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ABSTRACT

Design/methodology/approach: Structural equation modelling was used to analyse Spanish firms with fewer than 250 employees. We randomly selected small and medium-sized enterprises (SMEs) operating in Spain from the Spanish Central Business Directory (2021) database. The overall sample design was based on stratified sampling.
Purpose: For this paper, we focus on Porter's competitive advantage. Hybrid strategy refers to how a firm creates value vis-à-vis competitors by simultaneously relying on lower costs and greater differentiation to achieve a competitive advantage. This strategy emphasizes both and aims to provide much more monetary value to customers through the combination of reduced cost and a higher rate of differentiation. In addition, our research focuses on family SMEs, because they have particularities arising from the incorporation of family members both as owners of the SME and in managerial positions. The proposal is to analyse whether the existing differences produced by the role of the family in strategic decision-making and the concentration of family power have a higher impact on performance and innovation than non-family SMEs.
Findings: SMEs are facing new challenges, and this has led to the emergence of new competitive strategies. Companies have started to combine differentiation strategies with cost strategies to achieve superior performance and better adapt to these changes. We confirm a positive relationship between the adoption of hybrid strategies and market performance in SMEs. In addition, hybrid strategy reinforces innovation, which has a mediating role between hybrid strategy and market performance. Finally, our findings indicate that family SMEs achieve a greater impact of hybrid strategy on innovation than non-family SMEs Moreover, innovation plays a mediating role only in the case of family firms, which enhances the relationship between hybrid strategy and market performance.
Originality/value: For SMEs to survive in turbulent environments, we propose the adoption of hybrid strategies instead of pure strategies. The novel model links hybrid strategy (as opposed to 'stuck in the middle'), innovation, and market performance. The research is valuable for owners and managers of family SMEs because we find differences in the relationships studied compared to non-family SMEs.

KEYWORDS: Hybrid Strategy, Market performance, Small to medium sized Enterprises, Family Firms and Innovation.

1. Introduction

Currently dominated by globalisation, the emergence of new technologies and the recent COVID-19 pandemic, highly volatile, uncertain, complex and ambiguous environments have emerged (Taskan *et al.,* 2022). These turbulent and unpredictable environments are characterised by increased intensity of competition, disruptive changes in industry structure, volatility of demand and unpredictability of customer behaviour, in addition to the instability of economic, social and political factors (Ozdemir and Mecikoglu, 2016; Lapersonne *et al.,* 2015).

In this context, business organisations are forced to implement new types of competitive strategies with a more complex and dynamic approach that allows them to adapt to the new competition (Lapersonne *et al.,* 2015). For some authors (Anwar and

Hasnu, 2017), the adoption of pure competitive strategies is not enough to compete, and they determine the need to adopt hybrid strategies, which is why they have become an essential tool for companies (Claver-Cortes *et al.,* 2012).

Traditionally, two main models have theorised competitive strategies. On the one hand, the Miles and Snow (1978) model established four strategic types: prospector, defender, analyser and reactor. Prospectors are technologically innovative and seek new markets; analysers tend to prefer a follower strategy, but with a view to outperforming the leader; defenders are engineering-oriented and focus on maintaining a secure and stable market niche; and reactors lack an established strategy. On the other hand, Porter's (1980) model differentiated between cost leadership strategy, differentiation strategy, and focus strategy. The cost leadership strategy focuses on gaining a competitive advantage by achieving the lowest cost in the industry. Differentiation strategy is deciding what the company will do differently from its competitors. Finally, in terms of focus strategy, a company targets a market segment by adapting the pure strategy.

Although Miles and Snow's (1978) typology has been addressed in the strategic literature, studies that analyse hybrid strategies rather establish that they are strategies that are understood as variants of pure types (Desarbo *et al.,* 2005). Anwar and Hasnu (2017) highlight that despite finding different types of possible hybrid strategies based on Miles and Snow's framework, there is a great scarcity of applied studies in this regard.
For this paper, we focussed on Porter's competitive advantage. Hybrid strategy refers to how a firm creates value vis-à-vis competitors by simultaneously relying on lower costs and greater differentiation to achieve a competitive advantage (Alnoor *et al.,* 2023). This strategy emphasises both factors (Pertusa-Ortega, Molina-Azorín and Claver-Cortés, 2009; Claver-Cortés *et al.,* 2012) and aims to provide much more monetary value to customers through the combination of reduced cost and a higher rate of differentiation (Thompson and Strickland, 1999). When a company follows a pure competitive strategy, the process of achieving a hybrid strategy is to shift the focus to the other competitive strategy, rather than continuing to invest resources in the same strategy (Leitner and Güldenberg, 2010).

Although the competitive strategy implemented by firms has traditionally been recognised as a particularly interesting line of research by researchers (Morgan, Kaleka and Katsikeas, 2004), we find more recently an increase in the scientific production on hybrid strategy, although in its early days it was identified as a strategy that was set to fail by being called "stuck in the middle" (Alnoor *et al.,* 2022). We study a concept that has been redefined and is currently emerging and novel (Sofia and Agustín, 2019). Different studies have found that in current turbulent and competitively intense business environments, hybrid strategies are more effective in creating competitive advantage and increasing firms' flexibility (Shinkle *et al.,* 2013; Ozdemir and Mecikoglu, 2016; Sofia and Augustine, 2019). Moreover, these new hybrid strategies are more difficult to imitate because they simultaneously reduce costs and increase quality (Alnoor et al. 2023), thus maintaining competitive advantage for a longer period of time.

Authors such as Alnoor *et al.* (2023) considered the hybrid strategy to be vital for success in this context. However, despite the existence of these works, the literature on the study of hybrid strategies and especially their impact on firm performance is still scarce, and even the empirical findings found by the authors are still under review due to the inconsistency of the results obtained (Ozdemir and Mecikoglu, 2016). For example, Brege *et al.* (2010) found a better relationship with business performance in the differentiation strategy than in the cost leadership strategy. Thornhill and White (2007), Lechner and Gudmundsson (2014), and Hansen *et al.* (2015) found that strategic purity (i.e. focussing on a single competitive advantage) achieves better results than hybrids. In

contrast, Pertusa-Ortega *et al.* (2009) argued that both strategies can be developed in a complementary manner. Finally, more recent studies, such as those conducted by Spanos *et al.* (2004), Anwar and Hasnu (2017), Kaliappen *et al.* (2019), Tavalaei and Santalo (2019) and Salavou (2010), support the superiority of the hybrid strategy over the pure strategy. In the same vein, Kharub *et al.* (2022) found no relationship between competitive strategies and firm performance.

Furthermore, we must be aware that most previous research works that have analysed the hybrid strategy have been based on a qualitative approach (i.e., Njoroge *et al.,* 2022; Ozdemir and Mecikoglu, 2016; Lapersonne *et al.,* 2015), others have focused exclusively on a single sector (Hansen *et al.,* 2015; Njoroge *et al.,* 2022), and have only empirically studied large firms (Baroto 2012) or analysed firm performance in a generic way (Acquaah and Yasai-Ardekani, 2008; Kim *et al.,* 2004).

Traditionally, SMEs have evaluated their performance from a financial perspective, due to the need to create value for the owners (Agyabeng-Mensah *et al.,* 2020). The stakeholder theory of corporate strategy (Freeman and Phillips, 2002) proposes that managers' goals should be developed in collaboration with a diverse group of internal and external stakeholders, even if they support potentially conflicting claims. Thus, the impact of strategic decisions taken on performance cannot be measured only under financial criteria (Zeng *et al.,* 2010), but non-financial criteria must be added (Schaltegger and Synnestvedt, 2002).

