

## Antecedents - Consequences Of Innovation Culture In Family Firms

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**Abstract:** This research aims to see how innovation culture is essential for a business organisation. However, more than a culture of innovation needs to look only at the trigger aspect, it also needs to look at the impact that will be created. Therefore, this research will explain the relationship between entrepreneurs and business characteristics in the context of the ability to see opportunities and improve in creating an innovation culture and the impact of innovation culture on achieving business continuity. Using a sample of 147 (98 per cent) entrepreneur respondents in Palembang, the research hypothesis was tested using structural equation modelling (SEM) and partial least squares (PLS) analysis with Warp PLS version 5.0 software. The results conclude that the entrepreneur's characteristics, the ability to see opportunities, and the ability to improvise positively affect company innovation culture, and innovation culture positively affects business continuity in family firms in Palembang.

**Keywords:** Business Continuity; Entrepreneurs Characteristics; Ability To See Opportunities; Ability To Improvise; Innovation Culture.

**Abstrak:** Penelitian ini bertujuan untuk melihat bagaimana budaya inovasi menjadi faktor penting bagi sebuah organisasi bisnis. Namun demikian, budaya inovasi tidak saja cukup dilihat pada aspek pemicu, namun juga perlu melihat dampak yang akan diciptakan. Oleh sebab itu, penelitian ini akan menjelaskan hubungan antara karakteristik pengusaha dan karakteristik usaha dalam konteks kemampuan melihat peluang dan kemampuan improvisasi pada penciptaan budaya inovasi, dan dampak budaya inovasi pada pencapaian kelangsungan usaha. Menggunakan sampel 147 (98 persen) responden pengusaha di kota Palembang, hipotesis penelitian diuji menggunakan analisis Structural Equation Modeling (SEM) Partial Least Squares (PLS) dengan perangkat lunak Warp PLS versi 5.0. Hasil menyimpulkan bahwa karakteristik pengusaha, kemampuan melihat peluang, dan kemampuan improvisasi berpengaruh positif pada budaya inovasi perusahaan, dan budaya inovasi berpengaruh positif pada kelangsungan usaha pada perusahaan keluarga di Kota Palembang.

**Kata Kunci:** Kelangsungan Usaha; Karakteristik Pengusaha; Kemampuan Melihat Peluang; Kemampuan Improvisasi; Budaya Inovasi.

## INTRODUCTION

Family firms have played an essential role in supporting the improvement and development of the country's economy and even the global economy (Setiawan et al., 2021a; Ray et al., 2018). Many large firms currently dominating global business are those whose ownership and management are owned and managed by families. As explained by (Kallmuenzer et al., 2018), a family firm is a company owned by one or more families, one of whom is the majority shareholder and is involved in managing the business.

In family firms, the family is an essential factor in determining the implementation of the company's business systems and strategies (Heinicke, 2018). As explained by (Sbarba & Marelli, 2018), management characteristics in family firms can have a different



potential influence on the firm's business practices than non-family firms' management decision-making process; family firms will be based on lower and shorter experience than non-family. On the other hand, (Moreno-Menéndez & Casillas, 2021) explain that the differences in growth patterns between family and non-family families are seen in two dimensions, namely business growth and employees (resources). This will impact the decisions that must be taken by the next generations of business leaders (Setiawan et al., 2021a).

Furthermore, the study of family firms has attracted the attention of many researchers (Miller et al., 2018). (Erdogan et al., 2020) conducted a study to identify various strategies used to manage the paradox of tradition and innovation in family firms. This is because many family firms stick to their traditions but must innovate to become and remain competitive. This can trigger tension between tradition and innovation, creating a paradox where family firms cannot strengthen one without sacrificing the other. Another study conducted by (Quinn et al., 2018) explained that the development of literature has clearly shown that family companies have significant differences in the design and implementation of firm business strategies, including, among other things, the use of management accounting and business control systems. This is different from non-family in several studies on the role of family in family firms.

(Kallmuenzer et al., 2018) explained that the strategic decision-making process in family companies is a complex task and must involve family managers and family members. However, the evolution of family firms in traditional societies has been influenced by major strategic decisions made by family members, both in their capacity as owners who must protect the long-term interests of the family and in their capacity as decision-makers who must direct the family firm in achieving growth (Lampel et al., 2017). (Xu et al., 2020) explain that owners in family companies dominate in making business decisions because in family firms, family values and family control often take priority over other dimensions in carrying out business operations and function as the central reference point in decision-making, and this will influence business strategies. Therefore, the decision to implement strategic techniques such as strategic management accounting will also depend significantly on the culture that develops in a company.

From several previous studies, the development of studies and literature on family businesses focuses more on management control issues, governance activities, or strategy implementation. Even though some studies look at cultural factors, the researchers focus more on the ethnic culture of the owner or the organisation's culture in general. This study will offer a new research model concept that looks at culture in the context of innovation culture. Innovation culture is a novelty in this research model because culture is not seen in conventional cultural elements related to ethical values or human behaviour in general. Still, innovation culture is a cultural concept that focuses on habits to respond to developments in market demands and information technology, which will become characteristics of an entrepreneur in carrying out their business practices. This is explained by (Palvatos & Kostakis, 2018), who states that the characteristics of entrepreneurs can influence business strategy decisions, including the development of a company innovation culture (Hadid & Al-Sayed, 2021).

