

A 10-Year Longitudinal Investigation of Strategy, Systems, and Environment on Innovation in Family Firms

— Justin Craig and Ken Moores

It is often assumed that family firms and innovation are weakly linked to each other. Family firms are seen as slow to adopt change because they are more cautious of charting out a course other than the tried and tested ways of doing business. Justin Craig and Ken Moore conducted a long term research study of innovation in family firms to improve upon the existing understanding on this front. This was required because innovation research so far had largely ignored the family owned firms.

Research study and its methodology: This study examined 67 established Australian family firms at two points of time with an interval of 10 years i.e. 1991 and 2001. The research study aimed to seek answers to two specific questions -

- 1) What was the relationship between competitive environment, firm structure, information acquisition systems and innovation in established family firms? *and*
- 2) How does this change over time?

The first part of the study was conducted in 1991 when the researchers conducted a questionnaire survey and collected information on areas that included competitive environment, strategies, innovation, structure, information acquisition and lifestyle stage of the firms. In the second phase, the same questionnaire survey was conducted again in 2001, with the same firms.

Findings: The study came up with pretty interesting findings that contributed to the existing understanding of innovations in family owned businesses. These are listed below –

- Innovation was found to be related to the life stage of the firm. Younger family firms were found to be more innovative.
- Innovation was considered important not only in high-tech or high-growth firms but also in the family firms that were in traditional industries.
- Techno-economic uncertainty was positively related with innovation at family firms.
- The scope of business information and the speed at which that information was obtained were found to have a positive effect on innovation in family firms.

- Organisational structure was found to be related with innovation at family firms. Less formality and greater decentralization were positively related to innovation at family firms.

Conclusion: Contrary to common perception the research established that family firms placed substantial importance on innovation practices and strategy. Family firms appeared to better manage and adjust to innovative strategy. The findings were found to be consistent over time, thus emphasising greater validity. The findings suggested that linkages between established family firms and innovation were substantially stronger that was commonly assumed.

Source: Family Business Review, 2006, Vol. 19, No. 1, Pgs. 1-10.