Original Article

Baby Boom or Baby Bust? Parental Leave of TMT Members and Innovation in SMEs

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Abstract

We investigate the effect of parental leave taken by top management team (TMT) members on innovation outputs in small and medium-sized enterprises (SMEs). By analyzing a large sample of Swedish SMEs, we find that the length of parental leave taken by TMT members has a positive effect on SME innovation outputs. This effect is stronger for smaller and longer-tenured TMTs, as these TMTs likely exhibit greater behavioral integration. Such integration can support TMT members in mitigating role conflicts and leveraging the role enhancement benefits connected to performing multiple roles during and after leave. These results contribute to the literature and offer valuable practical insights.

Keywords

family embeddedness, SMEs, family policies, TMT, parental leave

Introduction

The recognition that family and business dynamics are highly interrelated (Aldrich & Cliff, 2003) and that work–family balance affects entrepreneurial outcomes (Kirkwood & Tootell, 2008) has prompted research into the effects of work–family policies (i.e., the policies conceived to help workers balance work and family obligations) on entrepreneurship (Markowska et al., 2023; Naldi et al., 2021). Particular attention has been given to parental leave policies[1] because they are increasingly widespread and particularly impactful, as they benefit individuals and the economy as a whole.[2] While scholars have shown that parental leave policies stimulate individuals' entrepreneurial entry (Markowska et al., 2023), the impact of parental leave on critical firm-level outcomes remains unclear. In particular, we currently lack knowledge about how parental leave influences a firm's innovation outputs, defined by Lukes and Stephan (2017) as changes in products, services, or

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processes resulting from the implementation of novel ideas. Investigating this impact is important for resource-constrained small and medium-sized enterprises (SMEs). Since parental leave-taking typically requires firms to temporarily replace workers or, at minimum, redistribute their responsibilities, there are growing concerns in the public press and managerial forums regarding its disruption to operational continuity and detrimental effects on key SME outcomes, including innovation outputs. In short, although parental leave-taking has well-established individual and societal benefits, practitioners continue to express concern about its potentially adverse effects on SME outcomes.

To address this issue, we integrate the Upper Echelons theory with the family embeddedness approach to entrepreneurship to examine how parental leave taken by top management team (TMT) members, including the Chief Executive Officer (CEO), influences innovation outputs in SMEs. The Upper Echelons theory posits that TMT characteristics significantly influence organizational outcomes (Hambrick, 2007; Hambrick & Mason, 1984). The role of the TMT in SMEs is particularly important because these firms have fewer external influences (e.g., boards, capital markets, and stakeholders) than larger firms (Ling et al., 2008), thus the TMT plays a more pivotal role in shaping organizational strategies and their outcomes in SMEs than in other firms (Simsek et al., 2010). Moreover, SMEs have fewer hierarchical levels; hence, TMT members often assume strategic and operational roles, directly influencing firm outputs, especially innovation outputs (Kristinsson et al., 2016; Terziovski, 2010). However, predicting the effect of TMT members' parental leave on SME innovation outputs is not straightforward. Drawing on insights from the work–family interface literature (Powell et al., 2019), the family embeddedness approach to entrepreneurship (Aldrich & Cliff, 2003; Eddleston & Powell, 2012; Jennings et al., 2010; Leung et al., 2020) suggests divergent perspectives and contrasting predictions of how the length of parental leave taken by TMT members might impact SME innovation outputs.

On the one hand, the depletion perspective, grounded in resource drain (Edwards & Rothbard, 2000) and conflict theory (Zedeck & Mosier, 1990), suggests that parental leave by TMT members hampers SME innovation outputs. This perspective highlights how TMT members, either filling in for colleagues on leave or returning from their own leave, are engaged in multiple roles and face conflicts arising from additional responsibilities (Shelton, 2006). This overextension depletes their resources (Parasuraman & Simmers, 2001), negatively impacting innovation outputs. On the other hand, the enrichment perspective views engagement in multiple roles as more positive (Marks, 1977; Powell & Eddleston, 2013; Sieber, 1974), suggesting that it can bolster innovativeness, job satisfaction, and commitment (Aryee et al., 2005), thereby benefiting SME innovation outputs.

As the two perspectives lead to opposing predictions about the effects of TMT members' parental leave on SME innovation outputs, we begin by presenting testable competing hypotheses. We then attempt to reconcile these two views by examining the conditions under which SMEs can leverage the benefits and mitigate the shortcomings of parental leave. Upper Echelons theory suggests that considering behavioral integration among TMT members—that is, the degree to which the team engages in mutual and collective interaction—(Hambrick, 1994; Simsek et al., 2005) is important for understanding how TMT characteristics translate into innovation outputs (Lubatkin et al., 2006). Research has suggested that, while large companies have complex organizational systems that may influence TMT behavioral integration, the behavioral integration of TMTs in SMEs has TMT-level determinants (Simsek et al., 2005). Therefore, we focus on two TMT structural attributes—TMT size and tenure—that prior studies have identified as directly related to

TMT behavioral integration (Simsek et al., 2005). We propose that smaller, and longer-tenured TMTs are more likely to reduce role conflicts (Amason & Sapienza, 1997) arising when one or more TMT members are on parental leave, and to enhance the satisfaction and commitment of TMT members returning to work after parental leave by helping them alleviate work–family conflicts.

Our study draws on unique data from a large sample of Swedish SMEs. Sweden offers a particularly relevant context, as its parental leave system is gender-neutral and widely adopted, in contrast to many countries where leave benefits primarily target women. Indeed, in Sweden (and other Nordic countries), parental leave benefits are guaranteed for all employees, regardless of sex. Our econometric estimates show that TMT members' parental leave has a positive impact on SME innovation outputs *when* TMT size is small and/or TMT tenure is long. We find no evidence of adverse effects of TMT members' parental leave on SME innovation outputs.

These results contribute to the literature on family embeddedness and research on work–family policies. In particular, we contribute to the debate on the organizational outcomes of work–family policies, which has reported mixed evidence on firm-level performance effects, especially in small firms (Bloom et al., 2011; Meyer et al., 2001; Perry-Smith & Blum, 2000). This contribution is particularly important for practitioners and policymakers, given their increased focus on parental leave policies. By making them aware that, despite parental leave-taking presenting challenges for SME managers, it does not damage relevant SME outcomes such as innovation outputs, and even enhances them when TMT size is small and long-tenured, we may alleviate practitioners' concerns about possible negative performance impacts and incentivize policymakers to expand parental leave policies. Our study also extends Upper Echelons theory by showing that TMT experiences at the work–family interface influence firm-level outcomes, and contributes to research on innovation in SMEs by examining how parental leave-taking interacts with TMT dynamics to influence innovation outputs

Theoretical Background

This section presents the key concepts and theories that we will use to understand the relationship between TMT members' parental leave and innovation outputs in SMEs. We begin by reviewing prior research on the role of TMTs in driving innovation in SMEs to explain why it is reasonable to expect TMT members' parental leave to affect SME innovation outputs. We then introduce the depletion-versus-enrichment framework, which informs the competing mechanisms that guide our hypotheses.

A Family Embeddedness Perspective on SME Innovation Outputs

Innovation outputs play a critical role in shaping SME development (Skuras et al., 2008). SMEs with higher innovation outputs enjoy greater market power, cost-efficiency, and capabilities (Di Cintio et al., 2017) and are more likely to survive and grow (Ortiz-Villajos & Sotoca, 2018). Upper Echelons theory (Hambrick & Mason, 1984) suggests that TMT members' competencies and experiences affect their decision-making and actions (Hambrick, 2007) and firm performance (Certo et al., 2006; Zimmerman, 2008), including innovation outputs (Chemmanur et al., 2022; Koryak et al., 2018). A burgeoning body of literature on Upper Echelons reports that SME innovation strategies and outcomes relate

to TMT members' educational status (Deying & Jianhe, 2011), TMT diversity (Li & Huang, 2019), and TMT work experience (Yuan et al., 2014).

However, this literature often treats TMT members as isolated decision-makers, neglecting the influence of a key social institution: the family (Alsos et al., 2016; Jennings et al., 2010). As a result, research has overlooked critical aspects, such as experiences at the work–family interface. While the entrepreneurship literature has acknowledged that "standard models of entrepreneurship, which tend to focus solely upon 'market/opportunity', 'money', and 'management', cannot adequately account for the experiences of entrepreneurs" (Brush et al., 2014, p. 23), mainstream innovation studies still often rely on similar models that ignore how innovation activities are embedded in family-related challenges and opportunities, particularly within SMEs (Alsos et al., 2016). Considering that both men and women currently actively participate in multiple life domains, in particular, work and family (Bakker & Demerouti, 2018), a family embeddedness perspective (Jennings et al., 2010; Jennings & McDougald, 2007) offers a more nuanced understanding of how TMT members' family-related experiences shape SME innovation outputs. This perspective emphasizes that entrepreneurial activity unfolds in context, including the family and household domain (Brush et al., 2009; Welter, 2011). This perspective has contributed to entrepreneurship research by raising awareness of the role of an individual's current family situation in decisions, processes, and outcomes relevant to entrepreneurial activity (for a review, see Hughes & Jennings, 2020). Initial research in this perspective has mainly portrayed family-related factors as sources of conflict (or at least hindrances), especially for women entrepreneurs, contributing to higher levels of work–family conflict and necessitating specific coping strategies (Gurley-Calvez et al., 2009; Jennings & McDougald, 2007). Conversely, more recent works have begun to show that family factors can also serve as enablers of entrepreneurial activity—for example, by providing emotional and practical support, role models, and sources of motivation (Eddleston & Powell, 2012; Greene et al., 2013; Leung et al., 2020; Powell & Eddleston, 2013; Venkatesh et al., 2017). In addition to drawing attention to family/household contexts, the family embeddedness perspective has recognized the role of the "macro environment," including national policies, cultural norms, and institutional arrangements (Brush et al., 2009). While much of this work has focused on how such contextual elements constrain entrepreneurship (especially among women), Brush et al. (2009) emphasized that macro-level factors can also "mediate and shape" entrepreneurial behavior in enabling ways.

We argue that parental leave-taking is one of such enabling factors. It facilitates TMT members' participation in both work and family domains, potentially affecting their contributions to and engagement in SME innovation. Leveraging insights from the work–family interface literature, two key perspectives are important for understanding how the parental leave-taking of TMT members might affect SME innovation outputs: the depletion and enrichment perspectives.

