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Unlocking innovation potential: A typology of family business innovation postures and the critical role of the family system

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ABSTRACT

How can family firms unlock their innovation potential? Despite the recent growth in research on family business innovation, existing literature has yielded controversial findings. Family firms are recognized as more conservative and steadfast to their tradition, however many of the most innovative firms worldwide are family businesses. This points to an apparent willingness-ability paradox in family business innovation. Drawing on family business innovation and family systems literature, we argue that family characteristics are an important yet overlooked driver of this paradoxical tension. We develop the construct of family business innovation *posture,* and identify a typology of four ideal types: *Seasoner, Re-enactor, Digger,* and *Adventurer.* Furthermore, we explore and illustrate with empirical data the necessary *fit* between the family business innovation posture and family-related dimensions to resolve the willingness-ability paradox. The article examines the implications of the typology for family business innovation research by exploring the effects of intra-family succession, outlining important directions for future research aimed at advancing current understanding of the role of the family in family business innovation, and providing practical insights for family business owners, managers, and consultants.

1. Introduction

Family firms are often stigmatized as conservative and steadfast to their tradition for generations yet represent a large portion of the world's most innovative firms (Kammerlander & Van Essen, 2017). Innovation is widely acknowledged as a key driver of growth for organizations and economies (Garud, Tuertscher, & Van de Ven, 2013). Moreover, a growing body of research emphasizes the importance of innovation for the long-term sustainability of family firms (e.g. De Massis, Frattini, & Lichtenthaler, 2013; Röd, 2016; Urbinati, Franzò, De Massis, & Frattini, 2017). These studies collectively show remarkable differences in innovation between family and non-family business. For example, compared to non-family firms, family firms may take longer to decide whether to implement a discontinuous technology, but once they decide, do so quicker (König, Kammerlander, & Enders, 2013). Likewise, research shows that risk-aversion, parsimony, wealth concentration, and higher decision-making power lead family businesses to invest fewer resources in innovation compared to non-family firms, but at the same time, are more efficient in transforming these inputs into innovative outputs, especially when the family not only owns but also leads the company (Duran, Kammerlander, Van Essen, & Zellweger, 2016), suggesting a strong imprinting effect of the family on innovation.

Although research shows that family businesses innovate differently from non-family firms, researchers are still puzzled by the sources of this difference. In a recent study, Chrisman, Chua, De Massis, Frattini, and Wright (2015) argue that family firms innovate less despite being more able to do so, pointing to a "willingness-ability paradox" in family business innovation. Family businesses need to understand how to resolve this innovation paradox to unlock their potential. Unfortunately, family business innovation research has so far focused largely on the firm side, thereby overlooking the important and heterogeneous effects of the family on family business innovation (De Massis, Di Minin, & Frattini, 2015). Recently, several calls have been made to further integrate family systems theory and family-related dimensions to explain family firms' distinctive innovative behaviors and unveil the underlying mechanisms (Jaskiewicz & Dyer, 2017; Jaskiewicz, Combs, Shanine, & Kacmar, 2017). To address this gap and provide new insights on the role of the family in family business innovation, our study addresses the following research question: *What is the role of the family system in helping the family firm resolve the willingness-ability paradox and unlock its innovation potential?*

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We focus on the construct of *family firm innovation posture*, defined as the strategic orientation the owning family imprints on the family business, shaping the firm's innovation climate, philosophy, and practices. By examining the variety of family business innovation postures in relation to different levels of risk-taking propensity and attachment to tradition, we develop a typology of four ideal types: *Seasoner, Re-Enactor, Digger,* and *Adventurer*. By integrating this typology with family systems theory, we argue that attaining a fit between the family business innovation posture and the family-related dimensions can help family firms resolve the willingness-ability paradox and enable their innovation potential. Specifically, we focus our analysis on two family-related dimensions: *family cohesion* and *family goal diversity*. Family cohesion stems from "emotional bonding that family members have towards one another" (Olson, 2000: 145). Family goal diversity instead refers to "the width of the range of organizational goals actively pursued by members of a family business" (Kotlar & De Massis, 2013: 1274). Building on our theorization and empirical evidence obtained from family business consultants and illustrative examples, we identify the ideal configurations of risk-taking propensity, tradition attachment, family cohesion, and family goal diversity that are most likely to enable family firms to address the willingness-ability paradox. Finally, our analysis highlights the opportunity that intra-family succession offers to modify these dimensions and unlock their innovation potential.

This study makes three main contributions. First, by introducing the new family business innovation posture construct and developing the related typology, we contribute to innovation literature by identifying four *equifinal* family business orientations toward innovation in relation to two important but thus far disjointed dimensions in family business innovation literature: risk-taking propensity and tradition attachment. In so doing, we extend existing research on family business innovation by clarifying family firms' heterogeneous orientations toward innovation, taking into account the role of the family. Second, we address recent calls to examine family systems for an enhanced understanding of family business behavior. Specifically, we delve deeper into the family heterogeneity dimensions and provide new insights on the influence of two key family-related dimensions (family goal diversity and family cohesion) on family business innovation. Third, our analysis identifies conditions of fit between the family system and the family business innovation posture, and clarifies the role of family-related mechanisms to resolve the aforementioned willingness-ability paradox with crucial insights to reconcile and better interpret the conflicting findings of prior research.

