SUSTAINING INNOVATION IN FAMILY BUSINESSES: A BUSINESS HISTORY PERSPECTIVE (SUMMARY)

Carole Howorth  
Lancaster University, c.howorth@lancaster.ac.uk

Mary Rose  
Lancaster University

Eleanor Hamilton  
Lancaster University

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SUMMARY

SUSTAINING INNOVATION IN FAMILY BUSINESSES: A BUSINESS HISTORY PERSPECTIVE

Carole Howorth, Lancaster University, United Kingdom
Mary Rose, Lancaster University, United Kingdom
Eleanor Hamilton, Lancaster University, United Kingdom

Principal Topic

Innovation is crucial to the development and long-term survival of firms. Many of the longest surviving firms are family owned or controlled and have prospered for many generations. The interplay between continuities of past and the need for change lie at the heart of family business. Succession has the potential for change and regeneration of the firm. Decisions to innovate and change are every bit as entrepreneurial as the original decision to found the business. Discontinuity and difference are as much a part of succession as continuity.

This study examines how some family firms maintain high levels of innovation across generations. It takes a business history perspective to examine the path dependency of innovation in individual family firms. The family firm is embedded within a particular array of values, attitudes, laws and business practices, which vary precisely because of being moulded by differing historical experience. Shared family experience leads to shared understandings and perceptions which shape the evolution of the firm. History matters in the change and innovation process, as it affects choices and informs development. Without an understanding of history, the variation in capabilities and peculiarities of family firms is hard to appreciate.

Method

Case histories of successful long-standing family businesses were analysed. Cases were at least second generation family business, more than 250 employees, with evidence of continuing innovation and expansion. Analysis drew on a variety of historical sources. Analysis was of individual case histories and then comparisons across cases to draw out themes and patterns.

Results and Implications

Discontinuous thinking is an important factor for innovation. In family (and other) businesses intergenerational transfer can provide disruptive knowledge that stimulates innovation. The sharing of new ideas can prevent lock in and inertia because innovation is a social as well as an evolutionary process. Alternatively, a lack of entrepreneurial orientation in new generations and an inward looking culture overlooked by the lengthening shadow of the founder can lead to risk averse strategies that stifle innovation.

Patterns of innovation across the generations are identified. The relative value of incremental versus radical innovation is highlighted. The paper highlights that innovation occurs within a broad context and is path dependent.

CONTACT: Carole Howorth; c.howorth@lancaster.ac.uk; (T): +44 1524 594847; IEED, Lancaster University Management School, Lancaster, LA1 4YX, UK.