Depletion-Versus-Enrichment Framework

The depletion-versus-enrichment framework, grounded in role theory, focuses on individuals' engagement in multiple roles at work (Kahn et al., 1964) and the work–family interface (Frone et al., 1992). Within this framework, the depletion and the enrichment perspectives suggest two mechanisms by which playing multiple roles may influence individual performance: role conflict and role enhancement (Aryee et al., 2005).

The Depletion Perspective and Role Conflict. The depletion perspective draws from research on resource drain (Rothbard & Edwards, 2003) and conflict theory (Zedeck & Mosier, 1990) and focuses on role conflicts. The essence of this view is that individuals have fixed levels of resources, and involvement in multiple roles may exhaust these resources, thereby creating role conflicts and drawbacks for individuals. In their pioneering work, Kahn et al. (1964) regarded organizations as a collection of overlapping roles and identified role conflicts as a major causal factor of individual stress in organizations, especially for managers (D. Katz & Kahn, 1978, p. 197). Role conflicts can arise both within the workplace and between work and family domains. Jennings and McDougald (2007, p. 748) recognized three different types of work–family conflicts: (a) *time-based conflicts*, which result from the limited amount of time available to manage duties in the home and work domains; (b) *strain-based conflicts*, which occur when stress in one domain spills over into the other; and (c) *behavior-based conflicts*, which result from incompatible behavioral expectations across domains. These various forms of conflicts drain individual resources, impair employee functioning, and negatively affect organizational commitment.

The Enrichment Perspective and Role Enhancement. The enrichment perspective, in contrast, highlights the potential for role enhancement, or "the net positive gains from involvement in multiple roles" (Aryee et al., 2005, p. 133). According to Sieber (1974), there are four types of net positive gains from involvement in multiple roles: (a) *role privileges*, the benefits and rights derived from participation in multiple roles; (b) *enhanced status security*, where success or failure in one role is buffered by stability in others; (c) *access to resources*, the ability to draw upon diverse knowledge and tools from various roles; and (d) *personality enrichment and ego gratification*, the psychological satisfaction and self-development gained from varied role engagement. The work–family literature further identifies mechanisms such as positive spillovers (Hanson et al., 2006) and facilitation (Grzywacz et al., 2007). Positive spillovers refer to beneficial, bidirectional transfers of personal attributes between the work and family domains. For example, Edwards and Rothbard (2000) delineated four types of spillovers—work and family affect, values, skills, and behaviors—that transfer between work and family. These forms of enhancement provide individuals with access to knowledge, ideas, and perspectives across domains that they can subsequently apply at work.

Hypotheses Development

This section begins by presenting two competing hypotheses regarding the relationship between TMT members' parental leave-taking and SME innovation outputs. These hypotheses are based on the above-described mechanisms, role conflict and role enhancement, and the related offsetting effects suggested by the depletion-versus-enrichment framework. Since we cannot reach a definitive conclusion on whether TMT members' parental leave-taking uniformly hurts or improves SME innovation outputs under all circumstances, we use the competing hypotheses as a starting point. We then draw on Upper Echelons theory to reconcile these divergent predictions by introducing two key structural attributes of the TMT, size and tenure, as boundary conditions that may influence how parental leave-taking affects innovation outputs.

The Effects of TMT Members' Parental Leave on SME Innovation Outputs

In line with past empirical evidence showing that managers on leave are seldom replaced by temporary workers (Trzcinski & Finn-Stevenson, 1991), we expect that, in SMEs, the strategic and operating activities of a TMT member on parental leave are typically redistributed among the remaining TMT members. The depletion perspective suggests that taking on the member's activities while the member is on leave creates role conflicts for the remaining TMT members, thereby reducing SME innovation outputs. As the remaining TMT members are involved in multiple roles, they may experience stress and have little time to devote to strategic decision-making and day-to-day operating activities. This can result in delayed or suboptimal decisions, particularly in areas requiring attention and creativity, such as innovation. The longer the period of parental leave, the more pronounced these negative effects are likely to be.

In contrast, the enrichment perspective suggests that reassigning the activities of a member on leave to the remaining TMT members can yield net innovation benefits. Drawing on Sieber's (1974) discussion of role enhancement and the gains of involvement in multiple roles, we argue that the increased access to resources and personality enrichment associated with replacing the teammate on leave may increase TMT members' innovation outputs. Innovation requires combining knowledge from different domains (Rosenkopf & Nerkar, 2001). By also performing the activities of their teammates on leave, TMT members gain access to knowledge and resources from multiple firm areas that may be effectively integrated to generate innovation outputs. Moreover, as job satisfaction is positively related to individual performance (Petty et al., 1984), the enhanced satisfaction associated with involvement in multiple roles may lead TMT members to experience superior individual performance.

A TMT member's return to work after being on parental leave may also affect SME innovation outputs. Again, the effect is not straightforward. The depletion perspective suggests that the TMT member who returns to work after leave or is on part-time leave will experience both time- and strain-based work–family conflicts (Greenhaus & Beutell, 1985). The (new) role as a parent may lead the TMT member to transfer time and/or attention from work to family, and the fatigue associated with newborn care may reduce the TMT member's personal resources (e.g., energy and physical or mental capacity), thus making it more difficult to meet work demands. The longer the parental leave lasts, the longer the TMT member has settled into and invested in the parental role, resulting in more substantial work–family conflicts and associated drawbacks when the leave ends. In addition, career interruptions and periods of absence from work can lead to human capital depreciation, that is, the erosion of skills and firm-specific knowledge (Mincer & Polachek, 1974). The longer the parental leave period is, the greater these challenges will be.

On the other hand, the enrichment perspective suggests that involvement in multiple roles after a TMT member's return to work could positively affect SME innovation outputs. Parental responsibilities may serve as psychological buffers, providing emotional balance and a broader sense of purpose. Such renewed involvement in work may shape how returning TMT members approach strategic decision-making and day-to-day operating activities, enhancing their creativity and openness to new ideas and increasing their contributions to the development and implementation of innovation within the firm. Taken together, these arguments suggest that competing mechanisms are at play. Therefore, we formulate a pair of opposing hypotheses on the relationship between SME innovation outputs and the length of parental leave taken by TMT members. We leave it to the empirical results to determine which of the discussed effects prevails.

H1a: *In SMEs, the longer the TMT members' period of parental leave is, the lower the firm innovation outputs.*

H1b: *In SMEs, the longer the TMT members' period of parental leave is, the higher the firm innovation outputs.*

The Pivotal Role of TMT Structural Attributes

In the previous section, we proposed competing hypotheses based on the potential costs and benefits of parental leave taken by TMT members in SMEs. However, these arguments did not account for variation within TMTs, that is, specific structural attributes that might mitigate role conflict or amplify role enhancement.

Drawing on Upper Echelons theory, we argue that it is possible to reconcile the competing predictions of the depletion and enrichment perspectives by considering two TMT structural attributes: TMT size and tenure. Both attributes are likely to shift the balance toward a positive relationship between TMT members' parental leave-taking and SME innovation outputs. TMT size and tenure have been shown to affect *behavioral integration*, that is, the degree to which the team engages in mutual and collective interaction (Amason et al., 2006; Hambrick, 1994, 1997; Simsek et al., 2005). Prior research has shown that smaller TMTs and longer-tenured TMTs may have enhanced behavioral integration (Araujo-Cabrera et al., 2017; Fabian et al., 2025; Simsek et al., 2005), including "better information sharing, enhanced collaboration, and more fluid decision-making processes" (Heyden et al., 2017). These characteristics are thus expected to shape how role conflict and role enhancement manifest in response to parental leave within the TMT.

Although Upper Echelon theory is traditionally applied to larger and more complex organizations, there are reasons to expect that the SME context amplifies certain core tenets of this theory in ways that make TMT behavioral integration a relevant team dynamic. First, SMEs tend to have fewer hierarchical levels, and decision-making is largely concentrated in the TMT. Thus, the mutual and collective interactions among TMT members directly influence firm activities and operations (Halevi et al., 2015). Second, SMEs typically operate with fewer resources and less formal bureaucracy than larger firms, heightening their reliance on the TMT capacity to function as a tightly knit unit. As underscored by Lubatkin et al. (2006, p. 647), "the level of TMT behavioral integration in SMEs is pivotal" (p. 647). Therefore, we propose that the levels of behavioral integration within the TMT, associated with TMT size and tenure, are critical in determining whether SMEs will benefit from role enhancement and in reducing the costs of role conflicts potentially stemming from a TMT member's parental leave.

TMT Size. For several reasons, we argue that smaller TMTs may attenuate the potential adverse effects (and amplify the potential benefits) of parental leave on SME innovation outputs. First, in smaller TMTs, there are more opportunities for interaction and reciprocity among team members (Simsek et al., 2005), making it easier for the remaining TMT members to take over the roles and responsibilities of those on parental leave. This adaptability is particularly important in SMEs, where resource constraints and limited managerial redundancy make it more challenging to absorb temporary absences. Unlike larger firms, where responsibilities can be distributed across multiple layers of management, SMEs often rely on a few key decision-makers. The ability of a tightly knit TMT to redistribute tasks effectively can therefore mitigate potential disruptions and ensure that

innovation processes continue despite personnel changes. Although members of larger TMTs may have more information, insights, and energy to temporarily replace their coworkers on parental leave, they may be unable or disinclined to do so. As TMT size increases, so too does the likelihood of goal misalignment and information asymmetries (Smith et al., 1994). In addition, as the size of a TMT increases, the level of agreement among TMT members typically decreases (Iaquinto & Fredrickson, 1997). Complementing this argument, research suggests that more extensive (and thus less integrated) TMTs are more frequently impaired by organizational difficulties, while smaller (and thus more integrated) TMTs are better able to shorten the time needed to develop a collective response to these difficulties (Aguilera et al., 2008; Hambrick, 1997; Simsek et al., 2005). As discussed, the temporary absence of TMT members may pose an organizational challenge, especially for resource-constrained SMEs.

