

Innovation through tradition

Family versus non-family firms

In January 2017 Derek Filippo graduated from the Tilburg School of Economics and Management at Tilburg University. Derek followed the MSc Strategic Management and wrote his master thesis in the area of family firms. The following text is a summary of the MSc thesis.

The thesis researched how the use of past knowledge has effect on innovation performance within firms. The research focused on two aspects of product innovation. First of all, the relationship between past knowledge usage and new product introductions was examined. Secondly, the relationship between past knowledge usage and the return on innovation investment was analyzed. Lastly, this thesis looked at how family firms differ from non-family firms in the two relationships. The overall research question was: *“How does past knowledge affect product innovation performance, and how does this differ between family owned firms and non-family owned firms?”*

Based on literature a conceptual model is developed and proposes a curvilinear relationship between past knowledge usage and both new product introductions and return on innovation investment. This would mean that a balance between the use of past knowledge and newly gathered knowledge would create the optimal production innovation performance. Furthermore, family firms are characterized by their specific culture, in which a focus on innovation, commitment, engagement and risk evasion is deemed important. Family firms were therefore expected to experience these two relationships in an amplified way.

Based on a sample of 592 European firms results show that a curvilinear relationship exists between past knowledge usage and new product introductions. This indicates the importance of a balance between the use of past knowledge and newly gathered knowledge if a firm wants to introduce new products as fast as possible. However, no significant relationship was found between past knowledge usage and return on innovation investment. Family firms were also not found to have an amplifying effect on these two relationships, but an unexpected direct and positive relationship was found between family firms and new product introductions. Although future research will need to confirm this result and elaborate further on it, this could indicate a competitive advantage for family firms due to their R&D processes.

If you are interested in the master thesis you can contact the Tilburg Institute of Family Firms via tifb@tilburguniversity.edu and request the pdf file.