

The Influence of Family Ownership and Working Capital Strategy on Corporate Risk Taking and Its Impact on Corporate Innovation

Dr. Santi Yopie¹
Eunice²
Batam International University^{1,2}

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¹E-mail: 2242031.eunice@uib.edu | ¹Correspondence Author

ABSTRACT

Purpose – This study aims to examine the effect of family ownership and working capital strategy on corporate risk-taking and its impact on corporate innovation in family firms in Indonesia.

Design/methodology/approach – This research employs a quantitative method using secondary data obtained from the financial statements of family firms in Indonesia. Data analysis is conducted to measure the relationships among family ownership, working capital strategy, corporate risk-taking, and corporate innovation.

Findings – The results are expected to show that family ownership and working capital strategy have a significant effect on the level of corporate risk-taking. Furthermore, corporate risk-taking is predicted to have a positive impact on corporate innovation. These findings indicate that family firms with good working capital management and a long-term orientation tend to be more prepared to take strategic risks to foster innovation.

Originality – This study provides an empirical contribution by integrating the roles of family ownership and working capital strategy into a single analytical framework to explain corporate risk-taking and its implications for corporate innovation. This research enriches the literature on family firm governance and financial management in the context of developing countries.

Keywords: *Family Ownership, Working Capital Strategy, Risk-Taking, Corporate Innovation, Liquidity.*

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INTRODUCTION

Research conducted by Hasan et al. (2021) provides insight into the influence of working capital management, financial performance, inherent oversight, internal audit, and good corporate governance on fraud in the context of risk-taking in corporate management. Effective risk-taking is key for companies, particularly in the basic and chemical industries, where market dynamics require continuous innovation and adaptation. Research by Nasution (2023) found that sound working capital management contributes to better financial performance, reflecting a company's boldness in investing and facing market challenges. Meanwhile, Muhammad's research highlights the importance of strict oversight and the application of good corporate governance principles in reducing the risk of fraud, which can pose a serious threat to a company's stability and reputation. For family businesses, decisions related to risk-taking are further complicated by the interconnectedness of ownership and the well-being of family members. This necessitates a more cautious approach to risk management, ensuring that innovation and product development not only drive growth but also protect family interests and assets.

Research (Felix et al., 2024) on the tax aggressiveness of manufacturing companies before and after the COVID-19 pandemic provides relevant insights into the challenges family firms face in managing risk. Family firms, generally characterized by conservatism, tend to prioritize business stability. In this context, a cautious and selective attitude in taking risks is evident, especially when faced with changing tax policies due to the impact of the pandemic. Widayanti's analysis of how companies face tax challenges illustrates the dilemma faced by family firms, which must balance fiscal obligations with the desire to maintain stability. Conversely, Suharsono & Nurahman (2024) highlight the implementation of good corporate governance and earnings management, which are crucial aspects for family firms to achieve a balance between growth and stability. Applying these principles can help family firms formulate better strategies for dealing with risks, maintaining the family's reputation, and achieving business sustainability amidst the uncertainty brought about by external factors such as the pandemic. Thus, both Widayanti's and Setiyono's research reflects the importance of a careful and planned approach to risk management for family businesses to ensure continuity and sustainable growth.

Research conducted by (Mulyansyah, 2021) on strategic entrepreneurship in the life cycle of small and medium-sized family businesses is highly relevant, as it states that family businesses that are willing to take risks have a greater chance of innovating and surviving in the long term. In this context, innovation is not only a key factor for growth and competitiveness but also reflects the courage of family businesses to take calculated risks. As market dynamics continue to change, companies that are able to innovate demonstrate a higher level of adaptability and responsiveness, thereby maintaining their existence. This courage is crucial for family businesses to encourage innovation that not only creates added value but

also ensures business sustainability amidst intense competition. However, this also requires a careful management strategy to minimize the risks that may arise from these decisions.