Second, smaller TMTs rely less on bureaucratic processes and routines and are thus more flexible. This greater flexibility can mitigate the challenges that TMT members on parental leave face in terms of work–family conflicts when they return to work, ultimately alleviating the adverse effects on SME innovation outputs. Research shows that smaller TMTs can be more flexible and accommodating when their members experience conflicts (Amason & Sapienza, 1997), such as between work and family responsibilities (Fagenson, 1993). This is particularly important under conditions of uncertainty or resource strain, which are typical in SMEs, where disruptions caused by the temporary absence or reduced availability of key decision-makers can directly affect innovation outputs. Unlike larger firms with more slack resources, SMEs often operate with limited managerial bandwidth and financial buffers, making TMT ability to adapt quickly and reallocate tasks fundamental for maintaining continuity. At the same time, smaller TMTs may also amplify the positive effects of parental leave on SME innovation outputs. Smaller teams represent an organizational context that fosters higher levels of participation and engagement among members (Aubé et al., 2011); thus, smaller TMTs can leverage the enhanced commitment of TMT members to parental leave (Soboroff et al., 2020). Research in social psychology has consistently shown that members of smaller teams are more satisfied, participate more actively, and cooperate more effectively than members of larger teams (Pearce & Herbik, 2004). Hence, in smaller TMTs, the increased commitment of TMT members who return to work after parental leave is likely to be more pronounced than in larger TMTs. Combining the arguments reported thus far, we propose the following:

> ***H2:*** *In SMEs, the negative (positive) relationship between the length of TMT members' parental leave and firm innovation outputs is weaker (stronger) when the TMT is smaller.*

TMT Tenure. TMT tenure, as reflected by the average tenure of TMT members, is also a critical structural attribute that fosters mutual understanding and collective interaction within the team. As such, seasoned TMTs may reduce the alleged adverse effects of TMT members' parental leave on innovation outputs while enhancing the positive effects. First, longer tenure promotes team stability and socialization (R. Katz, 1982; Simsek et al., 2005), which can facilitate role substitution during a colleague's temporary absence, because all TMT members have had the opportunity to acquire a deeper understanding of each other's work (Harrison et al., 1998). Seasoned TMTs can also draw from accumulated experience and should find it easier to grasp different task requirements and work processes across multiple roles (van de Brake et al., 2020). Relatedly, TMTs with longer tenures may provide TMT members on parental leave with a more supportive climate for managing the

challenges stemming from work–family conflicts than short-tenured TMTs. Indeed, longer tenure entails social cohesion (Michel & Hambrick, 1992), better communication (Smith et al., 1994), and understanding of one another's strengths and weaknesses, including a TMT climate characterized by support and concern for its members (Koopmann et al., 2016). This effect is particularly pronounced in SMEs, where smaller decision-making bodies and fewer hierarchical layers lead to more direct, frequent interactions among top managers.

Second, TMT members with longer tenure will also enjoy "more opportunities to learn about their collective potential to accomplish the team's tasks" (Gonzalez-Mulé et al., 2020, p. 156) than will short-tenured TMT members. These beliefs about TMT capacity to perform tasks, including innovation activities, are particularly critical for leveraging the alleged positive energy and enhanced commitment of TMT members who return to work after a period of parental leave. This aspect is particularly important in SMEs, where informal support networks often replace formal HR policies, and cohesive TMTs can play a central role in reintegrating returning members. Accordingly, we propose the following hypothesis:

H3: *In SMEs, the negative (positive) relationship between the length of TMT members' parental leave and firm innovation outputs is weaker (stronger) as TMT tenure increases.*

Method

Data and Sample

To empirically explore the relationship between the length of parental leave taken by TMT members and SME innovation outputs, we focus on the Swedish setting. Sweden is an ideal empirical setting because, while in many countries, employed fathers are expected to prioritize paid work and thus cannot access parental leave despite their growing desire to be involved in children's care (Gatrell et al., 2022), both women and men in Sweden frequently take extended parental leave.

In 1974, Sweden was the first country to introduce a gender-neutral parental leave scheme (Duvander et al., 2010). This scheme was essential in transitioning the country from a single-earner family model to a dual-earner model (Ferrarini & Duvander, 2010). Data from 2017 show that 85% of women and 89% of men aged 20 to 64 were in the labor force (SCB, 2018). At the time of our study, parental benefits were paid for 480 days for one child,[3] and 60 of these days were reserved for each parent. These non-transferable leave days given to each parent, the so-called parent quota, also encourage equal sharing of transferable days (Ellingsæter, 2021). While there is flexibility in modes of parental leave use and variation in leave lengths (Duvander et al., 2010), working parents tend to take parental leave during the first 12 months of a child's life since access to preschool is only guaranteed for children older than 1 year (Ma et al., 2020).

We test our hypotheses using a unique dataset, including longitudinal data from 2004 to 2014 on a large sample of SMEs in Sweden. We constructed this dataset using the Swedish Community Innovation Survey (CIS) microdata collected in the 2006, 2008, 2010, 2012, and 2014 waves. The firms included in these waves were drawn from a comprehensive register including all firms registered in Sweden, and maintained by Statistics Sweden (SCB), the Swedish government agency responsible for producing official statistics. SCB itself conducts the CIS in Sweden and selects participating firms via a stratified random sampling approach to ensure representativeness. As participation in the Swedish CIS is mandatory

and SCB actively follows up with firms, response rates in the waves under scrutiny were above 90%, thereby minimizing non-response bias and ensuring representativeness.[4] Each wave of the CIS provides information on the innovation outputs introduced in the year when the survey was administered and in the two previous years in a representative sample of national firms in the industry and service sectors with 10 (or more) employees. As our study focuses on SMEs, in each wave, we selected only respondent firms with fewer than 250 employees and sales of less than €50 million at the time of the survey.

Then, we combined CIS microdata on these SMEs with data extracted from four Swedish longitudinal databases: (a) the Longitudinal Integration Database for Health Insurance and Labor Market Studies (LISA), which provides yearly individual data on all residents of Sweden, including information on family relationships; (b) the work register (i.e., *Jobbregistret*), which provides yearly data on all Swedish inhabitants' income sources and work activities; (c) the Labor Market Statistics (RAMS) database, which provides yearly data on all firms registered in Sweden; and (d) the multigenerational database, which provides information on couples (i.e., married individuals or individuals who are living together and have children) and biologically linked parents and children. SCB has all these databases. Hence, these methods are highly accurate and reliable (Baù et al., 2017; Wennberg et al., 2011). Combining these datasets, we identified all the TMT members of the sample SMEs.[5] We focused on SMEs with at least two members on the TMT and computed the number of days of parental leave these TMT members took every year. The sample used in the empirical analyses includes 3,196 SMEs for which data on all the dependent and independent variables are available.

Variables

Dependent Variables: Measures of Innovation Outputs. We captured the innovation outputs of the sample SMEs through two alternative measures built using firms' answers to specific CIS questions. In particular, the CIS asks respondent firms whether, in a three-time horizon (i.e., in the year when the CIS was administered and in the two previous years), they introduced any new or significantly improved products/services that were either new to the firm (i.e., the new products/services were already available from the firm's competitors) or new to the firm's market (i.e., the latest products/services were introduced before competitors). Using answers to these questions, we constructed *NewToFirm* and *NewToMarket*, dummy variables equal to one if, during the period under scrutiny, the focal SME introduced products/services new to the SME or to the SME market, respectively. These variables capture both the introduction of product/service innovation and the radicalness of the resulting innovation outcomes. Similar measures of innovation outputs have been used in previous works in the field of innovation (Barasa et al., 2017; Solheim et al., 2020; Tether, 2002).

As 1,451 of the 3,193 sample SMEs provided answers to 2 (or more) waves of the CIS, we have multiple observations for these SMEs. The overall number of SME-CIS year observations used in our estimates is 5,686. For 3,227 out of these 5,686 observations (i.e., 57% of the observations), the focal firm introduced at least 1 product/service innovation in the period under scrutiny, and for 2,211 observations (i.e., 39% of sample firms), at least 1 new-to-market product/service was introduced in the period under scrutiny.

Independent Variable: A Measure of Parental Leave. For each SME-CIS year observation, the independent variable, *ParentalLeave*, was calculated as the average number of days of

parental leave taken by the focal SME's TMT members in the 3 years before the CIS (for a similar measure, see Anxo & Ericson, 2015). Hence, there is a 1-year lag between the time horizon considered to compute the measures of innovation outputs and the period considered to compute *ParentalLeave*. Notably, selecting the appropriate time horizon to compute the measure of parental leave is not trivial. Since the innovation processes leading to the introduction of new products/services may take several months, the introduction of new products/services in year t may result from activities the firm performed not only in $t-1$ but also in $t-2$ or even $t-3$. Hence, to test the sensitivity of our results to changes in the time horizon considered to compute the independent variable, we built two alternative independent variables (*ParentalLeave2* and *ParentalLeave3*). *ParentalLeave2* and *ParentalLeave3* consider parental leave taken 4 and 5 years before the CIS, respectively (for details on this robustness check, see section "Limitations and Directions for Future Research").[6]

For 802 SME-CIS year observations (i.e., 14% of the total observations), parental leave was taken by at least 1 TMT member in the period under scrutiny. Specifically, parental leave was taken only by women in 503 observations, only by men in 241 observations, and by both women and men in 58 observations. Notably, in 80 observations, multiple members of the same TMT took parental leave during the same year(s). Most of the TMT members who took a parental leave did so for 6 months or less. Hence, the median value of *ParentalLeave* was lower than 60; however, in some SMEs, TMT members took extended parental leave, or multiple TMT members took parental leave during the periods under scrutiny. These outliers were transformed by winsorizing the highest 2% of the values of *ParentalLeave*.[7]

Moderators. To test H2 and H3, we built the two moderator variables *TMTSize* and *TMTTenure*. These variables are described in Table 1. Notably, the average value of *TMTSize* (4.7 individuals) is in line with the mean TMT size reported in prior studies on SME TMTs (Alexiev et al., 2010; Brunninge et al., 2007).

Control Variables. Our models include several controls for TMT member characteristics and sample SMEs that could affect innovation outputs. All these variables are described in Table 1. In line with the literature on innovation in SMEs, we first included controls for the biological sex (*TMTWomenShare*) and age (*TMTAge*) of TMT members in the models. Then, we controlled for the education level of TMT members (*TMTEducation*). Finally, we controlled for the average number of children of TMT members (variables *TMTBirths* and *TMTChildren*) because, in general, parents with more children and those with more newborn children might dedicate more time to their families in their work–life balance even when not on parental leave. Therefore, their firms' performance might suffer.

Beyond the characteristics of TMT members, we also controlled for a specific attribute of the CEO. As a growing stream of research has examined how the gender of venture leaders can influence an SME innovation (Alsos et al., 2013; Strohmeyer et al., 2017), we included a control for the CEO's biological sex (*CEOWoman*).

At the firm level, in line with prior studies (see, Agrawal et al., 2018; Nieto & Santamaría, 2010), we first controlled for firm size (*FirmEmployees*) and age (*FirmAge*). Finally, we controlled for the firm's industry by including 10 dummy variables corresponding to the high-level International Standard Industrial Classification (agriculture, fishing,

Table 1. Descriptions of Moderators and Control Variables.

