

Universidad de Deusto
Deustuko Unibertsitatea
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Deusto Business School

Tesis Doctoral

Strategic ambidexterity in family firms:

Exploring linkages between familiness, strategic alignment and family firm performance

Diana Orejas Tagarro

San Sebastián-Donostia, 1 de junio de 2015



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ABSTRACT

PURPOSE: How family firms succeed in the short term and survive in the long term is still not well understood. This question is increasingly relevant as the growing pace of change in business environments requires firms to adapt and transform to maintain their competitive edge. Research shows that organizations can succeed and survive by becoming ambidextrous i.e. by improving current business strategies (exploiting) while preparing new strategies to meet future market challenges and opportunities (exploring) and managing the internal tensions and conflicting demands arising from the contradictory nature of exploitation and exploration. The idiosyncratic characteristics of family firms suggest this type of organization may be particularly suited to balance exploitation and exploration strategies. Surprisingly, to date, scant research has explored ambidexterity in family firms.

DESIGN/METHODOLOGY/APPROACH: Drawing from the resource based view, the dynamic capabilities approach and central tenets of strategic management; this dissertation builds bridges between family business literature and ambidexterity research to explore the relationship between family influence and the ability of the family firm to develop strategic ambidexterity. Based on qualitative data from longitudinal in-depth case studies, the present research examines how family firms can leverage family influence to achieve short-term competitiveness and long-term survival through ambidextrous strategies.

FINDINGS: The results of our empirical analysis, guided by twenty one theoretically grounded propositions, suggest that family businesses can indeed leverage their unique resources, capabilities and organizational conditions (i.e. familiness) to manage and overcome changes that erode their competitive advantage by leveraging existing assets and capabilities from maturing areas of their business to gain competitive advantage in emerging business domains. However, to do so, they need to actively manage the family influence in their firms to their advantage.

ORIGINALITY/VALUE: This investigation builds the first theoretically based comprehensive model of strategic ambidexterity. The frameworks and methodologies developed in this research provide powerful tools to explore familiness and open promising avenues for further research in family firm ambidexterity. This is critical to better explain, predict and promote the long-term survival of family businesses. This dissertation also responds to calls in the literature to draw on mainstream management theories to advance family business research and to clarify the familiness and ambidexterity constructs.

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LIST OF ABREVIATIONS

CEO chief executive officer

DC dynamic capabilities

e.g. exemplum gratia: for example

et al. et alii: and others

FIBER Components of socioemotional wealth (**F**amily control and influence, **I**dentificaton of family members with the firm, **B**inding social ties, **E**motional attachment of family members, **R**enewal of family bonds through transgenerational intentions)

F-PEC Scale to measure **F**amily influence (**P**ower, **E**xperience, and **C**ulture)

HQ head quarters

IC intellectual capital

i.e. id est: that is

IP intellectual property

MBV market based view

MS Mobility Solutions

n/a not applicable

NWM North West Motor

P proposition

p. page

RBV resource based view

R&D research and development

RQ research question

SEW socioemotional wealth

TMT top management team

1 INTRODUCTION AND RESEARCH BACKGROUND

Family firms are heterogeneous organizations; they range in size from multinationals to microenterprises and are present in all business sectors and countries. Despite their heterogeneity, most family firms share a long term focus and a desire for sustainability (Donnelley, 1964; Miller & Le Breton-Miller, 2005; Ward, 1987). In fact, the intention to pass the family business from generation to generation is one of the most distinctive characteristics of family businesses (Davis, 1968; Gersick et al., 1997; Sirmon & Hitt, 2003).

Although most family firms pursue the objective of sustaining the business for the next generation (Davis & Harveston, 2001), the small percentage of family owned businesses surviving beyond the second generation demonstrates the difficulties family firms encounter to sustain business capabilities in the long term (Hoy & Vesper, 1994). Indeed, most family firms only survive a few years in business: only a third of family businesses succeed in making the transition from one generation to the following (Astrachan & Allen, 2003, The Economist, 2004); merely 10 to 15% make it to the third generation (Le Breton-Miller et al., 2004; Handler, 1994; Morris et al., 1997), and only 5% of family firms are still creating value beyond the third generation (The Economist, 2004; Miller & Le Breton-Miller, 2005).[1]

Much has been written about the success and survival of family organizations (e.g. Habbershon & Pistrui, 2002), yet this field of research is still looking for frameworks to respond to the question of why some family firms are able to achieve sustainable performance and survive across generations while others are not (Stamm & Lubinski, 2011). Looking into this question is fundamental given the importance and pervasiveness of this type of organization worldwide.

Management literature points out that the ability of businesses to thrive and survive long term depends on their ability to move along with the environment and market conditions. Firms that fail to transform in the face of change sooner or later see their profit lines erode and their chances of long term success disappear. In today's uncertain and rapidly changing environment, this capacity to change and transform is more relevant than ever (Collins & Hansen, 2011).

While the challenges of succession and other management issues have received intense attention in the family business literature, the question of how family business adapt their strategies to changes in the environment and how the family influences this strategic process remains under-researched and poorly

[1] Recent research exploring the number of business ventures pursued simultaneously by the same family has brought into question these dismal statistics as the demise of a single business of the family may not necessarily mean the family is no longer in business (see Sieger et al., 2011)

understood (Astrachan, 2010; Chrisman et al., 2005a; Sharma et al., 1997). It is perhaps in this area of research that we can find some additional answers to help improve the bleak long term survival prospects of family firms.

In spite of the gloomy statistics of family firm survival, there is an abundance of family businesses that survive for generations. Miller & Le Breton- Miller (2005), Schwass (2005) and Ward (2004, 2005) provide a number of such examples and offer important insights into the sustainable performance and longevity of family firms. A recurring finding of these authors is the ability of these firms to balance tradition with innovation. This ability is vital, because firm survival depends on the organization's capacity to find new markets while strengthening existing operations (March, 1991; O'Reilly & Tushman, 2013; Ward, 1987). Continuous innovation and constant improvement provides these family firms with an advantage in surviving through generations (Habbershon & Pistrui, 2002).

Successful family firms manage for long term market success (Miller & Le Bretton-Miller, 2005) adapting to external and internal changes (Schwass, 2005) by mastering different types of competitive advantage "not only stable ones like efficiency and quality, but innovation, brand building, and entrepreneurship" to sustain their competitive edge (Miller & Le Bretton-Miller 2005, p.5). Thus family firms can achieve short term success and long term survival by becoming ambidextrous; that is, by managing the balance between innovation and entrepreneurship (exploration) and efficiency, adaptation and improvement (exploitation).

James March (1991) introduced the concepts of exploration and exploitation as two fundamentally different organizational learning processes. "Exploitation refers to learning via local search, experiential refinement, and selection and reuse of existing routines. Exploration refers to learning gained through processes of concerted variation, planned experimentation and play" (Baum et al., 2000, p.768). These distinctive learning processes require different structures and strategies (He & Wong, 2004) and compete for the limited resources of the business (March, 1991).

The allocation of sufficient resources to exploitation ensures an organization's short term viability while adequate investment on exploration ensures future survival; too much emphasis either on exploiting short term profitability or on exploring new opportunities for long term viability increase the risk of organizational crisis (Levinthal & March, 1993). Hence, research recommends ambidexterity for organizational success (e.g. Gibson & Birkenshaw, 2004; He & Wong, 2004; Lubatkin et al., 2006; O'Reilly & Tushman, 2013; Raisch et al., 2009).

Balancing exploration and exploitation requires organizations to develop dynamic capabilities to improve efficiency and existing offers to compete in existing markets and achieve short term profits as well as the ability to recombine and reconfigure resources, assets and organizational structures to adapt to emerging

markets and technologies in order to survive in the long-term (Teece, 2007); pursuing both can be a source of tensions and paradoxes for organizations as well as their managers (He & Wong, 2004; March 1991). Thus, to become ambidextrous, organizations need to develop mechanisms to manage these tensions (Gibson & Birkenshaw, 2004; O'Reilly & Tushman, 2008; Raisch et al., 2009) and foster management teams that facilitate learning, challenge the status quo, accept failure, and provide for the integration and transfer of knowledge (O'Reilly & Tushman, 2008, 2013).

Families can exert influence in a number of business dimensions including ownership, management structures, strategies, performance, and succession planning (Chrisman et al., 2003, 2005; McGuire et al., 2012; Sharma, 2004). Family influence creates differences between family and non family firms (Klein et al., 2005) resulting from the idiosyncratic family firm resources and capabilities (Habbershon & Williams, 1999) and the pursuit of particular objectives (Tagiuri & Davis, 1992).

Family and business interactions generate idiosyncratic resources and capabilities for the family firm (Habbershon & Williams, 1999; Habbershon et al., 2003). These idiosyncratic resources and capabilities, also known as "familiness" can enhance the resources available to the firm, and promote the capacity of family firms to sense and seize strategic opportunities and reconfigure assets in order to maintain competitiveness in the face of change (Cabrera et al., 2011; Habbershon & Williams, 1999; Habbershon et al., 2003; Salvato, 2009; Teece, 2007), contributing to the necessary conditions for ambidexterity.

In addition, family firms have particular goals (see for example Tagiuri & Davis, 1992; Miller & le Breton-Miller, 2005; Gomez Mejia et al., 2007) rooted in the influence of the family on the firm via the owner manager (Gersick et al., 1997), majority family ownership, or family control over the dominant coalition (Chrisman et al., 2003). The particular set of goals of the controlling family is likely to influence the strategic decisions of the family firm leading to exploration and exploitation.

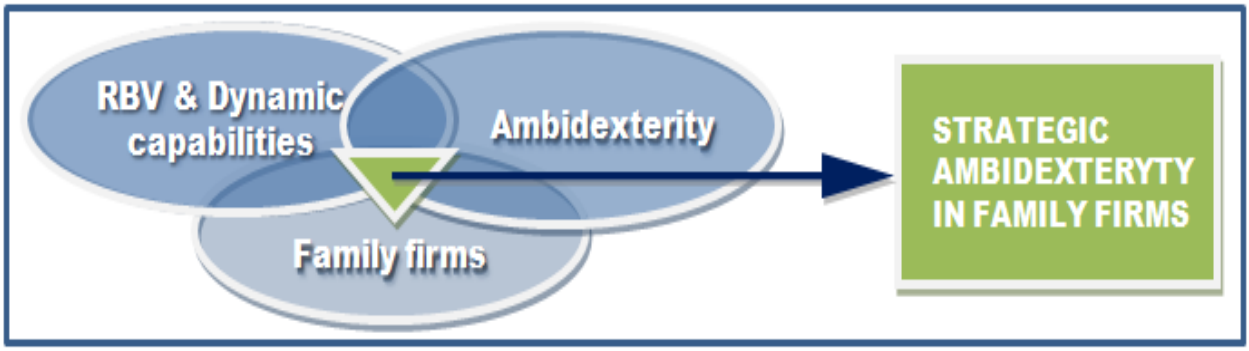
Despite the growing popularity of ambidexterity in management literature (Chang et al., 2011; Raisch et al., 2009), mounting evidence of its positive effect on performance (O'Reilly & Tushman, 2013) and the predominant role of the family network system in family firm strategic decisions and enterprise development (Pistrui et al., 1997), the family's influence on the ability of the firm to balance decisions to improve efficiency and/or innovate and its potential contribution to achieving ambidexterity remains unexplored (Allison et al., 2013; De Massis et al., 2013a; Hiebel, 2015; Stubner et al., 2012). We believe looking into this question is of utmost relevance, given that family firms may be particularly suited to balance exploitation and exploration (Webb et al., 2010).

The present research presumes that the intangible family influence can nurture strategic ambidexterity, and subsequently, contribute to successful survival of family firms. This suggests that the success of family

firms could be embedded within the family influence and that family influence has the potential to enhance the family firm's ambidextrous capability. Family influence varies from firm to firm and can be positive as well as negative (Habbershon et al., 2003; Sharma, 2008; Sirmon & Hitt, 2003; Zellweger et al., 2010); therefore we posit that those firms that can positively exploit the family influence to achieve strategic ambidexterity may have greater long term competitive advantage.

The above paragraphs sum up the main arguments supporting this research. Therefore this dissertation attempts to build bridges between ambidexterity and family business research drawing from the resource based view (RBV) and its dynamic capabilities (DC) extension. It is at the intersection of these three distinct but interrelated fields of research that we expect to find useful insights to explore the linkages between family characteristics and ambidexterity and enhance the ability of family firms to balance exploration and exploitation strategies and achieve short term performance and long term survival.

Figure 1-1. Domains of research central to this dissertation



1.1 RESEARCH GAP AND PROPOSED AREA OF INVESTIGATION

In an effort to advance theory and provide valuable tools for businesses, practitioners as well as academics have long focused their attention on the factors determining the ability of organizations to maintain their competitive advantage in the long run. Scholars from a wide range of disciplines have explored how organizations survive in the face of change and offered compelling theories. For long authors held a dichotomist view on this issue: while some authors maintained that organizations become unresponsive as they age (e.g., Sorensen & Stuart, 2000), others found that organizations adapt and change (e.g., Mitchell & Singh, 1993).

More recently, this debate about whether or not organizations are able to adapt, has evolved into a search for the conditions that allow organizations to sustain their competitive advantage in the face of change (O'Reilly & Tushman, 2008). This evolution has led research from static theories of strategy based on position and resource advantages (e.g. Porter, 1980; Rumelt, 1984; Barney, 1991) to more dynamic approaches looking into how firms reconfigure their resources to adapt to market and technological

change (e.g. Eisenhardt & Martin, 2000; Helfat, 1997; Teece et al., 1997; Teece, 2007). Among these dynamic theories, two related streams of literature have attempted to explain how firms transform to adapt to change: dynamic capabilities and ambidexterity.

Drawing from strategy literature, and rooted in the resource based view of the firm, the dynamic capabilities approach argues that long-term competitive advantage is determined by the ability of an organization to reconfigure assets and existing capabilities (Eisenhardt & Martin, 2000; Teece, et al., 1997; Teece, 2007). In this context, dynamic capabilities constitute the ability of organizations to develop processes and routines to identify, assess and respond to environmental change (Eisenhardt & Martin, 2000; Winter, 2003). These processes and routines require the acquisition, interpretation, and distribution of knowledge (Easterby-Smith et al. 2009) and rest on the ability of organizations to learn (Teece, 2007).

Also building on organizational learning, ambidexterity research suggests that it is the ability of the firm to simultaneously pursue efficiency and innovation that allows a firm to adapt and survive in the long-term (Duncan, 1976; March, 1991; Tushman & O'Reilly, 1996). This notion that an organization's long-term success depends on its ability to exploit its current capabilities while simultaneously exploring new competencies (Levinthal & March, 1993; March, 1991) is one of the most enduring ideas in organizational research (Raisch et al., 2009).

Recent research attempting to integrate these two streams of literature suggests that "dynamic capabilities are at the heart of the ability of a business to be ambidextrous- to compete simultaneously in both mature and emerging markets- to explore and exploit" (O'Reilly & Tushman, 2008, p.190). This dissertation follows this integrative approach and explores the specific resources and capabilities family firms can develop to successfully identify, design and implement exploration and exploitation strategies.

Despite growing interest among scholars and practitioners for both dynamic capabilities and ambidexterity, there are still hazy areas within the research and gaps in the literature. Little is known, for instance, about how capabilities are developed and evolve (Easterby-Smith *et al*. 2009), about the specific processes needed to successfully explore and exploit (Raisch & Hotz, 2010), and about the particular behaviors of leadership in attending to the contradictory demands of exploration and exploitation (O'Reilly & Tushman, 2013). More importantly, the topic of ambidexterity has received scant attention in the family business context (Allison et al., 2013; Hiebl, 2015; Stubner et al., 2012; Webb et al., 2010)[2]. This lack of attention is particularly striking, because the idiosyncratic characteristics of the family firm may

[2] To the best of our knowledge, only five mainstream studies link the characteristics of family firms to the ambidexterity construct (Bergfeld & Webber, 2011; Frank et al., 2010; Stubner et al., 2012; Gedajlovic et al., 2012a; Allison et al., 2013).

contain forces conducive to exploration and exploitation as well as leading to efficient management of paradoxes.

Family business research shows, for instance, that the desire to pass on the legacy to the next generation provides family firms with a longer-term business perspective (Daily & Dollinger, 1992; Harvey, 1999; Le Breton-Miller & Miller, 2006); that family businesses constitute a friendly environment for entrepreneurial activity (Carney, 2005; Lumpkin et al 2008; Zahra et al., 2004); provide seed funding for new business projects (Craig & Moores, 2005); and benefit from patient capital, enhanced managerial knowledge and longer CEO tenure (Sirmon & Hitt, 2003). Ambidexterity research identifies these factors as conducive to exploratory initiatives (Gibson & Birkenshaw, 2004; Raisch & Birkinshaw, 2008) and investment in future business opportunities (Ward, 1987) with more remote and uncertain returns on investment (March, 1991).

On the other hand, family firms have also been found to pursue superior quality (Astrachan & Jaskiewicz, 2008), operational excellence (Craig & Moores, 2005) and product leadership (Craig & Moores 2005); to be more risk averse (Claver et al., 2009; Morck & Young, 2003); and to have more centralized structures (Bartholomeusz & Tanewski, 2006; Lindow et al., 2010). In the literature, these characteristics are linked with the efficient exploitation of existing business activities (Tagiuri & Davis, 1996) offering more immediate and certain returns (March, 1991).

Research has long emphasized that the strategic behavior of family firms differs from the behavior of other organizations (e.g., Chua et al., 1999; Habbershon & Williams, 1999; Miller & Le Bretton Miller, 2005; Sharma et al, 1997). Two factors explaining this distinct behavior are particularly relevant for our research: the idiosyncratic resources and capabilities of family firms and their particular objectives.

Resources and capabilities of family firms (familiness)

Research suggests that the idiosyncratic resources and capabilities of family firms a.k.a. familiness (Habbershon & Williams, 1999; Habbershon et al., 2003) can promote their capacity to sense and seize strategic exploratory and exploitative business opportunities and reconfigure assets to maintain competitiveness in a changing environment (Teece, 2007) by enhancing the quality and quantity of resources available for exploration and exploitation and their ability to identify and adapt to change.

Unique characteristics of resources providing potential advantages to family firms include committed human capital, strong social capital, patient financial capital, and survivability capital (Dyer, 2006; Pearson et al, 2008; Sirmon & Hitt, 2003). Scholars have also identified specific instances of family influence on family firm capability development such as technology enhancing knowledge sharing practices (Zahra et al., 2007); superior dynamic adaptation through knowledge integration processes (Chirico & Salvato,

2008); unique ability to recombine strategic resources to meet evolving needs of the business through constant social interactions (Salvato & Melin, 2008); improved opportunity identification processes resulting from exceptional knowledge structures and combinative capabilities (Patel & Filet, 2011); and particular configuration and deployment of resource stocks leading to performance (Chrisman et al., 2009a). These family firm resource and capability advantages should enhance family business' ability to explore and exploit.

However, families have also been found to deplete family business resources (Dyer, 2006; Habbershon & Williams, 1999; Habbershon et al., 2003; Sirmon & Hitt, 2003) and to rely on heavily path dependent capabilities that are difficult to adapt to changing environments (Chirico & Salvato, 2008; Koiranen & Chirico, 2006). Furthermore, research shows that the capacity to change of a family firm is often tied to the experience and abilities of its founders (Teece et al., 1997, Helfat & Liberman, 2002; Zahra et al., 2007). These constraints may indicate limited exploration capabilities in family firms, a preference to "keep doing things the way we have always done" and a penchant for the pursuit of exploitation.

The above findings suggest that the idiosyncratic resources and capabilities of family firms have the potential to influence the processes leading to exploration and exploitation and thus affect the ability of a family firm to pursue ambidextrous strategies.

Family firm objectives and strategic choices

Most authors agree that objectives play a significant role in the strategic decisions of organizations and acknowledge the existence of economic and noneconomic goals for businesses (e.g. Andrews, 1971; Chandler, 1962; Grant 2010; Porter, 1980; Rumelt, 1984). These goals are also referred to as financial and nonfinancial goals of firms (Zellweger et al., 2013).

Noneconomic objectives are important for family firms (Kelly et al., 2000) and are "quite different from the firm-value maximization goal assumed for publicly held and professionally managed non-family firms" (Sharma, et al., 1997, p.5). Indeed, one of the fundamental premises in family business literature is a priority for nonfinancial goals of family firms (e.g., Chua, et al., 1999; Zellweger & Astrachan, 2008; Zellweger et al, 2013).

Since family managers and dominant family coalitions have significant influence on family firm goals and agency theory suggests that dominant shareholder and monetary incentives may be sufficient to align the interests of owners and managers (Gomez-Mejia et al., 2001; Schulze et al., 2001), the goals of the controlling family are likely to influence the strategic decisions leading to exploration and exploitation in family firms.

Indeed, research focusing on specific noneconomic objectives of family firms such as altruism (Schulze et al., 2001); autonomy and control (Olson et al., 2003; Ward, 1997); cohesiveness, supportiveness, and loyalty (Sorenson, 1999); family tradition and legacy (Sharma & Manikutty, 2005a); family harmony, belonging, and trustful relations (Sharma & Manikutty, 2005a); personal identity (Dyer & Whetten, 2006); pride (Zellweger & Nason, 2008); reputation (Khatri & Ng, 2000); or family name recognition, respect, and status (Sorenson, 1999; Tagiuri & Davis, 1992) demonstrate that these noneconomic goals can be as important as financial performance for some family businesses and make for the particular behavior of family firms (e.g. Ibrahim & Ellis, 1994; Miller & Le Breton-Miller, 2005; Pollak, 1985).

Gomez-Mejia et al. (2007) provide evidence that "nonfinancial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty" (p.106) influence critical strategic decisions of family firms. These authors developed the concept of "socioemotional wealth" (SEW) -the family's affective value gained from the firm- (Berrone et al., 2010, p. 82; Gomez-Mejia et al., 2010, p. 225) to explore the influence of these noneconomic objectives.

Socioemotional wealth research argues that family principals assess strategic decisions in terms of their effect on their socioemotional endowment and shows that family firms make important strategic decisions based on a combination of socioemotional and economic objectives (Berrone et al, 2012; Gomez-Mejia et al., 2010; Jones et al., 2008; Zellweger et al., 2013). We posit that family firms' idiosyncratic strategic decisions that mix economic and noneconomic objectives may make family firms particularly likely to combine exploratory and exploitative strategic initiatives leading to ambidexterity.

On the one hand, family firms have often been portrayed as favoring safer strategic options with more certain returns that limit their growth and innovativeness. This view, rooted in traditional agency theory, suggests that family principals will avoid strategic choices that carry a significant risk of financial losses because most of the family's estate is tied to the firm. This desire to protect family wealth leads family firms to avoid risk (Naldi et al., 2007); delay or prevent change (Chirico & Nordqvist, 2010; Salvato et al., 2010a,b); follow conservative strategies (Chirico et al., 2011b; Martin & Lumpkin, 2003; Miller et al., 2003); and promote stability and status quo over entrepreneurial activity (Barringer & Bluedorn, 1999).

In this light, family firms will favor risk minimizing strategies that require small organizational changes and have more certain financial returns. Ambidexterity literature defines exploitative initiatives as those requiring slow incremental changes, carrying low risk and more certain returns (March, 1991). Under this perspective family firms would favor exploitative strategies to minimize their financial risk.

On the other hand, research claims that family firms with multiple family members involved provide a unique setting for innovation and change (Aldrich & Cliff, 2003; Chirico et al., 2011b; Sirmon et al., 2008; Rogoff & Heck, 2003) and that the long-term nature of family firm objectives allows for the allocation of resources to innovation and risk taking (Zahra, et al., 2004). Furthermore, SEW research shows that for family principals, risk aversion for socioemotional endowments trumps risk aversion for financial losses, indicating that family firms facing the choice between less risky strategic choices that will increase financial results versus highly risky but SEW preserving strategic alternatives will follow the riskier path (Berrone et al., 2010; Gomez-Mejia et al., 2007). This suggests that under particular circumstances family firms may actually be prone to pursuing riskier strategic initiatives with more uncertain results. High risk innovative initiatives with long term uncertain returns are considered exploratory in ambidexterity research (March, 1991). This view indicates an advantage of family firms for exploration.

The combination of these two arguments suggesting pro-exploitation and pro-exploration strategic preferences indicate that family firms may be particularly fertile ground for pursuing ambidextrous strategies combining exploitative initiatives to preserve the existing family estate and current way of living, with exploratory initiatives to preserve their long term financial and socioemotional wealth. Surprisingly, very little research has explored the influence of family firm objectives on the propensity of family firms to exploit and explore (Gomez Mejia et al., 2010).

Perhaps, the absence of research in this area results from a perception of these alternative perspectives as opposite views of family firms. Our investigation considers that these opposing forces often coexist in family firms. In fact, we suspect that in today's dynamic competitive landscape most family firms sense the need to be both efficient and adaptive to survive (Bettis & Hitt, 1995) but that the complexity of managing and integrating family and business makes some family firms better than others in responding to the challenging environment. Drawing on the resource based view, the dynamic capabilities and ambidexterity literatures this research attempts to build bridges between these two perspectives of family firms to better understand the family forces aligning family firm strategies towards exploration and exploitation.

Managing the paradoxes of exploitation and exploration

Finally, and in addition to idiosyncratic resources and capabilities and particular objective sets and strategic preferences, we suggest that family firms may have another natural advantage in managing ambidexterity. Family business management requires balancing the family and business systems (Stafford et al., 1999). Business and family require contradictory ways of thinking, thus, individuals raised in business families grow up instinctively learning to balance these divergent systems (Schwass, 2005). Likewise, exploration and exploitation require balancing conflicting ways of thinking (March, 1991). Thus,

experience in balancing family and business may help family firm leaders manage the inherent contradictions of ambidexterity.

Managing the tensions and contradictions of exploration and exploitation constitutes one of the major challenges to ambidexterity. Research overwhelmingly recognizes the ability of the leadership of firms in managing these paradoxes as a fundamental factor leading to ambidexterity (e.g., Gibson & Birkinshaw 2004; O'Reilly & Tushman, 2008, 2013; Raisch et al., 2009). Family firm managers have significant power because they derive their authority and legitimacy from both the family and the firm and thus may have a leadership advantage over leaders of nonfamily firms (Carney, 2005; Hall et al., 2001; Morck et al., 1988). When combined with the life-long task of balancing the conflicting demands of family and firm, family business leaders may indeed have an edge in managing the contradictions generated by the pursuit of ambidextrous strategies.

To sum up, research indicates that family firms might possess unique stimuli to pursue exploration and exploitation as well as an embedded ability to manage contradictions effectively. Despite this knowledge, ambidexterity literature in the context of family firms is still very limited.

So far, family businesses literature has examined some of the peculiarities of family firms leading to exploration or exploitation and their effects on performance suggesting that their unique attributes influence how they balance the exploitation and exploration of knowledge (Sharma & Salvato, 2011); provides evidence that some family firms are better able to balance exploration and exploitation in the face of market and technological changes (Bergfeld & Weber, 2011; Hatum & Pettigrew, 2006; Hoy & Sharma, 2010; Miller & Le Breton-Miller, 2005); and shows that the level of innovation required to compete in a particular industry predicts the changes in exploration and exploitation in family firms (Allison et al., 2013).

Despite these advances, however, scholars highlight that little is still known about how family firms balance exploration and exploitation in the long run (Allison et al., 2013; Hiebl, 2015) and call for research examining whether "successful dynastic family enterprises engage in a continuous cycle of innovation to ensure revenue streams in the short, medium, and long term" and on the conditions leading family firms "to stay the course—through incremental or progressive innovation—" (exploitation) or to "embark on radical transformation" (exploration), as the firm matures, governance structures change and environments shift (Sharma & Salvato, 2011, p. 1204). It is precisely in this research area that this dissertation attempts to contribute to the literature.

1.2 THEORETICAL FOUNDATIONS, RESEARCH LOGIC AND PROPOSED FRAMEWORKS

This dissertation sits at the crossroads of three distinct but interrelated lines of research: (1) the resource based view and in its dynamic capabilities extension; (2) ambidexterity literature and; (3) family business research.

The RBV examines how different resources contribute to enterprise competitiveness (e.g. Barney, 1991); the dynamic capabilities approach explores "the firm's ability to integrate, build, and reconfigure internal and external competencies to address changing environments" (Teece, 2009, p. 516); ambidexterity research studies the ability of organizations to explore and exploit simultaneously (e.g. March, 1991); and family business research examines the influence of the family on family firm resources and capabilities (e.g. Habbershon & Williams, 1999) and organizational behavior (e.g. Miller & Le Breton-Miller, 2005). We draw from these areas of research to build the basic logic guiding our investigation:

To succeed and survive organizations need to dynamically adapt and balance their strategies to explore and/or exploit (March, 1991). Balancing exploration and exploitation is essential for long-term organizational success because changes in the environment affect the returns organizations derive from exploitation and exploration activities (Gupta et al., 2006; Levinthal & March, 1993).

The selection, implementation and adaptation of strategic initiatives require resources (Barney, 1991), these resources require capabilities to combine, integrate and transform resources (Eisenhardt & Martin, 2000; Teece et al., 1997; Winter, 2003). Consequently, dynamic capabilities allow firms to compete simultaneously in mature markets and in emerging markets, to exploit and exploit and to become ambidextrous (Harreld, et al., 2007; Tushman & O'Reilly, 1996).

Since resources and capabilities of organizations are limited, organizations face a fundamental trade-off between investing in exploration or exploitation (Lewin & Volberda, 1999; March, 1991), thus differences in resources and capabilities will influence the decisions to explore and exploit. Furthermore, although a firm may expand its resources and capabilities over time, in the short run, it is constrained by its initial skill set, shaping the strategic options management can render (Penrose, 1959) and the firm's learning capacity that provides a "boundary to decision making and a context for the perception and interpretation of the environment" (Fiol & Lyles, 1985 p. 805). This means that strategic choices both shape and are shaped by the processes the firm uses to understand, interpret the environment and assess possible strategies (Daft & Weick, 1984; Donaldson & Lorsch, 1983).

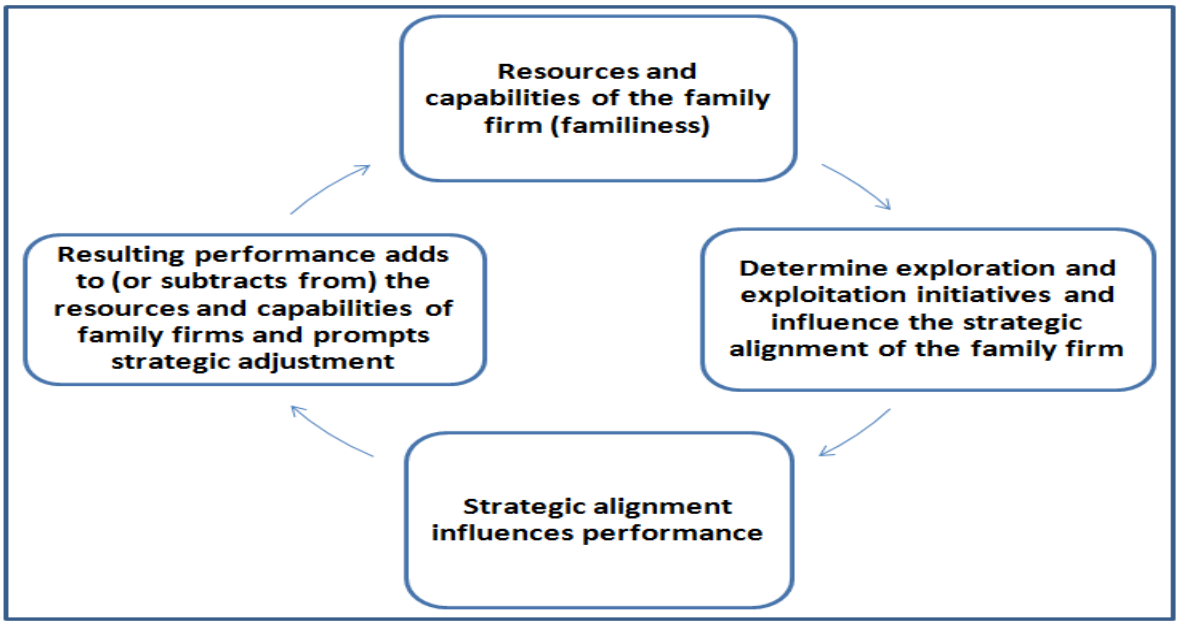
Since organizational behavior is goal directed, history dependent, and determined by simple rules (Levitt & March, 1988), organizations set goals and aspirations to guide decision making and use performance feedback mechanisms to assess how they are doing (Levinthal & March, 1993). Success or failure of an

organization's performance is evaluated against these aspirations and assessments and affect subsequent organizational behavior (Greve, 1998).

Finally, ambidexterity requires managing inconsistent organizational alignments. To exploit successfully organizations need to focus on a short-term time frame, efficiency, discipline, incremental improvement and continuous innovation (He & Wong, 2004). In contrast, fruitful exploration requires a longer time perspective, autonomy, flexibility, risk taking and less formal systems and control (March, 1991). These inconsistent organizational cultures, structures, systems and competencies for exploitation and exploration are all required if a firm is to succeed in the short-term and adapt in the long-run (Tushman & O'Reilly, 1996, 1997; Gibson & Birkenshaw, 2004). Therefore to achieve ambidexterity organizations need to manage the paradoxes of exploration and exploitation (March, 1991). They can do so by developing structural mechanisms to cope with the demands of exploration and exploitation (Gibson & Birkinshaw, 2004; Sheremata, 2000); creating contexts where individuals manage exploring and exploiting activities (Ghoshal & Bartlett, 1994; Gibson & Birkinshaw, 2004); and/or developing leadership processes to foster ambidexterity (Beckman, 2006; Lubatkin et al., 2006; O'Reilly & Tushman, 2008, 2013).

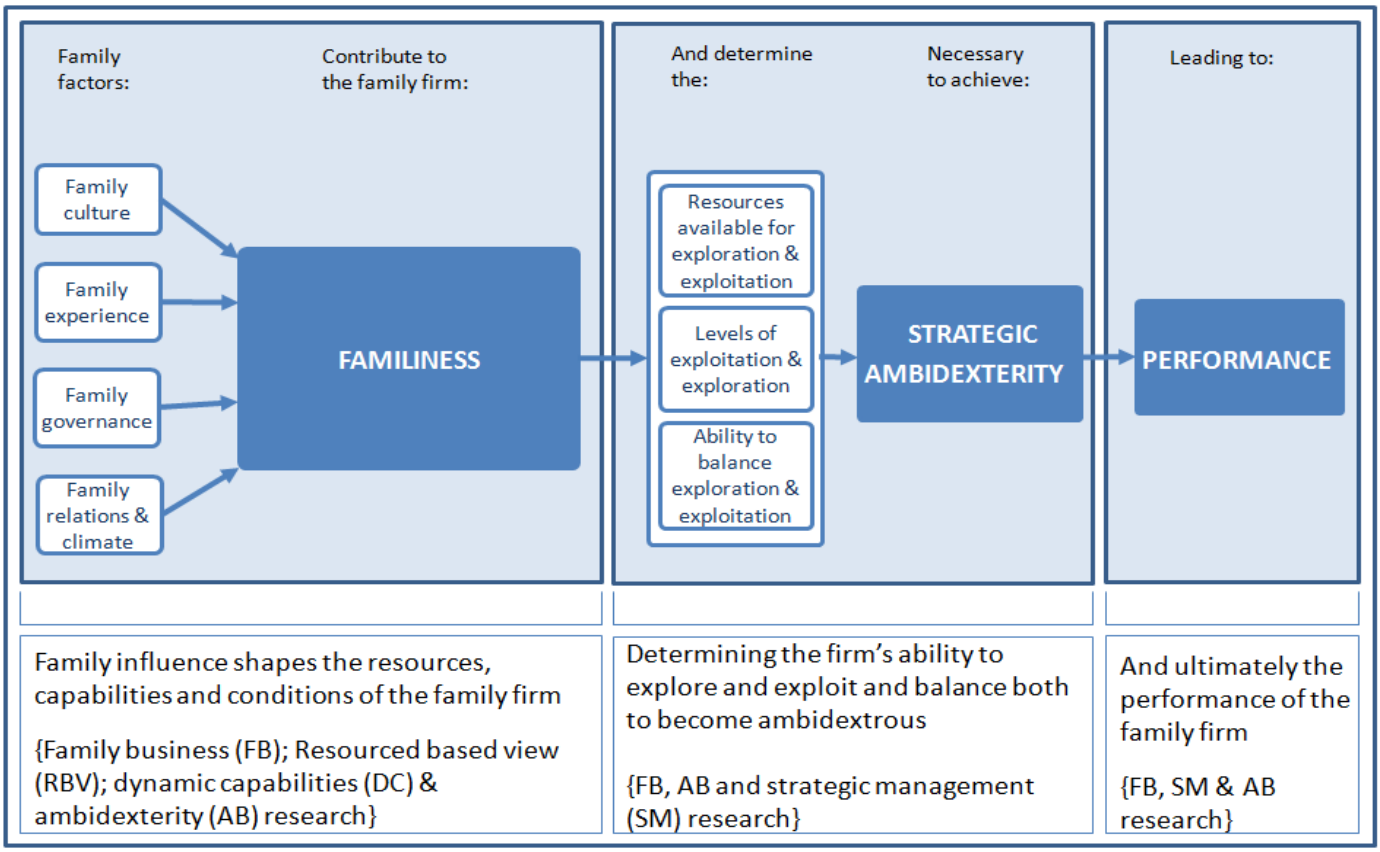
In a nutshell our research logic posits that the degree to which organizations are able to become ambidextrous depends on: (1) the resources and capabilities available to the firm; (2) the alignment of their strategic choices; and (3) the ability of the organization to balance and manage the contradictory nature of exploitation and exploration in its quest for short term and long term performance. In turn, the resulting strategic choices and performance contribute to the future resource and capability base of the firm and shape subsequent strategic choices. Our investigation assumes that the family has potential to influence at any stage of this process. The figure below illustrates this logic.

Figure 1-2. Proposed logical framework for the investigation



To be able to explore the family influence in this process, we developed a more detailed framework drawing from extant research and linking family influence with ambidexterity through the concept of familiness "the idiosyncratic firm level bundle of resources and capabilities resulting from the system interactions" (Habbershon et al., 2003, p.452) "between the family, its individual members, and the business" (Habbershon & Williams, 1999, p.11). This second framework and its theoretical roots are illustrated below:

Figure 1-3. Framework linking family influence,58 strategic ambidexterity and family firm performance



It is the intention of this investigation to open the "black boxes" of familiness, strategic ambidexterity and performance in this framework and build bridges between these constructs drawing from various fields of research. To do so we need to respond to a number of research questions.

1.3 PURPOSE, RESEARCH QUESTIONS AND OPERATIONAL OBJECTIVES

The overall purpose of this dissertation is to:

Understand how, and under what conditions, family influence enhances or hinders family firms' ability to balance exploration and exploitation in their quest for short term performance and long term survival.

In particular this investigation examines how family involvement might influence the resources available to explore and exploit; the dynamic capabilities necessary to sense and seize exploration and exploitation opportunities and transform in the face of change; the alignment of strategic choices towards exploration and exploitation; and the ability to create the organizational conditions required to manage the tensions between innovation and efficiency to achieve the economic and noneconomic objectives of the family firm. In short, we explore how familiness can foster or hinder the firm's capacity to become ambidextrous and achieve performance through the following research questions (RQ):

RQ1: How does the family affect the resources and capabilities necessary to achieve ambidexterity?

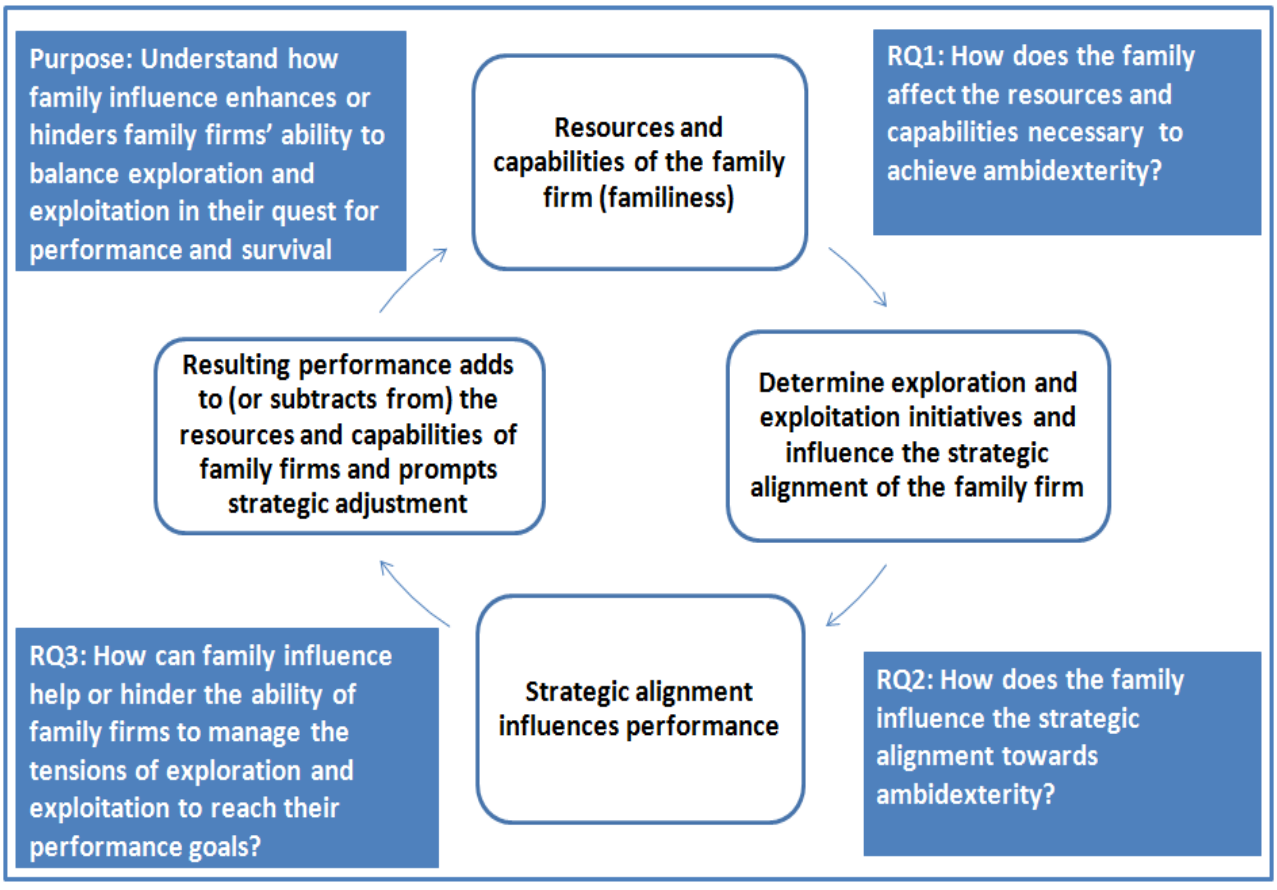
RQ2: How does the family influence the strategic alignment towards ambidexterity?

RQ3: How can family influence help or hinder the ability of family firms to manage the tensions of exploration and exploitation to reach their performance goals?

By exploring these questions this dissertation posits that strategic ambidexterity might contribute to explaining the differences in short term performance and long term survival of family firms, and that the ability to become ambidextrous may be embedded in the family's influence on the business.

The figure below illustrates our research questions within our logical framework:

Figure 1-4. Research questions within the logical framework proposed



The operational objectives we need to achieve to address our research questions are summarized in the table below:

Table 1-1. Operational objectives for this research

Review and analyze relevant theoretical literature focusing on the resource based view, dynamic capabilities, ambidexterity, and familiness;
Examine how family involvement may contribute to generating resources necessary for exploration, exploitation and ambidexterity;
Identify and examine the organizational processes leading to the dynamic capabilities to sense, seize and transform in the face of change in family firms;
Develop a methodology to classify strategic moves as exploratory or exploitative, assess the alignment of strategies and the degree of strategic ambidexterity of family firms over time;
Explore the organizational conditions necessary to manage the tensions between exploration and exploitation in family firms;
Identify and examine the economic and noneconomic family business objectives and explore their linkages with exploration, exploitation and strategic ambidexterity.

1.4 RESEARCH METHOD OVERVIEW

We consider a qualitative approach is suitable to pursue our in-depth examination of strategic ambidexterity in family firms. The decision to approach a study quantitatively or qualitatively depends on the research questions driving the study and the desired contributions the researchers wish to make (Edmondson & McManus, 2007). A qualitative approach is better suited for research questions in the form of "how" and "why" (Yin, 1994 p.1) as the ones proposed for this work.

A qualitative approach can help examine why relationships between variables may hold (or fail to do so); explore the dynamics underlying these relationships; it is a particularly valuable research approach when the phenomenon under study is related to a complex social context (Yin, 2011); it is extremely valuable to understand meanings (such as family firms' strategic ambidexterity), contexts (such as families and family businesses), and processes in their natural settings (such as those related to the development of resources and capabilities within the family business and the interaction between family and firm); and it is particularly suitable for developing and extending theory in the presence of tacit and invisible issues (Denzin & Lincoln, 1994; Yin, 2009) such as the underlying dynamics of family firms .

Given the complexity of the family firm context, a qualitative approach allows the exploration of this complexity, as well as the examination of related dynamics, integration, and invisible issues surrounding family and firm (Goffee, 1996). A qualitative study can help unveil multiple realities of the family firm while addressing the tacit and micro-level aspects of the interaction between family and firm.

Qualitative approaches are vital for theory building in emerging fields (Denzin & Lincoln, 1994) such as dynamic capabilities and ambidexterity. Even though family business research is no longer considered an emerging field (Gedajlovic et al., 2012b), the development of a strategic management theory of family firms is still in its early stages (Astrachan, 2010; Chrisman et al., 2005; Naldi et al., 2011, 2013) and scant research exists on family firm ambidexterity (Allison et al., 2013; Hiebl, 2015; Stubner et al., 2012). Furthermore, combining emerging mainstream frameworks such as dynamic capabilities and ambidexterity and applying them to the study of family firms can provide a better understanding of the conditions under which positive forces of family involvement can be unleashed and managed to achieve the economic and noneconomic objectives of family firms both in the short and long terms.

In using a qualitative methodology this research follows calls for in-depth qualitative studies in ambidexterity literature (O'Reilly & Tushman, 2013; Raisch & Birkinshaw, 2008) and family business research (De Massis et al., 2012; Heck et al., 2008; Nordqvist et al., 2009; Sharma, 2004). Similar calls for qualitative and smaller sample studies can be found in the capabilities development literature to further the understanding of the complexities of capability creation and evolution (Ambrosini & Bowman, 2009), and for qualitative longitudinal studies to provide clearer descriptions and insights into dynamic capabilities (Easterby-Smith et al., 2009)

The qualitative case method (Eisenhardt, 1989; Yin, 1994) allows for an in-depth case analysis and the explicit observation of the emergence, existence and evolution of ambidextrous capabilities as well as the family influence in the process. Our use of longitudinal in-depth case studies aims at better understanding strategic ambidexterity in family firms and in doing so further develop theory in this area of research.

1.5 CONTRIBUTION OF THE RESEARCH

This research is designed to advance the understanding of family influence in firms' strategic decisions to explore and exploit as well as identify the linkages between familiness and strategic ambidexterity. Our work responds to repeated calls for research to further explore family influence in the strategic processes of the firm (e.g. Astrachan, 2010; Chrisman et al., 2005a, 2010; Le Breton-Miller & Miller, 2009; Naldi et al., 2011, 2013; Sharma et al., 1997) by examining the effect of the family on the ability of the family firm to pursue ambidextrous strategies. In doing so we also respond to calls for clarifying the ambidexterity (e.g. Raisch et al., 2009) and the familiness (e.g. Moore, 2009) constructs; to apply mainstream disciplines and dominant theoretical frameworks to family business research (Sharma, 2004) while attempting to join opposing family business theoretical perspectives (Chrisman et al., 2005a) and to explore further ambidexterity in the context of family firms (e.g. Allison et al., 2013).

In our effort to fill this research gap, our investigation contributes to theory and practice as summarized in the tables below:

Table 1-2. Contributions to theory

Conceptual clarity of the familiness construct by examining under what conditions family influence contributes to the resources, capabilities and organizational conditions necessary for ambidexterity;
Development of a comprehensive theory of strategic ambidexterity;
Development of the ambidexterity construct by exploring simultaneously the resources, capabilities and balancing mechanisms leading to strategic ambidexterity;
Better understanding of family firm economic and noneconomic objectives by examining the relationship between the different family business objectives and exploitation/exploration decisions.

Ultimately, the contribution of an investigation is not limited to theory but to the practical value of the theory (Handler, 1989). The frameworks and methodologies developed in this dissertation are aimed at helping family firms manage family involvement to their advantage.

Table 1-3. Contributions to practice

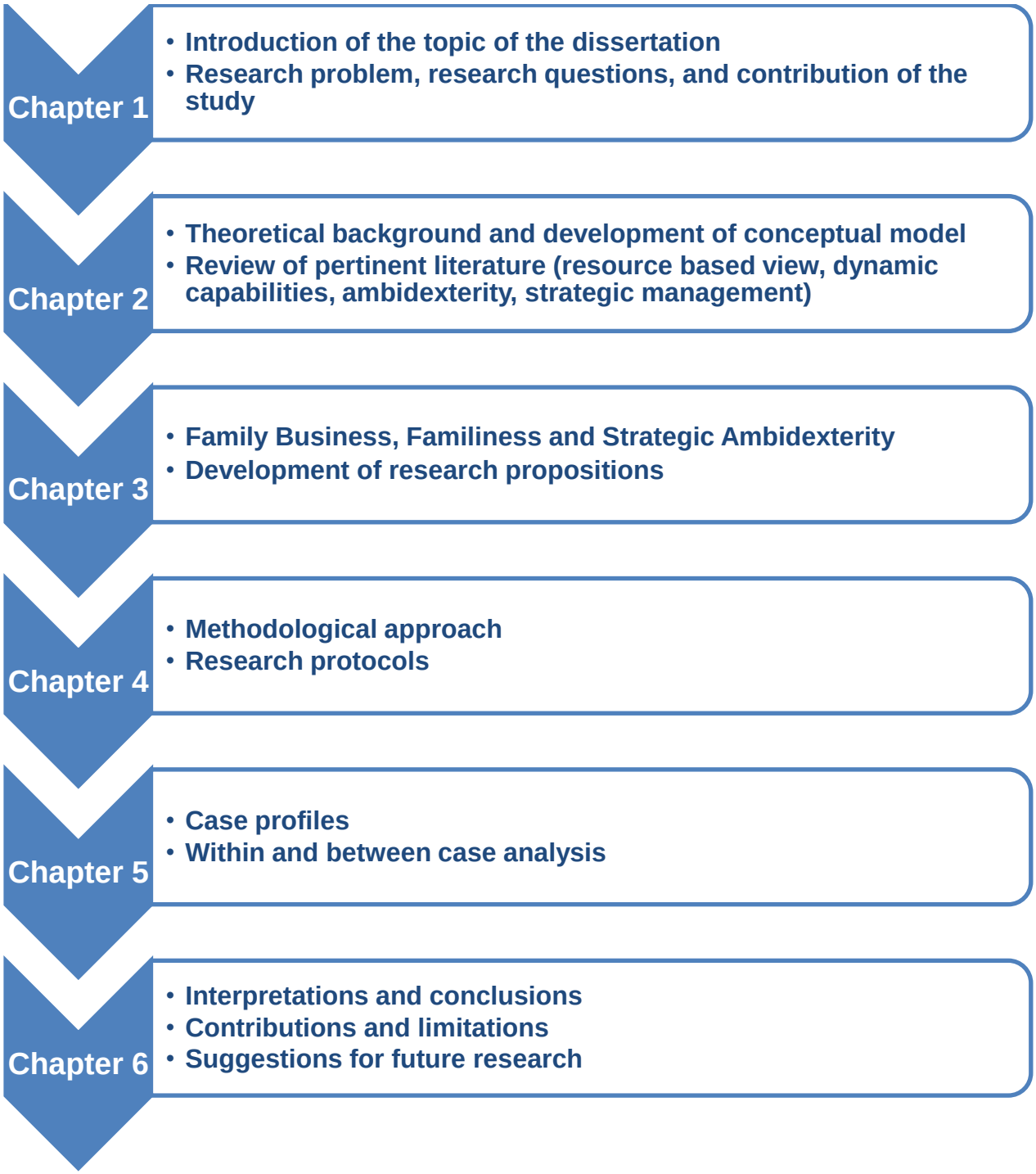
Enhance awareness of family business managers regarding the influence of the family on the strategic process at different levels (resources, capabilities, organizational conditions, strategies, objectives);
Provide tools to assess the influence of the family on strategic initiatives to explore and exploit;
Facilitate the systematic management of family influence on the resources and capabilities of the family firm (familiness) to improve short term results and long term prospects of the business.

We hope that, with only a small number of family businesses surviving the third generation, these frameworks and tools will be of practical value to family firm owners/managers and family firm advisors.

1.6 STRUCTURE OF THE THESIS

This dissertation is divided in six chapters. The current chapter offers a brief introduction to present the topic and provides a succinct overview of the rationale, logical frameworks, research questions and objectives of the dissertation. The remaining five chapters provide the theoretical foundations that constitute the basis for this research (chapter 2); the development of the research propositions (chapter 3); the methodological approach utilized to investigate the research questions (chapter 4); the data and findings from the fieldwork (chapter 5) and; the conclusions and recommendations derived from the analysis (chapter 6). This structure is illustrated in the figure below.

Figure 1-5. Thesis structure



2 THEORETICAL BACKGROUND AND CONCEPTUAL MODEL

The general research issue driving our conceptualization is the following:

How does the family influence family firms' ability to balance exploration and exploitation to achieve ambidextrous strategies in their quest for short term results and long term survival?

To address this issue and respond to our three research questions, the present chapter builds the theoretical foundations to bridge research on family firms and ambidexterity; two essential yet disconnected streams of management literature. The structure and objectives of this chapter are summarized below:

Summary box 2-1. Chapter 2: Structure and objectives

Section 2.1 The resource based view and dynamic capabilities

- Review relevant literature and justify our choice of theoretical basis

Section 2.2 Resources and capabilities

- Define and classify resources and capabilities
- Identify resource factors and capability components that influence strategic initiatives
- Build linkages between resources, capabilities and strategic action

Section 2.3 Ambidexterity

- Review relevant literature to define and explore the concept of ambidexterity
- Review organizational solutions to achieve ambidexterity and identify underlying success factors
- Review methods to assess ambidexterity and explore linkages with performance

Section 2.4 Strategic Ambidexterity

- Define strategic ambidexterity
- Develop a methodology to assess the strategic alignment of organizations

Section 2.5 Strategic ambidexterity from a resource and capability perspective

- Build linkages between specific resources and capabilities and strategic ambidexterity
- Identify characteristics of resources and capabilities affecting the ability of a firm to explore and exploit and the organizational conditions required to integrate exploration and exploitation
- Develop a conceptual framework based on the literature

2.1 THE RESOURCE BASED VIEW AND THE DYNAMIC CAPABILITIES APPROACH

There is wide agreement in the literature that firms must find competitive advantage to survive (Barney, 1991; Burgelman & Grove, 2007; Eisenhardt & Martin, 2000; Mintzberg et al., 1998; Porter, 2008, Teece et al., 1997; Wernerfelt, 1984). Competitive advantage can be defined as superior profitability (Teece, 2000) and is different from sustainable advantage (Teece, 2007). A firm's current level of performance is contingent on satisfying current customers. Yet, ultimate long term survival is contingent on developing processes, products, and services customers will demand in the future (Benner & Tushman, 2003). In other words, competitive advantage refers to the organizational need to "succeed" in a competitive environment,

while sustainable competitive advantage is linked to the quest to "survive" in a changing environment (Knott, 2002).

The question of how firms achieve sustainable competitive advantage has received considerable attention in the literature over the past fifty years. Over time the strategic management literature has offered numerous frameworks explaining how organizations compete. Among these frameworks two major paradigms of economic theory have emerged to explain the sources of competitive advantage: the outward looking market based view (MBV) with a focus on external industry factors; and the inward looking RBV exploring internal sources of competitiveness. Since our research focuses on internal aspects of family firms our research builds on the RBV and its dynamic capabilities extension.

2.1.1 Resource based view of the firm (RBV)

Empirical research of firm performance suggests that individual, firm-specific resources may have a significant impact on performance (Cool & Schendel, 1988; Hansen & Wernerfelt, 1989; Mahoney & Pandian, 1992). The RBV tries to explain why organizations in the same industry, with similar competitive forces, resources, and strategies perform differently (Segal-Horn, 2004). Influenced by the writings of Penrose (1959), Wernerfelt (1984), Barney (1991), Grant (1991) and Hamel and Prahlad (1993), the RBV attempts to identify distinctive core resources and competencies (the ability to deploy resources) and understand how they are leveraged to achieve sustainable competitive advantage.

The RBV argues that while all firms use resources to operate, only a unique subset of these resources provide organizations with a competitive advantage, and a further particular subset may lead a few firms to achieve superior long-term performance (Barney, 1991; Grant, 1991; Penrose, 1959; Wernerfelt, 1984). Consequently, firms may achieve temporary competitive advantage appropriating valuable and rare resources. The longer the organization can avoid resource imitation, transfer, or substitution from competitors, the longer it can sustain this advantage. Empirical studies generally support the conclusions of the RBV (e.g., McGrath et al., 1995; Miller & Shamsie 1996; Zaheer & Zaheer, 1997). Thus the RBV considers performance to be embedded in the firm's unique resources and competencies and argues that it is precisely those resources and capabilities that allow an organization to stay competitive in the short and long term.

While the notion that organizations have distinctive competencies and capabilities can be traced back to the early works of the field of strategic management (e.g. Ansoff, 1965; Andrews, 1971); it was Edith Penrose in her theory of the growth of the firm (1959) who conceptualized an organization as a collection of productive resources—"[A] firm is more than an administrative unit; it is also a collection of productive resources the

disposal of which between different uses and over time is determined by administrative decision" (1959, p.24).

To summarize, in the RBV the resources of an organization drive its performance and constitute the fundamental source of value creation. Superior performance develops from idiosyncratic firm attributes that allow firms to capture more value than their competitors (Barney, 1991; Rumelt, 1984; Wernerfelt, 1984), performance results from the unusual behavior of heterogeneous and scarce resource endowments and competitive advantage depends on the relative productivity of those scare resources.

Shortcomings of the RBV

While the RBV is a popular, widely supported and used approach, research has extensively criticized the RBV (e.g., Foss, et al, 2008; Makadok, 2001; Foss & Knudsen, 2003; Priem & Butler, 2001a,b).

One of the most common criticisms is that the empirical investigation of the RBV is challenging due to broad definitions, wide diversity of conceptualizations of firm resources, inconsistencies in operationalization (Hoopes et al., 2003) and difficulties in defining, valuating and measuring some resources (Lockett et al., 2009; Priem & Butler 2001a,b).

Since the 1980s, researchers have developed and defined resource-based concepts in their quest to find linkages between resources and firm competitive advantage but consensus remains aloof. Some researchers have explored specific resources as sources of sustainable competitive advantages (e.g. Hitt & Ireland, 1986; Nelson & Winter, 1982); others have developed frameworks to identify specific characteristics of resources (e.g. value, rareness, inimitability, and non-substitutability) necessary to create sustainable competitive advantage (Amit & Schoemaker, 1993; Barney, 1991).

The RBV has also been criticized for lacking managerial implications or "operational validity" (Priem & Butler, 2001a), failing to explain how resources become a source of competitive advantage or to clarify how valuable resources can be developed (Connor, 2002; Miller, 2003). Other authors point out that having resources may not necessarily be a source of competitive advantage and that competitive advantage may arise only from the capacity of a firm to deploy resources effectively (Makadok, 2001; Peteraf & Barney, 2003). In addition, the RBV has been criticized for its limited applicability (Connor, 2002; Gibbert, 2006a,b; Miller, 2003). Finally, a number of authors question the very achievability of sustainable competitive advantage in rapidly changing markets (D'Aveni, 1994; Fiol, 2001).

To address some of these criticisms the RBV was extended into the dynamic capabilities approach.

2.1.2 The dynamic capabilities approach

The DC approach (Eisenhardt & Martin, 2000; Teece et al., 1997) evolved from the RBV of the firm (Barney, 1986, 1991; Wernerfelt, 1984). Like the resource based view, the DC perspective focuses on competencies and firm performance. Unlike the RBV, the main emphasis of the DC approach is on dynamics.[3]

The DC perspective considers competitive advantage to be temporary and short-lived (Eisenhardt & Martin, 2000). From a DC perspective, long term profitability emerges from the ability of a firm to create a series of temporary advantages (D'Aveni, 1994; Eisenhardt & Martin, 2000).

Authors favoring the DC perspective point out that the classical RBV fails to address the dynamic nature of the business environment and to explain how organizations build new capabilities (Cavusgil et al., 2007). Since resources are hard to imitate, "sticky" and difficult to reconfigure in dynamic situations (Teece et al., 1997), without exploring how organizations adapt to change it is difficult to understand how businesses maintain their competitive edge.

The focus on dynamics saves the DC view from criticisms that the RBV is a static, equilibrium-based model (e.g. Teece, 2007). Its emphasis on adaptation and change suggests that organizations can overcome competency traps that transform core competencies into core rigidities (Leonard-Barton, 1992). The DC approach also offers a more clear distinction between the resources and the capabilities of the firm somewhat addressing the issue of definitional rigor.

In the DC approach competitive advantage arises not from the resources but from the creative integration, transformation and use of resources and capabilities, in other words, from the organization's ability to configure and reconfigure resources (Teece et al., 1997; Montealegre, 2002; Teece, 2007, 2009) and combine resources to develop capabilities (Grant, 1996a; Verona & Ravasi, 2003; Zollo & Winter, 2002). The DC perspective is thus concerned with how organizations build, organize and reorganize competencies (Teece, 2007) and defines dynamic capability as "the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" (Teece, 2009, p. 516).

By focusing on how capabilities are developed and evolve over time and how organizations can transform capabilities to adapt to change, the dynamic capabilities view emphasizes processes as opposed to individual resources and incorporates dynamic elements such as learning and adaptation. DC literature also suggests different capabilities may lead to short and long term competitive advantage. The emphasis on process

[3] Although not its main focus, some RBV literature includes dynamic elements (e.g. Dierickx & Cool, 1989; Wernerfelt, 1984); some authors even suggest there may be a "dynamic resource-based view" (Helfat & Peteraf, 2003).

makes the DC view a suitable approach to examine "how" family organizations adapt their strategic initiatives over time; the distinction between capabilities leading to short and long term performance facilitates the examination of different capabilities leading to exploitation and exploration.

Criticism of the DC approach

The DC approach is commended for constituting an integrative tool to explain the sources of competitive advantage (Blyler & Coff, 2003; Eisenhardt & Martin, 2000; Helfat, 1997; Helfat & Peteraf, 2003; Tripsas, 1997; Zollo & Winter, 2002), yet authors find that "*researchers have tended to identify dynamic capabilities post hoc, inferring their existence from successful organizational outcomes such as profitability and growth*" (Zahra *et al*., 2006, p. 923); and that, while improving on the RBV, it still lacks in definitional rigor and would benefit from better clarity on what constitutes a dynamic capability (Easterby-Smith et al., 2009).

In spite of the criticism and debate, the emphasis on change and adaptation; the distinction between resources and capabilities as well as between short and long term competitive advantage; and the focus on dynamic processes makes DC literature of particular value for research focusing on the ability of family firms to explore and exploit to achieve short term performance and long term survival.

2.1.3 The RBV and family business research

The RBV and its extensions (including the DC and the knowledge based views) have been a very influential theoretical foundation in the development of family business theory (Chrisman et al., 2005a). RBV principles have been applied to family business research to identify family-based competitive advantage (Habbershon & Williams, 1999; Habbershon et al., 2003); to examine the relationship between organizational culture and entrepreneurship (Zahra et al., 2002, 2004); to discuss the influence of the family on the formulation of business strategies (Chrisman et al., 2003a); to explore the effect of the family on resource management (Sirmon & Hitt, 2003); to understand the role of family influence on divestment decisions (Sharma & Manikutty, 2005); to develop longitudinal models for resource management (Kellermanns, 2005); and to study the synergies in top management teams (Ensley & Pearson, 2005). These examples underscore the relevance and contribution of the RBV to family business research.

The RBV allows for the exploration of the complexities and uniqueness of the interaction of family and firm and led to the conceptualization of "familiness" (Habbershon & Williams, 1999). Growing attention on familiness in the literature provides strong evidence of the influence of this construct in family business research (e.g. Chrisman et al., 2005b; Habbershon, 2006; Craig & Moores, 2005; Nordqvist, 2005; Pearson et al., 2008; Rutherford et al., 2008; Sharma, 2008; Tokarczyk et al., 2007; Zellweger et al., 2008b) making this theoretical approach particularly suitable for furthering the study of family firms.

2.1.4 The RBV and DC approach as theoretical basis for this research

The RBV and its DC extension are largely focused on the internal endowments of the firm and how these can be best applied to the firm's advantage (Peteraf, 1993). These perspectives highlight the intangible resources that influence a firm's competitive advantage; such as the uniqueness and complexities of the intangible resources and capabilities of family firms.

The next sections use the traditional RBV to identify, define and examine the different resources of the family firm and assess their contribution to the ability of firms to pursue strategic initiatives. Its DC extension is used to identify the processes firms use to combine, integrate and transform these different resources to develop and reconfigure organizational capabilities in the face of change (Grant, 1996; Verona & Ravasi, 2003; Teece et al., 1997; Teece, 2007, 2009; Zollo & Winter, 2002).

These two perspectives combined provide the necessary theoretical grounding to open the black box of familiness and provide the foundations to build bridges between family business and ambidexterity.

2.2 RESOURCES AND CAPABILITIES OF THE FIRM

Researchers as well as practitioners interested in the RBV and its extensions have used a variety of terms to refer to firms' resources and capabilities, including routines (Becker, 200; Winter,2003); competencies (Prahalad & Hamel, 1990); skills (Grant, 1991); strategic assets (Amit & Schoemaker, 1993); assets (Ross et al., 1996); processes (Teece et al., 1997); and stocks (Capron & Hulland, 1999).

This proliferation of terminology is problematic for research based on the RBV because it is often unclear what researchers mean when using a particular term (Priem & Butler, 2001a) or where the boundaries are between organizational resources and capabilities (Amit & Schoemaker, 1993; Grant, 1991; Wade & Hulland, 2004).

As a result of this eclectic collection of terms, most definitions in the literature fail to distinguish between the resources that serve as inputs for the enterprise's operations, and the capabilities embedded in the organizational routines and practices that serve to select, deploy, and organize those inputs (Amit & Schoemaker, 1993; Dierickx & Cool, 1989). To tackle this problem and address some of the criticisms of the RBV and DC regarding the lack of clarity and operationalization of concepts, the following sections clarify the boundaries between resources and capabilities and define and classify different types of resources and capabilities in the context of our investigation.

2.2.1 Clarifying the terminology: resources and capabilities

The distinction between resources and capabilities can be traced back to Penrose (1959). Penrose differentiates factors of production from resources (inputs) and resources from the services they render; she also makes a distinction between resources (human, physical) and competences (managerial & entrepreneurial) and suggests that resources provide a bundle of productive services to the enterprise affecting the firm's development of ideas, experience and knowledge.

Amit and Schoemaker (1993) define resources as "stocks of available factors that are owned or controlled by the firm" and capabilities as "the firm's capacity to deploy these resources" (p.35). This distinction is important because resources require capabilities to identify and maximize the potential of those resources (Sirmon & Hitt, 2003).

Teece et al., (1997) maintain that resources are different from factors of production because they are firm specific and that undifferentiated inputs available from the markets do not constitute a resource (e.g. land, unskilled labor, capital or public knowledge). Resources on the other hand are difficult to imitate firm-specific assets; clustered and integrated firm-specific assets constitute competencies; capabilities are difficult to imitate combinations of organizational, functional and technological skills of an organization and dynamic capabilities reflect the ability to integrate, build, and reconfigure internal and external competences to address changing environments (Teece et al., 1997).

