

THRIVING WITH LESS: FAMILY ENTREPRENEURSHIP IN INSTITUTIONAL VOIDS

ABSTRACT

Thriving with Less: Family Entrepreneurship in Institutional Voids—examines under what conditions Family firms innovate better than others in resource-constrained environments lacking institutional support. This essay introduces the concept of *Family Business Resourcefulness (FBR)*, which encapsulates how family cohesion, socio-emotional wealth, and adaptive governance collectively enable these firms to manage high transaction costs in *generic non-tradable* areas. By focusing on Transaction Cost Economics, the essay demonstrates how family businesses through FBR enhance their Dynamic Capabilities and innovate through ‘Jugaad’ in highly resource-constrained environments and Institutional voids.

KEYWORDS: Institutional Voids, Jugaad, Generic Non-Tradable (GNT), Transaction Cost Economics, Family Business Resourcefulness (FBR), Resource Constrained Environment, Small Family Enterprises, Socio-Emotional Wealth (SEW)

INTRODUCTION

Under what conditions do certain small family firms innovate better than others in institutional voids and resource-constrained environments?

Extant literature is divided on the issue. Scholars argue that family firms are associated with lower innovation inputs (e.g., R&D investments), than their nonfamily counterparts (De Massis et al. 2013; Calabrò et al. 2019, (Block et al., 2023), at the same time other studies show that family firms are associated with relatively high innovation outputs (e.g., new patents or products) (Duran et al., 2016; Urbinati et al. 2017) at the same time. Consequently, there is a dilemma as studies find family firms to be at the same time better and worse equipped to handle this innovative pressure in comparison with non-family firms. Some scholars believe family firms have better innovation output than others (Duran et al., 2016) and offer several answers to this question. The first explanation comes from the Transaction Cost Theory. It states that family firms thrive while dealing with Generic Non-Tradeables (GNTs), which are generic firm-specific but non-tradeable assets found across various settings (Gedajlovic & Carney, 2010). GNTs include bonding social capital, bridging social capital, and reputational assets. Generic assets can applied to diverse tasks with almost similar effectiveness (Gedajlovic & Carney, 2010). The market is best governance mechanism for such types of assets. However, when generic assets are not tradeable, the market has not developed for such assets. In other words, trading such assets in the market is impossible. A good example of such an asset is “trust”. Family firms provide good governance for GNT assets and attain competitive advantage by economising on transaction costs. In other words, family firm governance is less suited to manage “non-generic and non-tradeable assets”. Such assets require expertise and resources that family governance lack. Because of lack of expertise, high asset specificity leads to higher coordination costs for specific assets critical to their operations (Carney, 2005).

The second answer to the question comes from Institutional Void theory, which is similar to TCE. Institutional Void theory says that family as governance mechanism has a role to play in environments with weak market institutions (Xu & Meyer, 2012). Family governance in such environments can substitute market-based institutions (Soleimanof et al., 2017). Institutional voids—marked by the absence of legal frameworks, regulatory bodies, and financial systems (Manikandan & Ramachandran, 2014)—create challenges that family firms navigate using internal governance structures and familial ties (Webb et al., 2015). Khanna and Palepu (1997) argue that family firms surpass non-family firms in these environments by leveraging familial reputation to access resources and markets. In high transaction cost environments, family firms mitigate costs related to information asymmetries and contract enforcement (Khanna & Palepu, 2000; Gao et al., 2017). The lack of formal institutional support compels family firms to develop adaptive strategies that substitute for institutional frameworks, enhancing performance (Wright et al., 2005). This dynamic between family governance and institutional voids highlights the critical role of reputation in reducing transaction costs, blending institutional theory with transaction cost economics (Hoskisson et al., 2000; Xu & Meyer, 2012).

The third perspective is based on Resource-Based Theory (RBV), highlighting how “familiness” and “family functionality” serve as critical resources in overcoming uncertainties. Family firms possess unique assets, including community networks, reputation, and trust (Chrisman, Welsch, & Spaltman, 1990), which allow them to approach innovation more adaptively and resiliently, particularly in product development (Massis et al., 2013). These resources provide family businesses access to valuable information and opportunities that may not be available to non-family firms. Strong family ties foster trust and cooperation, leading to more effective decision-making and lower agency costs (Gómez-Mejía, Dunkel, & Salas, 2001). This advantage is particularly significant in environments where formal institutions are weak and informal relationships become crucial. Additionally, in resource-constrained settings,

family firms can often innovate by creating resources from limited means, demonstrating the flexibility of these unique assets.

We critique why family firms innovate in **resource-constrained environments** and **institutional voids**. While arguments based on **institutional voids**, **transaction costs**, and **resource-based theory** offer valuable insights into family firm innovation, they are not entirely convincing in explaining why some family firms are more likely to innovate in such environments. These theories fail to fully account for family firms' varying capacities and motivations, suggesting the need for a more comprehensive explanation of their innovation behaviour.

Institutional voids highlight the absence of essential formal institutions in imperfect markets (Khanna & Palepu, 1997). However, this view often disregards the diversity among family firms, particularly their varying capacities to utilize reputational advantages and social capital. Differences in resource access, network strength, and innovation capabilities significantly affect their responses to institutional challenges. Thus, while institutional voids create obstacles, they fail to fully explain disparities in family firms' resource utilization.

Transaction cost theory underscores that higher costs can motivate innovation and collaboration, while lower costs may diminish such incentives (Williamson, 1979; Verbeke & Kano, 2012). Effort, seen as a resource, plays a pivotal role in mobilizing resources effectively in resource-constrained settings. Higher transaction costs may hinder resource utilization, while lower costs enhance it, enabling firms to extend resource longevity and reduce coordination costs (Williamson, 2010). The resource-based view, however, inadequately addresses how transaction costs influence the durability and utilization of resources, especially in family firms' innovation efforts.

Existing theories lack comprehensive explanations for family firms' capacity to navigate institutional voids and resource limitations. Institutional voids suggest family firms thrive due to strong reputations that foster trust and resource access, driving innovation (Khanna & Palepu, 2000). Meanwhile, the Generic Non-Tradeables argument posits family firms excel in managing intangible assets like social capital more efficiently than non-family firms, offering a competitive edge (Gedajlovic & Carney, 2010). However, resource-based theories like familiness fail to clarify when these unique resources are most critical for innovation (Chua et al., 2015). A more integrated framework is needed to explain how family firms leverage these advantages under varying conditions.

We introduce the concept of **Family Business Resourcefulness (FBR)** to the discourse on family firms, particularly in the context of resource constraints and institutional voids. FBR captures the behavioural intentions that arise from the interplay between transaction costs and the efforts exerted by family members in managing the business. In challenging environments, FBR leads to prioritizing the business over individual interests, fostering adaptive strategies that enhance the firm's resilience and innovation.

Family Business Resourcefulness (FBR) encompasses behavioral competencies—affffective, cognitive, natural, and action-oriented—that enable family members to manage firms effectively. Affective competencies reflect emotional commitment, while cognitive competencies facilitate strategic decision-making. Natural competencies involve innate skills, and action-oriented competencies focus on resource mobilization and strategy implementation. These efforts foster resilience, adaptability, and innovation, essential for navigating resource-constrained environments and institutional voids (Chrisman et al., 1990; Gómez-Mejía et al., 2001).

FBR integrates Transaction Cost Theory (TCT), Institutional Voids (IV), and Resource-Based Logic. TCT highlights trust and cooperation to reduce transaction costs and enhance adaptability (Williamson, 1979). IV emphasizes leveraging familial reputation to substitute for formal institutions, granting access to resources in weakly institutionalized environments (Khanna & Palepu, 1997). Resource-Based Logic underscores unique assets like familiness, with FBR extending this by aligning resources to harsh conditions and transforming extra effort into competitive advantages (De Massis et al., 2013).