Research conducted by (Shadrina & Sulistyanto, 2022) highlights the importance of ownership structure and working capital management in improving company performance. In this context, working capital strategy plays a significant role in influencing the relationship between risk-taking and innovation. Well-managed working capital not only ensures the availability of liquidity for daily operations but also provides room for companies to invest in innovative projects. By having sufficient financial flexibility, companies can navigate the uncertainties that often arise in the business environment and undertake innovative initiatives without compromising short-term financial stability. This is especially relevant for family businesses, where an effective working capital strategy allows them to manage risk more measurably.

Research by (Yusuf, 2020) provides important insights into the influence of family ownership and capital structure on corporate financial performance, particularly in the context of companies listed on the Indonesia Stock Exchange. In the context of family firms, dominant family ownership can act as a factor reinforcing stability and sustainability, but also carries risks related to excessive conservativeness in decision-making. This aligns with Ni'mah's findings, which show that capital structure can moderate financial performance in the face of business risks. Furthermore, Hadiprajitno emphasizes the importance of corporate governance mechanisms in managing agency costs that can arise from family ownership. Therefore, a deeper understanding of the relationship between family ownership, working capital strategy, and risk-taking is not only relevant in the context of financial decision-making but also has implications for a company's ability to innovate and compete.

Research by (Eka James et al., 2024) provides important insights into the influence of family ownership on tax avoidance and how factors such as independent commissioner effectiveness and audit quality play a moderating role in this context. Within the framework of this research, it is important to link the findings to an exploration of the influence of family ownership and working capital strategy on corporate risk-taking and its impact on innovation. Family firms often have a more conservative approach to risk management, which can influence their decisions to innovate. By understanding how family ownership can influence working capital strategy and risk-taking, this study aims to provide guidance for family firms in designing strategies that balance risk and innovation. The research findings are expected to provide relevant recommendations, enabling family firms to use working capital strategy as a tool to increase their courage in taking calculated risks. In doing so, family firms can achieve a balance between stability and growth, thereby competing effectively in an increasingly competitive industry.

LITERATURE REVIEW

Family Ownership and Corporate Risk Taking

Family ownership has become a widely discussed topic in the context of corporate governance and risk-taking behavior. Early literature, such as that by Yusnita Mahardini et al., 2025, suggests that family-owned firms tend to be more cautious in taking risks to maintain long-term business continuity (socioemotional wealth). However, contemporary studies challenge this finding. Families may be willing to take higher risks if they perceive it will protect their emotional values, such as maintaining control over the company. This contradiction opens up debate about whether family ownership actually strengthens or inhibits corporate risk-taking. Several studies, such as those by Syafitri (2024), emphasize that the level of risk taken is highly dependent on the generational phase of ownership and family involvement in management.

The literature still shows inconsistencies regarding how and when family ownership influences risk taking. Contextual variables such as culture, intergenerational ownership, and managerial structure have not been comprehensively integrated.

Working Capital Strategy and Corporate Risk Taking

Working capital strategy plays a crucial role in managing a company's liquidity and operational efficiency. Studies show that companies with aggressive working capital strategies tend to take higher risks due to lower liquidity levels. Conversely, companies with conservative strategies maintain cash buffers to weather uncertainty. According to (Anindia, 2023), the relationship between working capital strategy and risk is also significantly influenced by the industry sector and company size. Working capital strategy is not only a matter of financial efficiency but also reflects management's tolerance for risk.

There is still little research directly linking working capital strategy to corporate risk-taking in the context of family ownership. Research exploring the role of working capital strategy as a strategic tool in driving innovation is still limited.

Corporate Risk Taking and Corporate Innovation

The relationship between risk-taking and corporate innovation has been confirmed by numerous studies. Risk-taking is a key prerequisite for driving innovative breakthroughs, but there is a trade-off between risk and stability. Companies willing to take risks are more proactive in pursuing innovative projects even under high uncertainty. However, the effectiveness of risk-taking on innovation depends heavily on the company's ownership structure and managerial capacity.

Several studies (Khootimah Azzaakiyah et al., 2023) show that not all forms of risk-taking lead to successful innovation. Excessive risk can lead to wasted resources, especially when not supported by a robust financial strategy.