Previous research also points to the need for more studies that quantitatively investigate the impact of strategy on firm performance, incorporating new variables that do not only exclusively measure financial performance (Goyal *et al.,* 2013). In our study, we propose market performance as a particularly important measure of business success (Jabbour *et al.,* 2015; Pinheiro *et al.,* 2022) because it measures the achievement of higher market shares and revenues from product and service sales relative to competitors (Afriyie *et al.,* 2019). Following Jamaludin *et al.* (2022), market performance adequately reflects the level of achievement of an organisation's strategy implementation in an effort to realise the organisation's goals, objectives, mission and vision and whether the firm is well market oriented.

Walecka-Jankowska and Zimmer (2019) consider that competitive strategy not only impacts performance but also significantly influences innovation and openness to new processes. Innovation is an important strategic tool that enables entrepreneurs to create competitive advantages and market opportunities for further business growth driven by changes that allow them to differentiate their businesses from competitors (Febrianti and Herbert, 2022). Therefore, it is necessary to deepen the relationship between these two dimensions.

Finally, our research focuses on family SMEs, because they have particularities arising from the incorporation of family members both as owners of the SME and in managerial positions (Basly and Saunier, 2020). Family firms have different and additional resources (Zellweger *et al.,* 2010) that could affect the implementation of hybrid strategies. It is interesting to analyse whether the existing differences produced by the relevant role of the family in strategic decision-making and the concentration of family power (Kallmuenzer and Scholl-Grissemann, 2017; Parada *et al.,* 2019) have a higher impact on performance and innovation than non-family SMEs.

Moreover, research analysing the particular case of family SMEs is very limited (Leiner and Güldenber, 2010; Bellamy *et al.,* 2019), although this type of enterprise represents the most common form of business organisation in the world (Quinn *et al.,* 2018).

Considering the above gaps, we set out the following objectives. First, this study seeks to provide evidence on the impact of hybrid strategy on the market performance of SMEs. Despite recommendations by authors of the need for studies focussing on business strategy in SMEs (Pertusa -Ortega 2009; Njoroge *et al.,* 2022; Bellamy *et al.,* 2019), the literature has paid little attention to this topic, and we have not found any work that specifically addresses the issue of hybrid strategies in family SMEs. Additionally, the present study focuses on market performance, a variable that helps to understand more market- and customer-driven firm performance (Gök and Peter, 2017) and does not focus exclusively on financial performance (Pinheiro *et al.,* 2022, Goyal *et al.,* 2013). Second, the relationship between hybrid strategy and innovation is studied because of the lack of knowledge that still exists in the literature (Walecka-Jankowska and Zimmer 2019).

Third, the role of innovation in this relationship is analysed to delve deeper into how the hybrid strategy achieves this performance in the market. Gabrielson *et al.* (2016) emphasise that there is a lack of knowledge about how a hybrid strategy manages to improve its results, and innovation may be one of the key success factors in the implementation of this type of strategy (Njoroge *et al.,* 2022). Fourth, we analyse the differences according to the type of SME, family and non-family, to analyse whether, due to the specific management characteristics of family SMEs, they obtain different results in terms of market and innovation than non-family SMEs.

Specifically, our study reflects and develops a model that has not been previously analysed in the literature and integrates several constructs such as hybrid strategies, innovation and market performance of family and non-family SMEs, which allows us to address the differences between the two types of firms.

To achieve the objectives described above, a survey of 1,842 Spanish small- and medium-sized enterprises from different sectors, both family and non-family, was conducted. This paper is structured as follows. The theoretical framework, hypotheses, and model are described below. This is followed by the methodology used. Finally, the results achieved are explained, as well as the conclusions with theoretical and practical implications, future lines of research, and limitations of the study.

2. Theoretical framework

2.1 Hybrid Strategy and Market Performance in SME

Companies that have implemented pure strategies have historically achieved great benefits; however, they have not demonstrated total effectiveness (Alnoor *et al.,* 2023) and even less if we consider the current situation, characterised by great changes, many of which were triggered by the COVID-19 crisis. Indeed, some studies before this situation (Anwar and Hasnu, 2017) already highlighted that pure strategies caused inflexibility and limited the organisation's vision (Miller, 1992), making them easy for competitors to imitate (Claver-Cortes *et al.,* 2006). In the particular case of SMEs, because they have more limited resources than large companies (Woschke *et al.,* 2017), the adoption of a pure strategy may be even more insufficient in the current volatile, uncertain, complex, and ambiguous competitive environments, so that survival itself leads them to adopt multidimensional (or hybrid) strategies if they want to remain competitive (Njoroge *et al.,* 2022).

SMEs, considered the economic backbone of all countries, face a great challenge in formulating and implementing competitive strategies due to the increasingly intense competitive pressures they face (Njoroge *et al.,* 2022). They compete to attract more consumers through innovation and the creation of quality products and thus build consumer loyalty. In turn, they face various barriers to innovation such as high innovation

costs or sometimes having processes and products that are too obsolete (Madrid-Guijarro *et al.,* 2009) and various institutional barriers such as limited access to finance (Zhu *et al.,* 2012) or little public policy support (Díaz-Puente *et al*., 2009). This consideration is important in our research because it demonstrates how SMEs, with limited innovation capacity, but with higher utilisation of all their resources achieve higher market performance and strengthen overall business performance.

Although Porter (1985, 1980), a precursor of competitive strategies, opposes the strategy of stagnation because of the risk of getting stuck in the middle by trying to obtain low cost and differentiation, other authors argue that low cost and differentiation can be compatible approaches (Hill, 1988; Murray, 1988; Wright *et al.,* 1995), postulating the search for hybrid, mixed, integrated, or combined strategies (Acquaah and Yasai-Ardekani, 2008; Kim *et al.,* 2004; Spanos *et al.,* 2004). Gabrielson *et al.* (2016) clarified this discrepancy and distinguished hybrid strategy from "unemphasised" strategy, referring to the lack of a clear focus on a particular strategy. In the same vein, Miller and Dess (1993) advocated the dimensional approach, which proposes that generic competitive strategies should not be considered as two single strategies, but as two dimensions along which each firm should choose its position.

The success of products, the barriers to imitation resulting from innovations and the future market positioning of a firm are of vital importance to gain and maintain its competitive advantage over competitors (Grant, 2021; Hill *et al.,* 2020), which affects market performance (Olabode *et al.,* 2022; Mithas *et al.,* 2011). Therefore, hybrid strategy based on achieving cost and differentiation competitive advantages plays an important role in improving market performance by helping SMEs to recognise new business opportunities (Côrte-Real *et al.,* 2017), identify new market segments (Wamba *et al.,* 2015) and advance product development (Xu *et al.,* 2016).

We found different studies linking hybrid strategy with performance. A recent bibliometric literature review concluded that hybrid strategy is closely related to strategic performance (Alnoor *et al.,* 2023). For Claver Cortes *et al.* (2012), the pursuit of hybrid competitive strategies can help to secure several sources of advantage and thus enable higher levels of performance. Acquaah and Yasai-Ardekani (2006) justified that the application of a combined competitive strategy is not only feasible but also generates higher incremental performance than the application of individual competitive strategies. Subsequently, these initial results were supported by numerous empirical studies that captured the impact of hybrid strategy on performance (i.e., Manev *et al.,* 2015; Salavou, 2015). For example, Shinkle *et al.* (2013) showed that hybrid strategies were related to higher performance in turbulent environments, a finding that is relevant because of the parallelism of the current environment. Recently, Tao *et al.* (2023) demonstrated the effectiveness of hybrid strategy on firm performance, able to generate superior performance to its competitors.

Despite all these findings, we find studies with opposite conclusions, such as Hansen *et al.* (2015), who argue that there is insufficient evidence that a hybrid strategy is more effective in improving business performance than a pure strategy.