In resource-constrained environments, FBR offers three key advantages:

1. **Awareness of Resource Scarcity:** Heightened awareness promotes efficient utilization and innovation (Wright et al., 2005).
2. **Adaptation of Resources:** Firms repurpose existing resources, driving innovation and proactive management (Chrisman et al., 1990).
3. **Navigating Information Asymmetry:** Open communication and collaborative decision-making mitigate information gaps and foster dynamic capabilities (Xu & Meyer, 2012).

By leveraging FBR, family firms enhance resource utilization, drive innovation, and adapt to institutional voids, ensuring sustainability and growth in challenging environments.

In this paper, we argue that in resource-constrained environments, Family Business Resourcefulness (FBR) enhances the dynamic capabilities of family firms, enabling them to innovate and adapt effectively. Firms possessing FBR develop stronger dynamic capabilities, allowing them to discover new ways of operating and innovating. In such environments, innovation often takes the form of frugal innovation, which emphasizes achieving more with fewer resources. Family firms leverage their unique resources and social cohesion to create

cost-effective and efficient solutions. FBR differs from related concepts such as Socio-Emotional Wealth (SEW), familiness, and family functionality. While SEW focuses on preserving the family's long-term control and objectives over immediate business outcomes, FBR centers on how family members actively mobilize resources to foster innovation and adaptability in challenging environments.

In contrast, Family Business Resourcefulness (FBR) highlights how family members contribute to business success through social cohesion and extra efforts. Unlike Socio-Emotional Wealth (SEW), which prioritizes preserving family control, FBR emphasizes innovation, performance, and adaptability in resource-constrained environments. Familial ties foster collaboration, communication, and knowledge sharing, which are crucial for decision-making, resource utilization, and innovation. FBR reflects the ability of family firms to navigate resource constraints and institutional voids by leveraging social cohesion and commitment.

We test the hypothesis that dynamic capabilities in resource-constrained environments mediate the relationship between Family Business Resourcefulness (FBR) and frugal innovation. Additionally, we examine the moderating effects of Socio-Emotional Wealth (SEW) on the relationship between FBR and dynamic capabilities, positing that SEW strengthens this connection. Our survey of approximately 250 small family business entrepreneurs from the Delhi, Jamshedpur, and Kolkata regions captures diverse perspectives on resource constraints and innovation practices.

This study enhances understanding of how family firms leverage FBR to foster innovation and resilience, contributing to entrepreneurial activity within institutional voids. By incorporating bricolage—a practice addressing formal institutional gaps—this research underscores the role of family firms in driving societal-level institutional change. These findings provide a

theoretical foundation for future research on family governance, resource constraints, and innovation.

We propose the concept of Family Business Resourcefulness (FBR) to capture the behavioral intentions and extra efforts family members contribute to managing their businesses. FBR emphasizes adaptability and resourcefulness, particularly in resource-constrained environments. To operationalize FBR, we developed validated four-item scales that differentiate it from constructs like Socio-Emotional Wealth (SEW), providing essential insights into family firm dynamics and innovation.

Our findings reveal that family firms in resource-constrained contexts develop dynamic capabilities through ongoing reconfiguration and recombination of resources. These capabilities align more with the flexible, adaptive framework of Eisenhardt and Martin (2000) than with Teece's (2007) long-term perspective. The integration of Transaction Cost Theory with effort-based logic underscores how sustained effort enhances resource utilization, offering a nuanced understanding of family firms' innovation processes.

This study also addresses the innovation input-output paradox. While some research finds family firms outperform in innovation (Duran et al., 2016), others find no significant difference (Block et al., 2023). We argue that family firms with high FBR achieve superior input-output efficiency in generic R&D but face challenges in complex R&D. These insights advance the discourse on family firm innovation and resourcefulness, emphasizing how FBR drives adaptability and innovation in challenging environments.

Our paper is structured as follows: Section 1 introduces the study. Section 2 reviews prior research and establishes the theoretical framework. Section 3 focuses on hypothesis development. Section 4 outlines the methodology and study design. Section 5 synthesizes the

results and addresses the research questions. Finally, Section 6 discusses the findings and suggests directions for future research finally ending the paper with conclusion.

THEORETICAL BACKGROUND

In adverse environments, two theories explain family firms' unique performance: institutional voids and generic non-tradable (GNT) assets, both rooted in transaction cost economics (Khanna & Palepu, 1997; Gedajlovic & Carney, 2010). Despite their overlap, these theories remain unreconciled in the literature.

The institutional voids theory highlights inefficiencies caused by weak or absent market-supporting institutions, such as product markets, judicial systems, and venture capital in emerging economies (Khanna & Palepu, 1997). Family business groups address these gaps by leveraging reputation, optimizing resource allocation, and reducing information asymmetry and transaction costs, outperforming standalone firms in such environments (Khanna & Palepu, 2000).

In family firm research, transaction cost theory has been adapted to focus on Generic Non-Tradable (GNT) assets, such as reputation, social capital, and tacit knowledge (Gedajlovic & Carney, 2010). Family firms excel in governing GNT assets due to their close-knit relationships, shared values, and long socialization periods, which reduce turnover and foster stability. These traits enable effective management of GNT assets without requiring external technological expertise.

Family firms reduce transaction costs through strong coordination, enabling them to internalize functions more effectively (Gedajlovic & Carney, 2010). Both institutional voids and GNT asset theories argue that family governance provides superior mechanisms for managing GNT assets, such as reputation and social capital. Since family governance underpins both family

firms and business groups, institutional voids theory partially explains family firm governance as a substitute for weak market institutions (Khanna & Palepu, 2000; Gedajlovic & Carney, 2010). However, these theories cannot explain why some family firms outperform others in institutional voids. Given similar transaction costs for all firms, performance differences between family and non-family firms remain unexplained, necessitating further analysis of factors distinguishing successful family firms.

Similarly, the GNT asset theory cannot explain why some firms outperform others, as GNT assets are common in the environment (Gedajlovic & Carney, 2010). Scholars can draw two arguments from these two conclusions: transaction costs vary among firms, or business groups manage the transaction hazards of GNT assets differently than family firms. The first point suggests that transaction costs are contingent upon motivation, opportunity, aptitude, and vice versa (Sharma & Jaiswal, 2018). For example, increased motivation can override transaction costs. At the same time, higher transaction costs can also improve motivation when individuals believe that the costs result from deliberate injustice in the system or that increased effort can help overcome them. Better abilities or resources can assist in overcoming transaction costs, but higher transaction costs can also discourage the development of capabilities and resource access. Family Business Resourcefulness (FBR) establishes a situation in which family members' perceptions of higher transaction costs result in increased motivation and resourcefulness (Sharma & Jaiswal, 2018). The entrepreneur's ability is the pivot around which motivation and resources revolve. FBR is above and beyond transaction costs and sheds light on the connection between coordination costs and transaction costs inside the company. This creates a higher level of motivation, effort, and resources for Focal firm by reducing coordination and transaction costs due to increased scanning capacities (Sharma & Jaiswal, 2018). Beyond the conventional approach to transaction cost theory, Family Business Resourcefulness (FBR) emerges. It presents a more complex understanding of how

coordination costs can be related to transaction costs within a firm. FBR dramatically enhances employee's motivation levels leading to improved efforts hence better allocation of resources. In this regard, there is a decrease in coordination costs which ultimately results in reduction in transactional expenses as previously discussed since market scanning ability is enhanced.

But there's another side of it. At first sight this may seem beneficial because specialized assets improve productivity; however, these benefits may not flow to other firms due to high asset specificity or specialization of such assets which may increase their own transactions outlays with focal firm even if they are efficient.

