

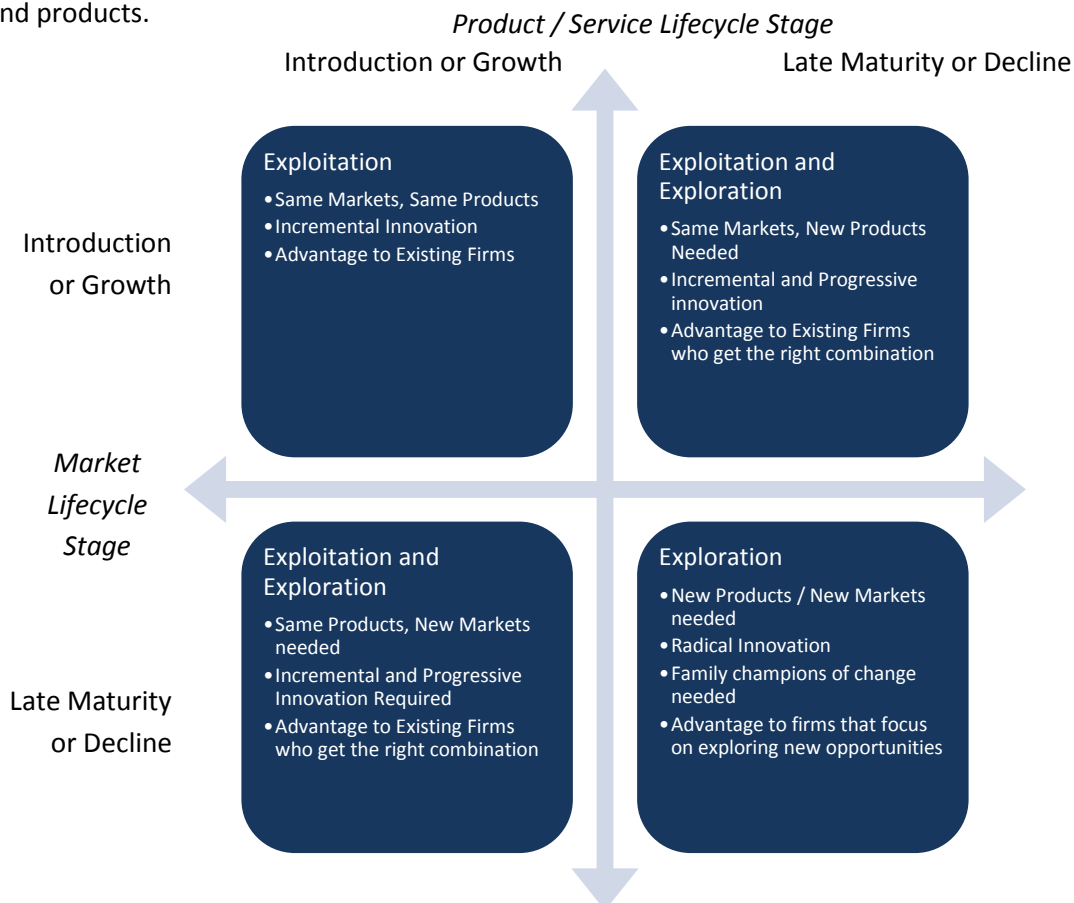
# Commentary: Exploiting and Exploring New Opportunities Over Life Cycle Stages of Family Firms

- *Sharma, Pramodita and Salvato, Carlo*

Family firms have had varying levels of success when it comes to exploring new opportunities or exploiting opportunities that are already discovered. Researchers have been intrigued to know as to what enables some family firms to have an extraordinary deftness in innovating in a sustainable manner across generations despite changes in their operating environment. At the same time there are many examples where family firms have lost the initial success achieved through innovation after the demise of the founder or due to environmental fluctuations.

Pramodita Sharma (Professor at the University of Vermont, USA) and Carlo Salvato (Associate Professor at Bocconi University, Italy) studied this phenomenon and published their findings recently. The authors have argued that family business firms vary in their capabilities and realize success in utilizing opportunities in closely related as well as distant businesses. Though family firms stand to gain if they explore opportunities close to their existing businesses, the authors argue that if family firms pursue innovation at multiple levels, they can ensure long-term survival and performance advantages.

Incremental and progressive innovations bank upon the tacit knowledge of the firm to exploit already discovered opportunities. Alternatively, radical innovations help create new value by exploring new markets and products.



In the early stages of the family firm's life cycle it makes sense to exploit the potential of the firm's current markets and products using incremental innovation. When products or markets traverse through maturity or decline stages then it is advisable to have mix of incremental and progressive innovations to fully exploit market opportunities. However, these opportunities die down with passage of time and it is important on part of family business firms to continuously keep investing in radical innovations that promise long-term success to the firm in new markets or product categories. Family members who have power of influence, are forward looking and courageous, use a judicious mix of family and nonfamily knowledge resources to advance innovations in their firms.

The authors suggest that family firms that concurrently engage in multiple levels of innovation—incremental, progressive, and radical—are likely to enjoy sustainable performance advantages across generations. To achieve this, a strategic split of innovation responsibilities between family and nonfamily professionals is likely to be effective, depending upon the firm's life cycle and size. On part of family firm's management, analytical thinking is essential to ensure exploitation of already discovered or created opportunities and exploration of new ones as the firm journeys through the product/market life cycles.

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