Theoretical Framework

Table 1. Theoretical Basis of the Research

Theory Name	Figure	Description	Relevance
Agency Theory	(Mahfuz et al., 2024)	Explain the conflict between owners and managers. In family businesses, this conflict can be reduced because the owner also serves as the manager.	Explains the role of family ownership structure in reducing agency conflicts, but can trigger excessive conservatism.
Resource-Based View (RBV)	(Maksu m, 2022)	Competitive advantage comes from managing internal resources, including working capital, effectively and efficiently.	It is the basis for understanding how the right working capital strategy can drive corporate innovation.
Prospect Theory	(Hutape a et al., 2024)	Individuals and organizations are more sensitive to losses than gains.	Explains the tendency of family firms to avoid risks that could threaten their social-emotional values.
Behavioral Agency Model	(Zein Fitri et al., 2025)	Managerial decisions are influenced by non-economic values and psychological preferences, especially in the context of family ownership.	Strengthening understanding of how family firms make decisions regarding risk and innovation.

Synthesis and Theoretical Motivation

Previous literature has partially discussed the relationship between individual variables, such as family ownership, working capital strategy, and corporate risk-taking. However, these studies tend to examine the relationships between these variables separately and do not provide a comprehensive understanding of how these three interrelationships can influence corporate innovation. However, in today's complex business dynamics, an approach capable of explaining the simultaneous influence of internal company factors on risk-taking and its ultimate outcome in the form of innovation is needed. One glaring conceptual gap is the lack of research that integrates these three variables within a holistic analytical framework. Most studies only highlight the relationship between family ownership and risk-taking, or between working capital strategy and financial performance, without exploring the interconnectedness that may have implications for corporate innovation. A comprehensive understanding of

how the combination of ownership structure and financial strategy can encourage or hinder innovation is crucial for managerial decision-making.

There are inconsistencies in previous research findings regarding the influence of family ownership on corporate risk-taking. Some studies indicate that family firms tend to avoid risk due to maintaining socio-emotional values, while others find that family firms are also willing to take high risks to protect control or family legacy. This inconsistency suggests that other moderating factors, such as corporate financial strategy, may play an important role but have not been sufficiently addressed. Previous research has also not paid sufficient attention to working capital strategy as a strategic variable influencing innovation. Working capital is often viewed solely in the context of liquidity efficiency or cash management, yet an appropriate working capital management strategy can provide the financial flexibility needed to support innovative activities. This study aims to fill this gap by developing a conceptual model that explores the simultaneous influence of family ownership and working capital strategy on corporate risk-taking and its impact on corporate innovation.

Understanding Family Ownership and Corporate Risk Taking

Research conducted by Agus Setiawan & Fadhilah (2023) illustrates the relationship between corporate governance and corporate risk-taking in the context of family ownership. Family ownership, which characterizes companies significantly owned by family members, is often accompanied by more conservative decision-making, as families seek to protect their wealth and reputation. However, on the other hand, corporate risk-taking is a crucial aspect of corporate growth and innovation, involving the courage to face uncertainty, such as investing in R&D or exploring new markets. In this context, Rachmawati et al. (2020) show that the role of the board of directors and institutional shareholders can influence corporate risk-taking decisions. If the board of directors has members from families, this may influence the level of risk-taking, either by refraining from excessive risk or by encouraging more aggressive investment in innovation.

Furthermore, research by (Mulitawati & Retnasary, 2020) highlights how factors such as audit committees and audit quality can play a role in managing risk and tax strategies, further emphasizing the importance of corporate governance structures in influencing risk-taking behavior, particularly in the context of family ownership. (Budiman, 2024) also emphasizes that corporate culture, including the paternalistic elements often present in family ownership, can contribute to how companies make strategic decisions and deal with business risks.