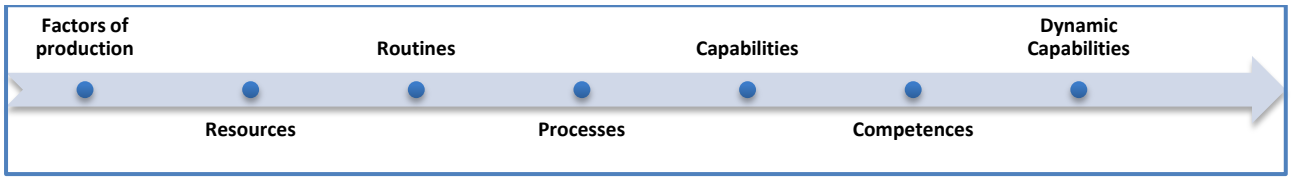
While tangible and intangible resources are tied to the firm at any time (Wernerfelt, 1984), their contribution to firm sustainability depends on the routines and processes used in their deployment (Teece et al., 1997). Nelson and Winter (1982) consider that routines represent stable sequences of actions that serve as organizational memory. Similarly, Becker (2001) defines routines as collective, repetitive and persistent patterns of action. The interaction and organization of different routines lead to the creation of organizational processes (Chandler, 1992; Cyert & March, 1963). Thus, organizational processes can be interpreted as complex sequences or groups of routines.

Eisenhardt & Martin (2000) argue that "capabilities are processes embedded in firms" (p.1106). Competences are necessary to coordinate different capabilities (Foss, 1998) and core competencies are capabilities that achieve competitive advantage (Prahalad & Hamel, 1990; Sanchez et al., 1996). Finally, Winter (2002, p.2) considers dynamic capabilities to be capabilities "that operate to extend, modify or create ordinary capabilities." These dynamic capabilities constitute strategic and organizational processes that transform resources into new value-creating strategies in dynamic markets (Eisenhardt & Martin, 2000).

It seems from the previous discussion that, despite the lack of consensus and definitional rigor, these different concepts follow a logic of growing complexity, where resources are more than just factors of

production; repeated actions create routines; processes emerge from collections of routines; capabilities constitute the firm's capacity to deploy resources through organizational processes; competences coordinate diverse capabilities and dynamic capabilities modify capabilities in the face of change.

Figure 2-1. Relationship among different RBV concepts



This sequential depiction can help clarify the relationship among the different concepts often used in the literature, even if this sequential logic may not necessarily constitute a linear (Autio *et al*., 2011) or planned process (George, 2005) in organizations.

Ultimately, the boundaries among the different terms will depend on the breadth and scope of the definitions used by the researcher. For clarity and simplicity in our research we will use only two of these terms reducing this list to its two major constructs, namely resources and capabilities. In the following sections we will provide definitions and classifications for resources and capabilities that will allow their examination in the context of family firms.

2.2.2 Defining resources

The definitions for resources found in the literature are varied and range from narrow depictions identifying specific assets (such as financial resources) to broad umbrella descriptions referring to anything that a firm needs to conduct its business (Barney, 1991; Foss, 1998; Priem & Butler, 2001a). The table below provides a sample of different definitions of "resources" commonly cited in the literature.

Table 2-1. Selected resource definitions from the literature

DEFINITIONS	AUTHORS
"By a resource is meant anything which could be thought of as strength or weakness of a given firm. More formally, a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi-permanently to the firm."	Wernerfelt (1984, p.172)
"Firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness"	Barney (1991, p.101)
"The firm's Resources will be defined as stocks of available factors that are owned or controlled by the firm"	Amit & Schoemaker (1993, p. 35)
"Anything tangible or intangible that the firm can use in its processes for creating, producing, and/or offering its products (goods or services) to a market".	Sanchez et al. (1996, p.7)
"Resources are firm-specific assets that are difficult if not impossible to imitate... Such assets are difficult to transfer …because of transactions costs and transfer costs, and because the assets may contain tacit knowledge."	Teece et al. (1997, p.516)
"A resource refers to an asset or input to production (tangible or intangible) that an organization owns, controls, or has access to on a semi-permanent basis."	Helfat & Peteraf (2003, p.999)
Resources are "assets and capabilities available and useful in detecting and responding to market opportunities" or threats	Wade & Hulland (2004, p.109)

Although not exhaustive, this table demonstrates that in the literature, the term "resources" takes on an extensive variety of meanings and that the distinction between resources and capabilities is often unclear.

Despite classic RBV definitions of resources including both resources and capabilities, more recent RBV literature, and specially DC research, present a clearer differentiation between resources (the inputs, stocks, capital) and capabilities (the ability to use resources to conduct business operations-operational capabilities- and adapt to compete in the longer run -dynamic capabilities-). This research follows DC literature in differentiating resources and capabilities and uses the following definition of resources:

Definition box 2-1. Organizational resources

> *"A **resource** refers to an asset or input to production (tangible or intangible) that an organization owns, controls, or has access to on a semi-permanent basis."* (Helfat & Peteraf, 2003)

2.2.3 Classifying resources

Along with the numerous definitions describing what resources are, the literature offers an equally rich number of taxonomies to classify resources. A sample of such classifications is provided below.

Table 2-2. Sample resource taxonomies in the literature

RESOURCE TYPES	Authors
Physical resources are tangibles that the firm can buy, lease or produce *Human resources* are constituted by staff their information, knowledge and skills	Penrose (1959)
Financial resources (e.g., cash flow, debt capacity, new equity availability); *Physical resources* (e.g., plant and equipment, inventories); *Human resources* (e.g., scientists, production supervisors, and sales personnel); *Organizational resources* (e.g., quality control systems, corporate culture, relationships) and; *Technological capabilities* (e.g., high quality production, low cost plants).	Hofer & Schendel (1978)
Tangible assets and *Intangible assets tied semi-permanently to the firm*	Wernerfelt (1984)
Physical capital resources (physical technology, plant and equipment, geographic location, raw materials), *Human capital resources* (training, experience, judgment, intelligence, relationships, and insight of managers and workers in a firm) and; *Organizational capital resources* (formal reporting structure, formal and informal planning, controlling and coordinating systems, informal relations among groups). Barney (1995) added *Financial capital resource* (e.g., debt, equity, and retained earnings).	Barney (1991, 1995)
Tangible resources (financial capital and physical assets of the firm- plant, equipment, and raw materials); *Intangible* (reputation, brand image, and product quality) and; *Personnel-based resources* (technical know-how and other knowledge assets including dimensions such as organizational culture, employee training, loyalty, teamwork, etc.).	Grant (1991)
Teece uses the term firm specific assets to refer to resources and identifies technological; financial; reputational; structural; institutional and market structure assets.	Teece *et al.* (1997)
Physical resources (e.g., plants, distribution centers, inventories) *Human resources* (e.g., machine operators, production managers, scientists) *Financial resources* (e.g., cash flow, debt capacity, equity availability) *Information technology resources* (e.g., inventory management system, communication network, supply chain modeling system) *Marketing resources* (e.g., market share, brand recognition, goodwill) *Organizational resources* (e.g., training systems, corporate culture, supplier relationships) *Legal resources* (e.g., patents, copyrights, contracts)	Shapiro (1998, P.2)

In these classifications, we can observe two things: first that researchers use “inputs” “assets” and “capital” interchangeably to refer to resources and second that they often refer to what we will call “basic” and “complex” resources. “Basic” resources include:

- Physical resources: tangibles that the firm can buy, lease or produce.
- Human resources: staff, their information, knowledge and skills.
- Financial resources: monetary assets and financing potential to purchase other resources.
- Networks and relations: connections and bonds of the firm.
- Information and knowledge: data and know-how of the organization.
- Other intangible resources: nonmonetary resources without physical substance (patents, reputation etc) that in combination can produce benefits for the firm (Andriessen, 2004).

In addition to these recurrent basic types of resources, some authors add to the list “complex” resources related to specific activities or skills of the firm, such as:

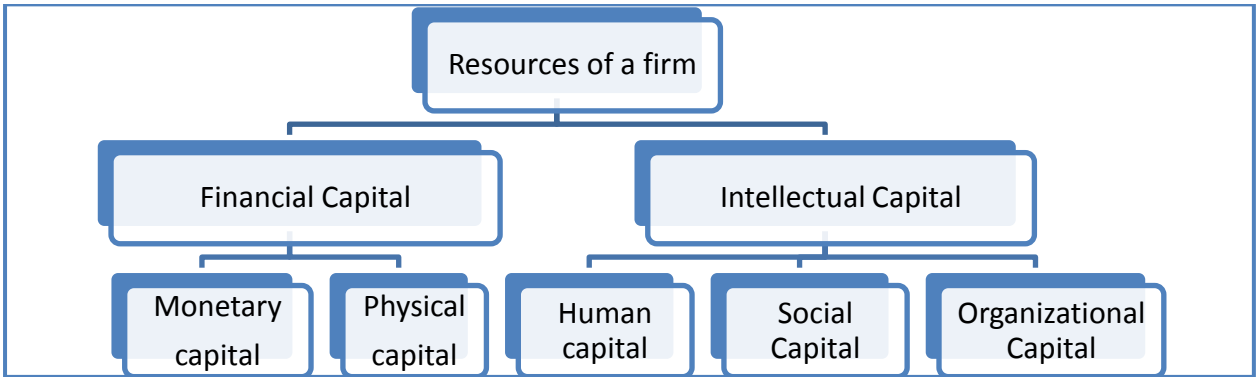
- Entrepreneurial resources: ability to recombine and reconfigure resources (Alvarez & Busenitz, 2001; Godfrey & Gregersen 1999).
- Organizational resources: quality control systems, corporate culture, reporting structure, formal and informal planning, controlling and coordinating systems, relations among groups (Barney, 1991; Hofer & Schendel, 1978).
- Marketing resources: market share, brand recognition and goodwill of the firm (Shapiro, 1998).
- Legal resources: patents, copyrights and contracts of the organization (Shapiro, 1998).

The boundaries among different resources are not easy to define unequivocally because resources overlap (e.g. human resources contribute to the networks, information and knowledge of a firm) and can often be transformed into other resources (e.g. financial resources can be used to acquire information and know-how; human resources contribute their own knowledge and networks to the organization, etc.).

Despite the different typologies and blurry borders, the above list of resource types illustrates that organizations require combinations of a wide variety of resources to operate. Thus, at the most basic level resources can be interpreted as the inputs necessary to conduct the operations of the firm. Yet, while some inputs are readily available in the market, they are not sufficient to ensure business performance. Organizations acquire, bundle, and develop other resources from these inputs; these resources, mostly intangible are not available in the market and often constitute a competitive advantage for an organization. Therefore we can identify two broad categories of resources: some authors refer to these categories as “tangible” and “intangible” resources, other authors prefer to call them “financial” and “intellectual” assets. Our research follows the latter nomenclature building on the work by Roos et al., (2001).

Following the framework offered by Roos et al., (2001) resources can be broadly classified as either financial or intellectual assets/capital. Financial capital is a straight forward concept with a broadly agreed upon definition that includes all the monetary and physical assets of an organization. Intellectual capital (IC), on the other hand, is a broad construct with many definitions and frameworks (e.g. Bollen et al. 2005; Bontis 1998, Bontis et al. 2002; Pike et al., 2005; Pike & Roos, 2000) but with a certain degree of convergence. Despite the differences, classifications comprise three main categories: human capital, social (a.k.a. relational) capital, and organizational (a.k.a. structural) capital (Youndt et al., 2004). Thus IC can be conceptualized in three components centered on people, relationships and organization represented by human, social and organizational capital (Bontis, 1998; Edvinsson, 1997; Saint-Onge, 1998; Roos et al., 2001). The figure below presents the classification of resources used in this research.

Figure 2-2: Types of resources



Source: Adapted from Roos et al., (2001)

Human capital refers to the components of human assets (i.e. skills, knowledge, and capabilities) allowing employees to accomplish tasks in pursuit of the organizational objectives (Edvinsson & Malone, 1997; Wright & McMahan, 1992). Social capital is constituted by the assets residing in social relations and networks (Burt, 1992; Leana & Van Buren, 1999; Tsai & Ghosal, 1998); both the relationships that exists between employees and external economic factors (Edvinsson & Malone 1997) and among employees and teams within the organization (Nahapiet & Goshal, 1998). Organizational capital has tangible and intangible elements; its tangible components include are the firm's systems, structure and operating procedures, while its intangible aspect manifests in the routines, culture, business processes and informal ways of doing business (Edvinsson & Malone, 1997).

Thus at the most basic level we define resources as follows:

Definition box 2-2. Basic definitions of resources of an organization

Financial capital: the financial and physical assets of the firm;

Human capital: the human resources, their knowledge, skills and attitudes;

Social capital: the internal and external networks and relations of the organization and its individuals;

Organizational capital: the structure, processes, governance, identity, culture, and reputation of the firm.

This classification includes all the relevant categories of resources identified in ambidexterity research (see for example, Jansen et al., 2006; Lubatkin et al., 2006; Venkatraman et al., 2007) and family business literature (see for example, Dyer, 2006; Habbershon & Williams, 1999; Habbershon et al., 2003; Sirmon & Hitt, 2003) and thus provides an appropriate and comprehensive framework to examine the different resources of family firms in the context of our research. The sections below proceed to examine each resource separately to identify particular resource features that may play a significant role in shaping the strategic behavior of organizations.

2.2.3.1 Financial capital

There is broad agreement in the literature that financial capital includes all the monetary and physical assets of an organization (e.g. Barney, 1991, 1995; Grant, 1991; Hofer & Schendel, 1978; Shapiro, 1998; Teece et al., 1997).

Monetary assets are important for organizations; firms need cash to invest into other resources (Marr et al., 2004). Money is a necessary input as well as an output of operations in form of cash flow (Itami & Roehl, 1987). Penrose (1959) defines physical assets as tangible things such as plant, equipment, land and natural resources. Williamson (1975) emphasizes the importance of physical assets to gain a competitive advantage.

Research suggests that the amount of financial capital invested in business initiatives positively affects survival and growth (e.g., Cooper et al., 1994). Availability or slack in financial resources can be allocated to various activities. Slack is the stock of excess resources available to an organization during a given period (Nohria & Gulati, 1996; Sharfman et al., 1988) as a result of prior organizational performance, managers' planned reserves, or inadequate financial planning (Voss et al., 2008). Sufficient slack allows firms to cope with problems and provide a buffer against unstable environments and can facilitate strategy allowing the firm to experiment with new strategies (Thompson, 1967).

Accordingly, the presence of positive amounts of financial capital implies that firms have available financial resources to be used for productive purposes, including the pursuit of capital-intensive strategies, which are more difficult to imitate (Cyert & March, 1963). Available financial capital eases financial resource constraints on the operation and growth of the business, expands the range of strategic alternatives available to management for investments with potentially positive returns (Tan & Peng, 2003), and allows experimentation and risk-taking (Nohria & Gulati, 1996) with potential long term performance outcomes.

Thus excess financial capital can provide an internal mechanism for growth that allows firms to more fully utilize available resources (Holcomb et al., 2009). Thompson (1967) suggests that excess resources provide firms the ability "to take advantage of opportunities afforded by the environment (p.150)," similarly studies find that available financial resources have a positive effect on performance, profitability and shareholder returns (e.g., Miller & Leiblein, 1996; Mishina et al., 2004).

However, many authors maintain that financial capital in itself is not a valuable resource unless managers apply it to productive activities (e.g. Amit & Schoemaker, 1993; Morrow et al., 2007). Thus investment decisions of managers are at least as important as the availability of financial capital. Research also suggests that the motivation to transform available financial resources into organizational investments conducive to growth depends not only on the financial resources available but on the "entrepreneurial ambition" of firms, i.e. the propensity of management for taking risks to ensure growth (Penrose, 1959). Furthermore, proponents of behavioral theory argue that higher levels of available financial capital provide opportunities for executives to appease different coalitions by allowing these parties to pursue their own agendas (Cyert & March, 1963), even when such allocations are unlikely to produce acceptable returns.

While some evidence suggests that financial resources controlled by a firm can promote growth (e.g., Bamford et al., 2000; Cooper et al., 1994), a number of authors conclude that resource differences are unrelated to growth (e.g., Shrader & Simon, 1997). Research also finds that it is the combination of resources with business strategies that influences growth (e.g., Chandler & Hanks, 1994) while others report that resource-strategy combinations have no performance implications (e.g., Brush & Chaganti, 1999). In other words, while having capital to invest is important, it is the choices made about the use of financial resources and not only the amount of finance itself that determines the contribution of available finance to future performance.

Strategy research also suggests that financial decisions and financial resources have strategic importance (Barton & Gordon, 1988; Chatterjee & Wernerfelt, 1991; Kochhar, 1996) and that capital structure affects corporate governance that, in turn, affects strategies chosen by top executives (Jensen, 1986).

A firm's capital structure (*i.e.*, the relative mix of debt and equity capital) shapes monitoring and incentives (Jensen & Meckling, 1976; Williamson, 1988) and the allocation of resources to alternative strategies (Kochhar, 1996). Operating capital structure is an important decision of senior managers (Mizruchi & Stearns, 1994) because it significantly influences their ability to make discretionary investments (Jensen, 1986; Stearns & Mizruchi, 1993).

Research shows both the type of financing and the source of financing may affect investment decisions. Debt financing, for instance, may have tax benefits and lower the firm's overall cost of capital, but also increases risks of organizations because failure to make payments can lead to financial distress and bankruptcy (Kochhar, 1996).

The "pecking order theory" (Myers & Majluf, 1984) suggests that different transaction costs associated with different types of external finance mean firms will first attempts to finance investments internally, then issue debt, and only as a last resort, raise new equity.

The box below sums up the above discussion:

Definition box 2-3. Financial capital definition and significant features

Financial capital is constituted by the monetary and physical assets available to the organization.

Research suggests financial capital is linked to strategic decisions in various ways:

- Organizational strategies require sufficient amounts of financial capital
- Slack is particularly important for strategic initiatives
- Accessibility to particular types of financing may influence an organization's strategic decisions
- Financial capital allocation decisions are as relevant as the quantity and quality of capital available

These findings suggest that our investigation needs to look into the family influence on the availability of financial capital for the organization, on the financing mechanisms used and on the decisions allocating available financial resources to different strategic options.

2.2.3.2 Human capital

Human capital is the combination of competence (knowledge, skills and talents), attitude (motivation, behaviors and conduct) and intellectual agility (the ability to adapt, innovate and transfer knowledge between different contexts) of employees (Roos et al., 1998). Most human capital is tacit, sticky and difficult to transmit (Szulanski, 1996; Von Hippel, 1994) because knowledge is in the minds of individuals (Hayek, 1945; Hedberg, 1981).

Human capital includes general and specific knowledge of individuals (Dierickx & Cool, 1989; Swart, 2006) and is directly related to the type of learning because individuals can acquire and combine diverse knowledge of multiple domains as well as deepen their knowledge in a more reduced number of specific domains. The scope and breath of existing knowledge affects the diversity of current knowledge available as well as future knowledge search behaviors (Taylor & Greve, 2006).

Organizations can learn by "the learning of its members", or "by ingesting new members who have knowledge the organization didn't previously have" (Simon, 1991, p. 125). Individual learning is a necessary condition for organizational learning (Argyris & Schon, 1978), therefore human capital is the primary foundation for organizational learning and determines the ability to recombine existing knowledge and acquire new knowledge and apply it to strategic initiatives. Major strategic decisions of organizations are influenced by top management, therefore at the upper level of the organization, human capital is the sum of all knowledge, skills, and 'life' experiences residing in and utilized by senior executives (Hitt et al., 2006; Nahapiet & Ghoshal, 1998; Schultz, 1961; Subramaniam & Youndt, 2005; Youndt et al., 2004).

Research has identified knowledge and experience as two major components underlying human capital and contends that individuals with more or higher quality human capital will achieve better outcomes (Becker, 1994). Knowledge is built on an individual's unique life experience and therefore the accumulation of human capital of each individual is different. Therfeore, human capital includes the skill sets, depth of expertise and breadth of experience of the individuals contributing to the operations of an organization. However,

employee loyalty, motivation, and flexibility will often be significant factors, because a firm's expertise and experience is developed over time. A high level of staff turnover may mean that a firm is losing these important elements of intellectual capital.

Human capital can enable firms to establish and sustain performance advantages over time because some capabilities generate private synergies when based on firm-specific knowledge (Barney, 1988). In addition human capital can create scale economies when integrated with other firm resources (i.e., complementary assets, Harrison et al., 2001). In both cases, such advantages may not be easily imitated by rivals and are likely to be immobile.

Definition box 2-4. Human capital definition and significant features

Human capital is the combination of competence, attitude and intellectual agility of the human resources available to the firm (Roos et al., 1997).

Research suggest human capital may have an influence on strategic outcomes of firms because:

- Individuals with more or higher quality human capital will achieve better outcomes (Becker, 1994).
- Education and knowledge exchange from learning on the job (Hitt et al., 2001; Hitt et al., 2006) helps Individuals gain more general and specific knowledge (Dierickx & Cool, 1989; Swart, 2006) that may enhance decision making and contribution to the firms activities.
- Employee tenure, loyalty, motivation, and flexibility build human capital because a firm's expertise and experience is developed over time.
- The scope and breadth of knowledge affects the diversity of current knowledge available as well as future knowledge search behaviors and may affect strategic choices (Taylor & Greve, 2006).

These findings suggest that our investigation needs to look into the family influence on the quality of human capital available to the firm, the scope and breath of knowledge and experience; the attitudes of employees and how these may lead to different strategic options.

2.2.3.3 Social capital

Whereas human capital focuses on individual attributes, social capital concentrates on the relationships between individuals or between organizations (Burt, 1997). A person's social capital is based on networks of interpersonal relationships (Granovetter, 1985; Coleman, 1988). Networks are "personal relationships which transcend the requirements of organizational structure" (Hall, 1992, p.138) and are necessary to obtain maximum business performance (Hoffman et al. 2006). Organizations are embedded in a network of relations and include networks of relationships between individuals and/or groups. These networks are composed by individuals, organizations, and linkages between them (Hoang & Antoncic, 2003).

Initially, the term social capital highlighted the importance of networks of strong, crosscutting personal relationships developed over time, that provided the basis for trust, cooperation, and collective initiatives (Jacobs, 1965). Later, Nahapiet and Ghoshal emphasized the resources "embedded within, available through, and derived from" individual and social networks (1998, p. 243), thus social capital does not only

refer to the networks themselves, or the linkages among the individuals in them, but to the resources that are created by the existence and quality of such linkages (Adler & Kwon 2002; Nahapiet & Ghoshal, 1998).

Social capital includes all the relationships that exist within an organization and with external individuals or organizations; these can include customers, intermediaries, employees, suppliers, alliance partners, regulators, pressure groups, communities, creditors, and investors. Relationships can be formalized through contractual obligations or informal interactions. These networks provide access to other forms of capital the firm needs to survive (Sirmon & Hitt, 2003; Steier, 2001); such as financial resources, information, technological knowledge, and access to markets (Hitt et al., 2001, 2002).

Relationships influence organizational performance not only because they are necessary to acquire resources but also because they are necessary to combine and exchange existing knowledge (Burt, 1992). Since knowledge sharing and transfer is a social process, it is the actual social process of interaction that creates knowledge (Borgatti & Cross, 2003). Therefore, individuals and organizations can enhance social capital by shaping the nature and structure of their networks and relationships (Burt, 1992). For this reason developing and managing social capital is important for organizations (Inkpen & Tsang, 2005).

The literature suggests organizations can benefit from two general forms of social capital: internal "bonding" social capital and external "bridging" social capital (Adler & Kwon, 2002). Bonding social capital facilitates dense networks within a social collectivity, such as a family or an organization and generates trust, cohesiveness, and solidarity in the pursuit of common goals (Coleman, 1988). Bridging social capital constitutes the linkages of individuals or collectivities with other individuals or collectivities external to their constituency and facilitates goal achievement by providing access to resources and affording superior access to power and support (Adler & Kwon, 2002).

Thus the social relationships of individuals and organizations produce resources that can be used at some point in time to achieve their own interests. These relationship-based resources do not reside in any member of the social network or in the material objects possessed by the members individually or collectively; instead, social capital is produced by and contained in social relationships; thus, social capital represents a distinct form of social relationship (Bourdieu, 1986).

Bourdieu (1986, p.249) suggests that the volume of social capital in a social relationship depends on the extent of network connections and the volume of capital possessed by the individuals in the network. A distinguishing characteristic of social capital from simple institutional relationships (e.g., the family) is that social capital results from conscious or unconscious investment strategies focused on establishing and maintaining usable networks. This investment creates new relationships or transforms existing ones infusing them with mutual obligations and rights that depend on the institutional context and emotional nature of

the relationship; thus the accumulation of social capital depends on a continual exchange within a social relationship, and requires the investment of resources (e.g. time and energy).

Nahapiet and Ghoshal (1998) identify three dimensions of social capital: structural, cognitive, and relational. The structural component is based on network ties and configuration; the cognitive dimension is based on shared notions, language and common narratives; and the relational dimension is based on trust, norms and obligations, and identity.

The structural dimension of social capital refers to the pattern of connections between actors, who you are connected to, how you connect with them (Burt, 1992) and the frequency of information exchange (Nahapiet & Ghoshal, 1998). The structural dimension of social capital has received the most attention in research, through social network analysis (e.g., Baker, 1990; Burt 1992, 1997). Researchers recommend including both the structure of relationships and the character and content of those relationships (Adler & Kwon, 2002; Leana & Van Buren, 1999; Nahapiet & Ghoshal, 1998; Sharma, 2008).

The cognitive dimension of social capital refers to how individuals interacting with each other as part of a collective are better able to develop a common set of goals, and a shared vision for the organization (Nahapiet & Ghoshal, 1998). A shared vision and goals, and the underlying values of the group, promote integration, create shared responsibility and collective action (Coleman, 1990). Leana and Van Buren label this phenomenon associability, or "the willingness and ability to define collective goals that are then enacted collectively" (1999, p. 542).

The relational dimension of social capital "describes the kind of personal relationships people have developed with each other through a history of interactions" (Nahapiet & Ghoshal, 1998, p.244), and the level of trust among them (Leana & Van Buren, 1999). The formation of a group identity and shared contextual understanding facilitates the transfer of less tangible resources and tacit knowledge (Moran, 2005). Trusting relations facilitate collaborative behaviors and collective action in the absence of explicit mechanisms to foster and reinforce those behaviors (Coleman, 1990, Onyx & Bullen, 2000), thus allowing the transmission of more and potentially more valuable information.

All dimensions of social capital are important because they are mutually reinforcing. Furthermore, the three aspects of social capital—structural, relational, cognitive—work together to enhance information transmission and absorption among organizational members enhancing organizational learning and performance (Nahapiet & Ghoshal, 1998).

Definition box 2-5. Social capital definition and significant features

Social capital can be internally focused (bonding) or externally focused (bridging) (Adler & Kwon, 2002) and refers to the resources embedded within, available through and derived from the network of relationships of individuals and groups in the organization (Nahapiet & Ghoshal 1998).

There are three dimensions to social capital which are mutually reinforcing and can enhance or hinder access to the resources necessary for making and implementing strategic initiatives:

- The structural dimension, i.e. the pattern of network ties and their configurations (density, strength and hierarchy of connections) can affect access to important resources.
- The cognitive dimension, i.e. the shared language and narratives that facilitate the development of a common set of goals, a shared vision for the firm and knowledge integration can curb self-serving behavior and facilitate the attainment of collective goals.
- The relational dimension, i.e. the levels of trust, norms, obligations and expectations, identity and identification among actors that facilitate collaborative behaviors and collective action can facilitate transfer of less tangible resources and tacit knowledge.

These findings suggest that our investigation needs to explore how the structure of internal and external relations, shared notions and levels of trust and identification in the organization may affect strategic decisions to explore and exploit as well as examine the family effect on the three dimensions of social capital (structural, cognitive and relational) and ultimately on the ambidexterity of family firms.

2.2.3.4 Organizational capital

In addition to financial, human and social capital, organizations also need structure, procedures, rules and particular arrangements to create a common understanding of what the organization does, to measure and monitor operations, and to integrate and coordinate work; this type of capital helps organizations integrate resources and ensures organizational activities are in line with the objectives of the firm (Grant, 2003).

Youndt et al. (2004, p. 338) describe organizational capital as “the knowledge, skills, and information that stays behind when an organization’s people go home at night.” Daft and Weick (1984, p. 285) note that “individuals come and go, but organizations preserve knowledge over time.” In other words, while the expertise and knowledge of individuals in the firm depends on the hiring, development, and turnover of its people, the organizational capital of the organization is institutionalized and therefore does not change with the addition or substraction of individual members of the staff (Walsh & Ungson, 1991). Structural assets belong to the firm, persist beyond employee's tenure and can be differentiated from the personal dimensions of human capital and the relational dimensions of social capital.

Some definitions of organizational capital include only tangible components such as written rules, performance measures, and operations manuals; however, much organizational capital is informal and cultural. Indeed, for many authors structural capital covers a broad range of tangible and intangible organizational features, some times overlapping with human and social capital.

Youndt and Snell (2004, p. 338) define organizational capital as the “institutionalized knowledge and codified experience stored in data bases, routines, patents manuals, structures and the like” and point out

that although the literature often uses the therminology structural capital, organizational capital is a more accurate term because this type of asset is owned by the firm.

Pike et al., (2005) define organizational capital as the resources the company develops over time such as brand, image, IP, know-how, culture, systems and strategy.

Based on Marr (2008), we organize organizational capital in organizational culture and internal processes and routines (including the formal structure, processes and policies; tacit and informal routines; and management processes of the organization). Unlike Marr (2008) we do not consider social/relational capital as part of organizational capital. Although it is difficult to separate the two and there are obvious overlaps, especially regarding organizational culture, we consider that social capital is more closely linked to relationships while organizational capital is more connected to corporate structures and procedures (formal or informal) of the organization.

According to Schein (1983, p. 14) "organizational culture is a pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaption and internal integration — a pattern of assumptions that has worked well enough to be considered as valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems". These assumptions influence staff behavior and affect performance (Barney, 1991).

Cultural resources provide a shared framework to interpret events encouraging individuals to work both independently and as part of a team to achieve the company's objectives in a particular way (Marr, 2008; Marr et al., 2004). To achieve these objectives, in addition to organizational culture, an organization needs clear work processes, routines and mechanisms to store relevant business information. Formalization and routinazition of organizational policies, practices, and processes are necessary for stable business operations (Bontis, 1998).

Organizational capital includes static elements to allow firms to keep track of information and build organizational memory as well as dynamic elements to facilitate organizational learning as such, organizational capital is institutionalized and not easily changed (Walsh & Ungson, 1991).

Summing up, organizational capital provides the formal and informal structures and mechanisms necessary to tap and take advantage of tacit and explicit collective knowledge of employees; key information about networks (e.g. clients, competitors, suppliers) and the firm's environment; and the collective memory and history of the organization (Ulrich, 1993). In other words, organizational capital provides the firm with the means to support employees' efforts in pursuing the strategic objectives of the organization.

Definition box 2-6. Organizational capital definition and significant features

Organizational capital refers to the structure, procedures, rules and arrangements that create a common understanding of what the organization does; measure and monitor operations; and integrate and coordinate work.

Organizational capital includes corporate culture and internal processes and routines (operating processes; formal structure; policies; information flows and content of databases; and incentive schemes) of the organization.

Organizational capital can help organizations capture,store, make available and use:

- The tacit and explicit collective knowledge of employees;
- The information about their networks and relations (e.g. clients, competitors, suppliers);
- The developments in their external environment;
- The collective memory and history of the organization (Ulrich, 1993)

And assist them in making decisions to achieve their strategic objectives.

These findings suggest that our investigation needs to explore how these structures and mechanisms affect strategic options to explore and exploit and how the family influences the organizational capital of the firm, in particular its organizational culture.

This section has defined the different types of resources and identified important components and features that may influence strategic behavior of firms. However, resources by themselves do not create value for the organization; value is created by the ability of the firm to manage and organize those resources to achieve desired business objectives in competitive markets (Ashurst *et al*., 2008; Amit & Schoemaker, 1993) i.e. the routines and processes used in the deployment of those resources (Teece et al., 1997). The following section defines and examines capabilities.

2.2.4 Defining capabilities

The literature provides almost as many definitions of organizational capabilities as there are authors on the subject (Collis, 1994) and often uses the terms “capabilities” and “dynamic capabilities” interchangeably. However, there seems to be a distinction between both types of capabilities based on time, where “capabilities” focus on the current way of doing things and the processes used to bundle and deploy resources to produce and sell an offer today; while “dynamic capabilities” refer to the ability to improve and change those processes to adapt to in the future.

The tables below provide a sample of definitions for both capability and dynamic capability.

Table 2-3. Selected capability definitions from the literature

DEFINITIONS	AUTHORS
Resources, like capabilities, consist of assets that influence implementation, and proper fit with resources results in effective competitive strategy.	Wernerfelt (1984)
Capability refers to the capacity for a team of resources to perform some task or activity	Grant (1991)
Capabilities,..., refer to a firm's capacity to deploy resources, usually in combination, using organizational processes, to effect a desired end.	Amit & Schoemaker (1993)
Capabilities are the organizational abilities to deploy the firm's resources and to develop new ones.	Henderson & Cockburn (1994)
Capabilities are complex bundles of skills and collective learning, exercised through organizational processes that ensure superior coordination of functional activities.	Day (1994)
.... define organizational capabilities as the socially complex routines that determine the efficiency with which firms physically transform inputs into outputs.	Collis (1994)
Organizational capability is defined as a firm's ability to perform repeatedly a productive task which relates either directly or indirectly to a firm's capacity for creating value through effecting the transformation of inputs into outputs.	Grant (1996)
By 'organizational capabilities' we mean the capabilities of an enterprise to organize, manage, coordinate, or govern sets of activities.	Dosi & Teece, (1998)
An organizational capability is a high-level routine (or collection of routines) that, together with its implementing inputs flows, confers upon an organization's management a set of decision options for producing significant outputs of a particular type.	Winter (2000)

Despite the numerous definitions, there are some common notions in the capability definitions. Firstly, there is a consensus that a capability does not represent a single resource such as human or financial capital but rather a distinctive and superior way of acquiring, allocating and managing combinations of resources. In other words, capabilities address complex processes across the organization. Secondly, organizational capabilities are collective and socially embedded. They emerge from social interaction and are rooted in the routines and processes of the organization as a system (Nelson & Winter, 1982; Barney, 1991; Dosi et al., 1990; Dosi & Marengo, 1992) and provide *cognitive maps* "*to aid decision making on which process to deploy when and in what sequence*" (Autio *et al*., 2011, p.18). These cognitive maps enable problem solving and allow variations of the subset of routines that make up a process (Bogner & Barr, 2000). Finally, capabilities involve the transformation of inputs into outputs inside the "black box" of the firm (Collis, 1994).

Over and above these areas of consensus, the literature offers a number of common distinct characteristics for capabilities. Capabilities refer to "proven" outstanding skills used to address complex tasks or problems (Schreyogg & Kliesch, 2007); "recognized", appreciated and "successful" processes (Gherardi & Nicolini, 2002) and "habitual" patterns of action (Dosi et al., 2000; Nelson & Winter, 1982; Winter, 2000) that work in a "reliable manner" (Helfat & Peteraf, 2003). In other words, a set of processes can only constitute a capability when it has been recognized and replicated successfully across various situations. Consequently, capabilities develop over time.

The above characteristics capture the essence of "capabilities" and demonstrate that despite the lack of definitional consensus, capabilities have qualities that can be assessed in the context of an organization. Along with this qualities the literature helps define the types of processes that constitute capabilities: (1)

work processes necessary for running business operations, such as operational and administrative procedures; (2) behavioral process that reflect the organization's characteristic way of acting and interacting through decision making, communication and learning patterns; and (3) change processes which are longitudinal and dynamic by definition and describe how individuals, groups, and the organization adapts, develops, and grows (Garvin, 2012; Van de Ven, 1992).

The notion of "dynamic" capabilities was introduced by Teece et al. (1997). Definitions for dynamic capabilities also abound in the literature. The table below provides a sample of such definitions:

Table 2-4. Definitions of dynamic capabilities in the literature

DEFINITIONS	AUTHOR
The capability to develop the capability to innovate faster (or better), and so on.	Collis (1994)
The subset of competences/capabilities which allows the firm to create new products and processes and respond to changing market circumstances.	Helfat (1997)
"*the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Dynamic capabilities thus reflect an organization's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions*"	Teece *et al*., (1997, p.516)
"*the firm's processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die.*"	Eisenhardt & Martin (2000, p.1107)
Creation of difficult to imitate combinations of resources, including effective coordination of inter-organizational relationships on a global basis that provide a firm competitive advantage.	Griffith & Harvey (2001)
A source of competitive advantage conceptualising how firms are able to cope with environmental changes.	Lee *et al*. (2002)
Change oriented capabilities that redeploy and reconfigure resource base to meet evolving customer demands and competitor strategies.	Zahra & George (2002a)
"*learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness*"	Zollo & Winter (2002, p.340)
Capabilities that "*operate to extend, modify or create ordinary capabilities*".	Winter (2003, p.991)
Dynamic capabilities involve adaptation and change, because they build, integrate, or reconfigure other resources and capabilities.	Helfat & Peteraf (2003)
"*the abilities to re-configure a firm's resources and routines in the manner envisioned and deemed appropriate by its principal decisionmaker(s)*"	Zahra *et al*., (2006, p.7)
"*a firm's behavioral orientation constantly to integrate, reconfigure, renew and create its resources and capabilities and, most importantly, upgrade and reconstruct its core capabilities in response to the changing environment to attain and sustain competitive advantage*"	Wang & Ahmed (2007, p.35)
"*the capacity of an organization to purposefully create, extend or modify its resource base*"	Helfat *et al*., (2009, p.5)

It transpires from the above definitions that dynamic capabilities are at the root of long term value creation; that this value emerges through the routines and processes that determine the ability of the organization to manage resources and renew competences; and determines the capacity of a firm to achieve desired business objectives in a changing environment (Ashurst *et al*., 2008; Amit & Schoemaker, 1993).

Based on the above discussion we define capabilities and dynamic capabilities for our research as follows:

Definition box 2-7. Capability and dynamic capability

> **Capability** is "a firm's ability to perform repeatedly a productive task which relates either directly or indirectly to a firm's capacity for creating value through effecting the transformation of inputs into outputs" (Grant, 1996).
>
> **Dynamic capability** is "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Dynamic capabilities thus reflect an organization's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions" (Teece et al., 1997).

2.2.5 Classifying capabilities

The literature offers examples of capabilities (Thomas, 1989a,b; Baldwin & Clark, 1994; Henderson & Cockburn, 1994), yet fails to provide consensus on a hierarchy and classification of capabilities. This lack of consensus may arise from the difficulty to differentiate among capability types and the infinite variety of capabilities (Collis, 1994). Despite these difficulties, there have been numerous attempts at developing a workable classification in the literature.

Some attempts classify capabilities using different attributes, such as "specialized" versus "generalized" and "core" versus "complementary" (e.g., Chatterjee & Wernerfelt, 1991; Helfat & Lieberman, 2002). Others group individual capabilities into broader portfolios based on organizational functions (e.g., Amit & Schoemaker, 1993; Grant, 1991).

A different set of classifications build on whether capabilities are linked to current operations or to the ability to modify and build new capabilities. These classifications are better suited for our research not only because they reflect a certain degree of consensus on a hierarchy of capabilities in the literature but, more importantly, because they focus on the processes leading to short and long term performance, and thus provide a suitable structure to explore the ability of organizations to explore and exploit.

Collis (1994) offers a three-level hierarchy of organizational capabilities including "first order", "dynamic" and "creative" capabilities. Fist order capabilities reflect the ability to carry out basic functional activities of the firm (e.g production, distribution, marketing, etc), more efficiently than competitors. Dynamic capabilities focus on the dynamic improvement of the firm, such as "product innovations, manufacturing flexibility, responsiveness to market trends, and short development cycles" (Amit & Schoemaker, 1993, p. 35) and refer to the processes required for improving existing organizational activities. Finally, creative capabilities refer to the ability of a firm to identify and develop new business opportunities before competitors representing the capacity of the enterprise to innovate and develop new strategies to compete.

Building on Teece et al. (1997) and Winter (2000), Helfat and Peteraf (2003) classify capabilities as "operational" or "dynamic". Operational capabilities make use of a collection of routines to produce a good or a service, while dynamic capabilities are used to build, integrate, or reconfigure operational capabilities. Unlike operational capabilities, dynamic capabilities contribute only indirectly to the production of the firm's offer, but like operational capabilities, they consist of a collection of routines.

Winter (2003) classifies capabilities as "zero level", "first level" and "second level". Zero level capabilities allow the firm to "earn a living", and represent the firm's ability to produce an offer (tangible or intangible) for the client. In other words, zero level capabilities implement input flows to produce specific outputs (Winter, 2000). Conversely, "first level capabilities", refer to those capabilities required to modify the product, the production process, the scale, and the markets served. Finally, "second level capabilities" constitute capabilities that modify and/or create first level capabilities.

More recently, Zahra et al. (2006) split capabilities in two categories: "substantive capabilities" referring to the set of abilities required to achieve a specific business outcome and "dynamic capabilities" describing the capacity to change or reconfigure existing substantive capabilities.

Building on these typologies but leaving aside operational capabilities, Ambrosini, Bowman and Collier (2009) suggest three types of dynamic capabilities: incremental, renewing, and regenerative. While incremental and renewing capabilities modify existing capabilities by using and leveraging the existing resource base; regenerative dynamic capabilities allow the firm to move away from existing change practices and lead to new resources.

Table 2-5. Basic capability types

Collis (1994)	Teece et al.(1997) Helfat & Peteraf (2003)	Winter (2003)	Zahra et al. (2006)	Ambrosini et al. (2009)
First order	Operational	Zero Level	Substantive	-
Dynamic	Dynamic	First Level	Dynamic	Incremental
				Renewing
Creative		Second Level		Regenerative

Rather than focusing on functional aspects, this set of classifications focus on the operational vs. dynamic nature of the routines and differentiate among the diverse dynamic processes leading to the adaptation, improvement of existing capabilities and creation of new capabilities.

Despite the different nomenclature, a certain amount of consensus emerges around the existence of three types of capabilities. The operative core of organizations are first order (Collis, 1994), zero-level (Winter, 2003), operational (Helfat & Peteraf 2003) or substantive (Zahra et al., 2006) capabilities. Operational capabilities refer to the routines and processes linked to known procedures leading to maintaining current

productive activity and generating current revenues and profits for the firm (Winter, 2000; Zollo & Winter, 2002). These are what we defined earlier as “capabilities.”

At this level capabilities guide organizational action and resource allocation towards the implementation of unchanged existing strategies (Teece et al., 1997) and represent the capacity of the firm to deploy resources to satisfy existing production in combination with organizational resources and knowledge (Amit & Schoemaker, 1993; Dosi et al., 2002). Firms create these capabilities by making strategic investments in reusable capabilities that link together traditional business units and functions (Stalk et al., 1992). Operational capabilities ensure the processes necessary to conduct the current business of the firm but cannot ensure the sustainability of the firm in the face of change.

Over time, internal and external changes require modifications in operative routines to allow the organization to adapt and maintain its earning potential in the medium term; the processes leading to successful modification and renewal of existing capabilities are first level or dynamic capabilities. This type of capabilities refer to repeated processes leading to improved efficiency, product modification, manufacturing flexibility, responsiveness to market trends, and shorter development cycles and are usually associated to routines aimed at imporving efficiency, reengineering, restructuring, and R&D (Amit & Schoemaker, 1993).

At a higher level of complexity, creative, entrepreneurial or regenerative level capabilities relate to the ability of the organization to develop novel strategies faster than competitors introducing significant modifications to existing first order capabilities and/or creating new ones (Collis, 1994; Zollo & Winter 2002; Winter, 2003; Ambrosini et al., 2009). These capabilities represent the capacity to “learn to learn” and constitute second level dynamic capabilities or meta-capabilities (Collis, 1994; Winter, 2003).

Thus, dynamic routines and processes (as opposed to operational ones) bring about changes in the existing set of operating routines to sustain competitive advantage and enhance future profits (Helfat & Peteraf, 2003; Leonard-Barton, 1992). These routines enable firms to adapt, extend, and substantially alter the organization to exploit developing opportunities in the market and to explore or create new opportunities. (Eisenhardt & Martin, 2000; Teece et al., 1997; Zollo & Winter, 2003).

Based on the previous discussion our research identifies the three types of capabilities, these capabilities are defined below.

Definition box 2-8. Types of capabilities in our research

- **Operational capabilities**: routines and processes necessary to conduct the current business of the firm, i.e. they allow an organization to produce and sell an offer today and produce returns in the present without making any changes (not explored further in this research).
- **Dynamic renewing-incremental capabilities**: routines and processes that result in modifications in operative routines to improve the effectiveness and efficiency of the processes and routines of the organization allowing the organization to adapt to evolutionary changes in the environment and keep producing returns in the short to medium term.
- **Dynamic creative-regenerative capabilities**: routines and processes that allow for and foster creative or entrepreneurial activity allowing the organization to identify new business opportunities, develop novel strategies and business models and allow the organization to create and/or respond to disruptive changes in the environment and earn a living in the longer term.

This dissertation is about the ability of organizations to adapt their strategies to explore new business opportunities while exploiting existing business operations in the long run, therefore we do not examine operational capabilities (although they are obviously necessary to conduct current business operations and constitute the foundation of the other capabilities). We focus instead on the processes leading to the two types of dynamic capabilities: renewing or incremental capabilities and creative or regenerative capabilities. Organizational processes leading to adaptation and renewal of existing business activities and leading to improvements in efficiency and short to medium term performance will help us examine exploitation. Studying organizational processes leading to the recognition and development of new opportunities and long term performance will allow the examination of exploration.

Our research considers exploration and exploitation as dynamic capabilities, because dynamic capabilities transform existing resources into new or enhanced competencies allowing the firm to change (Eisenhardt & Martin, 2000). Although exploitation capabilities arise from small changes in the current way of doing things and represent small shifts from the current market experiences of the firm, the transformation of an organization's existing resources into improved capabilities to address market needs takes place nonetheless (Yalcinkaya et al., 2007). In the case of exploration capabilities, the changes are more intense and typically address new market segments and offer substantial new features to customers (Chandy & Tellis, 1998). In both instances, there is a dynamic transformation of the firm's current resources and processes into new or better competencies.

Dynamic capabilities depend on simultaneously exploiting current technologies and resources to secure efficiency and creating variation through exploratory innovation (March, 1991; O'Reilly & Tushman, 2008; Teece et al., 1997). Thus the classification of dynamic renewing-incremental capabilities and creative-regenerative capabilities is suited for our research as it differentiates between the dynamic capacity to enhance and modify existing business capabilities in response to incremental changes, i.e. exploitation, and

the ability to identify and pursue new future business opportunities, i.e. exploration. These two dynamic capabilities determine the rate at which firms respond to environmental change (Collis, 1994; Winter, 2003).

2.2.6 Dynamic capability components: sensing, seizing and reconfiguring

Different dynamic capabilities function in combinations, sequential steps, or patterns of relationships (Brown & Eisenhardt, 1997). Hence, to explore the role of dynamic capabilities in the strategic behaviour of family firms, we need to identify, define and examine the influence of the processes underlying these dynamic capabilities.

Eisenhardt and Martin (2000) suggest that dynamic capabilities acquire and shed; integrate; and recombine resources to achieve new resource configurations to respond to or create market change. Verona and Ravasi (2003) and Zott (2003) suggest similar categories, focusing on knowledge management, and variation-selection-retention respectively. More recently, Wang and Ahmed (2007) define adaptive; absorptive; and innovative capabilities as the three components of DCs.

Also identifying three components, Teece (2007) provides the most comprehensive and detailed classification of the components of dynamic capabilities as sensing and shaping opportunities; seizing opportunities; and continuous reconfiguration to adapt as markets and technologies change (Teece, 2007). More recently, Barreto (2010) identifies four components of dynamic capabilities: the propensity to sense opportunities and threats, the propensity to make timely decisions, the propensity to make market-oriented decisions, and the propensity to change the resource base of the organization. If we combine Barreto's two decision-making dimensions, all the above studies coincide in identifying three major components of dynamic capabilities, as illustrated in the table below.

Table 2-6. Components of dynamic capabilities in the literature

COMPONENTS OF DYNAMIC CAPABILITIES			AUTHORS
Propensity to sense opportunities and threats	Propensity to make timely and market driven decisions	Propensity to change the resource base of the firm	Barreto (2010)
Acquiring and shedding resources	Integrating resources	Reconfiguring resources	Eisenhardt & Martin (2000)
Sensing and shaping opportunities	Seizing opportunities	Reconfiguring assets	Teece (2007)
Knowledge creation and absorption	Knowledge integration	Knowledge reconfiguration	Verona & Ravasi (2003)
Adapting	Absorbing	Innovating	Wang & Ahmed (2007)
Variation and selection	Retention	Reconfiguring and competing with rivals	Zott (2003)

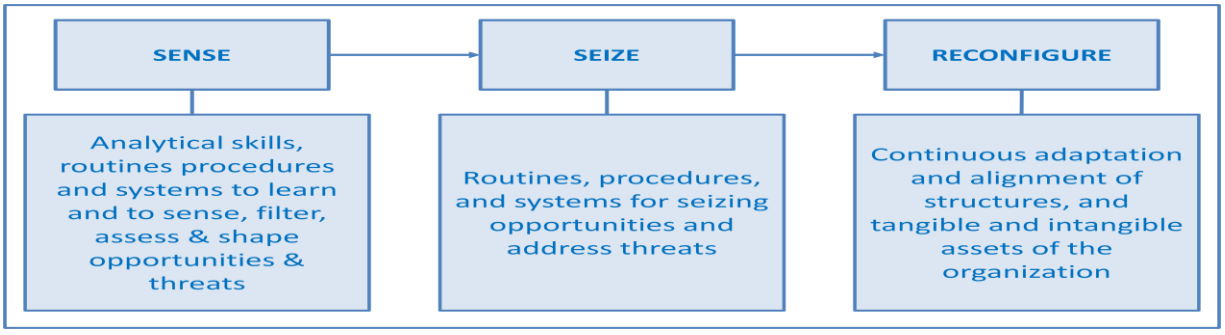
Despite the different nomenclature, these components are rather similar and refer to processes serving similar organizational purposes:

- A first component (e.g. sensing) is related to the processes that help the firm identify emerging opportunities and threats, gather information and create knowledge;
- A second component (e.g. seizing) is related to the processes enabling the organization to assimilate and integrate knowledge and use resources to take advantage of emerging business opportunities;
- A third component (e.g. reconfiguring or transforming) refers to the processes allowing organizations to recombine resources and knowledge in order to reinvent themselves.

Some authors make a further differentiation in the conceptual analysis of DCs focusing on the internal or external locus of resource alterations (Di Stefano et al., 2010). From an internal point of view, existing resources can be leveraged and recombined for new applications or product categories (Danneels, 2011; Kogut & Zander, 1996); in addition, new resources or capabilities can be created or built through entrepreneurial efforts (Zahra et al., 2006; Helfat & Peteraf, 2003; Helfat et al., 2009). Conversely, from an external point of view, existing resources can be externalized through divestment, asset sales or company unit spin-offs (Danneels, 2010; Eisenhardt & Martin, 2000) while new resources can be accessed and absorbed from third parties (Zahra & George, 2002a).

Of all the different efforts to decompose DCs, Teece's (2007) is the only one to identify the underlying processes or "microfoundations" of each component, for this reason our research follows Teece's (2007) approach. This break down of capability components into its processes provides a workable system to assess an organization's ability to maintain competitive advantage in the short and long-term.

Figure 2-3. Components of dynamic capabilities and underlying processes



Source: Adapted from Teece, 2007

2.2.6.1 Sensing

Sensing and shaping new opportunities requires "scanning, creation, learning, and interpretive activity" to explore new technologies and markets through investment on R&D activities with focus on research sides (Teece, 2007, p.1322).

Sensing requires feedback mechanisms from market-facing units, a culture of openness to encourage exchange of information, and management commitment to encourage long-term thinking and foster exploration (e.g., Burgelman, 2002; Rotemberg & Saloner, 2000). Sensing processes are intimately linked to information gathering, exchange and analysis.

Sensing opportunities and threats requires processes to continuously scan internal (e.g. the organization) and external (e.g. competitor, supplier, partner) capabilities and environmental changes (Schreyögg & Kliesch-Eberl, 2007) and the ability to interpret opportunities and threats appropriately (Gilbert, 2006).

Sensing processes are thus those related to information gathering, analyisis and distribution in the firm.

2.2.6.2 Seizing

Seizing is the ability to select the right product/market combinations and business models to capture value; define the structure of the value chain; and select appropriate technologies, markets, customers and partners; and internal mechanisms that ensure organizational actions are aligned with goals (Teece, 2007).

Seizing leads organizations to select and invest on appropriate products, markets, and technologies identified through sensing activities. Seizing requires making decisions about what to do and how to deploy resources (Moliterno & Wiersema, 2007) and making resource and capability allocations (Rosenbloom, 2000).

Without seizing capabilities, firms may sense opportunities and threats, but might not take action in a timely manner, thus seizing is intimately linked to the decision making processes of the firm selecting which opportunities to pursue, determining how to best take advantage of the opportunities selected and implementing the decisions (Pablo et al., 2007; Salvato, 2003).

Two decision-making dimensions are relevant to seizing capabilities: content and speed. The content of the decision refers to the ability to change resource allocations and the organization's resource base in line with market needs to systematically provide superior value to customers (Priem, 2007) and depends on the customer focus or market orientation of decision making processes. Timing also matters (Adner & Helfat, 2003); to remain competitive, organizations need to take decisions as soon as possible (Barney et al., 2001; Eisenhardt & Martin, 2000) and ahead of competitors (Teece et al., 1997).

Thus seizing is about making appropriate and timely decisions and executing them efficiently and effectively.

2.2.6.3 Reconfiguring

The third component of dynamic capabilities, reconfiguring, measures the ability of a firm to recombine and transform the organizational assets and structure in respond to changes in market and technologies as the

firm evolves and is fundamental if the firm is to sustain a profitable growth; reconfiguration activities may require redesigning business models, improving hierarchies and routines, and realign organizational assets thorough mergers, acquisitions, and/or divestments (Teece, 2007).

''The key to sustained profitable growth is the ability to recombine and reconfigure assets and organizational structures as markets and technologies change (Teece, 2006, p. 38).'' This asset orchestration allows organizations to evolve and keep up with the environment. If change is incremental, the realignment is slow, with structures, processes, individuals and culture changing gradually or in sequence (e.g., Duncan, 1976; Eisenhardt & Brown, 1998; Nickerson & Zenger, 2002; Rindova & Kotha, 2001; Zollo &Winter, 2002); these changes are often related to renewing dynamic capabilities. In the face of rapid change, however, incremental changes are not sufficient and require more radical, faster and simultaneous strategic reconfigurations (e.g., Govindarajan & Trimble, 2005; Markides & Charitou, 2004; Tushman & Anderson, 1986); these changes are linked to regenerative dynamic capabilities.

Fundamental capabilities for asset orchestration include leadership willingness to commit resources to long-term projects (Danneels, 2002); the ability to design organizational systems, incentives and structures that allow for integration across organizational units to capture the advantages of co-specialized assets (Helfat & Peteraf, 2003); and appropriate human resources (Litz & Klimecki, 2005; Lubatkin et al., 2006). Since reconfiguration often represents a break from the organization's traditional way of doing business it often requires identity shifts from stakeholders (e.g., Albert & Whetten, 1985; Benner, 2007), and thus successful completion of reconfiguration processes will depend on the ability of the organization's leadership to legitimize these changes (e.g., Podolny et al., 2005; Ravasi & Schultz, 2006).

Based on the above discussion we define the components of dynamic capabilities as follows:

Definition box 2-9. Components of dynamic capabilities

- **Sensing**: routines and processes to recognize internal and external opportunities and threats; these processes are related to routines for information and knowledge gathering, exchange and analysis.
- **Seizing**: routines and processes to make appropriate decisions (in terms of time and content), absorbe and integrate resources to create and capture value from opportunities (Katkalo et al., 2010); these are closely related to decision making processes that analyze, and assess opportunities and threats, determine courses of action and deploy resources for implementation.
- **Reconfiguring/transforming**: routines and processes to implement continuous change and renewal to maintain competitiveness as environment and firm change. Reconfiguring processes are closely related to structural mechanisms facilitating double loop learning, change and long term vision.

According to the above definitions sensing and seizing seem to be more focused on creating competitive advantage to adapt to changing market conditions, while reconfiguring seems to concentrate on sustaining that competitive advantage over time (Teece, 2007).

Organizations require all sensing, seizing and reconfiguring components for dynamic capability to emerge (Barreto, 2010). Seizing is only useful for the firm if the organization is able to sense opportunities and threats (Gilbert, 2006; Teece, 2007); transforming the resource base is only relevant if combined with decisions to exploit the already existing resources of the firm (Pablo et al., 2007; Rosenbloom, 2000); and reconfiguration of assets is only effective when combined with timely and market-oriented decisions (Helfat et al., 2007; Menguc & Auh, 2006).

The table below summarizes the purpose, core processes and underlying routines, practices and activities of the different components of dynamic capabilities that will guide our research.

Table 2-7. Purpose, processes and underlying routines related to dynamic capability components

	SENSING	SEIZING	RECONFIGURING
Purpose	Identify emerging opportunities and threats by gathering and analysing information	Assimilate and integrate knowledge to take advantage of opportunities/address threats	Recombine resources and knowledge and transform asset base to re-align the firm
Core processes	Opportunity/threat recognition processes	Decision making processes	Processes facilitating double loop learning and change
Underlying routines, practices and activities	• Routines to develop internal R&D •Routines to gather relevant information •Market research activities	•Decision-making practices •Systems to develop & implement business model to take advantage of opportunities •Routines to communicate with the market	• Questioning culture to continuosly assess internal and external fit • Change management routines to jump start transformation •Practices to create internal buy-in and lock in change

2.2.7 Connecting resources, capabilities and strategic action

The box below summarizes the previous sections to build the logic underlying our research framework:

Summary box 2-2. Definitions and linkages between resources, capabilities, exploration and exploitation

Organizations need different **types of resources** to explore and exploit, namely:

- **Financial capital** (monetary and physical assets);
- **Human capital** (human resources, their education, experience, skills & attitudes);
- **Social capital** (networks and relationships);
- **Organizational capital** (structure, processes, governance, identity, culture, and reputation)

Capabilities are needed to integrate resources and strengthen the ability of the firm to compete, thus organizations require different **types of capabilities** to compete in the present, medium and long terms:

- **Operational capabilities** fulfil current business operations and do not require change
- **Dynamic renewing or incremental capabilities** enhance, improve and expand operations
- **Dynamic regenerating capabilities** identify and pursue novel business opportunities

Dynamic renewing capabilities focus on the improvement of existing business operations and are thus closely related to exploitative initiatives.

Dynamic regenerating capabilities focus on developing new business alternatives and thus are closely related to exploratory initiatives.

Dynamic capabilities are made up of routines and processes. For an organization to adapt to changes in its environment it needs to develop appropriate routines and processes to:

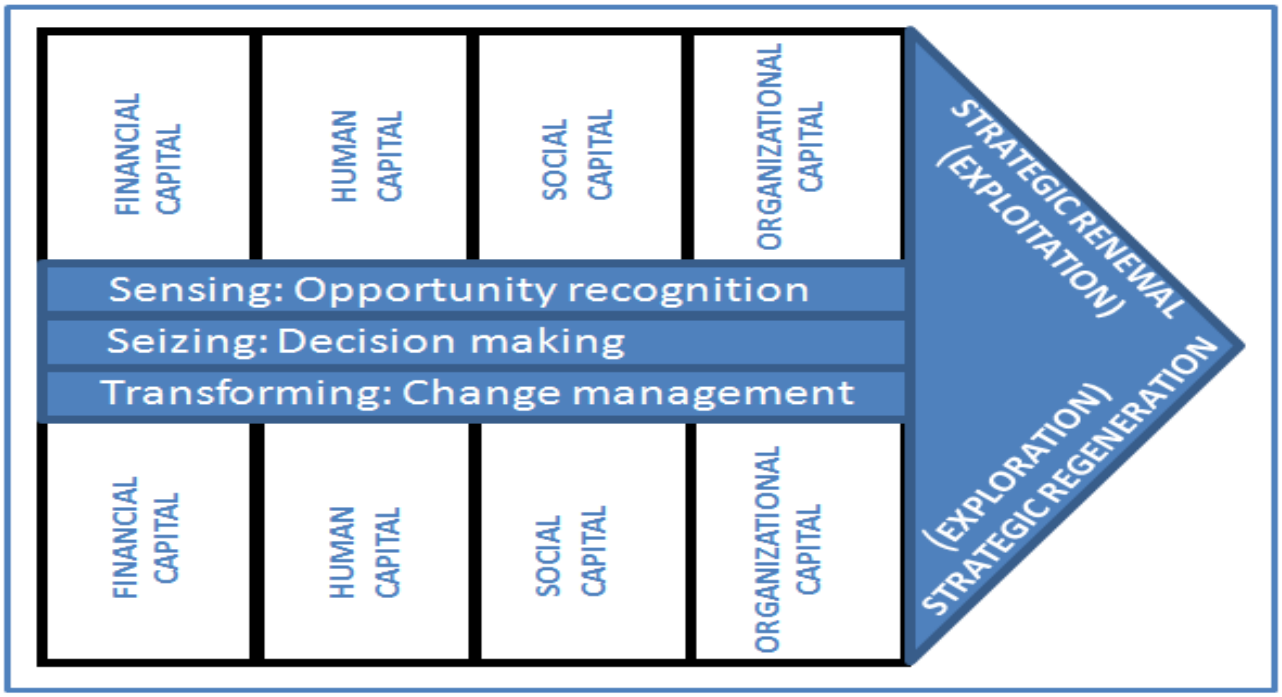
- **Sense** the need for change (processes leading to opportunity/threat recognition, analysis and assessment)
- **Seize** opportunities arising from change (decision making processes to capture opportunities and respond to threats in a timely manner)
- **Reconfigure** assets in response to change (structural mechanisms facilitating learning and change to reshape organizational assets and structure as the firm and/or environment change)

Thus, the resources and capabilities of a firm determine its ability to explore and exploit.

The above summary illustrates that organizations combine their available resources to maintain their current business activity and steer the organization in the medium and longer terms. To do so organizations use processes to identify, respond and create change; the outcome of these processes create shifts in the firm's strategic initiatives. In other words, the strategic initiatives of an organization will be shaped by the quality and quantity of resources (human, financial, organizational social) the organization can summon or develop; and the capabilities to combine these resources to adapt and take advantage of emerging internal and external changes via sensing, seizing and transformation processes.

This relationship between resources, capabilities and strategic action is illustrated in the figure below and provides the theroretical footing guiding the examination of resources and capabilities of organizations in our research.

Figure 2-4. Resources, capabilities and strategic action



However, this framework is incomplete because the characteristics of resources and capabilities to explore and exploit are often inconsistent and contradictory in nature and require other resources and capabilities to manage the emerging tensions and contradictions. Ambidexterity literature explores these inconsistencies and contradictions as well as the ways to manage the paradoxical nature of exploration and exploitation and constitutes the focus of the next section.

2.3 AMBIDEXTERITY

In changing competitive environments, firms need to show equal ability in being efficient and creative; in taking full advantage of existing business opportunities and creating new avenues to generate future returns and to balance both (e.g. Ancona et al., 2001; Benner & Tushman, 2002; Duncan, 1976; Eisenhardt & Martin, 2000; Feinberg & Gupta, 2004; Levinthal & March, 1993; March, 1991, 1996, 2006).

Ambidexterity is one approach to achieve this delicate balance and, thus, scholars investigate the impact of organizational ambidexterity on the ability to simultaneously innovate and improve and its effects on performance (e.g. Benner & Tushman, 2002, 2003; Gibson & Birkinshaw, 2004; He & Wong, 2004; Jansen et al., 2009; Smith & Tushman, 2005). Despite growing research, however, the concept of organizational ambidexterity remains poorly understood and elusive for most organizations (Gibson & Birkinshaw, 2004; He & Wong, 2004; March, 1991; O'Reilly & Tushman, 2008).

Although scholars suggest that to sustain competitiveness and survive firms must become ambidextrous many organizations fail to do so. A quick look at any industry provides numerous examples of organizations

struggling in their quest to simultaneously improve and innovate to succeed in the short term and survive in the long term (Devan et al., 2005).

Finding the balance between exploration and exploitation is not easy. On the one hand, internal battles for resources often tip the scales in favor of exploitation or exploration leading to a small minority of ambidextrous firms (Sarkees & Hulland, 2009). On the other hand, managing the contradictory demands between efficiency and innovation constitutes a challenge and remains a critical adaptive hurdle for organizations, drawing interest from management scholars and organizational theorists alike (March, 1991).

Increasing interest on ambidexterity both in academic and practitioner literature in the last decade indicates that organizational ambidexterity is emerging as an important research paradigm and theoretical framework in organizational theory (Gibson & Birkinshaw, 2004; O'Reilly & Tushman, 2008; Raisch & Birkinshaw, 2008).

This growing interest arises from current business conditions requiring organizations to be agile, creative, competitive, efficient, flexible and versatile (Cegarra & Dewhurst, 2007; Menguc & Auh, 2008) and mounting evidence acknowledging ambidexterity as an important contributor to sustained competitive advantage (e.g. De Geus, 1988, Grant & Bade-Fuller, 2004) and performance (e.g. O'Reilly & Tushman, 2013). Despite growing research and evidence, some of the constructs and concepts around the ambidexterity paradigm remain unclear (Raisch & Birkinshaw, 2008). The following sections review these concepts and constructs to clarify a number of questions relevant to our research. These questions are summarized in the table below.

Table 2-8. Relevant ambidexterity questions to our research

QUESTIONS REGARDING AMBIDEXTERITY	RELEVANCE TO OUR INVESTIGATION
What is ambidexterity?	To assess ambidexterity in family organizations we need to clearly define the ambidexterity construct and its components
How do firms achieve ambidexterity?	Identifying the different ways organizations achieve ambidexterity can shed light on the approach to ambidexterity of family firms
How can we measure the level of ambidexterity of a firm?	Determining a way to measure ambidexterity will enable us to assess the level of ambidexterity of different family organizations
What organizational factors can help or hinder in managing the contradictions and tensions of exploration and exploitation?	Unveiling the factors that help organizations manage the tensions of exploring and exploiting will enable us to examine whether the family helps or hinders in managing these contradictions
How can we measure the effect of ambidexterity on organizational performance?	To investigate the performance effects of ambidexterity on family firms we need to examine the link between ambidexterity and firm performance

Answers to these questions are discussed below and provide the theoretical basis to introduce ambidexterity in our research framework.

2.3.1 Ambidexterity concepts and constructs

Ambidexterity derives from the Latin words “ambos” and “dexter” meaning “both” and “right”. Ambidextrous as “an individual who uses both hands equally well" appears in English by the 1590s (Etymological online dictionary). Ambidextrous as an organization skilled at both exploration and exploitation appears in the management literature in the 1970s.

Duncan (1976) is the first to introduce the term “organizational ambidexterity” building on earlier work by Burns and Stalker (1961) and Thompson (1967). In his innovation model, Duncan (1976) argues that organizations need dual structures because creating innovations and executing innovations require very different capacities and have different needs. While the term “ambidexterity” can be traced to Duncan (1976), ambidexterity research takes off with March's (1991) seminal work on exploitation and exploration.

March (1991) argues that organizations engage in two fundamentally different types of learning activities — exploitation and exploration. While exploitation consists of learning activities based on “refinement, choice, production, efficiency, selection, execution and implementation” of existing knowledge; exploration refers to “search, variation, risk taking, experimentation, play, flexibility, discovery, innovation”, and discovery of new knowledge (March, 1991 p.71).

Following March’s view on organizational learning, exploration has been related to higher levels of learning such as double-loop (Argyris & Schön, 1978), generative (Senge, 1990), long jump (Levinthal, 1997), and product-innovation learning (McKee, 1992); while exploitation has been linked with lower levels of learning such as single-loop, adaptive, local search and product-oriented learning (Argyris & Schön, 1978; Senge, 1990; Levinthal, 1997; McKee, 1992).

Both exploration and exploitation are essential for organizations (March, 1991; Gibson & Birkinshaw, 2004; He & Wong, 2004; Tushman & O’Reilly, 1996), but they compete for scarce resources and attention, and employ contradictory logics, therefore sustaining an optimal mix of exploitation and exploration constitutes a tremendous challenge for organizations (March, 1991; He & Wong, 2004).