Variable name	Description
TMTSize	Average number of TMT members in the 3 years before the CIS (i.e., the same period considered to compute *ParentalLeave*). As a small number of firms had a high number of TMT members (i.e., 15 or more), these outliers were transformed by winsorizing the highest 2% of the values.
TMTTenure	Average in the 3 years before the CIS of the mean number of years spent by TMT members in the focal SME.
TMTWomenShare	Average share of women on the TMT in the 3 years before the CIS.
TMTAge	Average age of TMT members in the 3 years before the CIS.
TMTEducation	Average number of years of formal education completed by TMT members.
TMTBirths	Average number of newborn children of TMT members in the 3 years before the CIS.
TMTChildren	Average number of TMT members' sons/daughters aged below 18 years in the 3 years before the CIS.
CEOWoman	Dummy equal to one if the SME had a female CEO in the 3 years before the CIS, zero otherwise.
FirmEmployees	Logarithm of the number of SME employees in the year before the CIS.
FirmAge	Logarithm of firm age in the year before the CIS.

Note. TMT: top management team; CIS: community innovation survey; SME: small and medium-sized enterprise; CEO: chief executive officer.

and forestry industry is the baseline; Eurostat, 2008) and for the CIS wave by including 4 dummy variables, 1 for each wave (2014 is the baseline).

Econometric Estimates

To test our hypotheses, we ran probit regression models alternatively using *NewToFirm* and *NewToMarket* as dependent variables, and clustered standard errors by SME to adjust for heteroscedasticity and serial correlation at the firm level. The results of these main estimates are discussed in section "Contributions to Research." Recognizing potential endogeneity issues in the main estimates, we conducted additional analyses to address these concerns. Endogeneity may arise from reverse causality and unobserved factors. Reverse causality may occur because, in SMEs with small TMTs, TMT members with newborn children may be more likely to take longer parental leaves when their SME performance (including innovation outputs) is better. Conversely, when SME performance is weak, TMT members may take shorter leaves or coordinate with their spouses or partners to postpone their own parental leaves to more favorable periods. Moreover, unobserved factors that are not apparent to econometricians may influence both TMT members' parental leave-taking and SME innovation outputs.

To address the concern about unobserved heterogeneity, we included the most comprehensive set of control variables possible in the estimates. Moreover, to mitigate concerns about reverse causality and unobserved heterogeneity, we first conducted a Hausman test. Specifically, we estimated an ordinary least squares (OLS) regression model to predict *ParentalLeave* and obtained the residuals. Then, we added these residuals to the main

regressions and used their *p*-values to check whether we could reject the null hypothesis that *ParentalLeave* is exogenous. In addition, we implemented an instrumental variable approach. After estimating the first-stage regression to predict *ParentalLeave*, we computed the predicted value from this regression (*ParentalLeavePredicted*) and re-estimated the main models by replacing *ParentalLeave* with *ParentalLeavePredicted*. In the first-stage regression, we included the firm-level controls entered in the main equation (namely, *FirmEmployees, FirmAge*, and the industry dummies), *CEOWoman*, and the TMT-level controls that are likely to influence the number of days of parental leave taken by TMT members in the period under scrutiny, i.e. the size of the TMT (*TMTSize*), the share of women on the team (*TMTWomenShare*), the age of TMT members (*TMTAge*), the education of TMT members (*TMTEducation*), and the number of sons/daughters younger than 18 that TMT members already had (*TMTChildren*). This regression also included two potential instrumental variables: the average sales of contraceptives in the region where the focal SME is located over the 3 years before the CIS (*Contraceptive*) and the rate of baptisms in the region (*BaptismRatio*). Both variables could have been valid instruments because they do not directly influence SME innovation outputs, but they could impact *ParentalLeave*.[8] The results of the analyses aimed at addressing endogeneity concerns are summarized in section "Limitations and Directions for Future Research" and discussed in detail in the Appendix 1.

Results

Hypothesis Testing

Table 2 reports descriptive statistics and correlations among the dependent variables listed above (except for the industry and CIS wave dummy variables). Although some variables are highly correlated (e.g., *TMTSize* and *FirmEmployees* or *TMTTenure* and *FirmAge*), an inspection of the variance inflation factors (VIFs) shows that multicollinearity is not a concern in the study. All the VIF coefficients are lower than 2 (mean 1.32) (Belsley et al., 2005).

We present the results of the probit models we ran to test our hypotheses in Table 3. Model (a) reports the baseline results, including only the moderators and control variables. Model (b) also includes the key explanatory variable, that is, the parental leave measure, to test competing hypotheses H1a and H1b. Models (c) and (d) add interaction terms, respectively, *ParentalLeave* × *TMTSize*, to test H2 and *ParentalLeave* × *TMTTenure* to test H3.

Regarding the control variables, the estimates of Model (a) reveal that SME innovation outputs are affected by the size of the TMT, the education level of its members, and the number of births within the TMT. The positive and significant coefficients of *TMTSize, TMTEducation*, and *TMTBirths* indicate that the SMEs with larger TMTs, whose TMT members were more educated and had more newborns, achieved higher innovation outputs. The negative and significant coefficient of *TMTAge* and the positive and significant coefficient of *FirmEmployees* in Model (1.a) reveal that the SMEs with younger TMT members and larger employee counts were better able to introduce new products/services in the periods under scrutiny.

In Model (b), *ParentalLeave* is included. The coefficient of this variable is positive and significant in Model (1.b). In particular, when the average number of days of parental leave taken by the focal SME's TMT members in the 3 years before the CIS increases from 0 days per year (corresponding to the mean value of *ParentalLeave* minus 1 standard deviation) to

Table 2. Descriptive Statistics and Correlation Matrix.

Variable	Mean	*SD*	1	2	3	4	5	6	7	8	9	10	11	12
1. NewToFirm	0.567	0.495	1.000											
2. NewToMarket	0.389	0.487	0.696	1.000										
3. ParentalLeave	9.357	25.842	0.089	0.061	1.000									
4. TMTSize	4.708	2.939	0.132	0.105	0.317	1.000								
5. TMTTenure	9.027	4.381	−0.068	−0.055	−0.132	−0.116	1.000							
6. TMTWomenShare	0.178	0.197	0.026	0.001	0.261	0.100	−0.062	1.000						
7. TMTAge	47.990	5.651	−0.099	−0.077	−0.237	−0.057	0.338	−0.146	1.000					
8. TMTEducation	12.760	1.483	0.179	0.144	0.163	0.205	−0.316	0.160	−0.146	1.000				
9. TMTBirths	0.026	0.053	0.034	0.033	0.300	0.038	−0.166	0.059	−0.371	0.127	1.000			
10. TMTChildren	1.144	0.571	0.077	0.073	0.080	0.034	−0.123	0.018	−0.394	0.160	0.050	1.000		
11. CEOWoman	0.111	0.315	−0.007	−0.017	0.070	−0.027	−0.061	0.470	−0.051	0.055	0.004	−0.040	1.000	
12. FirmEmployees	3.734	0.794	0.138	0.089	0.141	0.584	−0.119	0.014	−0.032	0.143	0.012	0.042	−0.023	1.000
13. FirmAge	3.532	1.158	−0.028	−0.016	−0.061	0.072	0.542	−0.016	0.198	−0.149	−0.100	−0.086	−0.028	0.104

Note. TMT: top management team; SD: standard deviation; CEO: chief executive officer.

Table 3. The Effect of Parental Leave on Innovation Outputs: Estimates of Probit Models.

	DV: NewToFirm				DV: NewToMarket			
	1.a	1.b	1.c	1.d	2.a	2.b	2.c	2.d
Constant	−1.051***	−1.074***	−1.072***	−1.045***	−1.449***	−1.460***	−1.455***	−1.425***
	(0.321)	(0.313)	(0.313)	(0.313)	(0.310)	(0.311)	(0.311)	(0.312)
ParentalLeave	—	0.002*	0.006***	−0.001	—	0.001	0.005**	−0.002
		(0.001)	(0.002)	(0.002)		(0.001)	(0.002)	(0.002)
TMTSize	0.020*	0.015	0.026*	0.014	0.028***	0.026**	0.038***	0.025**
	(0.009)		(0.010)	(0.009)	(0.009)	(0.009)	(0.010)	(0.009)
ParentalLeave × TMTSize	—	—	−0.000**	—	—	—	−0.000**	—
			(0.000)				(0.000)	
TMTTenure	0.002	0.002	0.002	−0.000	−0.002	−0.003	−0.002	−0.005
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
ParentalLeave × TMTTenure	—	—	—	0.000+	—	—	—	0.000+
				(0.000)				(0.000)
TMTWomenShare	0.005	−0.056	−0.080	−0.058	−0.085	−0.113	−0.141	−0.115
	(0.120)	(0.122)	(0.122)	(0.122)	(0.116)	(0.118)	(0.118)	(0.118)
TMTAge	−0.010*	−0.009*	−0.009*	−0.009*	−0.004	−0.004	−0.005	−0.005
	(0.004)	(0.004)	(0.004)	(0.004)		(0.004)	(0.004)	(0.004)
TMTEducation	0.131***	0.130***	0.129***	0.130***	0.106***	0.106***	0.104***	0.106***
	(0.016)	(0.016)	(0.016)	(0.016)	(0.016)	(0.016)	(0.016)	(0.016)
TMTBirths	0.063+	0.061	0.059	0.060	0.085*	0.084*	0.082*	0.082*
	(0.037)	(0.037)	(0.037)	(0.037)	(0.037)	(0.037)	(0.037)	(0.037)
TMTChildren	−0.452	−0.702+	−0.857*	−0.663+	−0.062	−0.179	−0.337	−0.140
	(0.362)	(0.376)	(0.380)	(0.376)	(0.365)	(0.374)	(0.378)	(0.374)
CEOWoman	0.001	0.008	0.011	0.013	−0.012	−0.010	−0.006	−0.003
	(0.069)	(0.070)	(0.069)	(0.070)	(0.070)	(0.070)	(0.070)	(0.070)
FirmEmployees	0.102**	0.105**	0.099**	0.106**	0.032	0.033	0.026	0.034
	(0.034)	(0.034)	(0.034)	(0.034)	(0.032)	(0.032)	(0.032)	(0.032)
FirmAge	−0.023	−0.022	−0.023	−0.024	−0.003	−0.002	−0.003	−0.005
	(0.023)	(0.023)	(0.023)	(0.023)	(0.022)	(0.022)	(0.022)	(0.022)
Industry and CIS wave dummies	YES	YES	YES	YES	YES	YES	YES	YES
Log pseudolikelihood	−3,401.46	−3,397.79	−3,392.66	−3,395.88	−3,512.98	−3,511.13	−3,505.72	−3,508.88
Pseudo R2	0.125	0.126	0.128	0.127	0.076	0.076	0.077	0.077

Note. The table reports the coefficients. The robust standard errors are in parentheses. $N = 5{,}686$.
$^{+}p < .1$. $^{*}p < .05$. $^{**}p < .01$. $^{***}p < .001$.