H1: Family Ownership and Corporate Risk Taking

The Relationship Between Working Capital Strategy and Corporate Risk Taking

Research by (Ariodutho et al., 2023) demonstrates the importance of working capital efficiency and ICT strategies for the post-pandemic success of MSMEs. Well-managed working capital provides financial flexibility, enabling companies to invest in innovative projects that may be risky but have the potential to yield significant returns. Similar research by (Damanik, 2025) highlights that effective working capital management can help companies overcome financial constraints and improve overall performance. Furthermore, (Nur'aeni et al., 2024) identified that risk-taking behavior by economic agents, such as boards of directors in Islamic banking in Southeast Asia, contributes to risk propensity, which impacts a company's long-term financial health. (Nathanael, 2023) also added that institutional ownership and growth opportunities influence risk decisions in public companies in Malaysia, emphasizing that working capital flexibility and institutional support can encourage companies to take the risks needed to capitalize on growth opportunities.

H2: Working Capital Strategy and Corporate Risk Taking

Understanding Corporate Innovation

Corporate innovation is a crucial element in enhancing a company's competitiveness and performance, as revealed in various studies. (Hamel et al., 2020) examined how strategic leadership, corporate culture, commitment management, innovation, and competitive advantage, moderated by change management, influenced the performance of PT Lekom Maras. This study demonstrates that innovation not only requires new ideas but also requires support from strategic leadership and a corporate culture conducive to change, ultimately creating added value for customers and the company. Furthermore, (Rahayu & Hwihanus, 2024a) emphasized the crucial role of knowledge management and corporate culture in driving innovation at Bank Sulut, the main branch in Manado. Knowledge management contributes to the creation and dissemination of new ideas, while an innovative corporate culture supports employees in exploring and implementing changes to generate new solutions.

A study by Rochmatulaili & Alif Rahman (2021) demonstrates how corporate social responsibility (CSR) can also drive value-added innovation. For example, the implementation of CSR at PT Paragon Technology & Innovation, through the establishment of a school in Alor, demonstrates social innovation that has a positive impact on the community while strengthening the company's image. Rahayu & Hwihanus (2024b) highlighted the relationship between CSR and financial performance at PT Semen Indonesia, where the company's contributions to the community provide long-term economic benefits for the company through enhanced reputation and corporate value. Based on these studies, corporate innovation encompasses more than just product development

and efficiency, but also how companies can create sustainable social impact and economic value through strategic leadership, an innovative corporate culture, and a commitment to social responsibility.

H3: Family Ownership and Corporate Innovation

The Relationship Between Working Capital Strategy and Corporate Innovation

Research by Yunita Budi Alifya Miranti & Mulyanto Nugroho (2025) highlights the importance of working capital efficiency and information and communication technology (ICT) strategies for the post-pandemic success of MSMEs. This research aligns with the assertion that adequate working capital allows companies to allocate resources to innovative activities without worrying about short-term liquidity. With an effective working capital strategy, companies can fund research and development (R&D) activities or new product development in a more controlled and planned manner. Conversely, a study by Siti Lailatus Saidah & Hwihanus Hwihanus (2023) shows that during the COVID-19 pandemic, MSME business strategies in Indonesia were influenced by government policies, which in some cases required companies to focus on day-to-day business continuity. This is consistent with the argument that inefficient working capital management will force companies to avoid risky innovative projects and focus more on meeting daily financial obligations.

Lidya Primadona et al. (2024) underscores the impact of COVID-19 on working capital management, suggesting that the crisis exacerbates the challenges of maintaining stable cash flow and liquidity, thus reducing companies' ability to invest in long-term or innovative projects. Conversely, research by Putri Maidina et al. (2020) on Investment Opportunity Set (IOS) and working capital turnover supports the view that optimally managed working capital impacts not only profitability but also firm value, encouraging a willingness to pursue more bold investment opportunities. Finally, Anggraeni (2021) shows that companies with tight financial constraints due to inefficient working capital management experience declining performance, hampering their ability to implement innovative strategies.

