

Stimulating Innovation in Family Business Firms

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Innovation has been recognized as one of the most prominent and effective driving forces for sustaining business success. Innovation is transforming ideas into beneficial results. Unfortunately, it is largely ignored in many of the family owned enterprises.

Insufficient attention to innovation is one of the reasons due to which many family businesses fail in their evolution from one generation to the next. Innovation in their business, industry and marketplace is often missed by managements fixated at the olden methods of conducting business activities. Though innovation drives the initial years of the family business, the subsequent generations often develop a tendency to become “custodians” rather than innovators.

In order to scale new heights of business growth, profits and to achieve sustainability, family owned businesses must strike a balance between traditions and innovation. Family businesses need to institutionalize internal mechanisms that help it overcome the tendencies of becoming risk-averse as the business matures from one generation to the other.

Family owned companies must make innovation a part of their organisation’s culture. It is imperative on part of the management of family businesses to give proper attention, support and funding to make innovation a core competency of their business. Mere generation of ideas, if not implemented, has no impact on the business. Bringing new ideas to market requires making internal changes and adapting to external realities. Family business owners need to embrace the uncertainties that innovation brings along because the costs of ‘not changing’ are very high. Innovation is a process not an event; therefore it will take time and effort to evolve in the direction desired by the business leadership.

Institutionalising a ***culture of innovation*** in the family business requires sustained efforts on three important aspects of the business –

- a. ***Shared Values and Leadership Skills*** – Promoting the values of openness, purpose, resolve, integrity and composure are vital. The leadership must encourage creativity, collaboration and freedom to challenge business wisdom – to spark and sustain the innovation process.
- b. ***Supportive Structure and Processes*** – As teams transform their ideas to innovations their thinking must be guided by a structured approach that helps them keep the business vision and objectives in perspective. Organisational processes to channelize the ideas to fruition must be developed and communicated.
- c. ***Facilitating Environment*** - There will be forces within the organisation that will either facilitate or hinder innovation. It is the responsibility of family leadership to bring alignment among - People, Structure, Processes and Technology – to enable innovation in a sustainable manner.

In summary, the capability to innovate is affected by who we are (Shared Values and Leadership Skills), what and how we do (Structure and Processes) and the context in which we work (Environment). A family business will be successful in implanting a culture of innovation when it integrates these three components.