In business practice, a culture of innovation can be created by optimising knowledge sharing to create and strengthen problem-solving strategies (Arsawan et al., 2020). (Hadid & Al-Sayed, 2021) explain that innovation culture has a role in making a company's strategic decisions. Therefore, every company must be able to overcome problems with



strategy and innovation (Guo et al., 2020). Innovation and strategy are essential for companies to survive, significantly when crises impact their business (Fabiell et al., 2020). On the other hand, (Halim et al., 2018) explained that an innovation culture is vital for companies, especially MSMEs because an innovation culture will encourage companies to innovate to create value for customers and remain competitive in the market.

However, a culture of innovation cannot emerge and grow by itself. Many factors can trigger and encourage the growth of an innovation culture. Factors that can influence the development of an innovation culture include the characteristics of entrepreneurs. As explained by (Villaluz & Hechanova, 2019), company leadership characteristics are essential in developing a firm innovation culture in family firms. On the other hand, (Quinn et al., 2018) explained that family companies have significant differences in designing business systems and methods, reflected in developing a firm's innovation culture.

Therefore, it is reasonable that entrepreneurs' characteristics are vital in developing a firm's innovation culture. Furthermore, (Sbarba & Marelli, 2018) explain that the characteristics of family business management can have a different influence on company management culture compared to the management of non-family companies. Several things clearly show the potential influence of entrepreneurial characteristics in family firms, which can impact the development of organisational culture, including a culture of innovation.

Apart from the characteristics of entrepreneurs, another factor that might encourage the development of a company's innovation culture is the characteristics of the company. In general, corporate environmental transformation potentially impacts forming business models, decision-making processes and organisational business procedures (Acciarini et al., 2022), including the formation of organisational culture. This is also explained by (Acciarini et al., 2022), who state that events in the business environment can influence how decision-makers implement specific strategies related to strategic decisions and environmental transformation. Therefore, organisational leadership characteristics are an essential key to forming a firm's innovation culture (Guzmán et al., 2020)

On the other hand, business characteristics can be seen in the ability to see opportunities and improvise (Conti et al., 2020), which ultimately have a role in shaping an organisation's culture. Therefore, it is reasonable for (Rasheed & Siddiqui, 2018) to explain that business characteristics can impact business decision-making, including developing a company innovation culture. (Nimimaa, 2019) added that companies that have the characteristics of companies that implement innovative business models will provide great opportunities to continue to innovate. This shows that the culture formed is a culture of innovation.

Apart from factors that can give rise to and develop a culture of innovation, a culture that grows in a business organisation can also impact business continuity. This is reasonable because the culture of innovation that is formed in a company will positively impact achieving business performance (Kraus et al., 2020). On the other hand, innovation is essential in achieving company business sustainability (Setiawan et al., 2021b). This is also supported by findings (Gregurec et al., 2021) that innovation practices in the context of technology use can reduce business continuity risk (Gregurec et al., 2021). Therefore, a practical approach to maintaining business continuity is generally carried out by developing a business continuity plan (Sawalha, 2020), and this will be realised when the company has a reliable innovation culture.



Family business management is currently an exciting subject of study. The issue of innovation culture is a growing topic of discussion, especially in family research. The fundamental problem of this issue is that entrepreneurs must demonstrate the ability to survive through innovation and strategy to manage the complexity facing their business (Fabiell et al., 2020). However, company owners and management must have the characteristics of dynamic capabilities to overcome problems by implementing appropriate strategies and innovations (Guo et al., 2020), and companies must have the characteristics of being an organisation that is adaptive to environmental dynamic phenomena through technological innovation (Pramono et al. al., 2021). On the other hand, innovation is essential for a company to achieve business sustainability (Setiawan et al., 2021b).

Based on several things explained above, this research is reasonable for examining how innovation culture is essential for a business organisation. However, a culture of innovation needs to look at more than the trigger aspect; it also needs to consider the impact that will be created. Therefore, this research will explain the relationship between entrepreneurial characteristics and business characteristics in creating a culture of innovation and how a culture of innovation can impact the sustainability of a business venture.

## THEORETICAL REVIEW

**Innovation Culture.** This study focuses on business activity in family companies. (Quinn et al., 2018) explain that the literature on family firms has significantly developed and that family companies have significant differences in designing business governance compared to non-family inherently, which has become an essential driver of innovation. Furthermore, a culture of innovation driven by business leaders will increase the effectiveness of management practices, ultimately leading to an increase in the firm's innovation capabilities (Lam et al., 2021). Both studies are based on the concept of contingency theory. Like the previous study, this will also be based on contingency theory. Contingency theory is a concept that underlies the relationship between innovation strategy, management accounting information systems, business process performance and financial performance (Hutahayan, 2020). However, the essence of contingency theory is the existence of situational factors that can influence organisational behaviour (Al-Muhayfith & Shaiti, 2020). Therefore, this study will examine innovation culture variables, entrepreneur characteristics, business characteristics, and business continuity in family firms.

Innovation is an integral part of achieving firm competitiveness, and company competitiveness depends on the firm's innovation capacity and business performance (Dabić et al., 2018). Therefore, it is reasonable that a company's innovation culture is essential and positively impacts achieving business performance (Kraus et al., 2020). On the other hand, innovation is essential for companies to adapt and face changes in today's dynamic business environment (Aboramadan et al., 2019). So, it is reasonable that every company must have high innovation characteristics to create and improve their business performance and productivity (Hanifah et al., 2019). Therefore, innovation is an essential and strategic choice to achieve company business sustainability (Setiawan et al., 2021b). A culture of innovation can be created by optimising knowledge sharing to create and strengthen problem-solving strategies (Arsawan et al., 2020).