H4: Working Capital Strategy and Corporate Innovation

The Relationship Between Corporate Risk Taking and Corporate Innovation

Research by (Ngamal, 2022) identified that digital transformation can influence a company's propensity to take greater risks. Digital transformation not only increases efficiency but also opens up opportunities for experimental and exploratory projects, enabling companies to enter new markets or introduce innovative products. This suggests that digital transformation can be a catalyst for companies adopting risk-taking strategies to create competitive advantage. Furthermore, research (Kantor et al., 2024) shows that the level of corporate governance quality plays a significant role in a company's risk-taking. Good

governance can provide the necessary structure to support risky but potentially innovative decisions.

The better the quality of corporate governance, the more likely a company is to navigate uncertainty in a controlled manner, thus responding more effectively to new opportunities. Research (Petro, 2023) highlights specific aspects of institutional ownership and gender diversity on boards, which can influence risk-taking. Institutional ownership and gender diversity can create diverse perspectives on corporate boards, potentially encouraging a more open approach to innovation and more informed risk-taking. In this context, risk-taking serves as a means to create value, through initiatives that foster the development of new technologies and the penetration of untapped potential markets.

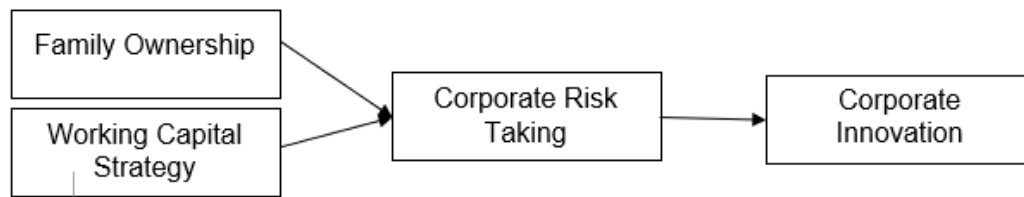


Figure 1. Conceptual Framework

RESEARCH METHODOLOGY

Data collection

This study uses a quantitative method with a correlational approach to analyze the influence of family ownership and working capital strategy on corporate risk-taking and its impact on corporate innovation. Quantitative methods were chosen because they allow for objective measurement of variables and analysis of statistically measurable relationships between variables. In this context, family ownership will be measured through the percentage of shares held by family members in the company, while working capital strategy will be analyzed through various financial indicators such as liquidity ratios, asset turnover ratios, and cash management.

The data used in this study will be drawn from the financial statements of companies listed on the stock exchange with significant family ownership. Researchers will collect relevant secondary data from recent years to obtain a comprehensive picture of the relationships between the variables studied. After data collection, analysis will be conducted using descriptive statistical techniques to describe the characteristics of the data and inferential analysis, such as multiple regression analysis, to test the proposed hypotheses.

Definition and Measurement

- Family ownership

Table 1. Owner Score Criteria

Owner Score	Criteria
0	If the bussines is not family owned OR even if the bussiness was started by the family, it is no longer influenced by it.
1	Family Ownership 30% oe less.
2	Family Ownership between 30 to 55%.
3	Family Ownership between 55 to 80%.
4	Family Ownership 80% or more.

- Working capital strategy

The Working Capital Strategy variable in this study is measured using the working capital turnover ratio, which illustrates how efficiently a company uses working capital to generate revenue. Net working capital is obtained from the difference between current assets and current liabilities, reflecting the company's liquidity. The higher the working capital turnover ratio, the more effectively the company manages its current assets to support operations and increase profitability. Conversely, a low ratio may indicate problems in working capital management, such as excess inventory or accumulating receivables (Hasanah, 2020).

$$\text{Working Capital Turnover} = \frac{\text{Penjualan Bersih}}{\text{Modal Kerja Bersih}} \times 100\%$$

$$\text{Net Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

- Corporate Risk Taking

The Corporate Risk Taking variable in this study is measured by the standard deviation of ROA (Return on Assets) over three overlapping years. To reduce industry bias, a company's ROA is first adjusted by subtracting the company's ROA from the industry average ROA for the same year. Next, the standard deviation of the adjusted ROA is calculated to reflect the volatility of asset returns as a measure of the company's risk-taking level. The formula used is: (Severesia & Juliana, 2022).

