

Family Ownership and the Export Performance of SMEs: The Mediating Role of Innovation Capabilities



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ABSTRACT: This study examines the relationship between family ownership and export performance, and innovation capabilities as a mediation variable. We conceptualize our study to “familiarity” as the family system interaction in business activity. However, the principle of internationalization in SMEs has a consequences, including an increase in innovative behavior. To fill this gap, this study offers innovation capabilities to SMEs. Using 172 SMEs in Malang Regency, Indonesia, this study found that there is a positive relationship between family ownership and innovation capabilities with export performance. We also find that this relationship is mediated by innovation capabilities. In the end, we conducted a discussion and concluded the findings.

KEYWORDS: family ownership, innovation capabilities, export performance, SMEs.

I. INTRODUCTION

Family ownership is the dominant business in the worldwide. Many scholars have studied the problems in family ownership. Generally, the focus of the study is dominated by the extent of family ownership is will be influenced to firm performance (Ahmad et al., 2014; Lee, 2006). At least, there are two dimensions of developing the concept of family ownership that have been carried out. First, some authors focus not only on large firm, but used the SMEs to measure family ownership. There's some arguments used as the basis for the use of SMEs as reseacrh objects. Lodh et al. (2014) reveal that SMEs are considered more innovative when compared to large companies in emerging markets. In addition, SMEs are considered more responsive in serving a niche market in the technological changes. In utilizing technology, SMEs may only use simple and low-cost methods (Matekenya & Moyo, 2022). This condition is different from large firms, where they have to spend a lot of money in conducting R&D for the use of technology. Second, some researchers try to expand the operational scope, from local to international. With this characteristics, such as unclear structure and management, limited finances and resources (Johanson & Vahlne, 2003), SMEs have the behavioral power that allows them to export to global markets (Paul et al., 2017; Steinhäuser et al., 2021). This is a clear, the expansion of SMEs' operational scope will change the way they view the resulting performance. If the past time, the SMEs performance was focused on the local dimension, then the internationalization will be push them the realize the export performance (Singh & Mahmood, 2014).

Empirically, the role of SMEs ownership in the internationalization context has become a major theme that has been investigated over the last 20 years (Pascucci et al., 2022; Zahoor et al., 2022). However, some of the explanations has been create a gaps that can be explored further, especially when using export performance parameters in assessing the impact of family ownership and innovation. First, empirical studies that investigating the relationship between family ownership and export performance has a various and unconvincing findings (Pascucci et al., 2022). In addition, very few authors have been explored this relationship in the context of SMEs. Second, Love et al. (2016) highlight that the export patterns differences among SMEs in some regions also has the potential to produce different findings. Third, several studies have focused on comparisons between export performance on family versus non-family firms (Martin-Reyna & Duran-Encalada, 2015). Therefore, this study aims to explain the role of family ownership and innovation in export performance in the context of SMEs.

This study emphasizes family ownership because family firms have unique characteristics compared to non-family firms. Habbershon & Williams (1999) explained the word "Families" as the interaction of the family system in business activities.

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Through this system, the family has a dominant role in controlling the business (Chu, 2011). Several authors reveal that the dominance of the family in business activities will be influence to the export decisions (Dal Maso et al., 2020). Although the export decision has a potential to cause friction in the family (Nwuke et al., 2020), however it can be used as a performance measure.

In addition to family ownership, the focus of research is also emphasized on SMEs innovation in achieving export performance. Fundamentally, performance needs to be measured to increase the value of the firm and the decision-making process (Ponta et al., 2021), including export performance. When SMEs decided to do an export activity, managers need to demonstrate innovative behavior. Several studies show that innovation behavior will affect SMEs in capturing target market share, increasing growth, reducing operational costs (Singh & Mahmood, 2014), assisting in carried out a cross-border activities (Singh et al., 2022), as well as improving several capabilities, such as networking, opportunity-recognizing, and absorptive capabilities (Sadeghi et al., 2022). With the high innovative behavior, SMEs can increase profits and business growth on a global scale. Seeing the role of SMEs internationalization and innovation, this topic has received attention from researchers over the last few years (Singh et al., 2022). However, the efforts of SMEs in demonstrate the innovation behavior in the internationalization perspective may be difficult to do. The literature study highlights the traditional constraints faced by SMEs, including weak access to finance, limited managerial and skills, limited access to marketing, low productivity and lack of understanding of technology access (de Perea et al., 2019; Donkor et al., 2018; Singh et al., 2022). Based on the above limitations, it shows that SMEs have a gap in innovation capabilities. With these assumptions, we try to find answers to the role of innovation capabilities in the internationalization perspective. Overall, this study uses internationalization parameters with the final result on export performance. Thus, we argue that the use of export performance in the perspective of internationalization becomes a clear measure. However, when the export performance measures are clear, research related to family ownership is still a debate and several topics still need to be explored (De Massis et al., 2014). To fill the gap, we include innovation capabilities as a mediating variable. Thus, the research questions to be discussed are as follows:

- RQ 1. What the extent of family ownership can be affected the SMEs' export performance?
- RQ 2. What the extent of family ownership can be affected the SMEs' innovation capabilities?
- RQ 3. What the extent of innovation capabilities can be affected the SMEs' export performance?
- RQ 4. To what extent are innovation capabilities able to mediate the influence of family ownership and SMEs export performance?

To answer some of the problems, we used a sample on SMEs that located in Malang Regency, Indonesia. The rationale is that the number of SMEs in Malang Regency has growth (Statistics Indonesia Malang Regency, 2019), included the family business category. In fact, 75% of SMEs business systems in Malang Regency are controlled by individuals or families. This is recorded from the use of employees, where the average employee ownership for the production system is carried out by 5 people.

This study contributes in several ways, both from a literature and empirical perspective. Theoretically, the relationship between family ownership and innovation capabilities with export performance has been widely studied by previous researchers. In general, the study findings show that there is a positive relationship between the observed variables. In the perspective of the relationship between family ownership and export performance, this study tries to contribute to diversity and the results are more convincing from this relationship (De Massis et al., 2014; Love et al., 2016; Pascucci et al., 2022). In addition, the gaps in innovation capabilities in the SMEs internationalization perspective will be studied (de Perea et al., 2019; Donkor et al., 2018; Singh et al., 2022). Finally, this study will assess the extent to which innovation capabilities are able to mediate the relationship between family ownership and export performance.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Family ownership, innovation capabilities and export performance

Theoretically, previous studies explain that family businesses are considered inefficient and less able to provide benefits (Chu, 2011). In the literature perspective, the focus of family business lies in the theory of family ownership. Furthermore, family ownership is the development of agency theory, where the theory produces a combination of firm ownership structure and controlling. Through this combination, shareholders have a full concentration in carrying out activities so that it's possible to generate profits. In family business, there is an interest between the owner and the manager. Each of these interests must be able to be harmonized through a governance mechanism designed based on agency theory. When an every interest of the firm owner can be manage, then the firms profits are expected to be achieved (Davis et al., 1997; Jaskiewicz & Klein, 2007; Pieper et al., 2008).

Some researchers reveal that although a family business which is concentrated on family ownership can encourage the achievement of low performance, but the role of the family can create a competitive advantage (Anderson et al., 2003; Demsetz

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& Lehn, 1985). In family ownership, the business ownership structure makes it possible to reduce agency costs (Pacheco, 2019). With a competitive advantage, each firm can choose a target market, including international expansion (Knight et al., 2020; Pascucci et al., 2022). The impact of international expansion, as measured by export activity, will encourage the achievement of better performance (Paul et al., 2017). This condition applies to every firm, including SMEs.

Empirically, the relationship between family ownership and export performance has been widely studied by previous researchers. Some findings indicate that the premise have a positive relationship (Pascucci et al., 2022) and negative (Fernández & Nieto, 2005). The negative relationship between family ownership and export performance is due to the complexity of the problems faced by SMEs in carrying out export activities. This finding strengthens the previous argument, where there is a relationship between family ownership and export performance which has diversity (Pascucci et al., 2022), as well as differences in export patterns from SMEs will produce different findings (Love et al., 2016).

Inspired by agency and behavior theory, innovation will be determining factor for the family firms success (Bennedsen & Foss, 2015; Dal Maso et al., 2020). A family firm is described as a distinct group of owners, where each owner will bear a high risk of investing in the firm (Becerra et al., 2020). To minimize the risk, each firm owner will optimize all available resources, both internal and external, to enhance innovation (Martínez-Alonso et al., 2020). Dong et al. (2022) argues that when there is a balance between internal and external resources, the firms innovation capabilities will increase.

