# Guest editorial



## Editorial for new insights into SMEs: finance and family SMEs in a changing economic landscape

Family businesses are the predominant form of business across countries, cultures and geopolitical divides. In general, family businesses face a number of dilemmas where family and business intertwine, and nowhere is this so evident as in finance and financial decision making. This special issue is dedicated to the topic and provides research from a variety of perspectives: the article by H. Park *et al.* offers an interesting discussion on how family firms need to innovate in order to adapt to changes in their external environment. The paper proposes some necessary steps that family firms need to prepare in order to respond to the dynamics of the economy and develop capabilities that take advantage both of the firms' singular resources as a family business and the opportunities created by change.

This leads to the work of B. Boateng *et al.*, who in our second paper expand the current thinking on this process of adaptation by exploring the social and cultural factors influencing the financial decision-making process of Ghanaian migrant family businesses in the UK. The paper extends the discussion of inventiveness in terms of the "non-rational" drivers of financial decision making, finding these were skewed towards an internally generated process unrelated to commonly accepted business growth strategies.

The next paper contributes to the discussion on how innovation creates differences between family and non-family financial decision making by studying their corporate social responsibility practices (CSR). J.L. Esparza-Aguilar sets out to identify the CSR practices developed by Mexican family and non-family firms. The findings of this discussion provide family firms (and government agencies) with a guideline of how to use CSR activities within the business as a competitive strategy to adapt to a developing economic environment.

These differences in economic strategies for innovation and adaptiveness of family firms are analysed in more detail within the setting of corporate governance in which financial and economic decisions are made. In the article by Z. Saidat *et al.*, the authors discuss the relationship between corporate governance mechanisms and financial performance, comparing family and non-family firms listed on Jordan's Amman Stock Exchange. This is a very interesting analysis of financial performance that, although inconclusive, provides an interesting insight into an emerging market that has not been the focus of previous studies, including corporate governance in family firms.

The paper by M. Neema and C. Goodluck adds to the discussion of corporate governance through the study of the composition and role of a board of directors in a family-owned microfinance institution in Tanzania. They suggest that ownership and management are not separated and the board of directors has an important role in the formulation of strategies, mobilising resources and networking, through which its members are able to exercise control of the firm. The control of the family firm extends to external board members, who despite being appointed because of their expertise and skills have personal relationships with shareholders, and thus maintain that level of "familiarness" in financial decision making.

The next two articles provide a more technical discussion on family business growth through the use of financial measures of performance. In the paper by A.K. Megaravalli and G. Sampagnaro, balance sheet ratios are used as predictors of rapid growth. Analysing a large data set of family businesses, the study identifies key financial indicators (liquidity, solvency ratio, firm age, cash flow and working capital) as key predictors of firm growth. Thus, suggesting that in order to adapt to change and exploit opportunities brought upon by

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economic change, family firms need to ensure adequate levels of financial resources in order to be able to innovate.

The final paper by S. Salerno looks at this source of financial resources and analyses the relationship between private equity (PE) investments and their performance in terms of family-and non-family-owned businesses. The findings suggest that PE-backed family businesses outperform PE-backed non-family businesses, and although the detailed cause and results could be interpreted in many ways, the conclusions of this research suggest that a family ownership structure has advantages that may result in better returns to investors.

The challenges that surround family business owners and the nuances around financial decision making are an area ripe for future research. The editors look forward to seeing this area of research develop, drawing on both quantitative and qualitative research methodologies for the wider development of the field.

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