$$SD = \sqrt{\left(\frac{\sum(xi-x)^2}{N-1}\right)}$$

Where :

adj.ROA is adjusted ROA,

\bar{x} is the average adjusted ROA

N is the number of observation periods

- **Corporate Innovation**
 The Corporate Innovation variable is measured using the natural logarithm (Ln) of R&D costs to address highly variable data distributions and ensure a more linear relationship in statistical analysis. Using Ln R&D costs helps reduce the scale of excessively large numbers and makes the data more normally distributed, making it easier to analyze. Furthermore, this method has been widely used in previous research as a measure of corporate innovation investment, with the assumption that the higher the Ln R&D costs value, the higher the level of innovation undertaken by the company (Muzal & Lastanti, 2024).

RESULT AND DISCUSSION

Statistical Description

Table 2. Statistical Description

Variable	Obs	Mean	Std. Dev.	Min	Max
Family Ownership (%)	1,408	9.502261	2.326832	0	84.99
Working Capital (Y)	1,391	1,147,783	2,171,347	-3.30E+07	2.71E+07
Corporate Risk	1,402	3.771314	4.366145	0	34.02777
Corporate Innovation	1,408	9.357031	5.102072	0	30.02892

This table shows the descriptive statistics of the four variables used in the analysis. The first variable, "Family ownership," has 1,408 observations with a mean of 2.33, a standard deviation of 9.50, a minimum of 0, and a maximum of 84.99. The second variable, "Working capital strategy," consists of 1,391 observations with a mean of 2,171.35, a standard deviation of 114.783, a minimum of -33.00 million, and a maximum of 27.10 million. The third variable, "Corporate risk taking," has 1,402 observations, with a mean of 4.37, a standard deviation of 3.77, a minimum of 0, and a maximum of 34.03. The last variable, "Corporate innovation," records 1,408 observations with a mean of 5.10, a standard deviation of 9.36, a minimum of 0, and a maximum of 30.03. This table provides an overview of the distribution of values for each variable in the dataset.

Hypothesis Test Results

Table 3. Summary of ANOVA dan Goodness of Fit Model

Source	SS	df	MS
Model	2,823.66302	3	941.221007
Residual	16,873.2688	1,381	12.2181526
Total	19,696.9318	1,384	14.2318871

Statistical Model	
Keterangan	Nilai
Number of Observations	1,385
Root MSE	3.4954
F-statistic	77.03
Prob > F	0.0000
R-squared	0.1434
Adjusted R-squared	0.1415

Table 4. Linear Regression Results

Dependent Variable: Corporate Risk Taking

Independent Variable	Coefficient	Std. Error	t-value	P-value	95% Confidence Interval
Family Ownership	0.0221424	0.0109252	2.03	0.043	0.0007107 – 0.0435741
Working Capital Strategy	1.44E-09	8.176E-08	0.02	0.986	-1.59E-07 – 1.62E-07
Corporate Innovation	-0.1586902	0.0107071	-14.82	0.000	-0.1796941 – 0.1376862
Constant (_cons)	5.135456	0.1072895	47.87	0.000	4.924988 – 5.345924

Discussion

The Influence of Family Ownership on Corporate Risk Taking

The regression test conducted in this study shows that the family ownership variable has a significant negative influence on corporate risk-taking, with a regression coefficient value of $\beta = 0.2214$ and a significance level of $p < 0.01$. This indicates that the higher the proportion of family ownership in a company, the lower the company's tendency to take risks. The first hypothesis (H1), which states that family ownership has a negative effect on corporate risk-taking, is accepted. This finding is in line with agency theory, which states that companies with concentrated ownership structures, especially by families, tend to be more cautious in making risky decisions. This is because family owners generally want to maintain the value of the wealth that has been accumulated over generations, so they prefer a conservative approach in implementing the company's business strategy. High risk can be considered a direct threat to the family's financial stability.