Previous studies has show that there is a positive relationship between family ownership and innovation capabilities (Lodh et al., 2014; Love et al., 2009; Pacheco, 2019). This relationship can occur because each owner can increase concentration so that it has an impact on solving agency problems more efficiently. Further, de Perea et al. (2019) conducted a comparative study between innovation behavior between MNEs and SMEs. By taking a sample of firm, both for the MNE and SMEs categories, located in Andalusia. Fundamentally, the results of the study show that there is no difference in innovative behavior between them. Technically, both types of firm use a collaborative innovation approach to demonstrate their capabilities.

Furthermore, using an objects on 395 companies in India listed on the Bombay Stock Exchange (BSE), Lodh et al. (2014) found that there is a positive impact between family-owned firms and innovation productivity. Further explanation of the study shows that the business affiliation of family firms can differentiate innovation activities among stand-alone firms. The study also found that 50 companies affiliated with family firm were able to increase innovation activity. Based on this explanation, hypotheses 1 and 2 proposed in this study are:

H₁ : family ownership is positively related to export performance

H₂ : family ownership has a positive effect on innovation capabilities

Innovation capabilities affect on export performance

As an ontology, innovation is explained from different perspectives. One of the differences between authors in explaining the concept of innovation lies in the meaning and processes contained therein. However, among these differences there is one agreement that innovation describes the system of adopting new ideas and behaviors carried out by individuals or organizations (Jiménez-Jiménez & Sanz-Valle, 2011). The impact, as described by (Schumpeter, 1947), Innovation is able to provide opportunities for a firm to make profits and become an important source of long-term success.

The literature perspective also explains that there are several types of innovation. Based on the processes inherent in each type of innovation, it will result in the achievement of performance (Damanpour, 1991). Further studies explain that the type of innovation can be viewed from an administrative and technical perspective. In both categories, innovation can be divided into 4 types, namely both categories are in a low position, organizations with strong administration while technical are in a low position, organizations with strong administration while technical are in a weak position and organizations with both the category is in a strong position. Each of these categories can affect the achievement of the firm performance (Damanpour et al., 1989).

In line with the above argument, Lawson & Samson (2001) explains that innovation management can be viewed as a form of organizational capability. For this purpose, the firm will try to invest so that its capabilities can be maintained. Included in this context is the firms capability to carry out an effective innovation process, with an emphasis on innovation of new products, services and processes. The argument developed is that the firm innovation capabilities can produce superior business performance.

Empirically, the relationship between innovation capabilities and export performance has been widely studied by previous researchers. With a focus on the application of technology in producing new products, several previous studies have shown that innovation capabilities have a positive effect on export performance (Alegre et al., 2014; Kumru Uyar & Burcu Oralhan, 2017; Ribau et al., 2017). However, literature studies also show the contradiction of this relationship. For example, Ganotakis & Love (2011) argues that when innovators tend to carry out export activities, the innovations carried out cannot increase the intensity

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of exports in the next period. Furthermore, Lefebvre & Lefebvre (2002) revealed that although innovation capabilities are a strong determinant of export performance, their relative importance varies according to the knowledge intensity of the industrial sector in which they are actively operating. Based on this explanation, hypothesis 3 in this study can be proposed as follows

H₃: innovation capabilities have a positive effect on export performance

The mediation of innovation capabilities will affected the relationship between family ownership and export performance

A firm with ownership concentrated will show better performance. This is because concentration will provide an efficient way of solving agency problems. Previous studies have shown that family ownership is positively related to export performance (Lodh et al., 2014; Love et al., 2009; Pacheco, 2019). Through this study, several authors use the financial structure to measure firm performance. Another studies also explain that the ownership structure will provide an important mechanism, so it allowed for a firm to collecting and directing the necessary resources for innovation activities (Chen et al., 2014). In addition, innovation activities can be used by a firm to carry out supervision, so that the firms business activities can run efficiently (Choi et al., 2011). Previous studies have explained that innovation management can be viewed as a form of organizational capability (Lawson & Samson, 2001). Included in organizational capability is the extent to which the firm ability to carry out an effective innovation process, with an emphasis on innovation of new products, services and processes (Choi et al., 2012; Wang et al., 2013). The argument developed is that the innovation capabilities owned by the firm can mediate the relationship between family ownership so that it will produce export performance. Based on this explanation, hypothesis 4 in this study can be proposed as follows:

H₄ : mediating innovation capabilities will affect the relationship between family ownership and export performance