One of the possible causes of ambiguity in drawing conclusions may be related to the measurement of performance. This variable can be considered to encompass different criteria, such as economic, financial, or commercial (Rubio-Andrés, *et al.,* 2023). Despite stakeholder theory (Freeman and Phillips, 2002), most of the aforementioned studies have a mainly financial orientation that considers accounting measures (Pertusa-Ortega, *et al.,* 2009; Spanos *et al.,* 2004), but we found some measurement dispersion. In the present study, in a novel way, we focus on market performance, referring to the achievement of better market-related outcomes of a firm compared to its competitors (Homburg and

Jensen 2007), i.e., and on understanding the firm's more market- and customer-driven outcomes (Gök and Peter, 2017), considering customer satisfaction, rapid adaptation to markets, and market growth (e.g., Delaney and Huselid, 1996, Pekovic and Vogt, 2021). However, market performance has received very little attention in models analysing hybrid strategy (Yasa *et al.,* 2019) and has sometimes been mistakenly seen as a concept similar to overall business performance (Yalcinkaya *et al.,* 2007).

Therefore, our approach employs appropriate performance measurement and links the adoption of hybrid strategy to the achievement of market performance, as proposed in the following hypothesis:

H1. Hybrid strategy positively and directly affects market performance in SMEs

2.2 Hybrid Strategy and Innovation

As we have seen above, the hybrid strategy combines competitive strategies and simultaneously emphasises both cost leadership and differentiation strategies. A combined strategy has proven to be beneficial (Kim *et al.,* 2004) because cost-based and differentiation-based advantages alone are difficult to maintain (Sofia and Augustine, 2019).

However, this policy option requires concerted efforts to be implemented in firms in the long term (Leitner and Güldenberg, 2010), mainly in small- and medium-sized enterprises. Authors such as Alnoor *et al*. (2023) argue that the implementation of a hybrid strategy requires a combination of efficiency and innovation. Studies such as those by Espino-Rodriguez and Lai (2014) and Kaya (2015) provide empirical evidence that the hybrid strategy has advantages in terms of profitability and innovation.

In the same way that pure competitive strategies have a significant impact on the quality of products and services, as well as on innovation and openness to processes that foster innovation (Suwignjo *et al.,* 2022), the hybrid strategy helps companies develop innovative products and processes.

A study conducted in different sectors by Alnoor *et al.* (2023) confirmed that the use of hybrid strategies leads to an increase in market share, quality, flexibility, innovation, delivery time, and cost reduction.

The choice of strategy followed by the SME will have an impact on the development of its innovations, being a vital determinant of competitive advantage (Sollosy *et al.,* 2019; Wronka-Pospiech and Fraczkiewicz-Wronka, 2016). For example, constantly growing markets drive SMEs towards greater innovation, and they need a strategy aimed at attracting and retaining customers to succeed (Ingram *et al.,* 2016; Akman *et al.,* 2015).

The process of adopting hybrid strategies can arise from the prior success of a pure strategy, i.e., the cost leadership strategy or the differentiation strategy, being a sequential process. Faced with achieving higher performance by implementing the individual strategy first, firms use their accumulated gains to focus on the gaps and weaknesses that exist from having adopted one pure strategy first to the detriment of the other (Agyapong *et al.,* 2016). This involves addressing a business innovation process to move towards achieving the hybrid strategy, which implies a focus on either internal process improvement or product quality, or sometimes both. In this way, innovation will focus on moving towards a pure loss-making strategy, which may involve cost reduction or differentiated products. Therefore, the SME will try to maximise both competitive advantages to overcome competitors' attacks by achieving a competitive advantage by providing value to customers based on product features and low price (Baroto, 2012).

Thus, a relationship between hybrid strategy and business innovation is established, and we propose the following hypothesis:

H2. Hybrid strategy positively and directly affects innovation.

2.3 Innovation and market performance: mediating role

New societal needs imply decision making towards innovation (Cegarra-Navarro *et al.,* 2016). Innovation enables firms to transfer learned knowledge and offer better solutions in dynamic environments (Sancho-Zamora *et al.,* 2022).

Stimulating SME innovation is currently a major challenge (Keizer et al., 2002). Innovativeness implies a coping mechanism to escape a crisis, allowing firms to recover faster (Bodlaj and Čater, 2019).

Amit and Zott (2012) highlight the importance of innovation for its protective effect against possible imitation by competitors, as an important competitive tool. Battaglia *et al*. (2014) explored how innovation in SMEs can involve the creation of new working methods, products, services, processes, and market opportunities, allowing them to gain new social and economic benefits (Blakely and Aparicio, 1990; Blanco and Gutiérrez, 2008).

The literature extensively discusses the impact of innovation on variables such as performance (Capon *et al.,* 1992; Yeh-Yun Lin and Yi-Ching Chen, 2007). Studies such as Alam *et al*. (2013) and Ngo and O'Cass (2012) show that to have a greater impact on firm performance, organisations need to implement effective innovation.

Jaruzelski *et al*. (2011) claim that firms that exhibit cultures closely aligned with innovation improve their competitive position. We found numerous studies linking innovation with financial performance (e.g., Capon *et al.,* 1992; Yeh-Yun Lin and Yi-Ching Chen, 2007), finding a positive relationship (Hirshleifer *et al.,* 2013; Bodlaj and Čater, 2019). However, the literature linking innovation with market performance is very scarce, although authors such as Gök and Peter (2016) advocate the use of market performance in small firms as a variable resulting from innovative efforts, as it directly reflects improvements made in products, processes, and management. We find some previous studies that positively relate innovation to specific indicators of market performance, such as higher firm growth (Vaccaro *et al.,* 2010; Börjesson and Löfsten, 2012; Szczygielski *et al.,* 2017). Recently, Singh *et al.* (2021) confirmed that process and product innovations significantly improved market performance in the analysed firms.

Considering the above, we propose the following hypothesis:

H3. Innovation positively and directly affects market performance

The above arguments suggest that SMEs that develop a hybrid strategy increase their likelihood of higher performance by improving their innovation. By establishing a hybrid strategy, firms are faced with the need to improve their ability to adapt to changes in the environment (Sofia and Augustine, 2019), which naturally directs them towards developing innovations (Suoniemi *et al.,* 2020). Innovation is a resource that a firm can deploy to grow, develop, and successfully adapt to market changes (Jaruzelski *et al.,* 2011), which are essential elements for improving firm performance (Rubio-Andrés *et*

al., 2022). We argue that in SMEs developing hybrid strategies, innovation mediates the relationship between hybrid strategies and firm performance. Thus:

H4. Innovation mediates the relationship between hybrid strategy and firm performance, such that hybrid strategy has a positive spill-over effect on firm performance through innovation.

2.4 Moderating role of the family nature of SMEs

Although the hypotheses set out above indicate that, in most small and medium-sized enterprises, all the relationships described above are valid, the intensity of these relationships may vary depending on the family or non-family nature of the SMEs. In addition, the concept of moderation in testing relationships has caught on in business and management research (Amoo *et al.,* 2023; Caputo *et al.,* 2019).

Family SMEs are socially complex entities with inimitable characteristics of their unique values (Kallmuenzer and Scholl-Grissemann, 2017) stemming from the overlap between ownership and management by different family members (Alayo *et al.,* 2019). This implies a different way of designing their business strategy compared with non-family SMEs (Siuta-Tokarska et al. 2023). Family SMEs combine factors such as prudent investments, a long-term perspective, flexibility to adapt to changing market conditions, a simpler organisational and legal structure and a focus on employment stability (Siuta-Tokarska *et al.,* 2023). For example, some studies have shown that family SMEs are more exposed to financial difficulties than non-family SMEs (Bauweraerts and Vandernoot, 2018) and generally endure greater business difficulties (Capella *et al.,* 2023).. However, not all studies consider family SMEs to be weaker; quite the contrary, they show how the family and its knowledge are fundamental resources for success (Diéguez-Soto *et al.,* 2016).