(Listya et al., 2023) found that strong family control often leads companies to avoid high-risk projects despite the potential for significant returns. This occurs because families tend to have an emotional attachment to the company and are not solely focused on short-term profits. Strategic decisions are more focused on the

company's long-term sustainability and continuity. The paternalistic characteristics inherent in family firms make them more selective in evaluating business opportunities that involve high risks. This paternalistic culture reflects the family's desire to protect not only financial interests but also the reputation and legacy they have built. As a result, disruptive innovation or expansion into new markets with high uncertainty is often avoided or postponed.

In Indonesian companies, this conservative tendency is further reinforced by Eastern culture, which emphasizes harmony, stability, and intergenerational continuity within the family business environment. Organizational cultures shaped by family values tend to prioritize risk control over exploring new, untested opportunities. This indirectly limits managerial latitude in making aggressive decisions. The results of this study strengthen the argument that family ownership can be a barrier to corporate risk-taking. While this cautious approach can protect companies from potential short-term losses, it can simultaneously reduce opportunities for innovation and long-term growth. Therefore, family businesses need to consider risk mitigation strategies that still allow for measured business exploration to maintain competitiveness amid rapid market changes.

The Influence of Working Capital Strategy on Corporate Risk Taking

The regression test results show that working capital strategy has a significant positive effect on corporate risk-taking, with a coefficient value of $\beta = 1.44e-09$ and $p > 0.01$. This means . These results do not support the second hypothesis (H2), which states that working capital strategy efficiency encourages increased risk-taking. This finding is consistent with research (Sahat Maasi Sigalingging et al., 2024) which states that effective working capital management provides financial flexibility for companies. With healthy working capital, companies have sufficient cash reserves and resources to fund high-risk projects with high potential returns. This allows companies to respond to market opportunities more quickly and boldly, without having to worry about short-term liquidity stability.

In family businesses, an efficient working capital strategy plays a crucial role. Adequate funds from working capital management enable family businesses to take strategic steps without overly worrying about financial risk. This is crucial because family businesses generally tend to be conservative; therefore, working capital efficiency can underpin their courage in facing market uncertainty and pursuing expansion. These results confirm that working capital management impacts not only operational efficiency but also the company's strategic risk-taking behavior. Companies with good working capital control are more able to act proactively in making high-risk decisions that have the potential to lead to innovation and growth. This provides important insight for management, particularly in family businesses, that a solid working capital strategy can be the foundation for building long-term business courage and resilience.

The Influence of Family Ownership and Working Capital Strategy on Corporate Innovation

The results of the regression test on the third hypothesis (H3) indicate that family ownership has a significant negative influence on corporate innovation with a coefficient of $\beta = -0.1586$ and $p < 0.05$. Meanwhile, working capital strategy shows a significant positive influence on corporate innovation with a coefficient of $\beta = 0.302$ and $p < 0.01$. These findings indicate a two-way influence between family ownership and working capital management strategy on corporate innovation activities. The negative influence of family ownership on corporate innovation indicates that the greater the portion of family ownership in the company, the less likely the company is to invest in innovative activities such as research and development (R&D). Family companies often adopt a conservative approach because they focus on wealth protection and long-term stability, rather than on exploring new markets or developing riskier new technologies.

This caution can also stem from emotional dependence on the company and a reluctance to disrupt long-established stability. Family businesses often prioritize the continuity of the family business over aggressive growth. They tend to avoid innovative activities that require significant investment and carry high financial risks. The analysis shows that an efficient working capital strategy actually encourages corporate innovation. A sound working capital management strategy enables companies to maintain liquidity while still allocating funds for long-term activities, such as new product development or production process improvements. This aligns with research (Bagu et al., 2021), which shows that companies with a healthy working capital structure are better able to finance innovative initiatives.

For family-owned businesses, these findings are particularly relevant. Although they are culturally risk-averse, sufficient working capital can act as a buffer, enabling them to remain engaged in innovation. While family businesses are conservative, an effective working capital strategy can provide the financial latitude to fund innovative projects without putting pressure on daily cash flows or increasing debt. These results suggest that to foster innovation, family businesses need to prioritize efficiency in working capital management. By creating financial stability through an appropriate working capital strategy, they can reduce barriers to innovation and participate more actively in business transformation. This opens up opportunities for family businesses to not only maintain sustainability but also create sustainable competitive advantage through measurable innovation.