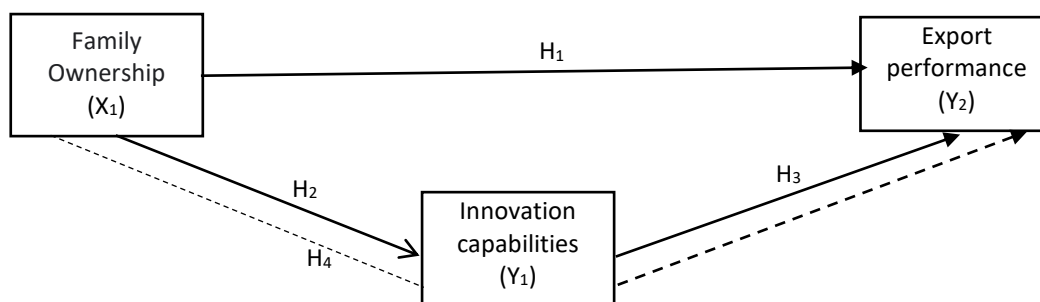


Figure 1. research framework

III. METHODOLOGY

Sample and data

To test the construct, this study uses SMEs in Malang Regency, Indonesia which are export-oriented. At the initial stage, we collected data from Statistics Indonesia Malang Regency regarding legal entities of SMEs in the region. Data was collected in the 2019 period. From this stage information was obtained for 4 categories of SMEs, namely CV, cooperative, individual firm and others. To matching with the study theme, we used SMEs with the individual firms category. The determination of this category is based on several arguments, where family firms often place several individuals who are family members and they exercise control over business sustainability (Chu, 2011; Lauterbach & Vaninsky, 1999). From these categories, 172 SMEs have been selected as samples.

In the next stage, data was collected by distributing questionnaires to selected respondents. In this study, we use family ownership, innovation capabilities and export performance variables. From the variables tested, 14 indicators have been determined. The variables and indicators are presented in Table 1. Finally, we calibrate the indicators into questionnaire items. Each item will be measured using a Likert scale, from “strongly agree” to “strongly disagree”.

Variable measurement

Dependent variable

When some authors explain family ownership with the percentage of funding sharing in family businesses (Lodh et al., 2014), we use another approach. We have made a few modifications by collaborating with several perspectives from previous authors. We made modifications by considering the characteristics inherent in the research object, namely SMEs. The argument is that SMEs in several regions in Indonesia, including in Malang Regency, rarely share funding, due to the principle of family. Therefore, this study emphasizes a strategic approach to explain the concept of family ownership. With this approach, family ownership is described as a business in which the family exerts power over the organization and its strategic direction through ownership (Miller, Breton-Miller, et al., 2013). From this approach, family ownership is measured by family involvement (Yu et al., 2012),

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the sensitivity of family members to the family business (Berrone et al., 2012), family leadership (Miller, Minichilli, et al., 2013), family identity (Calabrò et al., 2017) and family values (Bertrand & Schoar, 2006).

Mediation variable

In this study, innovation capabilities are the variables that mediate the relationship between family ownership and export performance. From several studies using this variable, the measurement scale that is considered more comprehensive is carried out by Huang (2011) and Dickson et al. (1995). In addition, the measure incorporates issues that go beyond the core of the concept. For example, Huang (2011) using technology capability to describe the firms ability to coordinate or assess the competitive environment. Meanwhile, Dickson et al. (1995) use the firms capabilities to develop managerial designs. To increase the scope, this study also uses a measure of marketing capability (Vorhies et al., 2009), learning capability (Ribau et al., 2017) as well as the ability to conduct R&D (Bhat & Momaya, 2020). When this study uses SMEs as an object, the measurement of R&D may be ambiguous. With their limitations, SMEs may be considered unable to carry out R&D. For that, we have anticipated with the arguments put forward by Kleinknecht (1987), where it is a fact that SMEs haven't formally carry out R&D activities. However, they realized that R&D became an important component in competing, especially when expanding internationally.

Independent variable

Unit analysis for the export performance study usually aimed at large companies (Larimo, 2013). The sizes used in other types of a firm are also different. Since this study is focused on SMEs, we'll use the export performance measure according to the object used. In this study, we emphasize the SMEs ability to carry out export intensity. Several previous researchers will be elaborated, namely sales generated from international markets (Larimo, 2013; Pascucci et al., 2022), profitability, market share, and new markets (H. Singh & Mahmood, 2014; Zehir et al., 2015).