However, more research is needed that delves deeper into how the business strategies of family firms affect their performance (Acquaah, 2011; Siuta-Tokarska *et al.,* 2023) and how, unlike non-family firms, they take advantage of innovation opportunities (Kallmuenzer and Scholl-Grissemann, 2017; Doung *et al.,* 2022).
Agyapoong et al. (2016) emphasised the need to implement a competitive strategy to improve the performance of micro- and small-family firms. However, in their study, they focussed solely and exclusively on differentiation strategies and cost leadership, leaving hybrid strategies aside.

Traditionally, family firms have been established as a unique area of research (i.e. Debicki *et al.,* 2009; Sharma *et al.,* 2007) and as a special category of firms, mainly due to family involvement (Miller and Rice, 1967). This family involvement in the firm can lead to a factor called familyness, which can be seen as the unique, inseparable, and synergistic resources and capabilities that a family brings to the firm. However, we found research that has shown that family influences can have both positive and negative effects on the family business (i.e. Kellermanns, *et al.,* 2012).

Habbershon and Williams (1999) first introduced the term familyness, describing it as the idiosyncratic set of resources and capabilities resulting from the interaction of family and business systems (Habbershon *et al.,* 2003; Zellweger *et al.,* 2010). These authors increased our understanding of the origins of family business competitiveness and provided us with a multidimensional model of family influence on family businesses. While each dimension (involvement, substance and family business identity components)

reflects a unique way in which families can influence the family business, the model also recognises that these dimensions often overlap and intermingle.

In building the family, the dimensions can be expected to work together and reinforce each other, creating the rare and inimitable family resource that Habbershon and Williams (1999) originally described. This familyness facilitates family businesses to develop unique identities, not only through the overlap between the family and business system (Barnett, Eddleston and Kellermanns, 2009; Sundaramurthy and Kreiner, 2008; Tagiuri and Davis, 1992), but also through the varying degrees of involvement and influence exerted by the family (Chrisman *et al.,* 2009; 2005). The integration of diverse beliefs that originate in the family and the firm, often linked to their shared history, may explain how the distinctiveness of organisational identity emerges (Zellweger *et al.,* 2010). Because a family's identity is unique, a family firm's identity can be an important source of competitive advantage in the marketplace (Sundaramurthy and Kreiner, 2008).

Having unique attributes, such as a long-term approach to decision-making, cooperation with stakeholders, strong sense of loyalty, identity, unique social system, integrity, commitment to employees (Habbershon *et al.,* 2003; Miller *et al.,* 2009), willingness to build excellent social connections with customers, stronger reputation, brand image, and more motivated staff, among others, help family businesses to build customer loyalty and engage in activities, 2009), willingness to build excellent social connexions with customers, stronger reputation, brand image, and motivated staff, among others, help family businesses to build customer loyalty and engage in innovative activities that enable family businesses to benefit from implemented competitive strategies (Agyapoong *et al.,* 2016).

However, the implementation of a hybrid strategy requires the hybridisation of agile and flexible systems, concerted efforts to be implemented in firms over the long term (Alnoor *et al.,* 2023; Rubio-Andrés *et al.,* 2015) and a combination of additional resources and capabilities. The owner's intention to transfer business management to the next generation, and the family's influence on decision-making, requires strategic planning and a focus on new technologies. As a result, family firms are more likely to turn to innovation (Siuta-Tokarska *et al*., 2023) and thus have these necessary elements at their disposal through familiarity to successfully implement the hybrid strategy.

Moreover, in family firms, innovation presents different challenges given the social complexity resulting from the intertwining of family and business systems (Capella, *et al.,* 2023). Diaz-Villacencio (2020) in a study of small family farms concludes that these firms have not managed to implement continuous innovation management practices. However, Gudmundson et al. (2003) found a positive relationship between family SMEs and the ability to identify and generate innovation opportunities and to transform the firm's innovation process, which is higher than non-family firms.

In this way, family firms could achieve higher levels of innovation and market performance because familyness has the characteristics of heterogeneity, idiosyncrasy, inimitability, and even intangibility that are required for competitive advantage and sustainable superior performance (Habberson and Williams, 1999).
Taking all of the above into account, we propose the following set of hypotheses:

H5a. The strength of the positive effect of the hybrid strategy on market performance will be stronger in family SMEs than in non-family SMEs.

H5b. The strength of the positive effect of the hybrid strategy on innovation will be stronger in family SMEs than in non-family SMEs.

H5c. The strength of the positive effect of innovation on market performance will be more positive in family SMEs than in non-family SMEs.

H5d. The strength of the positive spill-over effect of hybrid strategy on market performance through innovation will be more positive in family SMEs than in non-family SMEs.

The above hypotheses together suggest that the role of the family character of firms in the relationship between hybrid strategy, innovation, and market performance will be stronger.

Figure 1 shows the conceptual model we intend to test.

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3. Method

3.1. Sample and Procedure

We randomly selected SMEs operating in Spain from the database of the National Statistics Institute (2021). The selection framework was the SABI (Iberian Balance Sheet Analysis System) database accessed through the FAEDPYME (*Foundation* for Strategic Analysis and Development in SMEs). Sampling was conducted by stratifying the population. Therefore, stratification criteria were established based on the business sector of the population, which has allowed for a better adaptation to the population structure and the objectives set out in the study. The general sample design was based on the principles of stratified sampling, as this statistical technique guarantees the diversity of the sample, reduces the overall variance of the population, improves the precision of the performance and allows for lower random sampling errors (Fuller, 2009). The overall sample design was based on the principles of stratified sampling. Within each stratum, selection was made by simple random sampling, up to a total of 2,000 questionnaires. Subsequently, incomplete questionnaires were eliminated. A total of 1,842 completed surveys were returned and used for further analysis in this study (response rate: 29.48%, sampling error: 2.9%, for a confidence level of 95% and the least favourable situation of p=q=0.5).

The largest group of participating firms was from the services sector (35%), followed by industry (33%), retail (19%), and construction (14%). Additionally, most firms were small, between 10 and 49 employees (52%), followed by micro-SMEs with 6–9 employees (35%), medium-sized firms with 50–249 employees (12%), and those without employees (1%). According to the type of company, 29.5% were non-family SMEs and 70.5% were family SMEs.

3.2. Measures

An indicator is considered a measured value that provides information about a specific phenomenon or a status quo (Dziallas and Blind, 2019). When measures are used to examine a latent construct, the researcher can design reflective or formative indicators (MacKenzie *et al.,* 2005). While reflective measurements are highly correlated indicators that may be caused by the latent construct, formative measures involve indicators that determine the construct without necessarily being correlated (Hair et al, 2017). In our survey, following the four criteria proposed by MacKenzie *et al.* (2005) to distinguish between these two types, all variables were reflective.

Hybrid strategy. This construct was measured through the interaction between the two indicators. One item captures the production of the product/provision of the service under quality criteria, and the second item captures the efficiency of internal processes. The indicators used in this construct have been validated by Baroto *et al.* (2012), Alnoor *et al.* (2022), Alnoor *et al*. (2023), and Kumar and Subramanian (1997). Both indicators contribute to the measurement of the construct because they capture the degree of attainment of each of the pure strategies (Du et al., 2016). The achievement of maximum levels of both indicators implies high attainment of the hybrid strategy.
In the survey, the options were evaluated on a 5-point Likert scale (1 not essential to 5-very important).