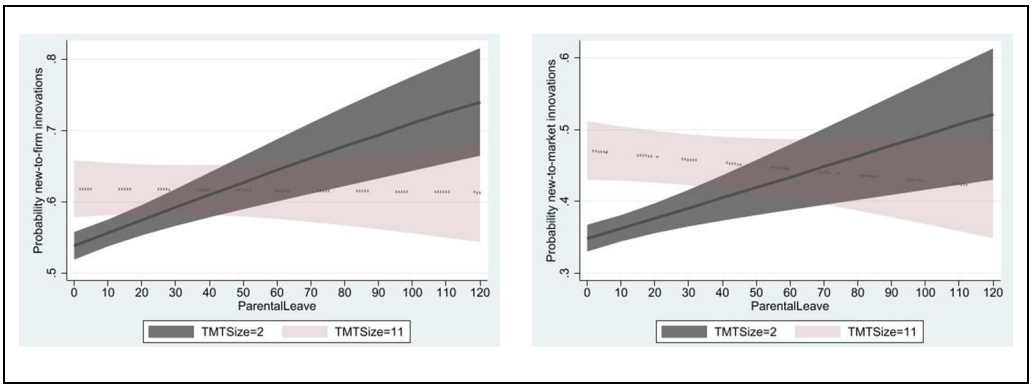

Figure 1. Moderating effect of *TMTSize* on the relation between parental leave and innovation outputs.

35 (i.e., the mean value plus one standard deviation), the average probability of introducing new-to-the-firm products increases by 5% (from 56% to 59%). Nonetheless, the coefficient of *ParentalLeave* is nonsignificant in Model (2.b). These results provide only weak evidence in favor of H1b.

The estimates of Model (c), including the *interaction term ParentalLeave* × *TMTSize*, provide strong evidence supporting H2. The coefficient of *ParentalLeave* is indeed positive and significant, while the coefficient of the interaction term is negative and significant. To evaluate the magnitude of the moderating effect of TMT size on the relationship between parental leave and innovation outputs, in Figure 1, we depict the relationship between the predicted probabilities of introducing new-to-firm and new-to-market products/services and *ParentalLeave* in SMEs with small TMTs (i.e., *TMTSize* equal to 2, representing the fifth percentile of the variable distribution) and SMEs with large TMTs (i.e., *TMTSize* equal to 11, representing the 95th percentile of the variable distribution). The figure reveals that the moderating effect of TMT size is non-negligible: the positive effect of parental leave on innovation outputs is quite strong in SMEs with small TMTs, while it is negligible in SMEs with large TMTs. When *ParentalLeave* increases from an average of 0 days per year to 35 days per year (as we mentioned above, the mean value of *ParentalLeave* plus one standard deviation), there is a 11% increase (from 54% to 60%) in the average probability of introducing new-to-firm products/services and an 15% increase (from 35% to 40%) in the average probability of introducing new-to-market products/services when the TMT is small (i.e., $TMTSize = 2$). Both of these differences are statistically significant at conventional confidence levels. Conversely, the same increase in *ParentalLeave* results in negligible changes in both these average probabilities when the TMT is large (i.e., $TMTSize = 11$).

The estimates of Model (d), including the interaction term *ParentalLeave* × *TMTTenure*, provide evidence in line with H3. Again, we resort to a figure to evaluate the magnitude of the moderating effect of TMT tenure on the relationship between parental leave and innovation outputs. Figure 2 shows the relationship between the predicted probabilities of introducing new-to-firm and new-to-market products/services and *ParentalLeave* in SMEs where the average TMT tenure is short (i.e., *TMTTenure* equal to 2.67, representing the fifth percentile of the variable distribution) and in SMEs where the average TMT tenure is long (i.e., *TMTTenure* equal to 17, representing the 95th percentile of the variable distribution). The figure shows that the moderating effect of TMT tenure is quite substantial: there is a positive effect of parental leave on innovation outputs only in

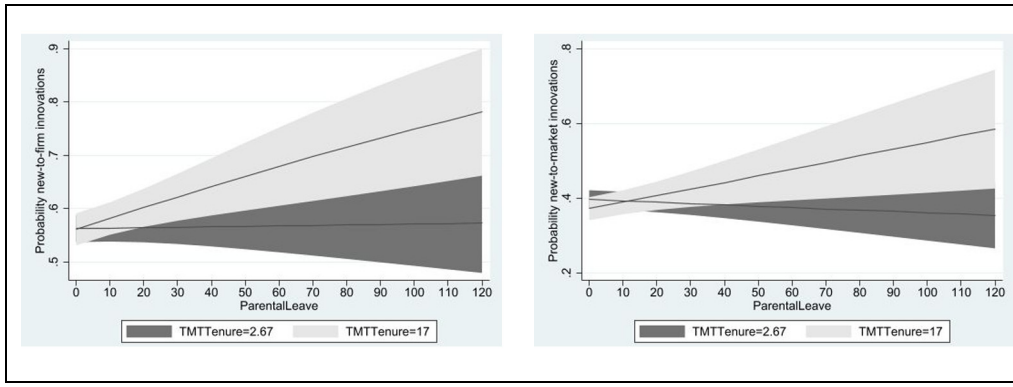

Figure 2. Moderating effect of *TMTTenure* on the relation between parental leave and innovation outputs.

SMEs with long-tenured TMTs. Indeed, when *ParentalLeave* increases from an average of 0 days per year to 35 days per year, there is a 12% increase in the average probability of introducing new-to-firm products/services (from 56% to 63%) and a 16% increase in the average probability of introducing new-to-market products/services (from 37% to 43%) when average TMT tenure is long (i.e., $TMTTenure = 17$). Conversely, there is no increase in either average probability when tenure is short (i.e., $TMTTenure2.67$).

Additional Analyses

We conducted additional analyses to mitigate the endogeneity concerns, provide further evidence for some findings, and assess their robustness. In this section, we summarize the main results of these analyses, while detailed estimates and discussions can be found in the Appendix 1.

As we mentioned in section "Econometric Estimates", to address potential endogeneity concerns, we conducted a Hausman test and adopted an instrumental variable approach. Across all these analyses, the results remained consistent with those reported in Table 3. In particular, we found no evidence that parental leave-taking by TMT members is endogenous to SME innovation outcomes, and the estimated effects remained directionally stable, albeit sometimes less precisely estimated, when using the predicted values from the first-stage regression.

To better understand some of our findings, we performed three additional analyses. First, we examined whether simply taking parental leave, regardless of its duration, was associated with greater SME innovation outputs. The results, based on both the full sample and a subsample restricted to firms where at least one TMT member was eligible for leave, were consistent with the main estimates, indicating that not taking parental leave is not a more effective strategy for enhancing innovation. Second, we explored the joint moderating effect of TMT size and tenure through a three-way interaction model. The estimates show that the positive association between parental leave length and innovation outputs is strongest in small, long-tenured TMTs, where behavioral integration is highest. Third, we investigated whether maternity and paternity leave exert different effects. Although maternity leave is more frequent and longer in our sample, the estimates reveal no meaningful

differences between the two types of leave, nor evidence that gender composition moderates their impact. Taken together, these supplementary analyses reinforce the main conclusions.

Finally, we conducted several supplementary analyses to further assess the robustness and scope of our findings. First, we verified the stability of the results across alternative model specifications. Second, to address potential misclassification of top managers, we rebuilt all TMT-level variables using a narrower occupational definition and re-estimated the models on the resulting subsample. Third, we tested the sensitivity of our results to alternative time windows for measuring parental leave by reconstructing the independent variable over 4- and 5-year periods and updating all TMT-level moderators accordingly. Fourth, we examined whether including shorter leave spells altered the results. Fifth, we applied an alternative treatment of outliers by using logarithmic transformations of parental leave and TMT size, and excluding firms with very large TMTs. The results of all these checks are consistent with those discussed in section "Contributions to Research."

Discussion and Conclusions

Our study empirically investigates an important and neglected topic: how parental leave taken by TMT members affects SME innovation outputs. Our findings on a sample of Swedish SMEs that responded to the CIS between 2006 and 2014 show that TMT members' parental leave does not harm innovation outputs and may even enhance them under certain conditions.

Most importantly, the impact of parental leave depends on TMT structural characteristics. Specifically, while the length of TMT members' parental leave has no impact on innovation in SMEs with large- and short-tenured TMTs, it enhances innovation outputs in SMEs with small- and long-tenured TMTs. These findings are consistent with the Upper Echelons theory and the notion that smaller TMT sizes and longer TMT tenures are associated with greater behavioral integration. In more detail, our results suggest that TMTs with greater behavioral integration can better support both TMT members who take parental leaves and their teammates in reducing role conflicts and leveraging the role enhancement benefits connected to performing multiple roles during and immediately after parental leaves. Together, these findings offer valuable theoretical contributions and carry important implications for policymakers and SME leaders navigating the intersection of organizational performance and work–family policies.

Contributions to Research

Our study makes important contributions to entrepreneurship literature and research on work–family policies and extends the Upper Echelons theory and innovation research.

First, it contributes to the family embeddedness approach to entrepreneurship (Brush et al., 2009; Jennings et al., 2010; Jennings & McDougald, 2007) by providing significant insights into the ongoing debate on whether increased commitment in the family domain "intrudes" (by creating conflicts) or "nurtures" (i.e., enhances) outputs in the business domain (cf., Eddleston & Powell, 2012). By showing that the effect of parental leave-taking on innovation outputs is contingent on the specific attributes of the TMT, our results help reconcile the conflicting perspectives offered by current theory. In more detail, our study proposes a novel perspective that considers how attributes within the business domain, such as behavioral integration within the TMT, influence the extent to which TMT

members in SMEs can effectively manage the interface between business and family domains. While prior entrepreneurship research on family embeddedness has focused primarily on individual characteristics, such as the biological sex of business owners and entrepreneurs (Eddleston & Powell, 2012), or on family attributes, such as family ties (Anderson et al., 2016), our findings highlight the importance of the intra-organizational context that enable parental leave-taking by TMT members to be conducive to higher innovation outputs in SMEs. In doing so, we also contribute to the broader literature on the work–family interface (Greenhaus & Powell, 2006), which has explored how managers' work–life issues affect organizational output (Powell et al., 2019). We offer a novel perspective by acknowledging that the work–family issues faced by managers do not occur in a vacuum but affect, and are affected by, other team members (Kossek et al., 2023b). This perspective aligns with the recent call for multilevel approaches to understanding work–family interdependencies (Powell et al., 2019), including the effects of work–life flexibility policies (Kossek et al., 2023a). Our study illustrates how the use of specific individual-level policies by TMT members, namely parental leave-taking, interacts with team dynamics, specifically behavioral integration, to influence firm-level outputs, such as SME innovation. This multilevel approach extends conventional single-level analyses and is particularly critical in SMEs, where resource constraints and lean organizational structures make TMT dynamics important for shaping organizational outcomes (Simsek et al., 2010).