Table 1. Variable and indicators

Latent variable	Observe variables	Refference
Family ownership	Family involvement Sensitivity of family members to family business Family leadership Family identity Family values	(Yu et al., 2012; Miller, Minichilli, et al., 2013; Calabrò et al., 2017; Bertrand & Schoar, 2006)
Innovation capabilities	Technology capability Manajerial capability Marketing capability Learning capability The ability to do R&D	(Huang, 2011; Dickson et al., 1995; Vorhies et al., 2009; Ribau et al., 2017; Bhat & Momaya, 2020)
Export performance	Sales generated from international market Profitability Market share New markets	(Larimo, 2013; Pascucci et al., 2022; Singh & Mahmood, 2014; Zehir et al., 2015)

Data analysis

The size of the significance of the hypothesis support can be used to compare the values of t-table and t-statistics. If the t-statistic is higher than the t-table value, it means that the hypothesis is supported or accepted. Because we used the 95 percent confidence level (alpha 95%), then the t-table value for the one-tailed hypothesis is > 1.68023 . PLS (Partial Least Square) analysis was used in this study using the SmartPLS 3.0 program.

IV. RESULT

Validity and reliability

The result summary of the convergent validity test is presented in Table 2. Based on the table, it shows that all items have a loading factor value above 0.5. The AVE coefficient value of each variable also has a value above 0.5. This result indicates that all items in each variable can be confirmed valid.

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Table 2. The value of loading factor and AVE

Variable	Indicators	Loading Factor	AVE
Family Ownership	Family involvement (X _{1.1})	0,753	0,643
	Sensitivity of family members to family business (X _{1.2})	0,749	
	Family leadership (X _{1.3})	0,845	
	Family identity (X _{1.4})	0,853	
	Family values (X _{1.5})	0,802	
Innovation Capabilities	Technology capability (Y _{1.1})	0,725	0,542
	Manajerial capability (Y _{1.2})	0,786	
	Marketing capability (Y _{1.3})	0,718	
	Learning capability (Y _{1.4})	0,806	
	The ability to do R&D (Y _{1.5})	0,633	
Export Performance	Sales generated from international market (Y _{2.1})	0,896	0,801
	Profitability (Y _{2.1})	0,904	
	Market share (Y _{2.3})	0,917	
	New markets (Y _{2.4})	0,862	

Table 2 shows that the loading factor and AVE values for each variable are family ownership, innovation capabilities, and export performance. From the table 2, it's knowing that the value of the loading factor of family values is the largest compared to the value of the loading factor indicator forming other family ownership variables. It is also known from the table that the loading factor value of learning capability is the largest compared to the loading factor value of the indicator forming variable innovation capabilities. Meanwhile, on the export performance variable, it is known that the loading factor value of market share is the largest compared to the loading factor value of the indicator forming the export performance variable.

The reliability test was measured using two parameters, namely the Cronbach's alpha value greater than 0.6 and the composite reliability value greater than 0.7 (Hair. et al., 2019). Table 3 shows that the value of Cronbach's alpha and the value of composite reliability are in accordance with the provisions of the parameters used. From these results it can be said that the measurement instrument used in this study is reliable. So it can be concluded that all items and instruments used in this study are valid and reliable, so that the next step can be data analysis.

Table 3. The Cronbach's Alpha dan Composite Reliability value

Variable	Cronbach's Alpha	Composite Reliability
Family Ownership	0,860	0,900
Innovation Capabilities	0,787	0,854
Export Performance	0,917	0,941

Inner Model Evaluation

The evaluation of the inner model is carried out to determine the specification of the relationship between latent variables, namely the independent variable and the dependent variable. The first inner model test is done by looking at the value of R² (coefficient of determination). Furthermore, the results of the R² value are used to measure the Q-square predictive relevance (Q²) in order to determine whether the model used in the study is good or not.

R² value is classified into 3 criteria, namely: R² > 0.63 = strong model, R² > 0.33 = moderate model, and R² > 0.19 = weak model. This study uses one variable that is influenced by other variables, namely the export performance variable (Y₂) which is influenced by the family ownership variable (X) and the innovation capabilities variable (Y₁). Meanwhile, the innovation capabilities variable (Y₁) is influenced by the family ownership variable (X).

