2. Definitions

2.1. Innovation

Innovation is a very ubiquitous term which remains somewhat mysterious to many researchers and practitioners. In the tentative beginnings of innovation research, Schumpeter (1934) considered innovation to be the essence of a firm's long-term survival and success (Kirzner, 1997; Kammerlander et al., 2015). However, Kammerlander and Prügl (2016) argue that innovation is not to be mistaken for a pure idea, a patent or an investment in research and development (R&D), as they merely represent innovation potentials, which will remain with no effect, without any entrepreneurial efforts from the enterprise.

Over the past decades, several definitions of innovation have been proposed in management research (Barnett, 1953; Schmookler, 1966; Zaltman et al., 1973; Rogers, 1983; Drucker, 1985; Kanter, 1988; Damanpour, 1991; Schaper and Volery, 2004). While Barnett (1953) emphasizes the importance of novelty and understands innovation as „any thought, behavior, or thing that is new because it is qualitatively different from existing forms" (1953, p. 7), Schmookler (1966) highlights the first-mover aspect and considers the action of „the first enterprise to make a given technical change" (1966, p. 2) as innovation. West and Farr offer a more integrative approach and define innovation as the "intentional introduction and application (…) of ideas, processes, products or procedures, new to the relevant unit of adoption, designed to significantly benefit role performance, the group, the organization or the wider society" (1989, p. 16).

Innovation can be studied according to different aspects and dimensions in order to develop a more comprehensive understanding (Hauschildt & Salomo, 2011). Kammerlander and Prügl (2016) offer a very holistic typology of innovations, in which they distinguish between four major dimensions of innovation, as summarized in *Figure 1*. The dimensions entail intensity, type, target group and sources of innovation. *Intensity* refers to how significantly the innovation impacts the company, industry or market. While radical innovations are usually breakthroughs that change the structure of the market or make existing products obsolete, incremental innovations imply far weaker changes or improvements (Kammerlander & Prügl, 2016). In terms of innovation *types*, the two prevailing types are product and process innovation. Further, it can be distinguished between business model innovation and organizational innovation (Hauschildt & Salomo, 2011). Another distinction is made as to identify the *target group* for an innovation, which will be either an existing or a new group.

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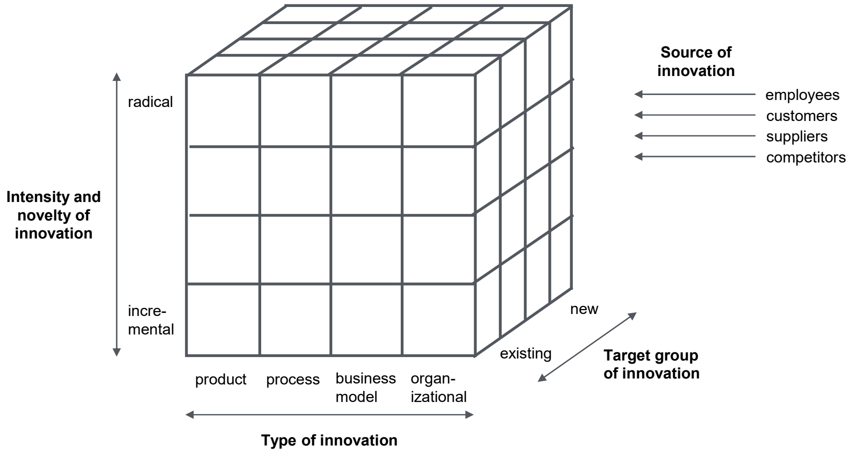


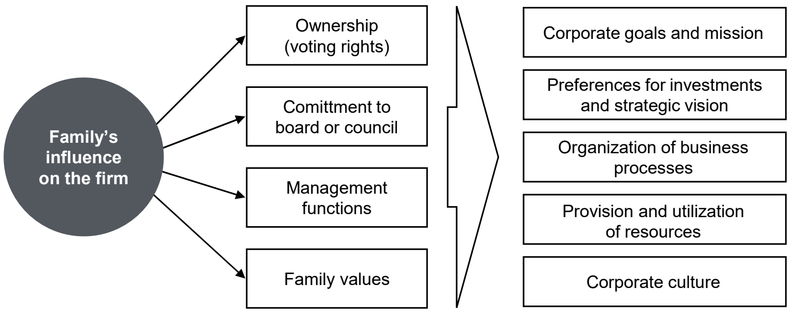
Source: Author's own illustration, adapted from Kammerlander and Prügl (2016, p. 4)

Fig. 1: Typology of innovations

Finally, it is more than noteworthy to talk about the actual *sources* of innovations. One approach is to distinguish between employees, customers, suppliers and competitors as the sources for innovation (Kammerlander & Prügl, 2016). However, another approach tries to answer the question how much of innovation is inspiration, and how much is hard work? Does it all depend on a flash of genius, or can management systematically plan and enforce the occurrence of innovation? Drucker (1998) argues somewhere in the middle and contends that while genius and vision are required, much of innovation is actually manageable. Companies need to develop entrepreneurial spirit and implement a purposeful, systematic analysis of the different sources for new opportunities - also referred to as opportunity recognition (Drucker, 1998; Ozgen & Baron, 2007). However, this will be elaborated in more detail later in this thesis.

2.2. Family business

Family business management is a relatively young field of academic research and there is yet to be found consensus on how to define a family business (Chua et al., 1999; Chrisman et al., 2005; De Massis et al., 2015). Most scholars classify a firm as a family business if a family is involved in a company in terms of the firm's founding, majority ownership, membership in the executive management or the pursuit of generational sustainability (Zahra et al., 2004; Kellermanns et al., 2008). This study will follow the definition introduced by König et al. (2013), who define a family business as an organization which is substantially affected by one or more families through either ownership and voting rights, commitment to the board of directors or any advisory committee, operational management positions, or by a certain set of values *(Figure 2)*.



Source: Author's own illustration, adapted from Kammerlander and Prügl (2016, p. 2)

Fig. 2: Family influence on the firm

According to this definition, the leading family behind the firm actively shapes the company's vision and goals, which are often long-term and include many non-financial aspects. Also in terms of innovation investments, families can exercise a major influence and are not as much pressured by shareholders as public companies. Lastly, the family also has an impact on the availability and management of resources within the firm.

2.3. Strategic leadership

In management science, various definitions of strategy and strategic leadership exist. Michael Porter defines strategy as a "broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals“ (Porter, 1998, p. XXIV). Strategies are therefore consciously designed and planned and take into account the fundamental objectives of corporate management. Strategic leadership, according to

Schoemaker et al. (2013), is defined as the abilities to anticipate, challenge, interpret, decide, align, and learn in order to enhance the prospects for the organization's long-term success. An adaptive strategic leader masters all six competencies at once. In a family business context, strategic leadership is particularly influenced by the firm’s ownership structure, its management composition and its attachment to a family. There are various options for a family to exert strategic leadership as different leadership models are possible (Zahra & Sharma, 2004). In terms of innovation management, strategic leadership has an important impact on the innovation endeavors of a firm.

As this review mainly focuses on international publications and studies, which are usually highly impacted by Anglo-American standards and structures, the author will apply a one-tier governance system (Dalton et al., 1998/2003) to examine the group level management effects on innovation. In a one-tier system, the execution of management tasks as well as the supervision of managing directors lies in the hand of one board (Jungmann, 2007). In contrast, in a family business with a two-tier board system an executive board, and in addition a separate supervisory board or advisory council are established, containing all non-executive directors and family members (Kormann, 2014).

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