-term orientation. The family business culture of a long-term orientation was given by successors of family firms the second rank according to its importance for their innovativeness. The empirical evidence supports hypothesis H4 showing that long-term orientation of the family businesses culture positively affects successors' creativity, original thinking, experimenting with new ways of doing things, development of new ideas, new products, and services. Our research results are in line with Zahra et al. (2004) and Craig and Moores (2006) who exposed the importance of a joint vision of the founder and successor that emphasizes industry leadership and competitiveness in the global market. When this joint vision is based on shared values with commitment to innovation and change (e.g. Naranjo-Valencia et al. 2011), then family business culture of a long-term orientation has positive effects on successors' innovations. Such joint vision and shared values are of crucial importance for the success of a family business during and after transfer of leadership and ownership rights since they prevent development of typical strategic path of family businesses (Ward 1997) and enhance strategic flexibility (Zahra et al. 2008). Namely, a family business begins with the founder's entrepreneurial ideas and visions, but might end with inertia and the resistance to change due to the founder's loyalty to the original strategy, which does not respond to the fast changing environmental conditions (Hall et al. 2011; Rondi, De Massis and Kotlar, 2018). Long established family businesses have a strong heritage, culture and their tradition provides a unique bundle of resources as potential source of competitive advantage – but at the same time it is also a boundary to their discretion to change (Dacin et al., 2018) which leads to innovation. Cultures that foster innovations and successors' innovativeness are crucial for enhancing the likelyhood of changes needed in family businesses.

5. Conclusions

The main contributions of the paper are, first, to explore empirically the relationship between organizational culture and successors' innovativeness. The literature highlights the importance of organizational culture for innovativeness, but we lack empirical studies on the effects of family business culture on successors' innovativeness. Second, our research provides empirical evidence that certain dimensions of organizational culture affect innovativeness of successors in family businesses. In our research, we followed Zahra et al. (2004) who focused on four dimensions of family culture influence on entrepreneurship: individual versus group orientation; an internal versus external orientation; short versus a long-term orientation; assumptions regarding centralization/ decentralization of coordination and control. The research results indicate that culture of individual and long-term orientation enhances successors' innovativeness. Third, the research findings show that relationships between family businesses' culture influenced by founders' value system and successors' innovativeness are complex. Successors found all four dimensions of family business culture to be of importance for their innovativeness. However, not all dimensions were found to actually affect successors' innovativeness. This can also be due to different hierarchy of values that is specific for each founder where sometimes contradictory values exist (García-Álvarez, López-Sintas, 2001). Fourth, our research contributes to building the succession theory by showing the importance of family business culture for innovativeness of successors. Family members play a central role in family businesses thereby constituting a key factor that either promotes or hinders innovations and change. The family values and behaviour influence the family business culture where strong influence of founders can be observed due to their central role in a family and a business. However, since the value system developed by a founder is a legacy, thereby transferred to the successor, creating a shared value system that emphasizes creativity, risk-taking and innovativeness during the succession process is crucial for the survival of family businesses in highly competitive environments.

5.1 Implication for practice and future research directions

Our research findings confirm the importance of organizational culture for successors' innovativeness. These findings urge family businesses' owners and managers to pay more attention to understanding their family business's culture. This is especially important since it "is often embodied in the 'taken for granted' beliefs and assumptions about people, the firm, and the external environment" (Zahra et al., 2008, 1050). Family business culture should consist of value system encouraging successors to express their ideas and act proactively, to be risk-taker and develop positive attitude toward external environment in order to be creative and innovative individuals. In turbulent fast changing environments "traditional ways of thinking and acting will not be of much help to the organization" (Hall et al., 2001, 206). Successors as future leading family members "need to be open-minded and not feel threatened in their position by a new way of doing business" (Chirico, Nordqvist, 2010, 501). Therefore, founders should analyse (also by conducting organizational culture audit) whether such values exist in their family's culture and when needed introduce such values in the family business functioning.

The future research should use longitudinal studies in order to stress dynamic nature of organizational cultures. Namely, cultural patterns change over time (Hall et al., 2001) and it would be interesting to observe how the gradual involvement of successors in family businesses influences culture. Our research sample consists of family businesses where successors have already been importantly involved in a family business for longer period thus might also influencing changes in values, beliefs, and assumptions.

Culture of a long-term orientation is strongly connected with mutual trust and integrity between the founder and the successor. Without such a relationship between the founder and the successor, it is not possible to develop a joint vision and to share values. Such a relationship starts to develop in the early childhood, when successors observe their parents how they manage their firms. Since founders most often become less willing to take risk, their successors have to become more risk-oriented if they want the family firm to be competitive in a global economy and to survive on a long-term (Duran et al., 2016).

Therefore, future research should address the role of the founder-successor relationship on the successors' innovativeness, especially the early inclusion of the successor into working environment of a family firm, positive relationship with the founder as a parent – the relational dimension of the social capital, motivation and readiness for risk-taking of successors.

We have not given specific attention to the leadership style in relation to organizational culture and innovativeness. Future research should explore the effects of leadership style on the relationship between organizational culture and successors' innovativeness. Cultural differences between family businesses in different countries should be considered in the future research as well since our research has been limited only to family businesses in Slovenia.

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