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How Family Business Succession Shapes Innovation in the Next Generation

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Research on 16 family businesses reveals why some successors build on the previous generation's innovations while others rarely or never innovate.

EDITOR'S NOTE: This article was produced in partnership with Entrepreneurship Theory and Practice, a leading journal in the field of entrepreneurship, as part of our mission to bring research-proven insights and practical advice to our readers.

Succession is one of the most studied topics in the family business literature. While researchers have found that succession is a critical juncture, we have a much better understanding of dynamics concerning the outgoing leader — the incumbent — rather than successors. Even in studies that look at next-generation successors, oftentimes the focus of research is how the incumbent's legacy shapes the firm.

We thought that was only half the story and wanted to better understand how the successors' motivations and their own sense of self shape the trajectories of firms after succession. We focused on innovation trajectories, because innovation is essential for companies to continue to thrive and it is a long-term commitment. The precedessor initially shapes this trajectory, and the successor may or may not embrace it. The question we asked was: how does the tension between what the predecessor "imprinted" and what the successor wants for themselves shape innovation after the handover?

We wanted to understand what happens to innovation after a generational transfer and why it takes such different shapes, even across otherwise similar family firms in the same industry. Based on what we know from prior studies, we started this project with the intuition that when a family business passes from one generation to the next, two big forces compete: the pull of "how we've always done things" (what we call imprinting) versus the new leader's own drive, confidence, and desire to do things his or her own way (what we call self-determination). We expected that how those two forces interact would explain why some family businesses keep innovating at roughly the same pace and in the same direction after a handover (e.g., product and market innovation), while others speed up, change direction dramatically, or stop innovating much at all.

What We Studied

We examined 16 small and medium-sized family businesses in the Dutch food industry, among them cheese makers, mushroom growers, pickle producers, fish suppliers, and artisan bakers. All were 100% family-owned and had recently gone through a generational handover, ranging from second- to fifth-generation transitions and mostly, but not always, from father to child. We collected data primarily through 39 in-depth interviews, each lasting 40 to 90 minutes. We talked to the incoming leader (the successor), the outgoing leader (the incumbent) when possible, and some long-serving employees who had witnessed the transition firsthand. All interviews were confidential, and we refer to the companies here using pseudonyms (like "Cheese Inc." or "Wine Inc."), which let people speak candidly. We also looked at company websites, news articles, and internal documents to round out the picture.

What We Found

First, we realized that family business research tends to conflate two different types of imprinting, which in our study refers to the lasting influence that the incumbent leaves on the firm and on the successor. To really understand how post-succession innovation happens we had to distinguish two kinds. Structural imprinting is the organizational layer — the routines, values, norms, and practices that have been built into the firm over time and persist even after the founder or incumbent is gone. In one wine business we studied, for instance, long-standing traditions were rarely questioned. As one family member put it, “Traditions and things that go well…Why would you change them?”

Behavioral imprinting is more strongly relational. It happens through direct interaction, mentoring, and observation, when the successor literally learns by sitting next to the incumbent and absorbing how they think and decide. At one cheese-making business, for example, the handover unfolded gradually over seven years, with the successor working side by side with the outgoing leader and learning first-hand how to develop new products without compromising on quality. In our cases, structural imprinting was always strong, but we found that behavioral imprinting was present in some cases but not in others. This changed the trajectory of innovation.

Second, we found that in succession, the self-determination of the successor matters a lot in shaping where innovation goes, and whether a successor will drive innovation or just manage what's already there. If a successor has a strong sense of autonomy -- i.e., real freedom to make decisions -- they are more likely to take initiative. If they feel competent, they are more confident experimenting. If they feel a genuine emotional connection to the firm and its people, innovation becomes something personally meaningful, and not just a job requirement.

By combining these two dimensions – the type of imprinting and the characteristics of the successor – we identified four paths that innovation took after the succession, which vary in how closely the successor's innovation approach aligns with the one of the incumbents.

- In **Inherited Innovation**, the successor essentially continues what came before: same markets, same methods, same strategic logic. While this approach can be valuable, in our cases it often happened because the successor lacked the psychological space to do otherwise, and not by conscious strategic choice.
- In **Ancillary Innovation**, the successor maintains the incumbent's approach but adds reactive adaptations, usually in response to market pressure (e.g., a spike in vegan demand or rising costs). We found little behavioral imprinting in these firms because transitions were abrupt, and self-determination was low. Innovation happened, but it was driven by necessity, not vision.
- In **Synergistic Innovation**, successors genuinely build on the incumbents’ foundation while contributing their own ideas. We found strong imprinting combined with strong self-determination. These successors felt supported, competent, and free to act. This is the best scenario.
- Finally, in **Detached Innovation**, the successor departs significantly from the incumbent's approach, often because behavioral imprinting was absent and the successor developed independently. They had strong self-determination, but little emotional connection to the people and the legacy of the firm. These successors did innovate, but in a more isolated way.

Takeaways

Our study suggests five key takeaways for family business owners, managers and advisors:

Don't confuse a long handover with a good handover. Staying involved for years doesn't automatically help the next generation thrive, especially if it means the new leader never gets real freedom to make decisions or make mistakes. Long involvement is only helpful if it's paired with trust and delegation.

Outside experience matters. We found that new leaders who had worked elsewhere before joining the family business were more confident, more creative, and more likely to bring fresh ideas. Families that keep successors entirely inside the business from a young age may unintentionally limit their ability to lead independently.

A sudden or unplanned handover can represent a vulnerability. When the outgoing leader passes or

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steps back without warning, the new leader misses out on mentoring and guidance. These businesses tended to innovate reactively rather than strategically. Having even a basic succession plan in place can significantly reduce this risk.

The new leader's emotional confidence is as important as their technical skills. Successor self-determination can be intentionally cultivated in family businesses. If successors don't feel supported, trusted, or emotionally connected to the people around them, they are less likely to take creative risks, regardless of how talented they are.

Advisors can use the four trajectories as a diagnostic tool. Before a handover, families and their advisors can ask: Which of these four paths are we currently on? Which do we want to be on? And what conditions do we need to create to get there? It can be a powerful tool to surface potential issues before they get out of hand.

Explore the Research

Post-Succession Innovation in Family Businesses: Exploring the Tension Between Incumbent Imprinting and Successor Self-Determination (https://journals.sagepub.com/doi/full/10.1177/10422587251382824) . *Entrepreneurship Theory & Practice*, October, 2025.

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