From these insights it is clear that FBR at its core relates to improved motivation levels as well as resource allocation and effort management. Based on these arguments, it can be inferred that FBR is the result of improved motivation, resources and effort. Conversely, in reference to the second point mentioned earlier, Business Groups are established due to improved internal capital markets and better resource acquisition because of reputation effects. In other words, the FBR argument is a motivation, ability, and resources argument that aims to mitigate transaction hazards arising out of GNT. In contrast, the Business Groups argument is a resource and efficiency argument that aims to enhance transaction hazards that occur from GNT assets. Hence, we propose that FBR deepens the arguments related to Family firms and transaction costs.

HYPOTHESIS DEVELOPMENT

HYPOTHESIS 1

Resource-constrained environments significantly lack conventional resources, severely limiting the capabilities of individuals and businesses. This scarcity often arises from underdeveloped markets where access to essential resources—such as capital, technology, and

infrastructure—is restricted (Khanna & Palepu, 2000). In such circumstances, resource access is often limited, leading to a heightened awareness of potential losses associated with resource usage or wastage. Therefore, family firms must ensure they utilize every resource to its fullest potential. The fear of losing these limited resources drives individuals and entrepreneurs to exert extra effort to maximize the value derived from what is available. To minimize transaction costs, including those relating to resource allocation, individuals and companies under the Transaction Cost Theory will aim to achieve cost efficiency during their activities (Williamson, 1985; Coase, 1937). Limited resources create the possibility of losing out on these things, which incentivizes us to become lean and mean. The cognitive dimension of loss aversion is that people are more motivated to avoid losses than achieve equivalent gains (Kahneman & Tversky, 1979). In a resource-scarce environment, this fear moves entrepreneurs or business owners to utilize their resources better, and they can potentially optimally maximize the resource utility. This paranoid attitude can drive businesses to work harder to avoid wasting resources. This behavior aligns with frugality principles—reusing, reducing, and recycling to maximize utility. In resource-constrained environments, frugality isn't just a choice; it's essential for basic survival. Entrepreneurs adopt practices focusing on efficient resource use, often driving them to innovative problem-solving. They emphasize reusing materials, cutting unnecessary consumption, and recycling wherever possible. This mindset conserves resources and nurtures an innovative culture, pushing people to find creative solutions. The scarcity or absence of conventional resources pushes businesses to tap into available alternatives. This Indigenous approach to innovation thrives on making do with what's at hand and immediately available. Consider a farmer lacking funds for a tractor. Instead, he cobbles together a makeshift solution using nearby materials and extracts the same utility that an expensive tractor would do. That's frugal innovation—achieving similar results with limited means or doing more with less.

FBR is another crucial element. It's the art of crafting solutions from whatever's available. People create innovative products or processes that meet needs born from resource constraints (Baker & Nelson, 2005; Prabhu & Jain, 2015). FBR is where frugality meets ingenuity. But there's a catch. Frugality, though crucial, doesn't guarantee endless resources. There's pressure. Pressure to minimize waste, to avoid depleting what little is left. Resources in these settings don't last forever. The challenge is clear.

Operating with a Family Business Resourcefulness (FBR) mindset, family enterprises are constantly in flux, driven by an insatiable quest for novel solutions. With FBR, the strategic inflection point is well taken care of, as mentioned by Andrew S Grove in his book "Only the Paranoid Survive: How to Exploit the Crisis Points That Challenge Every Company." Institutional void is a strategic inflection point (SIP) (Andrew Grove, 1998) wherein the conventional business rules go out of the window. Yet, under the influence of FBR, a SIP can be an opportunity to win and emerge more robust than ever in the marketplace. These Family businesses are constantly aware and alert, especially in an institutional void. They actively seek new fonts for their resources, igniting an endless cycle of innovation and adaptation. This continuous drive fosters non-traditional uses of conventional resources, pushing the company forward. Such persistence is beneficial and essential for maintaining operations and achieving long-term success, especially in harsh and resource-limited environments.

The demand for doing more with less becomes evident in these constrained settings, where standard resources are sparse. The imminent risk of resource depletion encourages the businesses to maximize their limited assets. Thus, optimizing available resources develops into a pressing necessity reinforcing the age old statement that necessity is the mother of invention.

Transaction Cost Theory explains how resource scarcity influences transaction costs, compelling firms to enhance their resource management strategies to survive and thrive. This

theory highlights how market pressures shape firms to innovate and adapt to keep the transaction costs at bay. Family businesses under the power of FBR embrace frugality with vigor. They prioritize reusing, reducing, and recycling, often employing indigenous methods to craft practical solutions from available materials. This level of resourcefulness is the most effective in family businesses. They leverage their unique attributes and strengths to survive and thrive, carving out a competitive edge even in the most challenging markets.

Building on the earlier discussion, we propose the following hypothesis:

Hypothesis 1: *FBR will be positively related to frugal innovation.*

We postulate that by leveraging Family business resourcefulness and innovative practices, family businesses are more inclined to create frugal innovations. These innovations tackle the obstacles of resource constraints head-on. Their ability to adapt and find novel solutions under market pressure should correlate strongly with developing cost-effective and efficient strategies.

HYPOTHESIS 2

Dynamic capabilities refer to a firm's ability to adapt, reconfigure resources, and align skills with evolving market conditions and innovations (Teece, 2007). In resource-constrained settings, high information asymmetry and resource depletion demand flexible goal-setting, continuous resource orchestration, and swift adaptation to maintain competitiveness (Eisenhardt & Martin, 2000).

Family Business Resourcefulness (FBR) plays a vital role in fostering dynamic capabilities. It motivates family members to exert extra effort, enhancing their ability to tackle challenges and seize opportunities (Sharma & Jaiswal, 2018). FBR drives resourcefulness by promoting vigilance in identifying new resources, rethinking existing resource utilization, and actively developing adaptive cognitive frameworks.

Dynamic capabilities involve three core attributes:

1. **Sensing:** Family firms with strong FBR excel at spotting new information and opportunities, allowing them to adjust strategies and reallocate resources effectively (Sharma & Jaiswal, 2018).
2. **Seizing:** Quick, decisive action to capitalize on identified opportunities is critical in resource-limited environments. Family firms leverage existing resources and networks to act swiftly (Teece, 2007).
3. **Transforming:** This involves reshuffling current capabilities and integrating new resources to adapt to dynamic markets, ensuring resilience and competitiveness (Eisenhardt & Martin, 2000).

A **culture of resourcefulness** underpinned by FBR transforms limitations into advantages, enabling family firms to innovate, stretch limited assets, and seize emerging prospects. This adaptability sustains their relevance and success in challenging environments.

Building on the earlier discussion, we propose the following hypothesis:

Hypothesis 2: *FBR will positively influence the dynamic capability of family businesses.*

This hypothesis suggests that by being resourceful and innovative, family businesses will strengthen their dynamic capabilities. This enhancement enables them to tackle the challenges of resource constraints and seize emerging opportunities effectively.

HYPOTHESIS 3

Dynamic Capabilities (DC) encompass a firm's ability to sense opportunities, seize them, and transform resources to create value (Teece, 2007). These capabilities enable firms to adapt, integrate, and reconfigure internal and external competencies to respond effectively to changing market conditions. Dynamic capabilities are especially important for businesses in resource constrained environments as firms have to continuously change and upgrade their business models. Such changes cannot be accomplished without dynamic capabilities. Family firms in resource constrained environment, because of access to family-based resources, are in better position to develop and foster dynamic capabilities. Without some access to resources, nurturing dynamic capabilities can become difficult. Using dynamic capabilities, family firms in resource constrained environment can engage in bricolage enabling them to develop frugal products that can meet the needs of local markets without incurring significant costs. Because of DC, family firms can find alternative usage of locally available resources to convert them into new artefacts. This approach allows them to leverage existing resources creatively and for alternative usage, transforming constraints into opportunities. For example, a family-run

enterprise may utilize local materials and labor to create a product that addresses a specific need in their community and reputation. DC gives family firms ability to overcome challenges by reconfiguring and recombining existing available resources into alternative usage. DC help family firms in resource constraints environment to continuously adapting their goals and resources, because scarcity of resources and high information asymmetry necessitates continuous adaptation. The lack of resources also enables them to get maximum utilization from the resources. DC enables these firms to sense, sieze and transform existing resources leading to innovation because in resource constrained environment firms have to continuously

1. Newer ways have to be found out, in resource constrained environments
2. The resources have to be used frugally.

Frugal innovations focus on basic qualities, cost drop, and sustainability, granting effective and shrewd deployment of resources (Tiwari & Herstatt, 2012; Weyrauch & Herstatt, 2016).