Innovation: Dziallas and Blind (2019) establish a framework of dimensions to synthesise innovation indicators, distinguishing between three types of innovation: product, process and management innovation. Borrás and Edquist (2013) considered innovation indicators as the source of information to form the construct. In this study, we used seven indicators to assess the degree of importance of different types of innovation to form the construct. First, product innovation: changes or improvements in existing products/services and the launch of new products on the market. Second, process innovation: changes or improvements in the production process and acquisition of new capital goods. Third, management innovation: new changes or improvements in organisation and/or management, new changes or improvements in purchasing and/or procurement and new changes or improvements in commercial and/or sales. The indicators used in this construct have been validated by Oke *et al.* (2007), Burdon *et al.* (2015), and Cegarra-Navarro *et al*. (2016). Lichtenthaler (2017) and Harel *et al.* (2021).
In the survey, the options were evaluated on a 5-point Likert scale (1-not essential to 5-very important).

Market performance: This was the main endogenous variable; all latent variables of the model converged on this variable. Market performance depends on the success of an organisation's products, markets, and future positioning (Kandemir *et al.,* 2006) to gain a competitive advantage over competitors (Mithas *et al.,* 2011). For the measurement of the performance construct, we build on and extend Venkatraman and Ramanujam's (1986) conceptualisation of market performance.

The indicators used to measure this construct were profitability (Pinheiro *et al.,* 2022; Delaney and Huselid, 1996; Richard *et al.,* 2009), business growth (Christensen *et al.,* 2003; Piperopoulos and Scase, 2009; Vaccaro *et al.,* 2010; Szczygielski *et al.,* 2017), customer satisfaction, and rapid adaptation to market changes (Bocquet *et al.,* 2013; Sridhar and Mehta, 2018; Pekovic and Vogt, 2021).
In the survey, the options were evaluated on a 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

Control variables: In our initial analysis, firm size (number of employees) sector (industry, retail, construction) and size (micro, small, medium) were controlled. These variables are common in studies on SMEs (i.e. Hooi, 2021); in addition, research such as Rafiki (2020) found that size, seniority or managerial skills and experience were related

to business growth. Our analysis is reported without these controls because they did not affect our findings (cf. Bernerth and Aguinis, 2016; Rubio-Andrés *et al.,* 2022).

All items used in the above scales as well as their descriptive statistics are provided in the appendix.

3.3. Data Analysis

To test our hypotheses, we used partial least squares (PLS) via Smart PLS 4.0 (Ringle *et al.,* 2022). PLS is a distribution-free approach that allows for non-interval-scaled data and both reflective and formative measures (Hair *et al.,* 2017). Thus, it is suitable for testing our model, which includes different measurement scales (nominal, ordinal, and interval-scaled variables) and approaches (formative, reflective). In addition, similar to other structural equation modelling techniques, PLS is particularly suitable for testing the mediation and moderation hypotheses included in our study (James *et al.,* 2006; Al Halbusi *et. al.* 2021). Bootstrapping (5,000 resamples) was used to generate standard errors and *t*-statistics to test the hypotheses (Hair *et al.,* 2017) and to test whether the indirect effects were significant, which is an important criterion for establishing mediation (Zhao *et al.,* 2010).

4. Results

4.1. Evaluation of the measurement model

Item reliability was satisfactory, as the values were above the recommended 0.707 threshold (Hair *et al.,* 2022, Table 1). Cronbach's alpha values obtained in the present study are satisfactory because they are over 0.70 (Hair *et al.,* 2022). Specifically, they are between 0.746 and 0.880 for the total sample, between 0.749 and 0.874 for the non-family sample, and between 0.741 and 0.882 for the family sample. This result confirms the high reliability of the constructs. Composite reliability is a more recommendable criterion and would reach an appropriate value (Fornell and Larcker, 1981). In the samples, the results are higher than the suggested 0.70. Moreover, convergent validity as the average variance extracted (AVE) for all constructs was higher than 0.5, and all indicators were significant with outer loadings greater than 0.5, although cross-loadings were within the recommended range (0.4–0.7). On average, each relationship has a stronger relationship with its measures than that established by Fornell and Larcker (1981). See table 1.

INSERT HERE TABLE 1

To check for multicollinearity issues among our variables, we followed Hair *et al.* (2022) and examined whether there are bivariate correlations above 0.90 or several bivariate correlations above 0.70. The highest correlation among our variables is 0.615, as shown in the correlation matrix in Table 2. Thus, we conclude that there are no multicollinearity problems. Henseler *et al.* (2022) showed that lack of validity is best detected through the Heterotrait–Monotrait ratio indicator. We found that the Heterotrait–Monotrait ratio is < 1. The proposed constructs fully comply with the established criteria. We examined the

residual matrix of correlations and found that there were no significant residual values that would indicate a substantial prediction error for the indicators or manifest variables that make up each of the constructs in the model (Table 2).

INSERT HERE TABLE 2

4.2. Structural model evaluation

Table 3 shows the results for the beta (β) coefficient, degree of significance, and importance of the value distribution using Student's t test. To test these hypotheses, a bootstrapping procedure with 5000 subsamples was used, as recommended by Chin (1998).

The results provide empirical support for the hypotheses used to structure the research model. The results for H1 confirm the variables' positive and significant effects ($p < 0.001$). In the case of H2, the effects were also positive and significant ($p < 0.001$). The results for H3 indicate that innovation still has a positive and significant influence on market performance ($p<0.001$). Finally, there is a positive mediating effect of innovation on the relationship between hybrid strategy and market performance ($p<0.001$), so we also confirm H4.

INSERT HERE TABLE 3

For the testing of H5 (a, b, c and d), we used MGA analysis. We divided the sample into two groups: non-family SMEs (n=543) and family SMEs (n=1299). Prior to performing the MGA, we ensured that measurement invariance was supported as a prerequisite for comparing the path coefficients across the two samples (Henseler *et al.,* 2016; Blázquez-Resino *et al.,* 2021). We used the MICOM procedure, which involves a three-step process (configural invariance, compositional invariance, and equal means and variances across groups), to determine whether measurement invariance is present, meaning that the potential variations in path coefficients across the two samples are a result of the moderating variable and not because there are potential differences in the measurement models of each group/sample. The MICOM procedure revealed full measurement invariance (Table 4). Step I was fulfilled because the research model (same composites, items, and estimation method) was the same across the two groups (Henseler *et al.,* 2016). The results of Step II supported partial measurement invariance; to assess the result, we compared the result of correlation c between the composite scores of the first and second groups with the 5% quantile, which revealed that the quantile was smaller than correlation c for all constructs. This result was corroborated by the permutation's p-values that were larger than 0.05 (using 1000 permutations, as recommended by Cheah *et al.,* 2020), indicating that the correlation was not significantly lower than one (Table

4), thus reflecting that composites do not differ much between both samples. Finally, to assess the composites' (constructs') equality of mean values and variances across groups (Step III), we checked the first column (mean original difference) and ensured that the value of each construct fell within the 95% confidence interval. Specifically, we compared the mean original difference with the lower (2.5%) and upper (97.5%) values.

As shown in Table 4, the null hypothesis cannot be rejected because the mean values and variances of the composites in the sample of non-family SMEs show significant differences compared with those of the sample of family SMEs. Overall, the results obtained in the MICOM analysis supported full measurement invariance for the two groups, such that we could compare the path coefficients using MGA (Klesel *et al.,* 2022).

