

SKM Associates LLC

*Family Business Consulting
Developing High Performance
Leaders and Organizations*

What Does It Mean For A Family Business To Innovate

In challenging times, it is imperative to the survival of businesses to have ambition, grit, and the internal force of innovation and creativity. All employees, family and non-family, must build on the family's values, culture, vision, entrepreneurial drive and innovation. Fostering this internal force requires a management and leadership model that empowers all in the business to internalize an "owner's" mindset.

Being innovative and creative is a conscious choice to challenge the status quo. Creative people are value investors in the world of ideas. Value is generated by evaluating a creative idea, calculating the risk-reward, and driving forward.

By defining specific characteristics of innovation as:

- Being an advantage over current use.
- Compatible with the family's value and beliefs.
- Not overly complex so that it can be implemented.
- Provides an ability to 'test drive', yet still revert if it does not prove beneficial.
- Visible enough to be seen by others.

How can a family business foster innovation and creativity to keep new ideas flowing?

1. Set the culture. Establish a culture that promotes authenticity, commitment to people, commitment to the business, and continuous effort.
2. Nurture a nudge. A nudge is an action that attracts people's attention and urges them to alter their behavior in a positive way, yet it is not done in a heavy-handed way. This nudge may be as simple as urging the sharing of an idea or as complex as developing and implementing a change process.
3. Teach the family and employees the business. Focus not only on the technical skills each individual needs to perform, but educate people regarding how the business makes money, how the business attracts and retains clients or customers, and other big-picture issues that impact the business.
4. Keep the momentum going. Building the internal force of innovative and creative family leaders and employees, and the culture to keep it going, takes hard work. To keep the momentum going, ensure that the organization focuses on competitive compensation, keeping morale up, and consistent, effective communication.

By tapping into the internal force of innovative and creative family leaders and employees, a family business can out-think and out-perform the competition, increase profits, and move successfully into the future.

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