In the next section, we provide an overview of research on family business innovation, pointing out crucial aspects that deserve further attention. This is followed by a brief description of our methodological approach. We then introduce our construct and typology of family business innovation posture. Thereafter, we explore the family-related dimensions of cohesion and goal diversity, and examine the necessary fit between the family business innovation posture and family-related dimensions to resolve the willingness-ability paradox. We discuss the calibration effect that succession can play in unlocking the family business innovation potential. Finally, we outline the study's implications, limitations, and future research directions.

2. Innovation in family business

Innovation, defined as the set of activities through which a firm conceives, designs, manufactures, and introduces new products, services, processes, or business models (Freeman, 1976), is key driver of competitive advantage and superior firm performance (Blundell, Griffith, & Van Reenen, 1999; Calantone, Chan, & Cui, 2006). Although innovation is arguably critical for family firms to renew their competitive advantage and sustain performance over the long run, family businesses are often portrayed as conservative and reluctant to innovate (Duran et al., 2016), as well as more path-dependent than non-family firms (Economist, 2009). However, these views are in contrast with the fact that over 50% of the most innovative firms in Europe are controlled by families (Forbes, 2014). Due to this ambiguous empirical evidence, scholars have paid increasing attention to understanding the reasons for this controversy, clarifying the links between innovation inputs and outputs in family firms, and explaining the impact of family involvement on innovation activities (see De Massis et al. (2013) and Röd (2016) for recent systematic reviews).

The long-term orientation of family owners would suggest they have a greater incentive to invest more resources in innovation, yet the findings indicate that due to risk aversion and potentially higher agency costs that lead to inner family conflicts, they invest less in research and development (e.g. Chrisman & Patel, 2012; Gomez-Mejia et al., 2014). However, family firms can be more efficient in converting innovation inputs into innovation outputs, sometimes leading to even higher innovation outputs than non-family firms (Duran et al., 2016). Researchers propose and provide evidence that family firms invest less in innovation but perform better, or innovate more with less (De Massis, Audretsch, Uhlaner, & Kammerlander, 2017; Duran et al., 2016). Therefore, focusing only on either the innovation inputs or outputs prevents a fine-grained understanding of family business innovation and particularly the unique innovative behavior of family firms (Patel & Chrisman, 2014).

For these reasons, growing research attention has been dedicated to innovation activities, insofar as showing that family firms benefit from more flexible structures and decision-making (Craig & Dibrell, 2006; De Massis, Frattini, Kotlar, Petruzzelli, & Wright, 2016), less formalized processes (De Massis, Frattini, Pizzurno, & Cassia, 2015), implementing idiosyncratic resource bundling processes (Carnes & Ireland, 2013), and rarely relying on external collaborations (Kotlar, De Massis, Frattini, Bianchi, & Fang, 2013; Nieto, Santamaria, & Fernandez, 2015). Examining discontinuous technology adoption, König et al. (2013) suggest that control goals and intra-family succession create greater challenges for family firms in relation to embracing the risk of adopting a discontinuous technology. However, once family firms overcome such barriers, they also benefit from faster adoption with greater flexibility, stamina, and investments over long periods of time (König et al., 2013).

In sum, prior research shows that innovation in the context of family business occurs in a different and distinctive way. However, literature thus far mainly focuses on the business side of the family firm, overlooking the role of the family system in family business innovation.

3. The willingness-ability paradox in family business innovation

Family business innovation literature has primarily examined firm-level drivers of innovation, whereas the role of the family system has only been scarcely investigated. This, in turn, has limited our current understanding of how family aspects may affect the family-oriented particularistic behavior of family firms (De Massis, Kotlar, Chua, & Chrisman, 2014). Two necessary but individually insufficient conditions are required for family-oriented particularistic behavior: ability and willingness (De Massis et al., 2014). Ability is defined as "the discretion of the family to direct, allocate, add to or dispose of a firm's resources" (De Massis et al., 2014: 6), and emerges from family involvement in the firm's ownership, governance and management, including latitude in choosing from among a range of structural, strategic, and tactical options. Willingness is the "favorable disposition of the involved family to engage in distinctive behavior" (De Massis et al., 2014: 347), and drives the owner to lead the firm in a distinctive direction that reflects the family's goals.

Stemming from these sufficiency conditions, scholars suggest that innovation in family business is characterized by the "willingness-ability paradox" whereby family firms are less inclined to innovate (willingness) although they could (ability) innovate more than their non-family counterparts (Chrisman, Chua et al., 2015; De Massis et al., 2014). Their higher ability to innovate is shaped by their long-term orientation, tacit knowledge, and long-term leader tenure (Röd, 2016).