

Chapter 50

Family Firm Competitiveness and Organizational Ambidexterity

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ABSTRACT

Long-term survival is one of the main goals of family business. Nevertheless, very few firms survive to the third generation. The concept of organizational ambidexterity could add insights into the explanation of family firm (FF) survival. In the literature, organizational ambidexterity is defined as the capability to explore new knowledge, processes, and opportunities while exploiting current ones to achieve a greater competitive advantage and ensure the survival of the firm. The aim of this chapter is to review the literature that analyzes relationships between FF specificities and organizational ambidexterity to propose a framework of the antecedents of ambidexterity in this context. This could be a useful tool to better identify FF specificities that will support long-term survival through their influence on organizational ambidexterity.

INTRODUCTION

Long-term survival is one of the main goals of a family firm (FF). The firm's founder usually wants to maintain control for their successors. In fact, FF succession is common in these firms (Chrisman, Chua, Pearson, & Barnett, 2012; Hiebl, 2015). Nevertheless, fewer than 15% survive into the third generation (Hiebl, 2015; Ward, 1987).

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The concept of organizational ambidexterity could add insights into the explanation of FF long-term survival (Hiebl, 2015; Stubner, Blarr, Brands, & Wulf, 2012). March (1991), from an organizational learning perspective, stated that to survive in the long term, firms should explore and exploit. In his seminal paper, March (1991) interpreted exploitation and exploration as different learning activities between which organizations should divide their attention. In his definition, exploitation refers to “refinement, efficiency, selection, and implementation,” whereas exploration is interpreted as “search, variation, experimentation, and discovery” (March, 1991, p. 71).

Organizational ambidexterity is the capability to combine these two activities, explore new opportunities, processes and knowledge, and exploit current ones (Raisch, Birkinshaw, Probst, & Tushman, 2009; Simsek, 2009; Tushman & O’Reilly, 1996). This will achieve a greater competitive advantage and ensure the survival of the company. In other words, ambidextrous firms successfully manage short-term success while paying attention to their long-term success. Firms with high levels of exploration and exploitation achieve superior performance because they manage current business demands and adapt to future challenges to achieve long-term survival (Cao, Gedajlovic, & Zhang, 2009; Gibson & Birkinshaw, 2004; O’Reilly & Tushman, 2013). Higher levels of organizational ambidexterity lead to a better economic performance (Stubner et al. 2012). Consequently, ambidexterity promotes competitiveness. Nevertheless, difficulties of achieving ambidexterity are based on the fact that exploration and exploitation require different resources and processes, and therefore, they compete for scarce firm resources (Simsek, 2009).

Recently, the literature about the FF has recognized and analyzed the importance of organizational ambidexterity in this context. According to De Massis, et al. (2013), the topic of ambidexterity in FFs requires further development. There has been high importance set on organizational ambidexterity for the long-term survival of firms and the effect of ambidexterity on performance have been analyzed in some studies (e.g. Moss, Payne, & Moore, 2014). However, until now, knowledge about how family involvement and organizational factors interact with ambidexterity to influence performance in FFs is underdeveloped (Hughes, Filser, Harms, Kraus, Chang, & Cheng, 2018). Only six studies on this topic have been developed in the context of FFs until 2014 (Hiebl, 2015). After this date, a growing body of research has focused on this analysis (Dolz, Iborra, & Safón, 2019; Goel & Jones, 2016; Hiebl, 2015; Hughes et al., 2018).

According to Le Breton-Miller and Miller (2006), the specificities of FFs make them a benefiting arena for achieving continuity and focus, as well as reorienting and reinventing themselves when needed. Both, continuity and renewal are the essence of ambidexterity, since it implies managing current business demands while adapting to future challenges. The long-term vision and entrepreneurial spirit that characterize FFs are specific traits that could be beneficial in the achievement of ambidexterity (Hughes et al., 2018; Stubner et al., 2012). Although they do not exhibit homogeneous success regarding exploration and exploitation (Hughes et al., 2018), family involvement in ownership and management, are specificities of FFs that provide additional angle to analyze ambidexterity (Stubner et al., 2012).

Therefore, the aim of this proposal is to review the literature that analyzes relationships between FF specificities and organizational ambidexterity to propose a framework on how these characteristics influence ambidexterity in this context. The framework could be a useful tool to better identify FF specificities that help the long-term survival through their influence on organizational ambidexterity. The performance differences between FFs could be better explained considering these insights from the concept of organizational ambidexterity (Webb, Ketchen, & Ireland, 2010). The structure of the proposal includes a review of the ambidexterity concept and how it applies in FFs. Then, the proposal discusses the characteristics that could influence the development of ambidexterity.

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