**Entrepreneurs Characteristics.** Several factors, such as environmental, social and psychological factors, often influence the attitude of firm owners or managers towards making financial decisions. However, it cannot be denied that the personal characteristics of the owner or manager are also very influential in making strategic decisions in business (Rasheed & Siddiqui, 2018). (Palvatos & Kostakis, 2018) identified the characteristics of top firm management based on age, length of time in office, educational background and level of creativity. Leadership characteristics and styles are one of the most critical organisational elements for a company to compete and succeed in obtaining sustainable profits (Lam et al., 2021). Based on the literature on the characteristics of owners and management, the characteristics of owners and management reflect their intentions regarding business expansion, profits, risks, control, and relationships with their other business partners (Rasheed & Siddiqui, 2018).

(Del Giudice et al., 2019) explain that an entrepreneur is an innovator who builds a successful company with innovation to create breakthrough business ideas that seek to improve existing products/services. (Bell, 2019) describes the characteristics of entrepreneurs as being based on their proactive attitude towards problems that arise, their attitude and courage towards taking risks, their perspective on the importance of innovation for the company and their self-efficacy. Based on the explanation above, a person's entrepreneurial personality character contributes to forming their entrepreneurial spirit and behaviour, which is relevant to their entrepreneurial activities (Obschonka et al., 2018).

**Business Characteristics.** (Hasnan et al., 2020) show business characteristics regarding executive compensation, company performance and company leverage. A firm's entrepreneurial culture is generally characterised by an external orientation and an organic structure that can influence the firm's choices in determining organisational strategies and processes (Yun et al., 2020). Business characteristics can also be shown from when the company was established. Another reason is that company age is synonymous with company experience, which will be related to having better systems that can improve their business performance (Hasnan et al., 2020).

Nevertheless, (Conti et al., 2020) describe the characteristics of businesses in different contexts. (Conti et al., 2020) show business characteristics about entrepreneurial and improvisational characteristics that enable companies to adapt to environmental uncertainty, which consists of two essential things: the ability to see opportunities and the ability to improvise for quick and creative action. The company can develop new product services and take advantage of changing consumer preferences. Improvisation ability is the ability to produce success in responding quickly to unexpected events (Conti et al., 2020).

**Business Continuity.** The changes in the global business environment influence organisations and force them to determine the primary and essential directions of action regarding the activities that must be carried out (Paunescu & Argatu, 2020). Various crises have caused most businesses and organisations worldwide to be disrupted for a long time (Sawalha, 2020). This was also explained by (Schmid et al., 2021), who stated that social and economic disruption can impact entrepreneurs' efforts to maintain the continuity of their businesses. On the other hand, environmental contingencies that threaten business are a strategic business continuity risk for the company (Niemimaa, 2019).

A practical approach to maintaining business continuity is generally carried out in the following activities: project planning, creating teams and assigning roles and



responsibilities, conducting risk assessments, developing disaster recovery plans, and developing business continuity plans (Sawalha, 2020). Furthermore, (Niemimaa et al., 2020) explained that traditionally, to identify the level of business continuity, companies need to focus on measures of risk that threaten business operations, such as probability, frequency of risk of loss of business facilities, loss of influence in doing business, how alternative customer service processes can be arranged appropriately, the ability to meet the minimum service levels that need to be delivered and how long it takes.

**Hypothesis Development. The entrepreneur's characteristics influence the culture of innovation.** In business entities, the characteristics of entrepreneurs are one of the critical factors in making business decisions. As explained by (Rasheed & Siddiqui, 2018), it is undeniable that the characteristics of entrepreneurs are very influential in making strategic decisions in business. (Palvatos & Kostakis, 2018) also explained that top management characteristics are key factors that can influence strategic decision implementation decisions. This shows that the characteristics of entrepreneurs will impact the choice of habits and cultural patterns formed in their companies. This is explained by (Palvatos & Kostakis, 2018), who states that the characteristics of entrepreneurs can influence business strategy decisions, including the development of a company innovation culture (Hadid & Al-Sayed, 2021).

(Villaluz & Hechanova, 2019) found that the characteristics of entrepreneurs in the context of leadership, example, and support for innovation in family firms will positively impact the formation of an innovation culture. Another support described by the findings of (Alblooshi et al., 2021) is that the characteristics of entrepreneurs in leadership style positively impact organisational innovation by influencing the organisational climate and behaviour of employees and other leaders. On the other hand, (Lie et al., 2020) explain that innovation capability in a business organisation will depend on management characteristics in the context of a transformational leadership style. (Malibari & Bajaba, 2022) also explain that entrepreneurial leadership can positively impact employee innovative behaviour through the created innovation climate. Based on this description, the hypothesis that will be proven in this research is;

**H1:** Entrepreneur characteristics influence the firm's innovation culture.

**Business characteristics influence the culture of innovation.** (Acciarini et al., 2022) explained that environmental transformation drives socio-economic change. This could impact organisational business model changes, decision-making processes and procedures. (Rasheed & Siddiqui, 2018) explain that business characteristics can impact the type of company decision-making because they support the survival and growth of the company. This is explained by (Conti et al., 2020), which states that one of the business characteristics can be seen in the context of the ability to see opportunities.

On the other hand, culture is the primary driver of innovation, and the innovation culture concept model is an interaction of entrepreneurial dimensions (Yun et al., 2020). (Siddiqui, 2018) explains that business characteristics can impact decision-making, including developing a company's innovation culture. (Niemimaa, 2019) explains that the characteristics of companies implementing innovative business models will provide great opportunities to continue innovating.