Given the mechanisms outlined above, we hypothesize that:

Hypothesis 3: *Dynamic capabilities will positively influence the frugal innovation of family businesses, especially in resource-constrained environments.*

This hypothesis posits that family businesses equipped with robust dynamic capabilities, especially those that engage in bricolage, are better positioned to develop frugal innovations that effectively address the challenges posed by limited resources. The role of Family Business Resourcefulness further amplifies this relationship by fostering motivation, ability, and resourcefulness within the family firm.

HYPOTHESIS 4

Socioemotional Wealth (SEW) represents the non-financial resources tied to a family's identity, trust, reputation, and social networks, which become crucial in resource-constrained

environments (Gómez-Mejía et al., 2007). SEW empowers family businesses by improving access to financial, human, and social capital, reducing information asymmetry, and fostering sustainable governance and innovation (Zellweger et al., 2012). With higher SEW, transaction costs decrease, enabling smoother stakeholder interactions and efficient navigation of market complexities. However, diminishing SEW escalates transaction costs, hindering resource access.

Family Business Resourcefulness (FBR) emphasizes family members' active engagement, driven by motivation and commitment to overcome challenges. FBR fosters innovation through creative resource use, making it essential in resource-scarce settings (Sharma & Jaiswal, 2018). While SEW reflects a resource stock, FBR captures the flow of effort and adaptability.

SEW-FBR Dynamics:

1. **Negative Link:** Higher SEW may lower FBR, as increased resources reduce the urgency for extra effort, motivation, and innovation (Berrone et al., 2010).
2. **Positive Moderation:** Higher SEW strengthens the relationship between FBR and **Dynamic Capabilities (DC)**, accelerating innovation and adaptability in resource-constrained environments. Strong SEW enhances resource alignment and dynamic skills, enabling family firms to innovate and adapt efficiently.

SEW supports resource access and reduces costs, while FBR drives resilience and creativity. Together, they enable family firms to thrive through innovation and adaptability in challenging environments.

In summary, Socioemotional Wealth (SEW) moderates the link between Family Business Resourcefulness (FBR) and Dynamic Capabilities (DC). With higher stock, the flow value may come down, which means higher SEW is likely to be associated with lower levels of FBR. At

the higher levels of SEW, the transaction costs are likely to be lower, reducing motivation. Second, the relationship between FBR and DC is likely to increase faster for higher levels of SEW than for the lower levels of SEW. When high resources and high motivation (or high flow and high stock) increase dynamic capabilities, family firms with better SEW will find it easy to change goals and find alternative resources. When SEW is lower, the rate of Dynamic Capability will not increase at the same rate with a change in FBR. Simply, SEW is likely to moderate the relationship between FBR and DC. High levels of SEW enable family businesses to harness their resourcefulness more effectively, enhancing dynamic capabilities and fostering improved innovation outcomes. When SEW is low, FBR's influence on dynamic capabilities may weaken. A deficiency in socioemotional resources can impede the firm's ability to adapt and respond to market changes effectively. Simply, SEW is likely to moderate the relationship between FBR and DC.

Given the above arguments, we propose the following hypothesis:

Hypothesis 4: *Socioemotional Wealth (SEW) will positively moderate the relationship between Family Business Resourcefulness (FBR) and Dynamic Capabilities (DC) in family businesses operating under resource constraints.*

This hypothesis suggests that family businesses with higher SEW will experience a stronger positive relationship between FBR and DC, thus enabling more significant innovation in challenging environments.

HYPOTHESIS 5

Emerging economies are becoming critical hubs for innovation, driven by resource scarcity rather than advanced technologies. Limited access to capital, skilled labor, and technology necessitates ingenuity, as individuals and firms exert significant effort to adapt and turn

constraints into opportunities (Brem & Wolfram, 2014). This continuous adjustment process fosters resilience and innovation.

Resource orchestration—the strategic management of assets—becomes a vital capability in such environments. Firms facing scarcity rely on basic, generic resources, simplifying the orchestration process. High motivation and effort enable effective resource deployment, ensuring competitiveness and driving innovation (Teece, 2007).

Dynamic capabilities, the ability to adapt, integrate, and reconfigure resources, are critical for firms in rapidly changing markets. Generic resources, being flexible, facilitate swift reconfiguration, allowing firms to pivot and seize opportunities efficiently (Eisenhardt & Martin, 2000). Innovation, as a higher-order capability, requires the strategic alignment of resources and routines across functions. Firms with robust dynamic capabilities excel in innovation, leveraging creativity and motivation to repurpose generic resources effectively.

Family Business Resourcefulness (FBR) plays a key role in such settings by fostering high motivation, creativity, and a relentless pursuit of opportunities. FBR enables firms to navigate resource constraints and institutional voids by promoting innovative cultures and behaviors that overcome structural hurdles, turning limitations into drivers of progress.

We propose that **Family Business Resourcefulness (FBR)** fosters **dynamic capabilities** and drives **frugal innovation**, enabling family firms to succeed in resource-constrained environments. FBR emphasizes adaptability, creativity, and the ability to "do more with less," allowing businesses to leverage generic resources and cultivate a culture of cost-effective innovation.

In emerging economies, innovation often arises in environments marked by limited resources. Here, **resource orchestration** and **re-orchestration**—driven by extra effort and high

motivation—play a central role. Unlike high-tech firms reliant on specialized assets, resource-constrained businesses depend on generic resources, which are easier to reconfigure. This accessibility simplifies the development of dynamic capabilities, the cornerstone of adaptability and innovation.

Dynamic capabilities, essential for navigating resource-scarce settings, involve reconfiguring resources across functions to address changing market conditions. Firms with strong dynamic capabilities are better positioned to integrate diverse resources and routines, enhancing their innovation potential. In resource-constrained contexts, dynamic capabilities rely more on motivation and effort than on specialized resources, aligning closely with FBR principles.

Ultimately, **FBR leads to dynamic capabilities**, which drive frugal innovation by enabling firms to reconfigure generic resources effectively. This process allows family businesses to adapt, innovate, and thrive in harsh environments, transforming constraints into opportunities for growth.

Given the mechanisms discussed, we hypothesize:

Hypothesis 5: *Dynamic capabilities will mediate the relationship between Family Business Resourcefulness (FBR) and frugal innovation in family businesses operating in resource-constrained environments.*

All the hypotheses can be combined in a conceptual model in the figure below.