Organizations make decisions regarding alternative investments and competing initiatives, these decisions tip the balance towards exploration or exploitation. Internal organizational structure, culture and processes can also shift the alignment towards exploration or exploitation (March, 1991) because exploitation and exploration require “fundamentally different organizational structures, strategies, and contexts” (Raisch & Birkinshaw, 2008, p. 376) as can the perceived trade-off between aligning the organization to exploit existing competencies or exploring new ones (e.g. Ancona et al., 2001; Floyd & Lane, 2000; Levinthal & March, 1993).

High levels of both exploration and exploitation are necessary for success (March, 1991; Gibson & Birkinshaw, 2004; He & Wong, 2004) and long term survival (Simsek et al., 2009). This need is justified because too much emphasis on exploitation may lead to competency (or success) traps, inertia, suboptimal equlibria and ultimately obsolescence (March, 1991). While too much focus on exploration, may lead to failure traps in which organizations gain no returns from their knowledge because they end up with "too many underdeveloped new ideas and too little distinctive competence" (March, 1991, p. 73). Thus, ambidexterity helps firms overcome structural inertia resulting from exploitation, and ensures firms derive benefits from exploratory activities (Jansen et al., 2008; Levinthal & March, 1993).

While ambidexterity is generically used to refer to the ability to pursue two divergent paths simultaneously, there is no consistent definition of ambidexterity in the literature (Cao et al., 2009; Gupta et al., 2006). Some authors describe the concept of ambidexterity as "extensive but unfocused" (Chermack et al., 2010, p.149). Others believe the utilization of the term ambidexterity in diverse areas of research contributes to a diversity of perspectives (Simsek, 2009) that turn ambidexterity into a "management Rohrschach test in which one sees whatever one wants" (O'Reilly & Tushman, 2013, p.15) and results in a lack of clarity in both meaning and measurement (Birkinshaw & Gupta, 2013).

In fact, many disciplines have been used to explore the ambidexterity concept. Some studies take an organizational behavior approach (Gibson & Birkinshaw, 2004); others follow strategic management literature (Han, 2007; Han & Celly 2008; He & Wong, 2004; Jansen et al., 2008; Lubatkin et al., 2006; O'Reilly & Tushman, 2004; Tushman & O'Reilly, 1996). A number of authors favor an innovation and technology management view (Ambos et al., 2008; He & Wong, 2004; Tushman & O'Reilly, 1996). Other studies focus on organizational learning (Levinthal & March, 1993), organization theory (Benner & Tushman, 2003; Volberda & Elfring, 2001) operations management research (Adler et al., 2009) and marketing (Authene-Gima, 2005; Narver & Slater, 1990; Morgan & Berthon, 2008).

While these different perspectives contribute to exploring and building the concept of ambidexterity, the lack of consistency in the terminology results in ambiguous definitions and nebulous concepts making it difficult to gain cumulative knowledge from extant studies (Birkinshaw & Gupta, 2013; Gupta et al., 2006; He & Wong, 2004; O'Reilly & Tushman, 2013). The table below offers a sample of the variety of definitions.

Table 2-9. Ambidexterity definitions

DEFINITIONS	AUTHORS
Dual organizational structure for firm innovation: one develops innovative activities (exploring innovation) the other deploys innovative activities (exploiting innovation).	Duncan (1976)
Simultaneous efficiency, innovation and flexibility	Achrol (1991)
Ability to manage both incremental and revolutionary change, to manage an appropriate balance between exploration and exploitation	Tushman & O'Reilly (1996)

DEFINITIONS	AUTHORS
Simultaneous new product development in terms of centrifugal forces pulling the organization outward that increase the quantity and quality of ideas, and centripetal forces that pull the organization inward, integrating dispersed ideas	Sheremata (2000)
Exploitative and exploratory innovation	Benner & Tushman (2003)
Ability to pursue both long-term development of products, markets, and technologies (adaptability) and short-term profitability and coordination (alignment). They describe two kinds of ambidexterity contextual and architectural	Gibson & Birkinshaw (2004)
The need for firms to achieve a balance between exploration and exploitation innovation strategies	He & Wong (2004)
Strategy through which certain organizations can manage exploitation and exploration. This strategy addresses how these forces coexist but does not imply exploitation and exploration have similar importance	Holmqvist (2004)
Separation between exploratory and exploitative units (structural ambidexterity)	O'Reilly & Tushman (2004)
Organizations looking into their core business and at the same time into events at the periphery that may become main stream	Brown (2004)
Competence and balance in exploitation and exploration ensuring the firm's simultaneous pursuit of incremental and radical innovations	Atuahene-Gima (2005)
Controllability and responsiveness.	Graetz & Smith (2005)
Developing and marketing both sustaining and disruptive innovations.	Danneels (2006)
Synchronous pursuit of both exploration and exploitation via loosely coupled and differentiated subunits or individuals, each of which specializes in either exploration or exploitation	Gupta et al. (2006)
Ability of exploiting existing competencies as well as exploring new opportunities with equal dexterity	Lubatkin et al. (2006)
Ambidexterity is the context to achieve alignment and adaptability simultaneously within the organization learning processes	Cegarra & Dewhurst (2007)
Strategic ambidexterity as the ability to execute paradoxical strategies pro-profit and pro-growth.	Han (2007)
Simultaneously pursuit of innovation and short-term operational objectives in interfirm relationships	Im & Rai (2008)
Organizational ability to be aligned and efficient in its management of today's business demands while simultaneously being adaptive to changes in the environment	Raisch & Birkinshaw (2008)
Routines and processes organizations use to mobilize, coordinate, and integrate contradictory efforts, and allocate, reallocate, combine, and recombine resources and assets across exploratory and exploitative units	Jansen et al. (2009)
Innovation and efficiency	Sarkees & Hulland (2009)
Two dimensions of innovativeness in new product development: novelty and appropriateness	Sethi & Sethi (2009)
Organizational construct revealing itself through exploitative and exploratory achievements of a firm	Simsek (2009)
Ambidexterity refers to an organization's ability to perform differing and often competing, strategic acts at the same time	Simsek et al. (2009)
How firms compete in both existing and new businesses, and simultaneously explore new businesses while exploiting existent ones	Taylor & Helfat (2009)
Achieving adaptable fluidity and efficient stability	Schreyögg & Sydow (2010)
Ambidexterity is the ability to use and refine existing knowledge (exploitation) while creating new knowledge to overcome knowledge deficiencies or absences identified within the execution of the work (exploration).	Turner & Lee-Kelley (2012)

Despite the diversity of view points, there is consensus in the extant literature that ambidexterity refers to the pursuit of exploration and exploitation described as contradictory pairs of organizational initiatives: such as double-loop and single-loop learning; incremental and radical innovation; efficiency and flexibility; centralization and decentralization; and variation-reducing and variation-increasing strategies.

In an attempt to organize this diversity of research a number of authors have classified ambidexterity literature according to the underlying fields of research (e.g. Jansen, 2005; Mom, 2006; Raisch & Birkinshaw, 2008). The table below summarizes the main fields underlying ambidexterity research and their views on exploration and exploitation.

Table 2-10. Main theoretical approaches underlying ambidexterity research

FIELD	APPROACH TO EXPLORATION AN EXPLOITATION	AUTHORS
Organizational learning	Defines exploitation and exploitation in terms of the presence or absence of learning or the type or degree of learning. Exploration corresponds to higher levels of learning and exploitation to lower levels of learning.	Baum et al., 2000; Benner & Tushman, 2003; Gupta et al., 2006; He & Wong, 2004; Rosenkopf & Nerkar, 2001; Vassolo et al., 2004; Vermeulen & Barkema, 2001
Technological innovation	Distinguishes incremental innovation (minor adaptations of existing products and business models to meet needs of existing customers) and radical innovation (major changes shifting to completely new products or business models to meet needs of emergent customers)	Abernathy & Clark, 1985; Atuahene-Gima, 2005; Benner & Tushman, 2003; Danneels, 2002; Dewar & Dutton, 1986; Holmqvist, 2004; Tushman & Anderson, 1986; Tushman & Smith, 2002; Smith & Tushman, 2005
Organizational adaptation	Differentiates continuity and change. Evolutionary change focuses on exploitation and alignment to maintain daily operations while revolutionary change focuses on radical transformation and exploration to change	Brown & Eisenhardt, 1997; Leana & Barry, 2000; Meyer & Stensaker, 2006; Miller & Friesen, 1984; Probst & Raisch, 2005; Tushman & O'Reilly, 1996; Tushman & Romanelli, 1985; Volberda, 1996
Strategic management	Separates variation-reducing, induced strategic initiatives within the scope of the current strategy of the firm that build on existing knowledge, extend existing competence and stabilizing and leverage business models from variation-increasing, autonomous strategic initiatives outside the strategic scope that create new competencies and discover and develop new business models	Burgelman, 1983, 1991, 2002; Danneels, 2002; Floyd & Lane, 2000; Ghemawat & Ricart i Costa, 1993; Hamel & Prahalad, 1992; McNamara & Baden-Fuller,1999; O'Reilly, & Tushman, 2007; Schuler & Jackson, 1987; Winter & Szulanski, 2001
Organizational theory & design	Explore organizational features leading to efficiency and flexibility. While mechanistic structures based on standardization, centralization, and hierarchy support efficiency; organic structures with their high levels of decentralization and autonomy support flexibility	Adler et al., 1999; Burns & Stalker,1961; Duncan, 1976; Gibson & Birkinshaw, 2004; Jansen et al., 2005; Lawrence & Lorsch, 1967; Sheremata, 2000; Thompson, 1967

In addition to various fields of research and diverse views on exploration and exploitation, ambidexterity studies often focus on different units of analysis and operationalize the ambidexterity construct in a variety of ways. There are ambidexterity studies at individual and team levels (e.g. Andriopoulos & Lewis, 2009; Mom et al., 2009); at the top management level (e.g Lubatkin et al., 2006; Smith &Tushman, 2005); at the business unit level (Gibson & Birkinshaw, 2004; Jansen, et al., 2005, 2006, 2012); and at the firm level (e.g. Benner & Tushman, 2002; He & Wong 2004).

Some scholars conceptualize ambidexterity as a bipolar, unidimensional construct (e.g., Adler et al., 1999; Ghemawat & Ricart Costa, 1993; Lavie & Rosenkopf, 2006), while a more predominant approach considers ambidexterity a multidimensional orthogonal construct. A bipolar construct places exploration and exploitaition on opposite ends of a single continuum and assumes that to adapt to environmental changes organizations that want to explore more must reduce their exploitative efforts. By contrast, ambidexterity as

an orthogonal construct views exploration and exploitation as different and independent organizational initiatives so organizations can make independent decisions about how much exploration and exploitation to pursue (Simsek et al., 2009). Our research considers ambidexterity an orthogonal construct.

A number of authors present a model of ambidexterity but do not define or operationalize the term (e.g. Miller et al., 2006) while others discuss exploration and exploitation without mentioning ambidexterity (e.g. Anand et al., 2009; Auh & Menguc, 2005; Lavie & Rosenkopf, 2006; Litrico & Lee, 2008; Perretti & Negro, 2006; Quintana-Garcia & Benavides-Velasco, 2008).

We define ambidexterity combining the works of Jansen et al., (2009), Simsek (2009) and Tushman & O'Reilly (1996):

Definition box 2-10. Ambidexterity

> **Ambidexterity** is the ability to manage incremental and revolutionary change, to achieve an appropriate balance between exploration and exploitation initiatives (Tushman & O'Reilly, 1996).
>
> This ability can be examined through the routines and processes used to mobilize, coordinate, and integrate contradictory efforts, and allocate, reallocate, combine, and recombine resources and assets across exploratory and exploitative efforts (Jansen et al., 2009)
>
> And reveals itself through the exploitative and exploratory achievements of the organization (Simsek, 2009)

With this definition we identify the five basic elements necessary to operationalize and explore ambidexterity in an organization, namely: (1) the resources and assets dedicated to exploration and exploitation; (2) the routines and processes used to allocate and manage resources to explore and exploit (i.e. the dynamic capabilities to renew and regenerate via sensing, seizing and reconfiguring); (3) the resulting exploitative and explorative initiatives of the firm; (4) the degree of balance between them; and (5) the mechanisms the firm uses to manage the tensions between exploration and exploitation.

2.3.2 Ambidexterity types: how do organizations achieve ambidexterity?

Achieving ambidexterity is difficult because exploration and exploitation engage different organizational learning modes (e.g., Argyris & Schön, 1978, Benner & Tushman, 2003; Eisenhardt & Martin, 2000), require different and inconsistent organizational architectures and processes (Smith & Tushman, 2005), and compete for limited organizations resources, leading to trade-offs and tensions (March, 1991, 2006).

A number of scholars believe that organizations cannot harmonize the contradictory requirements of exploration and exploitation and believe mixed approaches lead to poor performance, they recommend organizations to focus either on exploitation or exploration (e.g., Burns & Stalker, 1961; Ghemawat & Ricart Costa, 1993; Porter, 1980). There is some empirical evidence that firms specialized on either exploitation or exploration, outperform firms trying to pursue both (e.g. Ebben & Johnson, 2005).

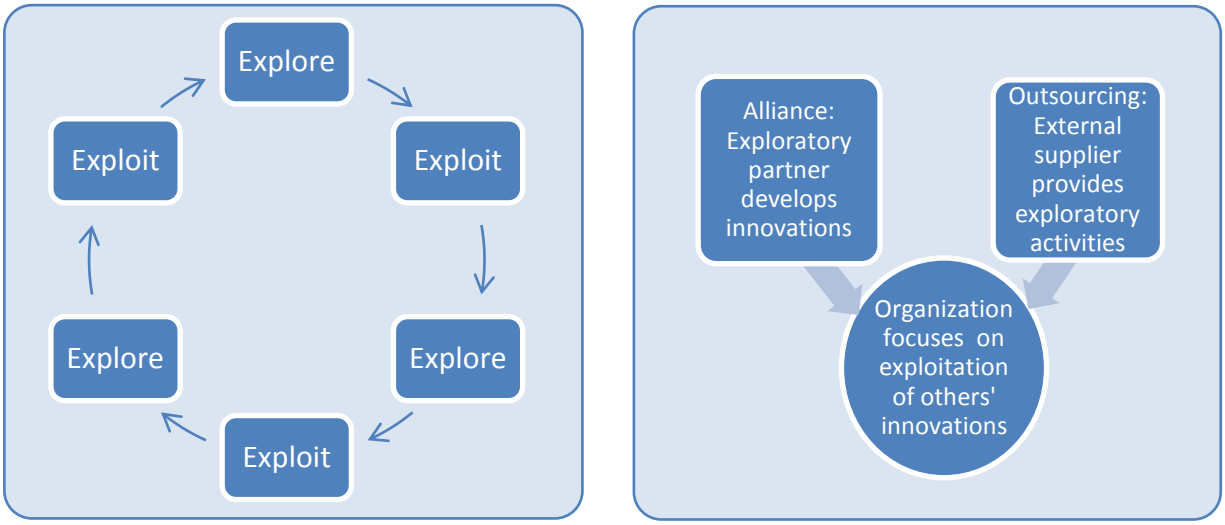
Other researchers consider that a balance between exploitation and exploration is not only possible but essential for long-term success and survival of firms (e.g., Tushman & O'Reilly, 1996; He & Wong, 2004). A majority of studies offer empirical evidence of superior performance of ambidextrous firms (see O'Reilly & Tushman, 2013 for a brief overview). These authors suggest organizations can balance exploitative and exploratory strategies in different ways.

2.3.2.1 Tension avoidance approaches

In these approaches, inconsistencies of exploration and exploitation are avoided by physically or chronologically separating exploitative and exploratory activities. To exploit and explore firms alternate periods of exploratory and exploitative activities (Siggelkow & Levinthal, 2003; Venkatraman et al., 2007) in what is also known as punctuated equilibrium. Alternatively, organizations can avoid tensions by externalizing exploration or exploitation via outsourcing or strategic alliances (Baden-Fuller & Volberda, 1997; Lavie & Rosenkopf, 2006).

The logic behind punctuated equilibrium (Benner & Tushman, 2003; Burgelman, 1991; Levinthal, 1997; Weick, 1976), also known as temporal cycling, is that short periods of exploration follow long periods of exploitation (Gupta et al., 2006). Externalizing via outsourcing or strategic alliances avoids the tensions and does not require the organization to switch between activities but requires managing the relationship with providers or strategic partners. These inconsistency avoidance styles are illustrated in the figures below.

Figure 2-5. Ambidexterity via punctuated equilibrium vs. ambidexterity via alliances and/or externalization



2.3.2.2 Management of contradiction approaches

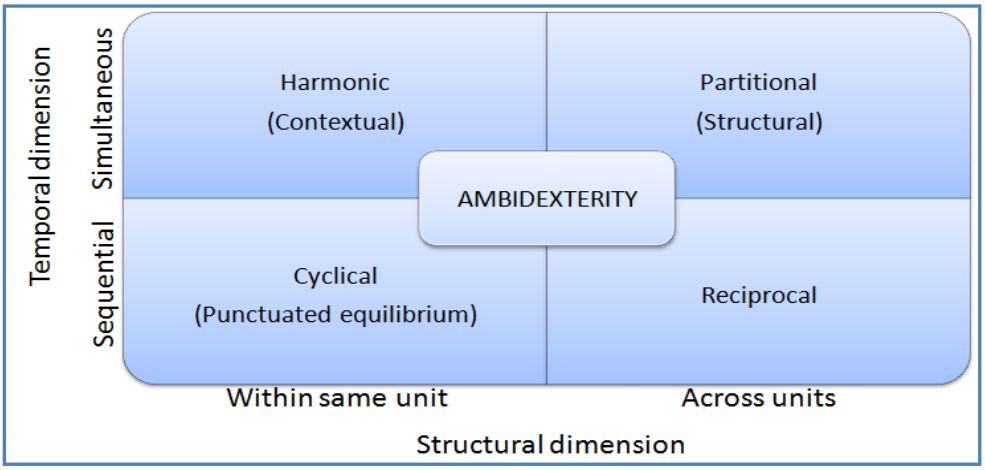
The second broad approach focuses on managing contradictions, and examines the different mechanisms organizations use to address the tensions between exploitation and exploration simultaneously and internally (Burgelman, 2002; Gibson & Birkinshaw, 2004; Levinthal & March, 1993; Siggelkow & Rivkin, 2006;

Tushman & O'Reilly, 1996; Tushman & Romanelli, 1985; Vermeulen & Barkema, 2001; Raisch & Birkinshaw, 2008). For some authors this represents the only true ambidexterity (e.g. Benner & Tushman, 2003).

Within this approach, research focuses on different ambidexterity enabling methods: structural solutions that separate exploration and exploitation activities into different organizational levels (Floyd & Lane, 2000; Volberda et al., 2001) or organizational units (Benner & Tushman, 2003; Sheremata, 2000; Tushman & O'Reilly, 1996); contextual solutions that allow the pursuit of the two activities within the same unit by creating a context where individuals take individual decisions regarding explorative and exploitative activities (Ghoshal & Bartlett, 1994; Gibson & Birkinshaw, 2004; Simsek et al., 2009); and leadership-based solutions that make the top management team responsible for reconciling and responding to the tensions between exploration and exploitation and for developing top management teams and leadership processes that foster and manage the contradictions of ambidexterity (Beckman, 2006; Lubatkin, 2006).

In an attempt to align and integrate extant research, Simsek et al., (2009) map the different forms of ambidexterity using a temporal and a structural dimension to build a four type ambidexterity matrix. This matrix including harmonic (contextual), cyclical (punctualted equilibrium), partitional (structural), and reciprocal ambidexterity is illustrated in the figure below.

Figure 2-6. Ambidexterity typologies



Source: Adapted from Simsek et al., 2009 (p.868)

In cyclical ambidexterity (Simsek et al., 2009), exploitation and exploration are balanced sequentially at different points in time (discussed earlier as punctuated equilibrium). In partitional (structural) ambidexterity, firms simultaneously combine exploitation and exploration across multiple units, at a single point in time and strategic integration across units is achieved through coordination at the senior management level (Raisch & Birkinshaw, 2008). Harmonic (contextual) ambidexterity (Gibson & Birkinshaw, 2004; Simsek et al., 2009), is a behavioral capacity in which individuals determine the optimal mix of alignment and adaptability (Gibson & Birkinshaw, 2004; Hill & Birkinshaw, 2006) and requires "building a business unit context that encourages individuals to make their own judgments as to how to best divide their resources between alignment and adaptability" (Gibson & Birkinshaw, 2004, p. 211). From this point of

view, ambidexterity represents "a meta-level capacity that permeates all functions and levels in a unit, rather than a dual structure" (p. 211) institutionalized by top managers to promote ambidexterity.

In reciprocal ambidexterity the outputs of exploitation from unit A become the inputs for exploration by unit B and the outputs of unit B cycle back to become the inputs of unit A (Thompson, 1967). This type of ambidexterity constitutes a combination of complementary streams of exploitation requiring efficient information exchange, collaborative problem solving, joint decision making, and resource flows between the managers of the different units (Simsek et al., 2009).

Although the different modalities of ambidexterity are presented in the literature as alternative ways to pursue exploitation and exploration simultaneously, empirical research shows all are viable options to manage emerging tensions and contradictions (O'Reilly & Tushman, 2013) and that firms often combine different modes in their search for ambidexterity (e.g. Laplume & Dass, 2009, 2014; Raisch, 2008). For example, longitudinal studies find that firms create independent exploratory business units using structural ambidexterity initially and switch to integrated ambidexterity when the ventures are well established (Raisch & Tushman, 2011) or switch back and forth from structural ambidexterity to contextual ambidexterity over time (Jansen et al., 2013).

Ultimately, the choice of ambidexterity mode will depend on the preferences and objectives of the leadership of the organization; the resources and capabilities available to the organization (Lubatkin et al., 2006); and the speed and rates of exploration and exploitation required by the dynamics of the markets they serve (Chen & Katila, 2008; Rosenkopf & Nerkar, 2001).

Regardless of the modality, scholars coincide that leadership is crucial for ambidexterity (e.g., Gibson & Birkinshaw, 2004; Tushman & O'Reilly, 1996; O'Reilly & Tushman, 2008). In cyclical sequencing senior managers are responsible for the timing and intensity of exploratory initiatives (Siggelkow & Levinthal, 2003; Venkatraman et al., 2007); in interfirm arrangements leaders need to find appropriate partners and manage relationships (Rothaermel & Deeds, 2004; Tiwana, 2008); in the structural perspective top managers play an integrative role in reconciling and combining the efforts of exploitative and explorative levels or units (Benner & Tushman, 2003; Tushman & O'Reilly, 1996; Volberda et al., 2001), provide a common vision and the mechanisms to capitalize on shared resources and assets (O'Reilly & Tushman, 2004, 2011; Smith & Tushman, 2005; Smith et al., 2010; O'Reilly et al., 2009)[4]; finally, in contextual ambidexterity, the top

[4] According to O'Reilly & Tushman (2013), from this perspective, structural ambidexterity is more a leadership issue more than a structural one.

management team (TMT) is responsible for creating a climate conducive to a harmonic balance of alignment and adaptability at all levels of the organization (Khazanchi et al., 2007; Gibson & Birkinshaw, 2004).

The preponderant role of leadership has prompted some scholars to adopt a dynamic capabilities perspective of ambidexterity that places the key to ambidexterity with the senior management of an organization and their ability to sense, seize and reconfigure assets in the face of change and in managing the tensions between exploitation and exploration (O'Reilly & Tushman, 2008).

The significance of leadership in ambidexterity is particularly interesting in the context of our research because family members often exert a strong direct or indirect influence on the TMT and/or are actively involved in the senior management of their family firms themselves (Cruz et al., 2010; Ling & Kellermanns, 2010; Lubatkin et al., 2006).

The table below summarizes the approaches to ambidexterity identified in the literature, associated risks and managerial requirements.

Table 2-11. Options for balancing exploration and exploitation in the literature

APPROACH	EXPLORATION/EXPLOITATION	POTENTIAL DRAWBACKS	ROLE OF LEADERSHIP
Outsource	Avoids tension by removing one activity from the organization	Lack of control over outsourced activity	Select and manage providers, integrate outsourced inputs
Search for strategic alliances	Engages with partners with strength in opposite activity	Cost and challenges of managing partnership	Select and manage partners, integrate partners' inputs
Temporal sequencing	Periodically alternates between activities	Cost of swithching, delays and difficulties in switching	Decide timing, intensity, ensure adaptability and agility
Separate structures	Organizes activities in separate units or organizational levels	Redundance, high coordination costs and integration challenges	Integrate and coordinate different levels or units
Organizational context	Creates organizational environment conducive to both activities	Difficulties of employees in pursuing both simultaneously	Create a conducive organizational climate/culture

2.3.3 The performance effects of ambidexterity

The growing interest in ambidexterity is grounded in the hypothesized positive effect of ambidexterity on performance; the evidence shows a variety of results. The largest group of researchers find that ambidexterity directly impacts performance (for a recent review see O'Reilly & Tushman, 2013), others suggest a contingent effect (e.g. Lin et al., 2007), and some a negative effect (e.g. Atuahene-Gima, 2005). Yang and Atuahene-Gima (2007) provide evidence of a curvilinear relation between ambidexterity and performance while Venkatraman et al., (2006) finds no support for the ambidexterity hypothesis. Other studies considering how environmental factors and other moderators condition the impact of ambidexterity on performance, focus on exploitation and exploration variables rather than ambidexterity per se (e.g. Auh & Menguc, 2005; Jansen et al., 2006). This diversity of results may emerge from the variety of measures used and the diverse internal and external moderators of performance effects considered.

A sample of performance measurements used and the results obtained are summarized below.

Table 2-12. Performance effects of ambidexterity

AUTHORS	PERFORMANCE MEASURE	FINDINGS
Bierly & Daly (2007)	5 item manager survey: Our financial performance has been outstanding. Our financial performance has exceeded our competitors. Our revenue growth has been outstanding. Our revenue growth has exceeded our competitors. We have been more profitable than our competitors (all items refer to a 3 year period)	Did not find simultaneous pursuit of exploration and exploitation significantly increased firm performance Exploration and exploitation have a more direct effect on performance Exploitation is a stronger driver of performance than exploration, and there is an optimal level of exploitation.
Gibson & Birkinshaw (2004)	4 item manager survey of performance results of 5 years: This business unit is achieving its full potential People at my level are satisfied with the level of business unit performance This business unit does a good job of satisfying our customers This business unit gives me the opportunity and encouragement to do the best work am capable of	Significant positive effect on business performance.
He & Wong (2004)	Sales growth over 3 years	The interaction between exploratory and exploitative innovation strategies is positively related to sales growth rate, and the relative imbalance (absolute difference) between exploratory and exploitative innovation strategies is negatively related to sales growth rate.
Jansen (2005); Jansen et al. (2006)	ROI	The interaction between exploration and exploitation has a positive effect on performance.
Jansen et al. (2012)	2 consecutive year unit average profitability based on (Han et al., 1998).	The positive effect on unit performance is likely to be greater on less centralized organizations
Lee & Bae (2012)	Three year sales growth based on (He & Wong, 2004)	U shaped relationship between ambidexterity and performance
Lin et al. (2007)	Net sales over working capital	No effect on performance
Lubatkin et al. (2006)	8 item CEO survey comparing results to main competitors based on Gupta & Govindarajan (1986) growth in sales, growth in market share, return on equity, and return on total assets, operating profits, profit-to-sales ratio, cash flow from operations, return on investment (financial indicators) and new product development and market development (growth indicators)	Ambidexterity is positively associated with relative firm performance (growth and profitability)
Sarkees et al. (2010)	4 item manager survey comparing results to competitors' firms'in terms of sales revenue, profitability, customer satisfaction, and number of new product introductions.	Ambidextrous marketing strategy associated with superior revenue, profitability, customer satisfaction and new product introduction volume.
Stubner et al. (2012)	Manager survey rating financial returns vis a vis competitors, own objectives and sector average	Ambidexterity in family firms has a positive effect on performance
Venkatraman et al. (2007)	Growth measured as total revenues over total revenues of previous year	Temporal sequencing has greater positive effects on performance than ambidexterity

The variety of internal and external moderators of performance considered also contributes to the range of results. For example, Levinthal and March (1993) discuss exploration and exploitation separately (not the combined effect of ambidexterity) and suggest that environmental dynamism and environmental

competitiveness moderate the positive link between exploration, exploitation, and performance. Jansen et al., (2006) find that exploratory innovation is more effective in dynamic environments whereas exploitative innovation leads to better financial performance (profitability) in more competitive environments. Yang and Atuahene-Gima (2007) conclude that environmental uncertainty and the use of informal coordinating mechanisms moderate the ambidexterity-performance relation positively while a challenging performance context moderates the ambidexterity-performance relation negatively.

Scholars also warn that the efforts required to support exploration and exploitation can overwhelm the firm (Benner & Tushman, 2002; Katila & Ahuja, 2002), particularly smaller organizations (Lubatkin et al., 2006) and identify several factors pressuring managers towards exploitation or exploration. For example, in publicly traded firms, pressure from stock analysts and shareholders for earnings may lead managers to favor exploitation because the markets may penalize ambidextrous strategies via lower stock prices, market value or credit ratings (Benner & Tushman, 2002). Furthermore, intense competition may preclude firms from taking risks and launch the necessary actions to support ambidextrous strategies. In addition, internal organization shocks and organizational culture issues may disrupt the flow of resources in support of exploratory or exploitative strategies, redirecting them to one or other or neither (Sarkees, 2007).

Despite everything, the results linking ambidexterity to performance are increasingly robust (O'Reilly & Tushman, 2013) and over all the research shows that ambidexterity can be associated with better financial performance, increased firm innovation and higher survival rates. At the same time research highlights this effects depend on the firm's internal (e.g. resource munificence and company size) and external context (e.g. market competition, dynamism and uncertainty); and that doing either too much or too little exploration and exploitation can be costly for organizations (e.g., Benner & Tushman, 2002; Mitchell & Singh, 1993; Wang & Li, 2008).

2.3.4 Measuring ambidexterity, exploration and exploitation

One of the biggest challenges for ambidexterity research is the complexity of the measurement process. Several factors contribute to making ambidexterity measurement an intricate process:

Firstly, from a conceptual point of view, the diversity in the ambidexterity construct results in diverse definitions of ambidexterity as well as of exploration and exploitation and, therefore, in different interpretations of what is to be measured. Research operationalizes ambidexterity in different ways. Some authors categorize organizations with the ambidextrous mode as one distinct type (e.g. Tushman et al., 2006); others examine the organizational characteristics underlying ambidexterity through management perceptions of a number of selected characteristics (e.g. Gibson & Birkinshaw, 2004; He & Wong, 2004). Some researchers use proxy indicators such as patenting activities to evaluate organizational search and problem solving routines (e.g. Katila & Ahuja, 2002) while others measure exploitation and exploration

routines based on firms' participation in product markets using outcome measures reflecting realized exploration and exploitation based on product launches over time (e.g. Venkatraman et al., 2007).

Other measures in the literature represent combinations and extensions of the above approaches. Among these integrating measures Lubatkin et al. (2006) combine dimensions for ambidexterity used by He and Wong (2004) to measure product design differences with dimensions from Benner and Tushman (2003) who conceptualized ambidexterity as a two-dimensional construct, assessing exploration and exploitation differences along an innovation's proximity. The table below presents some of the different operationalizations to measure exploitation and exploration.

Table 2-13. Operationalizations to measure exploration and exploitation

AUTHOR	SCALE	EXPLORATION MEASURES	EXPLOITATION MEASURES
Bierly and Daly (2007)	Survey with a 5 Point Likert Scale	• We frequently experiment with radical new ideas (or ways of doing things). • At our company, employees frequently come up with creative ideas that challenge conventional ideas. • Compared to our principal competitors, a high percentage of our company sales come from new products launched within the past 3 years. • We are usually one of the first companies in our industry to use new, breakthrough technologies.	• At our company, a strong emphasis is placed on improving efficiency. • Our company excels at refining existing technologies. • We frequently adjust our procedures, rules, and policies to make things work better.
Cao et al. (2007) (uses He & Wong, 2004)	Survey with a 7 Point Likert scale	• Introduction of new generations of products. • Extension of product ranges. • Opening up new markets. • Entering new technological fields.	• Improvement of existing products. • Improvement of product flexibility. • Reduction of production cost. • Enhancement of existing markets.
Gibson & Birkinshaw (2004)	Survey with a 7 Point Likert scale	Exploration is measured in terms of adaptability: • The management systems in this organization encourage people to challenge outmoded traditions/practices/sacred cows. • The management systems in this organization are flexible enough to allow us to respond quickly to changes in our markets. • The management systems in this organization evolve rapidly in response to shifts in our business priorities.	Exploitation is measured in terms of alignment: • The management systems work coherently to support the overall objectives of this organization. • The management systems in this organization cause us to waste resources on unproductive activities. • People in this organization often end up working at cross-purposes because our management systems give them conflicting objectives
Han & Celly (2007)	Survey with a 7 Point Likert scale	• We are investing in training our employees. • We are investing in research and development activities. • We continually look for new ways to upgrade our products and services.	• We have standardized production processes. • We have standardized products. • We have standardized services.
He & Wong (2004)	Survey with a 7 Point Likert scale	• Introduce new generation of products. • Extend product range. • Open up new markets. • Enter new technology fields.	• Improve existing product quality. • Improve production flexibility. • Reduce production cost. • Improve yield or reduce material consumption.
Jansen et al. (2008, 2009)	Survey with a 7 Point Likert scale	• Our organization accepts demands that go beyond existing products and services. • We invent new products and services. • We experiment with new products and services in our local market. • We commercialize products and services that are completely new to our organization. • We frequently utilize new opportunities in new	• We frequently refine the provision of existing products and services. • We regularly implement small adaptations to existing products and services. • We introduce improved, but existing products and services for our local market. • We improve our provision's efficiency of products and services.

		markets. • Our organization regularly uses new distribution channels. [Item deleted after EFA]	• We increase economies of scale in existing markets. • Our organization expands services for existing clients. • Lowering costs of internal processes is an important objective [Item deleted after EFA]
Lubatkin et al., (2006)	Survey with a 5 Point Likert scale	• Creates products or services that are innovative to the firm. • Looks for creative ways to satisfy its customers' needs. • Aggressively ventures into new market segments. • Actively targets new customer groups • Looks for novel technological ideas by thinking outside the box. • Bases its success on its ability to explore new technologies.	• Commits to improve quality and lower cost. • Continuously improves the reliability of its products and services • Increases the levels of automation in its operations. • Constantly surveys existing customers' satisfaction. • Fine-tunes what it offers to keep its current customers satisfied. • Penetrates more deeply into its existing customer base
Venkatraman et al. (2007)		• Sum of the similarity between each pair of product/markets new to the firm in year t with the "old" product/markets in years t-1 multiplied by the portion of the firm's sales in the new product/market.	• Sum of the similarity between each pair of product/ markets common to the firm in years t and t-1 multiplied by the portion of the firm's sales in the product/market

Secondly, ambidexterity measures require assessing not only exploratory and exploitatative efforts but also the level of ambidexterity, often determined by combining exploration and exploitation indicators. Since there is no consensus about this combined ambidexterity measure either, most researchers develop their own measures to conduct their research. While there is broad agreement in the research that ambidexterity measures should relate to the pursuit of exploratory and exploitative initiatives, there is a lack of conceptual clarity regarding the extent to which ambidexterity concerns matching the magnitude of exploration and exploitation on a relative basis, or the combined magnitude of both activities. This fragmentation results in different operationalizations of ambidexterity measures making interpretations, comparisons and duplication difficult.

Research typically uses two types of ambidexterity measures. Balancing measures assess the ability to balance the magnitude (i.e. [exploration - exploitation]) of both types of initiatives (e.g. Lubatkin et al, 2006; He & Wong, 2004) and focus on the differences between exploitation and exploration efforts. These measures may bias the analysis of the effect of ambidexterity on firm performance because organizations getting a low score on both exploration and exploitation obtain the same result as those with a high score in both dimensions (Aloini et al., 2012). Combination measures (i.e. [exploration + exploitation] or [exploration x exploitation]) assess exploitation and exploration separately, and evaluate their balance effort only partially and indirectly (e.g. Gibson & Birkinshaw, 2004; Jansen et al., 2005, 2006; Menguc & Auh, 2008). Most scholars adopt one of these two approaches (e.g. Gibson & Birkinshaw, 2004; Jansen et al., 2006; Stubner et al., 2012), or combine both of them (e.g. He & Wong, 2004; Cao et al., 2009).

To add to the confusion, scholars tend to define, interpret and measure exploration and exploitation according to their own particular theoretical approach, this diversity is illustrated in the table below.

Table 2-14. Ambidexterity measures in the literature

Author	Level of Analysis	Ambidexterity Measure	Components of ambidexterity	Theoretical approach
Atuahene-Gima (2005)	Firm	Multiplicative E*E	Exploration Exploitation	Strategic management & Marketing
Bierly & Daly (2007)	Firm	Multiplicative E*E	Exploration Exploitation	Strategic management
Cao et al. (2009)	Firm	Subtractive E-E Multiplicative E*E	Balanced dimension (E-E) Combined dimension (E*E)	Strategic management
Cegarra-Navarro & Dewhurst (2007)	Firm	-	Exploration Exploitation	Organizational Learning
Gibson & Birkinshaw (2004)	Business Unit	Multiplicative E*E	Alignment Adaptability	Organizational Behavior
He & Wong (2004)	Firm	Multiplicative E*E & Subtractive E-E	Exploration Exploitation	Organizational Learning
Im & Rai (2008)	Inter-firm relations	Additive E+E	Exploration Exploitation	Organizational Learning
Jansen, et al. (2005, 2006, 2012)	Business Unit	Multiplicative E*E	Exploration Exploitation	Strategic management & Organizational Learning
Jansen, et al. (2008)	Firm	Multiplicative E*E & Additive E+E	Exploration Exploitation	Strategic management & organizational learning
Jansen, et al. (2009)	Firm	Additive E+E	Exploration Exploitation	Strategic management
Lubatkin et al. (2006)	Firm	Multiplicative E*E Subtractive E-E Additive E+E	Exploration Exploitation	Technological innovation
Sarkees et al. (2010)	Firm	Multiplicative E*E	Exploitation Exploration	Strategic management
Stubner et al. (2012)	Firm	Additive E+E	Exploration Exploitation	Technological innovation
Venkatraman et al. (2007)	Firm	Multiplicative E*E	Exploration Exploitation	Technological innovation

Thirdly, most measures assessing the degree of orientation towards exploration and exploitation build on indicators from Likert-scale type surveys of managers' perceptions. The scale items measure exploration with generic statements like "We frequently experiment with radical new ideas" and exploitation with items like "At our company, a strong emphasis is placed on improving efficiency" (Bierly & Daly, 2007). Even if the psychometric properties of these measures are documented appropriately, the underlying meaning of items is often ambiguous, open to diverse interpretations in different contexts and industries, and likely to vary widely by samples (O'Reilly & Tushman, 2013).

After examining the existing approaches to measuring ambidexterity in the literature, we consider they are not appropriate for this study for several reasons:

First, our investigation requires a longitudinal assessment and the existing measurement methods are not conceived for longitudinal studies. In fact, most of the survey items in the existing measures ask about perceptions of current trends regarding the selected organizational characteristics without specifying explicit time frames, except for Lubatkin et al., (2006) who asks about the developments in the last three

years. Only the measure used by Venkatraman et al., (2007) looks for evidence of realized exploration and exploitation outcomes. However, since the measure they use compares changes in pairs of product markets and their proportion of the market year on year, this measurement can only be applied for companies in the same sector producing products that allow the comparison of changes between "old" and "new" characteristics of their offer.

Second, our investigation aims at assessing the ambidexterity of strategic initiatives. None of the measures assess the alignment of strategic initiatives towards exploration and exploitation. Although Han & Celly (2007) talk about "strategic ambidexterity" their ambidexterity instrument focuses on standardization (exploration) and innovation (exploration) with an additional indicator for international involvement and overseas investment. Furthermore, existing measures do not distinguish between the corporate, business and structural levels of strategy. For example, while some measures in the literature enquire about the newness or improvements on markets and products (e.g. He & Wong, 2004; Cao et al, 2009; Jansen et al., 2009; Lubatkin et al., 2006; Venkatraman et al., 2007) they do not identify whether these efforts take place at the corporate or business levels, although they mostly focus on the business level. Similarly, although Gibson & Birkinshaw (2004) look into organizational practices related to internal processes and structural level, their adaptability indicators focus more on the external component of structure (i.e. the degree of flexibility of the organization in the face of change).

Given the limitations of existing ambidexterity measuring methods and their unsuitability for assessing strategic ambidexterity in the context of our research, we draw on strategic management literature to clarify the concept of strategic ambidexterity and develop a methodology to assess the alignment of organizations strategic initiatives towards exploration and exploration at the corporate, business and structure levels of strategy.

2.4 STRATEGIC AMBIDEXTERITY: DEFINITION AND CONCEPTUAL FRAMEWORKS

Before we can investigate strategic ambidexterity we need to define it, identify its components and establish measurement mechanisms. Given the lack of of consensus around the definition of strategy and the diversity of ambidexterity constructs and measures this is no easy task. Some authors consider ambidexterity a strategy in itself (Holmqvist, 2004); others talk about particular types of exploratory and exploitative innovation strategies (He & Wong, 2004).

Adding to the confusion, some researchers define the paradoxical characteristics of strategies in terms of expected outcomes and performance objectives of strategic efforts, while others focus on the strategic intent, the functional domains, the nature of the strategic initiatives, or the resources and capabilities underlying such strategic efforts. For example, Burgelman (1991, 2002) distinguishes between variation-

reducing- induced strategic processes within the scope of the organization's current strategy and variation-increasing-autonomous strategic processes outside the firm's current strategic domain. Koza and Lewin (2000), building on research by Levinthal and March (1993) and Lewin et al. (1999), focus on strategic intent and suggest that exploitation strategies aim for short term "residual revenue" through incremental enhancement of organizational activities extending the existing resources and capabilities of the firm; while exploration strategies aspire to dramatically affect firm performance in the distant future through the discovery of new opportunities and the creation of new resources and capabilities.

Ebben and Johnson (2005) refer to flexible vs. efficiency strategies based on the level of customization of products and services offered by firms. Concentrating on performance outcomes, Han (2007) and Han & Celly (2008), distinguish pro-profit strategies focused on financial performance and measured through return on investment from pro-growth strategies aimed at improving market performance and measured by market share and sales growth. Voss & Voss (2008), based on the functional domains of strategic initiatives, counter exploration strategies searching for new products and markets to exploitation strategies aimed at improving current product capabilities and current markets.

Unfortunately, while these different defining characteristics of exploratory and exploitative strategies in the literature suggest the existence of relationships between performance, strategic ambidexterity, strategic initiatives, and firm resources and capabilities, no comprehensive approach to investigate such relationships exists. This section attempts to fill this gap and contribute to the literature by producing conceptual frameworks to examine these linkages. In doing so, we also respond to the call for research integrating main stream strategic management literature into the debate on ambidexterity for conceptualizing strategic ambidexterity to capture concrete strategic initiatives and to examine the interface between organization, leadership and firm performance (Raisch & Birkinshaw, 2008; O'Reilly & Tushman, 2013).

To develop a theory of strategic ambidexterity we draw on several areas of strategic management research. The table below summarizes how different areas of strategic management contribute to building our theory.

Table 2-15. Strategic management and ambidexterity

RESEARCH AREA	RELEVANCE TO OUR INVESTIGATION
Strategic management theory	To clarify definitions necessary to develop a theory of strategic ambidexterity
Strategy taxonomies	To develop a methodology to examine the alignment of strategic initiatives towards exploitation and exploration
Organizational objectives	To identify, classify organizational objectives and examine how different firm objectives may influence the decisions to pursue strategic initiatives to explore and/or exploit
Performance measurement	To identify a variety of measures to evaluate the outcomes of exploratory and exploitative strategic efforts and how perceptions about performance may influence strategic change
Resources and capabilities	To identify how specific aspects of different resources and capabilities may affect the ability of the firm to explore and exploit and become ambidextrous

Our analysis of strategic ambidexterity is organized as follows: section 2.4.1 defines strategic levels and strategic ambidexterity; section 2.4.2 identifies and classifies strategic initiatives as exploratory and exploitative and develops a methodology to assess the exploratory or exploitative alignment of strategic initiatives building on existing strategy taxonomies; section 2.4.3 combines literature on organizational performance with objective setting theory to classify organizational objectives and explore the relationship between priority economic and noneconomic objectives of the firm, strategic choices and performance measures. Finally, in section 2.5, we combine our previous analysis of RBV and DC literatures with ambidexterity research to build linkages between the internal resources and capabilities of the organization and the ability to explore, exploit and achieve ambidexterity.

2.4.1 Defining strategic ambidexterity

Most authors broadly define strategic ambidexterity as the pursuit of contradictory exploratory and exploitative strategies (e.g. Burgelman, 1991, 2002; Danneels, 2002; Ebben & Johnson, 2005; Levinthal & March, 1993; Lewin et al., 1999; O'Reilly, & Tushman, 2007). Han & Cely (2007) define strategic ambidexterity as the congruence of pro-profit and pro-growth strategies in the context of internationalization. However, we found no comprehensive definition to assist us in building a structure to explore the linkages between resources and capabilities, strategic ambidexterity, and firm performance.

Strategic management literature identifies three levels of strategic initiatives that can help build such a structure. "Corporate strategy" addresses the strategic decisions of the organization as a whole and relates to decisions about products and markets (e.g. Ansoff, 1957; Rumelt, 1974). "Business strategy", refers to the different business units and is linked to the choices about specific characteristics of the offer (e.g. Porter, 1985). These choices shape the distribution of power among organizational functions and the allocation of resources which, in turn, shape the structure and control systems of the organization (Tushman & Romanelly, 1985), therefore "functional or structural strategy", involves the development of internal structures and functional capabilities and the shaping of mechanisms to interface with the environment, such as investment in R&D and sales force development (Hambrick, 1983; Mintzberg, 2003). The table below summarizes strategic decisions and choices by strategy level.

Table 2-16. Type of strategic decisions by level of strategy

CORPORATE STRATEGY	BUSINESS STRATEGY	FUNCTIONAL STRATEGY
Defines the domains of activity of the firm, by evaluating targets for business investment and divestment (Brauer, 2006) Determines entry and exit decisions (Chang & Singh, 2000); Identifies and exploits linkages between	Product-market choices after examining competition, market risks and opportunities, resources available and strengths of the organization (Andrews, 1971; Zahra, 2003). Decisions geared towards enhancing the competitive position of each individual business to deliver a unique mix of value	Policies guiding the conduct of the business and its functions (Danila, 1989) Organization's internal features—functional policies, distinctive competencies, structure, processes governance mechanisms and incentives (Hambrick, 1983)

distinct but related business units (Hamel, 1996) Manages the resources for a combination of different businesses leading to decisions about diversification or consolidation (Ansoff, 1957; Rumelt, 1974).	(Porter, 1996). Choices about the characteristics of the offers of the firm i.e. quality, quantity, time and cost, and the interactions with customers i.e. communication and distribution processes (Atac, 1995)	Processes to carry out the business and corporate strategy, ensure coordination, integration and exploitation of synergies (Minzberg, 1979) Business models and organizational mechanisms to interface with the environment (Hambrick, 1983)

Using these three levels of strategic behaviour our research defines strategic initiatives as follows:

Definition box 2-11. Corporate, business and structural strategic initiatives

Strategic initiatives at the corporate level: decisions regarding the range of markets to serve and business domains to cover.

Strategic initiatives at the business level: decisions abot the specific mix of features of the offers of an organization that will meet customer needs, preferences and requirements.

Strategic initiatives at the structural level: decisions about internal routines, processes and structures that create value and allow the organization to interface and stay in tune with the environment.

Research suggests these three types of decisions constitute the main mechanisms for organizational strategic alignment towards exploration or exploitation (Benner & Tushman, 2003; Tushman & Romanelli, 1985). Combining this notion with our earlier definition of ambidexterity (see section 2.3.1) we derive the working definition for strategic ambidexterity for our research:

Definition box 2-12. Strategic ambidexterity

Strategic ambidexterity is the ability to manage strategic initiatives at the corporate, business and structural levels, to achieve an appropriate balance between exploration and exploitation.

The strategic ambidexterity of an organization can be explored through the resources (financial, human, social and organizational) of the organization and the routines and processes used by the firm to sense environmental change, seize opportunities and reconfigure resources and assets across exploratory and exploitative strategic efforts.

Strategic ambidexterity reveals itself through the alignment of specific corporate, business and structural strategic initiaves towards exploration and exploitation and the outcomes of the exploitative and exploratory achievements of the organization.

2.4.2 Strategy, exploration and exploitation: Assessing the alignment of strategic initiatives

Although ambidexterity research does not offer a comprehensive methodology for evaluating the alignment of strategic initiatives, it does provide a number of perspectives and useful examples to categorize organizational initiatives as exploratory of exploitative. The different points of view to classify initiatives as exploratory or exploitative are summarized in the table below:

Table 2-17. Classifications of exploitation and exploration initiatives in the literature

POINT OF VIEW	ORGANIZATIONAL INITIATIVES ASSOCIATED WITH EXPLOITATION	ORGANIZATIONAL INITIATIVES ASSOCIATED WITH EXPLORATION	AUTHORS
Type of strategic initiative	Minor strategic changes to accommodate to environmental change; strategic moves within the scope of the organization's current strategy; built on existing knowledge; induced strategic processes; variation-reducing strategies; competence leveraging strategies; static efficiency efforts	Anticipatory adaptations to environment changes; strategic initiatives outside the current strategy's scope requiring the creation of new competencies; autonomous strategic processes; variation-increasing strategies; competence building strategies; dynamic efficiency efforts	Burgelman (1991); Ghemawat & Ricart Costa (1993); Hamel & Prahalad (1993); Sanchez et al. (1996); Schuler & Jackson (1987)
Type of innovation	Incremental innovation: minor adaptations of existing products and business models; exploitative innovation	Radical innovation: fundamental changes leading to a switch from existing products or business models to completely new ones; exploratory innovation	Abernathy & Clark (1985); Benner & Tushman (2003); Dewar & Dutton (1986); Ettlie, Ettlie et al. (1984); Nord & Tucker (1987)
Related resources and capabilitis	Execution of existing knowledge: refinement, choice, production, efficiency, selection, implementation. Building on the organization's existing knowledge base within existing technological trajectories and leveraging existing skills and capabilities	Discovery of new knowledge: search, variation, risk taking, experimentation, play, flexibility, discovery, innovation. Shift from current knowledge base and skills towards new technical skills, market expertise, or external relationships	March (1991); Levinthal & March (1993); Lavie et al. (2010); Lavie & Rosenkopf (2006); Smith & Tushman (2005)
Type of Learning	Single loop; generative, local search and product oriented learning; refinement search; learning from local search and reuse of existing routines	Double-loop; adaptive; product innovation learning; innovative search; long jump; learning from processes leading to variation, experimentation, and play	Baum et al., (2000); Levinthal (1997); Levinthal & March (1981, 1993); MacKee (1992); March, (1991); Senge (1990)
Nature of change process	Convergence; momentum; evolutionary change; incremental change; competence enhancing change: gradual change taking place over time	Reorientation; revolution; revolutionary change; technological breakthrough; destroying change	Anderson & Tushman (1990); Lant et al (1992); Miller & Friesen (1980, 1984); Tushman & Anderson (1986); Tushman & O'Reilly (1996)); Tushman & Romanelli (1985)
Underlying firm structure	Efficiency enhancing mechanistic structures: standardization; tightly coupled systems; path dependent systems; routinization; control; hierarchy; bureaucracy; centralization	Flexibility enhancing organic structures: loosely coupled systems; path breaking systems; improvisation, autonomy and chaos; flexibility; decentralization & autonomy	Burns & Stalker (1961); Galbraith (1983); Thompson (1967); Volberda (1996)

Unfortunately, while helpful, these characterizations of exploration and exploitation do not offer a comprehensive system to assess and classify the alignment of strategic initiatives at the corporate, business and structure levels. To develop such system we draw on the frameworks proposed by Ansoff (1957, 1965) for growth; by Porter (1980) for competitive strategy and by Miles and Snow (1978) for strategic stance.

2.4.2.1 Exploitation, exploration and corporate level strategy

At the corporate level, organizations take actions that increase or decrease the product/market scope of the firm's activities within their markets (see Ansoff, 1957; Hoskisson & Hitt, 1994; Porter, 1980). Product and market diversification may be accomplished by acquisition, new ventures, joint ventures and cooperation agreements, subsidiary expansion, or organic growth increasing the scope of the firm (Hitt, et al., 1998; Vermeulen & Barkema, 2001; Webb & Pettigrew, 1999).

Consolidation or down scoping may occur through divestment decisions, limiting cooperative arrangements, or closures that decrease the scope of the firm (Webb & Pettigrew, 1999). Withdrawing from geographical markets and/or business segments constitute a reduction of the scope of the organization allowing the firm to refocus on its core competencies and reinforcing existing knowledge (Vermeulen & Barkema, 2001).

Thus, at the corporate level, we can assess strategic decisions in terms of the expansion or consolidation of business domains and markets of the firm. Ambidexterity research links corporate initiatives within the firm's current product-market scope to exploitation; and those looking for new strategic opportunities outside the organization's current strategic scope, to exploration (Burgelman, 1991, 2002). Other scholars suggest entering a variety of new product and geographical environments promotes explorative learning (Barkema & Vermeulen, 1998; Miller & Chen, 1996).

Table 2-18. Corporate level strategic initiatives

		Entry and exit strategic decisions	
		DIVERSIFICATION (EXPLORATION)	**CONSOLIDATION (EXPLOITATION)**
Corporate Level Strategy	**MAIN DOMAINS**	Decisions to enter new business domains for the organization (i.e.different business or product lines)	Decisions to leave or expand only in existing business domains (i.e. continue to develop the same business or product lines)
	MAIN MARKETS	Decisions to enter new geographical markets	Decisions to leave or expand in current geographical markets

Source: Based on Ansoff, 1957

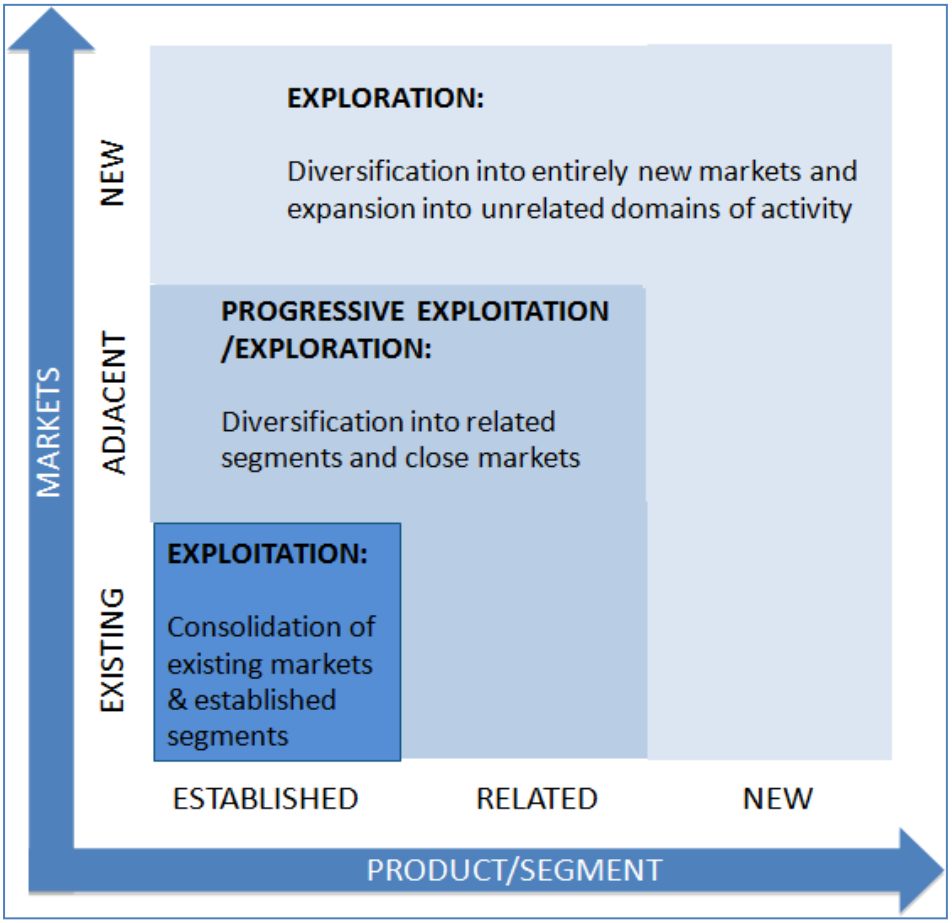
A number of researchers identify intermediate initiatives combining new knowledge development while leveraging prior knowledge (e.g. Koza & Lewin, 2000; Lavie & Rosenkopf, 2006). These activities, at the corporate level, combine a focus on the existing core business of the firm with limited expansion into closely related business or market domains (Burgelman, 1991; Helfat & Raubitschek, 2000; Vermeulen & Barkema, 2001; Zook, 2004); these type of strategic initiatives enable firms to use existing resources as stepping stones towards new markets (Wernerfelt, 1984) and constitute a middle ground between exploration and exploitation.

Some authors consider these mid-ground activities as exploitation initiatives (Burgelman, 1991; Helfat & Raubitschek, 2000; Vermeulen & Barkema, 2001). Other authors suggest that initiatives that venture into adjacent markets or technologies building on similarities with existing ones are extensions of markets/product categories and thus constitute a “progress” rather than an improvement and deserve a separate category (Bergfeld & Weber, 2011). Our research follows the latter view and considers mid-ground activities as a separate category.

Based on the above discussion and following Bergfeld & Weber (2011) our research examines the alignment of corporate strategic initiatives towards exploration and exploitation identifying consolidation and

diversification moves of firms by considering how closely related they are to previously served markets and segments and classifying them in three levels as illustrated below[5]:

Figure 2-7. Corporate level strategy alignment



From this perspective, corporate exploitation initiatives are those that consolidate existing markets and product segments building on current knowledge (Benner & Tushman, 2003) and allow organizations to improve the use of their existing resources (Montgomery & Wernerfelt, 1988; Pettus, 2001; Prahalad & Bettis, 1986). Progressive corporate strategic initiatives stretch existing knowledge by expanding to related product segments and adjacent markets extending markets/product categories (Bergfeld & Weber, 2011). In our research, these progressive initiatives are considered either as progressive exploitation or progressive exploration depending on the distance to existing markets/segments. Finally, exploitative corporate strategic initiatives emerge outside current strategic scope (Burgelman, 1991); require significant departures from existing activities (Benner & Tushman, 2003, p.243); and promote new learning by entering a variety of product and geographical segments (Barkema & Vermeulen, 1998).

[5] Although the work of Bergfeld & Weber (2011) does a similar graphical depiction of ambidexterity with three tiers on each axis it focuses on the corporate level alone.

2.4.2.2 Exploitation, exploration and business level strategy

Business level strategy determines how an organization competes with its rivals in the chosen market segments (Ginsberg & Venkatraman, 1985). At the business level, organizations take actions to distinguish their offers from the offers of their competitors; this differentiation is based on diverse or unique attributes or features of the offer (Porter, 1980, 1985). Companies have a number of dimensions to differentiate themselves from competitors, such as price, particular levels of quality, product features, image, relations with customers, location availability, relative scarcity and bundling (De Wit & Mayer, 2010). We can group these dimensions in four basic positioning variables: (1) cost/price; (2) quality i.e. particular levels of quality, product features, image relations of the offer; (3) quantity i.e. levels of scarcity and bundling; and (4) time i.e. period and speed of availability (Atac, 1995; Sharp & Dawes, 2001).

Usually cost-related strategic initiatives relate to efficiency initiatives of the firm, while improvements in the other three variables (quality, quantity, speed) relate to innovation (Porter, 1980, 1985). Cost leadership strategies require efficiency in performing existing processes, efficient scale facilities, process engineering skills, minimizing waste, and maximizing employee productivity (Hambrick, 1983; Levitt, 1980; Porter, 1980). To achieve high efficiency, organizations seek stability and control in their operations to improve and refine current competencies and focus on executing well specific activities to produce economically (Parnell & Wright, 1993; March, 1991).

Cost strategies focus mostly on internal aspects of the business, emphasizing the productive employment of capital and human resources, attention to operational details, replacing obsolete equipment, substituting capital for less efficient labor, and keeping overhead costs to a minimum (White, 1986). Efforts aimed at reducing costs and/or increasing efficiency within existing activities without reducing the scope of the firm's activities are generally referred to as downsizing, rightsizing, and reengineering (Webb & Pettigrew, 1999) and include cost cutting and efficiency-increasing measures and programs resulting in significant reductions of expense ratios or increases in productivity per employee (Hoffmann, 1989) leading to an enhanced utilization of existing production and market potentials. Some authors (e.g. He & Wong, 2004; Webb & Pettigrew, 1999) measure these initiatives by identifying large-scale, company-wide, cost-cutting initiatives; significant reductions in the expense ratios; and increases in productivity per employee; as well as efficiency-oriented keywords used in official documents of the firm (e.g. annual reports, letters to share holders, records and minutes of meetings).

Differentiation strategies focus on the business's environment and constitute changes in product and related services to meet unique customer needs; distribution and delivery systems tailored to market requirements; and new technical features anticipate and define customer needs in an attempt to create a price premium (White, 1986). Differentiation usually requires incurring higher costs. These higher costs are often related to product technology, flexibility, quality, reliability, technical service, options and product

variations, image, availability, delivery and financing guarantees, new ideas for improved use, after market services, sales support and market research (Hall, 1980; Hambrick, 1983; Levitt, 1980; Porter, 1980; White, 1986). If successful, these additional costs will be less than the price premium charged to the buyer.

Differentiation strategies support search, innovation, and flexibility (Porter, 1980; Adler et al. 1999; Ebben & Johnson, 2005); require new capabilities and a departure from existing skills to acquire emergent customers (Levinthal & March, 1993; Teece et al., 1997). To explore at the business level, organizations increase their variety through experimentation, risk-taking, and flexibility (March, 1991), and actively search for new ways of doing things through technology, product or process (McGrath, 2001).

Innovation moves are measured by company wide large-scale growth or innovation initiatives (He & Wong, 2004); increased customer focus, sales foce and customer related expenses to communicate novel offers or improve service level and significant increases in prices signalling enhanced product attractiveness (Porter, 1985; Webb & Pettigrew, 1999). Shifts towards innovation/market development are represented by initiatives that lead to the creation of new product and market potential. Previous research (e.g. He & Wong, 2004; Webb & Pettigrew, 1999) identifies these initiatives through official document mentions to large-scale, company-wide innovation efforts and significant increases in sales and marketing expenses.

Thus at the business level, we associate exploitative and exploratory strategic decisions with efficiency or innovation, as illustrated in the table below.

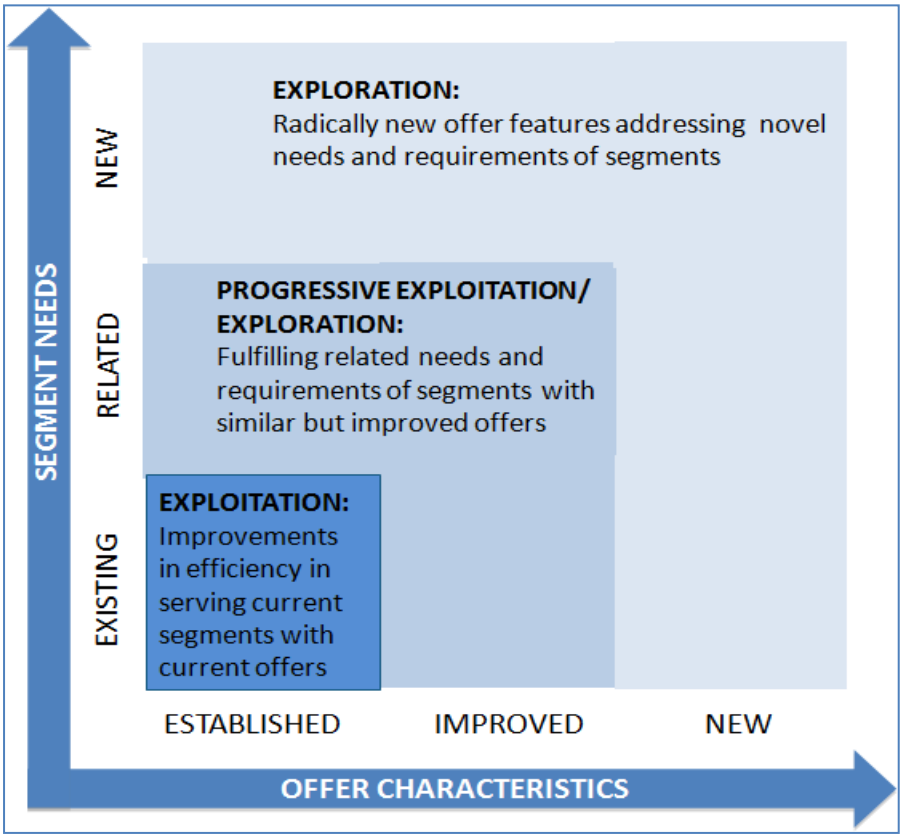
Table 2-19. Business level strategic initiatives

		Product-market decisions	
		INNOVATION (EXPLORATION)	**EFFICIENCY- ADAPTATION (EXPLOITATION)**
Business Level Strategy	**PRODUCTION -OFFER CHARACTERISTICS**	Changes in the quality, quantity, time and cost that imply radically new offer features or novel offers	Changes in the quality, quantity, time and cost that improve existing features of the offers of the firm
	MARKETING-TARGET SEGMENT PROFILE	Radical changes in the needs and requirements addressed with the offer of the business	Improvement in the way the offers address the existing needs and requirements of the target markets

Source: Adapted from Porter, 1980

Business level efficiency-related strategic initiatives are related to exploitation (Adler et al, 1999; March, 1991). Innovation-oriented business strategies are linked to exploration (Adler et al., 1999; March, 1991). Therefore, at the business level exploitation strategic initiatives focus on improving efficiency in serving current offers to fulfil existing customers needs; progressive exploitation initiatives stretch the abilities of the organization to fulfil related needs or producing improved offers; and exploration initiatives result in radically new offers fulfilling newly identified needs of the customers.

Figure 2-8. Business level strategy alignment



To pursue these two strategic alternatives simultaneously firms can develop different business models for the same markets or address customers with one business model that includes elements of cost leadership as well as differentiation (Markides & Charitou, 2004).

2.4.2.3 Exploitation, exploration and structural strategy

In addition to choices about markets and domains, about offer characteristics and segment needs, organizations make choices about how to implement the selected corporate and business strategies and how to align internal structures and external factors. In this sense, strategies require internal structures to implement corporate and business choices and external structures to create an interface with the markets.

Internally, structural level strategies determine the basis for the firm's value-creating processes in all functional areas of the business and determine structures for decision making (Swamidass & Newell, 1987). Since organizations and environments are closely interdependent, externally, structure level strategies are the mechanisms through which the firm manages its relationships with the environment (Swamidass & Newell, 1987), i.e. firms design business models to take advantage of business opportunities; these business models determine the content, structure, and governance of transactions (Amit & Zott, 2001), provide the logic to support the value proposition for the customer and establish the financial structure necessary to deliver that value (Teece, 2010).

Table 2-20. Structural level strategic initiatives

		Organizational structure decisions	
		FLEXIBILITY-AUTONOMY (EXPLORATION)	**STABILITY-CENTRALIZATION (EXPLOITATION)**
Structural Level Strategy	**INTERNAL**	Moves toward increasing the degree of autonomy and frequent changes in internal routines, processes, incentives and governance mechanisms	Moves towards centralization and maintenance of existing routines, processes, incentives and governance mechanisms
	EXTERNAL	Significant changes in business models	Maintenance of existing business models or slight adaptations

Internally, companies use a variety of formal and informal coordination mechanisms to connect, coordinate and integrate different parts of the organization (e.g., Ghoshal, et al., 1994). Hierarchical structures often set the fundamental coordination mechanisms of an organization. An essential feature of a firm's hierarchical structure is the degree of centralization (Cardinal, 2001; Galbraith, 1973; Miller & Droge, 1986). Centralization refers to the degree of concentration of decision-making power (Aiken & Hage, 1971; Puranam, et al., 2006).