INSERT HERE TABLE 4

Table 5 shows the results of the assessment of the structural model and MGA using both nonparametric methods: Henseler's MGA (Henseler *et al.,* 2009) and the permutation test (Chin and Dibbern, 2010). Henseler's MGA directly compares group-specific bootstrap estimates from each bootstrap sample. According to this method, a p-value of differences between path coefficients less than 0.05 or greater than 0.95 indicates a 5% level of significant differences between specific path coefficients across the two groups (Henseler *et al.,* 2009). The permutation test also returns a p-value; however, differences are only at the 5% level of significance if the p-value is < 0.05. Our MGA revealed findings regarding our multigroup, moderating hypotheses.

Hypothesis H5a indicates that non-family firms achieve better market performance with greater impact with the hybrid strategy, although the difference is small ($\beta_{\text{NON-FAMILY}}$ = 0.657, $p < 0.01$; β FAMILY = 0.569, $p < 0.001$; path difference =-0.088, p PLS-MGA = 0.294; p permutation = 0.040).

With respect to H5b, as predicted, we confirmed that hybrid strategy is more strongly related to market performance in the group of family SMEs ($\beta_{\text{NON-FAMILY}} = 0.132$, $p < 0.001$; $\beta_{\text{FAMILY}} = 0.253$, $p < 0.001$; path difference = 0.122, $p_{\text{PLS-MGA}} = 0.014$; $p_{\text{permutation}} = 0.024$), thus allowing us to accept H5b.

Moreover, in the case of non-family firms, the mediating effect of innovation on hybrid strategy and market performance is not significant, whereas there is a mediating effect in the case of family firms.

INSERT HERE TABLE 5

4.3 Predictive Relevance of the Model

We evaluated the model's predictive relevance by examining several indicators. R^2 of the main endogenous variable (market performance) was moderate (0.384) Figure 2.

Considering the effect size f^2, we confirmed a major effect of the hybrid strategy on market performance (0.555). Finally, the blindfolding-based cross-validated redundancy values (Q^2) for all endogenous variables are above zero, confirming the model's predictive relevance.

INSERT HERE FIGURE 2

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5. Discussion

The first objective of the research is to analyse the positive relationship between the adoption of hybrid strategies and market performance (hypothesis 1), thus differentiating hybrid or combined strategies from stagnant or 'stuck-in-the-middle' strategies, as suggested by Porter. The literature has paid little attention to the study of this relationship, considering in any case only financial performance, despite it being a less recommended variable to measure hybrid strategy success (Goyal *et al.,* 2013). Our findings confirm this hypothesis, and we find a positive relationship.

Second, our research aims to demonstrate whether firms that implement hybrid strategies can improve their innovation (hypothesis 2). Previous studies, such as Albers and Rundshagen (2020), have established that a hybrid strategy improves innovation and enables better crisis management. In a similar study, Claver-Cortes *et al.* (2012) confirmed that a hybrid competitive strategy reinforces innovation, so that the more hybrid the strategy, the more innovative the firm. Our findings agree with these recent studies and apply to small- and medium-sized companies.

Third, the objective was to study the impact of innovation on market performance (Hypothesis 3) and its mediating role between hybrid strategy and market performance (Hypothesis 4). Both hypotheses are confirmed. SMEs are looking for new methods to compete during times of crisis, and innovation is the way out. Innovativeness leads to better market performance, so that changes in products, processes, and management improve business performance.

In this way, we confirm the line of argumentation of previous studies that positively relate innovation to specific indicators of market performance, such as higher business growth (Vaccaro *et al.,* 2010; Börjesson and Löfsten, 2012).

Recent studies have analysed factors such as age, firm size, and whether they moderate the innovation– performance relationship (Kobarg *et al.,* 2018). While these findings are important, authors such as Duong *et al.* (2022) suggest that firm type - family and non-family - is a crucial but overlooked moderating factor. For this reason, fourth, we considered the moderation of firm typology (family vs. non-family) in the model, and found substantial differences.

According to the findings of Tanewski *et al.* (2003), family firms are less innovative, although they are more resilient (Beech *et al.,* 2020) and even more market-oriented (Didonet and Diaz-Villavicencio, 2020). Considering that strategic orientation is an important determinant of innovation performance irrespective of firm typology, it serves to highlight the fundamental role of hybrid strategy in innovation. Our findings indicate that family SMEs achieve a greater impact of hybrid strategy on innovation than non-family SMEs (Hypothesis 5b). Moreover, innovation plays a mediating role only in the case of family firms, which enhances the relationship between hybrid strategy and market performance. On the other hand, non-family firms achieve better market performance with a greater impact of the hybrid strategy, although the difference from family firms is

small. Therefore, the fact that family firms achieve a greater impact on innovation would be consistent with finding an appropriate strategic orientation that enhances innovation.

6. Conclusions

In increasingly turbulent, challenging, dynamic and unstable environments (Ozdemir and Mecikoglu, 2016), with increasing competition, social, economic and political instabilities and frequent changes in supply and demand (Lapersonne *et al.,* 2015), firms need to adjust their strategy in order to compete and achieve successful performance (Alnoor *et al.,* 2023). Today, companies are facing new challenges, and this has led to the emergence of new competitive strategies. Porter's (1980) generic competitive strategies have evolved into what is called a hybrid, mixed, integrated, or combined strategy (Kim, *et al.,* 2004). The hybrid strategy is thus a strategy that combines elements of low cost and differentiation, which allows it to overcome the weaknesses of pure strategies by combining their advantages (Leitner and Güldenberg, 2010).

SMEs are finding it increasingly difficult to maintain their competitive advantages, which are becoming more and more fleeting (Magalhães-Teixeira et al., 2024). Previous research demonstrates the ability of hybrid strategy to create unique competitive advantages for as long as possible, favouring the flexibility of firms, allowing them to compete in turbulent business environments of high intensity (Pertusa-Ortega *et al.,* 2007; Shinkle *et al.,* 2013), despite recognising some vulnerability motivated by high competition.

One of the main business concerns related to the achievement of performance (measured in market and not only financial terms) establishes the study of strategy as a priority. Therefore, companies have started to combine differentiation strategies with cost strategies to achieve superior performance (Alnoor, *et al.,* 2022) and better adapt to these constant changes.

However, literature on the study of hybrid strategies is still scarce. In particular, there is a lack of studies analysing their impact on performance and specifically on market performance. Even the empirical findings found by the authors are still under review because of the inconsistency of the results obtained (Ozdemir and Mecikoglu, 2016), which may be due to the disparity in the measurement of the outcome variable.

The present study addresses this research gap and sheds light by providing empirical knowledge on how the hybrid strategy followed by SMEs affects performance, considering variables such as innovation and firm typology (family vs. non-family).

6.1 Theoretical implications

This study advances Porter's Competitive Advantage, which advocates the idea of gaining the competitive advantage by choosing only one generic strategy. Given the dynamic and turbulent environment, following a single competitive strategy is no longer sufficient for SMEs to compete. In our study, we confirmed the need for SMEs to pursue hybrid strategies to overcome business crises. Our findings advance the literature in several ways.

First, the large number of publications, empirical work, and case studies on Porter's (1980, 1985) competitive strategies have served over time to guide many firms in improving their competitive positions in the marketplace. However, Porter's competitive advantage understands competitive strategies as a dichotomous variable and does not focus on their potential to be understood as simultaneous strategies, known as combined

or hybrid strategies, of interest in turbulent times in which SMEs compete. In this way, SMEs that develop a hybrid strategy drive firms to overcome the weaknesses stemming from the pure competitive strategy (cost leadership and differentiation) because it combines the advantages of both strategies (Leitner and Güldenberg, 2010). Thus, the achievement of a cost leadership strategy drives SMEs to achieve differentiation strategies and vice versa. This finding implies that a dual strategy, although derived from very divergent organisational philosophies, is not prohibitively difficult to implement successfully in SMEs if the firm has adequate resources and competencies to do so. When SMEs are highly adaptive, they have a greater chance of success in the market (Kozielski, 2019).