Second, our study advances management and entrepreneurship research on the effects of work–family policies (i.e., policies intended to help workers balance work and family obligations). Prior studies have linked the effects of work–family policies to individual-level outcomes, showing that the availability and use of such policies have positive effects on women's business start-up (Naldi et al., 2021), greater job satisfaction, and decreased turnover intention (see, e.g. the meta-analysis by Butts et al., 2013). However, it is still unclear whether and how these effects at the individual level translate into firm-level outcomes. The few studies that have addressed this gap have produced mixed findings (Bloom et al., 2011; Meyer et al., 2001; Perry-Smith & Blum, 2000). Part of the confusion might stem from the fact that, under the umbrella term of work–family policies, research has examined a host of heterogeneous policies and practices, often managed by employers and available only in certain firms (e.g., flexible working hours, assistance with dependent care, counseling). However, much less is known about the effects of state government-managed parental leave policies, and the limited evidence on these policies has primarily examined their availability rather than their actual use by key organizational actors (Bao, 2022; Jin & Zhu, 2021). Understanding the impact of these policies is essential because they are equally directed at both parents, mothers *and* fathers. As such, they embrace previously excluded groups (fathers) (Gatrell et al., 2022) and safeguard against employer discrimination toward women of childbearing age. Our findings on the effects of parental leave-taking by key organizational actors contribute to understanding the firm-level consequences of "gender neutral" parental leave policies by showing that such leave does not undermine SME innovation outputs and can enhance them when TMTs are smaller and longer tenured.

Third, we lend support to the basic premise of Upper Echelons theory that critical firm-level outcomes, such as innovation outputs, "are partially predicted by managers' experience" (Hambrick & Mason, 1984, p. 193), especially in SMEs (Lubatkin et al., 2006). However, this theory and other theoretical perspectives that focused on TMT experiences as critical determinants of SME performance (Mayer-Haug et al., 2013) have overlooked TMT experiences at the work–family interface. Our study addresses this limitation by exploring SME innovation outputs when TMT members perform multiple roles at work

(Kahn et al., 1964) and at the work–family interface (Frone et al., 1992). In doing so, our study demonstrates the potential for research at the crossroads between the literature on work–family interfaces and the literature on managers' decision-making and actions (Powell et al., 2019). In sum, our research adds to the discourse surrounding Upper Echelons theory by showing that TMT members' experiences extend beyond the work domain, encompassing events and dynamics at the work–family interface. While traditional applications of Upper Echelons theory emphasize professional experiences, cognitive frames, and decision-making patterns shaped within organizational or educational contexts, our findings suggest that work–family dynamics play a similarly influential role in shaping TMT behavior and firm-level innovation. In addition, our findings further support the notion that behavioral integration is critical for translating TMT experiences into innovation outputs in SMEs (Lubatkin et al., 2006). Our analyses clarify that the positive relationship between the length of TMT members' parental leave and SME innovation outputs is contingent upon TMT structural attributes empirically associated with high behavioral integration, namely, small size and long tenure, which allows TMT members to engage in mutual and collective interaction (Amason et al., 2006; Hambrick, 1994, 1997; Simsek et al., 2005). Conversely, under conditions of low behavioral integration, resulting from large TMT size or short tenure, TMT members' parental leave-taking does not significantly influence innovation outputs.

Finally, our study contributes to research on innovation in SMEs. Traditional work in this domain underscores that smaller firms, despite facing constraints such as limited capital and a lack of specialists, often leverage behavioral strengths, including flexibility and motivation, to overcome their resource shortages (Freel, 2000b; Hewitt-Dundas, 2006; Nooteboom, 1994). For example, summarizing Rothwell's (1985) influential perspective, Nooteboom (1994, p. 333) wrote that "the advantages of small business are behavioral (motivation, flexibility)." Our study extends this research by showing that TMT members' parental leave, while seemingly a capacity shortfall, can spark beneficial role enhancement and foster innovation outputs in TMTs with greater potential for behavioral integration, that is, smaller- and longer-tenured TMTs. In this way, our study also illustrates the value of examining internal team dynamics alongside the more widely studied external drivers of innovation in resource-constrained SMEs (Freel, 2000a).

Limitations and Directions for Future Research

Our study has several limitations that suggest directions for future research. First, although we separately discuss the effects of the temporary replacement of TMT members on leave and TMT members' return to work after the leave period on SME innovation outputs, we cannot separate these effects in the empirical analysis. Future studies could address this limitation by collecting more fine-grained data on SME innovation activity or qualitative evidence. Although the CIS is a widely used data source in innovation studies, the 3-year interval of the CIS makes it difficult to examine relationships between parental leave and innovation outputs. Yearly innovation data would be more appropriate for investigating these relations.

Second, we focus on Sweden, an ideal context for examining the relationship between parental leave and innovation outputs in SMEs. However, the generalizability of our findings to other institutional settings remains an open question. In contexts where parental leave is less generous or less gender-neutral, differences in leave-taking patterns and in its social meaning may alter how parental leave translates into innovation outcomes.

Replicating our study in other countries would allow for an assessment of whether and how these relationships vary across institutional environments. In particular, future research could examine cross-country differences in leave-taking patterns and gender norms—for example, in settings where parental leave is shorter due to alternative work–family arrangements or where traditional gender roles discourage men's uptake. Comparing SMEs in Nordic countries, characterized by strong gender equality and supportive policies, with those in Southern European countries, where gender disparities and conventional norms remain more pronounced, would help assess whether and how national context moderates the relationships we identify.

Third, our findings suggest that smaller- and longer-tenured TMTs are better able to manage the challenges and opportunities associated with (temporary) role changes among TMT members, thereby enhancing firm innovation outputs. Future studies may explore the effects of additional sources of behavioral integration in the TMT, such as the presence of TMT members from the same family within a family firm. Moreover, this paper focused on the changes in TMT members' roles resulting from their parental leave-taking. It would be interesting to check whether SMEs are equally capable of managing the challenges associated with other sources of change in the role of TMT members (e.g., the entry or exit of TMT members or the entry of an investor into the firm's equity) and, thereby, achieve higher innovation outputs.

Fourth, our analysis is confined to CIS waves from 2004 to 2014, which may raise questions about whether the patterns we observe fully extend to today's SME environment. Over the past decade, Swedish firms have experienced a host of social and organizational changes, including deeper digitalization, the normalization of remote and hybrid work models, and changing expectations around work–life balance that could influence both TMT interactions and innovation processes. Future research should therefore seek to replicate and extend our design using more recent CIS waves or complementary datasets—ideally with annual innovation measures—to assess the robustness of our findings under these new conditions.

Fifth, this study focuses on the effect of TMT members' parental leave on innovation outputs. However, to gain a more comprehensive understanding of how parental leave affects firm-level outcomes, it would also be interesting to examine the effects of parental leave taken by TMT members on other performance indicators (e.g., growth or profitability). Additionally, exploring the effects of other employees' parental leave would be worthwhile. Finally, our study leaves unexplored whether our findings apply to other types of extended statutory leave, such as leaves taken to start a business or pursue education.

Managerial and Policy Implications

This study offers several important managerial and policy implications. Although firms do not directly bear the costs of financing paid leave, parental leave-taking may pose problems for firms, especially SMEs that have to temporarily replace workers on leave and reintegrate them upon return. Some practitioner literature even suggests that firms try to avoid hiring employees with family responsibilities and women at a fertile age because they view family demands as an ugly albatross competing for employees' time (Morris, 1997). They are concerned about the problems posed by parental leave and the possible negative repercussions on firm performance. However, our findings suggest that such concerns may be overstated. The parental leave of critical human resources, such as TMT members, does not damage SME innovation outputs. Under specific conditions, parental leave-taking by

key personnel may not only be manageable but also beneficial, potentially fostering renewal, role enhancement, and greater team commitment.

Our study also carries meaningful implications for policymakers. Paid parental leave has been defined as "the staple of the modern welfare state," concerned with supporting parental employment and child well-being and promoting gender equality (Ellingsæter, 2021, p. 999; Moss & O'Brien, 2019). Although parental leave policies are traditionally conceived for working women, many countries now guarantee parental leave for all employees, regardless of sex,[9] and many high-income countries are considering adopting or extending such policies. Nevertheless, critics argue that these policies impose substantial costs on taxpayers and firms that must bear the costs of finding temporary replacements for employees on leave and reintegrating them upon their return. By showing that TMT parental leave does not hinder innovation in SMEs, our study provides reassuring evidence that such policies need not come at the expense of firm performance. Accordingly, policymakers may be encouraged to expand or strengthen gender-neutral parental leave policies, knowing that such policies can be compatible with business performance, particularly when intra-organizational conditions (such as team integration) are favorable.

Appendix I

In this section, we present and discuss in detail the additional analyses we conducted to address endogeneity concerns, better understand our findings and assess their robustness.

Control for Endogeneity

As we mentioned in section "Econometric Estimates", to mitigate endogeneity concerns, we first conducted a Hausman test. The model in the first column of Table A1 reports the OLS regression estimates predicting *ParentalLeave*. Adding the residuals from these estimates to the main regressions revealed that the *p*-values of the coefficients of the residuals were high; thus, we could not reject the null hypothesis that *ParentalLeave* is exogenous. Then, we implemented an instrumental variable approach. We used the estimates reported in the first column of Table A1 to compute *ParentalLeavePredicted*, the predicted value of *ParentalLeave*, and re-estimated Models (b), (c), and (d) from Table 3 by replacing *ParentalLeave* with *ParentalLeavePredicted*. As we mentioned in section "Econometric Estimates", we included in these estimates to compute *ParentalLeavePredicted* two possible instrumental variables: *Contraceptive* and the *BaptismRatio*. However, the model in the first column of Table A1 indicates that only *Contraceptive* is a predictor of *ParentalLeave*. The correlation between *ParentalLeave* and its predicted value, *ParentalLeavePredicted*, is fairly high (0.44), thus supporting the strength of the instrument. In the main equations on SME innovation outputs, the coefficients of *ParentalLeavePredicted* and their interactions with the moderators are in line with those reported in Table 3, despite the lower significance. These results alleviate our concerns, indicating that endogeneity is not driving our findings.