Research tends to relate exploitation to centralized structures (Ancona et al., 2001). Centralized structures with higher degrees of coordination and fewer focal points of power (Puranamet al., 2006) foster efficiency, synergies and productivity (Mintzberg, 1979). Furthermore, centralization engenders organizational rigidities that provide the stability required for exploitation (Benner & Tushman, 2003; Brown & Eisenhardt, 1998). Burns & Stalker (1961) describe mechanistic organizational structures as particularly conducive to exploitative activities. Similarly, Lawrence & Lorsch (1967) suggest standardized, centralized and formal structures work best in stable environments.

Centralization supports exploitative learning (Cardinal, 2001; Jansen, et al., 2006; Sheremata, 2000) because it fosters coordination, efficient processes, and the realization of synergies across existing knowledge stocks (Adler et al, 1999; Miller & Droge, 1986). Empirical studies support the notion that centralization facilitates exploitation of existing products (e.g. Cardinal, 2001). However, centralization limits lateral communication, reduces the quantity and quality of knowledge available across the organization and decreases the ability and motivation of organizations to generate new ideas (Damanpour, 1991; Nord & Tucker, 1987; Sheremata, 2000). Jansen et al., (2006) found evidence of a negative relationship between centralization and exploration.

Conversely, exploration has been related to internal decentralized structures (Brown & Eisenhardt, 1998; Benner & Tushman, 2003). In decentralized structures there is more autonomy and numerous focal points of power compete for influence (Puranam et al., 2006). Decentralization creates organic, flexible, and adaptive systems (Mintzberg, 1979). Flexibility can be achieved through different organizational forms but all of them adhere to some degree of decentralization (Volberda, 1996). Burns and Stalker (1961) suggest organic

organizational structures are more appropriate for changing conditions. Lawrence & Lorsch (1967) suggest less formalized organizational structures are more effective for unstable environments.

Decentralization may support nonroutine problem solving and out of the box thinking conducive to explorative learning (Nickerson & Zenger, 2002) and fosters lateral communication, generative learning and exploratory search for new knowledge (Adler et al, 1999). Thus at the structural level organizational initiatives aligned with exploration may be supported by moves to decentralize structures, while exploitative initiatives may show signs of centralization.

To assess centralization/decentralization, Tushman and Rosenkopf (1996) examine moves at the senior level of an organization. The creation of new top level functional roles, central operating roles, mergers of strategic business units, or establishment of centralized shared services centers, concentrate decision-making power at the top and result in more centralized decision making (Nickerson & Zenger, 2002; Tushman & Rosenkopf, 1996). On the other hand, the elimination of central functional or operational roles in top management teams and breaking up divisions into smaller units or elimination of centralized service centers lead to a lower concentration of decision-making power (Nickerson & Zenger, 2002; Tushman & Rosenkopf, 1996).

Externally, Volberda (1996) suggests that various organizational structures represent specific ways firms take to deal with the paradox of change and preservation, and Tushman and O'Reilly (1997) maintain that successful organizations balance stability and change to reorient in the face of environmental change. Based on the way firms align with perceived environmental conditions, Miles and Snow (1978) identify a number of distinct strategic patterns (defensive, prospectors and analyzers). Simmilarly, Bierly and Chakrabarti (1996) recognize four generic knowledge strategies (explorers, exploiters, loners, and innovators) depending on the type, focus, breadth and speed of organizational adaptation to external change. Different strategic patterns require diverse organizational structures. These organizational structures, internally, determine how decisions are taken and externally shape the way organizations see, interpret and respond to the environment.

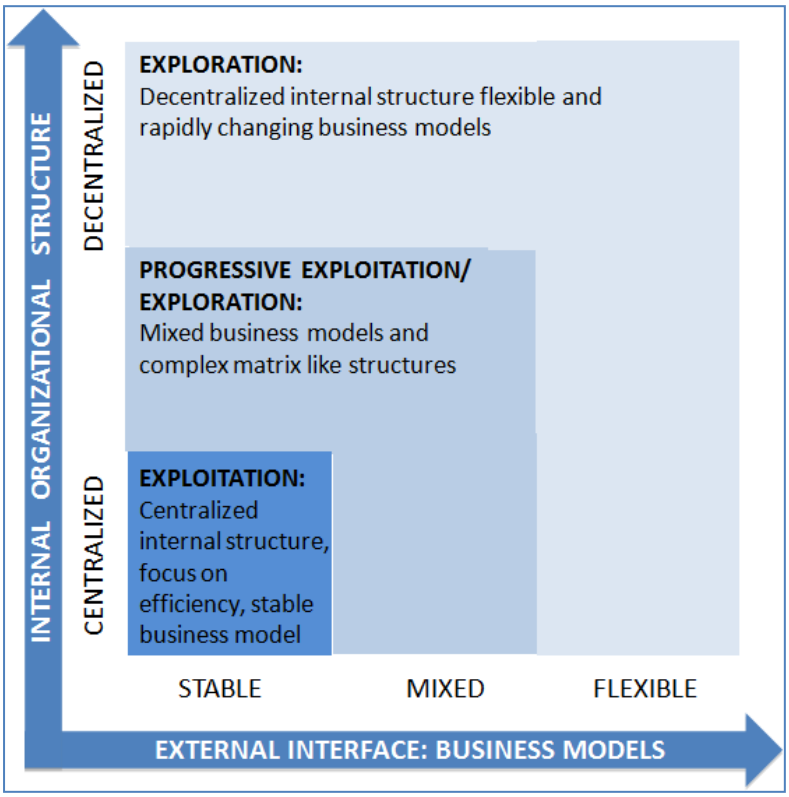
Externally, exploitation is illustrated by Miles and Snow's (1978) defenders, firms maintaining current position within their environment with stable business models. Defenders conduct sales in a tested, efficient manner and outperform prospectors in current profitability and cash flow and display efficiency through high capital intensity, high employee productivity, low direct costs (Hambrick, 1983).

Conversely, exploration is exemplified by Miles and Snow's (1978) prospectors. These companies focus on flexibility to proactively embrace change and opportunities changing business models when necessary, and spend more on R&D and marketing and devote more resources to developing new products and motivating, informing, and educating sales force and customers. They outperform defenders in market share gains in

innovative industries but suffer low profits and cash flows from "unnecessary" adaptation in non-innovative industries (Hambrick, 1983).

Thus at the structural level strategic exploitation refers to initiatives moving toward centralization and/or providing evidence of stable business models; progressive exploitation is shown by strategic initiatives requiring complex matrix like structures to deal with the complexities of juggling with various stable and flexible business models and; structural level strategic exploration initiatives show evidence of decentralization and flexible business models.

Figure 2-9. Structural alignment



From the previous discussion we also derive a classification of specific strategic initiatives at the corporate, business and structure levels:

Table 2-21. Exploration and exploitation initiatives at the corporate, business and structure levels

STRATEGIC LEVEL	EXPLOITATION INITIATIVES	EXAMPLES OF EXPLOITATION	EXPLORATION INITIATIVES	EXAMPLES OF EXPLORATION
Corporate strategy	-Refocusing on core business: Initiatives to consolidate and decrease the product/market scope of the firm; -Expanding core business: Initiatives of the firm that enlarge scale but maintain existing product-market scope	Divestments Closures Withdrawal from segments Exit from existing markets Extending existing core business through alliances, acquisition, expansion and new ventures	Initiatives outside the current strategic scope: New segments; New geographical markets	Entering new segments Entering new markets through green fields, acquisitions; alliances; adding new business segments; new ventures

STRATEGIC LEVEL	EXPLOITATION INITIATIVES	EXAMPLES OF EXPLOITATION	EXPLORATION INITIATIVES	EXAMPLES OF EXPLORATION
Business strategy	Initiatives to improve the way things are done: Efficiency enhancing measures; changes to offers to adapt to current customer needs. Efficiency initiatives include cost cutting or efficiency-increasing measures and programs resulting in significant reductions of expense ratios or increases in productivity per employee.	Focus on internal operations of the business Cost cutting, Efficiency enhancing measures Productivity enhancing measures	Initiatives to change the way things are done: Innovation programs, radically new offer features to fulfill new or emerging customer needs. Innovation moves would include company-wide innovation programs indicated by increased customer focus expenses, improved service level and significant increases in prices signalling enhanced product attractiveness	Focus on market needs and the business environment. Investment in product technology, technical services, aftermarket services, sales support and market research
Structural strategy	Moves towards centralization, stability, standardization; routinization to maintain existing and tested business models and improve efficiency	Consolidation of organizational levels. Creation of top level functional and central operating roles; Merging business units; Creation of centralized services;	Moves toward decentralization, autonomy, flexibility, increasing interaction with customers and investing on R&D to identify new business models	Elimination of functional or central operating roles; elimination of top level posts; split up of business units; elimination of centralized service units within the firm; new business models

Although the table above provides a guide to assess the alignment of strategic initiatives towards exploration and exploitation, "the distinction between exploration and exploitation is often a matter of degree rather than kind", and thus the alignment towards exploration and exploitation should be interpreted as a particular level along a continuum rather than as an either-or categorization (Lavie et al., 2010, p.114). Indeed, the ability to acquire and develop new knowledge depends on the organization's current knowledge base (Cohen & Levinthal, 1990). Often exploration evolves into exploitation (e.g., Brunner et al., 2009), thus organizations go through natural cycles of exploration– exploitation (Rothaermel & Deeds, 2004).

Despite gray areas in the classification of exploration and exploitation and the cyclical nature of the underlying learning processes, we consider the above methodology and taxonomy to be a robust method to assess the alignment of strategic initiatives of organizations in the context of our investigation.

2.4.3 Strategic ambidexterity and performance: organizational goals and strategic action

Typically organizational performance is measured by the ability of a firm to serve the needs of its customers with its offers and thus to make economic gains from business transactions, therefore performance measures often rely on the financial indicators of the firm. However, organizational performance is a multi-faceted construct with a diversity of indicators (Carroll, 1979; Chandler & Hanks, 1993; Hult et al., 2008).

Extant literature uses different types of objective and subjective measures of performance that include financial indicators (e.g. ROI, revenues); market-based measures (e.g. market share, sales growth); social-

based measures (e.g., customer satisfaction, customer loyalty); competitive-based indicators and organizational effectiveness measures related to the functioning of the organization (e.g., absence of internal problems, resource acquisition) as well as the accomplishment of formally stated goals of the organization (Cameron, 1986). Empirical studies also show a wide variety of operationalizations of firm performance indicators. For example, Combs et al., (2005) identified over 50 different indicators in over 250 studies and determined financial performance and accounting measures of profitability to be the most commonly used. More recent studies confirm the extensive variety of indicators (Carton & Hofer, 2006; Richard et al., 2009b).

Venkatraman and Ramanujam's (1986) classify organizational performance in two categories – economic performance and operational performance. Economic performance is centered on outcome-based financial measures (e.g., return on assets, return on investment, profit growth) and market (e.g., market share, sales growth, stock-market returns) indicators, reflecting the fulfillment of the economic goals of the firm (Dess & Robinson, 1984; Venkatraman & Ramanujam, 1986). Operational performance refers to noneconomic aspects, such as observable outcomes (e.g., customer satisfaction, customer loyalty, support for local communities) related to a business organization's social relations (Wood, 1991; 2010) and competitive success factors (e.g., new product introduction and innovation, product/service quality, productivity, marketing effectiveness) leading to organizational competitiveness (Venkatraman & Ramanujam, 1986).

Numerous researchers use stakeholders' satisfaction measures as firm performance indicators (e.g. Agle et al., 1999; Clarkson, 1995; Richard et al., 2009b; Venkatraman & Ramanujam, 1986; Waddock & Graves, 1997). These performance measures assess the satisfaction of different groups of stakeholder with different motivations and focus on the measures of performance most directly related to the goals of those groups (Fitzgerald & Storbeck, 2003; Hillman et al., 2001).

Studies also differ in the reference values used to measure performance, such as industry averages, results of main competitors, established targets, or past performance (Bentes et al., 2012; Carneiro et al., 2007). Measures against organizational objective targets and past performance are good indicators of efficiency and evolution of the company but do not allow for comparison with other firms. Comparing performance results of a firm with average values in the industry or performance measures of main competitors provide additional information regarding a firm's relative competitive position. A combination of these measures may be needed to compare the differences in the evolution of firms over time and their relative position of the firm within the sectors it operates.

To assess firm performance researchers often use objective and subjective measures. Among the objective indicators the most utilized are backward looking accounting measures, forward looking market value based measures (Fisher & McGowan, 1983; Lev, 2000), and mixed market-accounting measures that balance risk

and operational performance (Richard et al., 2009b) such as Tobin's q measuring economic return by calculating the ratio of the market value of firm assets to their replacement cost (Tobin, 1969). Survival is also a common objective measure of firm performance (Dess & Robinson 1984; Dunne et al., 1988; Hannan & Freeman, 1977) capturing the continuous existence of a firm over time.

Subjective measures ask respondents about organizational performance. Typically subjective measures are based on subjective evaluations by managers and stakeholders on a range of questions containing information relevant to the firm's performance. Subjective self-reporting measures allow researchers to compare the performance of the company to that of competitors or other benchmarks; to define the content of questions; and to direct respondents to specific dimensions of performance (Richard et al., 2009). Although subjective measures suffer from psychological biases and cognitive biases (Campbell & Sedikides, 1999; Rosenzweig, 2007; Stajkovic & Sommer, 2000), research shows the correlation between subjective and objective measures is high (Guthrie, 2001; Wall et al., 2004). Furthermore, the quality of self-reporting measures can be increased by the closeness of the information collection to the event (Mezias & Starbuck, 2003), and the selection of appropriate respondents (Winter, 2003b).

Research also shows that different organizations place emphasis on different aspects of their performance (Devinney et al., 2005) that performance measures can be firm specific and depend on internal policies (Richard et al., 2009) and that favoring different measures can create different incentives for managers and employees of the firm (Dutta & Reichelstein, 2005).

The variety of performance measures discussed above reflects the variety and diversity of organizational objectives. Ansoff (1976) defines objectives as the criteria used to determine the success (or failure) of a firm and therefore must contain three basic elements: the particular attribute chosen as a measure of fulfillment; the scale to measure the attribute; and the standard to achieve (i.e. the particular aspiration or value to attain). The literature tends to associate exploration initiatives with longer term objectives and exploitation initiatives with shorter term objectives (e.g. March, 1991; Gibson & Birkinshaw, 2004; He & Wong, 2004; O'Reilly & Tushman, 2008) but stops short of providing linkages between exploration and exploitation with specific firm objectives.

The above discussion shows that outcomes of exploration and exploitation can be measured through a variety of objective and subjective performance measures. These measures against the priority goals of the organizations and the desired levels of key stakeholders are likely to affect future strategic decisions of the firm. It follows that to determine the most appropriate objective and subjective measures of economic and noneconomic performance for our investigation of strategic ambidexterity our research needs to: examine how organizations set objectives (section 2.4.3.1); explore the relationship between objectives, performance

and strategic action (section 2.4.3.2); identify the different objectives of organization (section 2.4.3.3) and; uncover the linkages of specific goals with exploration and exploitation (2.4.2.4).

2.4.3.1 Determinants of strategic objectives of organizations

Cyert & March's (1963) argue that "collectivities do not have goals, only individuals do" (p.27) and describe organizations as coalitions and "subcoalitions" (p. 27) of individuals that adjust their decisions and actions based on specific objectives of those individuals or coalitions. Other authors suggest that organizational objectives are influenced by the actors that control critical resources and have the attention of managers (Pfeffer & Salancik, 1978). Therefore specific objectives of particular individuals or coalitions in the organization influence the goal prioritization of a firm.

Stakeholder theory (Freeman, 1984) provides a social perspective to the objectives of the firm. Freeman (1984, p. 46) defines a stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives." Each stakeholder has its own agenda in relation to the firms' objectives and values a particular set of goals (Fitzgerald & Storbeck, 2003), yet firms cannot and will not fulfill the objectives of different groups to the same extent. The extent to which certain objectives will be pursued depends on the power to influence strategic decisions and resource allocation (Mitchell et al., 1997; Pfeffer & Salancik, 1978). According to Mitchell et al., (1997) the salience of stakeholders of a firm determines the extent to which different groups influence objectives and stakeholder salience depends on the power stakeholders have over the firm, the legitimacy of their claims and the urgency of their demands.

Along these lines, Hill and Jones (1992) see managers as responsible for reconciling divergent objectives of stakeholder groups through strategic decisions and allocation of resources. Thus the priority of these divergent interests depends on the perceptions and perspectives of the managers of the organization; therefore the firm's managers determine which stakeholders' objectives are most important and which ones will receive management attention and resources (Mitchell et al., 1997).

Top management teams' agendas are often influenced by the CEO (Bowman & Bussard, 1991) because CEOs are in "positions that allow them to shape group activities; in so doing, they may amplify, nullify, or moderate" objective priorities (Jackson 1992, p. 370). Research suggests that managerial characteristics influence the priority objectives of the firm as well as the perceptions of performance and that management characteristics reflect manager's values (Frederick, 1995). For example a manager's sense of self-interest or self-sacrifice modifies his/her goal priorities (Etzioni, 1988; Granovetter, 1985; Perrow, 1986).

Strategic priorities and objectives are conveyed to the rest of the organization through explicit agendas for strategic action or implicitly communicated through behavior, attention, and rhetoric of CEO (Noel, 1989). As a result, the CEO has the ability to affect the information shared with and issues attended to by top

managers. Since decision making groups tend to focus on shared information (Stasser & Titus, 1985), the top management team will tend to focus attention on information about those issues which are higher in the CEO's priorities. Thus, CEOs' priorities are critical in determining the focus of strategic issues (West & Meyer, 1998).

Some researchers argue that consensus on strategic objectives leads to superior performance because agreement helps the organization advance smoothly towards the selected goals (e.g. Andrews 1971; Cyert & March, 1963). Others favor dissent at the top to increase goal diversity and exploration (Bourgeois 1980, 1985; Dess 1987). Indeed, consensus of top managers on goals has been both positively related to firm performance (Dess, 1987; Shanley & Correa, 1992) and negatively related to firm performance (Bourgeois, 1980, 1985; Grinyer & Norburn, 1977). Similarly, top management team consensus on competitive means has been both positively related to performance (Bourgeois, 1980; Dess, 1987) and negatively related to performance (Dollinger et al., 1990).

These differences can be explained by environmental and organizational forces. In stable environments, consensus on goals and means yields better performance (Dess & Origer 1987; Priem, 1990) while in highly competitive industries with many strategic possibilities and little margin for error, severe disagreement as well as groupthink at the TMT can have a severe impact on performance because they can lead to delayed or obsolete strategic options (West & Mayer, 1998). Nevertheless, diversity and disagreement regarding strategic objectives may "result in more extensive discussion of strategic options, more learning opportunities, and, thereby, reduce the likelihood of a groupthink" (Lant et al. 1992, p. 591).

Finally, organizational preferences and life cycle may change the priority of particular objectives during different stages of the firm (Quinn & Cameron, 1983; Wooldridge & Floyd, 1989).

To sum up, objectives of particular individuals or coalitions in the organization influence the goal prioritization processes of a firm; the preferences of dominant coalitions, CEOs and TMT are particularly important for the selection of priority goals; both the degree of consensus around organizational goals and the stage of the firm matter for goal selection.

Cyert and March (1963) posit that goal selection results from a combination of the internal bargaining of priority goals discussed above and comparisons between actual results and aspirations relating to those goals. In this context, a goal or objective is an aspiration level with respect to a measurable variable; the measurable outcome of that goal is the level of performance. If the performance of an organization falls below the aspiration level of a goal variable, decision makers will react taking actions to correct the situation and attain the desired level.

From the above discussion and building on Cyert and March (1963) and Ansoff (1967), for the purpose of this research we define organizational objectives as follows:

Definition box 2-13. Organizational Goals

Organizational goals or objectives are aspiration levels with respect to selected measurable economic and noneconomic variables and contain three elements:

(1) the attribute chosen as a measure of fulfillment (i.e. the indicator);

(2) the scale to measure the attribute and;

(3) the standard, aspitation or target to achieve.

The degree of priority and aspiration level for different objectives result from the characteristics and preferences of CEOs and TMT members and salient coalitions of the firm; the diversity of goals of TMT members; the level of consensus around those goals and the gap between the aspirations or targets set and the perceived levels of performance towards those goals.

In this context, performance represents the measurable outcomes against the expected or target aspirations vis a vis the selected priority economic and noneconomic indicators.

2.4.3.2 Objectives, performance and strategic decisions to explore and exploit

The behavioural theory of the firm (Cyert & March, 1963) suggests that organizational behavior is goal directed, history dependent, and determined by simple rules (Levitt & March, 1988). Organizations set goals and aspirations to guide decision making among organizational members with diverse interests. Performance feedback provides information about how they are doing and whether there is a need to change. Success or failure of an organization's performance is evaluated against the aspirations, and the result of the evaluation influences future organizational behavior (Milliken & Lant 1990; Lant, 1992; Greve 1998, 2003). According to this view, organizations make adaptive adjustments from past experience and are backward looking (Chen, 2008). This backward-looking approach focused on performance feedback is linked to exploitaition and improving past results.

Other research also based on the behavioural theory of the firm (Cyert & March, 1963) provides a forward-looking model where decision making is based on a cognitive image of the future (Gavetti & Levinthal, 2000). This forward-looking approach assumes that decision makers create mental models of the environment and consider possible consequences within the frameworks of these models before making decisions (March & Simon, 1958). Cognition is a forward-looking type of intelligence based on the decision maker beliefs about the linkages between actions and future outcomes (Gavetti & Levinthal, 2000). The beliefs may be inaccurate, and the cognitive image of the future may not reflect accurately the real world, but since human decision makers are not completely rational, cognitive representations facilitate decision making by simplifying the complexity of relations among alternative actions and outcomes (Chen, 2008). This forward looking approach is more related to exploration and untested organizational directions.

This view allows our research to link objectives, performance and strategic action. Since objectives and expectations of performance play an important role in strategic decision making and fine tuning, to explore the interface between strategic ambidexterity and performance our investigation must identify the priority economic and noneconomic objectives of organizations; identify the aspiration levels and the perceived performance towards the selected goals; and the level of satisfaction with the performance levels achieved.

2.4.3.3 Strategic objectives of organizations

Businesses have been traditionally considered economic organizations with a precise measurement of efficiency: profit. This rational view of the firm assumes profit maximization is the natural and ultimate objective of a firm (Bourgeois, 1985), yet not all organizations are created with the main objective of profitability.

It is widely acknowledged that businesses have a sense of social responsibility both to society as a whole and to the stakeholders of the firm; thus, often the firm aims to maintain a balance among the objectives of the various groups, e.g. stockholders, employees, customers, and society (Mitroff, 1983) and combines or replaces profit with other objectives such as responsibility to stockholders, long term survival, or a negotiated consensus among various participants in the firm (Roth & Ricks, 1994).

Drucker was among the first to suggest multiple and varied organizational objectives and proposed adaptation, innovation and change, and social objectives, such as adjusting to society and developing effective human organizations, as organizational objectives enhancing firm survival (Drucker, 1958).

Several authors have attempted to classify organizational goals, since. Some distinguish between official goals (those formally stated by the organization in annual reports and public statements of key executives); operative goals (the outcomes the organization actually seeks to attain through its operating policies and activities); and organizational goals which define the performance objectives and desired behaviors within the overall organization; these goals provide value premises (aspirations) that combined with factual premises (actual results) inform decision-making and cascade down to various levels of the organization (March & Simon, 1958; Cyert & March, 1963).

Table 2-22. Organizational and operative objectives of organizations

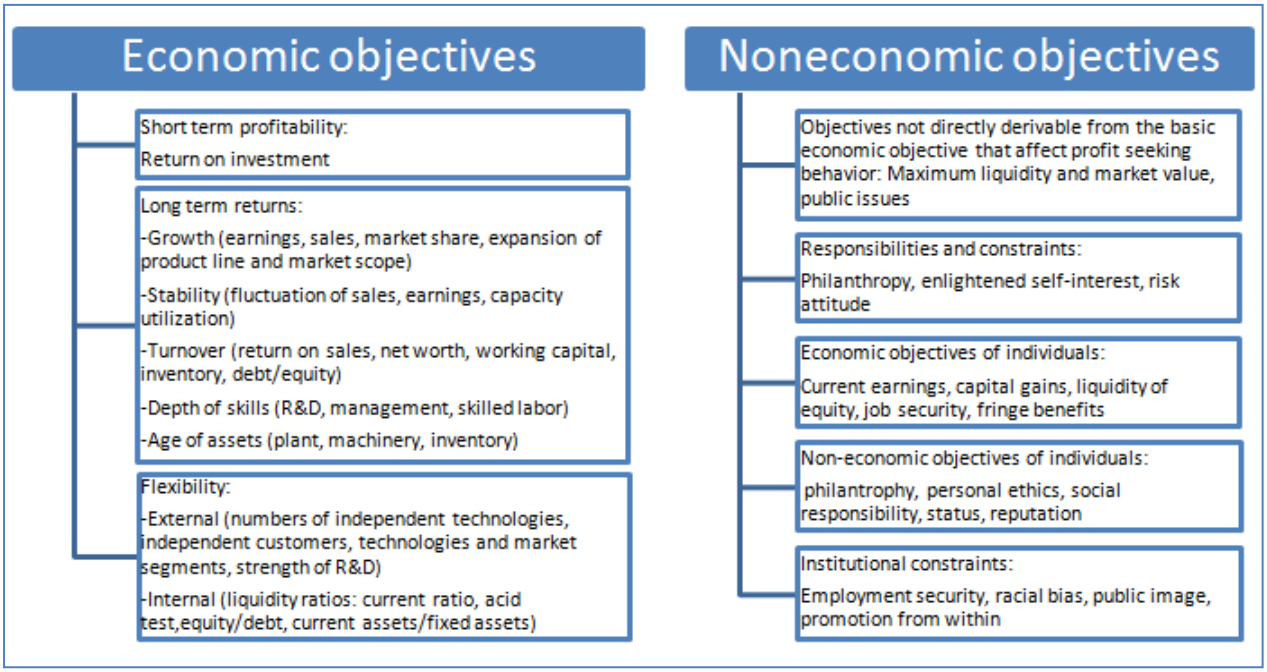
TYPES OF OBJECTIVES	DEFINITION	CHANGE	EXAMPLES
Organizational objectives	Goals defining purpose, performance objectives and desired behaviors within the organization (often linked with the preferences of entrepreneur or top managers and ideological connotations)	Changes in organizational goals take time, are gradual, and respond to changes in the coalition structure	Non operational: prestige, tradition, patronage, public interest, social welfare (non operational goals are usually compatible with any set of operational objectives) Economic: profit, return on investment, growth

Operational objectives	Outcomes the organization actually seeks to attain through its operating policies and activities.	In the short term changes in goal structure respond to changes in the aspiration levels of a given objective for a given period of time	Production: stable employment, acceptable cost, output level Inventory, levels of finished goods Sales: levels of goods & services sold (units, revenue) Market share: growth of share Profit: accumulate & replenish resources, set performance level

Source: Adapted from Cyert & March, 1963

Ansoff (1965) offers a practical system of objectives including a hierarchy of 48 different economic and noneconomic objectives.[6]

Figure 2-10. Economic and noneconomic objectives and their indicators



Source: Adapted from Ansoff (1965)

Although Ansoff's objective system above does not directly address innovation, it still constitutes one of the most comprehensive taxonomies of economic and noneconomic organizational objectives in the literature.

2.4.3.4 Objectives, exploration and exploitation

If objectives play an important role in the strategic direction of firms and provide important performance feedback mechanisms and forward looking expectations guiding future organizational action, they are intimately linked to exploration and exploitation decisions.

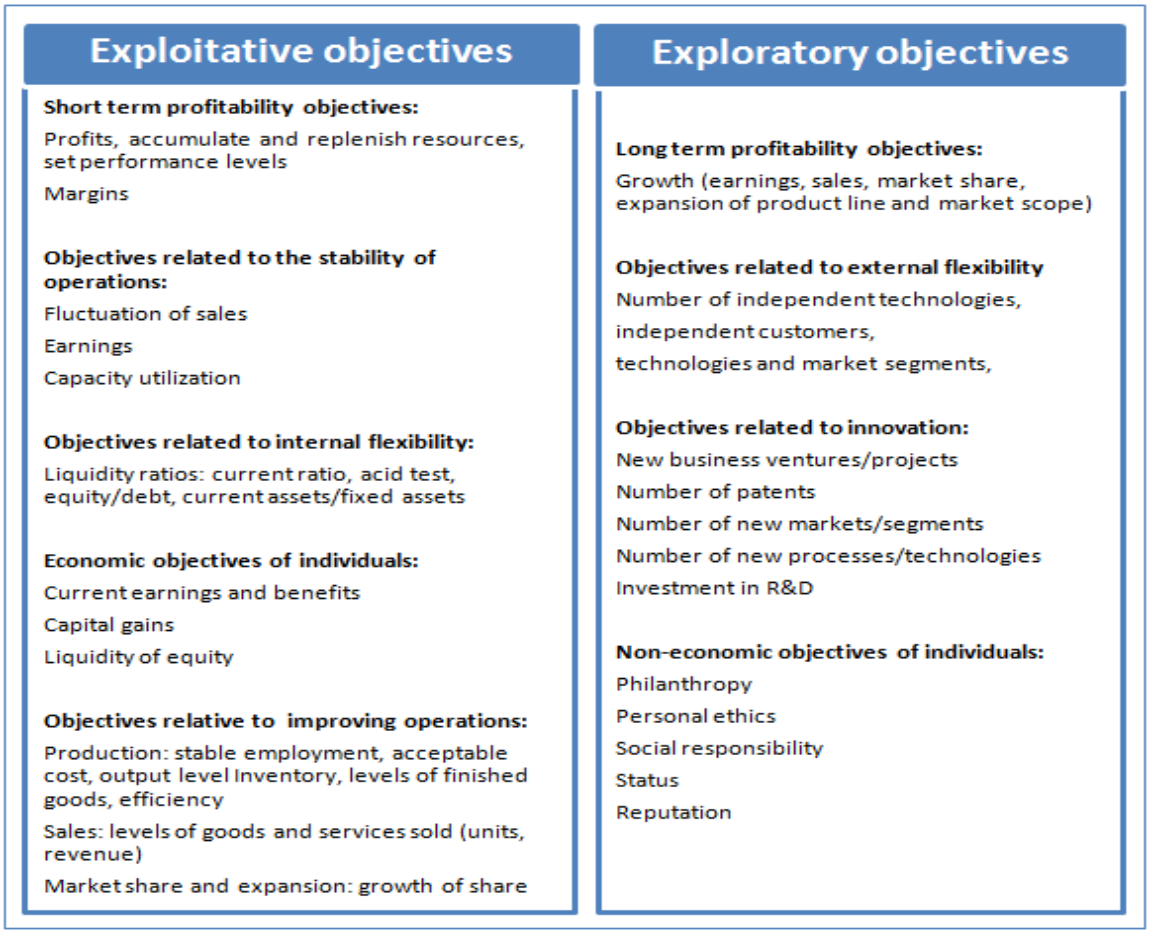
Ambidexterity research posits the main strategic goal of exploitation is to obtain "residual revenue and incremental enhancement" of organizational activities from extending the resources and capabilities of the

[6] Although Ansoff (1965) includes both economic and noneconomic objectives in his taxonomy, he considers that objectives of a social nature are secondary and only moderate management behaviour.

firm; while the main strategic objective of exploration is the "discovery of new opportunities with the potential to dramatically affect a company's performance" in the future (Koza & Lewin, 2000, p. 147). There is consensus linking exploration initiatives with long term objectives and exploitation initiatives to shorter term objectives (e.g. March, 1991; Gibson & Birkinshaw, 2004; He & Wong, 2004; O'Reilly & Tushman, 2008) and suggesting that short term profitability is linked with the exploitation of current activities, that is, with the improvement and enhancement of existing processes, products and markets leading to the reduction of costs, increased efficiency and enhanced satisfaction of existing customers; and long term returns and growth with exploration of new areas of business, such as expansion into new markets, extension of product ranges and adoption of new technologies (e.g. Cao et al, 2009; March, 1991; Gibson & Birkinshaw, 2004; Han & Celly, 2008; He & Wong, 2004; O'Reilly & Tushman, 2008).

Combining these criteria of exploration and exploitation with our previous analysis of objectives we propose the following list of potential exploratory and exploitative objectives of an organization.

Figure 2-11. Exploitative and exploratory objectives



Although not exhaustive, the above list constitutes a guide to classify the objectives of the organizations in this investigation as exploratory or exploitative.

2.5 STRATEGIC AMBIDEXTERITY FROM A RESOURCE AND CAPABILITY PERSPECTIVE

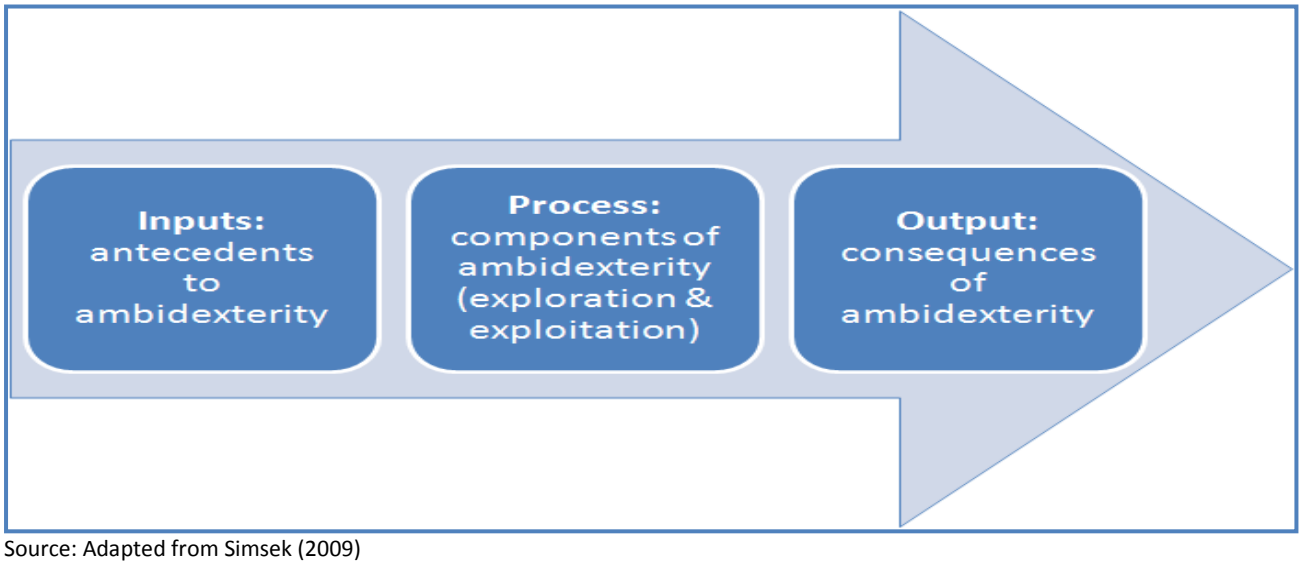
There is no question that resources, capabilities and ambidexterity are closely related, however, to explore this relationship, we need to operationalize the linkages between resources, capabilities and ambidexterity (section 2.5.1) and determine how particular resources and capability components affect the ability of organizations to explore and exploit and become ambidextrous (section 2.5.2).

2.5.1 Linking resources, capabilities and ambidexterity

Ambidexterity literature does not clearly establish the linkages between resources, capabilities and ambidexterity. Existing research typically uses a single variable to explain ambidexterity such as behavioral context (Gibson and Birkinshaw, 2004) or TMT behavioral integration (Lubatkin et al., 2006). While these variables are clearly related to the resources and capabilities of the firm, they do not provide a systemic view of these relationships. This is unfortunate because the absence of integrative models (Gupta et al., 2006; Jansen et al., 2005) limits the development of ambidexterity theory (Adler et al., 1999); the diversity of conceptualizations complicate the comparison, aggregation, and replication of research findings (Simsek, 2009); and makes difficult the investigation of ambidexterity at multiple levels of the organization (Raisch & Birkinshaw, 2008) which is fundamental for our investigation of family firms.

In an attempt to overcome these problems Simsek (2009) integrates existing research through an input-process-output view of ambidexterity. In this view organizations require a number of inputs (e.g. identified antecedents of ambidexterity such as organizational context or organizational structure) that lead to the components of ambidexterity (e.g. exploration and exploitation) and produce particular outcomes (e.g. financial performance). The figure below illustrates Simsek's view.

Figure 2-12. Ambidexterity as input-process-output



Source: Adapted from Simsek (2009)

Combining Simsek's (2009) input-output view of ambidexterity with the findings of the previous sections on RBV, DC, strategic management and ambidexterity, we develop our view of strategic ambidexterity: on the one hand, exploration and exploitation initiatives require inputs (i.e. monetary, physical, human, social and organizational); on the other hand, organizations need processes to combine resources to scan and interpret their environment, make decisions and adopt changes (i.e. sensing, seizing and reconfiguring capabilities) to undertake strategic initiatives (at the corporate, business and structure levels); finally, to balance exploration and exploitation initiatives firms require additional capabilities and resources (i.e. appropriate leadership and context). The resulting balance between exploration and exploitation results in performance (economic and noneconomic). Our view of strategic ambidexterity is illustrated below:

Figure 2-13. Strategic ambidexterity as input-process-output: a resource and capability perspective



Our investigation adopts this input-process-output perspective to operationalize the linkages between ambidexterity, resources, and capabilities. The following sections will expand this framework by exploring how particular resources and capability components affect the ability of organizations to explore and exploit and become ambidextrous.

2.5.2 Resources, exploration, exploitation and ambidexterity

The literature identifies a number of internal antecedents to ambidexterity, such as structure, context, leadership (e.g., Adler & Borys, 1996; Brown & Eisenhardt, 1997; Duncan, 1976; Gibson & Birkinshaw (2004), Sheremata, 2000; Raisch & Birkinshaw, 2008), and resource endowments (Jansen et al., 2006; Lubatkin et al., 2006; Venkatraman et al., 2007); as well as external antecedents, such as interfirm relations (Simsek et al., 2009) and the environment (e.g. Gibson & Birkinshaw, 2004; Levinthal & March, 1993; Siggelkow &

Levinthal, 2003; Volberda, 1998; Lewin et al., 1999). Most of these antecedents can be linked to particular resources of the firm (e.g. financial, human, organizational and social capital).

Since organizations have limited resources and face a fundamental trade-off between investing resources in improving current business operations and exploring future business opportunities (Lewin & Volberda, 1999; March, 1991), differences in resource endowment will influence the decisions to explore and exploit and will moderate ambidexterity's effect on performance (Kyriakopoulos & Moorman, 2004; Venkatraman et al., 2007).

Lubatkin et al. (2006) suggest that small firms "lack the amount of slack resources and the kind of hierarchical administration systems that can help or impede larger firms in managing their contradictory knowledge processes and, thus, affect the attainment of ambidexterity" (p. 647). Similarly, Ebben and Johnson (2005) empirically show that small firms may benefit more from a one-sided orientation than from mixed strategies and Jansen et al. (2006) find the simultaneous pursuit of both exploitative and exploratory innovation decreases a unit's slack. These results suggest that organizational ambidexterity may be contingent on the availability of sufficient resources (i.e. the quantity of resources) and that the resource endowment will determine the most suitable mode of ambidexterity for a firm (e.g. favoring cyclical ambidexterity to avoid additional cost of managing the contradictions of simultaneous exploration and exploitation).

Organizations need resources to refresh, improve and expand existing business operations by focusing on efficiency, discipline, incremental improvement and continuous innovation (He & Wong, 2004). In contrast, exploration of new business avenues requires more flexibility and autonomy, greater risks and less formal systems and control (March, 1991). Thus, the quality and type of resources (financial, human, social and organizational) required to successfully pursue these strategic options are likely to be quite different.

Although the characteristics of the financial, social, human and organizational capital for new and existing strategies are inconsistent, they are both required if a firm is to succeed in the short-term and adapt in the long-run (Tushman & O'Reilly, 1996, 1997; Gibson & Birkinshaw, 2004). Thus both the quantity and quality of the resources available to the firm can be expected to influence the decisions to invest on different exploratory and exploitative strategic options, the ability to balance and manage the contradictory nature of different strategies, and the degree of success in the implementation of those strategies. To assess the influence of the different resources we examine each resource separately in the sections below.

2.5.2.1 Financial capital, exploration and exploitation

In section 2.2.3.1 we established that the availability of slack financial capital, the financing mechanisms used and the decisions allocating available financial resources shaped the different strategic options of

organizations, and therefore are likely to influence the decisions of firms to explore and exploit. However, there seems to be no agreement in the literature regarding the effects of financial resources on exploration and exploitation.

Some authors suggest that financial slack is conducive to exploration because it allows managers to consider riskier investment initiatives and innovative ventures with potentially high payoffs (Nohria & Gulati, 1996) and facilitates strategy allowing the firm to experiment with new exploratory strategies such as introducing new products and entering new markets (Thompson, 1967) without endangering the future of the firm if exploratory efforts fail (O'Brien, 2003).

Along these lines research also suggests that available financial capital enhances experimentation and risk-taking, which influences the innovativeness and performance of firms (e.g. Cho & Pucik, 2005; George, 2005; Greve, 2003) because the availability of capital relaxes internal controls and creates funds firms can use in activities with uncertain outcomes, and to foster exploration of new business options (Singh, 1986).

Bhide (1992) suggests that entrepreneurial managers consider excess financial resources a waste and are willing to endure short-term financial shortages to promote future growth. Furthermore, some authors find that successful organizations tend to invest on radical changes only after sustained financial performance declines and once financial duress appears (Tushman & Anderson., 1986). This perspective suggests that organizations with low levels of resources are more likely to explore, especially in highly competitive environments (Katila & Shane, 2005) and that high slack leads to risk aversion, resulting in low exploration, non-responsive organizations, and more emphasis on capitalizing existing competencies through exploitation (Levinthal & March, 1993). Research on small entrepreneurial firms also suggests that resource constraints encourages firms to improve the efficiency of their resource allocation, thus firms with scarce resources are more likely to use resources effectively (Baker & Nelson, 2005; Starr & MacMillan, 1990) and invest in exploitative efforts.

The source and type of financing are also relevant for exploration and exploitation because firms may find it difficult to raise external funds for innovative investments because the output of innovative projects is highly uncertain and distant in time (March, 1991). Innovative initiatives are particularly risky (Savignac 2006), implying high transaction costs and higher financing difficulties (Williamson, 1988). This makes patient financial capital (Sirmon & Hitt, 2003) particularly important for exploration. Patient capital is capital that is invested for an extended period of time and thus carries little threat of liquidation on short notice and thus is a requisite for the success of exploratory activity (O'Sullivan, 2006). Other authors also suggest that strategies based on exploration are associated with lower levels of debt; while exploitative strategies are related to higher levels of debt (Hall, 2002; Hall & Lerner, 2010; Jordan et al., 1998).

Summary box 2-3. Financial resources exploitation, exploration and ambidexterity

FINANCIAL CAPITAL

Research suggests that financial capital is linked to exploration and exploitation in various ways:

1. Both organizational improvement and innovation require sufficient amounts of financial capital
2. Financial slack is particularly important for exploratory initiatives
3. Financial stress can promote efficiency, innovation and risk taking thus can be associated both with exploration and exploitation
4. Exploration tends to be associated with patient capital and low levels of debt
5. Exploitation strategies tend to be linked to higher levels of debt

These findings seem to imply that to examine ambidexterity in the family firms we should consider the family effect on the availability of financial slack, patient capital as well as on the attitudes towards levels of indebtedness.

2.5.2.2 Human capital, exploration and exploitation

Our review of human capital under the RBV of the firm (section 2.2.3.2) concluded that the quality of human capital available to the firm, the scope and breadth of knowledge and experience of the members of the organization and the attitudes of employees may influence the strategic options of a firm. This section further explores human capital to identify how specific characteristics of human capital may influence strategic alignment towards exploration and exploitation and the ability to balance both.

Human capital in the ambidexterity context refers to the knowledge, abilities, and skills that positively contribute to exploring and exploiting opportunities (Davidsson & Honig, 2003; Alvarez & Barney, 2004; Wiklund & Shepherd, 2008) and the ability of individuals to manage the contradictions of exploration and exploitation (Andriopoulos & Lewis, 2009; Gupta et al., 2006; Mom et al., 2009; Raisch et al. 2009; Tempelaar, 2010; Jansen et al., 2009).

Broadly, the literature offers two views of the influence of human capital on the ability of organizations to explore and exploit: one perspective relates specific types of human capital with either exploration or exploitation efforts; a second perspective connects the level of exploration with the particular characteristics and cognitive diversity of the individuals in an organization.

Specific human capital (i.e. the domain-specific knowledge with limited scope of application referring to the knowledge, skills, and experience that are valuable solely in the context of similar activities) is usually measured by previous knowledge and experience of individuals in a particular domain (Becker, 1994; Gimeno et al., 1997; Marvel & Lumpkin 2007; Wiklund & Shepherd, 2008). Specific human capital is domain-specific, effective for acquiring and assimilating in-depth knowledge within a narrow set of parameters (Brown & Duguid, 1991) and often related to a functional bias that may reduce the ability of individuals to integrate knowledge beyond their area of specialization (Dougherty, 1992), therefore this type of human capital is more likely to lead to exploitation (Kang & Snell, 2009).

General human capital available to a firm (i.e. the knowledge, skills, and problem-solving capabilities applicable across numerous contexts) is usually measured by the overall level of education and experience of individuals (Rauch & Frese, 2000; Wiklund & Shepherd, 2008). General human capital is broader and less ingrained in a specific particular perspective and thus may suffer less functional bias allowing for a variety of different interpretations of problems and situations (Bunderson & Sutcliffe, 2002; Burke & Steensma, 1998), access to a variety of knowledge and a greater ability to discover, combine, and apply new knowledge (Taylor & Greve, 2006; Wright & Snell, 1998). Thus, general human capital may be more likely to lead to exploration (Kang & Snell, 2009). In fact, research shows that market experience, management experience, and previous entrepreneurial experiences are related to exploratory activities and positive outcomes (Gimeno et al., 1997; Robinson & Sexton, 1994).

A similar perspective linking different types of human capital with exploration and exploitation favors a different categorization of human capital and suggest that meta-industry human capital (i.e. the knowledge, skills, and experiences that refer to general entrepreneurial activities, independent of context and industry) leads to innovation and exploration and industry specific human capital (i.e. the knowledge, skills, and experience that are directly tied to a particular industry) leads to improvement of existing knowledge and exploitative efforts (Sieger et al., 2011).

Ambidexterity research also links different types of human capital with different paths to ambidexterity. For example researchers suggest structural ambidexterity may be achieved through a combination of specialist staff with tightly-defined roles and a senior management defining the overall structure, while contextual ambidexterity may be generated through generalist staff with the flexibility to make appropriate decisions (Gibson & Birkinshaw, 2004).

An alternative but related point of view starts from the premise that exploration requires creativity (March, 1991). The ability to be creative depends on the capacity of an individual to link divergent knowledge types (Amabile, 1990). Furthermore, the creativity process of a team is enhanced when individuals within the group have diverse knowledge and are able to combine their different types of knowledge (Amabile, 1990; Leonard & Sensiper, 1998; O'Connor & Veryzer, 2001), thus, relating exploration to new and diverse knowledge and knowledge transformation (March, 1991).

Questioning existing practices and looking for alternative solutions to existing problems leads to knowledge transformation (Tushman & Anderson, 1986) and access and exposure to diverse knowledge domains informs organizations about new ways of solving problems (Rosenkopf & Nerkar, 2001). Furthermore, exposure to the foundations of new knowledge domains moderates the attractiveness and perceived validity of existing knowledge (Ahuja & Lampert, 2001), and drives organizations to question the premises of their approach to problem solving broadening their repertoire of solutions (Subramaniam & Youndt, 2005).

The individuals of a firm constitute the predominant source for new ideas and knowledge in an organization (Snell & Dean, 1992), the repositories of skills (Hayek, 1945), and constitute the most flexible asset to acquire new skills (March, 1991). Furthermore, skilled employees are most likely to question prevailing norms in organizations (Tushman & Anderson, 1986). Accordingly, individuals and their associated human capital are crucial for increasing the ability of the firm to absorb and deploy knowledge domains (Hill & Rothaermel, 2003) and promote exploration.

According to Miller et al., (1998) human capital diversity at the top management level is of particular relevance for explorative strategic decision making because diversity means upper-echelon executives both as a team and as individual members are aware of more issues, more ways of viewing each issue, and more alternative courses of action (Bantel & Jackson, 1989; Lant et al., 1992; Wiersema & Bantel, 1992). Furthermore, in the face of varied ideas and alternative courses of action, executives need to consider a wider range of options reducing the likelihood of "groupthink-type phenomenons" (Lant et al., 1992, p. 591) because disagreements resulting from a diversity of opinions in strategic decision-making at the top management level induce executives to analyze alternatives deeper (e.g. Fredrickson, 1984; Glick et al., 1993).

Research measures the cognitive diversity of decision makers in terms of normative beliefs or preference diversity (i.e. the diversity in the preferred goals for the firm discussed earlier) and cause-effect premises or belief diversity (i.e. the diversity in the perceived nature of cause–effect relationships between decisions and outcomes) (Huber & Glick, 1993; Miller et al., 1998). Also focusing on the characteristics of top management, some authors suggest that innovation and efficiency decisions are likely to depend on the risk propensity of managers and their entrepreneurial resources (Mosakowski, 1998; Penrose, 1959), that is, on the individual characteristics of human capital at the top.

Recent ambidexterity literature links other characteristics of individuals to ambidexterity. Andriopoulos and Lewis (2009) identify discipline and passion as the main individual drivers of ambidexterity and suggest that while control, structure and discipline of individuals enhance exploitation; individual risk-taking, pride and passion enhance exploration. Other authors identify creativity and creative problem solving -the extent to which individuals connect ideas to multiple sources, explore unknown areas to find solutions to a problem, and seek new ways of executing tasks- (Gilson & Shalley, 2004) as important individual traits leading to ambidexterity (Tempelaar, 2010). In addition, ambidexterity literature identifies other leadership traits necessary to manage the tension of exploration and exploitation; these are discussed in section 2.5.4.

Thus, to assess the contribution of human capital to ambidexterity, it is useful to look into the type of human capital available to organization as a whole, the cognitive diversity of decision makers, the individual characteristics of top managers and their attitudes towards risk and entrepreneurship.

Summary box 2-4. Human resources exploitation and exploration

HUMAN CAPITAL

Research suggests that human capital is linked to exploration and exploitation in various ways:

1. Specific/industry human capital may be linked to exploitation
2. General/meta-industry human capital may be linked to exploration
3. Both specific and general human capitals are needed to balance exploration and exploitation
4. The type of human capital may shape the type of ambidexterity solution of the firm
5. High levels of cognitive diversity of decision makers is related to higher levels of exploration
6. Entrepreneurial and risk taking attitudes of managers influence exploration and exploitation
7. Individual personality traits such as creativity, discipline and passion favor ambidexterity

These findings seem to imply that to examine ambidexterity in the family firms from a human capital point of view we should consider the family effect on the specific and general human capital available to the firm the levels of cognitive diversity, risk propensity and entrepreneurial resources of decision makers, and on the type of individuals (and therefore personality traits) the family firm attracts.

2.5.2.3 Social capital, exploration and exploitation

Our review of social capital under the RBV of the firm (section 2.2.3.3) concluded that the three dimensions of social capital (structural, cognitive and relational) can influence the strategic initiatives of firms. This section further explores social capital to identify how specific dimensions of social capital may influence strategic alignment towards exploration and exploitation.

Of all of the types of resources, social capital is perhaps the most complex and influential on ambidexterity because network ties are a significant resource for improving strategic options and exploring future strategic alternatives given that the quantity, quality and nature of network relations influence both access to other resources and to strategic alternatives (e.g. Beckman & Haunschild, 2002; Powell et al., 1996).

Social capital can be examined at the individual, group/team and organizational levels. At any of these levels individuals and collectivities can draw social capital internally from within the collectivity through strong recurrent bonds from frequent and long term interactions (e.g. Coleman, 1988, 1994), and externally from ties to social structures outside the collective (e.g. Burt 1997, 2000).

Table 2-23. Types and levels of network ties

NETWORK TIES	INDIVIDUAL	GROUP	ORGANIZATION
INTERNAL	Assets and resources available through social relationships of an individual	Assets and resources made available through relationships within the social structure of a group	Assets and resources made available to the organization through relationships within the social structure of the organization
EXTERNAL	Assets and resources available through social relationships that span boundaries	Assets and resources made available to the group through network ties that span boundaries to other collectives	Assets and resources made available to the organization through network ties that span boundaries to other collectives

Structural social capital, exploration and exploitation

The structural dimension of social capital refers to the presence or absence of network ties (Scott, 1981; Wasserman, 1994); the configuration of the connections in terms of density, degree of connection, and hierarchy network (Granoveter, 1973; Hansen, 1999); and the transferability of networks (Coleman, 1988). Granovetter (1992) and Uzzi (1997) suggest two ways to examine these patterns, the strength and the density of connections. Strength measures how often actors interact and density examines who interacts with whom.

Strong social connections are efficient at sharing in-depth knowledge and supporting exploitation (Leana & Van Buren, 1999) because frequent interactions provide more opportunities to recognize and access idiosyncratic knowledge (Hansen, 1999; Uzzi, 1997). Strong connections allow employees to obtain redundant in-depth knowledge in particular knowledge domains (Barker & Obstfeld, 1999; Coleman, 1988) leading to institutionalized routines that facilitate knowledge flows (Dyer & Nobeoka, 2000) and exploitation efforts (Kang et al., 2007).

Strong bonds are particularly relevant for exploitation because improvement of existing business activities and processes requires information moving internally across different parts of the organization; stronger relationships with external stakeholders (e.g. suppliers and clients) provide better access to information fundamental to identify opportunities for improving existing offers and processes; and because they facilitate organizational learning by expanding, refining and modifying the existing knowledge stocks of the organization (Kang et al., 2007; Kang & Snell, 2009).

However, strong ties limit access to new information due to redundancies and limit search more than weak ties due to network inertia. A strongly tied team is likely to stay with its existing network relations, because familiar and close contacts are easier to approach (Hansen, 1999). Staying within the existing network, makes strong tied team members less likely to search for knowledge beyond their network of existing contacts and limit access to new knowledge and exploration.

To sum up, strong ties facilitate information flows and lead to more search for, and better access to, redundant or familiar information and resources leading to exploitation. However, while strong and dense social networks improve access to in-depth knowledge in limited content domains, they may have negative effects on exploratory learning because they lock individuals into narrow social circles and limit opportunities to explore a variety of knowledge domains (Gargiulo & Benassi, 2000).

In contrast, weak ties have more potential for generating novel ideas conducive to exploratory initiatives but may lack the characteristics to realize that potential because relevant knowledge often includes tacit, difficult to communicate know-how (Tiwana, 2008) that is easier to apply and show than to express or

transfer (Grant & Baden-Fuller, 2004) and thus more likely to be transferred if strong bonds exist (McEvily & Marcus, 2005).

Weak and nonredundant networks are likely to provide access to new and diverse knowledge by allowing network members to be less structurally embedded and to bridge unconnected parties (Granovetter, 1973; Burt, 1992). Accordingly, weak and nonredundant social connections are more likely to lead to potentially valuable but unknown knowledge from different domains (Hargadon & Fanelli, 2002) resulting in exploration (Kang et al., 2007). Consequently, based on non-redundancy and network inertia, weak ties may result in more search for, and better access to, new and diverse information and resources leading to exploration; however, the weakness of the ties makes information flows difficult.

A similar perspective based on structural holes theory (e.g. Burt 1992, 2001) distinguishes between bridging and bonding ties (Adler & Kwon, 2002). Bridging ties connect actors separated by a structural hole providing access to new and novel information that can serve as bridges to new ideas and business opportunities and thus exploration. In this context, bridging ties link an organization or an individual to contacts in economic, professional, and social circles that may not otherwise be available (Zaheer & McEvily, 1999). Since bridging ties span outside regular networks (Zaheer & McEvily, 1999; Regans & Zuckerman, 2001; Uzzi, 1996) they provide access to individuals and groups with heterogeneous backgrounds, experiences and knowledge.

Managers whose networks span structural holes are also more likely to express new ideas, discuss them with colleagues and engage senior management in their pursuit; since value accumulates as ideas move through social structures, with each group adding value, bridging ties may be at the same time sources of novel knowledge and more likely to translate into actual exploratory actions (Burt, 2004).

However, while new ideas may emerge from interactions among different groups, they tend to spread across organizations in a way that perpetuates the separation between groups and thus reduce the potential value of these novel ideas (Burt, 2004). This reinforces the notion that bridging ties are necessary to identify new ideas and strong bonds to ensure distribution and integration of new ideas. Therefore both bridging and bonding ties may be necessary to identify and integrate exploratory initiatives.

Social capital may be particularly important for exploration because social interactions are fundamental for the recognition and dissemination of unconventional notions and because social networks promote the acceptance of individuals' radical ideas within broader communities (Hargadon & Sutton, 1997). For example, weak external connections such as networking and lobbying, can facilitate the recognition of radical innovations (Schon, 1963); strong ties with external suppliers and distributors may assist in adopting radical technologies and result in new industry standards (Schilling & Phelps, 2007); and relationships and networks among organizations can promote industry-wide acceptance of revolutionary ideas or standards that may ultimately result in radically new industry designs (Tushman & Murmann, 2002).

Recently ambidexterity research has begun to explore the linkages between social capital and ambidexterity (e.g., Atuahene-Gima & Murray, 2007, Lin et al., 2007). For example, in the context of alliances, Tiwana (2008) finds that bonding ties and bridging ties complement each other to enhance ambidexterity. Along these lines but with a broader focus, Tempelaar et al. (2008) find that external social relationships enhance knowledge acquisition, whereas internal social relationships facilitate knowledge diffusion and suggest that ambidexterity requires complementary internal and external social relationships. From this perspective ambidexterity may arise from complex social networks that help balance its various contradictions. These findings imply that ambidexterity may be enhanced by social networks that include internal and external connections as well as bonding and bridging ties (Raisch et al., 2009).

At the organizational level research suggests that the quality of the network and the position of the firm within the network may have an effect of ambidexterity because network centrality brings complementary information and resource advantages that might be beneficial to ambidexterity (Simsek et al., 2009). Organizations centrally positioned in a network get greater benefits in terms of knowledge spillovers and information flows than peripheral actors (Powell et al., 1996; Soh, 2003; Bell, 2005). Central organizations have more direct and indirect connections to others, more relationships to obtain resources from, and less dependent on any single organization to explore (Scott, 1981). In addition, centrality means a higher likelihood of exposure to the various disparate social circles within the network (Powell et al., 1996). Consequently both exploitation and exploration are enhanced by network centrality (Simsek et al., 2009).

Network diversity, the range and number of different social systems the organization's relationships stem from, can also influence strategic choices (Powell et al., 1996). Diversity may result from the partnerships of the organization, e.g. upstream and downstream (Koza & Lewin, 1998); the network position within the partnership, e.g. recurrent ties and new ties (Beckman et al., 2004); and organizational attributes of partners, e.g. experience, size, and industry (Beckman & Haunschild, 2002). An organization with network connections across multiple industries has high network diversity. Network diversity can enhance strategic options by improving the exposure to diverse problem-solving approaches adding to the options available for exploitation and exploration (Beckman & Haunschild, 2002; Simsek et al., 2009).

Diverse network ties can also help the organization overcome the familiarity trap (Ahuja & Lampert, 2001). Organizations with greater diversity in their networks obtain not only more novel information (Burt, 1992; Granovetter, 1973) but also new world views that challenge existing cognitive structures (Ahuja & Lampert, 2001) enhancing the capacity of the organization to both explore new strategies and exploit current ones.

Diverse ties also help overcome simple minded search (searching for solutions that are in the neighborhood of obvious symptoms and existing solutions) (Cyert & March, 1992) and enable the organization to access a wider circle of information about potential markets, business opportunities, innovations, sources of capital, potential customers. In sum, organizations with more heterogeneous partners will have access to more

complementary resources and be better able to take advantage of exploration and exploitation opportunities (Burt, 1992).

Tie diversity, however, increases the costs of integrating new knowledge due to greater challenges in incorporating unfamiliar streams of knowledge (Katila & Ahuja, 2002); the skills and expertise required to manage heterogeneous partners and exploit synergies across them; and increased difficulty in managing and monitoring networks (Simsek et al., 2009). Despite these challenges the overall effect of diverse ties on ambidexterity is positive (Grant & Baden-Fuller, 1995; Katila & Ahuja, 2002; Simsek et al., 2009).

Relational social capital, exploration and exploitation

While the structural dimension of social capital impacts primarily access to information and knowledge, the relational dimension influences access to individuals, and the motivation to engage in knowledge creation trough exchange and combination (Nahapiet & Ghosal, 1998). The relational dimension of social capital facilitates the linkages between resources and capabilities because behavioral bonds create attachment leading to different degrees of cooperation, commitment and communication and thus the likelihood and willingness of individuals' participation in collective action (Fukuyama, 1995; Pearson et., al 2008).

Relationships are created and leveraged through social exchange and thus affective qualities shape the nature of the knowledge exchange (Burt, 2001). In other words, the potential value of relationships cannot be realized unless the parties trust one another and are willing to share knowledge (Adler & Kwon, 2002; Gupta & Govindarajan, 2000).

Nahapiet & Ghoshal (1998) define the relational dimension of social capital as the assets created and leveraged through relationships emerging from trust (Fukuyama, 1995; Putnam, 1993); norms and sanctions (Coleman, 1994); obligations and expectations (Burt, 1992; Coleman, 1994; Granovetter, 1985); and identity and identification (Snehota & Hakansson, 1995).

Trust

Trust is closely linked to bonding social capital and constitutes the willingness to accept vulnerability based on positive expectations about the intentions or behaviors of others (Mayer et al., 1995; Rousseau et al., 1998). This willingness to be vulnerable arises from confidence in four areas: good intentions; appropriate competence and capability; reliability; and openness (Mishira, 1996). Consequently, trust represents the accumulated experiences with, and knowledge about, the other parties' vulnerability and affects the interpretation of past actions and future behaviors of others (Dirks & Ferrin, 2001). Trust is essential for effective collaboration and thus organizational processes and capabilities (Leana & Van Buren 1999; Pearson et al., 2008). Trust reduces uncertainty and increases the likelihood of risk taking (Dirks & Ferrin, 2001) and it

is likely to enhance exploration. Trust also increases the willingness to be vulnerable and the extent to which individuals will be forthcoming about their lack of knowledge, thus creating good conditions for learning.

Researchers identify different types of trust. Generalized or institutional trust depends on participation in a social unit; resilient or dyadic trust refers to trust between two parties directly involved (Jones & George, 1998; Leana & Van Buren, 1999); fragile/transactional trust is offered in exchange of immediate rewards, driven by formal rules, reciprocity and balancing of benefits and costs). These different types of trust can affect the ability to explore and exploit.

Generalized trust is fundamental to deepen and refine knowledge in a particular domain (i.e., exploitation), because it does not require individuals to have personal experience with one another but on the community as a whole but allows the parties involved in the exchange to cooperate as cohesive units (Dyer & Nobeoka, 2000; Putnam, 1993). For example, continuous improvement research suggests that those who embrace the overarching goals and norms of reciprocity of a unit are more inclined to reveal concerns and share a deeper range of knowledge (Leana & Van Buren, 1999; Nahapiet & Ghoshal, 1998). However, while generalized trust may facilitate the exchange of in-depth knowledge it may restrict access to those outside the social unit by reducing exposure and acceptance of new approaches and points of view (Jones & George, 1998). Thus, generalized trust may favor exploitation (Kang et al., 2007).

Resilient trust (trust based on previous experience with others) develops through positive interactions, is flexible and requires less effort to build and a weaker commitment to maintain because it does not involve third party endorsement and monitoring (Jones & George, 1998; Sheppard & Tuchinsky, 1996). It can stimulate knowledge exchange without limiting access to unrelated contacts and ensures access to a wider range of knowledge, without the coordination costs of organizational norms and the pressures of social conformity of generalized trust (Leana & Van Buren, 1999). Resilient trust has a strong influence on collective action, information flow and organizational capabilities (Leana & Van Buren, 1999) and is not institutionalized; therefore it is more conducive to exploration (Kang et al., 2007).

Adler and Heckscher (2013) suggest that trust is fundamental for ambidexterity, because it requires integration of exploratory and exploitative efforts and thus the collaboration of individuals in different roles; they also imply that in the absence of trust both exploratory and exploitative efforts will produce mediocre performance. These authors identify a specific type of open and flexible “collaborative” trust (Adler & Heckscher, 2006) based on dialogue and shared purpose as conducive to ambidexterity and differentiate it from traditional clan trust based on status, loyalty, and deference conducive to stability; from charismatic trust based on shared emotional bonds to ideas and leaders conducive to radical innovation but hindering efficiency; and from contractual trust based on autonomy, financial incentives, and authority that can be used to promote exploration or exploitation but not both.

Norms and obligations

Norms represent agreement on actions in a social system (Nahapiet & Goshal 1998) and shape behaviors and attitudes. Norms form stronger patterns of behavior than formal rules, policies, and transactional agreements (Leana & Van Buren, 1999), because they become "expectations that bind" (Kramer & Goldman, 1995) and influence information and knowledge exchange by providing access and promoting interaction (Putnam, 1993).

Communities with strong ties develop shared behavioral expectations based on established norms and are less accepting of deviant behavior (Coleman, 1994). However, strong, convergent group norms can create “groupthink” and block learning and change (Janis, 1982). When social norms embrace flexibility, teamwork, cooperation and loyalty to the organization (Starbuck, 1992) and enhance openness to diversity, criticism, and failure (Leonard-Barton, 1995) they offset the tendency to groupthink. When norms lead to groupthink they will negatively influence both exploration and exploitation. Conversely when they lead to openness and flexibility they will have a positive effect on exploration and exploitation.

Strong interpersonal ties make it more likely that people will respond to the shared expectations and norms in a similar way resulting in a decrease in variation, experimentation, and the creation and diffusion of new ideas and insights (Hansen et al., 2001; Nahapiet & Ghoshal, 1998; Subramaniam & Youndt, 2005). Strong interpersonal ties stimulate the development and circulation of norms, perspectives, and interpretations (Hansen et al., 2001; Uzzi, 1997) and provide the means for improving, refining, and increasing reliability in experience and the depth of knowledge acquired from other network members (Hansen et al., 2001; Rowley et al., 2000). Therefore norms based on strong personal ties, may have a positive influence on exploitation and a negative influence on exploration.

Obligations are commitments or duties to perform a future activity (Nahapiet & Ghoshal, 1998). There are positional obligations (obligations of the individual in a post in relation to other posts and the organization itself), contractual obligations (obligations between the organization and the employee as a natural person) and expectations created by prior interactions (Coleman, 1994). Obligations and expectations are likely to influence both access and the motivation to combine and exchange knowledge. Because obligations foster easy access and motivate actors within an organization to ask for knowledge and information from other familiar actors, they are more likely to lead to redundant information and thus to exploitation.

Identity

The identity of an organization represents “the collective practices that characterize how organizational members conduct their daily work” (Nag et al., 2007, p. 824) and differentiates organizations in the eyes of the different stakeholders (Scott & Lane, 2000). Strong group identity is a catalyst for information exchange

and cooperation (Nahapiet & Ghoshal, 1998). Identification reflects where individuals see themselves within a collective.

Identification can contribute to three distinct organizational learning processes: first, a shared social identity can facilitate inward transfer of information and knowledge; second, increased conversion of tacit into explicit knowledge increases exploitation of existing knowledge; third, enhanced search for synergies between different competences from different social groups contributes to the creation of new knowledge (Child & Rodrigues, 1996)

Identity can both foster and inhibit knowledge sharing and learning; identification with a group enhances knowledge sharing and learning when it fosters concern for collective processes and outcomes (Kramer et al., 1996), because it increases the perception of interdependence and common fate (Gaertner et al., 1999; Kramer, 1991), stimulating commitment and cooperation (Kramer, 1999), and increasing the perceived opportunities for exchange (Lewicki & Bunker, 1996). Over-identification, however, can lead to inertia and engender core rigidities that may hinder an organization's ability to adapt and respond to environmental change when it reduces the openness to alternative views and hinders the ability to critically evaluate the organization through groupthink and other forms of constrained thinking (McEvily et al., 2003).