According to the literature, the consequences of hybrid strategy on business performance require further research. Authors such as Alnoor *et al.* (2023), note how implementation of the hybrid strategy challenges the single or pure strategy, because the former yields better organisational performance, while the choice of the single or pure strategy assumes higher costs due to a lack of flexibility and agility (Leitner and Gülldenber, 2010), thus achieving lower performance. This assertion would advance the lack of knowledge highlighted by authors such as Gabrielson *et al.* (2016) who previously asserted the existence of a lack of knowledge on how a hybrid strategy achieves better performance and how innovation is one of the key success factors in the implementation of this type of strategy (Njoroge *et al.,* 2022).

The justification is that most of the studies are qualitative and quantitative studies are inconclusive because performance measurement is different depending on the indicators considered. We have also made progress in the literature review, considering that there is a significant gap in studies focussing particularly on SMEs (Al-Hanakta *et al.,* 2021). The effectiveness of a hybrid strategy in terms of strategic performance remains a challenge.

Second, from a theoretical perspective, this research extends current knowledge on how market performance is formed from a strategic perspective. Novel, we use the market performance variable because of its orientation to the market and to the company's competitiveness. In addition, we provide new insight into how the family business achieves its competitive advantage by bringing familyness to its business strategy.

In doing so, we integrate into a unified model that has not previously been analysed in the literature and that integrates several constructs: hybrid strategy, innovation and market performance. Thus, the study places hybrid strategy at an early stage of the process, providing a better understanding of what happens in the early stages of the process leading to the development of market performance. This study helps researchers, on the one hand, to learn "how" innovation plays a specific mediating role between hybrid strategy and market performance.

Third, our findings comparing family SMEs with non-family SMEs allowed us to further examine the role of organisational context in the implementation of hybrid strategy. The fact that most of the relationships we studied were stronger in magnitude in family firms (compared to non-family firms) is consistent with the differential role given in these entities (Gómez-Mejía *et al.,* 2011).

In summary, our study sheds light on these issues, determining the impact of hybrid strategy on market performance and the mediating role of innovation, and adds value in the context of both SMEs and family firms.

6.2 Practical implications

Managers believe that it is necessary to redesign the beliefs and vision of the organisation to adopt a hybrid strategy or a pure strategy depending on the organisational culture.

The findings of this study will be of interest to SME owners and managers in making decisions that can improve their market performance in uncertain environments, such as the recent pandemic.

Based on the results obtained, the following implications are suggested for SME owners and managers to consider in their decision making. First, previous studies confirm the importance of firms achieving hybrid strategies rather than a single pure strategy (Hughes *et al.,* 2010; Spanos *et al.,* 2004). Hybrid strategy can be more responsive to customer needs, more difficult to imitate, and can generate a competitive advantage, generating a more flexible vision. Depending on the initial competitive strategy (differentiation or costs), the owners and managers of the SME should focus on their efforts towards the other competitive strategy. However, there is a lack of knowledge on how SME owners and managers can achieve this (Gabrielson *et al.,* 2016). Therefore, overcoming this challenge would entail training managers on how to implement hybrid strategies in their firms and how to improve cost reduction and innovative processes, through quality management, environmental management and the implementation of new technologies, allowing them to improve the image of the SME, and to use new biodegradable natural resources.

Second, our findings suggest that owners should have a clear strategic orientation that enables them to make innovation decisions, as such an orientation is a source of competitive advantage (Agyapong *et al.,* 2016), and is a key variable to improve performance. We confirm the assertion that market performance is necessary to survive in complex times of economic downturn and that firms should rely on innovation to improve their performance (Aghion *et al.,* 2005; Pece *et al.,* 2015). Therefore, we postulate that SME owners and managers should focus on innovation in times of crisis.

Third, SME managers and leaders need to spend a significant amount of time and organisational resources to develop higher levels of innovation, as this significantly facilitates market performance. In other words, the development of market performance depends to a large extent on managers' ability to establish the right hybrid strategy and improve their levels of innovation. As companies develop and implement hybrid strategies, innovation becomes a reality and helps them remain competitive.

Finally, family SME should leverage their advantages in terms of strategic orientation. This recommendation is based on the finding that a greater impact of hybrid strategy on innovation is more important for family firms than for non-family firms.

6.3 Limitations and Future Research Directions

This study has several limitations and offers possibilities for future research. One of the limitations of the study is the use of the database, which limits the study to variables that are part of the survey, such as innovativeness and adaptability. Therefore, we lack information on how the culture or beliefs of the company may affect the implementation of a hybrid strategy. Determining contingency factors in the implementation of this type of strategy would be much more enriching. We propose a future line of research to identify both internal and external factors that favour the hybridisation of competitive strategy and improve innovation and business performance.

Secondly, the sample was carried out in a specific country (Spain) and focused on SMEs (family and non-family), which means that the vision and conclusions refer to specific firms and a specific geographical area. A second line of research could be

extended to more European and Latin American countries and compare large firms and SMEs.

Thirdly, we consider a limitation with respect to the methodology used. The research is based on the construction of a model for the purpose of testing causal hypotheses, so the Partial Least Square Structural Equation Methodology (PLS-SEM) is more appropriate than the covariance-based methodology (CB-SEM). However, PLS-SEM is less restrictive with parameter estimators, which may lead to biases in its statistical results (cf., Hair et al., 2019). We recommend that future studies complementarily test the established hypotheses using a CB-SEM model.