The Effects of Taking no Parental Leave at All

The results discussed in section "Contributions to Research" indicate that the length of TMT members' parental leave enhances the innovation outputs of SMEs with small and long-tenured TMT, but one may still wonder whether taking or not parental leave at all is

Table A1. Estimates Controlling for Possible Endogeneity of *ParentalLeave*.

	DV:	DV: NewToFirm			DV: NewToMarket		
	ParentalLeave	1.b	1.c	1.d	2.b	2.c	2.d
Constant	50.710***	−2.393***	−2.045***	−2.223***	−2.402***	−2.059**	−2.168***
	(8.768)	(0.579)	(0.586)	(0.582)	(0.583)	(0.596)	(0.594)
Contraceptive	−0.039^{+}	—	—	—	—	—	—
	(0.022)						
BaptismRatio	−0.018	—	—	—	—	—	—
	(0.096)						
ParentalLeavePredicted	—	0.036*	0.032*	0.025^{+}	0.025*	0.025*	0.012
		(0.013)	(0.013)	(0.013)	(0.013)	(0.013)	(0.014)
TMTSize	3.264***	−0.090*	−0.007	−0.083*	−0.050^{+}	0.030	−0.041
	(0.280)	(0.040)	(0.049)	(0.040)	(0.041)	(0.048)	(0.042)
ParentalLeavePredicted × TMTSize	—	—	−0.002**	—	—	(0.000)	—
			(0.000)				
TMTTenure	—	0.002	0.003	−0.002	−0.002	0.002	−0.009
		(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
ParentalLeavePredicted × TMTTenure	—	—	—	0.001*	—	—	0.001***
				(0.000)			(0.000)
TMTWomenShare	31.558***	−1.097*	−0.778^{+}	−1.064**	−0.869*	−0.559	−0.811*
	(2.851)	(0.411)	(0.422)	(0.410)	(0.418)	(0.431)	(0.424)
TMTAge	−1.003***	0.024	0.014	0.022^{+}	0.019	0.010	0.016
	(0.090)	(0.013)	(0.013)	(0.013)	(0.013)	(0.014)	(0.013)
TMTEducation	0.821**	0.101***	0.106***	0.102***	0.084***	0.090***	0.087***
	(0.282)	(0.020)	(0.020)	(0.020)	(0.020)	(0.020)	(0.020)
TMTBirths	—	−0.493	−0.458	−0.407	−0.088	−0.055	0.012
		(0.362)	(0.362)	(0.361)	(0.365)	(0.365)	(0.363)
TMTChildren	−1.259^{+}	0.105**	0.095*	0.098*	0.114**	0.105**	0.106**
	(0.752)	(0.040)	(0.040)	(0.040)	(0.040)	(0.040)	(0.041)
CEOWoman	−3.179^{+}	0.114	0.080	0.122	0.069	0.035	0.076
	(1.843)	(0.079)	(0.079)	(0.079)	(0.080)	(0.080)	(0.080)

(continued)

Table A1. (continued)

	DV:	DV: NewToFirm			DV: NewToMarket		
	ParentalLeave	1.b	1.c	1.d	2.b	2.c	2.d
FirmEmployees	−2.176***	0.175***	0.129**	0.170***	0.083*	0.038	0.076^{+}
	(0.635)	(0.043)	(0.046)	(0.043)	(0.042)	(0.044)	(0.043)
FirmAge	−0.972*	0.008	−0.007	−0.000	0.019	0.005	0.009
	(0.381)	(0.026)	(0.026)	(0.026)	(0.025)	(0.025)	(0.025)
Industry and CIS wave dummies	YES	YES	YES	YES	YES	YES	YES
Log pseudolikelihood	—	−3,396.90	−3,390.60	−3,392.92	−3,509.55	−3,503.55	−3,503.38
Pseudo R2	0.192	0.127	0.128	0.128	0.076	0.078	0.078

Note. The table reports the coefficients. The robust standard errors are in parentheses. $N = 5{,}686$.
$^{+}p < .1$. $^{*}p < .05$. $^{**}p < .01$. $^{***}p < .001$.

even better. To address this concern, we built *D_ParentalLeave*, a dummy variable equal to one if *ParentalLeave* > 0, and zero otherwise. Then, we rerun the main estimates by replacing *ParentalLeave* with *D_ParentalLeave*.[10] The signs of *D_ParentalLeave* and its interaction terms are in line with those of *ParentalLeave* and its interaction terms. This suggests that opting not to take parental leave (thus, having *D_ParentalLeave* = 0) is not the best strategy for TMT members willing to enhance the innovation outputs of their SMEs.

It is important to note that in our sample, *D_ParentalLeave* equals zero for both SMEs where no TMT members were in a position to take parental leave (because they had no children or their children were already grown) and those where at least one TMT member was eligible for leave, but chose not to take it. Therefore, comparing the innovation outputs of these latter SMEs to those of the SMEs where parental leave was taken would be more appropriate to understand whether opting not to take parental leave is beneficial for SME innovation outputs. To conduct this analysis, we rerun the estimates mentioned above using a subsample of 1,835 observations. This subsample includes all the 802 observations where at least one TMT member took parental leave in the observation period, as well as an additional 1,033 observations where no TMT members took leave, despite at least one of them being eligible for parental leave because at least one birth occurred during the 3-year period. In these new estimates, the coefficients for *D_ParentalLeave* and its interactive terms share the same signs as those for *ParentalLeave* and its interaction terms, although their significance is reduced.

To sum up, these additional results indicate that choosing not to take parental leave is a misguided decision for TMT members who aim to enhance the innovation outputs of their SMEs.

Interactive Effects of TMT Size and Tenure

So far, we have separately analyzed the moderating effects of TMT size and tenure. However, it is important to consider that different combinations of TMT size and tenure are associated with different levels of TMT behavioral integration. Hence, it is worthwhile examining the simultaneous moderating effects of *TMTSize* and *TMTTenure* on the relationships between the two dependent variables and *ParentalLeave*. To do this, we ran a new model that includes the three-way interaction *ParentalLeave* × *TMTSize* × *TMTTenure* in addition to the three interacted variables, their two-way interaction terms, and the control variables.

Figures A1 and A2 illustrate the relationships between innovation output measures and *ParentalLeave* for SMEs with different TMT sizes and tenures. Specifically, Figure A1 shows the predicted probabilities of introducing new-to-firm products/services, while Figure A2 depicts the predicted probabilities of introducing new-to-market products/services. The probabilities in Figures A1a and A2a are estimated for SMEs with short-tenured TMTs (i.e., *TMTTenure* equal to 2.67, the fifth percentile of the variable distribution), whereas Figures A1b and A2b are estimated for SMEs with long-tenured TMTs (i.e., *TMTTenure* equal to 17, the 95th percentile of the variable distribution). The figures indicate that the positive relationship between the length of TMT members' parental leave and firm innovation outputs is stronger when the TMT is small- and long-tenured, that is, the highest level of TMT behavioral integration is reached. Conversely, the length of TMT members' parental leave does not affect SME innovation outputs when the TMT is either large or short-tenured, that is, TMT behavioral integration is lower.

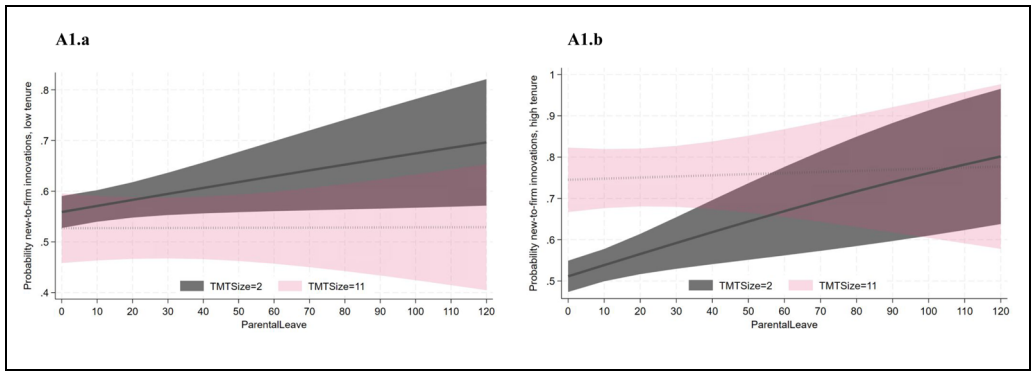

Figure A1. Predicted probabilities of introducing new-to-firm products/services for SMEs with short-tenured TMTs (a) and SMEs with long-tenured TMTs (b).

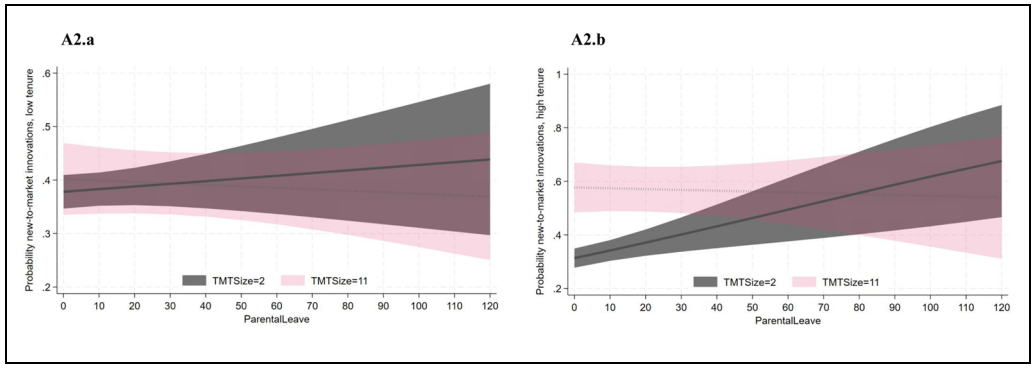

Figure A2. Predicted probabilities of introducing new-to-market products/services for SMEs with short-tenured TMTs (a) and SMEs with long-tenured TMTs (b).

In summary, this additional analysis provides further support for our prediction that TMT behavioral integration strengthens the positive relationship between the length of TMT members' parental leave and the innovation outputs of SMEs.