However, business characteristics can also be seen in the ability to improvise (Conti et al., 2020). The findings of (Conti et al., 2020) succeeded in supporting the hypothesis



that the ability to see opportunities and the ability to improvise have a positive impact on adaptation. Adaptability shows that companies can make the right decisions, including when they build a culture of innovation. This is as explained by (Acciarini et al., 2021) that influential decision-makers can help to detect and understand trend signals and adapt vision, business models and business strategies to support efforts to achieve business goals shown in the implementation of sustainable innovation. On the other hand, innovation is essential for companies to adapt and face changes in today's dynamic business environment (Aboramadan et al., 2019). Based on this description, the hypothesis that will be proven in this research is;

**H2a:** Business characteristics (ability to see opportunities) influence innovation culture.

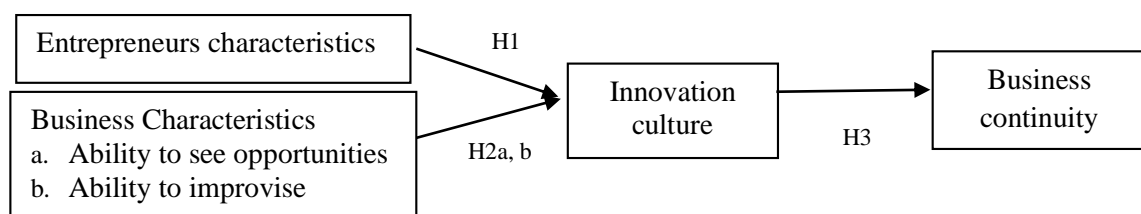
**H2b:** Business characteristics (ability to improvise) influence innovation.

**Innovation culture influences business continuity.** (Hermundsdottir & Aspelund, 2021) explain that sustainable innovation will positively impact the company's competitiveness, and these two things can ultimately create a profitable situation for the firm. On the other hand, innovation is essential for achieving business sustainability (Ghasmzadeh et al., 2019). A practical approach to maintaining business continuity can be done by developing a business continuity plan (Sawalha, 2020). A culture of innovation is one form of maintaining business continuity. Therefore, many companies that experience external disruption will carry out adaptation and innovation strategies (Kraus et al., 2020). Companies with an innovation culture strategy based on the right strategic decisions can increase business sustainability (Hamilton, 2020).

On the other hand, (Niemimaa et al., 2019) explain that environmental contingencies that threaten business models are a strategic risk to a firm's business continuity. However, innovative business models provide excellent opportunities for firms that have innovated to strengthen their business continuity. This is also supported by (Srisathan et al., 2020), who states that awareness of innovation strategies is a strategic tool for maintaining business success, and the final impact is business continuity. Based on this description, the hypothesis that will be proven in this research is;

**H3:** Business characteristics influence the firm's innovation.

**Figure 1** shows the research model to be tested. This research model has three hypotheses: It will explain the relationship between entrepreneurial characteristics and business characteristics in the context of the ability to see opportunities and improve in creating an innovation culture and the impact of innovation culture on achieving business continuity.



**Figure 1.** Research Model Framework



## METHODS

**Population, sample, and data collection method.** This research involved 147 out of a planned 150 respondents or a response rate of 98 per cent. The profile of respondents based on age level shows that the average age of participating respondents is 33.800 years, ranging from 18 to 54 years of age. This data on the average age of respondents shows that business managers in family companies in Palembang can be classified as relatively young; this shows the regeneration of good business management in businesses in Palembang. The profile of respondents based on gender shows that male respondents still dominate business management in Palembang; there were 90 respondents (61.200 per cent), while there were 57 female respondents (38.780 per cent).

**Data analysis method.** Partial Least Square (PLS) Structural Equation Modeling (SEM) analysis tests hypotheses. Warp PLS software version 5.0 was used for SEM-PLS analysis testing hypotheses Based on the value of the path coefficient and the significance of the p-value. The path coefficient must be positive with the significance of p-values set at 5 per cent.

**Variables Entrepreneurs characteristics.** Entrepreneur characteristics are the personal characteristics of the owner/management. (Setiawan & Iskak, 2023) developed the measurement of entrepreneurs' characteristics. Using a 6-point Likert scale, respondents were asked to indicate whether they tended to have the characteristics: innovative type, planner type, technology planner type, risk taker type, type who does not get anxious/bored quickly, type who wants to share. The use of strategic management accounting systems is the application of advanced management accounting techniques in support of company operations.

**Business characteristics.** A company's Business characteristics reflect entrepreneurial and improvisational characteristics that enable the company to adapt to environmental uncertainty (Conti et al., 2020). Business characteristics are seen in two dimensions, namely:

**(1) Ability to see opportunities:** According to (Conti et al., 2020), the ability to see opportunities is defined as a company's tendency to recognise opportunities in uncertain conditions in the business environment. Respondents were asked to provide a level of agreement on a 6-point Likert scale for the following three indicators: (1) our company always sees uncertainty as an opportunity rather than a threat, (2) the company basically always makes plans to get out of conditions of declining business performance which is caused by uncertainty, (3) our company always sees declining business performance in the regional environment as an opportunity to win the competition over our competitors.

**(2) Ability to improvise:** According to (Conti et al., 2020), improvisational ability is the ability to produce creativity to respond quickly to unexpected events without planning and spontaneity through creative adaptation of existing resources. Respondents were asked to provide a level of agreement on a 6-point Likert scale for the following five indicators: (1) our company's employees know how to improvise if necessary, (2) our company has a remarkable ability to overcome new situations through new ideas in using resources existing, (3) in our company, people are encouraged to solve problems creatively, (4) in our company, actions are always carefully planned before being executed, (5) to respond to unexpected events, our company encourages balance between set plans and flexibility.





