

SUCCESS BY THE NUMBERS

5 Ways to Spur Innovation in a Family Business

By Marc Kramer

Fewer than **3% of family businesses** make the transition to the fourth generation. The reasons vary, from poor management and family members' lack of interest in running the business to lack of innovation. Good news is family members can be trained to be better managers or you can bring on non-family managers. Remember, there are no Walton's running Walmart.

Whether you are offering a product or service, your family business needs to constantly innovate. That means making investments in improving products and offering new, better and different services. David Bean, president/CEO of The MCS Group and board member of The Initiative for Family Business and Entrepreneurship, was a guest speaker in my family business class recently. He shared how his company started out offering document management for law firms, and through listening to his clients, the firm now offers management and technology services, an innovation that took his company national with 500 employees. Here are five ways to encourage innovation.

- 1 Do Strategic Planning**-Engage a professional facilitator to lead a strategic planning session with all family members that either work in the business and/or have an equity interest, regardless of age. You'll want to engage retired family members because they bring institutional knowledge and younger members look at the world differently. Focus on ways you are cannibalizing the business. Silence comments about the lack of capital and/or fear of changing a winning formula so you can challenge current thinking, look at ways to grow the business and keep the family engaged.
- 2 Form an Innovation Committee**- Task a group of family members, both young, old, male and female, to read industry publications and online experts, attend trade shows and venture capital conferences to hear new ideas coming from startups based in universities, business incubators and shared offices.
- 3 Conduct Employee Surveys**-Hire an outside party to poll your employees for recommendations on improving processes and offering new products and services. A former employee in the mailroom suggested attaching a request for referrals to vendor checks. Now, two or three new leads come in each month!
- 4 Convene a Client Advisory Board**-Quarterly client meetings help you find ways to improve your business. Clients of a securities law firm told them to explain updates in changes to the law in layman's terms. Now, each morning the firm sends a paragraph or two with updates which leads to referrals from existing clients.
- 5 Go Back to College**- Connect with academics in your field and invite them to lunch to hear what they think is new and leading edge. Read their research and white papers.



ABOUT THE AUTHOR

Marc Kramer, executive-in-residence at the Haub School of Business, is a serial entrepreneur, author of six books and has run over 20 startup and four turnaround companies. His expertise is in launching new ventures, marketing, market research, sales, raising capital and leadership. He also writes a national column for American City Business Journal, a regional column for SmartCEO magazine and provides weekly entrepreneurial educational content for KYW News Radio. Follow him [@marcdkramer](#)