CONCEPTUAL MODEL

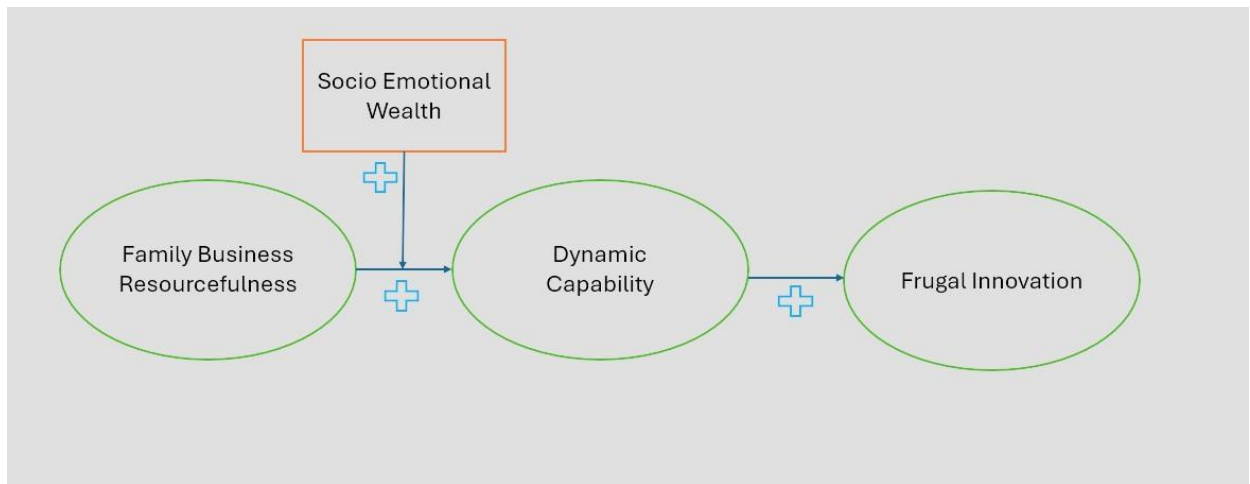


Figure 1 CONCEPTUAL MODEL DIAGRAM

METHODS

Procedure:

To validate our hypotheses, we gathered information via surveys conducted in India's northern (Delhi National Capital Region) and eastern regions (Jamshedpur and Kolkata), areas experiencing rapid economic growth. Our survey respondents comprised owners of family businesses spanning both first and second generations. Additionally, we distributed the survey instrument through various industry associations in the suburbs of Delhi, Jamshedpur, and Kolkata. Given the prevalence of entrepreneurial activities in these regions, they provide an ideal context for testing our hypotheses. Except for the Family Business Resourcefulness (FBR) measure, the questionnaire design was informed by established measurements from prior studies (Gómez-Mejía & Herrero, 2022; Hauck et al., 2016; Rossetto et al., 2023; Wilden et al., 2013) Berrone et al., 2012; Alsos et al., 2014; Davidsson P et al., 2017; Siepel et al., 2020). The SEW scale measure was taken from Gómez-Mejía & Herrero (2022), where a slightly refined REI scale was introduced. Socioemotional wealth is derived from the identification of family members with the firm (I), the intention of reviving family bonds through hereditary succession (R), and emotional warmth (E). To calculate the frugal innovation capabilities within organizations we choose the frugal innovation scale (Rossetto et al., 2023). This consisted of three major dimensions: (1) emphasis on essential functionalities, (2) significant cost cut, and (3) shared sustainable responsibility. The measurement scale for Dynamic capabilities (Wilden et al., 2013) was implemented. This scale evaluates behaviour such as the embracing of new management approaches and the renewal of business practices.

To assess FBR, we developed a four-item scale, as it is a concept that is introduced in the paper. We conducted a verification factor analysis to ensure the construct had a high

reliability and validity, as FBR was being measured for the first time. It was also essential for us to demonstrate that FBR differs from related concepts such as SEW. Based on the results of CFA, the construct showed acceptable discriminant validity (see Table 12), reliability (Cronbach's alpha), and construct validity as demonstrated in the Average variance extracted. These results gave us the confidence to consider FBR as a distinct construct and test hypotheses.

The questionnaire was originally created in English and subsequently translated into Hindi and Bengali by the authors, who worked independently to ensure accuracy. To ensure the integrity of the translation, we translated the questionnaires back into English to double-check and verify the translation. For better clarity and precision, we piloted the questionnaire by interviewing managers from five nearby businesses, seeking their input on the pertinence and phrasing. Subsequent minor adjustments were made based on their suggestions before formal data collection. Our target respondents were founders, primarily owners of family businesses, or, in cases where they were unavailable, senior executives (e.g., Bhagavatula et al., 2010; Ma et al., 2011). We contacted over 250 family businesses, detailing our research aims and guaranteed respondent confidentiality. To incentivize participation, we promised detailed analysis reports to respondents. Ultimately, we received 251 responses, of which 26 incomplete questionnaires were excluded, resulting in a final sample of 225 usable responses and a response final rate of 25.9%.

The examined Family businesses exhibited diversity in gender, age, founder education, revenue size, and employee count. Notably, 80.7% of the surveyed firms had male respondents which is above average of a typical survey response (Wu et al., 2022). 54.5% of founders surveyed fall within the age range of 31 to 45. The majority of founders possessed at least a bachelor's or post-graduate degree. Approximately 78% of family businesses had an annual revenue of 10 crores INR or less, with 75% having up to 50

employees.

In our survey, we endeavored to ensure a diverse representation across various industries, enriching our findings' breadth and depth. The study's scope extended beyond a singular industry focus, encompassing multiple sectors to comprehensively understand the phenomenon under investigation. By casting a broad net across various industries, we aimed to capture nuanced insights and discern patterns that transcend sector-specific boundaries.

Furthermore, we partnered with industry associations, academic institutions, and professional networks to access specialized cohorts and tap into their expertise.

Collaborating with these organizations enabled us to access niche audiences and garner insights from practitioners with domain-specific knowledge. By leveraging a combination of platforms and partnerships, we aimed to ensure inclusivity and representation across diverse industries, enriching the research findings and enhancing their relevance and applicability.

Measures:

To assess FBR, we developed a four-item scale, as it is a concept that is introduced in the paper. A sample item is "To deal with new challenges, you access organization resources at low or no cost and combine them with what you already have." The Cronbach alpha was 0.89.

To measure Socio-Emotional Wealth (SEW), we used the five items from the multidimensional measurement (Berrone et al., 2012), which used a five-point Likert scale (1=strongly disagree, 5=strongly agree). A sample item is "My family business maintains family traditions." Cronbach alpha was .83. DC was measured using the five-item scale from Means Orientation, Affordable Loss, Contingencies, Pre-Commitment, and Control (Alsos, 2014). A typical item in the scale was "In my organisation, we respond to defects

pointed out by employees,” with Cronbach Alpha being .73. Frugal Innovation was measured using four items developed by (Siepel et al., 2020). A typical item in the scale was “My firm’s products/services have low prices along with quality” Cronbach Alpha was .68. All scale items were in the form of a statement followed by a 5-point Likert scale. Family Size: This was captured with a question about “the number of family members staying with you, including children.”

Control Variables:

We controlled for the variables that could influence the relationship between FBR and Frugal Innovation (FI). “Type of Industry” impacts innovation and entrepreneurial risk-taking as specific industry types have more opportunities than others (Zahra, 1996, 2005; Le et al., 2006). Since the businesses come from across the industry, controlling the “Type of industry” was essential. Women’s participation in business is typically limited, and their presence may affect Innovation (Bauweraerts J. et al., 2022); hence, we also control the owner’s gender. We also controlled for Firm Age, Owner Education, Family Size, Family Type, Family Ownership, Nature of the Family, and Revenue Size of the firm. Family businesses are influenced by generation, as reflected by their years of operation (Morris et al., 1996). Sizable family businesses are superior to small-sized firms as far as innovative project executions are concerned, as large companies can execute R&D activities much better than small firms because of surplus resources, slack, and the workforce available (Chaney, Devinney, & Winer, [1991](#)). We equated revenue size to firm size and controlled for the firm revenue. Born global firms in the digital & AI age are typically more hands-on with new technologies and have more propensity to invest and complete R&D projects when compared to old & traditional firms (Zahra, Neubaum, & Huse, [2000](#)). As the firm’s age is inversely related to innovation, we controlled for the same. The business registration date equals the firm’s age. High past revenue

and rich financial capital increase the likelihood of firms succeeding due to their extraordinary innovation activities (Rammer et al., 2009). Therefore, we included revenue size as a control.