**Innovation culture.** Innovation culture is formed in an organisation that directs members to innovate. The innovation culture measurement instrument was adopted from (Dabić et al., 2018) used 6 Likert scales with 6 statement instruments, namely (1) your company continues to seek information regarding the potential for integrating new technology, (2) your company continues to develop new products or new processes, (3) your company is oriented towards investing in technology new, (4) Your company has a budget for business development, (5) Your company has succeeded in business process innovation, (6) Your company has succeeded in product innovation.

**Business continuity.** Business continuity is defined as a company's efforts to ensure the continuity of its services or product delivery to consumers while facing disruption (Schmid et al., 2021). The business continuity instrument was adopted from (Niemimaa et al., 2020) asked respondents to identify the level of business continuity with a 6-point Likert scale at high, low to high, namely (1) as long as business operations are carried out, at what level the business can make a profit, (2) as long as business operations are carried out at what level the business has the potential to prevent customer loss, (3) during the business process, the level to which the business effort can serve customer needs.

## RESULTS

**Descriptive statistics.** Table 1 shows the statistics for a profile of respondents. The profile of respondents based on gender can show that the number of male respondents is more significant, namely a number 90 (61.200 per cent), while the number of female respondents is 57 (38.800 per cent). This shows that men still have a very dominant role in managing family businesses in managing family businesses in Palembang. The profile of respondents based on age level shows that the average age of participating respondents is 33.800 years, ranging from 18 to 54 years of age. This data on the average age of respondents shows that the age of business managers in family companies in the city of Palembang can be classified as relatively young, which shows that there is a regeneration of good business management in Palembang.

The profile of the type of business run by respondents shows that the majority of respondents trade/retail businesses, namely 87 respondents or 59.200 per cent. The processing industry (manufacturing) had 28 respondents (19 per cent). There were 19 respondents (12.900 per cent) for food/restaurant businesses. Construction/developer businesses were nine respondents (6.100 per cent), and hotel/lodging businesses were four respondents (2.700 per cent).

**Table 2.** Respondent Profile

| Respondent Profile     | Number   | Percentage |
|------------------------|----------|------------|
| Gender                 |          |            |
| Female                 | 57       | 38.800     |
| Male                   | 90       | 61.200     |
| Type of business       |          |            |
| Trade/retail           | 87       | 59.200     |
| Food/restaurant        | 19       | 12.900     |
| Manufacturing          | 28       | 19.000     |
| Construction/developer | 9        | 6.100      |
| Hotel/lodging          | 4        | 2.700      |
|                        | Youngest | Oldest     |
|                        |          | Average    |



|     |    |    |        |
|-----|----|----|--------|
| Age | 18 | 54 | 33.800 |
|-----|----|----|--------|

Source: Primary data processed

**Table 2** shows descriptive statistics of research variable data. The entrepreneur characteristics data variable shows an average value of 30.010 with a theoretical range of 6 to 36 and an actual range of 17 to 36. This shows that the average entrepreneur in Palembang can be classified as an entrepreneur with solid entrepreneurial characteristics. This means that the majority of entrepreneurs can carry out good technology planning, dare to take high risks and carry them out with careful consideration, are not easily anxious/bored by the situation and dynamics of the business that is being undertaken and faced, and have a character that is relatively willing to share high to others.

**Table 2.** Research Variable Data

| Variable                     | Theoretical Range | Actual Range | Mean   | Standard Deviation |
|------------------------------|-------------------|--------------|--------|--------------------|
| Entrepreneur characteristics | 6 to 36           | 17 to 36     | 30.010 | 4.100              |
| Ability to see opportunities | 3 to 18           | 7 to 18      | 14.600 | 2.790              |
| Ability to improvise         | 5 to 30           | 13 to 30     | 24.440 | 4.360              |
| Innovation culture           | 6 to 36           | 12 to 36     | 28.671 | 5.730              |
| Business continuity          | 3 to 18           | 7 to 18      | 4.080  | 3.250              |

Source: Primary data processed

The ability to see opportunities variable has an average value of 14.610, an actual range of 7 to 18, and a theoretical range of 3 to 18. This data shows that the company was built with a relatively high ability to see business opportunities. This data on the ability to see high business opportunities can provide an overview of the profile characteristics of family firms in Palembang with a solid drive to carry out and develop their business ventures.

Data on firm companies' improvisational capabilities in Palembang has an average value of 24.440 with an actual range of 13 to 30 and a theoretical range of 5 to 30. This shows that the improvisational ability of family firms in Palembang is relatively high. The improvisational ability possessed by the company to carry out business activities will play a role in supporting the progress of the business. Improvisation in business can overcome problems that often hinder business management. Therefore, the ability to improvise and see opportunities are characteristic features of a company as a business organisation.

The innovation culture variable owned by companies in Palembang also shows a relatively high average value, namely 28.670. This is based on the actual value range between 12 and 36, with the theoretical range between 6 and 36. A high culture of innovation shows that family firms in Palembang are implementing innovation-based systems and technology. This is very relevant to the current development of business management, namely, with the increasingly complex dynamics of business competition, innovation becomes a strategic choice to implement, and innovation culture is a driving factor for implementing this innovation strategy.

Finally, the business continuity variable in Palembang shows an average value of 14.080, with an actual range between 7 and 18 and a theoretical range between 3 and 18. Business continuity shows the firm's ability to maintain the continuity of its business services. Therefore, this research data shows that the average family firm in Palembang still has a relatively high level of ability to maintain the viability of their business.