The Different Effects of Paternity and Maternity Leave

We calculated *ParentalLeave* by combining the days of maternity and paternity leave taken by TMT members, but the effects of maternity and paternity leave may vary. On the one hand, one may argue that our results are driven by maternity leave. As shown in section "Additional Analyses," in our sample, maternity leave is more frequent than paternity leave; out of the 802 observations where at least one TMT member took parental leave in the period under scrutiny, 503 cases (approximately 63%) involved leave taken exclusively by women. In our sample, maternity leave is also longer than paternity leave. In the SMEs where women took parental leave, the average number of days of maternity leave taken in the 3 years before the CIS has a median of 66 days, with a maximum of 1 year. In contrast, when men took parental leave, the average number of days of paternity leave in the same 3-year period has a median of 39, with a maximum of 151 days.

On the other hand, one may expect that paternity leave has stronger effects than maternity leave. As within groups, men are more likely to be perceived as leaders than women (Badura et al., 2018), male TMT members who take paternity leave may be better positioned to leverage the benefits of this leave at the firm level and enhance the innovation outputs of their firms. In contrast, female TMT members who take maternity leave may find it more challenging to positively influence the innovation outputs of their SMEs. To better understand the alleged differences between maternity and paternity leave, we conducted an additional analysis. First, we built two additional variables, *MaternityLeave* and *PaternityLeave*, calculated as the average number of days of parental leave taken by the female and male TMT members of the focal SMEs in the 3 years before the CIS, respectively.[11] Second, we rerun the main estimates by replacing *ParentalLeave* with *MaternityLeave* and *PaternityLeave*. These two new variables and their interaction terms in Models (c) and (d) were simultaneously included in the estimates. The signs of *MaternityLeave* and *PaternityLeave* and their interaction terms are in line with those of *ParentalLeave* and its interaction terms, but the effects are somewhat reduced. When *MaternityLeave* increases from an average of 0 days per year to its mean value plus one standard deviation, there is a 5% increase in the average probability of introducing new-to-firm products/services, and a 6% increase in the average probability of introducing new-to-market products/services when the TMT is small (i.e., $TMTSize = 2$). These increases are slightly smaller—both at 4%—when the TMT is long-tenured (i.e., $TMTTenure = 17$). Instead, when *PaternityLeave* increases from an average of 0 days per year to its mean value plus one standard deviation, the increases in probabilities of introducing innovations are much smaller. Specifically, for small TMTs there is a 2% increase in the average probability of introducing new-to-firm products/services, and a 3% increase in the average probability of introducing new-to-market products/services. For long-tenured TMTs, the increases are 4% and 2%, respectively.

As an additional attempt to identify possible differences in the effects of maternity and paternity leave, we estimated models including *MaternityLeave*, *PaternityLeave*, and the interaction terms $MaternityLeave \times TMTWomenShare$ and $PaternityLeave \times TMTWomenShare$. We included these interaction terms because the extent to which men and women are perceived as leaders and can, thus, impose their opinions within a TMT, may depend on the gender composition of the TMT. In particular, a man might find it easier than a woman to impose his opinion in a male-dominated TMT. If this argument held true, *TMTWomenShare* should moderate the effects of *MaternityLeave* and *PaternityLeave*. Specifically, we should find that the effect of *PaternityLeave* is stronger than the impact of *MaternityLeave* when the TMT is male-dominated, that is, the value of *TMTWomenShare* is low. However, these additional estimates reveal that the coefficients of both $MaternityLeave \times TMTWomenShare$ and $PaternityLeave \times TMTWomenShare$ are not significant at conventional confidence levels.

Overall, our additional analyses do not highlight significant differences in the effects of maternity and paternity leave. In other words, the impact of parental leave on SME innovation outputs does not seem to vary with the biological sex of the TMT members who take the leave.

Robustness Checks

As mentioned in section "Limitations and Directions for Future Research," we conducted several additional analyses to assess the robustness of our findings. To be concise, we will

not discuss the results of these estimates, as they are in line with those presented in section "Contributions to Research." Moreover, we will not report the results of the additional analyses here, but they can be requested from the authors.

First, to check the robustness of the model specification, we ran both logit and linear probability regressions. Second, as we might have also classified some line managers as top managers (see Note 5), we rebuilt the TMT-level variables using a narrower classification of TMT members, that is, considering as top managers only firms' employees in the "directors and chief executives" category of the Swedish Standard Classification of Occupations. These newly built variables replaced those included in the main estimates. As we mentioned in Note 5, in many sample firms, no employees fell into the "directors and chief executives" category; hence, the new estimates used only 4,741 observations from 2,667 firms (i.e., 83% of the sample). Third, as the time horizon for computing the measure of parental leave is questionable (see the discussion in section "Additional Analyses"), we built two alternative measures of the independent variable. *ParentalLeave2* and *ParentalLeave3* are computed for the 4 and 5 years before the CIS, respectively, to ensure that we can capture all (or, at least, most) of the parental leave that took place, while the sample SMEs were developing the new products/services introduced in the 3 years considered in the CIS. We then rerun the main estimates by replacing *ParentalLeave* with *ParentalLeave2* (*ParentalLeave3*). In these additional estimates, the moderators and the controls for the characteristics of TMT members were also computed for the four (five) years before the CIS. Fourth, we tested our results' sensitivity to changes in the minimum number of leave days per year considered in computing *ParentalLeave*. As we explained in Note 6, *ParentalLeave* was built considering only parental leaves longer than 90 days per year because our theoretical arguments rely on the assumption that the temporary absence of the TMT member on leave is not very short. However, we also built an alternative measure of parental leave considering leaves between 60 and 90 days per year, and we ran new estimates replacing *ParentalLeave* with this new variable. Fifth, we used an alternative approach to managing outliers. As we mentioned earlier[7], we rerun the main estimates by replacing *ParentalLeave* with the logarithm of the average number of days of parental leave taken by the focal SME's TMT members during the period under scrutiny. We also replaced *TMTSize* with the logarithm of the average number of TMT members in the observation period. Finally, we excluded SMEs with 15 or more TMT members from the sample and reran the main estimates using the remaining 5,501 observations.

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Notes

1. Parental leave is a period of time that parents are legally allowed to take off from work to care for their newborn (or newly adopted) children. This leave is intended to help families bond with their children and manage the early stages of parenting. Parental leave can be taken by either parent, thus encompassing maternity leave (taken by newborns' mothers) and paternity leave (taken by newborns' fathers). The specifics of parental leave, such as duration and pay, can vary depending on the country and employer policies.
2. Research has shown that parental leave promotes newborn health (Berger et al., 2005) and is associated with lower mortality rates among infants and young children (Heymann et al., 2011). Moreover, it improves parents' physical and mental health (Chatterji & Markowitz, 2008) and increases their propensity to return to work after childbirth (Berger et al., 2005). Parental leave thereby has a positive effect on the economy overall through increased labor force participation (Ruhm, 1998) and reduced spending on public assistance (Houser & Vartanian, 2012).
3. The first 390 days are remunerated at 80% of salary, with a salary cap of approximately USD $50,000. Many employers pay the difference between 80% and 90%, irrespective of income level, guaranteeing that parental leave remuneration covers a substantial part of salary (Naldi et al., 2021).
4. The obligation to answer CIS applies according to the Statistics Sweden (2019, p. 99), since the survey is included in Sweden's official statistics. Full methodological details for each wave, including sampling, coverage, and response rates, are documented in SCB's CIS Quality Declaration ("Kvalitetsdeklaration") and are available at www.scb.se.
5. To identify TMT members, we used the Swedish Standard Classification of Occupations. Clearly, sample firms' employees in the "directors and chief executives" category are to be considered TMT members. However, as in many sample firms, no employees were in this category, and we also classified as top managers sample firms' employees in the following categories: production and operations managers; finance and administration managers; personnel and industrial relations managers; sales and marketing managers; advertising and public relations managers; supply and distribution managers; computing service managers; research and development managers; managers of small enterprises in agriculture, hunting, forestry, and fishing; managers of small enterprises in manufacturing; managers of small enterprises in construction; managers of small enterprises in wholesale and retail trade, hotels and restaurants, transport, and communications; managers of small enterprises in business services enterprises; managers of small enterprises in public administration; managers of small enterprises in education; and managers of small enterprises in health and social work. We are aware that considering this long list of categories might lead us to classify some line managers as top managers. Thus, to check the robustness of our results, we rerun the estimates including in the TMT only the "directors and chief executives" (for details, see section "Limitations and Directions for Future Research").
6. Since our theoretical arguments have been developed assuming that the temporary absence of any TMT member on parental leave cannot be very short (i.e., at least some weeks/months), in computing *ParentalLeave*, *ParentalLeave2* and *ParentalLeave3*, we considered only parental leaves longer than 90 days per year to maximize the probability that a TMT member's number of consecutive days of leave was sufficiently high to capture the effects discussed in section "Method." Our data on TMT members in sample SMEs indeed indicate that many top managers frequently took very few days of parental leave per year (the median number of days of parental leave taken by the top managers in the sample is 17). Moreover, as we have no information about the distribution over time of the days of parental leave, we cannot exclude that these few days of leave are spread across the year.
7. As an alternative approach to managing outliers, we rerun the estimates of the models reported in the following section by replacing *ParentalLeave* with the logarithm of the average number of days of parental leave taken by the focal SME's TMT members in the period under scrutiny. The results of these estimates do not differ from those reported in the following.

8. *Contraceptive* might negatively influence *ParentalLeave* because, as contraceptive use in an area increases, the average likelihood of pregnancies among residents should decrease, thereby reducing the likelihood of residents taking (long periods of) parental leave. Conversely, *BaptismRatio* may positively influence *ParentalLeave*. Areas with higher baptism rates may have stronger cultural or religious values that emphasize family and child-rearing. These values might encourage parents to take longer parental leaves to spend more time with their newborns.
9. Some countries, such as the Nordic ones, have introduced a "father's quota," that is, they reserve part of the parental leave for the father (in combination with the mother's quota; Duvander et al., 2019). In addition, several countries increasingly acknowledge the importance of making parental leave available for both parents, to allow for greater equality in caring responsibilities. A demonstration of this can be found in the Council of the European Union's 2019 adoption of the Directive on Work–Life Balance for Parents and Carers, with an individual right to 4 months of paid parental leave, from which 2 months are nontransferable between the parents (Ellingsæter, 2021).
10. For the sake of synthesis, the results of these estimates and those presented in the following pages are not reported. They are available from the authors upon request.
11. The outliers were transformed by winzorizing the highest 2% of values of both *MaternityLeave* and *PaternityLeave*.

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