

Does markup performance drive business model innovation? Evidence from the Italian manufacturing sector

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The increasingly dynamic and uncertain environment in which firms operate has strengthened the need to understand how firms react to changes in their competitive position. Drawing upon Performance Feedback Theory, we study if and to what extent variations in firms' product market power, proxied by the markup, prompt proactive or reactive variations in the firms' business models. Furthermore, we explore such responses to markup changes through the lens of family involvement. Focusing on a sample of Italian manufacturing firms and using first-hand information on BMI collected through a unique survey, we show that companies react to negative (positive) markup changes by performing more (less) BMI. However, this link considerably varies across different levels of family involvement. Specifically, strictly controlled family firms turn out to be significantly more proactive (and react proactively even to positive performance feedback) than non-family firms, and, in particular, family firms where family control is milder.