RESULTS

Descriptive Statistics

Table 2 presents the scale reliabilities, means, and standard deviations for each scale and inter-scale correlations for all variables. We controlled for variables such as age, gender, age of enterprise, sales, and number of employees. Correlations between all variables were within the expected range. The reliability of most constructs was satisfactory, as evidenced by Cronbach's alpha reported.

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12
Gender (1)	1.16	0.4	1											
Age (2)	1.92	0.7	-0.05	1										
Education (3)	3.33	0.6	0.03	0.01	1									
FamSize (4)	1.5	0.7	-0.08	-0	0.01	1								
Famtype (5)	1.79	0.4	-0.06	0.01	-0.08	-.470**	1							
Ownrship (6)	4.68	0.8	-.253**	0.02	0.08	-.133*	.189**	1						
Nature (7)	2.88	1.4	-0.01	0.07	-0.03	.190**	-.188**	-.198**	1					
Resize (8)	1.4	0.8	-0.1	.149*	.192**	.240**	-0.1	-0.02	.264**	1				
FBR (9)	3.37	1.1	-0.03	-0.1	0.06	.163*	-0.08	-0.09	.240**	0.06	1			
DC (10)	3.83	0.7	-0.07	0.02	-0.12	0.02	0.09	-0.1	-0.04	0.01	.244**	1		
FRUG (11)	4.13	0.6	-0.09	-0.1	-0.1	0.04	.236**	0.11	-0.09	-.201**	.136*	.504**	1	
SEW (12)	2.83	1.2	0.07	-0.1	-0.05	0.09	-0.05	-0.06	0.12	-.169**	.555**	.171**	.312**	1
**. Correlation is significant at the 0.01 level (2-tailed).														
*. Correlation is significant at the 0.05 level (2-tailed).														
c. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples														

Table 2: Means, Standard Deviation And Correlation Table

We standardized the variables as a precaution against multicollinearity, following the guidelines of Aiken (1991). The highest variance inflation factor (VIF) observed in the regression analysis was 1.89, well below the commonly accepted threshold of 5, as Neter et al. (1996) suggested. Thus, multicollinearity was not identified as a concern. Furthermore, we

examined the data for potential issues such as departures from normality norms and outliers. We found no significant faults, demonstrating that the data were suitable for regression analysis. Consequently, we employed hierarchical regression analysis to assess our assumptions.

Confirmatory Factor Analysis

Before testing the hypothesized model, we conducted factor analysis using Geomin rotation using Mplus 8.8 to check if the data generated the expected four factors as predicted by the model. We tried five models, starting from the one-factor model to the five-factor model. The results of EFA are presented in Table 3. The results indicate that the model with four factors ($\chi^2 = 85.1$, DoF=41) was better than the model with three factors ($\chi^2 = 211$, DoF=52). Similarly, the five-factor model was not better than the four-factor model, suggesting that the four-factor model fitted best. The four factors model resulted in the expected factors of SEW, FBR, DC, and Frugal Innovation. The fit indices of the four-factor model were significantly better than the three-factor model (χ^2 difference =126, DoF difference =11, P value = 0.001).

Model	Number of Parameters	Chi-Square	Degrees of Freedom	P-Value
1-factor	42	863.68	77	0
2-factor	55	505.818	64	0
3-factor	67	211.891	52	0
4-factor	78	85.188	41	0.0001

Table 3: Model Fit for Factors

Models Compared	Chi-Square	Degrees of Freedom	P-Value
1-factor against 2-factors	357.862	13	0
2-factors against 3-factors	293.926	12	0
3-factors against 4-factors	126.704	11	0

Table 4 : Model Comparison For Factors

Since data was self-reported, a potential standard method bias problem might exist. We performed Herman's single-factor test (Posakoff & Organ, 1986) on the four variables to examine potential standard method bias. The findings revealed that a single factor accounted

for less than 15 percent of the variance, indicating a minimal likelihood of common method bias. The flow of data from a single source made it essential to analyze common method bias. We initiated a common latent factor using the Common Latent Factor (CLF) method and the hypothesized factors to identify the common variance biases among the observed variables in the analysis. Even though the effectiveness of method biases may vary across research settings, a cautious assessment of the academic literature recommends that common method variance is a drawback and we should control it. Nevertheless, it is important to recognize that no technique can remove common method prejudice.

The CFL attempt gauges the extent of variance that can be explained by a common factor after considering all factors, offering more knowledge into standard method variance (Podsakoff et al., 2003). We measured common method bias through three models (Eichhorn, 2014). We tested the unconstrained model (Table 4) and set the variance of CLF is zero for a constrained model setting. Lastly, we tested a model with identical variance for all CLF items. As per the results, the constrained and unconstrained models demonstrated invariance. For the unconstrained model. The CLF captured 10% of the total variance. However, the captured variance was reduced to less than 6% under the equal variance test, indicating minimal standard methodology bias.

Test of Hypotheses

Table 5 shows the regression results. The dependent variable in Models 1, 2 and 4 is Frugal Innovation, whereas in Model 3, it is Dynamic Capability (DC). In Model 1, all the control variables were used. Among the control variables, only three were found to be significantly related to Frugal Innovation (FI). The three control variables are Type of Industry ($\beta = -0.06$, $p\text{-value} < 0.05$), Ownership ($\beta = -0.21$, $p\text{-value} < 0.05$), and Nature of Family ($\beta = -0.11$, $p\text{-value} < 0.05$).

value<0.05). In Model 2, we added FBR in addition to control variables. In Model 3, we changed the dependent to DC and added SEW as a moderator to the existing independent variable of FBR. In Model 4, the dependent was Frugal innovation, and FBR and DC as independent variables._

We tested the first hypothesis using both total and direct effects of FBR on Frugal Innovation. FBR was predicted to be positively related to the enterprise's frugal innovation. We found the total impact ($\beta=0.22$, $p\text{-value}<0.001$) significant. However, when only direct effects were taken, the results were insignificant ($\beta=0.10$, $p\text{-value}<0.1$), suggesting that DC is almost a full mediator between FBR and Frugal innovation.

The second hypothesis is related to testing the association between FBR and DC. The hypothesis was significant ($\beta=0.29$, $p\text{-value}<0.01$), suggesting FBR does instill DC among small family business firms.

We tested the third hypothesis related to association between DC and Frugal Innovation. This hypothesis was also valid as the relationship between DC and FI was significant ($\beta=0.33$, $p\text{-value}<0.001$).

The fourth hypothesis related to the mediating role of DC between FBR and Frugal Innovation. This hypothesis was checked using indirect effects. The hypothesis was found to be significant suggesting DC as full mediator between FBR and Frugal Innovation. DC was found to be mediating across the low, medium and high values of SEW. For the low value of SEW, the FBR→DC→Frugal Innovation (FI) was significant ($\beta=0.0418$, $p\text{-value}<0.01$, Table 6). For the medium value of SEW, the FBR→DC→FI was significant ($\beta=0.0946$, $p\text{-value}<0.01$, Table 6). For the high value of SEW, the FBR→DC→FI was significant ($\beta=0.1474$, $p\text{-value}<0.01$, see Table 6).

We tested hypothesis 4 by checking the interaction effect of SEW on the relationship between FBR and DC. FBR and SEW's interaction terms were significant ($\beta=0.15$, $p\text{-value}<0.05$). The moderation effect is depicted graphically as well (See Figure 2). The moderation was insignificant at lower SEW levels ($\beta=0.12$, $p\text{-value}>0.1$, Table 8) but was found to be significant at medium($\beta=0.28$, $p\text{-value}<0.001$, Table 8) and higher levels of SEW($\beta=0.44$, $p\text{-value}<0.001$, Table 8). This result suggests that SEW does not moderate the relationships between FBR and DC at a low level. Still, it moderates it at a medium and higher level, signifying the importance of SEW.