**Table 3** shows the results of the validity and reliability of the research data. Validity and reliability tests were only carried out on historical business performance variables, owner-management characteristics, and innovation culture because these three variables were on an interval scale. At the same time, management accounting techniques were not included in the validity and reliability tests because they used an index data scale. For each construct, the composite reliability values on the test findings can be greater than 0.700. Likewise, the value of convergent validity (average variance extracted) for each construct is more than 0.500. for the reliability indicator (loading) value of all constructs more than 0.700. Therefore, all indicators of the research construct can be used.

**Table 3.** Data Validity and Reliability Test Results

| Research variable            | Loading | Composite Reliability | AVE   |
|------------------------------|---------|-----------------------|-------|
| Business continuity          |         | 0.952                 | 0.868 |
| BC1                          | 0.897   |                       |       |
| BC2                          | 0.960   |                       |       |
| BC3                          | 0.937   |                       |       |
| Entrepreneur characteristics |         | 0.937                 | 0.718 |
| EC1                          | 0.931   |                       |       |
| EC2                          | 0.881   |                       |       |
| EC3                          | 0.882   |                       |       |
| EC4                          | 0.886   |                       |       |
| EC5                          | 0.873   |                       |       |
| EC6                          | 0.583   |                       |       |
| Ability to see opportunities |         | 0.945                 | 0.851 |
| ASO1                         | 0.906   |                       |       |
| ASO2                         | 0.941   |                       |       |
| ASO3                         | 0.920   |                       |       |
| Ability to improvise         |         | 0.974                 | 0.884 |
| AI1                          | 0.914   |                       |       |
| AI2                          | 0.940   |                       |       |
| AI3                          | 0.934   |                       |       |
| AI4                          | 0.953   |                       |       |
| AI5                          | 0.958   |                       |       |
| Innovation culture           |         | 0.951                 | 0.763 |
| IC1                          | 0.900   |                       |       |
| IC2                          | 0.706   |                       |       |
| IC3                          | 0.896   |                       |       |
| IC4                          | 0.922   |                       |       |
| IC5                          | 0.910   |                       |       |
| IC6                          | 0.890   |                       |       |

Source: Primary data processed

**Table 4** shows the results that meet the acceptance criteria for discriminant validity. Therefore, the research data is valid and reliable.

**Table 4.** Research Data Discriminant Validity

|     | BC       | EC       | ASO   | AI | IC |
|-----|----------|----------|-------|----|----|
| BC  | 0.932    |          |       |    |    |
| EC  | 0.550*** | 0.847    |       |    |    |
| ASO | 0.961*** | 0.672*** | 0.922 |    |    |



|    |          |          |          |       |       |
|----|----------|----------|----------|-------|-------|
| AI | 0.529*** | 0.727*** | 0.963*** | 0.940 |       |
| IC | 0.367*** | 0.598*** | 0.586*** | 0.613 | 0.874 |

Diagonal elements: square root of AVE, off-diagonal elements: correlation between constructs

\*\*\* significant on *p* less than 0.010

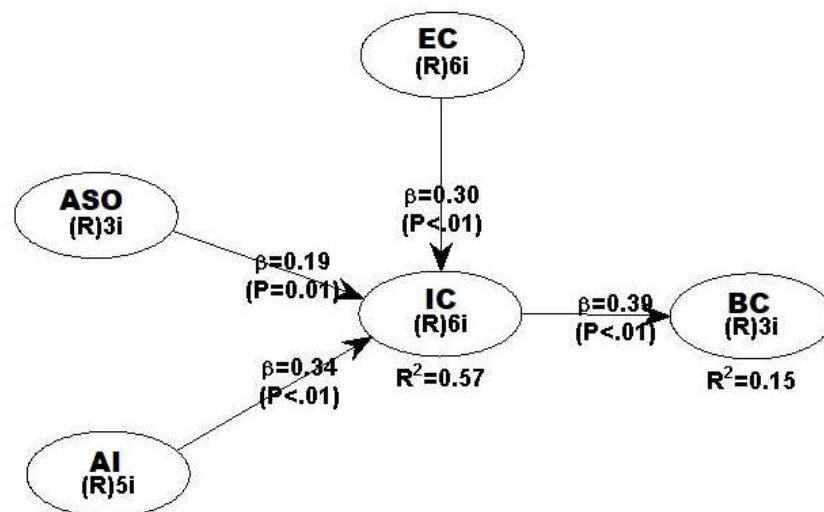
Each ARS displays a value that meets the criteria based on **Table 5** model fit and quality indices, APC values. The APC 0.001 and ARS 0.007 significance values are both below the 5 per cent threshold. Values of the AVIF are less than 3.300. As a result, this research model is appropriate for further testing.

**Table 5. Model Fit and Quality Indices**

| Fit Model Items                | Value                   | Standard          | Conclusion |
|--------------------------------|-------------------------|-------------------|------------|
| Average path coefficient (APC) | 0.304 P less than 0.007 | P less than 0.050 | fit        |
| Average R-squared (ARS)        | 0.361 P less than 0.001 | P less than 0.050 | fit        |
| Average block VIF (AVIF)       | 1.576                   | less than 3.300   | fit        |

Source: Primary data processed

**Figure 2** shows the results of testing the research model. Based on the *p*-value, all hypotheses in the research model can be supported, namely that the entrepreneur's characteristics, the ability to see opportunities, and the ability to improvise have a positive effect on company innovation culture, and innovation culture has a positive effect on business continuity in family firms in Palembang.