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FIGURES AND TABLES

Figure 1. Shows the model with the hypotheses

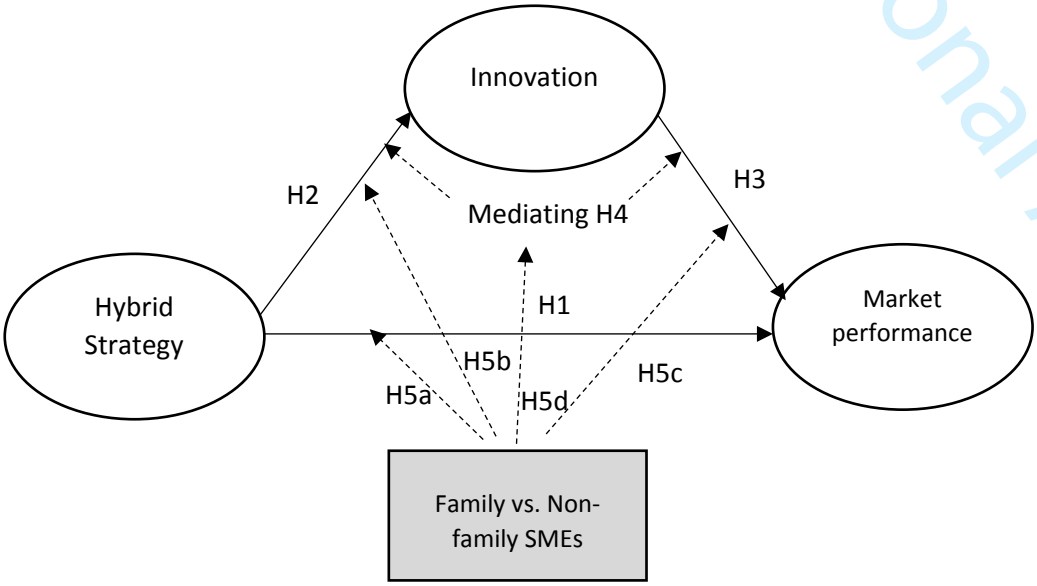


Table 1. Total loadings and loadings by type of SME

	Loading Total Sample/ Non family/ Family	**VIF**	**CA** Total/Non family/Family	**CR** Total/Non family/Family	**AVE** Total/Non family/Family
Hybrid Strategy			0.762/0.792/0.748	0.764/0.794	0.808/0.827/0.799
HS_1	0.893/0.903/0.890	1.611			
HS_2	0.905/0.916/0.898	1.611			
Innovation			0.880/0.874/0.882	0.887/0.901/0.888	0.584/0.565/0.589
IN_1	0.784/0.807/0.780	2.166			
IN_2	0.736/0.809/0.710	1.881			
IN_3	0.823/0.818/0.825	2.154			
IN_4	0.616/0.490/0.644	1.351			
IN_5	0.803/0.772/0.806	2.249			
IN_6	0.782/0.725/0.799	2.207			
IN_7	0.787/0.789/0.792	2.108			
Market performance			0.746/0.749/0.741	0.761/0.759/0.762	0.562/0.569/0.555
MP_1	0.764/0.758/0.774	1.373			
MP_2	0.802/0.818/0.791	1.613			
MP_3	0.758/0.752/0.755	1.868			
MP_4	0.668/0.681/0.653	1.591			
CA = Cronbach´s Alpha; CR = Composite Reliability (rho_a); AVE = Average Variance Extract na = not applicable					

Source: own elaboration

Table 2. Descriptive statistics, correlation matrix and discriminant validity

Constructs	**Mean**	**SD**	**1**	**2**	**3**
1. Hybrid Strategy	13.83	5.28	**0.90**	*0.26 [0.17, 0.35]*	*0.79 [0.67, 0.91]*
2. Innovation	2.12	1.41	0.21**	**0.76**	*0.24 [0.18, 0.31]*
3. Market Performance	3.75	0.82	0.62**	0.21**	**0.75**

Source: own elaboration

Notes: ** $p < 0.01$ or better (two-tailed test). SD=standard deviation. Bold values on the diagonal are the square roots of the AVE. Off-diagonal elements below the diagonal are correlations between the constructs. Off-diagonal elements in italics and above the diagonal are the HTMTs and their 95% confidence intervals (CI). As the HTMTs are below 0.85 and CIs do not include 1, there is discriminant validity (Hair *et al.*, 2022).

Table 3. Hypotheses contrast

Hypotheses	B Coefficients	t-values	p-value	Supported
H1 Hybrid strategy -> Market performance	0.598	31.749	0.000	Yes
H2 Hybrid strategy -> Innovation	0.213	8.946	0.000	Yes
H3 Innovation -> Market performance	0.078	3.815	0.000	Yes
H4 Mediating effect	0.017	3.504	0.000	Yes

Source: own elaboration

Table 4. Results of invariance measurement testing using permutation.

Constructs (Step II)	c-value (= 1) correlation original	95% confidence interval	Permutation p value	Partial measurement invariance established?
Hybrid strategy	1.000	[1.000;1.000]	0.579	Yes
Market performance	0.999	[0.977;1.000]	0.201	Yes

Construct (Step III)	Permutation mean difference	Permutation p value	95% confidence interval	Equality of invariance?
Hybrid Strategy	-0.001	0.211	[-0.144;0.147]	Yes
Market performance	0.000	0.854	[-0.150;0.158]	Yes

Source: own elaboration

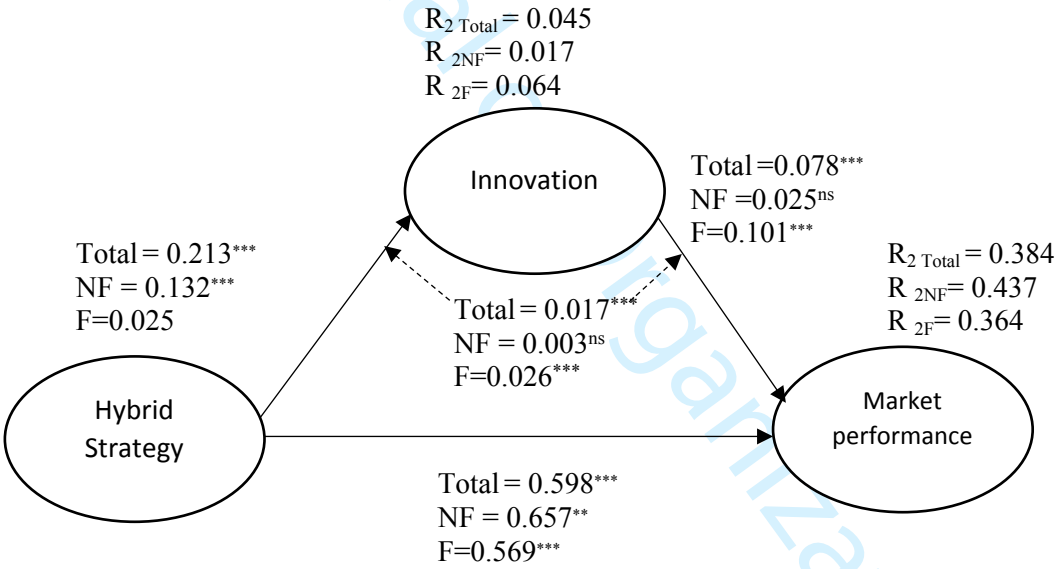
Table 5. Multigroup analysis test results

Hypothesis	Path coefficient Non-Family	Path coefficient Family	Difference	t-statistic	Henseler (PLS-	$p_{permutation}$	Support?

					MGA) p-value		
H5a HS-MP	0.657**	0.569***	-0.088	2.162*	0.029	0.040	Yes
H5b HS-Inn	0.132***	0.253***	0.122	2.376*	0.014	0.024	Yes
H5c Inn-MP	0.025ns	0.101***	-0.076	1.674ns	0.091	0.098	No
H5d HS-Inn-MP	0.003ns	0.026***	-0.023	1.978*	0.011	0.035	Yes
ns= not significance *<0.05 **<0.01 ***<0.001							

Source: own elaboration

Figure 2. Results measurement model



Source: own elaboration

Appendix. Descriptive Statistics showing list of all items used in the survey questionnaire and grouped with their respective constructs (n = 1,842)

Construct	*Item*		*Mean*	*Standard deviation*	*Skewness*	*Excess kurtosis*	*Cramér-von Mises p value*
Hybrid Strategy	Production of the product/provision of the service under quality criteria	HS_1	3.731	0.759	0.126	-0.314	0.000

	Efficiency of internal processes	HS_2	3.607	0.804	0.036	0.094	0.000
Market performance	Customer satisfaction	MP_1	3.961	0.754	-0.301	0.016	0.000
	Rapid adaptation to market changes	MP_2	3.765	0.857	-0.260	-0.211	0.000
	Business growth	MP_3	3.299	0.924	-0.239	0.250	0.000
	Higher profitability	MP_4	3.152	0.813	-0.212	0.756	0.000
Innovation	Changes or improvements in existing products/services	IN_1	2.052	1.403	0.899	-0.703	0.000
	Launching new products on the market	IN_2	1.980	1.412	1.023	-0.528	0.000
	Changes or improvements in the production process	IN_3	2.097	1.416	0.827	-0.828	0.000
	Acquisition of new capital goods	IN_4	2.209	1.464	0.732	-0.984	0.000
	New changes or improvements in organisation and/or management	IN_5	2.285	1.452	0.572	-1.187	0.000
	New changes or improvements in purchasing and/or procurement	IN_6	1.956	1.319	1.027	-0.348	0.000
	New changes or improvements in commercial and/or sales	IN_7	1.964	1.345	1.018	-0.421	0.000

Source: own elaboration