	MODEL1	MODEL 2	MODEL 3	MODEL 4
	Dependent variables			
	<i>Frugal Innovation (FI)</i>	<i>Frugal Innovation (FI)</i>	<i>Dynamic Capability (DC)</i>	<i>Frugal Innovation (FI)</i>
Variables	Beta	Beta	Beta	Beta
Gender	-0.06	-0.08	-0.06	-0.17
Age	0.07	-0.4	0.12	-0.09
Education	-0.14	0.02	-0.18	0.08
Type of Industry	-0.06*	-0.3	-0.06*	0.01
Family Size	0.09	0.20*	0.03	0.26**
Family Type	0.013	0.29***	0.01	0.62***
Ownership	-0.21*	0.27	-0.23**	0.09
Nature of the Family	-0.11*	-0.13	-0.14**	-0.032
Revenue Size	-0.02	-0.31	-0.02	-0.31***
FBR		0.22**	0.29***	0.10#
SEW			-0.0312	
FBR*SEW			0.14*	
DC				0.33***
RSq	0.75		0.17	0.32
p< 0.10; *p< 0.05; **p< 0.01; ***p< 0.001				

[Table 5 Regression](#)

FBR → DC → Frugal Innovation				
SEW	Effect	BootSE	BootLLCI	BootULCI
-1.268	0.0418	0.0379	-0.0432	0.1101
-0.107	0.0946	0.0417	0.0186	0.1808
1.0555	0.1474	0.0682	0.0284	0.2994

[Table 6: Indirect Effect](#)

FBR → FRUGAL INNOVATION						
	Effect	SE	t	p	LLCI	ULCI
FBR	0.1022	0.0575	1.7767	0.0773	-0.011	0.216

Table 7: Direct Effect

SEW	Effect	SE	t	p	LLCI	ULCI
-1.268	0.1258	0.092	1.368	0.173	-0.056	0.307
-0.107	0.2846	0.0824	3.454	0.0007	0.122	0.447
1.0555	0.4435	0.1349	3.2869	0.0012	0.1772	0.71

Table 8: Conditional Effects Of FBR At Various Levels Of SEW

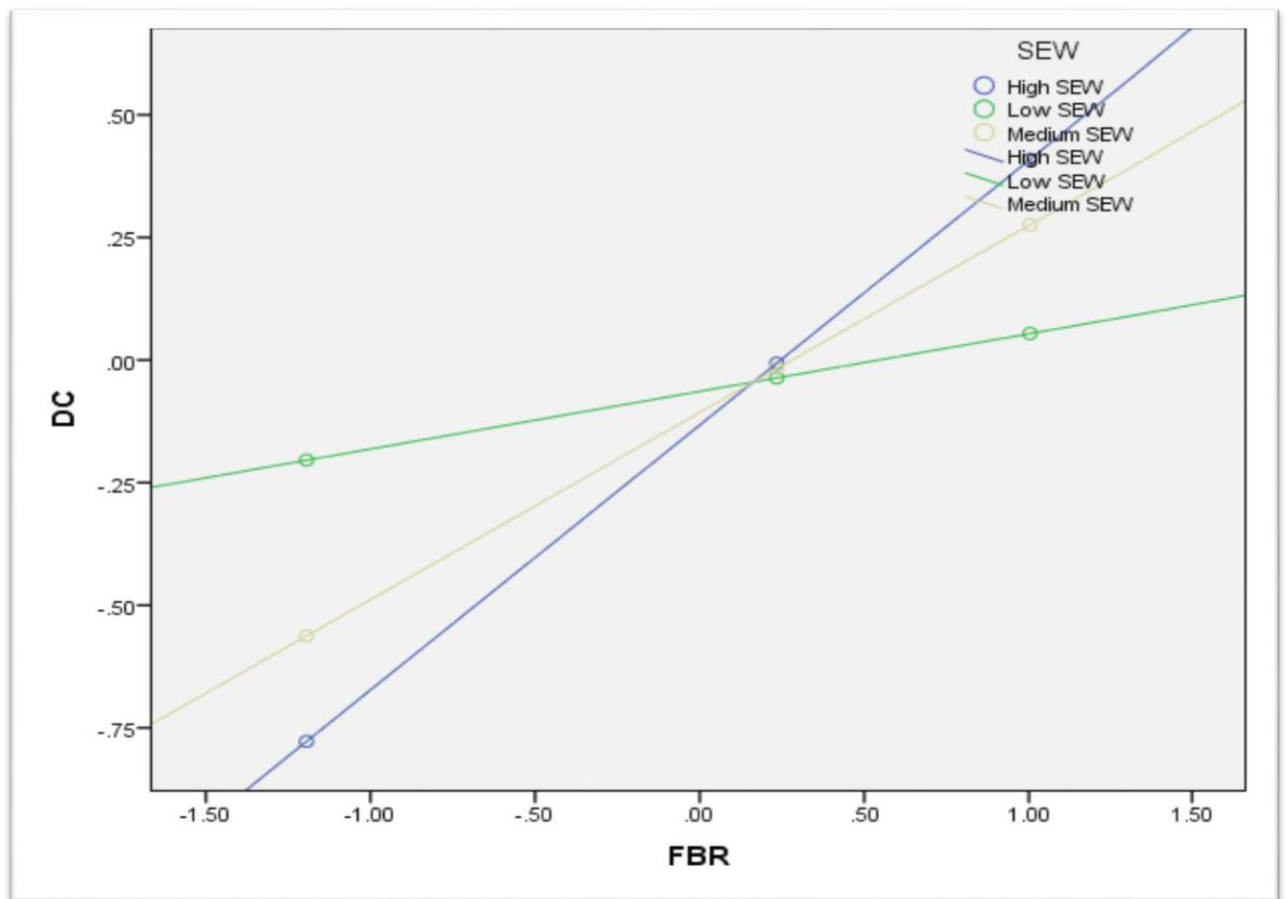


Figure 2 : Sew Moderating The Relationship Between Dynamic Capability (Dc) And Family Business Resourcefulness (FBR)

SEW	Index	BootSE	BootLLCI	BootULCI
	0.0454	0.0311	-0.0021	0.1177

Table 9: Index Of Moderated Mediation

Summarizing, the first hypothesis (FBR to FI) is tested and validated in Model 2 and Table 23: Direct Effects. The second hypothesis (FBR to DC) is tested and validated in Model 3. Hypothesis three (DC to FI) is tested and validated in Model 4 ($\beta = 0.33$, $p\text{-value} < 0.001$), the Fourth hypothesis (SEW moderates FBR to DC) is validated in Model 3 (SEW*FBR) ($\beta = 0.14$, $p\text{-value} < 0.05$). The fifth hypothesis is tested and validated in Table 22 - Indirect Effects (DC mediates FBR & FI)

Robustness Check

We conducted a multi-level analysis with two aims using data gathered from several industries. First, the goal is to differentiate the effects within the industry from those across different sectors (between). The second objective was to verify if the findings from the single-level analysis were consistent with the “within” component of the multi-level model. We clustered the variables based on industry ID to test the multi-level model and created two levels - within and between – the analysis was done using Mplus 8.8. This enabled us to examine variance within the industry while excluding cross-inter-industry variations. Table 10. displays the ICC values of various variables, indicating that most variables exhibited considerable between-industries variation. DC and performance significantly varied across industries, with ICC values surpassing 0.1, except for SEW. The findings of the “within part of model” are displayed in Table 11. All hypotheses were deemed significant. The interaction impact of FBR and SEW was significant.