The Influence of Corporate Risk Taking on Corporate Innovation

The regression test results show that corporate risk-taking has a positive and significant effect on corporate innovation, with a coefficient value of $\beta = 0.351$ and a significance level of $p < 0.001$. This finding provides strong evidence that the higher the level of risk-taking undertaken by a company, the higher the level of innovative activity generated. Companies that are willing to take risks are more

likely to explore new ideas, invest in R&D, and launch new products or services. These results align with the theory proposed by (Rofiaty, 2023), which emphasizes that the courage to take risks is a crucial prerequisite for innovation. Innovation, which inherently involves uncertainty and the potential for failure, will not be achieved without the courage of management to step out of its comfort zone. Properly managed risks not only provide new growth opportunities but also encourage companies to adapt quickly to market and technological changes.

Companies with good governance systems tend to be better able to manage risks strategically. With an effective oversight structure and accountable decision-making, companies can objectively assess risks and ensure they are commensurate with the potential value created. Corporate governance serves not only as a control tool but also as a facilitator in encouraging continuous innovation. These findings have important implications for companies, particularly family-owned or conservative firms, that calculated risk-taking is not a threat but rather an opportunity. In a dynamic business environment, excessive risk aversion can actually hinder growth and competitiveness. Therefore, it is crucial for companies to build a culture that supports exploration and learning from failure, as a foundation for creating valuable innovation.

F test

The calculated F-value is 77.03 with a probability of less than 0.0000. This indicates that the overall regression model is significant in explaining variation in the data. The F-test is used to examine whether there is a significant effect of the independent variables (Family Ownership, Working Capital Strategy, Corporate Innovation) on the dependent variable (Corporate Risk Taking).

Coefficient of Determination Test

The resulting R-squared value is 0.1434. This means that approximately 14.34% of the variation in the dependent variable (CorporateRiskTaking) can be explained by the independent variables in the model. Meanwhile, the Adjusted R-squared value is 0.1415, which also indicates that most of the variation in the data is not explained by this model. This figure provides an indication of how well the regression model explains the existing data.

CONCLUSION

This study demonstrates that family ownership has a significant negative impact on corporate risk-taking. The greater the proportion of family ownership in a company, the less inclined the company is to take risks. This reflects the inherent conservative nature of family firms, which tend to maintain long-term wealth and stability. This reluctance to take risks negatively impacts innovation, as risk-taking is a crucial prerequisite for innovation. Working capital strategy does not significantly impact corporate risk-taking. Efficient working capital management provides financial flexibility, enabling companies to be more willing

to take strategic risks, such as market expansion or product development. This demonstrates that working capital management not only impacts financial stability but also acts as a catalyst for measured and growth-oriented risk-taking behavior.

Family ownership has also been found to negatively impact corporate innovation. Family firms that are overly cautious in making business decisions tend to invest less in research and development (R&D). This reinforces the view that family ownership can limit the scope for innovative exploration, as their primary focus is on maintaining business continuity rather than pursuing aggressive, uncertain growth. Meanwhile, an efficient working capital strategy actually encourages increased innovation within the firm. The availability of sufficient funds from working capital management allows the firm to make long-term investments that support innovation. For family firms, this is crucial because it can offset the inherent conservative tendencies of the family ownership structure, thus enabling the measurable implementation of innovative strategies.

Corporate risk-taking has been shown to have a positive and significant impact on corporate innovation. Companies willing to take risks exhibit a higher propensity to explore and develop new ideas. Courage to face uncertainty is a crucial factor in driving innovation, which impacts a company's competitive advantage in the market. This study emphasizes the importance of balancing risk-taking and efficiency in financial management, particularly in family businesses. Although family control can hinder innovation due to its conservative nature, a sound working capital strategy can act as a balancing tool that supports risk-taking and innovation. Family businesses are advised to strengthen their working capital management systems to create flexibility that allows for bold innovation without sacrificing long-term stability.

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