A CLOSER EXAMINATION OF INNOVATION AND VALUE CREATION IN FAMILY FIRMS: THE ROLE OF VALUES

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Recommended Citation
Available at: https://digitalknowledge.babson.edu/fer/vol35/iss13/10

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Principal Topic

A central tenant of a firm’s value-creating mission involves the ability to innovate (Drucker, 1985). Extant innovation literature focuses predominately on technology as a form of innovation, and often does not explicitly relate innovation to customer value. However, more recently scholars have begun to recognize the need of focusing on the value created by innovation. To demonstrate, Chen and Sawhney (2011) propose four dimensions of innovation for firms - offering-oriented innovation, customer-oriented innovation, operations-oriented innovation, and partner-oriented innovation, and twelve types - product, platform, solution, customer need, interface, communication, value capture, management, process, supply chain, channel, and ecosystem (also, see Wolcott and Lippitz, 2009). They argue that innovation should be driven by the purpose - creating customer value, rather than the means, e.g. technology.

The evolutionary view of business emphasizes that a firm’s purpose evolves over time, which ultimately involves a higher level of consciousness, seeking more than just maximization of productivity and profits (Nelson and Winter, 1977). In the family business context, a greater level of complexity exists as the firm and the family evolve concurrently. Increasingly, family values are seen as pivotal to driving the firm’s long-term value creation.

To examine this complexity, in this exploratory research we enlist Chen and Sawhney’s 12-dimension innovation framework to establish business innovation, and the Rokeach Value Survey (RVS) (Rokeach, 1973; also, see Tomczyk, Lee, and Winslow, 2013) to assess family values. We examine the research question: In family firms, is there a difference between how innovation is perceived by, and manifests in family versus non-family decision-makers, and specifically, how do values impact this process?

Method

Using an in-depth multiple case study approach, 5 Irish case studies are examined. The following criteria were used to distinguish family firms: (1) 50 percent or more of ordinary voting shares are owned by members of the family, related by blood or marriage; (2) 50 percent or more of the management team is drawn from the largest family group who owns the company; and (3) the company is perceived by the chief executive to be a family business.

In-depth interviews were carried out with family and non-family executives and board members active in the firms, representing multiple industries, departments, and generations. To triangulate the data, secondary sources were also utilized websites, annual reports, press articles etc. were also collected. The empirical material was coded and analyzed using established techniques for qualitative research. In order to increase the reliability of the coding and ensure diverging perspectives, the research team is comprised of four members who specialize in the area of entrepreneurship in family business: two PhD students, an assistant professor, and an associate professor. The steps of analysis are done independently by two members, who iteratively meet to compare their individual interpretations, with discrepancies reviewed collectively with the other two members. The material was analyzed using a traditional content analysis method, applying Chen and Sawhney’s dimensions of innovation and the RVS to identify emergent attributes between the family and non-family decision-makers.

Results and Implications

By contextualizing Chen and Sawhney’s value-based view of innovation and the RVS value measurement instrument in family firms, we expand the current understanding of innovation, and importantly, move to a better appreciation of how values potentially affect the value-creation process.

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