Variable	ICC
DC	0.1
Performance	0.1
FBR	0.1
SEW	0.1

Table 10: Inter Class Correlations

VARIABLES	FRUGAL INNOVATION	FRUGAL INNOVATION	DYNAMIC CAPABILITY
Gender	0	0	-0.004
Age	-0.04	-0.04	-0.045
Education	0.04	0.03	0.037
Ownership	0.04	0.04	0.039
Revenue	-0.03	-0.04	-0.032
Number Of Employees	-0.03	-0.003	-0.003
DC		0.43**	
FBR		0.25*	0.28***
SEW			0.20**
FBR*SEW		0.15*	0.15*

Table 11: Representing ‘Within’ Part Of The Multi-Level Model

<i>Standardized Factor Loadings for the Measurement Model</i>				
Indicator	FBR	SEW	DC	FI
FBR2	.87*** (.02)			
FBR4	.84*** (.02)			
FBR3	.81*** (.03)			
FBR1	.78*** (.03)			
SEW3		.83*** (.03)		
SEW1		.77*** (.03)		
SEW2		.76*** (.04)		
DCC4			.93*** (.03)	
DCC5			.75*** (.04)	
DCC3			.66*** (.04)	
FI6				.72*** (.06)
FI5				.68*** (.06)
FI3				.55*** (.06)
Average Variance Extracted	0.68	0.62	0.62	0.43
Note. * p < .05, ** p < .01, *** p < .001. Model Fit: $\chi^2(df = 59) = 185.583$, p =				

Table 12 : Confirmatory Factor Analysis

DISCUSSION

Theoretical Implications

This study highlights the role of **Family Business Resourcefulness (FBR)** in fostering **frugal innovation** through **dynamic capabilities**, particularly in resource-constrained environments. Dynamic capabilities, defined as the ability to reconfigure resources to address rapidly changing environments (Teece et al., 1997), are critical in overcoming information asymmetry and resource scarcity. FBR enhances these capabilities by promoting family cohesion, motivation, and adaptability, enabling firms to engage in **bricolage**—creatively combining available resources to develop cost-effective solutions (Baker & Nelson, 2005).

In institutional voids, where formal market-supporting institutions are weak, FBR allows family firms to govern **generic non-tradable (GNT) assets** such as trust and reputation (Gedajlovic & Carney, 2010). These assets enable family firms to reduce transaction costs, overcome coordination challenges, and enhance resource mobilization. By leveraging **Socioemotional Wealth (SEW)**—emotional bonds, reputation, and social networks—family firms further strengthen the relationship between FBR and dynamic capabilities, improving their ability to innovate in adverse conditions (Gómez-Mejía et al., 2007).

The study bridges theories of **transaction costs**, **institutional voids**, and **GNT assets**. Institutional voids explain why markets underperform in emerging economies (Khanna & Palepu, 1997), while GNT theory elucidates the conditions under which family governance is advantageous. FBR integrates these perspectives by emphasizing human agency within families, fostering innovative responses to resource constraints and institutional gaps.

Key Contributions:

1. **Frugal Innovation:** FBR drives frugal innovation by enabling cost-effective solutions that meet local market needs while supporting environmental and social goals (Tiwari & Herstatt, 2012). This innovation allows family firms to sustain in local markets, tap into emerging economies, and remain competitive globally.
2. **Dynamic Capabilities:** FBR fosters adaptability, helping family firms reconfigure resources and identify alternatives as existing resources deplete, vital in resource-constrained settings.
3. **Integrating Theories:** FBR links institutional voids and GNT theory, providing a holistic framework for understanding how family businesses thrive in challenging environments.

FBR explains how family firms leverage collective effort, creativity, and resourcefulness to sustain and innovate in resource-constrained and emerging markets, contributing to their global competitiveness and sustainable development.

Practical Implications

This study provides practical implications for family business owners, consultants, and managers:

1. **Enhancing Governance through Family Effort:** Family members can improve governance in transactions involving Generic Non-Tradable (GNT) assets, which are non-specific and infrequent. Managers must recognize the benefits of family involvement in such cases while understanding its limitations. Family members should focus on unity and cohesiveness, as family conflict diminishes their ability to contribute effectively.

2. **Fostering Family Business Resourcefulness (FBR):** Family firms can enhance resourcefulness by promoting motivation, adaptability, and shared commitment. Consultants and managers should cultivate a culture of creativity and collaboration to strengthen the firm's ability to navigate resource constraints and develop innovative solutions.
3. **Leveraging Socioemotional Wealth (SEW):** By building strong emotional bonds, reputation, and social networks, family firms can reduce transaction costs and access resources more efficiently (Gómez-Mejía et al., 2007). Managers can enhance SEW by fostering family involvement, promoting a strong family identity, and engaging in socially responsible practices.
4. **Adopting Frugal Innovation:** Family businesses should embrace frugal innovation to thrive in resource-constrained environments. By focusing on essential features, cost efficiency, and sustainability, family firms can create solutions tailored to market needs while supporting environmental and social objectives (Tiwari & Herstatt, 2012; Weyrauch & Herstatt, 2016). Managers can drive this by promoting resourcefulness, collaboration, and customer-centric strategies.

These insights guide family firms in leveraging their unique strengths to achieve governance, innovation, and sustainability in challenging contexts.

LIMITATIONS AND FUTURE RESEARCH AVENUES

This study has several limitations. First, **FBR** is a newly introduced concept with limited prior validation, though our results demonstrated good reliability and validity. Second, the reliance on self-reported data introduces the possibility of **common method bias**, despite efforts to control for it. Future research should incorporate multiple data sources, such as employee surveys, financial data, or external assessments, to enhance validity.

Third, the study focused on two cities in India, limiting generalizability. Testing FBR across diverse geographic regions, industries, and in developed economies or non-family firms would provide broader insights. Fourth, while we explored the impact of FBR on frugal innovation, its implications for performance differences among young family firms or in other institutional void contexts remain unexplored. Future studies should investigate whether FBR explains performance heterogeneity or improves innovation efficiency (input-to-output ratio) in resource-constrained environments.

Fifth, this study examined SEW, FBR, dynamic capabilities, and frugal innovation at a single point in time. Longitudinal research could reveal how these relationships evolve and how family firms adapt to changing conditions. Additionally, exploring variations in dynamic capabilities across resource-constrained and resource-rich environments would be valuable.

Despite these limitations, this study contributes significant insights into how family firms thrive in resource-constrained environments. FBR provides a framework to understand their unique role in the global economy, emphasizing the need to support their growth and success.

CONCLUSION

This study introduces the concept of Family Business Resourcefulness (FBR) as a crucial framework for understanding how family firms innovate and adapt in resource-constrained environments and institutional voids. By integrating Transaction Cost Theory, Resource-Based View, and Institutional Theory, FBR explains how family firms leverage unique resources, such as social capital and internal governance, to foster frugal innovation and develop dynamic capabilities. Our findings demonstrate that dynamic capabilities mediate the relationship between FBR and frugal innovation, showing that family firms can continually innovate through resource reconfiguration and recombination. Furthermore, Socio-Emotional Wealth

(SEW) strengthens the link between FBR and dynamic capabilities, reinforcing the role of family cohesion and reputation in driving innovation. The theoretical contributions of this study lie in bridging gaps between existing frameworks on family firm innovation and expanding our understanding of how familiness and social cohesion contribute to navigating institutional voids. Practically, the research provides valuable insights for family business owners, highlighting the importance of cultivating resourcefulness and dynamic capabilities to thrive in challenging environments. Future research should explore the broader applicability of FBR across diverse contexts and industries and further investigate its long-term impact on family firm performance in both resource-constrained and resource-rich environments.

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