



Innovation family style

DAVID HARLAND EXPLORES THE BENEFITS TO BE GAINED BY INFUSING A SHOT OF INNOVATION INTO FAMILY BUSINESS PRACTICES

Innovation is a key component of entrepreneurialism and success in the business world. Innovative businesses have transformed industries and changed the way the world works. However, it is a fickle, risky thing, and over time, many businesses avoid the risks of innovation to focus on established products and services.

Research shows that it can be difficult to keep innovating through multiple generations of a family business. Although risk-taking and innovation are shown to have concrete financial benefits, many family firms move away from the entrepreneurialism of their founders and become risk-averse. Later generations may tend to consider themselves stewards of family wealth, rather than innovators.

Factors leading to risk-avoidance and lack of innovation can be; a desire to preserve family wealth, a strong belief in the family's "traditional" ways and a lack of connectedness to current trends and technology. Unfortunately, one of the main reasons that businesses can fail is a failure to innovate. Successful multi-generation businesses excel at the delicate balancing act of maintaining family traditions while embracing invention.

INNOVATIVE BUSINESS CULTURES

According to Andrew Papageorge, a business innovation consultant, many businesses are actively developing innovation programs, as well as partnering with academic institutions and non-profit organizations, to benefit from breakthroughs in technology and processes. He believes that there are several factors that innovative family businesses have in common.

Firm values: Family businesses with a culture of openness and transparency tend to be more innovative. Firms who tightly control information flow and reject outside influence may be robbing themselves of opportunities for advancement. Creativity in strategy and business operations, and a collaborative leadership structure (rather than an authoritative one), can help establish and sustain an innovative business culture.

Structured innovation process: Great innovations can spring from the most unlikely of places; however, a structured approach to turning basic ideas into innovation is the most effective. Successful firms employ a variety of methods to generate ideas: brainstorming sessions, strategy meetings, or bringing in consultants.

Supportive environment: Every organisation has competing forces that will either enable or inhibit innovation. Aligning these forces — employees, management, structure, processes, and technology — to support rather than constrain is the responsibility of the leadership. As with any successful change, it is critical to achieve buy-in at all levels of the company.

BUILDING INNOVATION INTO A FAMILY BUSINESS

Family businesses can encourage innovation by building a culture that supports them. According to Don Schwerzler, an expert in the field of family business dynamics, firms seeking to build an innovative culture should take the following steps:

- Make a public commitment to

innovation: It is not uncommon for business leaders to pay lip-service to an idea without following through. Commit to innovation by building it into your firm's mission statement and philosophy. Making this commitment public to your employees, customers, and business partners jump-starts the change in business culture you wish to see.

- **Embrace the risks:** Innovation requires risk-taking. Not every new idea will be successful; in fact, it is virtually guaranteed that at least a few of your ideas will fail. A thorough understanding of the costs and risks involved ensures you never commit more than you can afford to lose.

- **Encourage creative thinking and idea generation:** Encourage creativity in all aspects of firm operations from strategy to customer service, and at all levels of the business. Allow time for employees to brainstorm and establish a clear submission, evaluation, and development process for new ideas.

- **Connect innovation to business needs:** By connecting an innovation program directly to the firm's short and long term business requirements, a family business leader shows innovation is important. Directing attention to specific revenue-generating projects guides the idea-generation process, leading to tangible improvements.

- **Encourage innovation during succession planning:** Innovation is critical to the future success of your family business and it is important to get the next generation involved as soon as possible. Younger family members may be more adept at introducing new technology and staying abreast of current and future industry trends. ■