Cognitive social capital exploration and exploitation

The cognitive dimension of social capital refers to the shared purpose of a group (Nahapiet & Ghosal, 1998, p.244). Cognitive social capital includes shared codes and language (Arrow, 1974; Monteverde, 1995); embedded common culture (Pearson et al., 2008); and a shared vision that bond and facilitate information exchange and knowledge integration (Tsai & Ghoshal, 1998).

Cognitive social capital allows shared interpretations and provides a contextual frame of reference (Wasko & Faraj, 2005). Similar background and expertise provide a shared understanding of tasks (Nelson & Cooprider, 1996); these similarities combined with new experiences allow individuals to expand and combine their knowledge in innovative ways without requiring formal specifications of behaviors because team members develop a tacit understanding of what needs to be done, and because shared mental models encourage them to behave consistently with these mental models, thus reducing the need for formal structures and formal control mechanisms (Faraj & Xiao, 2006).

The cognitive dimension of social capital facilitates a common understanding of collective goals (Tsai & Ghoshal, 1998); constitutes a resource for the collectivity (Portes & Sensenbrenner, 1993); and captures "the public good aspect of social capital" (Coleman, 1994, p. 315). A shared vision and a set of common values can facilitate individual and group behaviors to the benefit of the whole organization.

Innovation requires different knowledge and experiences to be combined and a diversity of opinions (Nahapiet & Ghosal, 1998) but requires a common context between the parties (Boisoit, 1995; Boland & Tenkasi, 1995); a shared context emerging from a shared vision, a common language and collective narratives can provide such context (Nahapiet & Ghosal, 1998).

Shared vision and values

Shared vision is related to the concept of goal orientation and consensus building in strategy and leadership literatures (Thompson & Tuden, 1959). Leadership theories view founders and leaders as the main source of vision and values of an organization (Selznick, 1957). Organizational learning research emphasizes consensus building and a shared vision as a transformational mechanism that allows organizational members to play an active role in creating organizational values (Schein, 1990; Wilkins & Ouchi, 1983) and enhance learning (Senge, 1990; Sinkula et al., 1997).

A shared vision is a manifestation of the collective goals and aspirations of an organization that connects individuals and organizations (Senge, 1990); offers shared representations (Westley & Mintzberg, 1989) and meanings (Senge, 1990); and creates systems of meaning between groups (Tsai & Ghoshal, 1998). Shared values provide a common understanding of actions and collective goals and give a common perspective to interpret events (Boland & Tenkasi, 1995). Together a common vision and understanding contribute to organizational long term success (Choo, 1998).

A shared vision provides a common framework to assess information, enhances focus on relevant issues, decreases opportunism and increases information alignment. By creating common goals and values, this vision acts as a tool for coordination and encourages innovation (Chow & Chan, 2008). A compelling vision for the future is particularly important for exploration efforts (Swanson & Ramiller, 1997) because exploratory objectives have longer term horizons (March, 1991). Shared values and goals also bind members of networks and communities, enable cooperation, and improve knowledge sharing (Cohen & Prusak, 2001) enhancing exploration and exploitation.

Ambidexterity literature, associates shared vision with a firm's ability to combine high levels of exploratory and exploitative activities (Jansen, et al., 2008) because it provides a long term mindset for exploration while enhancing collaborative behaviors that generate more opportunities for resource exchange and combination of exploratory and exploitative efforts (O'Reilly & Tushman, 2008).

Shared codes and languages

Individuals who work closer together and interact frequently often develop a shared technical jargon, common ways of expressing ideas, pet-phrases, inside jokes, or argot that constitute the unique vocabulary of the organization (Katz & Kahn, 1966). This common language economizes communication (Arrow, 1974) and facilitates the transfer of knowledge (Kogut & Zander, 1992).

A shared language and code enhances access to people and their information, influences the combination and exchange and understanding of knowledge and information (Nahapiet & Ghoshal, 1998) and can positively influence exploitation and exploration.

Shared languages enhance combination capabilities because knowledge advances through developing new concepts and narrative forms (Nonaka & Takeuchi, 1995). To develop concepts and combine information from social exchange some overlap in knowledge is necessary (Nahapiet & Ghoshal, 1998). A shared vocabulary provides a common context to enables the combination of information (Arrow, 1974; Kogut & Zander, 1992; Monteverde, 1995; Presscott & Visscher, 1980) and positively influence exploitation and exploration.

Codes and language can also influence perception, help organize data into categories and provide a frame of reference for perceiving and interpreting the environment (Pondy & Mitroff, 1979). However, they can also inhibit the combination and access to knowledge and information that belong to parties with different perspectives and codes (Nahapiet & Ghoshal, 1998). To develop new knowledge individuals need to be able to combine existing and differing knowledge of various parties or knowledge communities (Boland & Tenkasi, 1995). Furthermore, innovation requires the capacity to take another perspective into account and combine new knowledge (Boland & Tenkasi, 1995). In other words, a shared language can provide the context necessary for knowledge exchange and combination which can enhance exploration and exploitation but it may also introduce perception bias and inhibit the ability to identify and use diverse knowledge for exploration.

Shared narratives

Along with language, shared myths, stories, and metaphors provide important channels for creating, exchanging, and preserving organizational meaning (Clark, 1972). Bruner (1985) suggests that cognition takes places both through information processing (paradigmatic cognition) and storytelling (narrative cognition). Information processing emphasizes rational analysis and deductive arguments, while narrative cognition represents metaphors, myths and legends that create and maintain the cultural world and the sense of self (Bruner, 1985)

Narratives are holistic accounts of events mixing beliefs, intentions, actions, and contextual details connected by a plot (Bartel & Garud, 2003); this causal plot synthesizes and connects events within a historical and social context and highlights a particular flow of events (Czarniawska, 1997). Narratives reference, recount, interpret or challenge past and anticipated experiences (Boje, 1991) and can create path dependencies (Garud & Karne, 2001) leading to exploitation.

On the other hand, narratives are connected to absorptive capacity, the ability to use of prior knowledge to recognize the value of new knowledge, assimilate it, and apply it (Cohen & Levinthal, 1990). Bartel and

Garud (2003) use the term "adaptive abduction" to describe how individuals generate and apply knowledge from narratives: as people extract implications and develop their own recounts, they adapt themselves and the narrative; this interpretive flexibility enables individuals in different situations to use the same narrative for diverse purposes, bringing together people from different organizational realities and encouraging the formulation of applications to different work contexts. That is, narratives provide a common reference that enables interaction and encourages perspective taking (Boland & Tenkasi, 1995); improves the ability to take the knowledge of other communities into account; and provides access to the implicit assumptions underlying paradigmatic arguments (Boland & Tenkasi, 1995) leading to exploration.

To sum up, the cognitive components of social capital (shared vision, languages and narratives) highlight the importance of shared understanding, and systems of meaning necessary for organizational learning. These similarities can facilitate ambidexterity by promoting both exploration and exploitation through improved knowledge sharing or introduce inertial forces through the institutionalization of strong perception biases that block new knowledge.

Summary box 2-5. Social capital exploration and exploitation

SOCIAL CAPITAL

Research suggests that social capital may be linked to exploration and exploitation in various ways:

Structural social capital:

1. Strong ties may be linked to exploitation while weak ties to exploration
2. Network centrality and diversity may be linked to both exploration and exploitation

Relational social capital:

3. Generic trust may be linked to exploitation while resilient trust to exploration
4. Norms and obligations may lead to exploitation or exploration depending on whether they lead to groupthink or to flexibility and openness
5. Identity may be linked to both exploration and exploitation (over identification leads to inertia)

Cognitive social capital:

6. A strong and compelling vision may enhance both exploitation and exploration (depending on underlying vision and goals)
7. A common language and narratives may enhance both exploration and exploitation unless they introduce strong perception biases leading to exploitation

These findings seem to imply that to examine ambidexterity in family firms from a social capital perspective we should consider the family effect on the nature and diversity of networks; the prevailing trust; the type and strength of norms, obligations and identity; the values and objectives underlying the organizational vision and the degree of openness (vs. bias) of common languages and narratives.

2.5.2.4 Organizational capital, exploration and exploitation

In addition to financial, human and social capital, organizations need structure, procedures, rules and formal arrangements to create a common understanding of what the organization does, measure and monitor

operations, integrate and coordinate work. This "structural or organizational capital" helps organizations integrate resources and ensures activities are in line with organizational goals (Grant, 2010).

Broadly organizational capital can be organized in two components. A more tangible structural component including the internal procedures of the firm (e.g. operating processes, formal structure, policies, tacit and informal routines, information flows and content of databases, incentive systems) and a more intangible component, the organizational culture. Together they constitute the structures, mechanisms and practices, that help organizations capture, store, make available and use tacit and explicit collective knowledge of employees; information about networks and relations (e.g. clients, competitors, suppliers); developments in the environment; and the collective memory and history of the organization. This knowledge informs organizational decisions to explore and exploit and shapes the strategic alignment of strategic decisions.

Internal procedures

Established firm processes and routines manage and preserve knowledge (Nelson & Winter, 1982). Preserved knowledge tends to be used in structured, recurrent activities and is more reliable and robust than other knowledge (Katila & Ahuja, 2002). Consequently, it biases an organization's problem-solving activities to focus on proven solutions (Lyles & Mitroff, 1980) and on areas closely related to preexisting knowledge (Martin & Mitchell, 1998) leading to exploitation. For instance, the domains in which organizations pursue patenting activities are often the same of existing patents (Stuart & Podolny, 1996).

Organizations that preserve knowledge through recurrent structured activities deepen their knowledge, further legitimize it (Katila & Ahuja, 2002), and reinforce prevailing ways of doing things, creating path-dependencies (Cohen & Levinthal, 1990; Danneels, 2002) and enhancing exploitation.

Firm processes and routines tend to steer knowledge evolution in directions that the organization may find difficult to change (Nelson & Winter, 1982). However, the strength and direction of the organization's preserved knowledge can improve with the quality of the interactions, relationships, and collaborations among groups of individuals who use it because groups play an important role in organizing knowledge within organizations (Nonaka, 1994). Therefore the effect of these procedures on stability and change depends both on the existence of repositories of codified information and knowledge and the mechanisms that feed and update those repositories.

Rules and procedures create a necessary framework for the creation of new knowledge but a certain degree of flexibility is required for innovation. For example, balancing structure with improvisation or creative knowledge generation with task deadlines leads to successful innovation (Brown & Eisenhardt, 1997). Ambidexterity literature suggests this balance between rules and flexibility is fundamental for ambidexterity because it enables firms to be effective and innovative while enjoying a certain degree of stability and efficiency (e.g. Simsek, 2009; Visscher & De Weerd-Nederhof, 2006).

Organizational culture

At the most basic level organizational culture can be defined as "the way we do things around here" (Schein, 2010, p.15) and is closely tied with social capital (particularly the relational and cognitive dimensions) because the culture of an organization is rooted in the collection of values, beliefs and assumptions of the firm that influence employee behavior (Barney, 1991). However, while social capital explores the underlying beliefs and how they shape relations, culture constitutes the actual established organizational "practices" emerging from such values and interactions (Hofstede, 2001).

The behaviors of leaders influence the perception of organizational culture because organizational cultures reflect what people believe to be the "best" thing to do in a given situation; these beliefs emerge from the assumptions managers make in developing and implementing their vision, philosophy and/or business strategies in their quest for long-term survival (Block, 2003). When managers, owners and employees adopt these assumptions, they become part of the company's culture (Gordon, 1991). According to this view, the culture of the organization reflects the managers' and the founder's views (Ogbonna & Harris, 2000).

Exploration enabling cultures require values that foster risk taking, failure tolerance and creativity (Drucker, 1985; Ireland & Hitt, 1999; Jassawalla & Sashittal, 2000; Vera & Crossan, 2004). Entrepreneurial cultures based on such values lead individuals to identify opportunities and threats based on their own perceptions of the organizational environment; integrate resources; and undertake innovative ventures (Sternberg et al., 2003; Mumford & Licuanan, 2004).

Some authors argue that strong organizational cultures stifle creativity, innovation, and adaptability (Goncalo & Staw, 2006; Nemeth & Staw, 1989); others provide evidence that strong cultures can promote performance in stable conditions, but not in dynamic environments because they limit adaptability (Sorensen, 2002). A number of studies suggest that a culture built on a mission that advocates innovation may encourage a broader search for new information promoting exploration (Ravasi & Schultz, 2006; Sidhu et al., 2004). More recently, Chatman et al., (2014) show that strong cultures characterized by consensus about a comprehensive set of norms and a penchant for norm adaptability can promote performance even in dynamic contexts because they enhance the ability of the firm to explore and exploit.

Summary box 2-6. Organizational capital exploration, exploitation and ambidexterity

ORGANIZATIONAL CAPITAL

Research suggests that organizational capital may be linked to exploration and exploitation as follows:

1. Formal internal processes and routines may lead to exploitation
2. Corporate culture can lead to exploration or exploitation depending on the underlying assumptions and beliefs and can balance the exploitation bias of formal structures

These findings imply that to examine ambidexterity in family firms from an organizational capital perspective we should consider the family effect on the internal processes, the organizational practices and the characteristics of the prevailing organizational culture and the leaders of the organization.

2.5.3 Capability components, exploration, exploitation and ambidexterity

To result in ambidexterity resources need to be combined into sensing, seizing, and transformation processes leading to exploration and exploitation (Teece, 2007) and their integration (O'Reilly & Tushman, 2008). Ambidextrous sensing requires scanning and searching across products, technologies, and markets, both local and distant; involves understanding latent demand, the structural evolution of markets, and the nature of competitive dynamics (Teece, 2007). This suggests that for ambidextrous sensing to occur a broad combination of human capital (e.g. different types of knowledge), social capital (e.g. diverse relationships) and organizational capital (e.g. information gathering procedures) are required. While sensing activities such as environment monitoring and early-stage exploratory research do not require large financial resource commitments (financial capital) they require a certain degree of decentralization (organizational capital) because relevant information needs to be generated close to the market and find its way up to top management (O'Reilly & Tushman, 2008; Teece, 2007).

Table 2-24. Resources necessary for ambidextrous sensing

FINANCIAL CAPITAL	HUMAN CAPITAL	SOCIAL CAPITAL	ORGANIZATIONAL CAPITAL
Moderate amounts of financial resources for environment monitoring and research	Broad range of human resources types and diversity of knowledge	Diverse relationships to provide access to different sources of information and opportunity	Appropriate procedures and decentralization to allow bottom up information flows

Ambidextrous seizing activities are more likely to present resource challenges because they are more resource intensive. Investing in improving existing initiatives and launching new business activities may require significant quantities and qualities of all resources (financial, human, social and organizational) thus bringing out full force the resource trade off issues of ambidexterity.

Table 2-25. Resources necessary for ambidextrous seizing

FINANCIAL CAPITAL	HUMAN CAPITAL	SOCIAL CAPITAL	ORGANIZATIONAL CAPITAL
High amounts of financial resources for improving existing and launching new business initiatives	High amounts and varied human resources for the implementation of initiatives to improve and launch new initiatives	High amounts of social resources for providing access to resources needed to improve and launch new initiatives	High amounts of organizational resources to balance and integrate exploration and exploitation

Ambidextrous reconfiguring depends largely on external market events and thus the intensity and quality of resources can vary significantly. In the face of change, organizations reorganize their assets to remain competitive (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2003; Teece et al., 1997; Winter, 2003). Incremental change allows for gradual and sequential organizational adaptation and realignment (e.g., Duncan, 1976; Eisenhardt & Brown, 1998; Nickerson & Zenger, 2002; Rindova & Kotha, 2001; Zollo &Winter, 2002) requiring fewer and less complex resources and capabilities. Rapid and radical changes force organizations to realign numerous structures and processes simultaneously (e.g., Govindarajan & Trimble, 2005; Markides & Charitou, 2004; Masini, Zollo, & van Wassenhove, 2004; Tushman & Anderson, 1986) putting more strain on all organizational resources and capabilities.

Table 2-26. Resources necessary to ambidextrous reconfiguring

FINANCIAL CAPITAL	HUMAN CAPITAL	SOCIAL CAPITAL	ORGANIZATIONAL CAPITAL
Amounts of financial resources depend on the nature and extent of change	Amounts and type of human resources depend on the nature and extent of change	Amounts of social resources depend on the nature and extent of change	Required organizational resources depend on the need for realignment of structures and processes

2.5.3.1 Sensing, exploration, exploitation and ambidexterity

Sensing relies on opportunity recognition processes including internal research and development activities, routines to scan the external environment and market research activities. In sensing opportunities, the challenge for management teams is to overcome a narrow search horizon associated with established mental models, beliefs, and problem-solving competences.

The recognition of opportunities is strongly linked to individual characteristics (Bygrave & Hofer, 1991) of human capital (Shepherd & DeTienne, 2005; Thorpe et al., 2005) and social capital because recognizing opportunities is a learning process that combines different sources of knowledge to build an opportunity (e.g., Corbett, 2007; Lumpkin & Lichtenstein, 2005).

Sensing can pose a challenge to incumbent senior teams because managers tend to be more sensitive to threats than opportunities (Gilbert, 2005; Jackson & Dutton, 1988; Tripsas & Gavetti, 2000); tend to discount threats (Bazerman & Watkins, 2004); and are slow in sensing new opportunities, particularly in unfamiliar arenas (Burgelman, 2002; Gilbert, 2006; Tripsas & Gavetti, 2000). Path dependencies and senior team cognitions often lock firms into existing market and technological trajectories (March, 1991; Garud et al., 1997; Staw et al., 1981).

O'Reilly & Tushman (2008) suggest that ambidextrous sensing requires a balance in centralization and decentralization of control to encourage feedback from market-facing units, a culture of openness that encourages debate, the commitment of resources by senior leaders to long-term projects, and a senior

management team that fosters a long-term mindset and promotes exploration (e.g., Burgelman, 2002; Edmondson, 1999; Rotemberg & Saloner, 2000).

Thus in sensing opportunities the combination of human capital (what you know and can make sense of); social capital (who you know that can provide access to other knowledge and opportunities) and organizational capital (the culture, processes and practices of the organization that shape the scanning, gathering and interpretation of knowledge in search of opportunities) determine the number of viable alternatives. The more the combined effect of these resources leads to increased alternatives the more strategic options and the higher chances of ambidexterity.

Summary box 2-7. Sensing, exploration, exploitation and ambidexterity

SENSING

To lead to ambidexterity organizations need to establish appropriate processes to gather information to identify, analyze and evaluate opportunities and threats. Ambidextrous sensing processes:

1. Combine human, social & organizational resources to improve the range of strategic alternatives
2. Encourage market feedback and active search
3. Promote a culture of openness that encourages debate and exchange
4. Commit resources to long-term projects
5. Foster long-term mindset

These findings suggest we need to examine the family influence on opportunity recognition processes, and in particular on how the family affects the type of information gathered; the variety of strategic options produced; the mechanisms to promote market feedback and search for new opportunities; the degree of openness and exchange of opinions; and the ability to encourage long term thinking.

2.5.3.2 Seizing, exploration, exploitation and ambidexterity

Seizing relies on decision making processes that allow the organization to take advantage of the opportunities identified (including decisions about what opportunities to pursue, what resources to invest and what strategies and business models to follow). Managerial capabilities directly influence the ability of top management teams to seize opportunities because they shape the acquisition, development, and deployment of resources and generate differences in firms' strategic choices, resource configurations, and financial outcomes (Kor & Mesko, 2013). Business, functional experience and industry experience are useful for seizing opportunities; through experience, individuals develop information and skills that facilitate the formulation of strategies, the acquisition of resources, and the organization of processes (Shane et al.,, 2003).

To achieve ambidexterity in seizing, managers need to strike a balance between exploration and exploitation both at the decision and the organizational levels; in terms of decision making, this means avoiding decision traps of path dependencies, developing TMT consensus about the strategy, and aligning and integrating business models and strategies; in terms of the organization, seizing requires leaders to implement the

strategy, ensure organizational alignments, assemble complementary assets, and decide on resource allocation and timing (O'Reilly & Tushman, 2008; Teece, 2007).

Summary box 2-8. Seizing exploration, exploitation and ambidexterity

SEIZING

To lead to ambidexterity organizations need to establish decision making processes to capture opportunities and address threats in a timely and balanced manner. Ambidextrous seizing processes:

1. Avoid decision traps of path dependencies
2. Build consensus about the strategy
3. Align and integrate business models and strategies
4. Allocate resources in ways that balance exploration and exploitation strategies

These findings suggest that in order to explore the family influence on the family firms seizing processes we need to examine how the family shapes decisions to pursue particular strategic paths; generate consensus around decisions taken; integrate new and old strategic paths; and to allocate resources.

2.5.3.3 Reconfiguring exploration, exploitation and ambidexterity

Reconfiguring requires reviewing business models and reallocating assets to realign the business (Teece et al., 1997). Organizations achieve internal alignment and external fit through asset orchestration (Milgrom & Roberts, 1995). In the context of ambidexterity, reconfiguring processes go beyond balancing exploration and exploitation to finding suitable internal and external alignments where exploration and exploitation initiatives are integrated in value enhancing ways (O'Reilly & Tushman, 2008).

According to O'Reilly and Tushman (2008), from an ambidexterity perspective, reconfiguring requires committing resources to long-term projects (Danneels, 2002); the ability to design organizational systems that promote integration to capture the advantages of co-specialized assets (Helfat & Peteraf, 2003), and the selection of appropriate human capital (Jansen et al., 2006; Litz & Klimecki, 2005; Lubatkin et al., 2006).

Reconfiguration processes often represent a break from the organization's past and require shifts in corporate culture and/or stakeholders' identity (e.g., Albert & Whetten, 1985; Benner, 2007). Ambidextrous reconfiguration, therefore, calls for managing change to reduce inertial forces (March, 1991; Probst & Raisch, 2005; Tushman & O'Reilly, 1996); address resistance and legitimize change (e.g., Podolny et al., 2004; Ravasi & Schultz, 2006).

Summary box 2-9. Reconfiguring exploration, exploitation and ambidexterity

RECONFIGURING

To lead to ambidexterity organizations need to establish change management processes to orchestrate and realign assets in response to environmental change. Ambidextrous reconfiguring processes:

1. Commit resources to long-term projects
2. Create systems, incentives and structures that foster internal and external alignment
3. Encourage value adding integration of exploration and exploitation
4. Promote, manage and legitimize change processes

These findings suggest that in order to explore the family influence on the family firms reconfiguring processes we need to examine how the family might affect the ability of the firm to commit resources to long term projects; develop systems to foster integration; and facilitate change.

Together, sensing, seizing and reconfiguring capabilities lead the firm to explore and exploit strategic initiatives at the corporate, business and structure levels of strategy and thus determine the alignment of the firm's strategic initiatives towards exploration and exploitation.

2.5.4 Organizational conditions required for integrating exploration and exploitation

To integrate exploratory and exploitative initiatives and manage the tensions and contradictions inherent to ambidexterity organizations need other combinations of resources and capabilities; these resources are different depending on the selected ambidexterity solution and summarized below.

Table 2-27. Factors leading to successful ambidexterity at different levels of the firm

LEVEL/ TYPE OF SOLUTION	CONDITIONS NECESSARY FOR AMBIDEXTERITY	AUTHORS	RELATED RESOURCES
Organization/ Structural solutions	- Ability of top managers to create and coordinate units - Capacity of senior management to set direction and a shared organizational culture/intention to orient and integrate the activities of the firm	Benner & Tushman, 2003 Golden & Ma, 2003 Lawrence & Lorsch, 1967 Tushman & O'Reilly, 1996	Human capital of managers and TMT Organizational and social capital of the firm
Unit/ Contextual solutions	- Senior executives that promote and support flexibility - Organizational practices and systems balancing social context (trust and support) and performance management (discipline and stretch). - Organizational designs with structures to facilitate exploration and exploitation. - Organizational culture	Adler et al., 1999 Atuahene-Gima, 2005 Gibson & Birkinshaw, 2004 Gupta et al., 2006 Guttel & Konlechner, 2009	Human capital of managers and employees Organizational and social capital of the managers, units and the organization as a whole
TMT/ Leadership-based solutions	- Diverse top management teams - High levels of behavioral integration in management team (collaborative behavior; quantity and quality of information exchanged; and joint decision making)	Lubatkin et al,. 2006 Volberda et al., 2001 Beckman, 2006 Perretti & Negro, 2006	Human social and organizational capital of the TMT

Two particular organizational characteristics emerge as fundamental conditions to promote the successful integration of exploration and exploitation: context and leadership.[7]

2.5.4.1 Context

Ghoshal and Barlett (1997) define context as the set of stimuli and pressures that motivate people to act in a particular manner. Therefore, the context of an organization is made up of the main characteristics shaping

[7] We focus on context and leadership alone because although structural separation also allows firms to maintain different competencies to address the inconsistent demands of exploration and exploitation (Gilbert, 2005), it remains unclear whether and to what extent exploratory and exploitative structures should be integrated (Raisch & Birkinshaw, 2008). Furthermore, research shows that integration is more of a leadership issue than a structural one (Jansen et al., 2009, 2009; O'Reilly & Tushman, 2011, 2013; Smith & Tushman, 2005).

what an organization is and how it operates and results from a combination of human, social and organizational capital, including the structure and culture of the firm and its prevailing trust and norms (Argote, 2012).

Structural context refers to the formal administrative processes and mechanisms (e.g. rules, incentives, performance management) organizations put in place to foster certain employee behaviors (Bower, 1972; Bower & Doz, 1979; Burgelman, 1983a,b). Cultural context includes more intangible qualities such as the underlying belief systems and values of individuals in the organization that shape the management systems, practices and behaviors of the firm (Denison, 1990; Ouchi, 1981; Pettigrew, 1979; Schein, 2010).

Ghoshal and Bartlett (1994) suggest that organizational context is constituted by four behavior-inducing elements created and reinforced by the actions and decisions of managers: (1) discipline encourages individuals to fulfill their commitments through clear standards of performance, feedback, rewards and sanctions; (2) stretch induces members to strive for ambitious objectives through shared goals, collective identity, and a sense of contribution to the purpose of the organization; (3) support encourages individuals to assist others through freedom of initiative and appropriate guidance and help; and (4) trust persuades members to rely on commitments through perceived fairness and equality of decision making processes, involvement in decisions and activities, and suitable selection of qualified individuals.

In this sense, organizational context, is "the yin and yang of continuous self-renewal" Ghoshal & Bartlett, 1997, p. 151) represented by a pair of hard elements (discipline and stretch) and a pair of soft elements (support and trust). Too much emphasis on the hard elements creates burnout; too much emphasis on the soft elements creates a "country club" atmosphere (Gibson & Birkinshaw, 2004).

An organizational context that couples performance management (resulting from a combination of stretch and discipline) and social support (resulting from a combination of support and trust) enhances ambidexterity, making performance management and social support equally important and mutually reinforcing for ambidexterity (Gibson & Birkinshaw, 2004).

A similar line of research considers that an ambidextrous context requires organization to create a culture that promotes at the same time flexibility and control, and suggests that organizational cultures combining an emphasis for flexibility and creativity (to foster adaptability and renewal) with norms for control and implementation (to support execution) can promote ambidexterity and performance (Chatman et al., 2014; Hargadon & Sutton, 1997; Khazanchi et al., 2007; O'Reilly & Tushman, 2013).

Building on the above discussion we define context as follows:

Definition box 2-14. Organizational Context

CONTEXT is the set of stimuli and pressures that shape individual organizational behaviors; it is constituted by four behavior-inducing elements;

1. Discipline to encourage individuals to fulfill their commitments through clear standards of performance, feedback, rewards and sanctions.
2. Stretch to induce members to strive for ambitious objectives through shared goals, collective identity, and a sense of contribution to the purpose of the organization.
3. Support to encourage individuals to assist others through freedom of initiative and appropriate guidance and help.
4. Trust to persuade members to rely on commitments through perceived fairness and equality of decision making processes, involvement in decisions and activities affecting them, and suitable selection of qualified individuals (Ghosal & Bartlett, 1994, 1997).

An **ambidextrous organizational context** balances the hard elements of performance management (discipline and stretch) with the soft elements of organizational cooperation and social support (support and trust) (Gibson & Birkinshaw, 2004). Together these four elements promote the ability of individuals and their firms to explore and exploit.

2.5.4.2 Leadership

Leadership is "a process of persuasion or example by which an individual (or leadership team) induces a group to pursue objectives" (Gardner, 1990, p.1), influences others “to understand and agree about what needs to be done and how it can be done effectively" (Yukl, 2006, p.8) and provides “an organization its vision and its ability to translate that vision into reality" (Bennis & Nanus, 1985, p.20). Leadership requires the ability to step outside the firm’s culture to start change processes (Schein, 1987) and set a new direction to cope with change (Kotter, 2001). Thus leadership can be understood as the processes that create and adapt visions of common goals and create mechanisms and motivation to attain those goals.

Leadership behavior plays a fundamental role in establishing, managing and legitimizing organizational culture (Podolny, et al., 2004; Ravasi & Schultz, 2006) and change (Kotter, 2001; Schein, 1987); shapes individual behaviors (He & Wong, 2004); enhances team performance (Smith & Tushman, 2005); and has significant impact on organizational outcomes (Smith, et al., 1994).

Senior executives provide employees with role models of behavior and create and implement reward and recognition systems to reinforce favored behaviors. As key players responsible for setting example and establishing practices and mechanisms that create the context shaping individual behaviors (Burgelman, 1983b; Ghoshal & Bartlett, 1994), they are critical both in making the organization effective for exploration and exploitation and fostering flexibility (Gibson & Birkinshaw, 2004).

The leadership of an organization promotes specific resource and capability factors leading to ambidexterity, such as a widely shared corporate culture and coordination and alignment mechanisms (Tushman & O’Reilly 1996; O’Reilly & Tushman, 2004, 2007); decentralization of decision making processes and participative

leadership (Tushman & O'Reilly, 1996); TMT member ambidexterity, and common incentives (O'Reilly & Tushman, 2004); structural linkages between units (Tushman et al., 2010); a common and clear vision (Bartlett & Ghoshal, 1989; Jansen et al., 2008, O'Reilly & Tushman, 2004, 2007, 2013); and the sensing, seizing and reconfiguring capabilities that allow the firm to exploit existing competencies and develop new ones (O'Reilly & Tushman, 2008, 2013; Taylor & Helfat, 2009).

In other words, leaders can influence the ambidextrous ability of their firms by: (1) making decisions about direction, structure, culture, processes and resource allocations that allow firms to both explore and exploit (Smith & Tushman, 2005); and by (2) creating internal processes "that enable them to handle large amounts of information and decision alternatives and deal with conflict and ambiguity" (Tushman & O'Reilly, 1997, p. 23) and the contradictory knowledge processes of exploitation and exploration (Lubatkin et al., 2006).

Research exploring these capabilities of senior management considers top management teams not only as contributors to the conditions leading to ambidexterity in the organizations they lead but as independent precursors of ambidexterity. This perspective, based on upper echelon theories (Hambrick & Mason, 1994; Hambrick, et al., 1996), suggests that ambidexterity can be facilitated by the ability of TMTs to manage the contradictions arising from exploration and exploitation and the internal processes of the TMT (e.g. Jansen et al., 2009; Lubatkin et al., 2006; O'Reilly & Tushman, 2008; Taylor & Helfat, 2009; Tushman & O'Reilly, 1997; Smith & Tushman, 2005).

TMT Composition

Ambidexterity research highlights the importance of TMT characteristics for organizational ambidexterity (e.g., Beckman, 2006; Lubatkin et al., 2006). The characteristics of senior management influence the decisions and actions of an organization because top management team attributes –such as size, age, tenure, educational and functional background- are associated with cognitive bases, values, and perceptions that influence decision making (Hambrick & Mason, 1984).

Evidence supports the relationship between upper echelon characteristics, organizational strategies and performance. For example, TMT job related diversity is related to internationalization (Lee & Park, 2006) and TMT diversity in age, tenure, and education is associated with enhanced information use (Dahlin et al., 2005), organizational innovation (Camelo-Ordaz et al., 2005; Bantel & Jackson, 1989) and shifts in corporate strategy (Wiersema & Bantel, 1992).

Cognitive and behavioral preferences of senior managers may influence the alignment of the firm toward exploration or exploitation (Lavie, et al., 2010) because the ability of the TMT to develop accurate cognitive representations of exploration and exploitation initiatives and engage in paradoxical thinking are essential for integrating exploitation and exploration (Smith & Tushman, 2005). Attitudes towards risk can reinforce

these preferences as risk-averse decision makers will favor the more certain and immediate benefits of exploitation (Lewin et al., 1999; March, 1991) to the expense of exploration (Lavie et al., 2010), while risk-oriented managers may favor exploring or exploiting depending on their aspirations for long term growth and survival and short term performance (March & Shapira, 1992).

In the literature, ambidextrous behavior of top management teams has been related to prior company affiliations of founding team members (Beckman, 2006); to the mix between "newcomers" and "old timers" in the team (Perretti & Negro, 2006); to the heterogeneity of team members (Boeker, 1997; Virany et al., 1992) and the length of their tenure (Hambrick et al., 2005; O'Reilly & Tushman, 2008; Wu et al., 2005); and to the CEO's network extensiveness (Cao et al., 2010).

TMT Integration

In addition to composition, research highlights team processes as relevant for ambidexterity. Better integrated TMTs that act in unison to manage the tensions between exploration and exploitation and to legitimize and direct change, can promote stakeholder flexibility and maintain a distinctive organizational identity in the face of adaptation and reconfiguration (Levy et al., 2010; O'Reilly & Tushman, 2008).

Behavioral integration (Hambrick, 1994) is a construct combining the level of social integration or group cohesion that measures the frequency and quality of information exchange, collaborative behavior, and joint decision making of TMTs (Lubatkin et al., 2006; Taylor & Helfat, 2009). A behaviorally integrated TMT benefits from intense interaction, produces open information exchange, collaborative solutions and decisions (Carmeli & Schaubroeck, 2006); and thus facilitates the ability of its members to deal with the contradictions of exploitation and exploration, enhances the likelihood of pursuing both (Lubatkin et al., 2006) and enables ambidexterity (Jansen et al., 2009).

Carmeli and Halevi (2009) suggest that TMT behavioral integration also enhances TMT behavioral complexity (the portfolio of leadership roles the team can perform, and the ability of team members to perform leadership roles differently) and that this complexity allows the TMT to engage in a broad repertoire of behaviors (Hooijberg & Quinn, 1992) and opposing attitudes (Denison et al., 1995) that enable strategic decisions balancing exploration and exploitation and promote ambidexterity.

Based on the above discussion we define leadership as follows:

Definition box 2-15. Organizational Leadership

LEADERSHIP is the process that creates and adapts visions of common goals for the organization and creates the mechanisms and motivation to attain those goals.

Ambidextrous leadership can ease tensions and trade-offs of exploration and exploitation by:

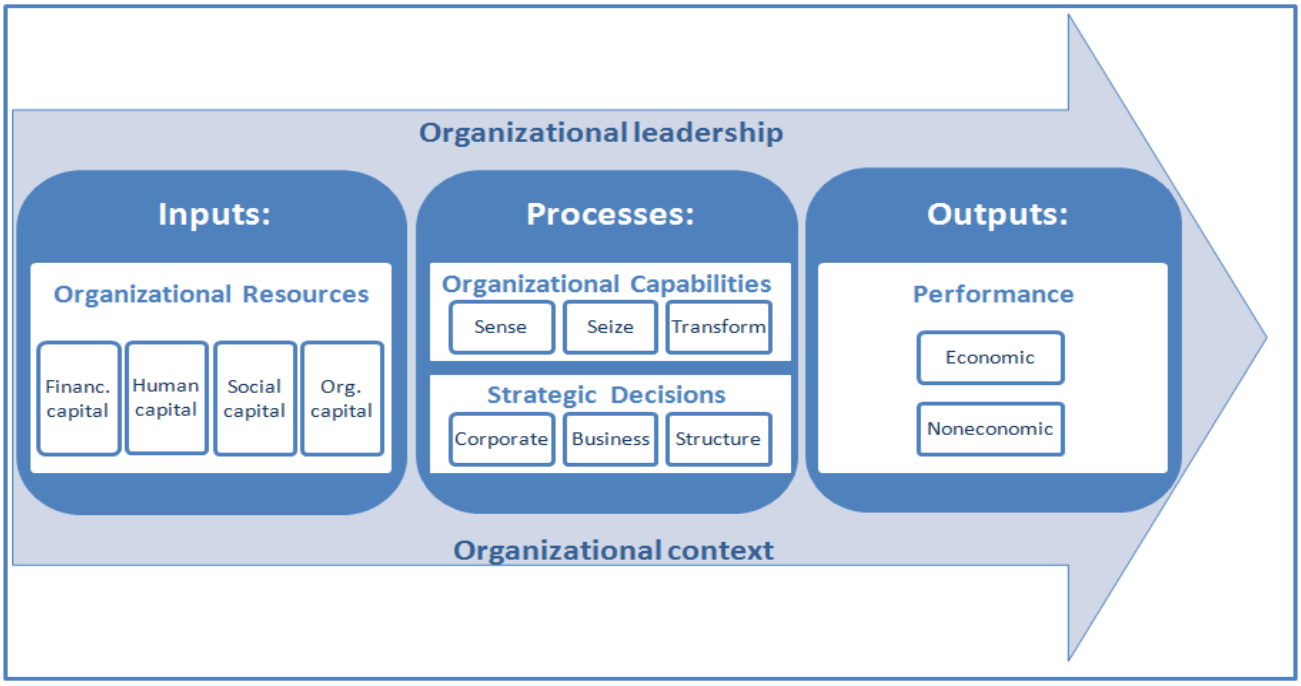
1. Setting a clear and compelling direction for the organization (Benner & Tushman,

2003);
2. Making decisions about structure, culture, processes and resource allocations that allow firms to both explore and exploit (Smith & Tushman, 2005);
3. Creating internal processes 'that enable them to handle large amounts of information and decision alternatives and deal with conflict and ambiguity' (Tushman and O'Reilly, 1997, p. 23); and
4. Ensuring a level of TMT diversity, integration and complexity that assists managers in dealing with the contradictory knowledge processes of exploitation and exploration (Beckman, 2006; Carmeli & Halevi, 2009; Lubatkin et al., 2006; Perretti & Negro, 2006)

2.5.5 Bringing it all together: a resource capability view of strategic ambidexterity

The above findings complete our examination of strategic ambidexterity and show that: particular characteristics of the financial, human, social and organizational resources of the firm shape its capacity to explore and exploit; that specific sensing, seizing and reconfiguring processes integrating resources to capitalize on opportunities and respond to threats result in particular corporate, business and structure strategic choices; and that these choices shape the patterns and preferences for future choices (e.g. by creating path dependencies). Together these resources, processes and strategic paths contribute to the economic and non economic performance of the firm. Furthermore, this entire process is highly contingent on the characteristics of the leadership of the firm and their ability to create an organizational context conducive to ambidexterity. The figure below illustrates this view of strategic ambidexterity:

Figure 2-14. Input-process-output view of strategic ambidexterity



This view of strategic ambidexterity provides the framework to explore family influence. The next chapter explores family business literature to complete our theoretical model.

3 FAMILY BUSINESS, FAMILINESS AND STRATEGIC AMBIDEXTERITY

The present chapter examines the influence of the family on the different components of our theoretical model and develops the research propositions to guide our analysis. The structure of the chapter and the objectives for each section are summarized below:

Summary box 3-1. Chapter 3: structure and objectives

Section 3.1 Family business and familiness

- Clarify the definitions of family firm, familiness and family firm performance
- Identify and classify the objectives of family firms as exploratory or exploitative

Section 3.2 Family firm resources and ambidexterity

- Examine family influence on human, financial, social and organizational resources

Section 3.3 Family firm dynamic capabilities and ambidexterity

- Explore the effects of family influence on sensing, seizing and reconfiguring processes

Section 3.4 Strategic alignment in family firms

- Investigate family influence on the strategic decisions to explore and exploit at the corporate, business and structure levels

Section 3.5 Integration of exploration and exploitation in family firms

- Explore particularities of family firm leadership and its effects on ambidexterity
- Examine family influence on the family firm's context from an ambidexterity perspective

3.1 FAMILY FIRMS AND FAMILINESS

A basic tenet of family business research is that the influence of the family on the business creates idiosyncratic firm characteristics and behaviors (e.g. Chrisman et al., 2009a,b). This influence impacts strategic behavior (Astrachan, 2010; Sharma et al., 1997; Naldi et al., 2011; Nordqvist, 2005); shapes the resources and capabilities of family business giving rise to distinctive or constrictive "familiness" (Habbershon & Williams, 1999; Habbershon et al., 2003); and affects performance outcomes (see Wagner et al., 2015 for a recent review).

Any business can have a degree of family involvement; even the decisions of a widely held corporation can be influenced by the parents, spouse or children of the CEO (Chua et al., 1999); yet not all firms are considered family businesses. Unfortunately, there is no consensus in the literature regarding the definitions of family firm and familiness.

3.1.1 Defining family firms

Abundant conceptual and operational attempts have been made to articulate a definitive definition of family firms, but none of these definitions has gained widespread acceptance (Sharma, 2004). The table below provides a sample of these definitions.

Table 3-1. Sample definitions of family business in the literature

DEFINITION	AUTHORS
Firms closely identified with at least two generations of a family and this link has had a mutual influence on company policy and on the interests and objectives of the family (p. 428)	Donnelley (1964)
A firm where the controlling ownership is rested in the hands of an individual or of the members of a single family (p. 106)	Barnes & Hershon (1976)
Organizations where one or more extended family members influence the direction of the business through the exercise on kinship ties, management roles, or ownership rights (p.199).	Tagiuri & Davis, (1982)
Are those whose policy and direction are subject to significant influence by one or more family units. This influence is exercised through ownership and sometimes through the participation of family members in management. It is the interaction between the two sets of organization, family and business, that establishes the basic character of the family business and defines its uniqueness (p. 47)	Davis (1983)
A business in which two or more extended family members influence the direction of the business (cited in Rothstein, 1992)	Davis & Tagiuri (1985)
Any business in which majority ownership or control lies within a single family and in which two or more family members are or at some time were directly involved in the business (p.4)	Rosenblatt et al., (1985)
Two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights (chap. 3, p. 2)	Pratt & Davis (1986)
One "that will be passed on for the family's next generation to manage and control" (p. 252)	Ward (1987)
An organization whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board (p. 262)	Handler (1989)
Economic enterprises controlled by one or more families that have a degree of influence in organizational governance sufficient to substantially influence or compel action (p. 226)	Dreux (1990)
A firm where family members own at least 60 percent of the equity (p. 152)	Donckels & Frohlich (1991)
A business where a single family owns the majority of stock and has total control (p.181)	Gallo & Sveen (1991)
Firms with concentrated ownership, and owners or relatives of owners involved in management processes (p. 40)	Welsch (1993)
Closely-held ownership and policy making dominated by members of an "emotional kinship group" (p. 40*)*	Carsrud (1994)
A business governed and/or managed on a sustainable, potentially cross-generational, basis to shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or a small number of families (p.2).	Sharma et al., (1997)
A family enterprise is a proprietorship, partnership, corporation or any form of business association where the voting control is in the hands of a given family (p.8).	Neubauer & Lank (1998)
Family business cannot be defined using a categorical definition (yes/no). Rather a family business is a combination of different degrees of family influence on power, experience, and culture (p.45)	Astrachan et al., (2002)
A firm where the majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs. At least one representative of the family or kin is formally involved in the governance of the firm. For listed companies if the person who established or acquired the firm or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.	EU Expert Group (2009)

Despite the lack of a common definition, all definitional efforts focus on the role of the family in determining the vision and processes of a firm (Sharma, 2004), and although "no set of distinct variables separating family and nonfamily firms has yet been revealed" (Sharma, 2004, p. 5), extant definitions provide the variables that define the boundaries of the domain of family firms, namely:

- Family ownership;
- Family management;
- Family influence on resources, capabilities, goals and strategic direction for the business;
- Generational transfer;
- Intention to maintain the business in the family and;
- Interactions between two systems (family and firm).

While different authors use diverse definitions, in recent research, an increasing number of scholars apply the definition provided by Chua, Chrisman, and Sharma (1998).

Definition box 3-1. Family firm

> **Family firm:** an organization governed and/or managed by members of one or few families with the intention of maintaining the business across generations to shape and pursue the vision of the family (Chua et al., 1998)

We adopt this definition for our research for a number of reasons: Firstly, this definition covers key characteristics concerning ownership, management and long-term perspective of family businesses; Secondly, by addressing the family's influence on the firm, this definition provides the grounds to examine the potential effect of the family on the resources and capabilities of the organization, on the objectives of the family firm, and ultimately, on the ability of the family business to pursue ambidextrous strategies. Finally, this definition does not focus on any specific type or size of family firms, and allows for a variety of levels of aggregation for our examination of strategic behavior; this is particularly relevant for studying the alignment of corporate, business and structural level strategies in family firms towards exploration and exploitation and the family factors influencing ambidexterity because it allows for the examination of family business portfolios over time.

3.1.2 Defining familiness

There is general consensus in the literature that familiness constitutes the unique bundle of resources and capabilities of an organization due to the interaction among the family, its individual members, and the business (Habbershon & Williams, 1999; Habbershon et al., 2003). Therefore familiness is made up of

the resource endowment and capabilities of the family firm emerging from the family's influence in the management and deployment of resources and capabilities of the firm.

Family firms exhibit unique features that may provide these firms with particular resources and capabilities (Cabrera et al., 2001; Habbershon & Williams, 1999; Habbershon et al., 2003). These resources and capabilities may enhance or hinder the ability of family firms to explore and exploit and become ambidextrous and thus explain why some family firms achieve short and long term performance over generations while other firms struggle and disappear. To the extent that a family firm is able to generate familiness resources conducive to exploration, exploitation and to balancing both, it should have a comparative advantage in achieving ambidexterity.

Research finds familiness can be positive (e.g. Tokarczyk et al., 2007; Zellweger et al., 2008b) as well as negative (e.g. Leenders & Waarts, 2003; Stewart, 2003); indeed Habbershon et al., (2003) distinguish between positive or distinctive familiness (f+) and negative or constrictive familiness (f-).

Despite the consensus around the general meaning of familiness and the existence of positive and negative forms of it, the concept itself remains "fuzzy" (Moores, 2009). This fuzziness results from a lack of agreement around the particular dimensions of resources and capabilities of familiness and the absence of clarity around the conditions and factors causing distinctive and constrictive familiness (Chrisman et al., 2005). As a result, familiness often becomes an umbrella construct to refer to a variety of aspects of family firms (Lambrecht & Koiranen, 2009; Sharma, 2008).

To explore familiness, Sharma (2008) suggests looking at the effect of family influence on the different types of resources (e.g. human, financial, social, organizational) as well as incorporating a temporal dimension in defining familiness. This perspective is particularly suited for our research for two reasons: first, because looking at resources separately helps unveil specific combinations leading to enhanced ambidexterity; and second, because the time dimension is essential for the study of ambidexterity as exploration and exploitation have different time horizons and rely on both the flows and stocks of capital of the firm. Furthermore, since family firms operate with long time horizons, the size and directionality of capital flows will vary over the life cycles of family and firm (Sharma, 2008) and will affect the propensity of the organization to explore and exploit over time.

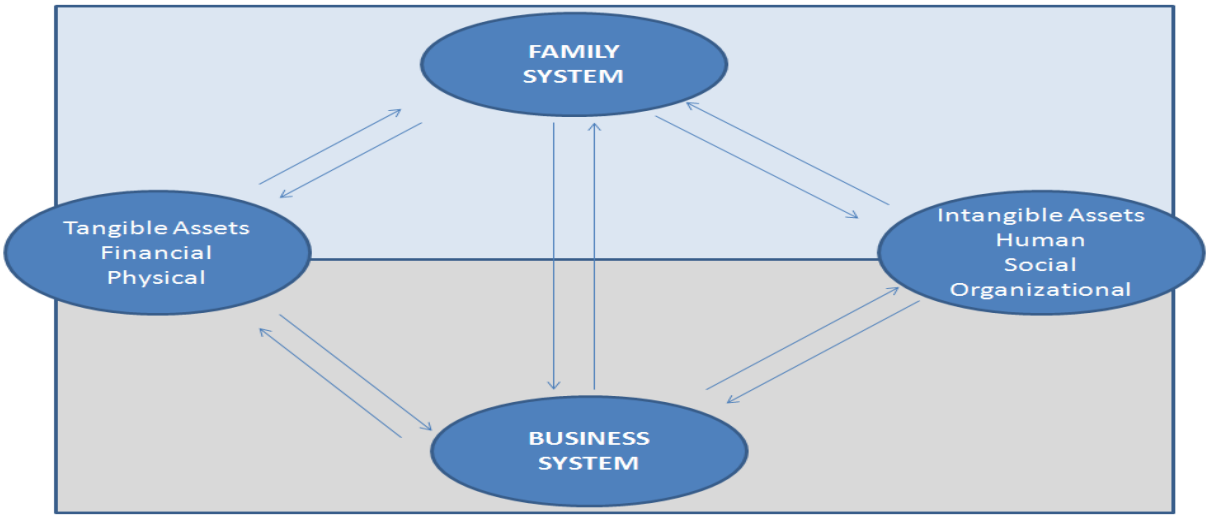
To explore and exploit all organizations need to manage resource flows between the firm and the environment. In addition to this, family firms need to manage resource flows between the family and the business and balance the resource needs and demands of both systems. Family and firm can contribute as well as deplete the stocks of tangible and intangible resources (financial, human, social and

organizational capital) of the other system (e.g., Miller & Le-Breton Miller, 2005; Steier, 2007). These flows will affect the resources available to explore and exploit.

For example, in the first stages of the organization and during economic downturns, family members may be willing to loan their personal human, social, or financial capital for the benefit of the business (Sirmon & Hitt, 2003) and flows are likely to go from the family to the business (Aldrich & Cliff, 2003) providing family firms sufficient resources to explore and exploit. However, this is usually done with the expectation of returns over the longer term. When the business thrives, flows are likely to reverse and family members may expect to use business assets to advance their personal goals (Sharma, 2008) limiting the resources available for exploration and exploitation. The flows between family and firm may extend across generations and lead to "intergenerational reciprocity" (Wade-Benzoni, 2002, p. 1014) shaping long term exploration and exploitation patterns as well.

The flows of resources between the family and the business systems are illustrated below.

Figure 3-1. Flows of capital between family and business



Achieving a balance in these resource flows is important for family firms success and survival because "transferability" of assets between family and business while constituting an advantage for family businesses (Arregle et al., 2007) can lead to overdependence or excessive burdening of any of the two systems causing resource erosion (Coleman, 1988). While short-term flows of assets may allow a weaker subsystem to draw important resources from a relatively healthier subsystem to survive and thrive, family and business systems need to develop and maintain independent capital stocks (Arregle et al., 2007; Sharma, 2004, 2008) to avoid tensions and conflict.

Based on this argument, Sharma (2008) redefines "distinctive" (f+) familiness as the enhanced capital stocks for family and business systems, arising from a balanced flow of capital between the two systems;

and “constrictive” familiness (f-) as reduced capital stocks for one or both systems, resulting from excess flows in one direction and free riding.

From an ambidexterity point of view this means that although short-term imbalances in the flows of capital between a family and its business can constitute a safety net and benefit ambidexterity; to achieve long term ambidexterity it is necessary to balance inflows and outflows to ensure sufficient resources are available for exploration and exploitation while minimizing tensions between the resource needs and demands of family and firm.

Family businesses also assess, acquire, bundle, shed and leverage resources differently than non-family firms leading to particular organizational capabilities (Sirmon & Hitt, 2003). These unique family capability building processes, emerging from the overlap between the family and the business and the convergence between family management and ownership, shape the way family firms identify and pursue exploratory and exploitative initiatives.

Finally, and although less explored as part of the familiness literature, we consider the organizational conditions necessary to balance exploration and exploitation (i.e. leadership and context) to be an integral part of the familiness construct. In family firms, these conditions often emerge directly from the influence of family founders, family managers or dominant family coalitions and/or indirectly through TMT appointments (Mustakallio et al., 2002).

Following Habbershon and Williams, (1999), Habbershon et al., (2003) and Sharma (2008) and based on the above discussion this research defines familiness as follows:

Definition box 3-2. Familiness

Familiness: the unique bundle of resources (financial, human, social and organizational), capabilities (sensing, seizing and transformation processes) and organizational conditions (leadership and context) of a family firm due to the interaction among the family, its individual members, and the business.

This interaction can be positive (f+) or negative (f-):

- Distinctive familiness (f+): enhanced resource and capability stocks for family and firm arising from balanced flows between the two systems;
- Constrictive familiness (f-): reduced resource and capability stocks for one or both systems resulting from excess flows in one direction and/or free-riding.

3.1.3 Family firm performance: the role of economic and non economic goals

Examining the performance goals of family firms is relevant to exploring the ambidextrous capability of family businesses for several reasons:

Firstly, because families have a particular set of objectives guiding the strategy of their business (e.g. Berrone et al., 2012b; Gersick et al., 1997; Gomez Mejia et al., 2001, 2007; Kotey, 2005; Tagiuri & Davis, 1992; Westhead, 1997; Zellweger et al., 2013).

Secondly, because the priority goals of the controlling family influence strategic decisions leading to exploration and exploitation in family firms (Chrisman & Patel, 2012; Gomez Mejia et al., 2007, 2011, 2014) and translate into distinct strategic patterns in diversification (Gomez-Mejia et al., 2010; Lien & Li, 2013), environmental strategies (Berrone et al., 2010; De Massis et al., 2013a), innovation and R&D investment (Block, 2012; Chrisman & Patel, 2012; Patel & Chrisman, 2014).

Thirdly, because these distinct strategic patterns translate into particular organizational performance outcomes including growth patterns (Casillas et al., 2010; Covin, et al., 2006), new venture development (Lumpkin et al., 2006; Wales et al., 2013), and financial performance (Lumpkin & Dess, 2001; Rauch et al., 2009; Wagner et al., 2015).

Finally, because, as time passes and the environment changes, family firms may grow in size (volume of operations) and complexity both in terms of the business (markets and domains) and the family (members and lines). In the face of internal and external changes, if the family firm is to preserve its "family identity" maintain adequate levels of performance, and survive long term as a "family" business (Zellweger et al., 2013), mechanisms need to emerge to channel the family influence so that the family firm objectives evolve to meet changing market conditions and emerging organizational challenges, and/or the strategic stance and structure of the firm transform to meet the family's aspirations for the firm.

Earlier in this study we established the links between goals, aspirations, performance and strategic action. Building on that logic, it follows that the strategic decisions of family firms to explore and exploit will be influenced by: (1) the specific set of economic and noneconomic goals they pursue; (2) the aspirations they have for those goals; and (3) the assessment they make about the performance towards achieving those aspirations.

3.1.3.1 Economic and noneconomic goals of family firms

All business may pursue economic and noneconomic objectives, but family firms are particularly prone to pursuing economic and noneconomic objectives simultaneously (e.g. Ibrahim & Ellis, 1994; Miller & Le Breton-Miller, 2005; Gomez-Mejia et al., 2007, 2010) and may willingly forfeit economic performance in exchange for achieving noneconomic objectives (Gomez-Mejia et al., 2007, 2010). Family business

research has identified a wide variety of family firm economic and noneconomic objectives. Some of the economic objectives identified in the literature are summarized below.

Table 3-2. Ecomomic objectives of family firms identified in the literature

ECONOMIC GOALS OF FAMILY FIRMS
Equity value (Astrachan & Jaskiewicz, 2008)
Revenues, short and long term profit (Carlock & Ward, 2001; Craig & Moores, 2005; Habbershon et al., 2003)
Level of dividends (Astrachan & Jaskiewicz, 2008; Habbershon & Astrachan 1997)
Financial private benefits (Astrachan & Jaskiewicz, 2008) and financial security (Tagiuri & Davis, 1992)
Family income and cash (Castillo & Wakefield, 2007; Chaganti et al., 1996; Danes & Lee, 2008)
Wealth protection, creation and transfer (Andersson et al., 2002; Carney 2007; Castillo & Wakefield, 2007; Chrisman et al., 2003)
Liquidity, indebtedness and adequate financing (Corbetta & Montemerlo, 1999; Danes & Lee 2008)
Business growth (Danes & Lee, 2008; Distelberg & Sorenson, 2009)
Productivity (Craig & Moores, 2005)
Maximization of economic benefits via tunnelling and self-dealing (Faccio et al., 2003)

Economic objectives are essential for all firms, but noneconomic objectives are fundamental to understand the strategic behavior of family firms and thus their ability to explore and exploit. The table below shows a number of noneconomic objectives of family firms identified in the literature.

Table 3-3. Noneconomic objectives of family firms in the literature

NONECONOMIC GOALS OF FAMILY FIRMS
PERSONAL GOALS OF FAMILY MEMBERS
Pursue a personal hobby (Andersson et al., 2002) Professional independence and control (own boss) (Gersick et al., 1997; Getz & Carlsen, 2000) Personal challenge, stimulation, success, respect and recognition (Gersick et al., 1997; Getz & Carlsen, 2000) Control of life style and steady employment (Chaganti et al., 1996) Personal pride (Habbershon & Astrachan, 1997)
EMOTIONAL AND AFFECTIVE GOALS OF THE FAMILY
Emotional wellbeing (Astrachan & Jaskiewicz, 2008) Family stability, constructive conflict patterns and limited conflict (Amarapurkar & Danes, 2005) Family health (Distelberg & Sorenson, 2009), cohesion (Astrachan & Jaskiewicz, 2008), preservation of family ties (Chrisman et al., 2003) and family harmony (Chrisman et al., 2003) Work-family balance (Danes & Lee, 2004) Identity (Davis & Tagiuri, 1994; Dyer & Whetten, 2006) Heritage (Davis & Tagiuri 1994) family tradition and legacy (Sharma & Manikutty, 2005)
CONTINUITY AND SURVIVAL GOALS FOR THE BUSINESS
Firm survival and long term viability (Anderson & Reeb, 2003; Danes & Lee, 2008) Pursue founder's vision (Castillo & Wakefield, 2007) Provide resources for children and subsequent generations (Castillo & Wakefield, 2007) Seize business opportunities (Bransgrove & King, 1996) Satisfy emerging business demands (Carlock & Ward, 2001) Respond to market changes (Carlock & Ward, 2001)

SECURITY AND DEVELOPMENT GOALS FOR THE FAMILY
Family employment, development and growth (Daily & Dollinger, 1993; Chrisman et al., 2003; Castillo & Wakefield, 2007; Chua et al 1999; Chrisman et al 2003; Distelberg & Sorenson, 2009; Kaye, 1996)
Realize and maintain a specific family lifestyle (Andersson et al., 2002)
Security (Astrachan & Jaskiewicz, 2008); secure future for younger and retired family members (Danes & Lee, 2004)
Satisfy family needs (Carlock & Ward 2001); Meet consumption needs through the firm (Demsetz & Lehn, 1985)
Seed funding allowing family members to pursue their ambitions and pet projects (Craig & Moores, 2005)

REPUTATION, COMMUNITY AND SOCIAL GOALS
Social responsibility (Berrone et al., 2010; Chrisman et al., 2003)
Promote social causes –e.g. literacy, fighting poverty -(Chrisman et al., 2003)
Service to the community (Castillo & Wakefield, 2007; Chrisman et al., 2003)
Philanthropy (Habbershon & Astrachan, 1997; Ward, 2004)
Operational excellence (Craig & Moores, 2005); superior quality (Abdel Maksoud et al., 2005; Tagiuri & Davis, 1992; and product leadership (Craig & Moores, 2005)
Technological innovation (Anderson & Reeb, 2003) and R&D spending (Habbershon & Astrachan, 1997)
Superior external image (e.g. customers, suppliers, and other external stakeholders) (Micelotta & Raynard, 2011)
Awareness of family name (Craig & Moores, 2005); positive reputation (Astrachan & Jaskiewicz, 2008; Khatri & Ng, 2000); family branding (Craig & Moores, 2005; Danes & Lee, 2008) and social advancement (Tagiuri & Davis, 1992)
Employee development (Craig & Moores, 2005) and quality of work -happy and proud employees- (Tagiuri & Davis, 1992)

To explore the influence of these noneconomic objectives, building on behavioral agency theory (Wiseman & Gomez-Mejia, 1998), Gomez-Mejia et al., (2007, 2010) developed the concept of "socioemotional wealth"-the family's affective value gained from the firm- (Berrone et al., 2010, p. 82; Gomez-Mejia et al., 2010, p. 225). The concept of SEW has gained acceptance in family business research and is becoming an influential paradigm explaining the distinct behavior of family firms (Berrone et al., 2012).

Early SEW research (see Gomez Mejia et al., 2007, 2010) grouped family firm noneconomic goals in two major categories: (1) goals linked to the desire to maintain the firm's "familiness" due to strong identification with, and personal attachment and commitment to the family firm (e.g. Anderson & Reeb, 2003; Habbershon & Williams, 1999; Kets de Vries, 1993); and (2) goals related to wealth preservation (e.g. Mishra & McConaughy, 1999; Schulze et al., 2003a; Hitt et al., 2011).

More recently, Berrone, Cruz and Gomez-Mejia (2012) propose five dimensions of socioemotional wealth. These five dimensions (a.k.a. FIBER) cover a wider variety of noneconomic goals and are described below. Later in this chapter we will use this taxonomy to explore the potential influence of these goals on strategic alignment towards exploration and exploitation.

Family control and influence. Influencing the direction of the business is important for family members (Zellweger et al., 2013). Families influence strategic decisions of their firms formally and informally (Chua et al., 1999; Schulze et al., 2003); directly and indirectly (Mustakallio et al., 2002). Family members need to control their firm to maintain their socioemotional endowments (Berrone et al., 2012). To preserve

their socioemotional endowments, family firms are likely to take decisions that maintain control and influence regardless of the associated economic implications (Gomez-Mejia et al., 2007).

Identification with the firm. Close ties between family and firm create a unique identity in family firms (e.g., Berrone et al., 2010; Dyer & Whetten, 2006) particularly if the business shares the family name (Deephouse & Jaskiewicz, 2013). These identity ties lead internal and external stakeholders to consider the firm an extension of the family shaping attitudes towards stakeholders, organizational processes, and attributes of the firm's offers (Carrigan & Buckley, 2008; Teal et al., 2003). Strong identification leads family firms to exhibit higher levels of corporate social responsibility, community citizenship (Berrone et al., 2010, 2012; Craig & Dibrell, 2006; Dyer & Whetten, 2006) and investment in building a positive family reputation (Sharma & Manikutty, 2005).

Binding social ties. The social relationships of the family firm can be important for the family and beneficial for the business. SEW provides social relations and kinship ties offering similar collective benefits to those of closed networks (Berrone et al., 2012; Cruz et al., 2012) such as collective social capital, relational trust (Coleman, 1990) and interpersonal solidarity (Uzzi, 1997). To maintain these ties family firms pursue the welfare of stakeholders even in the absence of direct economic gains for altruistic reasons (Berrone et al. 2010, 2012; Schulze et al., 2003b).

Emotional attachment. Emotions are part of any organization (Ashforth & Humphrey, 1998) but are particularly influential in family firms (Eddleston & Kellermanns, 2007; Gordon & Nicholson, 2008; Kaye, 2005; Tagiuri & Davis, 1996). Emotions emerging from natural events in the family and the business such as succession, business failure, illness, divorce or conflict (Dunn, 1999; Gersick et al., 1997; Shepherd et al., 2009) shape family firms' decision-making processes (Baron, 2008). These emotional ties help explain why under certain circumstances family members are altruistic (Schulze et al., 2003b) and trusting towards one another (Cruz et al., 2010) or unable to address dysfunctional family relations in the hope that eventually they will regain harmony (Berrone et al., 2012).

Renewal of family bonds through transgenerational intentions: The last dimension of SEW refers to the intention of passing the business to future generations. Family members consider the business more than an asset because it symbolizes the family's heritage and tradition (Casson, 1999; Tagiuri & Davis, 1992). Consequently, family shareholders view the firm as a long-term family investment for the next generation (Berrone et al., 2010). The desire to pass on the business to future generations (Kets de Vries, 1993; Zellweger et al., 2013) drives the longer term vision of family firms and shapes investment decisions (Miller & Le Breton-Miller, 2006b; Miller et al., 2008; Sirmon & Hitt, 2003).

Based on the above discussion we define family firm goals as follows:

Definition box 3-3. Family firm goals

> **Family firm goals**: the unique set of economic and noneconomic (SEW) objectives shaped by the family and pursued by a family business that inform strategic decision making in family firms.

3.1.3.2 Family firm economic goals, exploitation and exploration

From an economic point of view, family firms' goal of safeguarding the family's estate (Naldi et al., 2007) may make family firms risk averse and likely to favor safer strategic options (Chirico et al., 2011; Miller et al., 2003) with more certain returns (March, 1991). This strategic ptiority can limit growth and innovativeness; delay or prevent change (Chirico & Nordqvist, 2010; Salvato et al., 2010 a,b); and promote stability and status quo over entrepreneurial activity (Barringer & Bluedorn, 1999). To achieve this goal, family firms will favor exploitative strategies to minimize financial risk.

Other economic objectives of family firms identified in the literature can also be classified as leading to exploration or exploitation using the taxonomy developed earlier in this study.

Table 3-4. Exploitative and exploratory economic objectives of family firms

ECONOMIC OBJECTIVES LEADING TO EXPLOITATION	ECONOMIC OBJECTIVES LEADING TO EXPLORATION
Equity value	
Short term revenues and profits	
Dividend and cash payouts	
Financial private benefits	Long term revenues and profits
Financial security	Adequate financing for the firm
Family income	Wealth creation
Wealth protection	Wealth/business transfer
Liquidity, indebtedness and adequate financing	Firm growth
Productivity	
Maximization of economic benefits	

The exploitative objectives of family firms in the table above are closely linked to financial outcomes and preferences (mostly related to short term business performance and the immediate financing needs of the family). The performance assessment for this type of objectives is often measured against backward

looking indicators and compared against attainments of previous periods such as year on year data (e.g. annual change on annual revenues, income, profits or dividends)[8].

On the other hand, the exploratory economic objectives above are linked to long term economic aspirations of the family for the firm (mostly related to the long term needs of the business and the desire of the family for the business to grow and survive long term). Targets for these exploratory economic objectives are less likely to be measured against past performance but on the forward looking ambitions of the family linked with their long term vision for the future.

3.1.3.3 Family firm noneconomic goals, exploitation and exploration

From a noneconomic point of view, strong identification between the family and the firm and the resulting quest for a positive reputation drives family firms to pursue superior quality (Astrachan & Jaskiewicz, 2008), operational excellence (Craig & Moores, 2005) and product leadership (Craig & Moores 2005). Furthermore, to maintain autonomy and family control, family firms tend to maintain centralized structures (Bartholomeusz & Tanewski, 2006; Lindow et al., 2010). In the literature, these characteristics are linked with the exploitation of existing business activities (Tagiuri & Davis, 1996) offering more immediate and certain returns (March, 1991).

On the other hand, the desire to pass on the legacy to the next generation provides family firms with a longer-term business perspective (Daily & Dollinger, 1992; Harvey, 1999; Le Breton-Miller & Miller, 2006); a friendly environment for entrepreneurial activity (Carney, 2005; Lumpkin et al 2008; Zahra et al., 2004); seed funding for new business projects (Craig & Moores, 2005); patient capital and enhanced managerial knowledge (Sirmon & Hitt, 2003). Ambidexterity research identifies these factors as conducive to exploratory initiatives (Gibson & Birkenshaw, 2004; Raisch & Birkinshaw, 2008) and investment in future business opportunities (Ward, 1987) with more remote and uncertain returns on investment (March, 1991).

Furthermore, SEW research argues that family principals assess strategic decisions in terms of their effect on their socioemotional endowment and shows that family firms make important strategic decisions based on a combination of socioemotional and economic objectives (Berrone et al, 2012; Gomez-Mejia et

[8] Earlier we linked forward looking performance indicators with exploration and backward looking with exploitation. Family firms can set forward looking targets or improvement aspirations for these indicators but although they may be “forward looking” in the sense they imagine an ideal future state they will often rely on past achievements to set them and thus will constitute an improvement on past behavior and likely to be related to exploitation.

al., 2010; Jones et al., 2008; Zellweger et al., 2013). For family principals, risk aversion for socioemotional endowment trumps risk aversion for financial losses, indicating that family firms facing the choice between less risky strategic choices that will increase financial results versus highly risky but SEW preserving strategic alternatives may follow riskier paths (Berrone et al., 2010; Gomez-Mejia et al., 2007). This suggests that under particular circumstances family firms may actually be prone to pursuing strategic initiatives with more uncertain results. Whether these strategic initiatives will favor exploration or exploitation will depend on the SEW aspirations of the family, their perceptions of the effects of different strategic initiatives on their socioemotional endowments (Berrone et al., 2010; Gomez-Mejia et al., 2007) and their economic aspirations for long term growth and short term performance (March & Shapira, 1992).

