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**SME GOVERNANCE STRUCTURE AND INNOVATION BEHAVIOUR: THE ROLE OF
INNOVATION ECOSYSTEM PARTICIPATION**

Supervisors:

Prof. Giovanna Campopiano

Prof. Mara Brumana

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Samuel Ashong

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Abstract

This thesis investigates how SME governance structure and participation in innovation ecosystems jointly shape innovation behaviour and economic performance. The differences between family and non-family SMEs are highlighted, as well as how their engagement with external collaborative environments affects their ability to innovate and generate economic value.

Theoretical framework

The research expands upon the existing body of work regarding the governance structure of small and medium-sized enterprises (SMEs), their innovative behaviours, and the ecosystems in which they operate. SME governance structures are characterised by the ownership, control, and decision-making arrangements that shape the formulation and execution of strategic decisions within a company (Daily et al., 2003). The governance structure, especially the distinction between family-owned and non-family SMEs, can significantly impact how these businesses engage in strategic decision-making and allocate resources for innovation.

Moreover, SMEs do not innovate in isolation. Engaging in an innovation ecosystem—a collaborative framework where firms share and leverage individual resources—enables access to external knowledge, complementary assets, capabilities, and market opportunities (Adner, 2006). Consequently, the study posits that the ecosystem as a critical external factor that can enhance or mitigate the influence of various governance structures on innovation outcomes and overall performance.

Methodology and Empirical Results

The research looks at data from a sample of SMEs that are officially recognized under the Italian innovation system. We ran empirical analyses to see how being part of innovation ecosystems affects how family-owned SMEs and non-family SMEs approach innovation and the differences in economic outcomes. Variables include the number of patents as a proxy for innovation output, EBITDA, a Family SME dummy indicating SMEs owned and controlled by family members, and innovation ecosystem participation identified by checking what companies said on their official websites.

The findings demonstrate that SME governance structure, particularly the distinction between family and non-family SMEs, is significantly associated with innovation output. Family businesses and non-family businesses innovate differently, which shows that the way a company is structured affects how it handles innovation. We also found that, being part of an

innovation ecosystem shapes the relationship between governance structure and innovation behaviour. In particular, ecosystem participation has a negative effect on the level of innovation output among the SMEs examined. However, further the results indicate that innovation ecosystem participation has positive implications for the financial performance associated with innovation.

References

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