

# Chapter 7

## Competitive Strategy Based on Flexibility: Implementation in Family Firms

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### ABSTRACT

*This chapter is intended to analyze the extent to which businesses in Spain have adopted several flexibility-manufacturing practices. Specifically, this study explores firstly, sample-based differences in the results of comparative family firms versus nonfamily firms concerning practices for implementing manufacturing flexibility. Secondly, heterogeneity in this implementation process within different groups of family firms was explored. The gathered evidence suggests that the main differences with respect to practices for implementing manufacturing flexibility appear when specific characteristics surrounding family firms and related to the role of the CEO and family involvement in the management of the firm are considered.*

### INTRODUCTION

The economic globalization and increasing competitive pressures for most firms demand innovative strategies to comply with such dynamic and complex environments. In addition, the increasingly digitized technological innovations and the higher demand uncertainty set new challenges for manufacturing firms seeking a competitive advantage (Wei, Song, & Wang, 2017; D'Souza & Williams, 2000; Urtasun-Alonso, Larraza-Kintana, García-Olaverri, & Huerta-Arribas, 2014; Jain, Jain, Chan, & Singh, 2013). This situation leads organizations to implement efficient and effective management strategies and practices in order to respond quickly to the changing requirements of the current competitive environ-

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ment (Broekaert, Andries, & Debackere, 2014; 2016). Consequently, the focus of the strategy has shifted from cost, quality and term/service delivery to flexibility (Jain et al., 2013; Pérez-Pérez, Serrano-Bedia, & López-Fernández, 2016). In fact, the flexibility strategy is currently one of the main success factors for all those companies seeking to enjoy a favorable position in the market (Pérez-Pérez, Serrano-Bedia, López-Fernández, & García-Piqueres, 2018; Pérez-Pérez et al., 2016; Mendes & Machado, 2015; Mishra, Pundir, & Ganapathy, 2014; Jiménez, Machuca, Garrido-Vega, & Filippini, 2015).

Strategies based on flexibility, specifically in strategic, organizational, and manufacturing flexibility, allow companies to adapt to changing circumstances in an organized manner, thus increasing their competitiveness, and avoiding a chaotic behavior that is dysfunctional. It is considered that those companies that are sluggish and inflexible are likely to miss valuable opportunities for profit and growth (Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008).

Family businesses, which are the dominant corporate figure in the economic structure of most Western countries (IEF, 2015, 2018; Segaro, Larimo, & Jones, 2014; Jaramillo-Salgado, 2002), must also develop flexible capabilities to identify and respond to environmental changes given that it is a source of competitive advantage leading to success and survival (Rodríguez-Suárez, Pico-González, & Méndez-Ramírez, 2013; Zahra et al., 2008; Gulbrandsen, 2005). However, the uniqueness of family businesses means that they face a series of specific challenges -i.e. ownership structure, lack of professionalization, different firms' objectives or specific resources they have at their disposal, among others (König, Kammerlander, & Enders, 2013)-, whose analysis has eclipsed the study of other relevant aspects of change and development (such as flexibility practices) in the family firm literature.

Even the most often acknowledged studies in the field of family businesses have been more concerned with the effects of family involvement in ownership, management or governance, the firm's lifecycle, or the transitional stages of the family firm (Hatum & Pettigrew, 2004a, 2004b) than with the flexibility processes surrounding the family firm (Aronoff & Ward, 1997; Gersick, Davis, Hampton, & Lansberg, 1997). More specifically, a review of family business research showed that only a few studies have directly tackled the issue of flexibility (Hatum & Pettigrew, 2004a). Furthermore, the limited empirical evidence available in this field can still be considered inconclusive. For example, in some cases, it was argued that family businesses tend to have more flexible organizations (Gubitta & Gianecchini, 2004; Ellington, Jones, & Deane, 1996; Poza, Alfred, & Maheswari, 1997; Ward, 1988) whereas, in other cases, studies reported that family firms are conservative and often lack the flexibility needed to adapt to the changing competitive environments (Zahra et al., 2008). Consequently, the field can benefit from further research to broaden the limited knowledge about the relationships between family firms and flexibility practices.

Within this context, the proposed chapter aims to, firstly, conduct a review and synthesis of the previous research on this topic. Moreover, secondly, the chapter analyzes the extent to which family businesses in Spain have adopted several flexibility manufacturing practices. More specifically, given the relevance of manufacturing flexibility and the lack of previous research in this area, the chapter explored the existence of significant differences in practices for implementing manufacturing flexibility between family firms versus nonfamily firms, and between different groups of family firms. The authors expectation is that, taken together, the family firm-specific attributes, and specially its long-term orientation (Lumpkin, Brigham, & Moss, 2010) will influence the family firms' orientation towards flexibility enhancing the ability of the businesses to implement flexible manufacturing practices into their management systems (Craig, Dibrell, & Garrett, 2014; Kellermanns, Eddleston, Barnett, & Pearson, 2008; Miller & Le Breton Miller, 2005; Zellweger, 2007).

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