While the influence of noneconomic objectives on the alignment of strategic decisions of family firms is clear, establishing further linkages between SEW dimensions and exploration and exploitation is complex because different families may interpret, pursue and perceive these dimensions in different ways. The next paragraphs explore this complexity:

Family control may allow less constrained decision making and facilitate exploratory decisions with uncertain results (Carney, 2005). However, concentration of decision making power in the family can also hinder exploration by limiting the number and range of strategic options identified and considered by the family. The effect on ambidexterity will depend on the prevailing family influence.

Identification between family and firm can make family members sensitive to the image of the company and make them likely to invest in initiatives to promote the image of the family firm (Sharma & Manikutty, 2005; Westhead et al., 2001) leading to exploration and long term benefits for the firm. However, integrated family/business identities can also lead to conflict and reduced interaction and communications (Sundaramurthy & Kreiner, 2008); addictive patterns (Kaye, 2005, p.85); resentment for the lack of autonomy from the family and a sense of dependency on the firm (Freudenberger et al., 1989). The latter can shift focus away from sound strategic decision making and negatively impact both exploration and exploitation.

Binding social ties can provide a sense of long term commitment and stability to the business (Miller & Le Breton-Miller, 2005) and lead family firms to pursue activities highly valued by their community (Berrone et al., 2010) that contribute to the long term health of the business (Berrone et al., 2012) and exploration. However, strong ties can also lead to "us against them" attitudes causing the family to place their own needs before those of others (Gordon & Nicholson, 2008; Kidwell, 2008) and alienate

nonfamily stakeholders (Berrone et al., 2010; Gomez-Mejia et al., 2010; Minichilli et al., 2010; Morck & Yeung, 2003) with negative consequences for exploration and exploitation.

Emotional attachment to the firm helps family members maintain a positive self-concept (Kleine et al.,1995) and enhances the desire for legacy of family members (Sharma & Manikutty, 2005; Shepherd et al., 2009) favoring the long term business perspective necessary for strategic ambidexterity. However, emotions in family firms can also be the source of persistent conflict and dysfunctional family and business relationships (Gordon & Nicholson, 2008; Kaye, 2005) which can result in family members engaging on activities that benefit themselves or their respective branches of the family (Kellermanns et al., 2012) rather than on activities that promote the welfare of the family and the firm as a whole and thus limiting exploration and exploitation.

The renewal of family bonds through transgenerational intentions is a central aspect of SEW with important implications for the time horizons of strategic decisions (Zellweger & Astrachan, 2008a; Zellweger et al., 2013) and thus fundamental for exploration. However, a long-term view can also foster managerial entrenchment and contribute to conflicts over strategic direction and succession (Berrone et al., 2012). In such cases, trapped family members may fake commitment out of necessity to avoid high exit costs (Meyer et al., 1993) making it less likely that they will make sound strategic decisions that contribute to the short or long term health of the family firm, thus jeopardizing the chances of successful pursuit of both exploratory and exploitative initiatives.

Furthermore, preserving the family dynasty, perpetuating family values through the business, and passing the firm to the next generation may also constrain R&D in family firms when they threaten the family's socioemotional endowment by reducing control, discretion and support for traditional business markets and domains of the family firm (Chrisman & Patel, 2012; Gomez Mejia et al., 2011). R&D investments are necessary for both exploration and exploitation.

Moreover, maintaining tradition over generations (also a source of SEW), may make family firms particularly reluctant to follow exploratory strategies that step away from the historic activities of the business and thus lead family firms to favor exploitative innovation in areas where the firm already has expertise over experimentation in other areas that imply diverting resources away from traditional lines of business (Chrisman & Patel, 2012).

The above discussion highlights the challenges and complexity in determining the influence of SEW on family firm decisions to explore and exploit. Nevertheless, it demonstrates the important effects of noneconomic goals on the strategic decisions of family firms.

3.1.3.4 Family firm goals, perceived performance and strategic alignment

Like nonfamily firms, family firms use feedback mechanisms to assess risk, performance, evaluate success or failure against aspirations levels, determine whether there is a need to change, identify alternative responses (Milliken & Lant, 1990; Lant, 1992; Greve 1998, 2003; Shapira, 1995), and make assumptions about the potential outcomes of different strategic actions (Chen, 2008; Gavetti & Levinthal, 2000).

Unlike nonfamily firms, when assessing performance and considering strategic decisions, family firm managers combine business economic performance indicators (e.g. profits; market share and sales) and noneconomic performance indicators (e.g. customer satisfaction and loyalty), with perceptions about their socioemotional endowments (Gomez Mejia et al., 2007, 2010, 2014). In other words, the perceptions of the family about the family's socioemotional endowment and the expected effect of strategic options on that endowment will influence subsequent decisions to explore and exploit.

In general, family organizations which monitor closely their economic performance and compare it with the performance of competitors should be more likely to respond rapidly to changes in the environment and may show earlier signs of exploration in the face of shifting financial performance. However, since families measure and perceive performance towards the combined attainment of economic and noneconomic objectives differently, these perceptions will affect strategic responses and thus the alignment of their family firms towards exploration or exploitation. When families perceive repeated declines in performance of the firm as a warning sign of future business failure (and thus a threat to any remaining socioemotional endowment of the family firm), family firms will be more likely to engage in risky exploratory behaviour (Gomez-Mejia et al., 2007, 2010).

This notion is based on agency theory and risk portfolio models suggesting that holding investments in a variety of assets is less risky than holding an undiversified portfolio and thus that investors concentrating their wealth in a single asset (such as family firms) will tend to explore and diversify to reduce variance of expected outcomes (Amit & Livnat, 1988; Eisenmann, 2002). Therefore, if families are risk averse, family firms with highly concentrated risk in the family business should tend to explore and diversify to reduce dependence on one revenue stream (Gomez Mejia et al., 2010).

Building on this notion, the behavioural agency model suggests that family firm managers will make decisions depending on the context of the situation and exhibit diverse risk preferences (and thus exploration and exploratory patterns) depending on the existing conditions of the family firm (Wiseman & Gomez-Mejia, 1998; Gomez Mejia, 2007, 2010). Accordingly, loss-averse decision makers will reframe their reality to prevent losses to their accumulated endowment and reassess risk (Wiseman & Gomez-Mejia, 1998). If this is the case, the strategic decisions of family firms may align towards risk averse

exploitative initiatives when there is a positive perception of socioemotional performance (i.e. no perceived risk to family welfare) and towards exploratory risk-seeking initiatives when they perceive negative socioemotional performance (i.e. a perceived threat to family welfare).

Consequently, family firms' strategic decisions to explore and exploit will be influenced by the perceived levels of economic and noneconomic welfare as well as the expected effect of different strategic initiatives on future financial performance of the firm and the family's SEW endowments.

Based on the above discussion this investigation defines family firm performance as follows:

Definition box 3-4. Family firm performance

Family firm performance represents the perceived ability of the family firm to achieve the priority economic and noneconomic objectives of the family.

Perceptions about economic performance are based on financial indicators (e.g. ROI); market indicators (e.g. market share); and noneconomic business performance indicators (e.g. quality of the firms social relations).

Perceptions about noneconomic performance are based on perceived SEW endowments.

The resulting combination of economic and noneconomic performance outcomes determines the perceived level of overall performance of the family firm and informs strategic decisions.

Having clarified the definitions of family firm, familiness and family firm performance, we can now proceed to introduce the family variable into the frameworks developed in Chapter 2 to examine the effect of the family on the ability of the family firm to explore, exploit and become ambidextrous. The revised frameworks are illustrated in the figures below:

Figure 3-2 Family influence on resources and capabilities necessary for ambidexterity

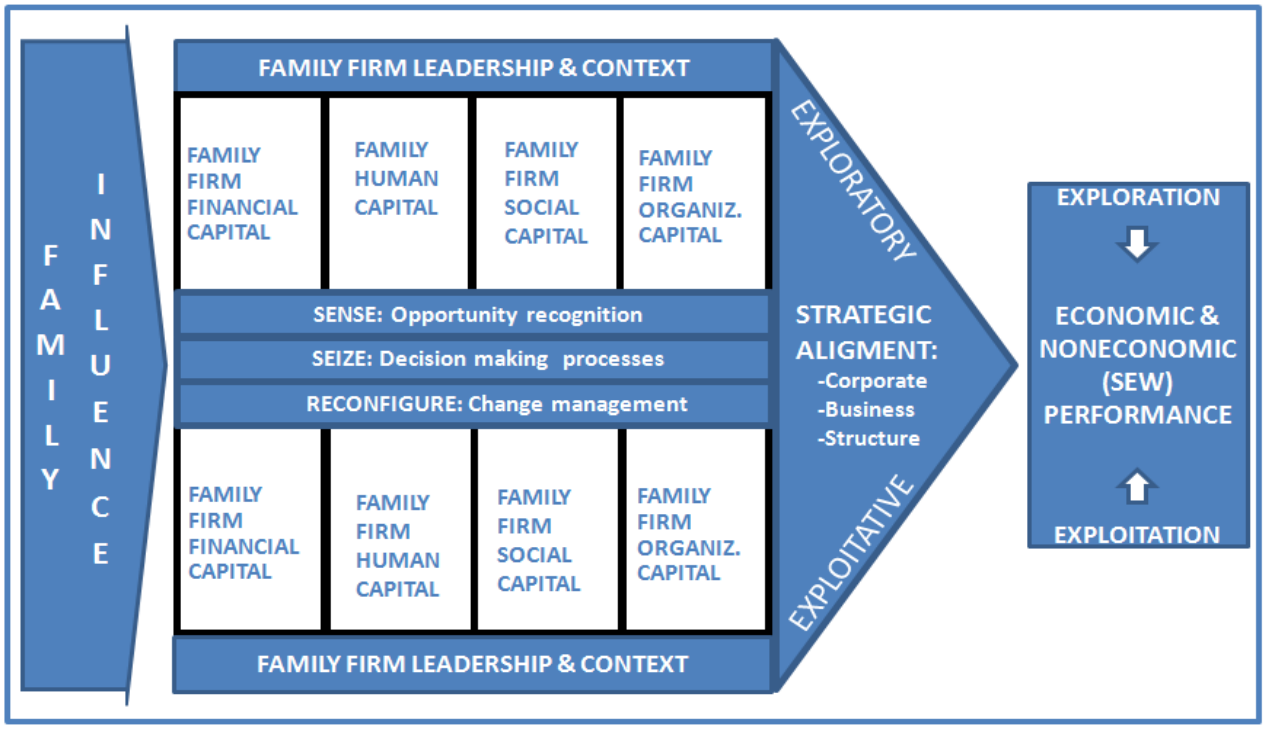
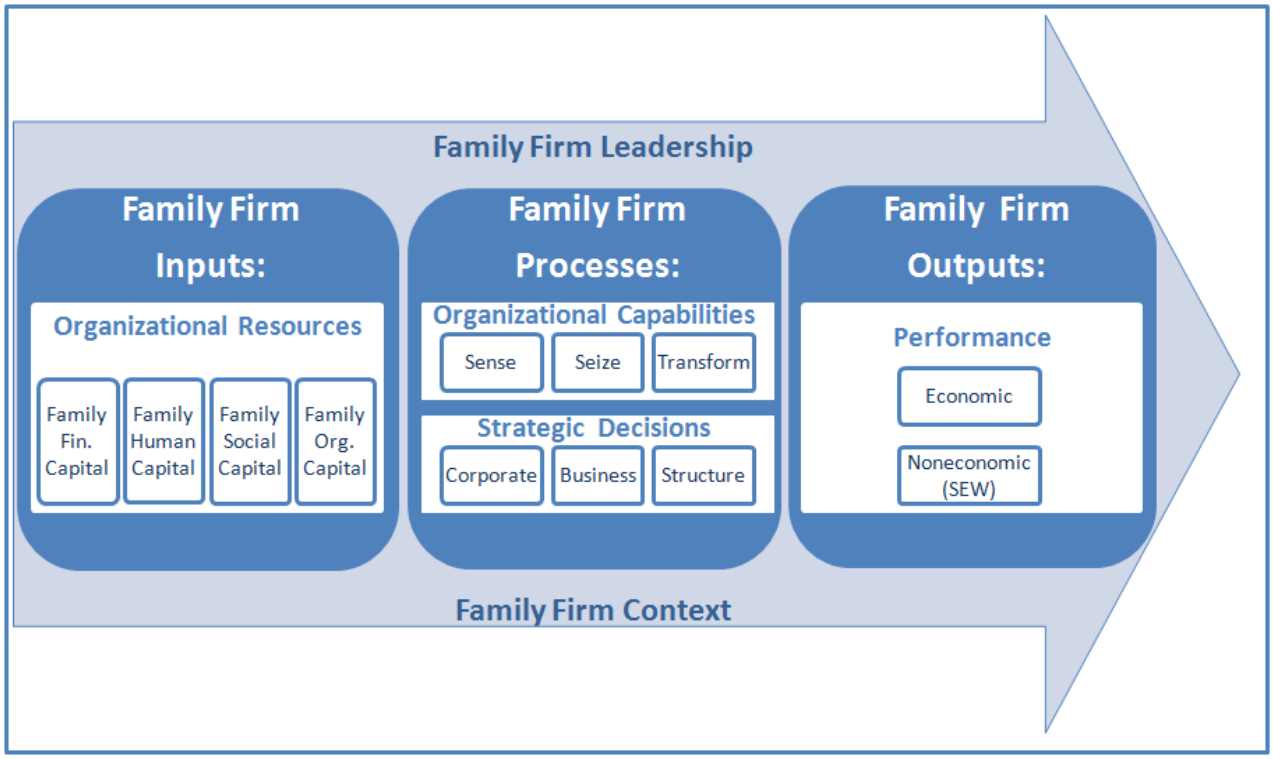


Figure 3-3. Strategic ambidexterity input-process-output view in family firms



Using the above frameworks and building on the findings of the previous chapters, we proceed to examine the family influence on the resources, capabilities and organizational conditions necessary to achieve ambidexterity in family firms and develop the research propositions for our investigation.

3.2 FAMILY FIRM RESOURCES AND AMBIDEXTERITY

In family firms, the family influence can impact both the quantity of available resources as well as particular aspects of different resources (see for example Sirmon & Hitt, 2003; Trevinyo & Tapies, 2006). To examine whether family firms exhibit particular patterns in pursuing exploration and exploitation and developing ambidexterity due to the particularities in their resource base, this section explores the family influence on the resources (financial, human, relational and organizational) available to the firm.

3.2.1 Family financial capital and ambidexterity

In our earlier analysis of financial resources from an ambidexterity perspective we identified financial slack, patient capital, the levels of indebtedness and the attitudes towards risk, as some of the relevant aspects for exploration and exploitation decisions of firms.

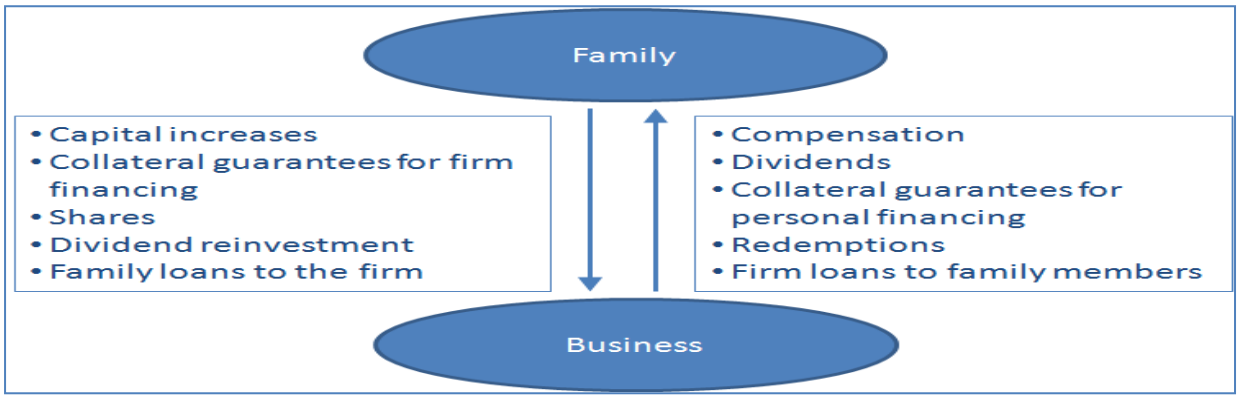
Family members often contribute significant physical and financial assets to the business; the family is frequently the main source of funding for new ventures and is ready to commit additional personal resources to the business in times of need. Family firms with "survivability capital" –the financial resources the family is ready to bring into the business- have a competitive advantage over those firms without access to these resources particularly in difficult times; survivability capital provides a safety net for the business not available to firms with lower levels of loyalty, weaker ties, or less commitment to the firm (Sirmon & Hitt, 2003). Similarly, family firms often turn to the extended family to generate capital to launch new business initiatives contributing to the creation and growth of family businesses (Fukuyama, 1995). More available financial capital can contribute to both exploration and exploitation in family firms.

In addition to the availability of family financial capital for the firm, family firms also benefit from "patient capital" a type of capital that provides a longer-term investment horizon, limits pressures for short term performance and enhances entrepreneurial investment (Sirmon & Hitt, 2003) and thus exploration.

On the other hand, the family can also limit the financial resources available to the business by using business financial assets for personal purposes and limiting access to external sources of funding (Dyer, 2006). In family firms, business and family finances are often intertwined (Ang et al., 2000). While the intermingling of business and family finances is a logical consequence of efforts of owners/managers to maximize the efficiency of capital (debt or equity) used for business and family needs (Haynes et al., 1999), some families tend to draw on firm resources for family needs more than contribute family resources to the business (Haynes et al., 1999). In addition, lack of clarity between business and family finances can limit accountability and increase the risk of family member opportunism (Dyer, 2006).

Whether family influence and control makes a positive or negative effect on the financial capital available to the firm will depend on the balance of inflows and outflows between the family and the business (shown below).

Figure 3-4. Financial inflows and outflows between family and firm



Owners/managers financing business operations with personal savings are often reluctant to add debt burden to family and business systems (Haynes & Avery, 1996; Olson et al., 2003) and tend to meet the financial needs of the firm in a hierarchical manner – using internal equity first, then borrowing from commercial lenders, and, finally, through nonfamily equity (Myers, 1984). Family firms often fail due to insufficient capital and liquidity, and complications from transitions of ownership and management resulting from a misalignment between the needs of financing and financial and business goals of family and firm (De Visscher et al., 1995).

Financial preferences aside, family businesses also face problems with raising money from external sources and have more limited options to raise capital than publicly held companies (Leach, 1999). For example, venture capitalists appear reluctant to take on family firm proposals fearing family conflict, unstable family members or inability of the family to let go (Upton & Petty, 1998, 2000).

Limited access to external sources of funding may explain the inability of family firms to cover the increased needs of the family and the potential growth of business operations in subsequent generations (Gersick et al., 1997; Ward, 1997). Inadequate levels of funding may lead to the loss of potential opportunities and ultimately jeopardize the long term survival of the firm (Sorenson, 2000).

In sum, families can be both a source and a constraint for financial resources both directly by contributing or withdrawing family financial resources to and from the firm, and indirectly by promoting or limiting the firm's access to external sources of funding.

The table below summarizes distinctive and constrictive particularities of family firm financial resources that may affect the decisions of the firm to explore and exploit.

Figure 3-5. Particularities of family firm financial resources

FINANCIAL CAPITAL IN FAMILY FIRMS (+)	FINANCIAL CAPITAL IN FAMILY FIRMS(-)
Patient capital (De Visscher et al., 1995; Dreux, 1990; Sirmon & Hitt, 2003)	Lower financial performance due to preservation (Anderson & Reeb, 2003; Schulze et al., 2001)
Lower Cost of Capital (Aronoff & Ward, 1995)	Difficulty to introduce external stockholders (Andersson & Reeb, 2003)
Pooling resources among family members to start new entrepreneurial activities (Chua et al., 2011; Pearson et al., 2008; Steier, 2007)	Reluctance to take on debt (Haynes & Avery, 1997; Sorenson, 2000)
Survivability capital (Sirmon & Hitt, 2003)	Increasing financial needs of the family in subsequent generations (Ward, 1997)
Lower debt/equity levels (Gallo & Vilaseca, 1996)	Lack of clarity between family and firm finances limits accountability and increases risk of family member opportunism (Dyer, 2006).
More financial independence (Trehan, 2000)	Outflows from the firm to the family (Haynes et al., 1999).
Informal controls lowers costs of financial control (Daily & Dollinger, 1992; Mustakallio et al., 2002; Steier, 2001)	Limited access to external sources of funding (Leach, 1999; Upton & Petty, 1998)

The effects of the family on the quantity of financial resources available of the firm are particularly important for ambidexterity because of the trade-off between investing scarce resources in exploration or exploitation (Lewin & Volberda, 1999; March, 1991). Differences in the availability of financial resources will influence the decisions of family firms to explore and exploit.

The particularities of family financial resources also affect ambidexterity because family attitudes towards spending, risk and time horizons for investment are fundamental for exploration and exploitation decisions. For example, family firms have strong incentives to be efficient and prudent in their use of capital (parsimony) because of the lack of sharing of control (Carney & Gedajlovic, 2003) and the link between investment decisions and the personal wealth of family managers and owners (Carney, 2005), together these characteristics could favor exploitation over exploration.

With regards to risk, traditionally, family firms have been portrayed as risk averse because family members are often large undiversified shareholders (La Porta et al., 1999; Morck & Yeung, 2003; Shleifer & Vishny , 1986); less likely to invest in initiatives with uncertain payoffs (Morck, et al., 2000) and more likely to avoid debt to prevent default (McConaughy et al., 2001). However, more recent research contends family and non family firms maintain comparable equity risks and that those family firms placing more value on the benefits of debt financing than on its costs, will take more risks because they prioritize value enhancing investments over risk avoiding investments (Anderson & Reeb, 2003). This is in

line with SEW arguments that families may be willing to make risky investment decisions to preserve their SEW endowments (Gomez-Mejia, et al., 2007). This debate implies that family firm financial risk taking attitudes vary and that this variation is related to the different preferences and values of the families.

In terms of investment horizon, family firm patient capital may promote family firm exploration to the extent that family firms do not have to respond to inappropriate short term goals imposed by capital market (Dreux, 1990) and can pool patient financial resources from the family to pursue more creative strategies (Kang, 2000).

To sum up, family firms may have a comparative advantage in balancing exploration and exploitation both from having access to additional capital for exploratory and exploitative initiatives from the family and from a longer-term perspective of investment. However, to the extent families pursue risk averse preservation strategies, limit the access of the firm to external capital, and use significant business financial resources for personal purposes, they might be limiting unnecessarily the financial resources available to the firm, restraining growth and the propensity to pursue exploration initiatives necessary to ensure future business success.

Table 3-5. Financial capital exploration and exploitation

FAMILY FINANCIAL CAPITAL & EXPLOITATION	FAMILY FINANCIAL CAPITAL & EXPLORATION
Risk avoiding investment	Value enhancing investment
Parsimony	Family survivability capital
Limited access to external sources of capital	Long term investment horizon (patient capital)

Based on the above discussion on family effects on the financial capital of family businesses we contend that:

Proposition 1: Family firms will be more prone to ambidexterity when they manage financial assets to:

- Leverage survivability capital as well as external financial resources if and when necessary to ensure sufficient resources for exploration and exploitation

- Take advantage of patient capital to pursue exploratory activities

- Manage the financial flows between the family and the business to ensure adequate levels of financial capital are available for exploration and exploitation while satisfying the financial needs of the family

Proposition 2: Family firms will be more prone to ambidexterity when the family manages to balance the financial preferences of the family leading to exploration (patient and survivability capital, long terms investment horizon) with the family financial preference for low risk, parsimony and low levels of debt.

3.2.2 Family firm human capital and ambidexterity

We established earlier that the ability to become ambidextrous may be linked to the development of specific and general human capital and the characteristics of the individuals the firm attracts. In family firms, human capital includes the knowledge, skills and capabilities of family and nonfamily employees and managers as well as family leaders and other family members involved in the business in different roles such as shareholders, board of directors, and family council members.

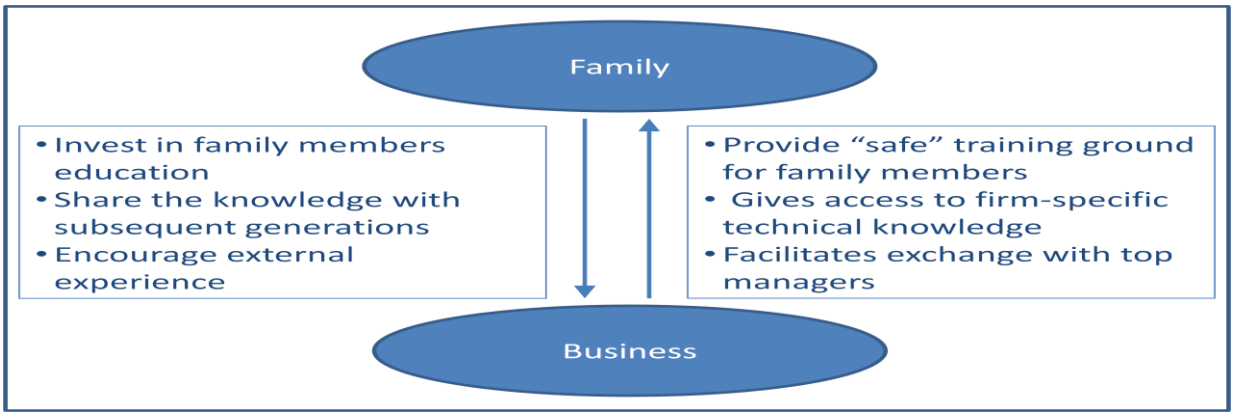
Family members have a dual relationship with the firm and the family. This duality affects both personal and professional interactions and creates a unique context for human capital in family firms (Sirmon & Hitt, 2003). The effects of these particular interactions between family and business can both enhance or hinder the quality and quantity of human capital available to the organization and affect the decisions to explore and exploit and the ability to deal with emerging managerial tensions.

Family firms may have unique human capital for several reasons. First, because the family name often coincides with the business name and thus family members will be more motivated and committed to the business (Rosenblatt et al., 1985; Ward, 1988). Second, because family bonds can inspire loyalty that in turn translates into family members' flexibility regarding work roles and assignments and willingness to work long hours, regardless of the compensation, in order to help the firm succeed (Rosenblatt et al., 1985). Third, because family members early socialization into the business can help them understand the nature of the business and its stakeholders, providing them with hands-on training directly from highly skilled and knowledgeable family leaders (Coleman, 1988; Dyer, 1986, 1994) in a "familial" learning environment where making mistakes is tolerated and encouraged (Trevinyo, 2007). Early involvement of younger family members with the firm develops deep, firm-specific tacit knowledge (Dyer, 2006; Sirmon & Hitt 2003). Tacit knowledge is difficult to codify and can only be transferred through direct exposure and experience (Lane & Lubatkin, 1998), and thus may provide family firms with deeper firm-specific knowledge (Chirico & Salvato, 2008).

In addition, to high levels of commitment from family employees, the intention to maintain the business in the family might translate in significant investment to develop the capabilities of the next generation

(Cabrera-Suárez et al., 2001; Sirmon & Hitt, 2003). The contributions of family and firm to the development of the human capital of family members are summarized in the figure below.

Figure 3-6. Contributions of family and firm to the human capital of family members



From the perspective of nonfamily human capital, the family intention to develop and maintain strong ties, providing a "happy" (Tagiuri & Davis, 1992) "safe" (Miller & Le Breton Miller, 2005) and "just" (Barnett & Kellermanns, 2006) work environment for nonfamily employees may increase the motivation, loyalty and productivity of nonfamily human capital. Indeed, research shows that turnover rates in family firms are lower and thus preserve knowledge and experience within the organization for longer (Miller & Le Breton-Miller, 2003); that family owners' have a more personal relationship with employees and more flexible work practices (Goffee & Scase, 1985) generating higher motivation (Tagiuri & Davis, 1996); and that altruistic behavior towards nonfamily members develops behaviors in the best interest of the firm (Voordeckers, et al., 2010).

On the other hand, scapegoating (Gomez-Mejia et al., 2001), unjust compensation and performance evaluation (Chua et al., 2009), nepotism (Sharma et al., 1997), and family members' sense of entitlement to the job (Van der Heyden et al., 2005) have been shown to be detrimental to the human capital of family firms.

Furthermore, family firms may face challenges attracting and retaining talented managers due to a lack of promotion possibilities (e.g., Covin 1994a, 1994b; Schulze et al. 2003a). In addition, when family firms' recruitment decisions are based on relations rather than merit, they may lead to a less qualified workforce, suboptimal human resource selection (Dunn, 1995; Schulze et al., 2001) and negatively affect the attraction and retention of highly qualified individuals (Covin, 1994a, 1994b; Burack & Calero, 1981; Horton, 1986).

Family firms rarely emphasize outside work experience and university training in promotion decisions (Fiegener et al., 1996) and thus may undervalue well trained managers and fail to incentivize the education and experience of family members within the firm.

Finally, the family offers a very limited pool of potential candidates and thus the family may not be able to supply sufficient talent to the firm. This might be particularly the case in companies requiring highly specialized knowledge or large and growing ventures requiring complex management processes and systems. Coupled with nepotism (Dunn, 1995; Schulze et al., 2001); problems attracting talent (Sirmon & Hitt, 2003); and integrating nonfamily managers into the family firm (Dyer, 1989), it may preclude family firms from recruiting qualified external managerial talent and result in family members holding management positions for which they lack necessary abilities (Schulze et al., 2001; 2003).

The human capital practices of the family firm will determine whether the family develops distinctive and constrictive human capital for the family firm and available for exploration and exploitation.

Figure 3-7. Family influence on human capital

HUMAN CAPITAL (+)	HUMAN CAPITAL (-)
Leadership Development/Empowerment (Fiegener et al., 1996; Handler, 1989, 1992)	Difficulty attracting external talent (Sirmon & Hitt, 2003)
Loyalty , commitment and productivity of employees (Donnelly, 1964; Horton, 1986; Miller & Le Bretton Miller, 2005; Rosenblatt et al., 1985; Ward, 1997; Mazzola et al., 2008)	Nepotist practices in the recruitment and advancement of non qualified family members (Schulze et al., 2001)
Greater investment in capability development (Hoopes & Miller, 2006; Sirmon et al., 2008)	Difficulty integrating external managers (Dyer, 1989)
Lower recruitment costs (Levering & Moscowitz, 1993)	Family talent less competent than potential non family human capital (Schulze et al., 2001)
Stable employment levels in times of crisis (Lee, 2006; Miller & Le Bretton Miller, 2005)	Maintain employment levels in times of crisis (Lee, 2006; Miller & Le Bretton Miller, 2005)
Early family involvement develops deep, difficult to codify firm-specific tacit knowledge (Dyer, 2006; Lane & Lubatkin, 1998; Sirmon & Hitt, 2003)	Family firms tend to overlook outside work experience and university training in recruitment and promotion decisions (Fiegener et al.,1996)

To sum up, the family can contribute to the firm's human capital over generations by encouraging and supporting family members' education as well as their experience outside the family firm and by managing nonfamily human resources appropriately; conversely, they can deplete the human capital of the business through nepotistic hiring and promotion practices and lack on investment in and attention on the education and experience of future generations and nonfamily employees.

In terms of exploration and exploitation, family firms seem to be particularly effective in creating and passing on to the next generation specific human capital of their organization (Lane & Lubatkin, 1998). This knowledge is effective for acquiring and assimilating in-depth knowledge within a narrow scope (Brown & Duguid, 1991) and often related to a functional bias that may reduce the ability of individuals to integrate knowledge beyond their area of specialization (Dougherty, 1992) and likely to lead to exploitation (Kang & Snell, 2009).

On the other hand, family firms limited pool of human resources, nepotistic practices and relative disregard for external experience and training may limit the general human capital of family firms reducing the family firm's ability to explore. Families displaying the above practices may be at a disadvantage for exploration from a human capital perspective because general human capital is more likely to lead to exploration (Kang & Snell, 2009).

At the same time, varied market experience, management experience, and previous entrepreneurial experiences are related to exploratory activities and positive outcomes (Gimeno et al., 1997; Robinson & Sexton, 1994) and family business managers are often serial and portfolio entrepreneurs (Westhead et al., 2005). Furthermore, family businesses often draw from family human capital resources from different generations including family members not directly involved in the operations of the firm (e.g. family council members, shareholders, and the family at large), as well as their personal social networks. When this is the case, family firms can widen their knowledge and experience to identify and pursue exploration.

In fact, family firms with multiple generation family members involved can provide a unique setting for innovation and change by enhancing the diversity in the human capital of the firm (Aldrich & Cliff, 2003; Chirico et al., 2011a,b; Sirmon et al, 2008; Rogoff & Heck, 2003). Therefore the individual traits of family members contributing directly or indirectly to the business may counterbalance the negative effect of human capital on exploration when the family firm can tap into a family human resource pool with varied knowledge, experience and expertise.

To achieve ambidexterity, family firms need to develop specific and general human capitals. Family members are likely to be specialists in the domains of the family firm due to the transfer of tacit knowledge and early introduction into the business; to ensure a balance the family firm needs to make an effort to promote generalist human capital via education and experience outside the firm for family members or hiring nonfamily managers with broad general human capital.

Table 3-6. Human capital exploration and exploitation

FAMILY HUMAN CAPITAL & EXPLOITATION	FAMILY HUMAN CAPITAL & EXPLORATION
Specific knowledge of family members	General knowledge of family individuals
Tacit knowledge of the firm used to improve existing businesses activities	Tacit knowledge of the firm applied to identify new business avenues
Committed and loyal workforce able and willing to develop and apply specific knowledge	Committed and loyal workforce able and willing to develop and apply general knowledge

To sum up, the human resource practices of the family firm can influence the alignment towards exploration and exploitation by shaping the levels of general, specific and tacit knowledge available to the firm, and determining to what extent employees behave as stewards or agents (Gomez-Mejia et al., 2001; Sirmon & Hitt, 2003).

Based on the above discussion on family effects on the human capital of the family firm we propose:

Proposition 3: Family firms will be more prone to ambidexterity when they:

- **Support and encourage the diversity of experience and knowledge of family and non family managers by nourishing the breadth, depth and diversity of the family members' human capital (e.g. investing in their development, encouraging external experience) and open human resource practices that encourage acquisition, integration and promotion of external talent to ensure family business managers have a combination of different types (general & specific) and quality (breadth and depth) of prior knowledge and experience.**

Proposition 4: Family firms will be more prone to ambidexterity when they:

- **Encourage and channel the involvement and contribution of family members from different generations and with different knowledge and experience so the firm can tap and combine the diverse knowledge and skills of family members (e.g. encourage the involvement of different generations, maximize involvement by providing different ways to contribute -boards, family council, family meetings and consultations, advisory groups for different matters depending on interest and expertise of different family members-).**

Proposition 5: Family firms will be more prone to ambidexterity when:

- **The family firm can develop and tap tacit knowledge of family and non family members' (developed through early involvement in the firm and strong bonds) to improve existing business activities and to identify potential new business venues (e.g. by recognizing emerging market trends or stakeholder's preferences due to their in-depth knowledge of their markets).**

3.2.3 Family firm social capital and ambidexterity

Resources emerging from complex social structures built over time are the most valuable and most difficult to imitate (Colbert, 2004; Hatch & Dyer, 2004; Nordqvist, 2005) thus the resource advantage for ambidexterity in family firms may very well be embedded in the ties generated by the family with the family members, the firm and other stakeholders.

Social capital is at the heart of the creation, sustainability and transfer of transgenerational value in family firms (e.g., Salvato & Melin, 2008; Pearson et al., 2008) and enables family firms to develop other forms of capital (Arregle et al., 2007; Davidsson & Honig, 2003; Steier, 2007). As such, social capital may constitute a primary contributor to the ability of family firms to explore, exploit and manage ambidexterity tensions. In fact, research already shows the fundamental role of social capital in the ability of entrepreneurial families to innovate across generations (Hoy & Sharma, 2010).

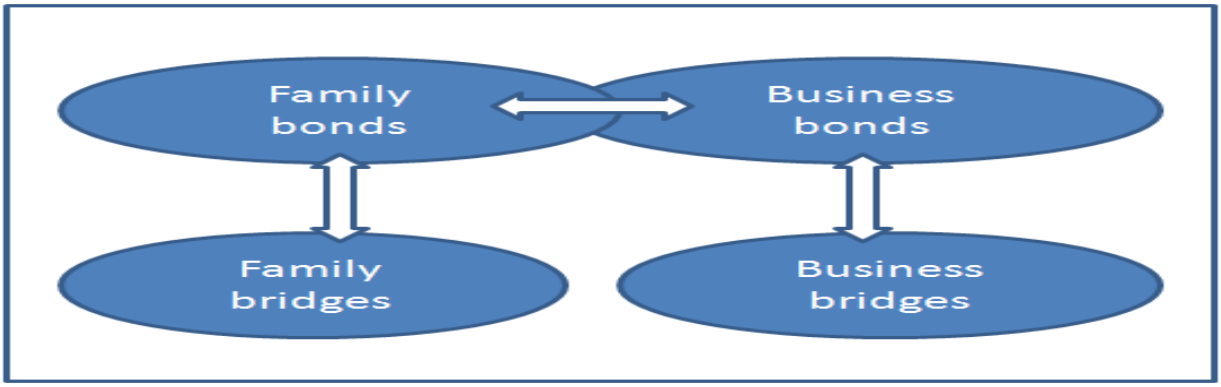
Family social capital is embedded in the relationships among family members; in family firms these relationships are ruled by family norms that create social control, and obligations and collective trust encouraging family owners/managers to perform within those social norms (Pearson et al., 2008). Arregle et al., (2007) suggest family firms benefit from two types of social capital: (1) family social capital resulting from the relationships amongst family members and (2) organizational social capital created through the social relations of and inside the firm. These authors consider family social capital shapes the organizational social capital of the family firm because it constitutes a more powerful form of social capital and define "family social capital" as the particular social capital developed between family members. Other authors define "family capital" as the information channels, network ties, obligations and expectations, reputation, identity, and moral infrastructure of family firms (Hoffman et al., 2006).

In the family firm context, social capital has been explored more as an internal resource emerging from the linkages and bonds between family and family firm members (e.g. Arregle et al., 2007; Pearson et al., 2008) than an external resource of networks and relationships (Sharma, 2008). This internal view of social

capital focuses on the family and/or the business system and the importance of strong ties within the family firm collectivity (e.g., Miller & Le-Breton Miller, 2005; Ward, 2004).

However, both family internal bonds and external bridges are important for family business success (Salvato & Melin, 2008; Sharma, 2008; Steier, 2007). Sharma (2008) proposes to examine four forms of family firm social capital (family bonds, family bridges, organizational bonds, and organizational bridges) to integrate family and business systems as well as internal and external relations. This author suggests considering the flows between family and business as well as between bonds and bridges because the ease of appropriability of capital between family and business can lead to positive as well as negative effects of the family on the social capital available to the family and the firm. This perspective is illustrated in the figure below.

Figure 3-8. Social capital bonds and bridges in family firms



Source: Sharma (2008)

Ambidexterity requires building a careful balance between bonding (essential for information and knowledge transfer and integration leading to exploitation) and bridging social capital (indispensable to access new knowledge and information). In family firms these social ties can be developed (or damaged) by the business as well as the family. The tables below summarize potential positive and negative family influence on bonding and bridging social capital identified in the literature.

Table 3-7. Family influence on bonding social capital

BONDING SOCIAL CAPITAL (+)	BONDING SOCIAL CAPITAL (-)
Greater integrity and commitment to relations (Aronoff, 2004; Denison et al 2004; Koiranen, 2002)	Close ties increase potential for conflict (Davis & Harveston, 2001; Eddleston & Kellermans 2007; Kellermans & Eddleston 2004; Kets de Vries, 1993)
Familiarity with employee values and concerns generates greater trust and social capital among employees (Meek et al., 1988)	Absence of family ties may drive a wedge between family and non family employees (Christiensen, 2002)
Long-lasting relationships with employees increase loyalty and commitment (Le Breton-Miller & Miller, 2006)	Focus on kinship and friendship may limit heterogeneity of points of view and discussion (Anderson et al.,, 2005).

Personal attachment to the owning family increases the duration and strength of relationships of family firms (Dyer, 2006).	

Table 3-8. Family influence on bridging social capital

BRIDGING SOCIAL CAPITAL (+)	BRIDGING SOCIAL CAPITAL (-)
Ability to build alliances with other family firms (Miller et al, 2003; Ward, 1997)	Mistrust of those not part of the family community may limit and weaken partnerships (Dyer, 2006)
Better reputation and credibility enhances ability to build networks and relations (Taiguri & Davis, 1996; Ward & Aronoff, 1991)	Excessively tight networks may limit ability to develop new contacts and expand the network (Fukuyama, 1995)
Shared family values can help build stronger external partnerships (Lyman, 1991)	Focus on kinship and friendship may limit heterogeneity of external partners (Anderson et al., 2005).
Business link to family name attracts customers (Dollinger, 1995; Lyman, 1991).	
Enhanced ability to build relationships due to perception that family members have decision power and can influence decisions (Steier, 2001).	
Incentive of external actors to connect with the family to enhance own status (Seidel et al., 2000; Stuart et al., 1999)	
Long-lasting relationships with stakeholders increase customer loyalty and quality of resources (Le Breton-Miller & Miller, 2006).	

The above findings suggest that internally, strong familial bonds may enhance relationships, integrity and commitment of employees (Aronoff, 2004; Denison et al., 2004; Koiranen, 2002) but can also cause family firms to disregard nonfamily employees (Christensen, 2002) and become a source of family conflict (Davis & Harveston, 2001; Eddleston & Kellermans, 2007). Externally, a better reputation and credibility of family firms can enhance the ability to build networks and relations (Taiguri & Davis, 1996; Ward & Aronoff, 1991). A long term vision can help family businesses establish longer-lasting relationships with stakeholders (Le Breton-Miller & Miller, 2006). On the other hand, networks focused on kinship and friendship may lead family members to mistrust potential partners (Dyer, 2006) and result in networks too homogeneous to provide the necessary diversity of resources and opinions (Anderson, et al., 2005) for exploration and exploitation.

In order to understand this heterogeneous behavior, our investigation examines the different dimensions of social capital -structural, relational and cognitive (Nahapiet & Ghosal, 1998); each of these dimensions of social capital is embedded within the family unit, in the ties between the family and the firm, and in

the relationships the family and the firm establish with external stakeholders, and may contribute in different ways to shape the bonds and bridges of family firms.

In other words, from a social capital perspective the family effect on ambidexterity will depend on how the family affects the nature, diversity and centrality of networks and relationships of the family firm (structural social capital); the prevailing trust, norms, obligations and identity of the family business (relational social capital); and the established values, vision and common language of the firm (cognitive social capital).

Structural dimension of social capital: strong-bonds, weak-ties, network structure/transferability

A variety of scholars highlight the fundamental role of family community and connection in the success/survival of family firms (e.g. Miller & Le-Breton Miller, 2005; Schwass, 2005; Ward, 2004).

Stable management of family firms can facilitate partnerships (Ward, 2004); personal attachment to the owning families may increase the duration and strength of relationships and networks, and facilitate the transfer of social capital to subsequent generations (Dyer, 2006). In other words, family continuity and a long term perspective help families cultivate, develop, nurture and pass on strong and long-lasting relationships and personal connections with stakeholders increasing both loyalty and the quality of resources available to the firm (Le Breton-Miller & Miller, 2006).

As the family's social capital increases by connecting diverse social structures (e.g. family, firm, external stakeholders), the firm can build more effective relationships with employees, suppliers, customers, and support organizations (e.g., financial institutions), while maintaining legitimacy with other constituencies (Lounsbury & Glynn, 2001). In this manner, family firms facilitate access to resources from their constituencies and networks (e.g., knowledge, financial capital) and build the means to communicate the value of the firm's offer to potential customers more effectively.

Connections between family members and influential external actors can allow the identification and pursuit of business ideas and facilitate goal achievement through information benefits, favorable negotiation, influence and power (Adler & Kwon, 2002). At the same time, strong bonds between family members can enhance support and unity around new business ideas, facilitate the emergence of solid networks within the group and help build trust, internal cohesiveness, and agreement around common goals and strategic initiatives (Coleman, 1988).

Recent research finds the structural social capital dimension determines the engagement of family firms with noneconomic goals related to nonfamily stakeholders (e.g. clients, employees, and the society at

large); in particular the strength of the family's emotional ties, openness of communication, and the degree of interest and support that younger generations receive from their seniors, fuel the attention and interest in nonfamily stakeholders needs (Cabrera et al., 2015).

On the other hand, excessive focus of the family on strong ties can risk the formation of over-embedded relationships leading to free riding, parochialism, inertia, resistance to change, unethical behaviors, inefficiencies, and prevent the formation of critical connections for renewal (e.g., Adler & Kwon, 2002; Portes, 1998; Uzzi, 1997) limiting the resources available for both exploitation and exploration but particularly reducing the exploratory prospects of the family firm.

Furthermore, building networks requires significant resources yet network investments will not generate returns when there are significant overlaps in external ties (Burt, 1992; Granovetter, 1973) which is likely to happen in families with tight networks. Furthermore, strong ties may make families more likely to place unprepared family members with extensive social ties in the public eye, where the lack of ability can damage the firm's reputation (Fombrun, 1996).

Fortunately, family firms can reduce the propensity to form excessively tight network and limit their negative effects if family evolution allows for increased interactions and information exchange (Arregle et al., 2007) and family growth results in an expanded network (size/heterogeneity) with a broader range of interests and points of view of family members (Kellermanns & Eddleston, 2007).

In sum, strong and varied networks can promote ambidexterity by enhancing access to resources for exploration and exploitation. However, too much emphasis on keeping tight networks, while producing high levels of cooperation and efficiency enhancing exploitation may hinder change and progress in exploration, and over embedded relationships in family firms may promote behaviors that limit the resources available for both exploitation and exploration.

The above discussion leads to the following proposition regarding the structural dimension of family firm social capital:

Proposition 6: Family firms will be more prone to ambidexterity when they have mechanisms to:

- **capitalize on the strong bonds to improve access to resources in their networks**
- **identify and manage negative behaviors that may emerge from strong relationships**
- **review and expand the size and heterogeneity of their networks**

Relational dimension of social capital in family firms: trust, norms and obligations and identity

Trust

Externally, "trust" in the family name allows family businesses to benefit from the "family connection" to attract customers (Dollinger, 1995; Lyman, 1991) and can be used to influence stakeholders and gain competitive advantage especially in cultures where social standing is highly regarded (Dyer, 2006; Zellweger et al., 2013). In this context, connections with family firm owners may be perceived as status enhancing and thus encourage networking efforts of external actors towards family firms (Seidel et al., 2000; Stuart et al., 1999) expanding the ability of family firms to develop social capital. External trust is related to corporate reputation and addressed further under organizational capital.

Internally, trust is considered a key family firm relational resource (Cabrera-Suarez et al., 2015) and a fundamental basis for information flow, knowledge sharing, and the development of unique capabilities for family firms (Carr et al., 2011; Pearson & Carr, 2011; Pearson et al., 2008). Trust is also critical to the effectiveness of top management teams (De Jong & Elfring, 2010) because high levels of trust between TMT members facilitates the development of unique organizational capabilities in family firms (Brickson, 2005; Cennamo et al., 2012).

Family relationships are based on recurring interaction and interdependence among family members therefore family firms are more likely to have high levels of resilient trust (Arregle et al., 2007; Pearson et al., 2008). Resilient trust is essential for effective collaboration through its effect on information and knowledge exchange and recombination and collective action (Dess & Shaw, 2001; Leana & Van Buren, 1999). High levels of trust and can enhance exploration and exploitation in family firms.

Norms and Obligations

The norms most often found in family firms include collaboration, egalitarianism, and teamwork (Lansberg, 1999), together they can enhance exploration and exploitation because they influence firm-level decision making and create family influence on the firm across generations (Sharma & Manikutty, 2005). In addition to norms, in family firms there are obligations to both the family and the organization (Gersick et al., 1997). Over time, obligations to the family create stability in network ties and enduring social ties and obligations within family firms (Pearson et al., 2008). Enduring obligations can enhance exploitation in family firms because stability can lead to efficiencies. On the other hand, strong, convergent group norms and obligations can generate "groupthink" blocking learning and change (Janis, 1982) which can stifle both exploration and exploitation.

In other words, the prevailing norms and obligations in family firms will determine the positive or negative effect on exploration and exploitation. Family social norms that include openness, teamwork, emphasis on cooperation, disclosure of information, and loyalty to the organization (Starbuck, 1992); as well as openness to diversity, criticism, and failure (Leonard-Barton, 1995) can help family firms offset the tendency to groupthink and promote exploration.

Identity

Perhaps one of the most important aspects of relational social capital for the study of ambidexterity in family firms may be family firm identity. Family identity can be a strong, enduring social force for family firms (Pearson et al., 2008) because both the identity of the individual and the family are closely tied to the family enterprise (Lansberg, 1999).

Family firms' distinctive identities emerge from the overlap of family and business (Barnett et al., 2009; Sundaramurthy & Kreiner, 2008; Tagiuri & Davis, 1992) and the extent of family involvement and influence (Chrisman et al., 2009b; Chrisman et al., 2005). This distinctive identity results from the integration of family and business beliefs originating from kinship, a shared family name and a common history that leads family members to pursue the values and goals of the family firm and to consider the fulfillment of family firm obligations as a source of pride (Sundaramurthy & Kreiner, 2008; Zellweger et al., 2013).

Family and career represent the two most important identities of individuals (Honeycutt & Rosen, 1997; Lobel & Clair, 1992). A strong sense of belonging to the family is tied to family members' self-worth and self-esteem and the perception that the family firm represents an extension of themselves (Dyer & Whetten, 2006). When family members perceive the business as an extension of the family, they work hard to create and maintain a positive organizational identity (Dyer, 2006). When family members see the firm's prosperity as a common family responsibility they contribute more to the firm (Cabrera et al., 2001) and thus to the firm's exploration and exploitation.

Strong family firm identity can promote open communication, build commitment and foster a sense of belonging (Smidts et al., 2001). Family firms with higher levels of family member exchange, (e.g. sharing of ideas, expectations and feedback) are more successful (Kellermanns & Eddleston, 2007) because they are more likely to have a common perspective for the firm (Sorenson et al., 2009). In other words, strong identification can stimulate organizational learning by fostering the acquisition and exchange of knowledge and information enhancing both exploration and exploitation.

Family firm identification can also affect nonfamily employees and external networks. Strong identification with the family firm can promote stewardship behavior of nonfamily employees (Eddleston & Kellermanns, 2007; Karra et al., 2006). Research shows that when nonfamily members become stewards of the family firm they engage in supportive and innovative behaviors (Corbetta & Salvato, 2004) that may enhance both exploitative and explorative activity of family firms.

Furthermore, when family firms identify themselves and other firms as family firms, they often provide social support and information to each other (Arregle et al., 2007; Carney, 2005; Lester & Cannella, 2006). This "family firm network" also creates value for the family firm because it reduces transaction costs and helps diminish uncertainty in new ventures and markets through the support of other family firms (Gallo & Vilaseca, 1996; Lester & Cannella, 2006) and may be particularly helpful for exploratory initiatives of family firms.

Family firm identification can also benefit family firms by creating two distinct images of the family firm: a forward looking risk-taking image based on high expectations of the family for the firm leading firms to exploration; and a backward looking image firm image built on past success and leading to exploitation; combined, this dual images can drive the explorative and exploitative paths of family firms and contribute to ambidexterity (Memili et al., 2010).

Finally, Kammerlander et al. (2012) identify two identity factors that strongly influence family firms' decisions to explore or exploit: the "focus of identity" (how broadly organizational members define the competitive arena of the firm) and the "locus of identity" (the extent to which the organization's identity is centered internally or externally). These scholars find that focus of identity is linked to the degree to which companies engage in domain exploration: organizations with an identity based on a narrow focus tend to stay in their established business domain and are less likely to explore while organizations with an identity based on broader definitions are more likely to explore and create new business domains. Similarly, they find that locus of identity determines how quickly family firms perceive and react to change: externally-focused organizations benefit from early environmental awareness and quick responses to market change; internally-focused organizations suffer delays due to a lack of environmental awareness, a preference for alternatives consistent with the existing firm's identity and a tendency to react only when the threat perception reaches a certain level (Gilbert, 2005; Kahneman & Tversky, 1979).

On the negative side, identification issues include: (1) the overlap family and business roles that may blur the boundaries between competing family and firm identities (Danes & Olson, 2003) and (2) over identification with the firm. Overlapping roles may create conflict if the internalized set of behavioral

expectations associated with the family member roles differ from those of the business manager roles (Cantor & Mischel, 1979). When the behavioral expectations of family and firm are in conflict with each other they complicate management decision making (Sundaramurthy & Kreiner, 2008) causing hesitation and delays in business decisions (Shepherd & Haynie, 2009) and may hinder timely exploration and exploitation. Over-identification in family firms can limit the positive effects on exploration by creating group-think and inertia limiting the ability of the family firm to explore unless it is counterbalanced by a strong culture of openness.

In sum, strong family firm identity may support ambidexterity internally by enhancing commitment, stewardship, collaboration and exchange of information and externally by promoting a positive perception of external stakeholders and providing membership to a "global network of family firms." However, these positive effects will depend on the degree of openness of the family and the locus and focus of the family firm identity.

The above discussion of family firm relational social capital leads to the following proposition:

Proposition 7: Family firms will be more prone to ambidexterity when they manage family influence such that:

- **They can create and capitalize on high levels of trust within and towards the firm**
- **They promote group norms that include teamwork and openness to diversity, criticism, and failure**
- **They build and capitalize on a strong identity that embraces both past traditions and high expectations for the future**
- **The family firm identity's focus and locus allow a sufficient level of environmental awareness and flexibility in the definition of their competitive arena to allow for both exploration and exploitation**

Cognitive dimension of social capital in family firms: values, vision, language and narratives

Values

The literature has long established that family values constitutes one of the most distinct characteristics of family firms (i.e. Aronoff & Ward, 2000; Klein, 1991; 2008; Koiranen, 2002; Tapies & Ward, 2008; Ward, 1987, 2011) and constitute particularly valuable idiosyncratic resources for family firms because

values are the most difficult resource to imitate (Tapies & Fernandez, 2012). In fact, family firm values tend to be unique because they are embedded in the unique history of the family (Ward, 2008).

Values in family members emerge overtime as a combination of the influence from parents and peers (each with their particular value sets), personal development and experience over time (Klein, 2008); these values influence attitudes which in turn lead to behavior and experience (Klein, 1991).

Family ownership implies that strong family values held by the founding family are likely to be transferred and transmitted to the business and adapted to the changing times by subsequent generations (Ward, 2008). Shared values enable family members to derive satisfaction and meaning from preserving transgenerational relationships, pursuing common goals and long-term commitment to the firm (Aronoff & Ward, 2000).

A family's internal understanding of their values strongly determines the behaviors that will be acceptable or unacceptable in their organization and thus the family's value system drive business strategy, organizational structure, corporate culture, governance, commitment, and leadership style (Gersick et al., 1997). Family firm values also provide the foundations for decision-making processes, work performance, long-term vision and attitude towards change (Aronoff & Ward, 2000), and permeate all other aspects of the family firm (Ward, 2008).

Family values permeate family firms because family members often have privileged long lasting positions in the firm and transmit their own values to the firm; for example, family members (i.e. founders and managers) often design human resources practices (e.g. selection, promotion and compensation policies) to reflect their own values and therefore influence the values of the firm through the selection and promotion of employees; selected employees share and support family values and goals and promote those same values throughout the firm (Arregle et al., 2007). At the same time, families who own and manage their firms may be more familiar with employee values and concerns and thus better able to address them generating greater social capital among employees (Meek et al., 1988).

Scholars highlight the heterogeneity of family business values and note that: diverse family values generate different levels of commitment in family firms (Klein, 2008; Sharma & Irving 2005); can contribute to family firm success lowering agency costs or hinder performance by encouraging nepotism (Dyer, 2006); and can lead the family firm towards a business trajectory more aligned with exploration and innovation or exploitation and tradition depending on the salient core values of the family (see for example Aronoff & Ward, 2001; Tapies & Ward, 2008; Koiranen, 2002).

The table below summarizes different family firm values identified in the literature.

Table 3-9. Family business values

FAMILY BUSINESS VALUES IN THE LITERATURE				
Dumas & Blodget (1998)	**Aronoff & Ward (2001)**	**Koiranen (2002)**	**Klein (2008)**	**Ceja & Tapies (2011)**
Quality	Accountability	Honesty	1. Compliance driven (duty, obedience, loyalty, discipline, stability, clarity, one truth)	Generosity
Commitment	Collective good	Credibility	2. Profit driven (productivity, personal esteem, image, competition)	Humility
Social responsibility	Adding value	Obeying the law	3. Care driven (harmony, equality, consensus, honesty, openness, trust)	Communication
Fairness	Ethical conduct	Quality	4. Systemic driven (insights, tolerance, integrity, long term orientation)	Service
Respect	Openness	Hard work		Integrity
Honesty	Practical realism	Responsibility		Respect
Trust	Self-reliance	Stress tolerance		Customers
Reputation	Justice	Caring for personnel		Quality
Truth	Social purpose	Innovation		Responsibility
	Trust	Respect for tradition		Excellence
	Stewardship	Fairness		Teamwork
	Entrepreneurship			Care for people
	Value & Care of stakeholders			Innovation
				Employees

Some of the above family values may be clearly linked to exploration (e.g. entrepreneurship, innovation) while others are closely linked to exploitation (e.g. quality, respect for tradition, practical realism), yet, because most values of family firms relate to profound ethical and moral principles (e.g. generosity, humility, honesty, respect, responsibility) most family firm values could easily support both exploratory and exploitative behavior and thus promote ambidexterity in family firms.

To examine this heterogeneity, Garcia-Alvarez & Lopez-Sintas (2001) classified family firm values and found that those values aligned with group orientation and views of the business as means correspond with firm trajectories that maintain the status quo and stay close to the family tradition; while values related to a view of the business as an end and self fulfillment correlate with higher risk taking behaviors and innovation.

Finally, a number of researches agree that family values stand at the origin of goal formulation processes in family firms (e.g. Aronoff & Ward 2001; Bjornberg & Nicholson, 2007; Chrisman et al., 2003b; Distelberg & Sorenson, 2009) therefore values will influence the priority goals of the organization and in doing so shape the decisions of the family firm to explore and exploit.

Vision

In addition to values, research identifies the "shared dream" or "vision" (Lansberg, 1999; Chrisman et al., 2003a; Chua et al., 1999) emerging from the family values as the essence of family firm providing the "meaning and psychological content where specific goals can be organized and prioritized" (Lansberg, 1999, p.75).

The family vision firm emerges overtime through the interaction of the family and the firm; and provides the reasons for the continuity of the family business (Lansberg, 1999). This shared vision for the family and for the firm creates a collective understanding about how to collaborate to achieve priority family goals (Ward, 2011).

In sum, family values and vision drive the alignment of strategic decisions of family firms towards exploration and exploitation because strategic decisions reflect the desires and biases of the family; these embedded values lead the strategy-selection process of family businesses because families will tend to select strategic options consistent with the family's values and vision (Ward, 2011).

A compelling family vision for the future is particularly important for exploration efforts (Moller et al., 2002) because exploratory objectives have a longer term horizon. Furthermore, a strong shared family vision can enhance collaborative behaviors that may result in the generation of more exploratory and exploitative opportunities (Jansen, et al., 2008; O'Reilly & Tushman, 2008).

Languages and narratives

Family firms are known for keeping the values and vision of the family firm through stories that "convey a profound explanation for why continuing the business is important to the family" (Lansberg, 1999, p. 76). The use of stories and a private language in family firms enhances communication allowing efficient exchange of knowledge (Tagiuri & Davis, 1996; Cabrera-Suarez et al., 2001); helps develops idiosyncratic knowledge that remains within the family and the business across generations (see Coleman, 1988; Bjuggren & Sund, 2001; Cabrera-Suarez et al., 2001; Kellermanns et al., 2004); and encourages ideas exchange and mutual learning across generations (Handler, 1991; Cabrera-Suarez et al., 2001; Kellermanns & Eddleston, 2004).

To summarize, the strong cognitive components of family firms' social capital (values, shared vision, languages and narratives) highlight the importance of the family in creating a shared cognitive frame of reference (Cohen & Levinthal, 1990; Grant, 1996; Nonaka, 1991) that can facilitate ambidexterity by

promoting both exploration and exploitation through improved knowledge sharing or introduce inertial forces through the institutionalization of strong perception biases that block new knowledge.

In other words, family firms will have an advantage towards achieving ambidexterity when the family values support both exploration and exploitation; the family vision for the firm supports those values; and the language and narratives used within the family firm do not introduce strong perception biases.

The above discussion leads to the following research proposition regarding family firm cognitive social capital:

Proposition 8: Family firms will be more prone to ambidexterity when the family influence contributes to:

- **Developing family firm values supportive of both exploration and exploitation**
- **Establish a strong shared long term family vision**
- **Creating and maintaining a family firm language and stories that facilitate the development of common cognitive frameworks that are open and flexible.**

3.2.4 Family firm organizational capital and ambidexterity

Our examination of ambidexterity from a resource perspective highlighted internal procedures and corporate culture as two important dimensions of organizational capital. In addition to these, family firm literature emphasizes reputation as a positive organizational resource that contributes to family firms' sustained competitive advantage (e.g. Craig et al., 2008; Hoffman et al., 2006).

Internal procedures

Family firms develop idiosyncratic internal procedures based on particular propensities for personalism, parsimony, and particularism of family firm managers (Carney, 2005) as well as the necessity to safeguard and transfer knowledge for generations while adding new knowledge gained through education and personal experience within and outside the family firm (Cabrera-Suarez et al., 2001; Chirico & Salvato, 2008; Kellermanns & Eddleston., 2004). These idiosyncratic family procedures can either bias the firms activities to focus on what has previously proved useful (Lyles & Mitroff, 1980) and areas closely related to preexisting activities leading to exploitation, or seek to improve the quality of the repositories of codified information and knowledge through flexible mechanisms that feed and update those repositories and facilitate exploration (Martin & Mitchell, 1998).

In other words, to promote ambidexterity families need to establish and support procedures and practices that value earlier generations' accumulated knowledge and contributions and respect

established work methods and practices; provide suitable preparation for members of the family; and promote the acknowledgement of successor's achievements and appreciation for new management approaches (Cabrera-Suarez et al., 2001), because these practices and procedures can replenish, increase, and upgrade the knowledge available to the firm (Habberson & Williams, 1999).

The above discussion leads to the following research proposition regarding the internal procedures component of family firms' organizational capital:

Proposition 9: Family firms will be more prone to ambidexterity when the family influence contributes to:

- **Develop internal rules that contribute to managing, preserving and applying relevant existing business knowledge to exploitation and exploration**
- **Establish practices that encourage and embrace the approaches and contributions of different generations**
- **Support flexible internal procedures that facilitate the incorporation and integration of established organizational rules with emerging business practices**

Culture

Family business culture is distinct and difficult to imitate (Denison et al., 2004; Zahra et al., 2004). Every family constructs its own family model based on shared beliefs about the world; this model influences the way problems are solved and the meaning family members attach to situations and relationships, and shape not only the family's culture "but also the culture of the business owned and managed by the family" (Walsh, 1994, p. 191).

The preservation of culture requires effective transmission mechanisms. The family is "the most reliable of all social structures for transmitting cultural values and practices across generations" (Gersick et al., 1997, p. 149). Therefore the dominant culture of a family firm is the result of beliefs, values, and goals rooted in the family, its history, and its social relationships; the close connection between business and family; the inseparability of the professional and private family and business roles; and the transmission of these beliefs and values over generations (Walsh, 1994).

Although some scholars warn about the dangers of focusing solely on the founder when examining organizational cultural development (Hollander& Elman, 1988; Schein, 1983, 1995), founders do play a fundamental role in establishing the culture of the family firm (e.g. Eddleston, 2008; Harvey & Evans, 1994; Schein, 1995; Dyer, 1986; Kets de Vries, 1996; Gersick et al., 1997). This long lasting influence of

the founder combined with the presence of family members in key managerial positions contribute to strong long-lasting family business cultures.

Family firms with strong commitment and stewardship cultures have greater strategic flexibility: while both a culture of family commitment to the business and a stewardship culture have a positive influence on strategic flexibility, the interaction of both (family commitment and stewardship) further enhance the strategic flexibility of family firms (Eddleston, 2008; Zahra et al., 2008). This implies that family firms with a combination of stewardship and family commitment cultures may find it easier to explore and exploit simultaneously.

Other authors find that exploration in family firms requires an organizational culture that is both explicit and open, in other words, a culture where values and ideas are clearly expressed, openly discussed and experienced by individuals at all levels of the firm (i.e. explicit), and that actively encourages new, challenging, and radical ideas and approaches that allow for double and triple loop learning (i.e. open) (Hall et al., 2004). In practical terms this means that family members need to: (1) use their privileged positions to create an organizational environment where individuals can express ideas and criticism; (2) foster good interpersonal relations within the family and between family and employees; and (3) involve a wider and diverse group of individuals in decision making processes and in defining and challenging the existing reality of the organization. (Hall et al., 2001; Melin & Alvesson, 1989; Schoenenberger, 1997).

In addition to the above, Zahra et al. (2004) identify four distinct cultural dimensions that may be particularly linked to the exploratory/exploitative behavior of family firms, namely, group orientation, internal focus, long-term orientation and a preference for centralization.

Group orientation

Group orientation as integral part of the family firm culture can lead employees to behave altruistically towards each other (Lubatkin et al., 2005; Schulze et al., 2003b; Schulze et al., 2001) and to share the family objectives lowering family firms' governance costs (Sirmon & Hitt, 2003). Group orientation fosters a sharing culture enhancing interaction, communication, and knowledge transfer, which in turn, encourages exploratory behavior and learning (Damanpour, 1991; McDermott, 1999; Menzel, 2008). A sharing culture that allows for the transfer of tacit and explicit knowledge promotes different levels of creativity and can fosters exploitation as well as exploration.

Group orientation is closely linked to social capital; however, one aspect of this dimension of culture that is of particular interest to ambidexterity is the degree to which the family firm culture allows for individualism. Family firms with strong individualistic orientation may stimulate exploratory initiatives as

a result of increased autonomy of managers and employees but may find these initiatives hard to implement due to lack of cooperation emerging from individualism that may hinder exploitation (Zahra et al. 2004). On the other hand group oriented family firms benefit from enhanced collaboration, teamwork and knowledge exchange and recombination that can have a positive influence on both exploration and exploitation. Therefore ambidexterity in family firms may flourish when the family firm culture allows for some individualism (Morris et al., 1993) while keeping emphasis on collaboration (Zahra et al., 2004).

Internal focus

An organizational culture with strong internal focus develops knowledge and expertise within the boundaries of the firm (Miller & Le Breton-Miller, 2006b; Zahra et al., 2004). Family firms' appointment practices based on kinship and friendship (Schulze et al. 2001, 2003) may reinforce this internal focus. In terms of ambidexterity, internal focus may be beneficial for exploitation and have a positive effect on efficiency and thus on short term firm performance. However, excessive internal focus may have a negative effect on exploration and long term performance if it keeps the firm isolated from external ideas, new ways of thinking and limits exploratory initiatives (Schulze et al., 2002). This is consistent with the earlier discussion about the locus of identity.

Internal focus can make family firm culture highly resistant to change (Dyer, 1986; Gersick et al., 1997; Harvey & Evans, 1994; Schein, 1995), for this reason some authors suggest family firms will benefit from the combination of open culture and a certain level of external orientation to encourage exposure of the organization and its members to diverse sources of knowledge and promote exploratory initiatives (Hall et al., 2001; Konig et al., 2013; Zahra et al., 2004). In this context, developing an open culture is especially important for ambidexterity in family firms because the strong influence of founders coupled with long tenures of top managers increase the likelihood of an inward culture (Westhead & Cowling, 1996) leading to exploitative alignment.