Table 4 shows the R-square value for the innovation capabilities variable obtained by 0.565. The R-square value indicates that 56.5% of the innovation capabilities variable (Y₁) can be influenced by the family ownership variable (X). While the remaining 43.5% is influenced by other variables outside the studied. Furthermore, the R-square value of export performance (Y₂) of 0.425 shows that the export performance variable (Y₂) is influenced by the family ownership variable (X) and the innovation capabilities variable (Y₁) by 42.5% while the remaining 57.5% is influenced by other variables.

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Table 4. Coefficient Determination Results (R²)

Variable	R Square
Innovation Capabilities	0,565
Export Performance	0,425

After knowing the coefficient of R², the next step is to calculate the Q-square predictive relevance. From the calculation results, it is known that the Q² value is 0.442, which means that the magnitude of the diversity of data from the study that can be explained by the structural model designed is 44.2%, while the remaining 55.8% is explained by other factors outside the model. Based on these results, it can be state that the structural model in this study is good because it is close to the value of 1 or 100%.

Hypothesis test

The result test of direct effect hypothesis

This study proposes 3 main hypotheses of the direct influence between family ownership, innovation capabilities and export performance. We also propose 1 hypothesis about the indirect effect of the mediating role of innovation capabilities in influencing family ownership and export performance. The direct hypothesis testing parameter criteria in this study were seen from the value of t-statistics > t-table (> 1.96) (Hair. et al., 2019). Tables 5 and 6 present a summary of the results of testing the proposed hypothesis.

Table 5. The result test of direct effect hypothesis

Relationship Between Variables		Path Coefficient	t-statistics	p-value	Decision
Independent variable	Dependent variable				
Family ownership	Export performance	0,315	2,42	0,016	Sig.
Family ownership	Innovation capabilities	0,752	16,15	0,000	Sig.
Innovation capabilities	Export performance	0,381	3,38	0,001	Sig.

Overall, the study results supported our hypothesis. Specifically, the path coefficient value of the influence between family ownership on export performance is 0.315 with a t-statistics value of 2.42 (p-values 0.016). Thus, H₁ is supported. Furthermore, the results of testing hypothesis 2 show a path coefficient value of 0.752 with a t-statistics value of 16.15 (p-values = 0.000). These results supported our hypothesis 2 (H₂), that the higher the family ownership, will be increasing innovation capabilities. The last hypothesis (H₃) of the direct effect of innovation capabilities on export performance shows the results where the path coefficient value is 0.381 with a t-statistics value of 3.38 (p-values 0.001). These results indicate that the proposed H₃ is supported.

The final stage, we'll examine the mediating variable to ensure a causal relationship between the independent variable and the dependent variable (Hair. et al., 2019). According to Choi et al. (2012); Wang et al. (2013), innovation capabilities can act as a mediating variable of the relationship between family ownership and export performance. Based on the calculation results (see, Table 6), it shows that the t-statistics value is greater than the t-table (> 1.96) which is 3.11 with a p-value of 0.002. These results have confirmed our hypothesis, where innovation capabilities are able to mediate the effect of family ownership on export performance. Thus it can be concluded that (H₄) is supported. Based on Hair. et al., 2019), the identification of mediation is categorized as partial mediation which states that family ownership can significantly affect export performance if it is through innovation capabilities or not through innovation capabilities.

Table 6. The results of the hypothesis testing for the mediation effect

Relationship	t-statistics	p-value	Decision
Family ownership → Innovation capabilities → Export performance	3,11	0,002	Sig.

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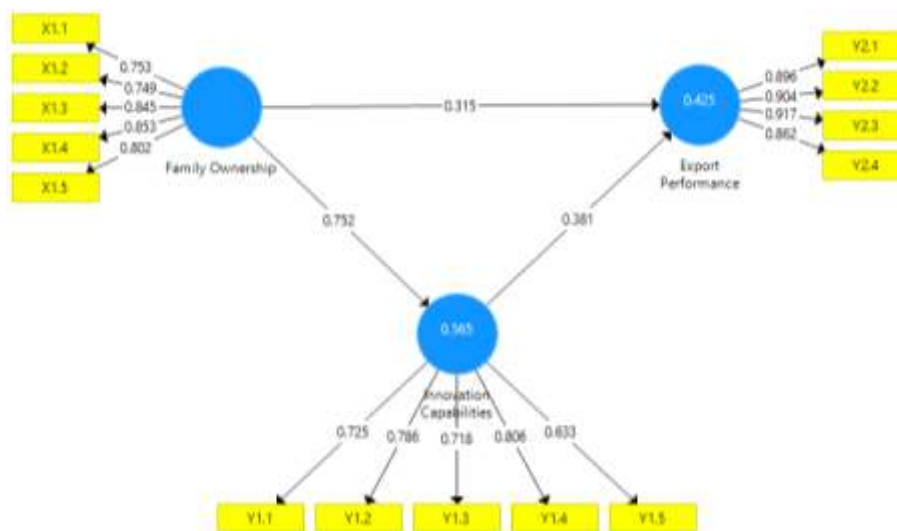