**Figure 2. Research Model**

## DISCUSSION

**The entrepreneur's characteristics influence the culture of innovation.** **Figure 2** shows that the variable shows that the entrepreneur characteristics variable has a  $\beta$  coefficient value of 0.300 with a *p*-value under 0.010 or is at an  $\alpha$  value of 1 per cent for the innovation culture variable. This proves that there is a positive influence between the characteristics of entrepreneurs and the level of company innovation culture. This finding





can explain that the higher the characteristics of an entrepreneur's entrepreneurial spirit, the stronger the impact it will have on forming an innovation culture in their company.

This research confirmed the hypothesis of the influence of entrepreneur characteristics on innovation culture. Literature (Aboramadan et al., 2019) explained that innovation is essential for companies to adapt to changes in today's dynamic and complex business environment. For this reason, a culture of innovation in a business entity can be created by optimising knowledge sharing initiated by management or company owners (Arsawan et al., 2020).

These findings show that entrepreneurs who like innovation, consider planning a strategic factor, dare to take risks, and are open to sharing experience and knowledge with other parties will have a higher innovation culture. This is reasonable because someone with innovative characteristics and an open mind will like new things with new challenges. This is also shown by the empirical fact that the value of innovation culture shown in research indicators in implementing innovation in family companies is relatively high.

Interestingly, this research also supported the findings of (Rasheed & Siddiqui, 2018), who concluded that the characteristics of the company owner or management are vital in influencing the firm's strategic business decisions, including innovation decisions. This finding is also relevant to (Palvatos & Kostakis, 2018), who state that management characteristics influence a company's strategic decisions. The characteristics of entrepreneurs who play a role in supporting the company's business decisions can show the firm's innovation culture pattern (Hadid & Al-Sayed, 2021).

Organisational culture is an important aspect influencing a company's tendency to innovate. The characteristics of entrepreneurs who are oriented towards continuous innovation will form a strong innovation culture. Therefore, companies need to foster a culture of innovation to support their innovation performance. This is in line with (Hanifah et al., 2019), who states that companies that have high innovation characteristics can support the achievement of improvements in their business performance and productivity.

Finally, this finding is supported by empirical data, which shows that most entrepreneurs who participated in this research were classified as having solid entrepreneurial characteristics. On the other hand, empirically, research data on innovation culture in the companies they manage also have relatively high qualifications. Therefore, it is reasonable if the findings of this research support the research hypothesis, which states that the owner's characteristics can positively impact the development of a firm's innovation culture.

**Business characteristics influence the culture of innovation.** Figure 2 also shows that the ability to see opportunities from companies in Palembang has a  $\beta$  coefficient of 0.190 with a p-value of 0.010 or is at an  $\alpha$  value of 1 per cent of the firm's innovation culture. This confirms that the firm's ability to see business opportunities is essential in encouraging the formation of a company innovation culture. The ability to see the opportunities a company has encourages every company to update its business strategy. Continuous efforts to update business strategies show that the firm's culture of innovation has taken root and developed in every individual in the company's organisation. This research shows that this is also influenced by the business's ability to see every business opportunity that can have a growth impact on the business's business operations.

The essential thing from these findings is that companies with solid characteristics see uncertainty as an opportunity, can make careful plans in the face of uncertainty, and see opportunities to win the competition, as companies with a strong innovation culture



do. This is reasonable because a vigorously implemented innovation culture responds to business characteristics that always find uncertain opportunities. If a company does not dare to take risks from uncertainty, it will tend to survive and not take any innovative actions.

These findings support (Nimimaa, 2019), who explains that the characteristics of companies implementing innovative business models will provide excellent opportunities for continued innovation. On the other hand, (Conti et al., 2020) explained that business characteristics in the context of the ability to see opportunities will potentially impact changes in the organisation's business model, decision-making process and business procedures. The ability to see that a firm has opportunities will impact the creation and development of a firm culture of innovation (Siddiqui, 2018). Company characteristics play a role in influencing the innovative decisions of company owners and managers. Therefore, it is reasonable if the findings of this research support the hypothesis that the ability to see opportunities positively improves a firm's innovation culture.

These findings also successfully support the findings of (Conti et al., 2020), which state that the ability to see opportunities positively impacts companies' ability to make effective and appropriate decisions. Adequate and appropriate decisions will increase the firm's ability to detect and adapt vision, business models and business strategies to support efforts to achieve business goals in implementing sustainable innovation (Acciarini et al., 2021). This finding is confirmed by empirical research data, which shows that the firm's ability to see opportunities is high and has a relatively high innovation culture. This is relevant to the findings of (Conti et al., 2020) that the ability to see opportunities ultimately plays a role in shaping the business culture of an organisation.

**Figure 2** also shows the ability to improvise variable has a  $\beta$  coefficient value of 0.340 with a p-value under 0.010 or at an  $\alpha$  value of 1 per cent for the firm's innovation culture. This shows that the ability to improvise has a positive effect on improving the firm's innovation culture. These findings also confirm that the company's vision, which encourages every individual, starting from employees and management, to have good improvisation skills, will have positive implications for the firm's management and employees in forming and developing the firm's innovation culture.

The findings of this research successfully support the hypothesis of the influence of the ability to improvise on improving a company's innovation culture. This study also confirmed the findings of (Conti et al., 2020) that the ability to improvise positively impacts adaptation to make the right business decisions. The ability to improvise is a form of environmental transformation that drives an organisation's decision-making processes and business procedures (Acciarini et al., 2022). On the other hand, the innovation culture of business organisations is an important aspect that arises from the firm's improvisational ability to adapt to the business environment (Acciarini et al., 2022). This also shows that uncertain environmental events will require business organisations to have the ability to improvise. Therefore, it is reasonable that the ability to improvise can have a positive impact on improving a firm's innovation culture.

