

## Strategic innovation and new product development in family firms - an empirically grounded theoretical framework

— *Lucio Cassia, Alfredo De Massis and Emanuele Pizzurno*

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Organisation structure has a strong influence on how businesses approach the issues of innovation and new product development. Family run businesses have often been ignored in innovation studies. Lucio Cassia, Alfredo De Massis and Emanuele Pizzurno attempted to address this gap in their research work. They studied how family ownership influences the innovation activities of a business.

**New Product Development - The Drivers of Success:** New Product Development (NPD) is a risky affair that has high failure rates. Success of an innovation often remains uncertain, therefore, businesses need to have a new product development strategy and build organisational capabilities, culture and leadership to sustain innovation. The authors suggest that the following factors play an important role in making innovations successful -

- i) A well-communicated and well-defined NPD strategy with clear objectives, strategic focus and long-term perspective.
- ii) Effective implementation at each phase of the NPD process.
- iii) Continuous evaluation of the NPD process.
- iv) Market orientation and research to identify customer needs,
- v) Creation of cross-functional project team that includes talent and expertise from across the organisation.
- vi) Having a strong project leader with the right credentials.
- vii) An organizational culture that supports innovation, risk taking and entrepreneurial spirit.
- viii) A methodical approach for identifying new ideas.
- ix) New-idea champions - spread across the organization, and
- x) Support of senior management in promotion of NPD and resource allocation.

Firms that are able to undertake these measures and orient themselves towards acceptance of constant change, become successful innovators. Innovation sustained over time helps these firms gain a competitive advantage.

**Distinctiveness of Family Firms:** Family firms differ from non-family firms in their management style. They place more emphasis on family oriented values and goals. The authors suggest that Family firms are distinctive on the following counts –

- i) Family firms are managed with a longer-term perspective of sustaining the business across generations.

- ii) Stability is valued, therefore, family firms tend to be conservative and risk-averse.
- iii) Human resource practices of family firms are not well defined and are often aimed at protecting family interest. Overstaffing is a common problem in family firms.
- iv) Workforce commitment and motivation are higher in family firms due to shared goals and values.
- v) Family firms develop an insular mindset that limits their interaction with external environment.
- vi) Name and reputation are crucial for family firms.

Thus, the traditional view of family firms suggests that they are averse to significant risks and change. Tried and trusted ways are favoured and therefore it is unlikely that family firms would come up with disruptive innovations. The traditional view of family firms suggests that any changes that they undertake could only result in incremental improvements in products.

**Family ownership and its impact on Innovation:** Family ownership can in fact become a strength when it comes to innovation and new product development. Family ownership can positively influence innovation in the following ways -

- i) Long-term orientation of family firms becomes crucial for sustained innovation efforts.
- ii) Overstaffing may help ensure availability of adequate human resource required for innovation.
- iii) Family members often take charge of innovations that ensures high levels of commitment and motivation.
- iv) Performance monitoring in family firms improves efficiency standards of NPD programs.
- v) Concern for reputation ensures that family firms make more efforts to understand customer needs to arrive at better products.

However, family ties can also have some negative influence on innovation such as –

- i) Risk aversion and conservative mindset adversely affect innovation in family firms.
- ii) Insular approach to external environment prevents them from partnering with external entities and limits the scope of innovation.
- iii) Conservatism limits innovation in family firms to incremental changes. Possibility of radical innovation is lower.
- iv) Conflict among family members adversely affects innovation activities.

**Managerial Implications** - Family firms need to recognize the need to adopt changes and become open to radical innovations. They must strike the right balance between the family goals of stability and conservatism on one hand and change and innovation on the other. Family firms need to improve their innovation capabilities to help them achieve future profit, growth and sustainability in an ever-intensifying competitive environment.