Figure 2. Structural model

V. DISCUSSION

The main objective of this study is to investigate the relationship between family ownership and export performance of SMEs in Malang Regency by considering the mediating role of the innovation capabilities variable. This study provides a more complex development of the relationship between family ownership and export performance, by showing the linearity of the relationship and the need for mediation of innovation capabilities.

The results of the study have contributed in several ways. As previously explained in an empirical perspective, several findings confirm that family ownership is positively related to export performance (Lodh et al., 2014; Love et al., 2009; Pacheco, 2019). However, based on other empirical debates from the viewpoint of innovative behavior, our findings have documented that the relationship between family ownership and export performance can be mediated by innovation capabilities. The direct or indirect relationship of family ownership with export performance doesn't only apply to large firm, but also applies to the SMEs category. There is a mix of businesses that are run, it might cause friction (Nwuke et al., 2020). This is because of the interests between family members. Based on agency theory, every interest owned by family members must be able to be harmonized through good governance mechanisms. Good governance is reflected in the involvement of family members, leadership, instilling family values in the business being run, in fact being able to encourage the achievement of profits (Davis et al., 1997; Jaskiewicz & Klein, 2007; Pieper et al., 2008). In addition to aligning governance mechanisms, agency theory also requires innovative behavior in family firms (Bennedson & Foss, 2015; Dal Maso et al., 2020). According to Martínez-Alonso et al. (2020), innovative behavior in family firms can be done by optimizing the available resources, both internally and externally. We believe that innovative behavior can create a competitive advantage for family firms. The implication is that SMEs can expand the scope of the target market, including increasing export commitments.

Furthermore, our analysis strongly proves that the innovation capabilities variable is able to mediate the relationship between family ownership and export performance. For this reason, SMEs can improve their technological capabilities, increase managerial capacity and always learn to do international expansion. Improved technology capabilities will encourage SMEs to provide comprehensive, fast and accurate sources of information on international markets and key environments (Huang, 2011; Liu et al., 2015; Zehir et al., 2015). Beside the technological capabilities, Dickson et al. (1995) explain the importance of improving the managerial capabilities of business owners. A family firm consisting of a 'family' as the owner, is required to be able to manage conflicts that may occur and supervise family issues (Calabrò et al., 2017). If this condition can be avoided, then it is possible to achieve higher firm growth.

VI. CONCLUSIONS

This study has contributed to the literature by developing agency theory related to family ownership and export performance. Previous studies was found that there was support and rejection of this premise, including the mediation of the innovation capabilities variable. According to Pascucci et al. (2022), the relationship between family ownership and export performance has yielded mixed and unconvincing findings. In line with that, Love et al. (2016) highlight that there may be differences in the findings on export patterns from SMEs in other regions. When we use the object on SMEs in Malang Regency, Indonesia, our findings are expected to cover this gap. Therefore, our study can facilitate comparisons between SMEs from other regions with

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different export pattern characteristics. In addition, the use of innovation capabilities variable in evaluating the relationship between family ownership and export performance can reduce diversity and increase confidence from previous studies.

This study has limitations that may be explored by future researchers to be more convincing of the findings. First, this study is based on arguments based on theoretical logic, but there are possible reverse causes. According to De Massis et al. (2014), individual behavior with family involvement will encourage idiosyncratic behavior. This will affect the policies taken by policy makers. Meanwhile, family members who influence decisions can stand above other interests, such as family egocentrism. Mossige et al. (1979) illustrates that families egocentrism can hinder the communication process so that it tends to be less efficient. Therefore, further researchers can focus on family-oriented particularistic behavior, where this behavior is considered capable of bringing up family values, desires and individual motives who view the firm as a family business. Second, this study uses cross-sectional data, thus limiting the possibility of drawing causal conclusions. For further studies, it can be done using longitudinal data to investigate the relationship between family ownership and export performance. The use of longitudinal data is more likely to be used, because export performance testing may take a longer time.

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