

The Impact of Family Involvement in Management on Firm's Innovation: Evidence From Chinese Family Firms

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Abstract : This study investigates the impact of family involvement, a pivotal factor shaping the management structure of family firms, on the firm's innovation outputs. The independent variable focuses on the percentage number of family members serving as directors, supervisors and senior management. Our hypothesis suggests that family involvement tends to make management more conservative, thereby increasing the likelihood of impeding innovation investments and resulting in adverse effects on innovation output. Our findings reveal that Chinese family firms with high family involvement exhibit poorer innovation outputs compared to those with lower family involvement. Subsample analyses indicate that this negative influence of family involvement on innovation output is strengthened as the firm faces higher industry competition and a low marketization context. The findings of our paper contribute to the literature on family involvement by empirically illustrating how family involvement hinders innovation efforts and performance in Chinese family firms.

Keywords : family firm, family involvement, firm innovation, Chinese family firm

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