These findings indicate that businesses that have strong characteristics in improvising to overcome new situations through new ideas using existing resources, encourage stakeholders in the company to solve problems creatively and plan carefully before executing, and respond to unexpected events in a balanced way between established plans, and the flexibility will have the implementation of a strong culture of innovation. This is also reasonable because the ability to improvise, creativity and measurable



flexibility will encourage the selection of new things, which are characteristics of buying innovation.

The findings of this research are also relevant to the explanation of (Aboramadan et al., 2019), who states that a culture of innovation is an essential factor for companies to adapt to changes in the dynamic business environment. On the other hand, (Conti et al., 2020) explained that a firm's improvisational ability can be seen from the characteristics of the company's improvisational ability to overcome new situations and solve problems in a creative, careful way and encourage a balance between established plans and flexibility. This shows that the ability to improvise encourages adaptive company behaviour and will ultimately form an innovative culture within the firm.

This finding was also confirmed empirically that the large companies involved in this research showed a high level of improvisational ability and had a relatively high level of innovation culture. This is relevant to the findings of (Siddiqui, 2018), who explained that business characteristics can impact business decision-making, including developing a company innovation culture. In particular, business characteristics shown by the ability to improvise will positively impact adaptation. Finally, adaptability shows that firms can make the right decisions as they build a culture of innovation (Conti et al., 2020).

**Innovation culture influences business continuity.** Finally, **Figure 1** shows the  $\beta$  coefficient value of innovation culture on business continuity of 0.390 with a p-value under 0.010 or at an  $\alpha$  value of 1 per cent. This shows that when a company has a high culture of innovation, it will try to update its business strategy. Companies must have a high innovation culture in today's dynamic and complex business environment. These findings show that a good innovation culture will encourage firms to find new things that need to be done to ensure market acceptance of the products and services they produce. Innovations accepted by the market can support the achievement of safe and secure business continuity. So, it is very reasonable if the empirical findings in this research can prove the positive influence of a firm's innovation culture on the level of business continuity.

These findings indicate that companies that have a strong innovation culture to implement technology and new things in their company's business operations will have better survival, as shown in indicators of continuously increasing profits, the ability to prevent customer loss, and the company's ability to continue to serve their customers' needs. This is very reasonable because the company needs a strong culture of innovation to respond to customer needs. If the company cannot respond to customer needs, then the company will lose customers, which in the end can result in problems with business survival. On the other hand, companies that can continuously respond to customer needs will have implemented a strong culture of innovation and will ultimately be able to maintain the continuity of their business well.

The findings of this research successfully support the hypothesis of the influence of innovation culture on business continuity. Companies that can optimise the creation of problem-solving strategies are firms that have a strong innovation culture (Arsawan et al., 2020). On the other hand, firms that have an innovation strategy and culture based on the right strategic decisions can increase business sustainability (Hamilton, 2020). Therefore, the findings of this study successfully support the explanation of (Ghasmazadeh et al., 2019) that innovation that business firms always carry out is an essential factor in achieving company survival. This is because the innovation process driven by small and medium



entrepreneurs can positively impact business competitiveness and increase responsiveness to business risks (Hadj, 2020).

Another view on business continuity is explained by (Niemimaa, 2019), which states that environmental contingency factors can be one of the factors that influence business continuity for companies. This is as explained by (Schmid et al., 2021) that efforts to maintain the survival of a business organisation are due to external disturbances; however, companies that experience external disturbances will try to maintain their survival by implementing adaptation and innovation strategies (Kraus et al., 2020). Therefore, implementing strategies to maintain business continuity will provide an essential framework for building the firm's resilience and ability to respond effectively to any internal or external disruptions and threats (Paunescu & Argatu, 2020). Therefore, a culture of innovation is an essential factor in achieving competitiveness and firm business performance (Dabić et al., 2018), ultimately supporting the achievement of firm business continuity.

## CONCLUSION

The conclusion of the research results shows that the characteristics of entrepreneurs and business characteristics that are seen based on the ability to see opportunities and improvise have a positive effect on the company's innovation culture. The results of this research also concluded that the culture of innovation developed by the company positively influenced business continuity in family firms in Palembang. The findings of this research can explain the relationship between the antecedents and consequences of innovation culture. The formation and development of a robust corporate innovation culture begins with the existence of positive entrepreneur characteristics and business characteristics. Entrepreneurs who have a solid entrepreneurial spirit will encourage the formation of a strong culture of innovation. Likewise, business characteristics are reflected in the company's ability to see opportunities and improvise. This is an essential key in encouraging the formation of a strong innovation culture in a business entity. Finally, a strong innovation culture will encourage companies to anticipate every threat so that the company can create more positive business continuity.

However, the findings of this research also have several important implications for business management in Palembang. The success of every firm in achieving business continuity needs to ensure that the company has a strong culture of innovation. A culture of innovation is essential for firms to anticipate challenges, disruptions and increasingly dynamic business competition today. Company adaptive capabilities are needed now. However, a firm's culture of innovation will be formed optimally and strongly if business managers and the companies they manage have relevant and supportive characteristics, namely entrepreneurial solid characteristics and characteristics that can see opportunities and improvise in every situational disturbance.

On the other hand, the results of this research certainly still have limitations that must be refined in future research, namely that the innovation culture of new companies is seen based on the entrepreneurial characteristics of entrepreneurs and business characteristics in the context of the ability to see opportunities and the ability to improvise. Both of these things are related to internal factors of entrepreneurs and business organisations. However, the culture of innovation can also be seen in the context of advances in information technology and market demands. It can even be seen based on aspects of religiosity and





ethnic values of entrepreneurs. Therefore, several of these factors can be suggested for future research.

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