Long-term orientation

Long-term orientation refers to an organizational culture that favors patient investments (Eddleston et al., 2010; Zahra et al., 2004). Family firms often focus resource investments on optimizing long-term value (Anderson & Reeb, 2003; Le Breton-Miller & Miller, 2005; Sirmon & Hitt, 2003).

A long-term orientation is fundamental for stewardship behavior in family firms (Davis et al., 1997; Miller et al., 2008) and may explain why some family firms are more likely to invest in exploration (Zahra et al., 2004, 2008) and favor long-term performance over short-term results. Continuity of business goals across generations coupled with deep connections between family members allow for long-term planning and

risk taking necessary for exploration (March, 1991; Zahra, 2005) and the desire to sustain the firm for future generations may push family firms to seek exploration to promote growth (Eddleston et al., 2008).

Multigenerational stewardship behavior in family firms promotes investment in R&D, the development of new products and the pursuit of new markets (Miller & Le Breton-Miller, 2005, 2006); high performance of exploratory initiatives (Eddleston et al. 2008a; McCann et al. 2001); competitive aggressiveness and innovativeness of family firms (Eddleston et al. 2008b).

A long term horizon allows family firms to pursue entrepreneurial opportunities that short-term oriented competitors pass by and the creation of long term profitable portfolios (Lumpkin et al., 2006; Sieger et al., 2011; Zellweger, 2007). Furthermore, in the presence of a threat of imitation, a long term orientation allows family firms to invest more than their competitors in R&D activities with longer-term prospects (Sirmon et al., 2008).

In other words, the long term focus of family firms should enhance their exploratory behavior contributing to the success and survival of the family firm across generations (Zahra, 2005; Zahra et al., 2004).

However, not all family firms show the same emphasis on the long term. The indicators family firm managers use to assess performance can provide clues about the time orientation of their firms (Zahra, 2004). Family firms that concentrate on year on year financial indicators (e.g. net income, return on equity, sales) tend to have a shorter term orientation; family firms with longer timeframes tend to focus more on strategic indicators (e.g. customer satisfaction, patent registrations, quality standards) (Barringer et al., 1999; Hoskisson & Hitt, 1988). Strategic performance indicators have been positively linked to entrepreneurship (Zahra et al., 2000, 2004). Fast-growth, high-performing family firms have been found to have longer-term goals and to place more importance on long-term financial performance and strategic indicators (McCann et al., 2001).

Furthermore, although most authors agree with the notion that family firms with a long term cultural orientation favor exploration in family firms, a few scholars suggest that reliance on long-term planning may run counter to the proactive nature to exploration (e.g. Barringer & Bluedorn, 1999); and others suggest that long term investments of family firms can be directed both at capability creation (exploration) and the refinement of central competencies (exploitation) of the family firm (Le Breton-Miller & Miller, 2006) suggesting an ambidextrous alignment of long-term investments of family firms.

The above discussion leads to the following research proposition regarding the culture component of family firms' organizational capital in family firms:

Proposition 10: Family firms will be more prone to ambidexterity when the family influence contributes to develop an organizational culture that:

- **Enhances family commitment to the business and a stewardship behaviors**
- **Emphasizes group collaboration and harmony while allowing for a certain degree of individualism**
- **Balances internal organizational focus with an open organizational culture**
- **Promotes the natural tendency towards long term orientation and balances long term investment on capability creation and the refinement of existing competencies**
- **Limits excessive centralization and reliance on one (or a few) family managers**
- **Shows openness and flexibility towards changing the "founder's or owner's way of doing things"**
- **Promotes collaboration and inclusion to manage the needs and demands of a growing number of owners and distinct family lines to maintain the long term orientation of the firm**

The last dimension of family firm culture identified by Zahra et al. (2004), "preference for centralization", is closely linked to organizational structure and we discuss it in the next section.

Organizational structure

Founder and family CEOs share some characteristics that influence their organizations; among the most relevant for organizational structure is a relatively strong need for control that translates into a resistance to delegate power, a high degree of centralization and a preponderance of the CEO's beliefs and ways of thinking (Kets de Vries, 1996).

Family firm managers have substantial power because they derive legitimacy from the family and the business; in other words, the power and authority of family leaders comes from the formal organizational hierarchy as well as ownership and having ultimate decision making ability (Hall et al., 2001). As a result, family firms tend to centralize operations which may have a negative effect on exploration (Hall et al., 2001; Zahra et al., 2004). This negative effect may be further accentuated by long tenures of family CEOs that embody this centralized power for long periods of time.

Centralized family organizational structures that place power in the hands of one or a few family individuals may introduce rigidities in the family firm structure; limit the emergence and exchange of exploratory initiatives; and hinder support for exploratory ventures (Zahra, 2004). In contrast, decentralized organizational structures encourage coordination and flexibility; promote independent contributions of employees; enable independent initiative and encourage new ideas; and are more sensitive and responsive to change (Kanter, 1983; Pinchot, 1985; Zahra, 2004).

At the same time, family businesses are said to have informal organizational structures that allow quick and intuitive decision making (Carney, 2005; Hall, 2003) which may promote exploration (Lumpkin & Dess, 1996). Furthermore, family firms with formalized governance mechanisms, particularly those that encourage the contributions of nonfamily board members, may be better able to reinvent the family business overtime (Poza, 1988); however, empirical research finds no support for the hypothesis that nonfamily board members promote renewal of family firms (Brunninge & Nordqvist, 2004).

The above discussion on organizational structure leads to the following research proposition regarding organizational capital of family firms:

Proposition 11: Family firms will be more prone to ambidexterity when the family influence contributes to develop organizational structures that:

- **Combine centralized family organizational structures with informal organizational structures that allow quick and intuitive decision making**
- **Provide mechanisms to manage the growing complexity of ownership structures**

Corporate reputation

A firm's reputation represents how much constituents admire that organization as opposed to others and encompasses the favorable expectations of stakeholders' regarding the firm (Deephouse & Carter, 2005; Deephouse & Jaskiewicz, 2013; Pfarrer et al., 2010). A favorable reputation can provide a competitive advantage to firms (Fombrun & Shanley, 1990) and has been shown to improve financial performance (Barney, 1991; Deephouse, 2000; Rindova et al., 2005; Roberts & Dowling, 2002) and other key performance indicators of family firms (Zellweger & Kellermanns, 2008).

Reputation represents a positive organizational resource for family firms (e.g. Aronoff & Ward, 1995; Craig et al., 2008; Deephouse & Jaskiewicz, 2013; Hoffman et al., 2006); constitutes an important dimension of "family capital" (Hoffman et al., 2006); and contributes to the survival and prosperity of family firms (Aronoff & Ward, 1995). Stability and continuity of ownership can promote reputational resources in family firms because reputation is closely related to the ownership of the firm that creates

that reputation and changes in ownership often erode its value (Grant, 1991). Long-term orientation and long term tenure of family members also contribute to families' investments on building positive organizational reputations (Gomez-Mejia et al., 2001; Ward, 2004; Ward & Aronoff, 1991).

Family firms have better reputations than nonfamily firms (Berrone et al., 2010; Deephouse & Jaskiewicz, 2013; Dyer & Whetten, 2006; Zellweger et al., 2013). Family businesses generally pay more attention to reputation (Ward, 1997) because poor firm reputation can spill over to the family, the family managers and the family name (Dyer & Whetten, 2006; Fischer & Reuber, 2007); and because families have deep emotional investments in their companies and cannot leave the family or easily switch companies in case of negative corporate reputation (Bubolz, 2001).

The reputation of family firms makes these organizations be perceived as more trustworthy (Ward & Aronoff, 1991) and less risky (Short et al., 2009) because the family owns the business and organizational failure comes at a high personal cost (Gedajlovic et al., 2004; La Porta et al., 1999; Schulze et al. 2003). Since the risk of failure concerns customers, suppliers and financial institutions alike, a more trustworthy and less risky reputation may enhance the ability of the family firm to attract resources and conduct its business successfully (Deephouse & Jaskiewicz, 2013).

The association of the family name with a product or service provides unique motivation to maintain and continuously improve the family firm's offerings (Huybrechts et al., 2011; Cooper et al., 2005). This motivation exists even in family shareholders not closely involved with the firm because they can take pride in being part of the ownership of the family firm and benefit from the status of this association (Thomas, 2009). Emphasis on reputation in family firms can increase collective awareness among employees and improve performance (Craig et al., 2008). This combination of motivation and awareness can lead to a virtuous cycle of search for excellence, better reputation and additional motivation to improve and innovate and thus promote the desire and intensity of both exploration and exploitation in family firms.

Enhanced awareness and motivation coupled with positive effects of reputation on available organizational resources may compound the ability of family firms to explore and exploit. Indeed, a positive reputation may allow family firms to charge price premiums and attract better employees, as well as provide access to capital markets and investment (Rindova et al., 2005). Reputation can also create a strong barrier to entry because it is difficult to imitate; depreciates slowly; and is robust against environmental turbulence (Grant, 1991; Fombrun & Shanley, 1990; Herremans et al., 1993; Landon & Smith, 1998; Roberts & Dowling, 2002). Thus, reputation can provide family firms with a buffer in difficult

times diminishing the intensity of declines in investment in exploration and exploitation during economic downturns.

Miller & La Bretton-Miller (2005) show that successful family firms invest heavily in creating and maintaining a strong and positive reputation built on the families' long term search for unique and outstanding offers based on unsurpassed quality, product performance, speed, innovation and/or cost. These authors show family firms can build exceptional reputations based on exploration, exploitation or both. For example, they describe "brand builders" as those family firms that build their reputation on efficiency (exploitation) and distinctive products (exploration/exploitation); "craftsmen" as perpetually improving processes and offers (exploitation) and in search for exceptional quality (exploration/exploitation); "operators" as relying on efficiency (exploitation); and "innovators" as family firms in continuous search for incremental (exploitation) as well as path breaking (exploration) innovation.

In other words, an unwavering search for a positive reputation in family firms can become an engine for exploration and/or exploitation depending on the values and the long term strategy of the family firm and contribute to family firm ambidexterity. Therefore we propose:

Proposition 12: Family firms will be more prone to ambidexterity when the family strives to contribute to developing a strong favorable corporate reputation, particularly if the family reputation is built on a long term search for delivering outstanding offers to their markets.

The previous sections identified specific features of family resources associated with ambidexterity. To result in ambidexterity, these resources need to be combined through sensing, seizing, and transformation processes (Teece, 2007).

3.3 DYNAMIC CAPABILITIES IN FAMILY FIRMS AND AMBIDEXTERITY

According to Teece et al., (1997), three factors determine the creation and evolution of dynamic capabilities: positions, paths and processes. Positions refer to the resource endowments, i.e. the specific assets of the family firm we just examined. Processes determine how things are done and include sensing, seizing and reconfiguring practices, i.e. the routines and processes leading to the coordination and integration of resources and to the transformation, reconfiguration and redeployment of resources and are addressed in this section. Paths refer to the strategic alternatives and opportunities available to the firm as well as its path dependencies that shape the patterns and preferences for the sensing, seizing and reconfiguring processes and are discussed in section 3.4.

Family businesses' dynamic capabilities develop through a combination of powerful ownership, strong family values and continuous investment and learning; a preference for family control that creates resource surpluses and allow for long term investments in capability development; a long time horizon of CEOs; continuous reinvestment in human capital resources; and unique governance conditions (Hoopes & Miller, 2006; Le Breton-Miller & Miller, 2006).

Family capabilities determine how firm resources are managed, integrated, and deployed effectively to explore and exploit (Hitt et al. 2001; Penrose, 1959; Sirmon & Hitt, 2003), these capabilities can promote the capacity of family firms to sense and seize strategic opportunities as well as reconfigure assets in order to maintain competitiveness in the face of change (Cabrera et al., 2011; Salvato, 2009; Teece, 2007). Constant social interactions of the family influence the ability of family firms to recombine their strategic resources in line with the evolving needs of the business and the environment and the processes through which family firms explore and exploit in response to those internal and external changes (Salvato & Melin, 2008).

Family firms rely on heavily path dependent abilities shaped by the social interactions and cognitive attitudes of the family (Chirico & Salvato, 2008; Koiranen & Chirico, 2006). Dynamic capabilities lie with the organizational "patterns of current practice and learning" (Teece et al., 1997, p. 518). Since learning is often local, "history" determines the specific attributes of organizational capabilities as well as the ability of the firm to adapt; therefore, founding conditions, pre-founding experiences and abilities of founders will play a significant role in capability creation and may enhance or constrain the firm's dynamic capabilities (Teece et al., 1997, Helfat & Liberman, 2002).

Furthermore, the preponderant role of family owners/managers in capability development implies that the characteristics of founder and founding families can have a significant effect on sensing, seizing and reconfiguring abilities of family firms. Founders have profound and lasting influence on capability development even after retirement; this influence is so strong that even new management teams are often unable to overcome it and fail to adapt to changes in the environment (Tripsas & Gavetti, 2000).

Family firms display knowledge-creation, knowledge-manipulation and knowledge-recombination practices and configurations that are family-specific (Miller & Le Breton-Miller, 2005). Involvement of family owners in the management of business influence both the knowledge available and the knowledge sharing practices that may enhance the capabilities of these firms to identify and pursue opportunities (Zahra et al., 2006, 2007; Helfat et al., 2007; Newey & Zahra, 2009; McKelvie & Davidsson, 2009). Family firm managers must integrate opportunity and advantage seeking behaviors to develop business models

that take advantage of the family resources effectively to create wealth (Sirmon & Hitt, 2003) and adapt to changing environments (Chirico & Salvato, 2008; Koiranen & Chirico, 2006).

Family firms can take advantage of long-term family investment to explore and exploit successfully when they combine governance mechanisms with knowledge practices (Le Breton Miller & Miller, 2006). For example, families can capitalize on family voting control to reduce short-term pressures for returns from rapid profit seeking stockholders to embrace long term exploratory investments (Le Breton Miller & Miller, 2006) and use board membership to minimize the threat of self-serving behaviors and family conflict and to maximize external input and avoid entrenchment of family managers (Anderson & Reeb, 2004). However, this potential advantage for exploration from long-term family investment may not be possible in dynamic environments (Henderson et al., 2006) unless family investments are knowledge-based (Le Breton-Miller & Miller, 2006).

Inherent characteristics of the family encourage knowledge integration process that helps family firms explore and exploit to adapt to changing environments; knowledge integration of family firms depends on a combination of internal social capital, affective commitment to change, and the level of relational conflict (Chirico & Salvato, 2008). On the positive side, internal social capital increases mutual understanding between family members and affective commitment to change provides emotional support for knowledge integration enhancing the ability of the family firm to adapt. On the negative side, relationship conflicts create a barrier to knowledge integration and adaptation because family members focus on conflict rather than on bringing together their knowledge to sense and seize opportunities and adapt to the environment (Chirico & Salvato, 2008).

In other words, family firms that can combine high levels of specialized knowledge, internal social capital and affective commitment to change with low levels of relationship conflict will be better able to successfully explore and exploit and thus more likely to become ambidextrous.

To summarize, the development and evolution of dynamic capabilities in family firms may be shaped by:

(1) the combination of governance mechanisms and knowledge practices leading to long term orientation and decision making of the family firm (Le Breton-Miller & Miller, 2006);

(2) the attributes of the founding family, and in particular the family's previous knowledge (Newey & Zahra, 2009) and their attitudes toward change (Chirico & Salvato, 2008);

(3) the quality of social interactions (Chirico & Salvato, 2008; Salvato & Melin, 2008); and

(4) the ability to create, manipulate and integrate knowledge (Chirico & Salvato, 2008; Koiranen & Chirico, 2006; Miller & Le Breton-Miller).

The following sections examine how these characteristics may influence sensing, seizing and reconfiguration processes of family firms.

3.3.1 Family firm sensing and ambidexterity: opportunity and threat recognition

Sensing is challenging for well established senior teams, like those of family firms, because they often rely on traditional cognitions and processes that systematically discount future opportunities and threats (Bazerman & Watkins, 2004) and frequently fail to adjust their mindset to consider potential new business models (Gilbert, 2005; Tripsas & Gavetti, 2000). Individuals will identify and interpret opportunities and threats based on the culture of the organization (Schoenenberger, 1997). Family culture can enhance or hinder the sensing abilities of the firm by defining what is important and what is not, what to pay attention to and what to ignore, and determine the options of the firm and the scope of potential strategic initiative search. We discussed family firm culture earlier; the above re-emphasizes the need for an open family culture for ambidextrous sensing.

Family firms may have an advantage in discovering opportunities stemming from a combination of human, social and organizational capital that results in enduring knowledge structures and economies of scope for combining diverse consideration sets (Patel & Fiet, 2011). Although generally speaking family firms are not prone to search systematically, when they chose to utilize constrained, systematic search, they may benefit from structural advantages that allow them to be more effective in making useful discoveries, especially in the presence of threats to the firm survival (Patel & Fiet, 2010). However, opportunity sensing emerging from constrained search based on accumulated stocks of tacit knowledge of the family firm may lead to the discovery of exploitative opportunities (Bergfeld, 2008; Bergfeld & Weber, 2010; Sharma & Salvato, 2011).

Research on family firms with high levels of exploration, suggests that sensing exploration opportunities is not an individual endeavor but a collective attribute embedded in all the social relations of the firm (Melin & Alvesson, 1989) that depends on the ability of top family firm managers to “solicit many ideas from a lot of people” (Aronoff & Ward, 1997, p. 26) and view the entire organization and its stakeholders as sources of potential new opportunities.

Furthermore, while exploitative search can be handled efficiently by operational nonfamily managers with broad family guidance; radical exploration remains the specific domain of the controlling family domain (Sharma & Salvato, 2011) and requires family members to develop a significant breadth of experiences and networks to expand the resource base of the firm as well as significant interaction of

family decision makers with objective nonfamily experts (Bergfeld & Weber, 2011; Hatum & Pettigrew, 2004; Salvato et al., 2010).

Direct involvement of the family in exploratory search may also result in more comprehensive exploratory sensing because the influence of the family on the firm (that extends from vision and strategy to resource allocation) provides a privileged position to identify riskier innovations with longer term potential (Chua et al., 1999; Miller & Le Breton-Miller, 2005; Sharma & Salvato, 2011). Furthermore, kinship ties within social capital may facilitate opportunity recognition (Aldrich & Cliff, 2003) because family firms can offset shortcomings in their human capital assets with higher levels of family unity that moderate the relationship between human capital and exploration levels (Eddleston et al. 2008a).

Finally, family firms may have an additional advantage for exploratory sensing, because a long term perspective allows for non-formalized research, open search, and experimentation (Farjoun, 2010) and may reduce the reliance on established routines and existing mental models in the identification and interpretation of external changes (Kaplan & Tripsas, 2008) and enhance sensing processes of family firms by improving the ability of family firm decision makers to identify opportunities and threats. More flexible long-term sensing activities may result in earlier awareness to environmental changes (Koenig et al., 2013) and promote the identification of exploratory opportunities.

The above discussion leads to the following research proposition regarding sensing capabilities of family firms:

Proposition 13: Family firms will be more prone to sensing ambidextrous opportunities when they manage to:

- **Capitalize on family unity to overcome shortcomings in family human capital when searching for new opportunities**
- **Combine constrained search and enduring knowledge structures to identify exploitative opportunities with informal and open search practices emerging from a long term perspective**
- **Encourage family and non-family members to develop broad networks and experiences and to apply them to the search for opportunities**
- **Establish mechanisms to engage non-family experts and stakeholders in the identification of emerging opportunities**

3.3.2 Family firm seizing and ambidexterity: decision making processes

Seizing opportunities means taking appropriate decisions and proceeding with implementation (Harreld et al., 2007) and requires developing a consensus among senior managers; proper organizational alignments for exploitation and exploration; and the acquisition, allocation and management of resources (O'Reilly & Tushman, 2008).

The decision processes to explore or exploit may be different depending on the type of event triggering the need for action. For instance, strong environment threats tend to reduce experimentation and amplify the application of traditional and rigid routines and increase the propensity to centralize authority (Gilbert, 2005; Koenig et al., 2013; Staw et al., 1981). Given families preference for tight control, this might mean that in the face of external threats, family decision makers may be likely to favor the selection and implementation of exploitative options (Kammerlander, 2012) and be more open to exploration in the face of new opportunities.

In terms of decision making, family firms may have a speed advantage emerging from knowledge combinability, i.e. the routines and processes used to combine the knowledge residing in knowledge structures of the firm (Kogut & Zander, 1992) that can facilitate sorting through and selecting the most feasible courses of action among all the possible alternatives (Ardichvili et al., 2003), and from a common perspective that can facilitate discussions and consensus among family members, speed-up strategic decision making, and enhance decision-making quality (Mustakallio, et al., 2002). Furthermore, the ability of family firms in transforming tacit into explicit knowledge and personal into social knowledge may contribute to the speed advantage in establishing new ventures (Patel & Fiet, 2011).

These speed advantages may compound with quicker and more effective decision making in family firms due to less bureaucracy (Kets de Vries, 1993); more informal structures and close relations between actors (Miller & Le Breton-Miller, 2003) leading to informal channels of communication (Poutziouris et al., 2004); and the absence of formal decision-making processes that give owners greater possibility to "exercise discretion and to implement arbitrary decisions" (Goffee, 1996, p.37). A high degree of formal authority of family members can also help decision makers overcome political resistance in decision making processes (Burgelman, 1994) and facilitate seizing processes.

More importantly, because family members involved in decision making derive legitimacy from the family as well as the business (Hall et al., 2001), their expressed preference may also have social and cognitive effects, which are as fundamental for strategic decision making processes as building political support (Kaplan, 2011). Interpretation of exploratory alternatives is often highly ambiguous (Tushman & Anderson, 1986) and requires decision makers to engage in framing practices to make their

interpretations prevail and mobilize action favoring their preferred options (Kaplan, 2008). Family influence provides family members with socio-cognitive power because the framing adopted and communicated by the family decision makers is likely to be adopted more rapidly by the employees of the firm (Eddleston, 2008). When combined with strong relations among family business employees at all levels of the organization that enhance information sharing, it should also accelerate the ability of the family firm to examine the required changes in the business activities and proceed swiftly with implementation.

On the other hand, strong social ties leading to long employee tenures and strong identification with traditional processes (Miller & Le Breton-Miller, 2006) and identification of organizational members with the history of the business (Eddleston, 2008) may lead to affective attachment to established routines and mental models and may hinder the implementation of exploratory initiatives that break from the established way of doing things both at the senior and lower levels of the organization. Furthermore, since exploratory initiatives often require the active cannibalization of the historically evolved identity of the organization (Tripsas, 2009) this may lead decision makers and employees alike to resist the selection and implementation of such exploratory options.

Family firms can reverse this trend by increasing external influence in decision making processes enhancing decision makers' willingness to favor exploration (Gilbert, 2005; Hatum & Pettigrew, 2004; Bergfeld & Weber, 2011; Salvato et al., 2010) and/or incorporating employees with new skills that improve the development and adoption of new routines and processes (Burgelman, 1994). However, family owners' preference for control may make family decision makers reluctant to incorporate outsiders into strategic decision making processes (Gomez-Mejia et al., 2007) and as a result favor exploitative decision making.

Furthermore, seizing of exploratory opportunities that require the creation of spin-offs that are independent from the parent organization may be difficult for family firms (Koenig et al., 2013) because they often call for compromises on hierarchy and require relinquishing decision-making power (O'Reilly & Tushman, 2007).

Research also suggests that while the implementation of exploitative initiatives can be managed efficiently by operational nonfamily managers, successful implementation of radical exploratory initiatives require not only a more direct involvement of the controlling family but also family members with knowledge and networks that facilitate the acquisition or development of resources needed for the exploratory initiatives (Bergfeld & Weber, 2011; Hatum & Pettigrew, 2004).

Finally, the financial preferences of family firms discussed earlier may also influence seizing decisions of family firms. Less pressure on family firm decision makers to demonstrate short term performance, may not only make family firms more prone to seize exploratory strategic alternatives but also more patient and persistent in the implementation of exploratory efforts if results are not forthcoming (Koenig et al., 2013). However, the reluctance to raise external financial resources may limit the amounts invested in seizing new initiatives and lead family decision makers to opt for less aggressive exploratory options and to invest smaller amounts in a greater variety of exploratory and exploitative strategic initiatives (Miller et al., 2011).

The above discussion leads to the following research proposition regarding seizing capabilities of family firms:

Proposition 14: Family firms will be more prone to ambidextrous seizing when they develop mechanisms to:

- **Maintain an open mind for exploratory options in the face of external threats**
- **Combine their human, social, organizational advantages to take advantage of swift decision making and implementation**
- **Capitalize on financial independence to implement and persist on exploratory initiatives while ensuring sufficient funding is allocated to seizing priority initiatives**
- **Manage potential resistance to the selection and implementation of exploratory alternatives emerging from affective attachment to the firm's history and tradition**

3.3.3 Family firm reconfiguring: change management in family firms

As markets and technologies change, organizations need to recombine and reconfigure assets and structures to meet those changes (Teece, 2006). Organizational reconfiguration can be gradual or require radical organizational shifts (O'Reilly & Tushman, 2008) and may require family firms to shed resources, overhaul traditional strategies and shift the business models of the family.

The longer a family firm remains in business, the more likely its leadership will face the need to reallocate resources from declining business activities to new business opportunities and/or exit traditional business ventures. Without the ability to shift and reconfigure business assets, family firms will lack the resources to engage in opportunity recognition and exploitation (Shane & Venkatraman 2000; Sirmon &

Hitt 2003) and fail to maintain and create transgenerational value (Habbershon & Pistrui, 2002; Salvato & Melin, 2008; Chirico & Nordqvist, 2010).

Over time family firms need to develop the ability to shed or redeploy resources because changing markets will erode the value of family resources (Chirico & Salvato, 2008; Habbershon & Pistrui, 2002; Sirmon & Hitt, 2003). Inertia can accelerate the erosion of resource values (Leonard-Barton, 1992; Mosakowski, 2002). To avoid erosion, family business managers need to recombine existing resources to build new ones (Lei et al., 1996) and shed resources to release financial capital, reduce costs and break path dependencies (Sirmon & Hitt, 2003).

Unfortunately, detailed knowledge of the family firm's resources (Bjuggren & Sund, 2001); particular incentives of the family to manage the firm's financial capital (Gallo & Vilaseca, 1996; McConaughy & Phillips, 1999) as well as emotional ties, nostalgia, and commitment escalation, can hinder resource shedding and asset reconfiguration in family firms (Sirmon & Hitt, 2003). Furthermore, since asset reconfigurations create uncertainty, they enhance preference for low-risk strategies further promoting inertial forces (Tripsas & Gavetti, 2000) family firms are already prone to (Gomez-Mejia et al., 2007; Sharma & Manikutty, 2005).

Family firms often follow typical strategic paths that begin with the founder's entrepreneurial ideas and visions and end with resistance to change and reconfiguration even when the firm is no longer responsive to the demands of the market (Aronoff & Ward, 1997). In this view, family firms are inertial organizations incapable of reconfiguring their assets or shifting from traditional family firm activities to unrelated industries due to an intense attachment to the founders' business tradition (Salvato et al., 2011).

This resistance may emerge from reconfiguration efforts requiring the transformation of the historical harmony between strategy, structure, culture, and leadership. When this happens, both the organizational culture and the dominant way of thinking need to change (Melin & Alvesson, 1989; Melin & Hellgren, 1994; Hellgren & Melin, 1993). This deep transformation is particularly difficult in family firms because "the feelings and emotions related to change are likely to be deeper and more intense than those in nonfamily businesses" (Dyer, 1994, p. 125).

Emotional bonds may keep the family in markets or businesses initiated by earlier generations long after they cease to be profitable (Gomez-Mejia et al., 2007; Harris et al., 1994; Sharma & Manikutty, 2005) and create strong attachment between family members and employees making resource shedding difficult (Sirmon & Hitt, 2003). Furthermore, since family values, goals, and relations deeply influence strategic change in family firms (Harris et al., 1994; Dyer, 1994; Sharma et al., 1997), change often requires

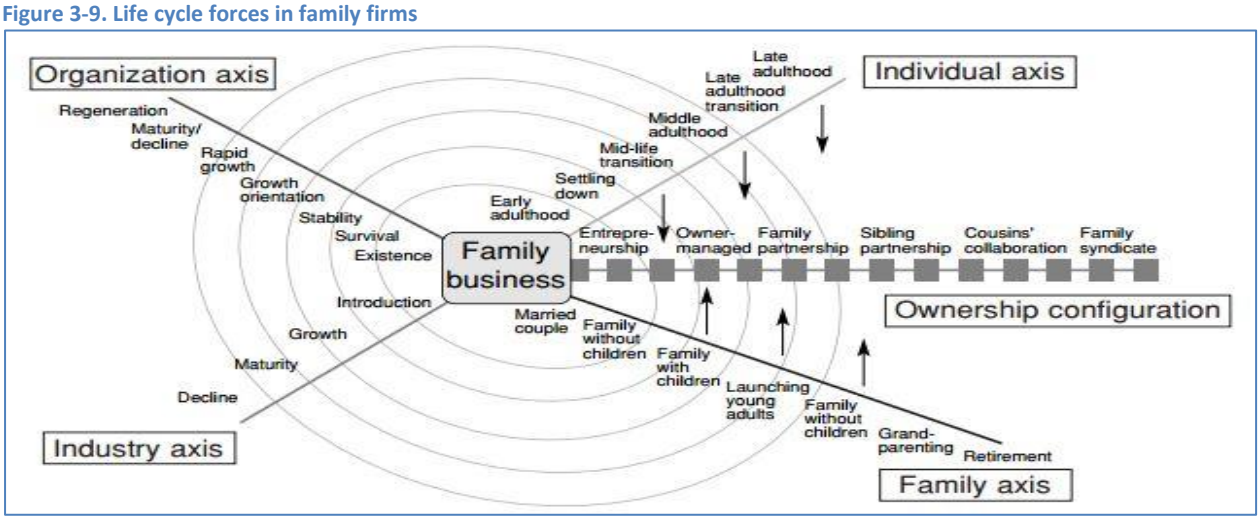
challenging the views of the founder, reviewing existing strategic principles and creating a new family vision based on current resources (Harris et al., 1994).

Reconfiguration processes often call for a fundamental rethinking of the business; a shift in patterns of action at all levels of the organization; and the involvement of all employees in implementation (Lant & Mezias, 1990). Certain structural and attitudinal characteristics, such as proactiveness, team orientation, aspirations beyond current capability, a learning capacity, and a capability to resolve internal conflicts (Stopford & Baden-Fuller, 1994), coupled with a depersonalization of the success and vision of the business from the original founder and earlier generations (Aronoff & Ward, 1997) may be necessary for the successful transformation of family firms.

The ability to reconfigure is fundamental for family members because they are involved with the business as employees, owners, board and council members, and because family firms face countless external challenges driven by industry as well as internal challenges driven by ownership transitions and life cycles of families and individual family members (Carlock & Ward, 2001; Gersick et al., 1997).

For example, transitions such as the family evolution from a young couple to involving the children in the business, or ownership moves from a controlling founder to a sibling partnership can generate uncertainty and provide opportunities for families to assess the organization and implement deep changes; in between these events, families committed to a particular ownership structure or organizational design are better suited for strategic focus and organic growth (Gersick et al., 1997). Similarly, human life cycles affects organizational life of family firms due to the long tenure of managers and owners; family members often exert influence in the business from their early adulthood well into their 70s; as they age and go through life stages their priorities shift and influence the priority objectives for the firm (Carlock & Ward, 2001). These forces are depicted below.

Figure 3-9. Life cycle forces in family firms



Source: Carlock & Ward, 2001, p.27

These evolutionary change (transition) and growth (stability) periods may help drive ambidexterity in family firms, with transition periods being more exploratory, and "stability" phases more operational and tactical in nature (Gersick et al., 1997) and provide a unique opportunity for sequential or punctuated ambidexterity in family firms. Furthermore, transition periods may be more favorable for reconfiguring assets and radical changes while stability stages may be suited to exploitation and improving established strategic paths.

Family firms may find it easier to reconfigure assets to create internal changes (new managerial processes, structures, and management systems) than external innovativeness (new products/services, markets, and technologies) for two reasons: first, because governance provides family firms with a higher degree of internal freedom while their size limits their power to influence their markets; second, because significant family changes may require family firms to address change sequentially, fixing internal issues first (e.g. decision making and leadership styles) and external challenges after (e.g. product and market innovations) (Zellweger & Sieger, 2012).

In other words, the ability of family firms to adapt to market changes requires the family to actively manage the renewal and reconfiguration of resources both within and outside the family in line with the changing needs of the family and the firm at different stages (Salvato & Melin, 2008). This implies that the ability of family firms to reconfigure and continue creating value over generations, depends not only in the capacity of the family firm to access and recombine organizational resources but also on the ability of the family to reshape family resources and manage family-specific components of those resources (Salvato & Melin, 2008).

For example, family driven idiosyncratic knowledge may foster specific capabilities for resource-recombination that create reconfiguration advantages for family firms (Chirico & Salvato, 2008) and compensate for low levels of overall resources by nurturing individual commitment to the family business that compensate for resource shortages (Salvato et al., 2011). However, these advantages can only emerge in the presence of particular cultural elements that encourage entrepreneurship (Melin & Alvesson, 1989) and reduce paternalistic behaviors (Chirico & Nordqvist, 2010) decreasing family inertia and increasing the likelihood of radical change.

In addition to these life cycle, resource and cultural elements, research demonstrates that reconfiguring in family firms is more likely to be successful when family managers preserve the institutional identity of the family firm through the reconfiguration process by legitimizing "future-focused change factors through past-anchored values" and count with "family change champions" with sufficient referent power; access to objective nonfamily executives expert views on change; a compelling business case; and

a balanced engagement of family members in the transformed family business (Salvato et al., 2011, p. 345).

Indeed, reconfiguration efforts of family firms fail when the approach to change takes extreme approaches such as completely rejecting the family's past or holding on fiercely to every aspect of the family tradition (e.g. Miller et al., 2003). Conversely, family firms that successfully reconfigure their businesses do so by finding a balance between innovation and tradition (Collins & Porras, 1994; Miller & Le Bretton Miller, 2005; Salvato et al., 2011; Schwass, 2005) and between the family's core values and transgenerational value creation (Chirico & Nordqvist, 2010).

Finally, family firms may face specific process challenges regarding change, namely, a limited ability to manage conflict; to establish routines that engage the entire organization; and to generate behavioral changes through companywide communication and learning (Kets de Vries & Carlock, 2007).

In summarize, for successful reconfiguration to happen in family firms, families need to take advantage of life cycle forces and capitalize on transition periods for change; actively manage family components of resources to adapt to the changing needs of family and firm and facilitate and drive change processes; foster entrepreneurial, flexible and open family firm cultures to limit resistance to change; keep a focus on the future while respecting the core family culture and acknowledging past achievements and sacrifices of previous generations to balance transformation and tradition; and develop suitable processes to effectively manage conflict, communication and learning.

The above discussion leads to the following research proposition regarding reconfiguring capabilities of family firms:

Proposition 15: Family firms will be more prone to ambidextrous reconfiguring when they develop mechanisms to:

- **Manage life cycle forces to capitalize on stability periods for exploitation and take advantage of life transition periods to promote deep organizational change**
- **Actively manage family components of resources to capitalize on family-resource components to drive change and adapt to the changing needs of family and firm**
- **Foster an entrepreneurial, flexible and open organizational cultures to curb inertial forces and limit internal resistance to change**

- **Maintain a future focused perspective while balancing tradition and transformation by managing change processes in a way that respects the core family values and acknowledges previous generations' contributions**
- **Manage and resolve conflict and promote companywide communication and learning.**

3.4 STRATEGIC ALIGNMENT TOWARDS EXPLORATION AND EXPLOITATION IN FAMILY FIRMS

Particular characteristics of family businesses influence their strategic behavior (e.g. Astrachan, 2010; Sharma et al., 1997; Naldi et al., 2011; Nordqvist, 2005). Some authors argue that strategy processes are similar in family and nonfamily firms but that family considerations play a role in different parts of the processes such as goal formulation, implementation, and follow-up (e.g. Aronoff & Ward, 1995; Dyer, 1994; Harris et al., 1994; Sharma et al., 1997). Other researchers maintain that family firms constitute a special case of strategic management (Sandberg, 1992) because ownership and management are intertwined and thus the owning family affects strategic decisions (Chua et al., 1999; Kets de Vries, 1993; Nordqvist, 2005) and that this family effect varies as the family business changes in size, organizational structure, age, and financial performance (Gersick et al., 1997; Gomez Mejia et al., 2007).

Despite existing literature exploring how and how much the family affects strategic decisions, there is little research examining and classifying the strategic alignment of family firms towards exploration or exploitation at the corporate, business and structural levels or exploring how specific family resources and capabilities may affect the strategic choices leading to such alignment (Naldi et al., 2011). The following sections explore the strategic alignment of family firms.

3.4.1 Alignment of corporate strategies in family firms

At the corporate level families need to evaluate potential changes in the composition of business domains and markets of the family business group (Astrachan, 2010; Gomez-Mejia et al., 2010). This requires evaluating investments unrelated to the core business and markets of the family and divestments that imply letting go parts of the original business domains and markets of the family organization (Brauer, 2006). This is particularly important for firms with long-time horizons because environment changes require firms to review their business activities and expand or suspend existing business operations (Miller et al., 2005; Sharma et al., 2005). Despite the importance of this process for long term survival of the family firm, little is known about the effect of the family on the evaluation of

corporate level investment and divestment options (Kellermanns, 2005; Miller et al., 2010; Sharma et al., 2005) and research findings are contradictory.

Some authors contend family portfolio decision making may be biased due to nonfinancial considerations (Gomez-Mejia et al., 2010; Zellweger et al., 2013); others suggest that "a combination of past success, emotional attachments, and path dependencies can lead to extensive inertia toward divestment" (Sharma & Manikutty, 2005, p.293) making it difficult for family firms to divest parts of their business even in the presence of declining activity and mediocre performance (Gomez-Mejia et al., 2007; Sharma & Manikutty, 2005); some scholars suggest that family firms being mostly small and medium sized, face particular constraints in pursuing corporate level strategies (Bowman & Helfat., 2001; Brauer, 2006; Chang & Singh, 2000); and others expect family firms to favor acquisitions and alliances with partners in closely related industries (Gomez Mejia et al., 2010). These findings would suggest exploitative alignment of family firm at the corporate level.

Resistance to innovate via divestment and diversification might be particularly relevant for the ability of family firms to pursue ambidextrous corporate strategies because family firms often have a relatively scarce resource base (Carney, 2005; Zahra et al., 2004; Sirmon & Hitt, 2003). Therefore, scarce resources combined with self-restricted investment practices may have constraining effects on the ability of family firms to release resources to explore new business opportunities and align corporate strategies towards exploration.

Researchers do agree that practical reasons and emotional entrapments create inertial forces in family firms' corporate strategy decisions resulting in low or untimely resource shedding and divestment (Sharma & Manikutty, 2005); that strategic simplicity and inertia of family firms result from overusing existing solutions without questioning the assumptions underlying previously decisions (Cabrera-Suarez et al., 2001; Morris, 1998); that emotional bonding, nostalgia, and escalation of commitment to resources may hinder their strategic decision making (e.g., Astrachan, 2010; Duhaime & Schwenk, 1985; Ross & Staw, 1993); and that corporate acquisitions often respond more to family considerations (such as providing employment for family members) than business concerns in families that view the business as way of providing for the family and keeping the family together (Markides, 1995; Morck et al., 1990). Research also suggests that some family firms may not engage in significant acquisition activity due to high levels of risk aversion and fear of losing control of their business (Carney, 2005) and that family owned businesses suffer biases in resource-picking skills (Makadok, 2001; Kellermanns, 2005).

All the above arguments suggest that family influence may represent a hindrance to ambidexterity at the corporate level due to its potential negative effect on both the efficient use of corporate resources

and the search for new opportunities. Some authors propose exploration as an antidote to stability and strategic simplicity (Schulze et al., 2003a).

There is no agreement in the literature regarding the effect of the family on exploration at the corporate level. Some scholars argue that family firms present a unique setting for exploration due to stewardship behavior (Eddleston & Kellermanns, 2007; Eddleston et al., 2008 a,b); family to firm-unity (Eddleston et al., 2008a); and long term strategic horizons (Zellweger, 2007). Other authors suggest families hamper innovative strategies of family firms (Morris, 1998; Schulze et al., 2003a) due to agency issues (Schulze et al., 2001, 2003a); long term orientation hampering effect on the proactiveness required for innovation (Barringer & Bluedorn, 1999); and extended tenure leading to stable strategic choices (Covin, 1991; Covin & Slevin, 1991).

One of the few works studying the effect of the family on corporate level strategic decisions (Naldi et al., 2011) supports the exploration-hindering view and suggests that path-dependent experience in corporate level strategy leads to biases, heuristics and overestimates the value of tried strategic paths (Baron, 1998; Kahneman & Tversky, 1979) leading to the replication of previously successful strategies and slow reaction to market changes (Ucbasaran et al., 2009).

In terms of new investments and acquisitions this restricted view results in an inability of family firms to identify and assess opportunities and failure to exploit the capabilities of the firm in new business activities (Naldi et al., 2011). In terms of divestments, legacy and socioemotional attachment induces the family to stay in underperforming business domains for too long (Gomez-Mejia et al., 2007; Zellweger et al., 2012) and fail to adapt to market changes.

Although only a small number of empirical studies explore the effect of the family on strategy, in one of the few available, Ibrahim et al. (2004) find that family members' involvement in strategic decisions change when new generations enter, leading to either more or less change in the strategic direction of the firm and that in family firms' strategic stability and change is closely linked to generational change and firm maturity. Other research supports this view suggesting that strategic choices are more likely to be driven by economic considerations in later generations (Gomez-Mejia et al, 2007; Chen & Katila, 2010); as firms grow (Gomez-Mejia et al, 2007; Miller et al, 2010,2011); as well as in the presence of nonfamily shareholders (Gomez-Mejia et al, 2011a,b).

Empirical research exploring particular strategic choices of family firms seems to support these findings. Some authors examining internationalization patterns, for example, suggest that generational change sometimes encourages entry into new international markets (see for example Davis & Harveston, 2000; Fernandez & Nieto, 2006); that later generations may be too busy with the transfer process to be

concerned about international opportunities (Claver et al., 2009; Graves & Thomas, 2008) and that greater internationalization occurs under founders' command (Gomez-Mejia et al., 2010).

Finally, emerging literature on transgenerational entrepreneurship (e.g. Nordqvist et al., 2008; Nordqvist & Zellweger, 2010), strategic entrepreneurship (e.g. Ireland et al, 2003; Lumpkin et al., 2011) and family firm portfolio entrepreneurship (e.g. Sieger et al., 2011) sheds some light on the resources and capabilities leading to entrepreneurial activity in family firms and introduce the view that some family firms may pursue exploratory opportunities as independent ventures that are part of the family group, suggesting that the ability to pursue corporate exploration in family firms may be underestimated by current research.

Families often develop complex patterns of business portfolios (Sieger et al., 2011) as a result of family dynamics (Carter & Ram, 2003). Most family firms often pursue two or more business opportunities as part of the family business portfolio (Wiklund & Shepherd, 2008) to take advantage of different market niches and segments (Iacobucci & Rosa, 2010) to fulfill growth aspirations, diversify wealth and risk, generate income opportunities, and/or provide employment and career opportunities for family members (Carter & Ram, 2003; Iacobucci & Rosa, 2005, 2010; Mulholland, 1997).

The proliferation of family business portfolios may be explained by families' preference for maintaining control over new ventures (Alvarez & Barney, 2005; Wiklund & Shepherd, 2008) as the creation of a new company allows the family to maintain legal autonomy, flexibility in ownership structure (Almeida & Wolfenzon, 2006) and a majority stake (Iacobucci & Rosa, 2010). Therefore, family business portfolios may constitute a vehicle for ambidexterity of family firms depending on the alignment of different family business ventures. Research indicates that firms tend to set up new ventures in activities closely related to existing activities (Breschi et al., 2003; Teece et al., 1994) and that more than half of companies set up or acquired (Iacobucci & Rosa, 2005) are closely connected to the original business of the family (Iacobucci & Rosa, 2010), implying an exploitative alignment of family portfolios.

However, research also shows that occasionally family firms create ventures with no significant links with the original activity of the group (Iacobucci & Rosa, 2005). To do so, family managers may involve individuals from the family network in the ownership -via minority stakes- and/or management of the new business venture (Cooney, 2005; Iacobucci & Rosa, 2010; Kamm & Nurick, 1993; Watson et al., 1995) to acquire resources or skills critical to the pursuit of a particular business initiative (Forbes et al., 2006). In this case the new portfolio activities of the family firm are more likely to be of an exploratory nature.

To summarize, research suggests that, at the corporate level, the family may influence strategic alignment of family firms' strategies towards exploration, exploitation or ambidexterity through its

resource decisions leading to investment and divestment decisions and the ability to identify and pursue novel strategic options, therefore the level of ambidexterity of family firms at the corporate level will depend on:

1. The capacity to overcome strategic simplicity and inertia to sense and seize opportunities;
2. The ability to control self-restricting investment practices;
3. The capacity to capitalize on generational change and the inputs from different generations to create momentum for strategic renewal;
4. The alignment of family firm portfolios

These findings lead to the first research proposition regarding strategic alignment of family firms:

PROPOSITION 16: Family firms will be more prone to strategic ambidexterity at the corporate level when they have mechanisms to:

- Minimize strategic simplicity and inertial forces

- Manage self-restricting investment practices

- Exploit generational diversity and change

- Create portfolio ventures to explore novel strategic paths

3.4.2 Alignment of business strategies in family firms

At the business level, family members are better at managing current business activities efficiently than discovering radically new approaches to their business processes (Carney, 2005; Hall et al., 2006) because involvement in the daily operations provides family members working in top management with intimate knowledge of existing processes (Mintzberg & Waters, 1982). This seems to indicate that family members are good at managing business activities efficiently and thus likely to align towards exploitation at the business level.

This close involvement in daily operations may also lead family firms to prioritize operative issues over strategic questions favoring incremental strategies and a tendency to deal with threats and opportunities to their business activities as they arise, rather than proactively scanning business environments for new opportunities (Nordqvist, 2005), suggesting that family firms may be more inclined to undertake incremental or progressive exploitative/exploratory business level strategies than radically novel ones. Additional research suggests that this propensity is based on family firms' focused capability development that develops deep and sustainable core capabilities and cumulative path-dependent organizational learning processes (Miller & Le Breton-Miller, 2003) making family firms more prone to maintain "tried-and-true" ways of doing business.

However, studies also show that long-term and multi-generational orientation (James, 1999; Zellweger, 2007) within narrow market niches (Cabrera-Suarez et al., 2001) allow family members involved in day-to-day business activities to develop a deep knowledge of organizational processes, products and markets (Carney, 2005; Hall et al., 2006; Mintzberg & Waters, 1982) facilitating the identification of emerging needs and wants of customers and allowing family firms to anticipate promising business trends and pursue them through exploration and exploration.

Furthermore, stewardship-based work environments, strong commitment, shared values and culture, and high levels of trust in family firms (Cabrera-Suarez et al., 2001; Miller & LeBreton-Miller, 2005) provide favorable conditions for exploratory and exploitative learning in the realm of the core business favoring effective business level exploration and exploitation in family firms. Moreover, the personal involvement of the family in defining the business strategy may allow these organizations to take full advantage of their brand and company recognition to differentiate their offers and create additional value resulting in price premiums and enhanced business results (Miller & LeBreton-Miller, 2005; Rindova et al., 2005).

Along these lines, recent research by Naldi et al., (2011) exploring the influence of family involvement in business level strategies suggests that the family can indeed have a positive effect on business level strategy because family members ensure efficient use of tacit knowledge (such as insights about products and markets of the family firm gained over time and through early involvement of younger generations) enhancing the leverage of knowledge resources of family firms (Chirico, 2008; Miller et al., 2008; Sirmon & Hitt, 2003) for exploration and exploitation.

This enhanced integration and recombination of knowledge resources with complementary resources can help family firms create a performance advantage (Chirico, 2008; Zahra et al., 2007); makes competitors' imitation of family business level strategies difficult due to increased social complexity and causal ambiguity (Carney, 2005; Reed et al., 1990); and suggests that family involvement in business level strategy may lead to distinctive exploration and exploitation paths at the business level and thus to ambidextrous business level strategies.

Despite the positive effect of knowledge resulting from family involvement in business level strategy, family firms with limited knowledge resources may be better off bringing external insights for strategy decision making because nonfamily managers are more likely to search beyond the family to find the resources necessary to develop successful business level strategies (Levie & Lerner, 2009; Lubatkin et al., 2005; Naldi et al., 2011). This implies that the knowledge-based contribution of family member involvement in business level strategies may be limited to leveraging existing idiosyncratic resources of

the family firm (Ireland et al., 2003) and that unless there is significant tacit knowledge within the family and the firm, family involvement may not lead to business level ambidexterity.

The above discussion suggests that, at the business level, family firms may be more inclined to align their strategies towards exploitation and incremental exploration than radical exploration, except when important family resources (such as knowledge and personal involvement with the business) translate into unique business level strategies based on intimate knowledge of processes, markets and products that lead to a superior ability of the family firm to anticipate and meet specific customer needs and requirements through exploration and exploitation initiatives.

To sum up, existing research implies that at the business level, families influence the business level alignment of family firms' strategies towards exploration, exploitation or ambidexterity through:

1. The level of family involvement in strategic and operational issues;
2. The ability of the family to create and capitalize on knowledge resources to identify (sense) emerging market trends in their business segments; and
3. The capacity of the family firm to gather the appropriate resources to capitalize (seize) on business level opportunities emerging from this intimate knowledge.

These findings lead to the following research proposition:

PROPOSITION 17: Family firms will be more prone to strategic ambidexterity at the business level when they have effective mechanisms to:

- **Engage involved family members in business level decision making;**
- **Generate, maintain and apply useful business level knowledge;**
- **Promote and provide access to non-family resources when necessary for the development and implementation of business level strategies.**

3.4.3 Alignment of structural level strategies in family firms

At the structural level, family firms make decisions regarding the internal structures of the firm necessary to implement corporate and business level decisions and select business models that determine the external structures to interface with the markets. The family influences the structural behavior of family firms (Lindow et al., 2010) due to unique characteristics derived from ownership, governance and succession patterns (e.g., Astrachan, 2010; Sharma et al., 1997).

Internally, family firms show a propensity to align towards centralized structures, with founders, family managers and/or family owners exerting significant power within the firm. In the interface with the environment, family firms tend to develop business models conducive to long term intimate relationships with their markets and suppliers.

Family members tend to hold most of the decision making power of the business (Goffee & Scase, 1985; Poza et al., 1997; Tagiuri & Davis, 1996); show high levels of resistance to reducing their power and control (Gomez Mejia et al 2007; Pondy, 1969); and shape delegation patterns of decision-making in their firms (Carney, 2005; Geeraerts, 1984; Habbershon & Williams, 1999). As a consequence organizational structures of family firms tend to be relatively centralized. In fact, empirical studies show that family members in top management maintain strict control over decision-making (Bartholomeusz & Tanewski, 2006).

The family effect on the alignment of structure level strategies is complex. On the one hand, centralized decision-making enables quicker and more effective and efficient decision-making processes in family business (Tagiuri & Davis, 1996) and allows greater variability in the exercise of authority (Carney, 2005) providing owner managers and the owning family organizational authority. As a result, family firms face fewer internal and constraints in implementation (Carney, 2005; Morck et al., 1988) of radical change. This relative freedom should facilitate the pursuit of exploratory initiatives in family firms, if this is the chosen path of the family management.

On the other hand, the concentration of authority in the family firm allows the family to project its own vision onto the business (Chua et al., 1999). This vision is often linked to long-term aspirations of the shareholders' family, such as the preservation of family wealth for future generations (Le Breton-Miller & Miller, 2006) and the protection socioemotional wealth (Gomez Mejia et al., 2007; Zellweger & Astrachan, 2008) that may run counter to exploration. When this is the case, radical structural moves may be difficult for family firms because they disrupt the family and founder-centric culture of these firms (Schein, 1983). As a result, family influence may hinder structural adaptation and family firm alignment towards exploration at the structure level.

The above suggests that at the structural level, family influence is associated with centralized and stable organizational structures. Since internal structures and external strategic patterns are closely intertwined (Miles & Snow, 1978; Shortell & Zajac, 1990) and the effectiveness of the firm depends on the congruence between structure and strategic type (Donaldson, 1996; Doty et al., 1993); family firms with centralized organizational structures may be more aligned towards exploitation and improving efficiency and likely to fit Miles and Snow's (1978) defender profile. At the same time, centralized structures may

hinder the ability of family firms to focus on exploration requiring highly decentralized and flexible organizational structures (Miles & Snow, 1978) except in families with a high exploratory focus that will use centralized structures to promote innovation and change.

Interestingly, empirical evidence does not confirm the assumption that family firms' strategic choices differ with respect to strategic type and organizational structure. For example, Daily and Dollinger (1992, 1993), Gudmundson et al., (1999), McCann et al., (2001) using Miles and Snow's (1978) typology, found no significant differences between family and nonfamily firms. Neither did Upton et al., (2001) analyzing high growth family and nonfamily firms.

However, the scant research available on family firm strategy (e.g., Ibrahim et al., 2008; Zahra & Sharma, 2004) and the dichotomous nature of family business research (focusing only on family versus non family firms) may account for these empirical results. In fact, more recent research using Miles and Snow's (1978) typology and a multidimensional family firm definition shows partially confirmative findings (Pittino & Visintin, 2009).

To sum up, research suggests that at the structure level, the family influences the alignment of organizational structures and business models towards exploration and exploitation through:

1. The degree of control and authority exerted by the family in determining organizational structures and business models; and
2. The propensity of the family to use that authority to modify organizational structures and business models in line with changing needs in the markets.

These findings lead to the following research proposition on structure level strategic alignment:

PROPOSITION 18: Family firms will be more prone to strategic ambidexterity at the structure level when they have mechanisms to:

- **Counterbalance the predisposition of the family towards centralization and maintenance of stable business models particularly in the face of change;**
- **Check periodically the alignment of existing organizational structures and business models with the needs of the organization and the markets; and**
- **Capitalize on the unique decision making power of the family to enable and facilitate exploration.**

3.5 MANAGING AMBIDEXTERITY: LEADERSHIP AND CONTEXT IN FAMILY FIRMS

As established earlier, ambidexterity literature identifies two combinations of resources/capabilities particularly conducive to integrating exploration and exploitation: organizational leadership and the organizational context the leadership contributes to creating. This section explores the influence of the family on the leadership and the organizational context of family firms and its subsequent effect on their ability to integrate exploration and exploitation and manage their contradictory nature.

3.5.1 Family firm leadership and ambidexterity

Earlier sections established that leadership constitutes one of the most fundamental drivers of ambidexterity and that families exert a strong influence on family firm leadership. The family can exert a double effect on the leadership ability of the firm to become ambidextrous: a direct effect by shaping the ability of family executives to identify and pursue balanced exploratory and exploitative strategies, manage their contradictions and shape TMT dynamics; and an indirect effect by influencing the selection, development and integration processes of nonfamily executives in TMTs.

Family firms tend to have relatively flat structures with limited hierarchical levels and family firm executive teams are more likely to play both strategic and operational roles; therefore, family firm leaders are more likely to manage ambidexterity by dealing directly with the dissonance of competing demands of exploration and exploitation (Lubatkin et al., 2006). Given their propensity for centralization, family firms rely more on the ability of their leadership to attain ambidexterity.

Consequently, the characteristics of the chief executive officer and senior decision making groups, such as boards of directors and TMTs, will influence the ability of family firms to become ambidextrous. In family firms, family CEOs, family driven boards of directors, and TMT family membership shape the leadership of the organization (see for example Miller et al., 2013, 2014) because family CEOs and family executives often hold strong decision power and exert strong influence on executive decision processes (Minichilli et al., 2010). In addition to direct decision power of family CEOs and executives, families can influence family firm executive decision making processes by determining the composition of boards and TMTs and by influencing their internal dynamics. Therefore the characteristics and dynamics of decision making organs in family firms will influence the ability of their firm to balance and integrate exploration and exploitation.

Family CEOs may contribute to achieve a healthy strategic balance in relatively small concentrated family firms because the family CEO can easily tap and act upon the tacit knowledge of the family to develop

balanced strategies that maintain the equilibrium between the wellbeing of the firm and the interest of a relatively small number of family owners (Lubatkin et al., 2006; Kets de Vries, 1996; Miller et al., 2013). However, achieving such strategic balance in larger and more complex family firms may require broader executive teams that include external professionals with different sources of knowledge and opinions to provide better responses to emerging business challenges; as well as mechanisms to manage and address diverse family pressures and limit the effects of family conflict on strategic decision making processes (Kets de Vries, 1996; Miller et al., 2013).

Evidence shows that family firms with founder CEOs exhibit more R&D investment (Block, 2012) and acquisitions (Fahlenbrach, 2009; Miller et al., 2010) and may be better able to: (1) balance value creation and value conservation goals through entrepreneurial identity and familial identity; (2) facilitate the integration of family and nonfamily perspectives; and (3) use economic performance as a reference point to nurture entrepreneurship (Patel & Cooper, 2014) while developing social and emotional identities (Miller & Breton-Miller, 2011) at the same time. Suggesting that in family firms, founding CEOs can integrate exploration and exploitation initiatives more easily than nonfounding CEOs and that to achieve ambidexterity nonfounding CEOs may need to introduce a greater diversity of views in executive decision making processes.

CEOs are uniquely positioned to influence team processes because of their experience and power (Hambrick & Brandon, 1988; Simsek et al., 2005). In fact, research finds that collectivistic orientation and tenure of CEOs are two of the most significant individual factors influencing team behavioral integration (Simsek et al., 2005). Behavioral integration (Hambrick, 1994) is a necessary condition for ambidexterity (Lubatkin et al., 2006). Family CEOs are known for their collectivistic orientation (that may promote ambidexterity) and their long tenures (that may lead to exploitation).

Family CEOs often remain in power for decades shaping the strategic direction of the family firm (Lansberg, 1999; Ward, 2004). Long tenures are often linked to sustained pursuit of a particular strategy that can bias the firm towards investments closely related to the status quo (Le Breton-Miller & Miller, 2006) and exploitation. Long-term tenure of family CEOs suits more conservative and less innovative organizations (Covin 1991; Covin & Slevin, 1991); can make CEOs reluctant to engage in risky explorative initiatives (Ahimud & Lev, 1999; Morck et al., 1990) and become financially conservative (Dreux, 1990), especially as the tenure increases (Musteen et al., 2006). In fact, research finds that over time family firms tend to become more conservative and less exploratory (Zahra, 2005; Richard et al., 2009a) reinforcing the alignment towards exploitation as the length of tenure of the generation in control of the family enterprise increases.

Family CEOs and family managers accumulate valuable organizational knowledge over time (positive for exploitation); if combined with new knowledge (positive for exploration) from new family or nonfamily TMT members, it could promote ambidexterity. Therefore, family firms may be able to offset long tenures' path dependencies and reduced behavioral repertoires (Hambrick & Fukutomi, 1991; Miller, 1991) through succession plans and TMT appointments.

Furthermore, although long tenures can lead to one-sided exploitation (Hambrick & Fukutomi, 1991), this effect happens overtime with exploration decreasing and exploitation increasing gradually with tenure (Miller, 1991). This implies that family firms will benefit particularly from renewing their TMT membership as tenure increases, because new TMT members bring different perspectives and reduce the TMT team's average tenure, which has been related to increased exploration (Miller & Shamsie, 2001).

Excessive concentration of power in the hands of family TMT members can limit the consideration of alternative responses to external environment changes (Brunninge et al, 2007). Professional practices, such as including nonfamily members in executive teams, may benefit family firms (Stewart & Hitt, 2012) and promote ambidextrous strategies. Adding new external members to the family executive teams can increase cognitive diversity (Amason, 1996; Amason & Sapienza, 1997; Forbes & Milliken, 1999); provide linkages to diverse networks (Huse, 2000; Zahra & Pearce, 1989); improve information processing capacity (Hambrick & Mason, 1984), problem formulation, alternative generation, evaluation and selection of strategic alternatives (Andrews, 1971).

Family firms can introduce the diversity of views necessary to achieve balanced strategies internally by varying the number of family members in the executive team and by including diverse generations on the board (Ling & Kellermans, 2010) and externally through the appointment of nonfamily directors to the board and/or adding external members to the TMT (Brunninge et al., 2007). However, if participation and discussion is limited and the strategic process dominated by a few family members, other integrants of the group may become independent individuals with no common purpose (Hambrick, 2007), and less likely to identify with the family firm (Minichilli et al., 2010) and exhibit beneficial organizational citizenship behaviors (Bernhard & O'Driscoll, 2011).

In other words, to enhance the ability of the TMT to manage the tensions of exploration and exploitation, the interactions between TMT members have to be rich and meaningful (Cao et al., 2010; Smith et al., 1994); and draw on functional complementarities (Taylor & Greve, 2006) and appropriate power decentralization and delegation mechanisms (Finkelstein, 1992). In family firms, membership extensions of boards and TMTs will only contribute to ambidextrous strategic decision making if the new members

expand the variety of strategic options considered by the family's dominant coalition. Very often external directors or TMT members have close professional or personal ties with owners and managers of the family firm limiting the overall heterogeneity of the group (Ucbasaran et al., 2003) and the likelihood of balanced exploration and exploitation decisions. Furthermore, a certain level of power equality between family and nonfamily TMT members may be required to enhance participation and widen the scope and integration of strategic opinions of family and nonfamily executives (Patel & Cooper, 2014).

These findings suggest that to achieve ambidexterity as the family firm ages and grows in size and complexity, the presence and leverage of nonfamily members with strategic decision power can help family firms identify and integrate a variety of exploratory and exploitative strategic options; leverage better the idiosyncratic family resources; and achieve balanced ambidextrous strategic decisions, but only if the family is able to create truly relevant and heterogeneous teams and provides them with sufficient influence in executive decision processes.

At the team level, research also highlights the importance of goal preference diversity as opposed to demographic diversity in executive teams (Miller et al., 1998; West & Meyer, 1998). Work by Simsek et al., (2005) exploring goal preference and demographic diversity concurrently finds that tenure and functional diversity matter much less than educational diversity for behavioral integration but most interestingly that in TMT diversity, goal preference diversity is much more influential than educational diversity.

Diversity of opinions and a certain level of disagreement around objectives and how to achieve them given environmental opportunities and threats increases awareness of executive teams; produces more alternative views; increases potential courses of action and is more likely to result in a broad range of exploratory and exploitative initiatives (Bantel & Jackson, 1989; Lant et al., 1992; Wiersema & Bantel, 1992). Furthermore, these disagreements over firm objectives often lead to a greater willingness to expend the resources necessary for deeper analysis (Fredrickson & Mitchell, 1984; Glick et al., 1993) and may result in more integrated strategic alternatives.

In addition to individual characteristics and team diversity, research highlights TMT dynamics as a fundamental factor in achieving ambidexterity (Lubatkin et al., 2006). This means that in family firms, the levels of harmony and cohesion will only be conducive to balanced strategies if the family develops effective ways to manage family dynamics (Carlock & Ward, 2010; Davis & Haverston, 1999; Lambrecht & Lievens, 2008).

A certain level of cohesion –i.e. level of fondness and support among TMT members- is necessary for organizations to reach consensus, seize opportunities and react to emerging threats from the

environment (O'Reilly et al., 1989); however, excessive desire for harmonious relations in cohesive TMT results in superficial analysis, unchallenged ideas and reduced comprehensiveness, extensiveness and balance of family firms strategies (Miller et al., 1998).

Recent research by Cabrera et al., (2015) also finds that the degree of emotional cohesion, open communication, and intergenerational attention between the members of the family determine not only the quality of the relationships between them but also the level of attention and interest in nonfamily stakeholders needs and thus influence the level of engagement of family firms with firm objectives related to nonfamily stakeholders (such as clients, employees, and society at large) and consequently the strategic priorities and alignments of the family firm.

On the other hand, disagreements and conflict undermine TMT cohesion. Research on TMT dynamics in family firms (see for example Ensley & Pearson, 2005; Ensley et al., 2007; Ling & Kellermanns, 2010; Minichilli et al., 2010; Patel & Cooper, 2014) suggests that competing priorities; heterogeneous knowledge bases; varying levels of influence between family lines and family and nonfamily members can create rifts among subgroups and limit the benefits of heterogeneous family boards and TMTs by limiting the behavioral integration of family firms executive teams.

Kinship, ownership, succession processes, and conflicts of interests can introduce inefficiencies in the decision processes of family firms (Chrisman et al., 2003a) and affect the level of behavioral integration of family firm TMTs. In fact, research shows that nonfamily TMTs exhibit greater potency, cohesion, shared strategic consensus and less relationship conflict than family TMTs; are better than family TMTs in managing behavioral dynamics and show less idea conflict (Ensley & Pearson, 2005) and lower levels of relationship conflict (Amason, 1996; Amason & Sapienza, 1997).

Low levels of behavioral integration coupled with escalating levels of relationship conflict in family teams can undermine the cohesion of family teams, their confidence in the ability of the team to succeed, and limit the commitment of the family team to a particular strategic course (Ensley & Pearson, 2005) hindering the ability of family businesses to identify and pursue balanced ambidextrous strategic paths.

In other words, to achieve ambidexterity family firms need to strike a balance between a certain level of diversity (both in composition and goal preference) in the TMT of the firm, and a level of cohesiveness that allows for sufficient open debate and discussion while allowing swift decision making to identify and respond to emerging environmental changes.

To achieve this balance, Koenig et al. (2013) suggest openness - the extent to which individual and group traits allow family decision makers to think and act creatively to stimulate path divergence-. Openness

can contribute to family firm's ambidexterity (Koenig et al., 2013) because it determines family firms speed and resolve towards environmental change, relaxes routine rigidities emerging from entrenched identities of family firms, and allows earlier sensing of change by extending firm's screening radius and expanding potential strategic paths (Gilbert, 2005; McDonald et al., 2008). The level of openness of the family coalition is determined by the combined individual traits of team members (such as high levels of formal education, background in R&D and marketing, openness to experience, and receptivity to learning and change); heterogeneity among the various team members; and appropriate team processes that help manage interpersonal differences stemming from heterogeneity (Koenig et al., 2013).

The above discussion leads to the following proposition regarding family firm leadership:

Proposition 19: Family firms will be more prone to ambidexterity when its leadership:

- **Taps on the particular capabilities of family CEOs and family firm founders while maintaining an heterogeneous TMT composition**
- **Establishes efficient mechanisms to manage disagreement and conflict in TMT processes while allowing a diversity of opinions to emerge**
- **Promotes a spirit of openness of the family coalition and the TMT**

In addition to individual and team leadership traits and dynamics, family firm ambidextrous leadership ability may be affected by the capacity of family leaders to strike a balance between family and firm. Successful family business leaders develop processes to accept and manage inherent dichotomies of leading family and firm and are able to develop the capacity to manage the concurrent demands placed on them by the unique paradox they face on a daily basis (Miller & Le Bretton-Miller, 2005; Hatum, 2007; Schuman et al., 2010; Schwass, 2005; Ward, 2005).

Successful ambidextrous business leaders need to manage the tensions between exploration and exploitation (Gibson & Birkenshaw, 2004; March, 1991; O'Reilly & Tushman, 2008; Raisch et al., 2009); therefore, we suggest that the better family leaders are in balancing the needs and demands of family and firm the better equipped they will be to manage the inherent contradictions of ambidexterity.

Not all family firms balance the needs and demands of family and firms to the same degree. Some family firms place more emphasis on the business; others prioritize the family; and only some balance both systems (Basco & Perez, 2009; Poza, 2007; Sorenson, 2011; Ward, 1987). Dunn (1995) suggests the balance between family and business can be seen as a continuum with two extremes. At one end, the family subordinates the decisions of the firm to the needs of the family; at the other extreme the business dominates; in the middle families find a balance between family and firm.

This view is similar to that of ambidexterity scholars who interpret ambidexterity as a continuum with exploration and exploitation at each end of the spectrum and ambidexterity towards the center (e.g. Lavie & Rosenkopt, 2006; McNamara & Baden-Fuller, 2007; Uotila et al., 2009).

Combining these two perspectives we suggests that family firms in the middle of the family-firm continuum (i.e. balancing family and business) will be also more central in the exploration/exploration continuum, because a higher emphasis on managing effectively family/firm contradictions will develop the human and social capital characteristics family firm managers need to deal with conflict and tensions of divergent activities such as exploration and exploitation.

Research already shows that family firms balancing family and business may have better overall results. For example, Ward (1987) finds that "family enterprise first" firms (those balancing family and business) are particularly likely to invest significantly in the development of their members and thus more successful. Similarly, Basco and Perez (2009) suggests better performance emerges from integrating the family into business process (e.g. tapping into family resources; emphasizing the role of family seniority in developing knowledge, experience, and skills for promotion) and from linking the firm's board of directors to family issues (such as succession, family interests, or family member firm entry).

Based on the above we develop our second research proposition regarding family firm leadership:

Proposition 20: Family firm leaders will be better able to manage the contradictions of exploration and exploitation when they are able to integrate and balance family and firm

3.5.2 Family firm context and ambidexterity

Top managers are fundamental in developing an organizational context that promotes the integration of exploration and exploitation across the entire organization through "stretch", "discipline", "support" and "trust" behaviors that provide individuals in the firm with autonomy to deal with the conflicting demands of exploitation and exploration (Ghoshal & Bartlett, 1994). These contextual attributes constitute the two distinct dimensions of organizational context: performance management combines stretch and discipline to provide incentives for high quality work and accountability, and social support combines trust and support to provide individuals with backing and autonomy to achieve high levels of performance. Both a supportive environment and performance management tools are necessary for ambidexterity (Gibson & Birkinshaw, 2004).

While family firms are known for creating supportive organizational contexts built on strong support and trust, they are much less able in creating the performance management mechanisms (e.g. Astrachan &

Kolenko, 1994; Chua et al., 2009; Lansberg, 1983; Stewart & Hitt, 2012) required to promote the discipline and stretch necessary for ambidextrous behaviors.

On the positive side, a trusting context in family firms can enhance sensing, seizing and reconfiguring processes because it encourages openness and respect for a diversity of approaches and promotes exchange between different business units in diversified family groups (Ward, 2002). Families with a trust based context, encourage family firm employees at all levels of the organization to bring forward creative ideas; persuades managers to propose unusual exploratory initiatives to the board; and makes boards more receptive to unconventional strategies because a trusting context across the organization makes family owners more likely to seize exploratory alternatives with uncertain future returns and more patient about letting exploratory initiatives run their course (Ward, 2002). Ultimately, this should result in a better ability of family firms to find a balance between long term exploratory strategic alternatives and short term exploitative strategic initiatives.

Furthermore, ambidexterity research suggests that a dynamic organizational context could help families take full advantage of the tacit knowledge and long term networks of family firms (Simsek et al., 2009). Organizational context can determine the extent to which a firm is able to tap its knowledge basis and take advantage of exploration opportunities provided by its network; if families can establish extensive and efficient information systems allowing their firms to exchange and take better advantage of their superior internal and external knowledge and create a dynamic and flexible context that allows organizational members to pursue both exploitative and exploratory initiatives and activities, and create incentive systems that value and reward both equally, family firm employees may be more likely to combine and transform information and engage in boundary role activities that take better advantage of the available network resources (Simsek et al., 2009).

Families create particular “family firm contexts” through a combination of historical culture of process innovation; human values that guarantee certain levels of behavior, employee loyalty and the preservation of know-how; and investment favoring financial practices (Mignon, 2013); which can develop useful filters enabling family business to change and pursue exploration when necessary because they are built on a long process of learning by trial and error (Ben Mahmoud-Jouini et al., 2013) and thus result in more ambidextrous strategic paths.

On the negative side, however, research shows that in family firms decisions are often more influenced by family values and personality traits than by objective performance indicators (Welsh & Klandt, 1997) and suggest that family firms would benefit from appropriate performance evaluation and incentive and compensation schemes (Chua et al., 2009) and far-reaching performance policies that include thorough

selection processes, performance-based compensation plans, wide spread in-house learning and development programs, job enrichment, and increased levels of employee empowerment (Tsao et al., 2009). In addition, other scholars suggest family firms should introduce mechanisms to discipline nonperforming family employees (Ram, 1994), and provide better performance incentives for nonfamily employees (Barnett & Kellermanns, 2006; Dyer, 1989; Gilding, 2005; Janjuha-Jivraj & Woods, 2002).

In other words, those family firms that can couple their supportive environment with sufficiently challenging performance management mechanisms; take advantage of high levels of trust to enhance creative sensing and seizing; and promote a dynamic context that capitalizes on family firms long lasting network ties and effective tacit knowledge and transfer mechanisms will be better able to achieve ambidexterity.

The above discussion regarding organizational context leads to our last research proposition:

Proposition 21: Family firms will be more prone to ambidexterity when the family contributes to generating an organizational context that:

- **Matches high levels of support and trust with equally high levels of performance management (discipline/stretch)**
- **Allows family firm employees to exchange and combine information to engage in boundary role activities that capitalize on family network resources**
- **Creates formal and informal incentive systems that value and reward exploration and exploitation equally**
- **Capitalizes on a long family history of learning by trial and error to create filters that enable family firm to identify the need for change and exploration**

With this last proposition we wrap up our conceptual framework and proposition building. The figures below summarize and bring together all the propositions (numbered as P.1-21) within our ambidexterity and familiness frameworks.

Figure 3-10. Research propositions within the input-process-output view of family ambidexterity

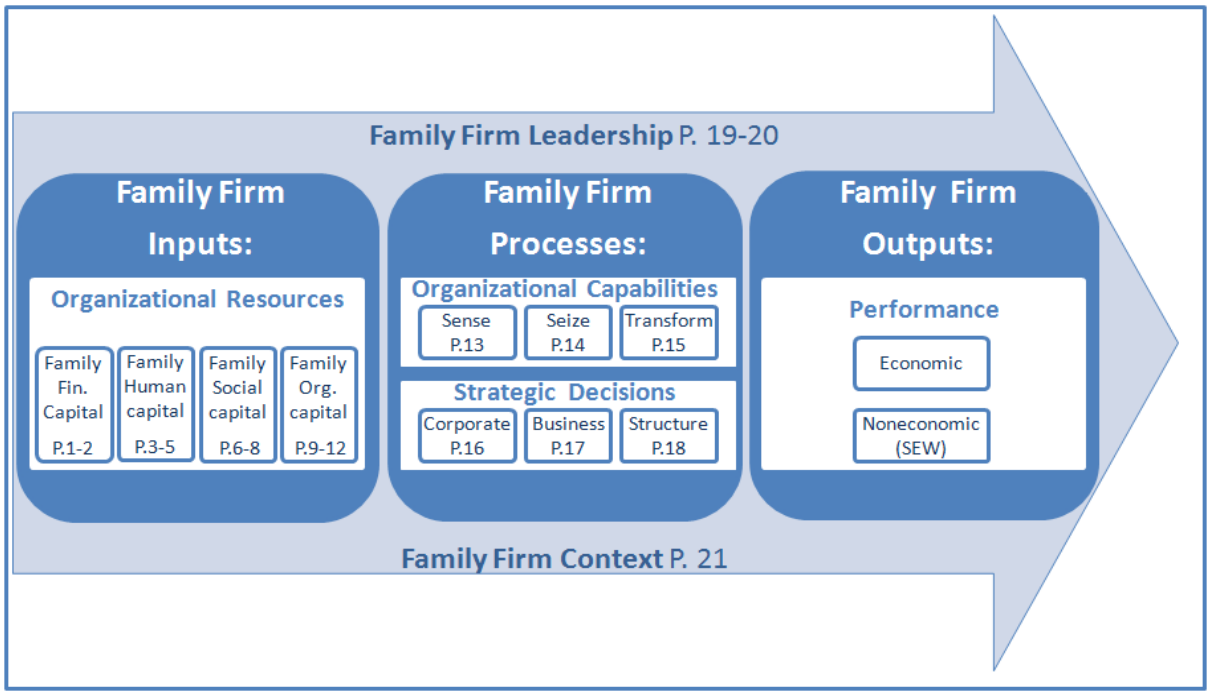
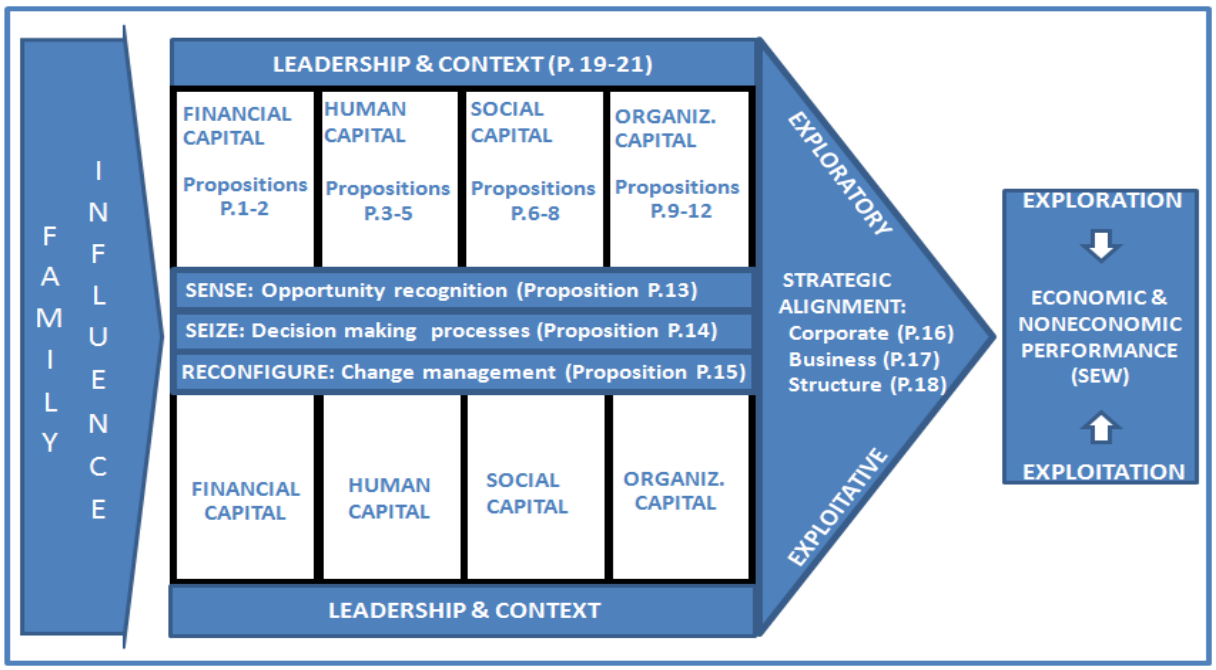


Figure 3-11. Research propositions within the familiness framework



The previous analysis has also allowed us to open up the black boxes of familiness, strategic ambidexterity and performance into their components to complete our theoretical model, as illustrated in the figures below.

Figure 3-12. Initial theoretical model for our investigation

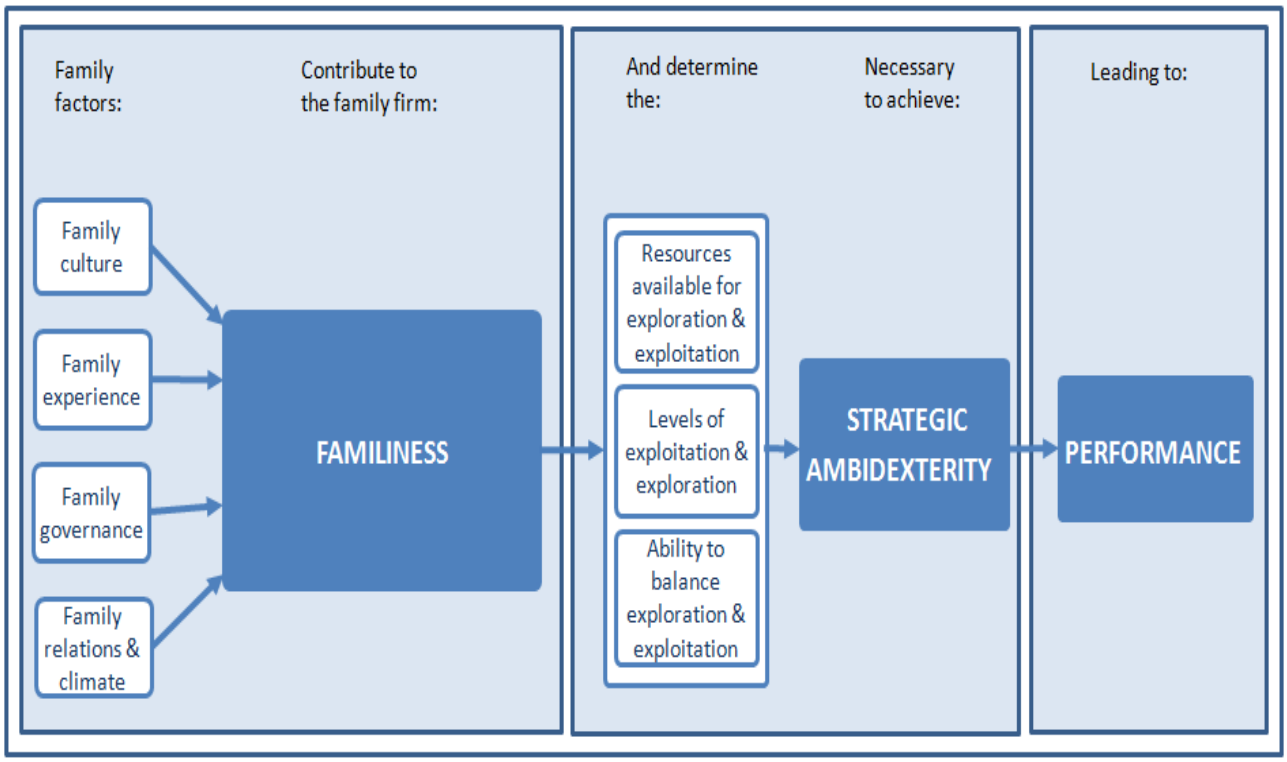
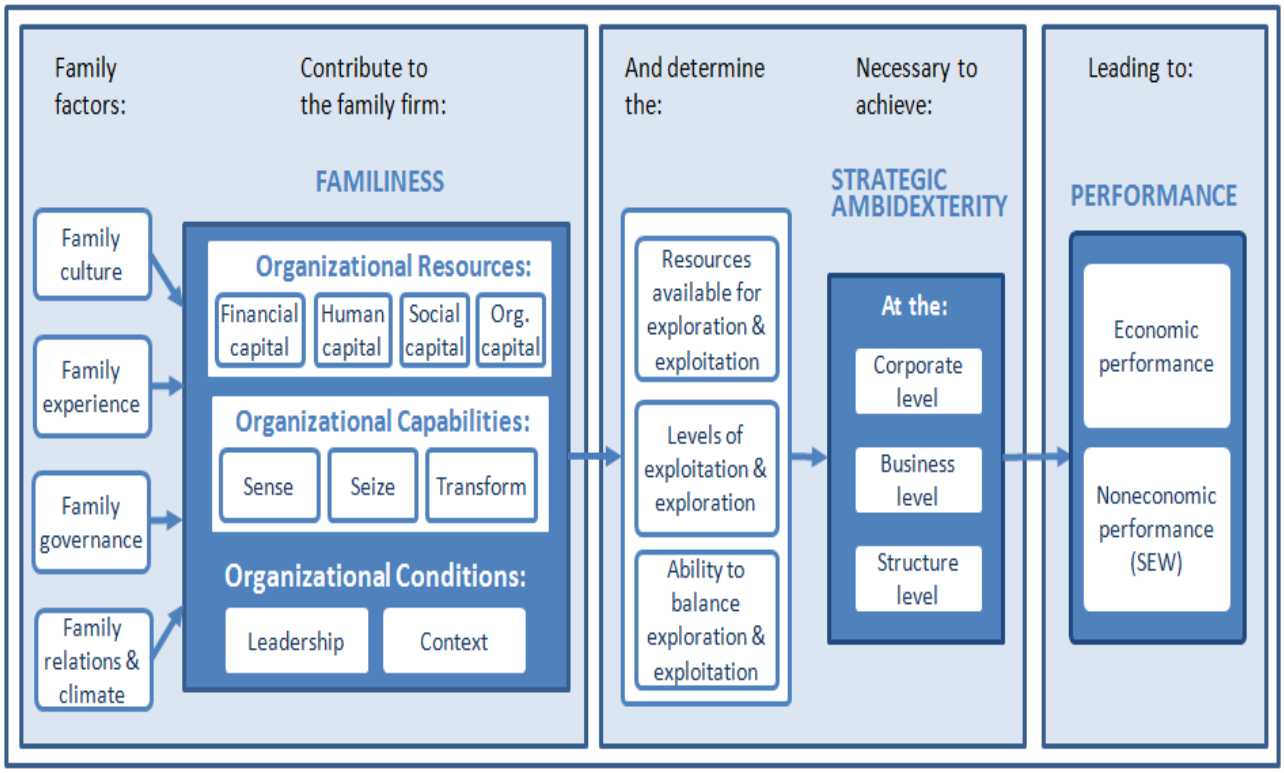


Figure 3-13. Definitive theoretical model for our investigation



4 METHODOLOGY AND RESEARCH PROTOCOL

The previous chapters explored and reviewed extant research to bridge research on family firms and ambidexterity and identify potential linkages between family resources and capabilities and the ability of a family firm to achieve strategic ambidexterity. This review highlights the complexity of the phenomenon under study, and shows that strategic ambidexterity in family firms is a multifaceted social phenomenon involving multiple actors and factors and requiring a longitudinal in-depth examination of the interaction between family, firm and the changing business environment.

In this chapter we present and justify the selected methodological approach and describe the key aspects of the research design we propose to unveil specific behaviors and dynamics between family and firm and their role in defining the ability of family firms to explore and exploit and manage both simultaneously. This methodology informs and guides the collection, analysis and interpretation of the empirical evidence presented in Chapter 5. The chapter structure and the objectives for each section are summarized below:

Summary box 4-1. Objectives of the chapter

Section 4.1 Research approach

- Justify the selection of empirical approach for our investigation

Section 4.2 Research strategy

- Determine the most appropriate methodological practices for our research

Section 4.3 Research design

- Provide a detailed overview of our research purpose, design and methodology

Section 4.4 Research validity

- Examine the validity of our research design

Section 4.5 Limitations of the methodological approach

- Identify limitations inherent to the chosen methodology
- Review the measures taken to address those limitations

4.1 RESEARCH APPROACH

To pursue our in-depth examination of ambidexterity in family firms we use a qualitative approach. Qualitative research can help examine why relationships between variables may hold (or fail to do so); explore the dynamics underlying these relationships; and is a particularly valuable research approach when the phenomenon under study is related to a complex social context (Yin, 2011). Qualitative research is defined in the box below.

Definition box 4-1. Qualitative research

Qualitative research *"is an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyses words, reports, detailed views of informants, and conducts the study in its natural setting" (Creswell, 1998 p.15)*

According to Yin (2011 p.7-8) qualitative research has five important characteristics:

1. It studies the meaning of people's behaviors, under real world conditions;
2. Represents the views and perspectives of diverse participants;
3. Covers contextual conditions within which people operate;
4. Contributes insights to existing or emerging concepts that help explain social behavior;
5. Uses multiple sources of evidence rather than a single source.

Given the complexity of the family firm context, a qualitative approach is particularly suitable for our research because it allows the exploration of this complexity, as well as the examination of related dynamics, integration, and invisible issues surrounding family and firm (Goffee, 1996). In other words, a qualitative study can help unveil multiple realities of the family firm while addressing the tacit and micro-level aspects of the interaction between family and firm.

Traditionally, family business research has been dominated by quantitative methods drawing on large samples. While growing in number, theoretically grounded qualitative family firm studies are still rare (De Massis & Kotlar, 2014; Dyer & Sanchez, 1998; Sharma, 2004). In fact, a recent annotated bibliography reviewing the 215 most cited family business articles published between 1996 and 2010, shows that only 18 studies rely on qualitative methodologies (De Massis et al., 2012). This is surprising given the complexity of the family firm context and the insights to be gained from a holistic qualitative perspective that goes deep into the intricate dynamics between family and business.

A qualitative approach is extremely valuable to understand meanings (such as family firms' strategic ambidexterity), contexts (such as families and family businesses), and processes in their natural settings (such as those related to the development of resources and capabilities within the family business and the interaction between family and firm) and particularly suitable for developing and extending theory in the presence of tacit and invisible issues (Denzin & Lincoln, 1994; Yin, 2009).

Qualitative approaches are vital for theory building in emerging fields (Denzin & Lincoln, 1994) such as dynamic capabilities and ambidexterity. Even though family business research is no longer considered an emerging field, the development of a strategic management theory of family firms is still in its early stages (Astrachan, 2010; Chrisman et al., 2005; Naldi et al., 2011, 2013) and scant research exists on family firm ambidexterity (Stubner et al., 2012). Furthermore, combining emerging mainstream frameworks such as dynamic capabilities and ambidexterity and applying them to the study of family

firms can provide a better understanding of the conditions under which positive forces of family involvement can be unleashed and managed to achieve the economic and non-economic objectives of family firms both in the short and long term.

Scientific and social inquiries typically require alternating deduction and induction in the process of ongoing theory development (Babbie, 2007, p.51). Our study combines both deductive and inductive methods. We use a priori specification of concepts, constructs and propositions derived from extant literature to guide the analysis of empirical findings. These constructs and propositions provide a framework to establish priorities; focus the research process; help select relevant data among all available information; shape the initial research design and provide firm theoretical grounding to our research (Eisenhardt, 1989).

At the same time, the researcher takes an active role in the inquiry, conducts interviews, communicates directly with the actors, collects information and documentation, and examines as much relevant data as possible to identify patterns regarding the participants' influence on the development of resources and capabilities necessary for ambidexterity and to derive useful insights from these patterns to contribute to the development of a family firm strategic management theory.

In sum, this dissertation is qualitative in nature and focuses on building and refining theory using an induction/deduction approach. It attempts to deepen our understanding of strategic ambidexterity in family firms by collecting and examining the perceptions of family members, family firm managers and industry experts as well as relevant archival documentation and data from sector organizations, participating families and family firms.

4.2 RESEARCH STRATEGY

Research strategies help anchor paradigms in specific methodological practices. We consider the in-depth *case study method* to be the most appropriate research strategy among the qualitative research strategies available.

Definition box 4-2. Case study research

Case study research can be defined as *"a research strategy which focuses on understanding the dynamics present within single settings."* (Eisenhardt, 1989 p. 534).

According to Yin (2009 p.18) in a case study:

1. The researcher investigates a contemporary phenomenon in depth within its real-life context;
2. The boundaries between the phenomenon and the context are not clear;
3. There are many more variables of interest than data points;
4. Data needs to converge in a triangulating fashion and;
5. Prior development of theoretical propositions guides data collection and analysis.

Case studies contribute to the generation of management research insights (Burgelman, 1983a,b; Chandler, 1962; Penrose, 1960; Pettigrew, 1973) and are ideally suited to generate managerially relevant knowledge (Amabile et al., 2001; Leonard-Barton, 1990). As such, case studies represent one of the most adopted qualitative methods in organizational studies. Furthermore, research building theory from in-depth case studies is frequently groundbreaking and influential (Eisenhardt, 1989) and can produce innovative research insights (Bartunek et al., 2006; Eisenhardt & Graebner, 2007).

Case studies allow an in-depth examination of organizational phenomena within their context using a variety of points of views, revealing multiple aspects of the phenomenon under study and promoting understanding of organizational dynamics (Pettigrew, 1973; Stake & Savolainen, 1995; Yin, 2009). In-depth case studies are particularly useful for family firm research because family firm activity lies at the intersection of two systems – family and business. As discussed in Chapter 3, the interactions between these two systems produce idiosyncratic organizational behaviors and outcomes. Thus, case studies are ideal for family business research because they can reveal these idiosyncratic behaviors, help to cope with multiple variables of interest embedded in the context of the family and the firm, and rely on multiple sources of evidence providing a holistic view of the family firm.

In fact, case studies are the most utilized qualitative method in family business research (De Massis et al., 2012) and constitute an extremely valuable method to examine complex family firm phenomena, as well as extend and refine existing family business theories (De Massis & Kotlar, 2014). The table below shows a sample of family business research using in-depth case studies to examine a variety of issues within the family business context.

Table 4-1. In-depth case studies in family business research

FAMILY FIRM ISSUE	CASES	PUBLICATION	AUTHORS
Leadership	4 firms	Family Business Review	Salvato & Corbetta (2013)
Succession and Knowledge management	1 firm	Journal of Knowledge Management	Durst & Wilhelm (2012)
Entrepreneurship	3 firms	Small Business Economics	Zellweger & Sieger (2012)
Business Models and Learning	1 firm	Long Range Planning	Sosna et al (2010)
Change and Innovation	1 firm	Entrepreneurship and Regional Development	Salvato et al., (2010a)
Knowledge Transfer	3 firms	Journal of Small Business and Entrepreneurship	Chirico (2008)
Social Capital	4 firms	Family Business Review	Salvato & Melin (2008)
Agency and Altruism	1 firm	Entrepreneurship Theory & Practice	Karra et al., (2006)
Leadership Transfer and Successor Development	7 firms	Leadership Quarterly	Cabrera-Suarez (2005)
Succession	1 firm	Family Business Review	Murray (2003)
Professionalization	1 firm	Family Business Review	Craig & Moores (2002)
Family dynamics	1 firm	Small Business and Economic Development	Craig & Lindsay (2002)
Culture and entrepreneurship	2 firms	Family Business Review	Hall et al., (2001)
Governance	1 firm	Journal of Financial Economics	DeAngelo & DeAngelo (2000)
Relationship dynamics	3 firms	Family Business Review	Dunn (1999)
Succession	1 firm	Family Business Review	Barach & Ganitsky (1995)

In-depth case studies can help uncover how organizational members perceive their environment; unveil the ways in which such interpretations influence organizational action; and allow the development of insights into the patterns of assumptions that shape organizational culture and subsequent organizational action (Schein, 1996). We believe this method is ideally suited to develop a better understanding of strategic ambidexterity in the context of multigenerational family firms.

Yin (1994, p. 5) suggests that case studies should be “the preferred strategy when "how" or "why" questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context".

In line with Yin (2009, 2011), this dissertation follows a case study approach for several reasons:

1. **Nature of research questions:** Our research attempts to respond to *how* questions:
    - **RQ1**: How does the family affect the resources & capabilities necessary for ambidexterity?
    - **RQ2**: How does the family influence the strategic alignment towards ambidexterity?
    - **RQ3**: How can family influence help or hinder the ability of family firms to manage the tensions of exploration and exploitation to reach their performance goals?
2. **Nature of events:** case studies are suitable when contemporary events are investigated and when behavior cannot be controlled (Yin, 2009). An alternative research strategy to investigate past or contemporary events is the use of histories; however case studies allow a broader range of data collection instruments, such as observation or interviews with people involved in the event. Our investigation examines past and contemporary phenomena, analyzing events occurring now or that have occurred in the past but with participants available to report on them.

    Experiments are a suitable research strategy when the researcher can control the behavior of the investigated events/individuals; although the researcher interacts with the participants in this investigation, the researcher has no ability to exercise control over their behavior, strategic processes or over the contextual factors that affect the strategic decisions of family and non family managers.

    Furthermore, family businesses are not a homogeneous group; therefore, it is necessary to examine each case separately to clarify the specific characteristics of the family, the firm and their business environment. Failure to consider these differences would result in findings based on averages that may not reflect any of them (Sharma et al., 1997).

3. **Nature of phenomenon:** case studies allow for a holistic study of a phenomenon (Yin, 2009). The experience and interaction of the actors in our investigation (family members as well as non-family managers) are fundamental for our research questions and thus require a research design allowing for a comprehensive analysis;

4. **Nature of context:** In our investigation, the study and its subject cannot be separated from its context. The context (the family business) of action (strategic ambidexterity) is critical for our investigation, the examination of issues, events and situations in their natural setting is necessary to understand the emerging dynamics between family and firm and their effects on ambidexterity;

5. **Construct development:** Case studies allow investigators to retain the holistic and meaningful characteristics of organizational and managerial processes, help explain presumed causal links that are too complex for other research strategies and reveal previously unknown aspects of such processes contributing to knowledge and theory building (Yin, 2009). Both the “familiness” and “ambidexterity” constructs are still in relatively early stages of development and there are a number of aspects requiring further investigation. In particular, aspects pertaining to the influence of familiness on ambidexterity of family firms remain vastly unexplored. The case study methodology constitutes a powerful methodology to deepen and expand our understanding in this area of research.

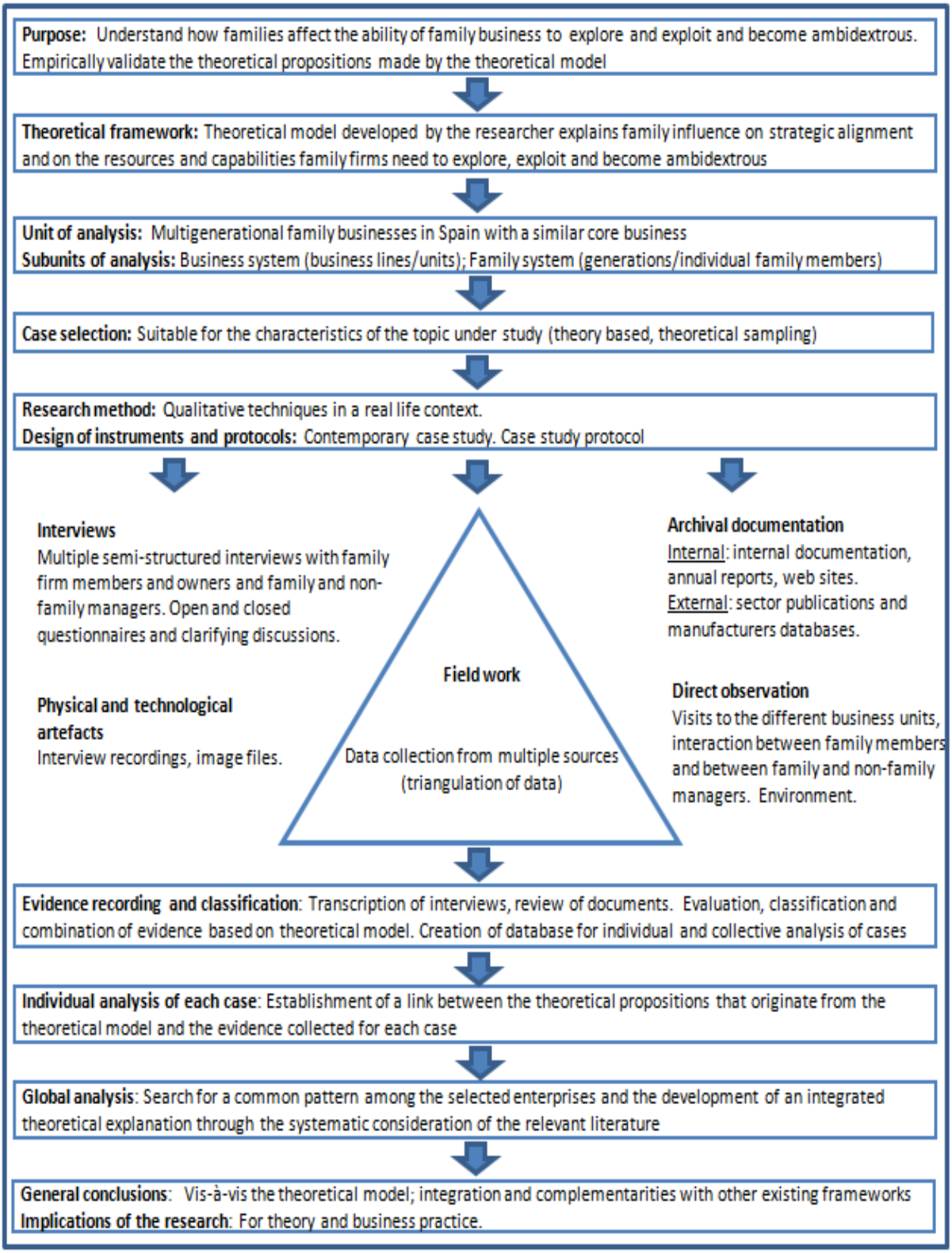
In sum, the suitability of the case method for our investigation is rooted on the nature of our research questions and objective as well as the numerous context-related variables involved within the family business. Case studies are particularly useful to examine distinctive situations with numerous variables of interest, relying on multiple sources of evidence, and guided by prior development of theoretical constructs in its data collection and analysis strategies (Yin, 2009). Furthermore, fine-grained research methods such as in-depth case analysis capture better the intrinsic "richness" of strategic renewal behaviors and processes (Lyon et al., 2000) particularly given the complex family business context (De Massis & Kotlar, 2014).

In other words, our research requires an intensive and detailed examination of a contemporary issue (strategic ambidexterity), within a real and complex life setting (the context of the family business) and calls for the use of multiple sources of data (e.g. sector expert reports, interviews with family and non-family managers, internal documentation, archival data, etc.) to elicit a greater understanding. In our opinion, this makes an in-depth case methodology the most appropriate for this dissertation.

4.3 RESEARCH DESIGN

The figure below provides an overview of our research purpose, design and methodology.

Figure 4-1. Overview of the research design



*adapted from Villarreal (2007); Villarreal & Landeta, (2010).

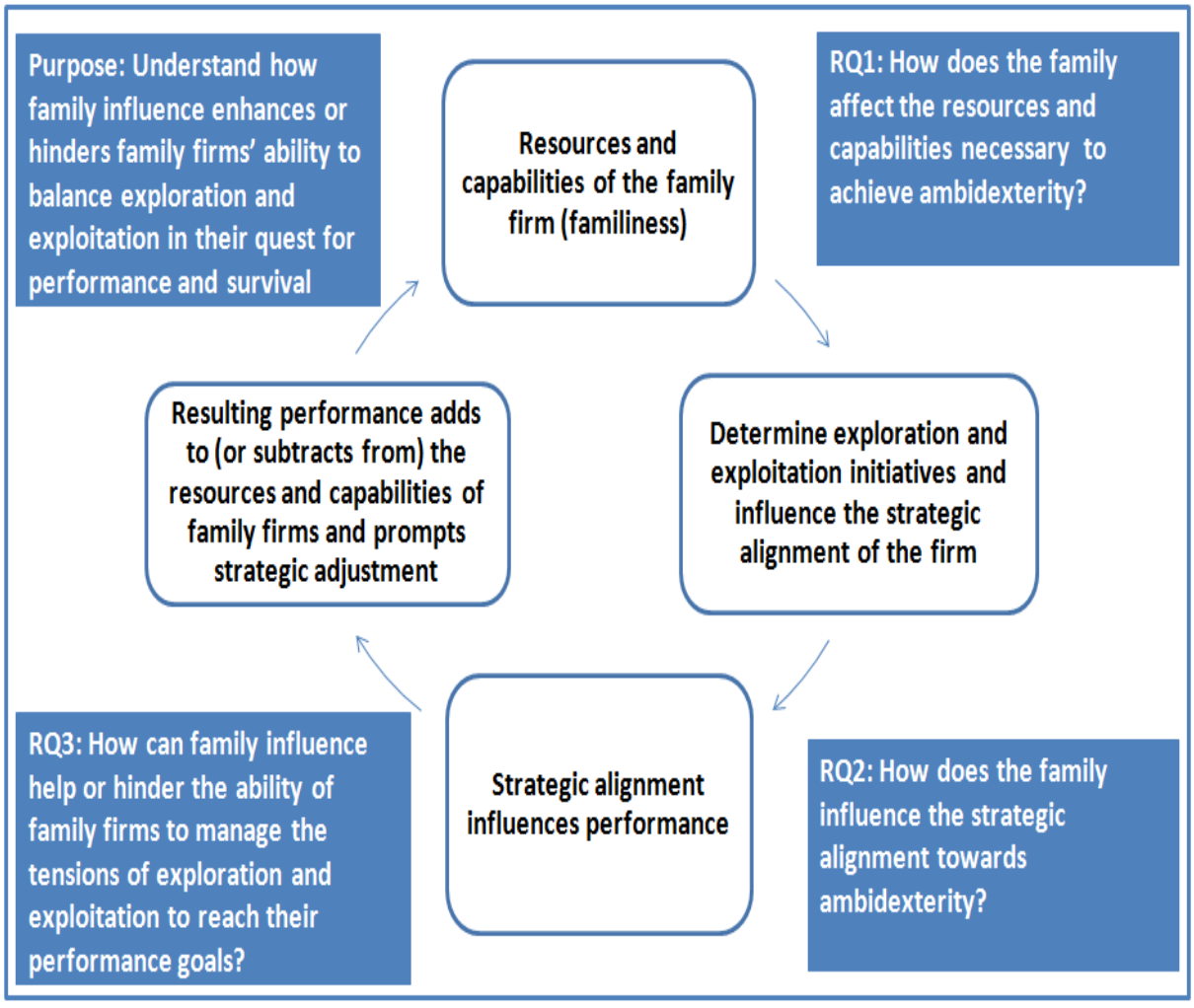
Yin (2009) identifies a number of fundamental components in a case study research design: the research logic; the study's questions; its propositions; its units of analysis; and the criteria for interpreting findings. These components in the context of our research are described below.

4.3.1 Research logic

The purpose of this dissertation is to examine whether, how, and under what conditions, family influence enhances or hinders firms' ability to explore and exploit and balance exploration and exploitation initiatives to achieve and sustain ambidextrous strategies in their quest for short term results and long term survival.

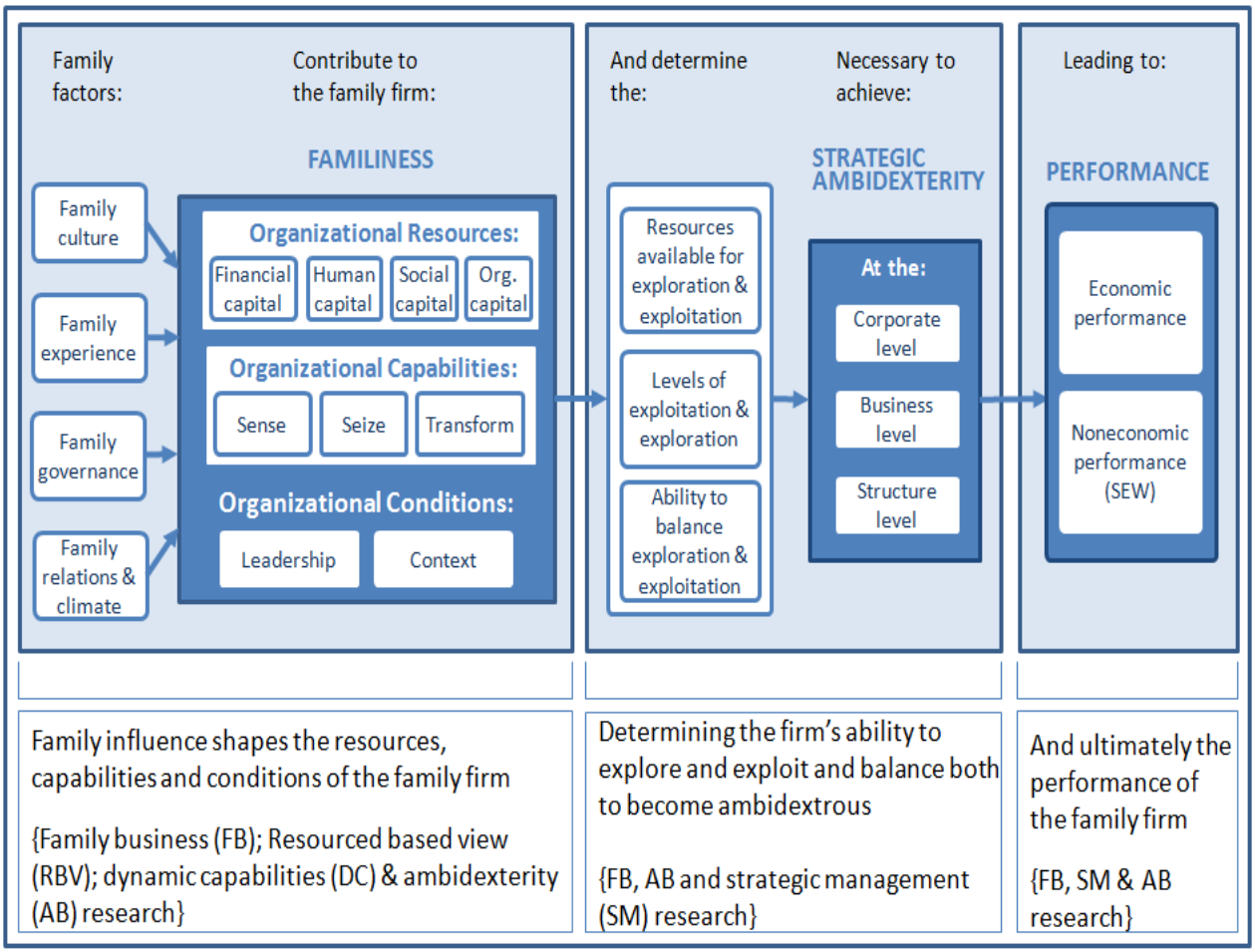
To examine this issue and guide our investigation we reviewed extant literature, derived a number of relevant research questions and developed a set of research frameworks to establish potential linkages. These frameworks summarize the research logic and theoretical perspectives guiding our research and are illustrated in the figures below:

Figure 4-2. Research logic and research questions



To answer these questions we reviewed relevant literature to develop theoretical models and frameworks to collect and analyse the data and interpret our research findings:

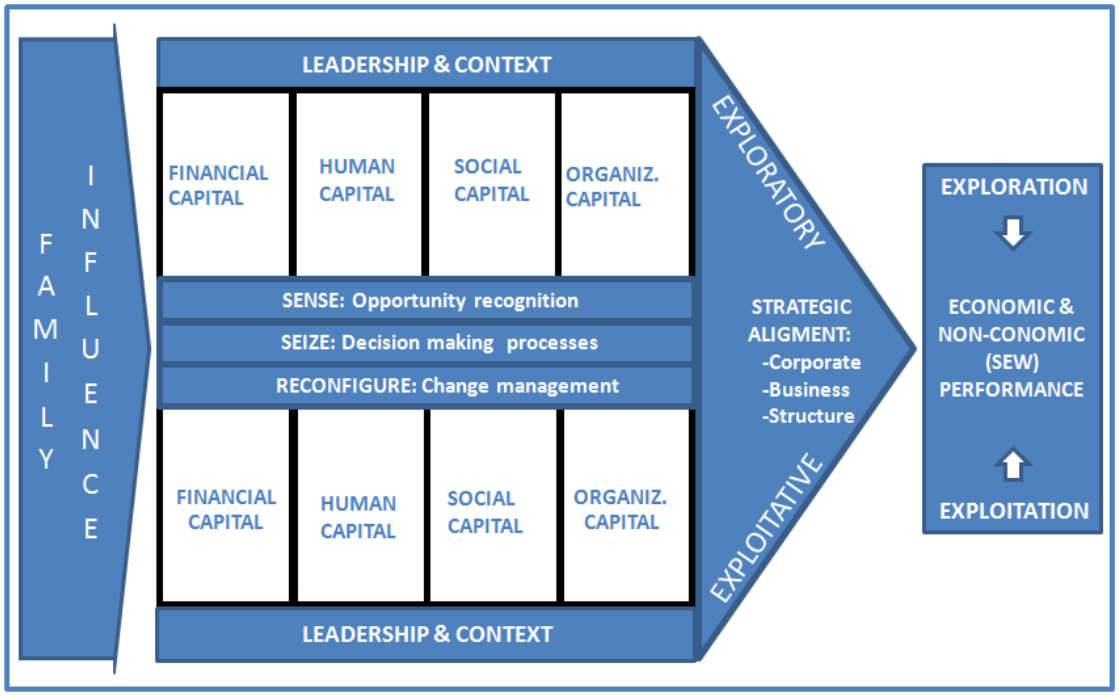
Figure 4-3. Theoretical model guiding the investigation



In other words, our model explains ambidexterity in family firms as emerging from the family influence on the resources and capabilities available to the family firm to explore, exploit and manage the contradictory nature and requirements of exploration and exploitation. These resources and capabilities translate into particular strategic alignments towards exploration, exploitation and/or ambidexterity at the corporate, business and structure levels and ultimately lead to distinct levels of performance (both in economic and noneconomic, i.e. socioemotional wealth, terms).

To explore these relationships and linkages we combined family business research with resource based view and dynamic capabilities research as well as ambidexterity literature. From the thorough examination of the literature emerged our view of family resources and capabilities from an ambidexterity perspective and the framework to examine the influence of the family on the resources and capabilities necessary for exploration, exploitation and to balance both to achieve ambidexterity. This view is illustrated in the figure below.

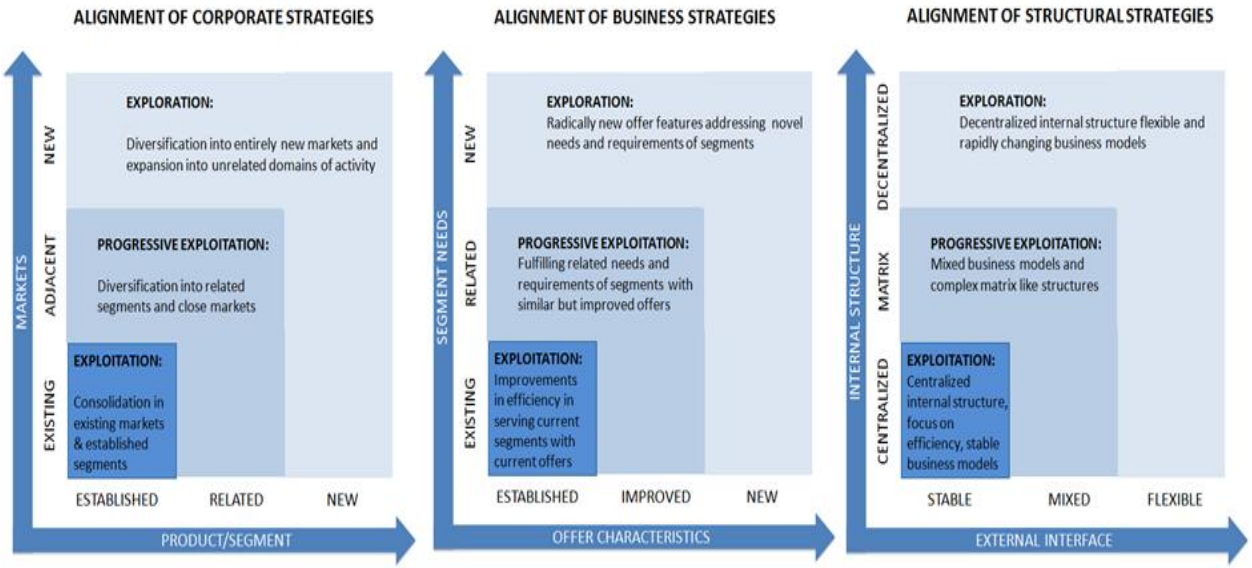
Figure 4-4. A familiness view of strategic ambidexterity



The figure above illustrates that exploration and exploitation both require different resources (human, financial, organizational and social) and organizational capabilities (i.e. the ability to recognize and take advantage of opportunities and threats and adapt in the face of internal and external changes). These resources and capabilities emerge and develop under the influence of the organization leadership and context (which result from combinations of resources themselves). In a family business, the family affects resources, capabilities, leadership and context of the firm, and ultimately, the alignment of the firm's strategies towards exploitation and/or exploration and the ability to manage the paradoxes and contradictions between exploration and exploitation and thus ultimately determine the ability of family firm to become ambidextrous.

These combinations of resources and capabilities of family firms result in specific levels of exploration, exploitation. To assess the alignment of strategic initiatives we developed the framework below along with specific criteria to code corporate, business and structural level strategic initiatives as exploratory or exploitative.

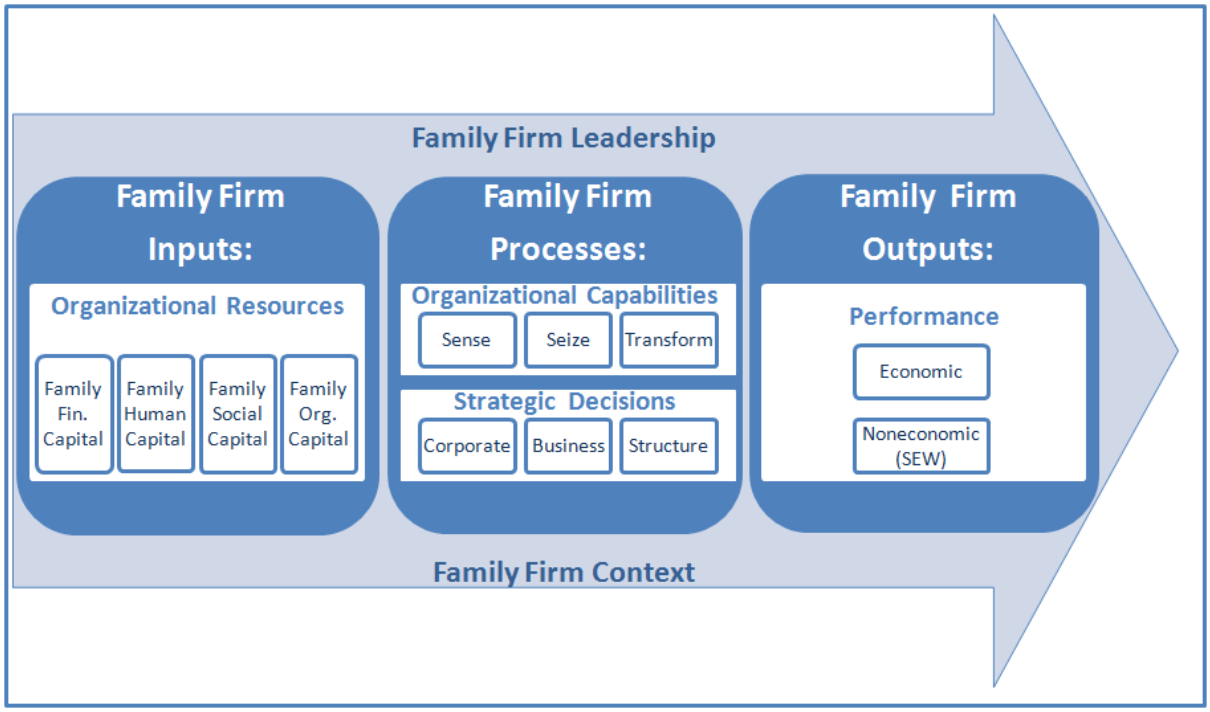
Figure 4-5. Methodology to assess the alignment of strategic initiatives



Ultimately, the resulting combinations of exploratory and exploitative initiatives overtime produce certain levels of economic and noneconomic results and firm performance.

From an ambidexterity point of view we illustrated this process as an input-process-output view of family firm ambidexterity, as illustrated below.

Figure 4-6. Input-process-output view of family firm ambidexterity



Eventually, the ensuing economic and noneconomic performance will add to (or subtract from) the future resources and capabilities of the family firm completing a virtuous (or vicious) cycle that will determine the ability of the family firm to perform in the short term and to survive in the long term.

Through the analysis of the different components of the above theoretical model and frameworks, our investigation generated a number of research propositions and coding guides that aim at providing responses to our research questions. These propositions guide the collection, classification and analysis of the data and serve as a framework for the interviews with industry experts, family members, family firm owners and managers and family firm employees.

4.3.2 Research questions and propositions

Our investigation has three research questions and 21 research propositions.

Propositions linked to research question 1:

RQ1: How does the family affect the resources and capabilities necessary to achieve ambidexterity?

Our investigation suggests that families can affect all the resources and capabilities of the family firm in ways that can both facilitate and hinder the ability of the firm to become ambidextrous:

1. Through the particular influence of the family on the quality and quantity of financial, human, social and organizational capital, as well as

2. Through the influence of the family on the ability of the family firm to combine different resources of the firm to develop capabilities to sense and seize opportunities and reconfigure family firm assets.

This influence of the family on resources and capabilities is summarized in eleven propositions regarding the family influence on the different resources (two for financial capital, P.1-2; three for human capital, P.3-5; three for social capital, P.6-8; and four for organizational capital, P.6-9), and three additional propositions regarding the family influence on the dynamic capability components of the family firm (one proposition for sensing capabilities P.10; one for seizing capabilities P.11; and one for reconfiguring capabilities P.12).

Propositions regarding the influence of the family on the family firm resources necessary to explore, exploit and become ambidextrous:

Proposition 1: Family firms will be more prone to ambidexterity when they manage financial assets to:

- **Leverage survivability capital as well as external financial resources if and when necessary to ensure sufficient resources for exploration and exploitation**
- **Take advantage of patient capital to pursue exploratory activities**
- **Manage the financial flows between the family and the business to ensure adequate levels of financial capital are available for exploration and exploitation while satisfying the financial needs of the family**

Proposition 2: Family firms will be more prone to ambidexterity when the family manages to balance the financial preferences of the family leading to exploration (patient and survivability capital, long terms investment horizon) with the family financial preference for low risk, parsimony and low levels of debt.

Proposition 3: Family firms will be more prone to ambidexterity when they:

- **Support and encourage the diversity of experience and knowledge of family and non family managers by nourishing the breadth, depth and diversity of the family members' human capital (e.g. investing in their development, encouraging external experience) and open human resource practices that encourage acquisition, integration and promotion of external talent to ensure family business managers have a combination of different types (general & specific) and quality (breadth and depth) of prior knowledge and experience.**

Proposition 4: Family firms will be more prone to ambidexterity when they:

- **Encourage and channel the involvement and contribution of family members from different generations and with different knowledge and experience so the firm can tap and combine the diverse knowledge and skills of family members (e.g. encourage the involvement of different generations, maximize involvement by providing different ways to contribute -boards, family council, family meetings and consultations, advisory groups for different matters depending on interest and expertise of different family members-)**

Proposition 5: Family firms will be more prone to ambidexterity when:

- **The family firm can develop and tap tacit knowledge of family and non family members' (developed through early involvement in the firm and strong bonds)**

to improve existing business activities and to identify potential new business venues (e.g. by recognizing emerging market trends or stakeholder's preferences due to their in-depth knowledge of their markets).

Proposition 6: Family firms will be more prone to ambidexterity when they have mechanisms to:

- **capitalize on the strong bonds to improve access to resources in their networks**
- **identify and manage negative behaviors that may emerge from strong relationships**
- **review and expand the size and heterogeneity of their networks**

Proposition 7: Family firms will be more prone to ambidexterity when they manage family influence such that:

- **They can create and capitalize on high levels of trust within and towards the firm**
- **They promote group norms that include teamwork and openness to diversity, criticism, and failure**
- **They build and capitalize on a strong identity that embraces both past traditions and high expectations for the future**
- **The family firm identity's focus and locus allow a sufficient level of environmental awareness and flexibility in the definition of their competitive arena to allow for both exploration and exploitation**

Proposition 8: Family firms will be more prone to ambidexterity when the family influence contributes to:

- **Developing family firm values supportive of both exploration and exploitation**
- **Establish a strong shared long term family vision**
- **Creating and maintaining a family firm language and stories that facilitate the development of common cognitive frameworks that are open and flexible.**

Proposition 9: Family firms will be more prone to ambidexterity when the family influence contributes to:

- **Develop internal rules that contribute to managing, preserving and applying relevant existing business knowledge to exploitation and exploration**

- **Establish practices that encourage and embrace the approaches and contributions of different generations**
- **Support flexible internal procedures that facilitate the incorporation and integration of established organizational rules with emerging business practices**

Proposition 10: Family firms will be more prone to ambidexterity when the family influence contributes to develop an organizational culture that:

- **Enhances family commitment to the business and a stewardship behaviors**
- **Emphasizes group collaboration and harmony while allowing for a certain degree of individualism**
- **Balances internal organizational focus with an open organizational culture**
- **Promotes the natural tendency towards long term orientation and balances long term investment on capability creation and the refinement of existing competencies**
- **Limits excessive centralization and reliance on one (or a few) family managers**
- **Shows openness and flexibility towards changing the "founder's or owner's way of doing things"**
- **Promotes collaboration and inclusion to manage the needs and demands of a growing number of owners and distinct family lines to maintain the long term orientation of the firm**

Proposition 11: Family firms will be more prone to ambidexterity when the family influence contributes to develop organizational structures that:

- **Combine centralized family organizational structures with informal organizational structures that allow quick and intuitive decision making**
- **Provide mechanisms to manage the growing complexity of ownership structures**

Proposition 12: Family firms will be more prone to ambidexterity when the family strives to contribute to developing a strong favorable corporate reputation, particularly if the family reputation is built on a long term search for delivering outstanding offers to their markets.

Propositions regarding the influence of the family on the family firm's dynamic capabilities leading to ambidexterity, i.e. the ability of the firm to sense and seize business opportunities and reconfigure assets in response to internal and external challenges:

Proposition 13: Family firms will be more prone to sensing ambidextrous opportunities when they manage to:

- **Capitalize on family unity to overcome shortcomings in family human capital when searching for new opportunities**
- **Combine constrained search and enduring knowledge structures to identify exploitative opportunities with informal and open search practices emerging from a long term perspective**
- **Encourage family and non-family members to develop broad networks and experiences and to apply them to the search for opportunities**
- **Establish mechanisms to engage non-family experts and stakeholders in the identification of emerging opportunities**

Proposition 14: Family firms will be more prone to ambidextrous seizing when they develop mechanisms to:

- **Maintain an open mind for exploratory options in the face of external threats**
- **Combine their human, social, organizational advantages to take advantage of swift decision making and implementation**
- **Capitalize on financial independence to implement and persist on exploratory initiatives while ensuring sufficient funding is allocated to seizing priority initiatives**
- **Manage potential resistance to the selection and implementation of exploratory alternatives emerging from affective attachment to the firm's history and tradition**

Proposition 15: Family firms will be more prone to ambidextrous reconfiguring when they develop mechanisms to:

- **Manage life cycle forces to capitalize on stability periods for exploitation and take advantage of life transition periods to promote deep organizational change**

- **Actively manage family components of resources to capitalize on family-resource components to drive change and adapt to the changing needs of family and firm**
- **Foster an entrepreneurial, flexible and open organizational cultures to curb inertial forces and limit internal resistance to change**
- **Maintain a future focused perspective while balancing tradition and transformation by managing change processes in a way that respects the core family values and acknowledges previous generations' contributions**
- **Manage and resolve conflict and promote companywide communication and learning.**

Propositions linked to research question 2:

RQ 2: How does the family influence the strategic alignment of family firms towards ambidexterity?

Our investigation suggests that families affect the strategic decisions of the family firm through the particular influence of the family on the strategic alignment of strategies at the corporate, business and structural levels of strategy. This influence is summarized in three propositions regarding strategic alignment (propositions P.16-18):

Proposition 16. Family firms will be more prone to strategic ambidexterity at the corporate level when they have mechanisms to:

- **Minimize strategic simplicity and inertial forces**
- **Manage self-restricting investment practices**
- **Exploit generational diversity and change**

Proposition 17. Family firms will be more prone to strategic ambidexterity at the business level when they have effective mechanisms to:

- **Engage involved family members in business level decision making;**
- **Generate, maintain and apply useful business level knowledge;**
- **Promote and provide access to non-family resources when necessary for the development and implementation of business level strategies.**

Proposition 18. Family firms will be more prone to strategic ambidexterity at the structure level when they have mechanisms to:

- **Counterbalance the predisposition of the family towards centralization and maintenance of stable business models particularly in the face of change;**

- **Check periodically the alignment of existing organizational structures and business models with the needs of the organization and the markets; and**
- **Capitalize on the unique decision making power of the family to enable and facilitate exploration.**

Propositions linked to research question 3

RQ3: How can family influence help or hinder the ability of family firms to manage the tensions and paradoxes of exploration and exploitation to reach their performance goals?

Our investigation suggests that families can affect the ability of the family firm to deal with the contradictory demands of exploration and exploitation through:

1. The influence of the family on the leadership of the family firm and
2. The influence of the family on the organizational context of the family firm

This influence is summarized in the following three research propositions (two for leadership P.19-20; and one for context P.21):

Propositions regarding the family influence on the ability of the leadership of the family firm to manage the contradictions of exploration and exploitation to achieve ambidexterity:

Proposition 19: Family firms will be more prone to ambidexterity when the top management of the family firm:

- **Taps on the particular capabilities of family CEOs and family firm founders while maintaining an heterogeneous TMT composition**
- **Establishes efficient mechanisms to manage disagreement and conflict in TMT processes while allowing a diversity of opinions to emerge**
- **Promotes a spirit of openness**

Proposition 20: Family firm leaders will be better able to manage the contradictions of exploration and exploitation when they are able to integrate and balance family and firm

Proposition regarding the family influence on the ability of the family firm to create a context conducive to ambidexterity:

Proposition 21: Family firms will be more prone to ambidexterity when the family contributes to generating an organizational context that:

- **Matches high levels of support and trust with equally high levels of performance management (discipline/stretch)**
- **Allows family firm employees to exchange and combine information to engage in boundary role activities that capitalize on family network resources**
- **Creates formal and informal incentive systems in the family firm that value and reward exploration and exploitation equally**
- **Capitalizes on a long family history of learning by trial and error to create filters that enable family firm to identify the need for change and exploration**

These research propositions guide the analysis of our research and the structure of our case studies.

4.3.3 Unit of analysis and case selection

The unit of analysis is important because it defines where a case study starts and where it ends (Miles & Huberman, 1994). Identifying the unit of analysis clearly is fundamental to avoid deviations from the focus of the research, which can lead to the collection and analysis of unnecessary data and result in an unfocused investigation and unnecessarily long case studies (Yin, 2009).

The main unit of analysis for this study is the family business system. Within the family business system there are two sub-systems (Davis, 1983; Kepner, 1991; Whiteside & Herz-Brown, 1991), the family system or enterprising family and the business system or family business group. An examination of the enterprising family allows the exploration of the family influence on the decisions to explore and exploit and the resources and capabilities necessary to explore, exploit and become ambidextrous. At the same time, to assess the alignment of the family business towards exploration, exploitation and ambidexterity, our research needs to examine the strategic initiatives of the business system or family business group, to evaluate the strategic alignment at the corporate, business and structural levels and determine whether and to what extent the family business group as a whole shows strategic ambidexterity.

At a deeper level of analysis of the enterprising family we have diverse generations, family lines and individual family members. In the family business group we find different business lines, diverse business units, departments and managers. Nevertheless, the overall focus of our cases remains the family business system as a whole rather than its sub-units even when we examine specific phenomena in particular sub-units to present sufficient evidence and support and provide clear and tangible data (Yin, 2009).

Finally as recommended by Yin (2009 p.32-33) in defining the case and the unit of analysis, key definitions in our study are not idiosyncratic: they draw on previous literature and/or are clearly and "operationally defined" to facilitate comparison with previous and future research.

Table 4-2. Definitions and operational criteria applied for case selection

UNIT/SUBUNIT	DEFINITION	OPERATIONAL CRITERIA
Family business system i.e. multigenerational family firm	A family firm is an organization governed and/or managed by members of one or few families with the intention of maintaining the business across generations to shape and pursue the vision of the family (Chua et al., 1998)	-Ownership: at least 51% owned by the family of the founder -Generational transfer: at least two completed managerial generational transfers -Management: family members involved in management and/or the board of directors -Explicit intention to maintain firm in the family for future generations (expressed by family members)
Subsystems i.e. family and business systems	The family is a social structure that assures care, nurturance and development of its members The business is a social structure that generates goods and services through organized tasks and guided by norms that facilitate the productive process (Lansberg, 1983)	-Enterprising family: is constituted by the generations, family lines and family members involved in the family firm via ownership or management descending from the founder -Family business: is constituted by all the business ventures owned and managed by the enterprising family (except independent ventures launched by individual family members with no connection with the family firm)
Enterprising family subunits	Different generations, family lines and family members involved in the business as owners, managers or members of the board	-Generation in power: holds 51% of voting rights and/or occupies CEO position of the family business group -Influential family member: shareholder with seat on the board, board member with voting power and family members in senior management positions (currently or historically)
Family business subunits	Different business domains of the family firm and diverse business units within each business domain	-Business domains: constitute different lines of business and separate entities within the family firm both in terms of strategy and management structure -Business units: different entities pertaining to a similar business domain but with separate legal identities, management structures, and separate annual accounts

4.3.3.1 Case type selection

Once the unit of analysis has been defined we need to determine the most suitable type of case study for our investigation; the most appropriate number of cases; and the selection process for identifying a suitable number of relevant units of analysis, i.e. family business systems, to conduct our research.

In order to respond to the research questions posed, our study needs to examine the effects of the family on the resources and capabilities of the family firm through the generations and assess the evolution of the strategic alignment towards exploration and exploitation over time. The need for a longitudinal approach coupled with the level of access and detail required to conduct our complex study would justify the use of a single case study (Yin, 2009).

However, despite the extensive resources needed to conduct more than one case study, we consider that studying contrasting case studies representing both extremes of an important theoretical condition (Yin, 2009) would add interesting insights to our investigation. Particularly because multiple cases can provide the contexts and comparisons necessary to study organizational processes and patterns in the unique setting of transgenerational firms (Steier, 2005).

The ideal number of cases for an investigation remains unresolved. Eisenhardt (1989) advocates adding cases until theoretical saturation is reached while taking into account the information required and the increasing complexity and volume of data as cases are added. Although multiple cases are more robust, and four to ten (Eisenhardt, 1989) are often quoted as "ideal," multiple cases call for additional resources and thus a balance must be found between the number of cases and the resources available (Yin, 2009). Although a larger number of cases may be preferred, a "two case" case study design can already provide substantial analytical benefits to an investigation (Yin, 2009 p.61).

Cases are usually selected because they are either unusually revelatory, constitute extreme examples, or represent unique opportunities for unusual research access (Yin, 2009). Single-case studies provide a richer description of a phenomenon (Siggelkow, 2007) and multiple-case studies provide a stronger base for theory building (Yin, 2009). Multiple cases enable comparisons that clarify whether findings are idiosyncratic to a case or consistently replicated by other cases (Eisenhardt, 1991) and develop more robust theory because propositions are better grounded in a variety of empirical evidence and constructs and relationships more precisely defined (Eisenhardt & Graebner, 2007).

However, theoretical sampling is complicated (Eisenhard & Graebner, 2007); multiple cases are chosen for theoretical reasons such as replication, extension of theory, contrary replication, and elimination of alternative explanations (Yin, 2009). A theoretical sampling approach particularly suitable for case research is the use of "polar types" (e.g. a family firm with high level of ambidexterity vs. a family firm with low levels of ambidexterity) because contrasting cases allow the identification of contrasting patterns in the data more easily and lead to a better understanding of the relationships, and logic of the phenomenon under investigation (Eisenhardt & Graebner, 2007). With this in mind and after taking into consideration the amount and detail of information required for our research, the resource constraints (time and finances) as well as the accessibility to multigenerational family firm longitudinal internal data, we considered contrasting case studies would provide the most powerful and relevant insights for our research questions.

Although a higher number of cases may be considered more compelling and robust (Yin, 2009), adding cases to our research is particularly challenging due to difficulties gaining access to detailed historical

data in all the relevant family and business aspects required for this investigation as well as the additional complexity of gathering and managing all the necessary information. For these reasons, this study adopts an in-depth dual case design comparing the relatively successful family firms with distinct levels of ambidexterity, strategic trajectories and outcomes.

The purpose of qualitatively based case-study research is not to generalize across "representative" sample populations. Rather, the principal aim is to assess the extent to which the propositions developed regarding the influence of the family on the ability of the family firm to achieve strategic ambidexterity correspond to the concrete experiences of the different case-studies; and, in so doing, understand the significance of processes in action (Yin, 2009). Given the resource constraints, two contrasting cases provide maximum relevant inputs in this respect.

In addition to the number of cases, case study research requires the selection of the type of case study (Yin, 2009). Different types of cases serve different purposes; one type of case does not fit all purposes. Robson (2002) distinguishes four types of cases: Exploratory cases that find out what is happening, seek new insights and generate ideas for new research; Descriptive cases that portray a situation or phenomenon; Explanatory cases that seek to explain a situation or a phenomenon and mostly but not necessarily look for causal relationships; Improving cases that try to improve a certain aspect of an already studied phenomenon. The selection is guided by the objective of the study. Descriptive case studies are often used to illustrate events and their specific context.

Exploratory case studies are often conducted to define research questions and hypotheses; to understand how a phenomenon takes place and to try to gain understanding of organizational dynamics. Explanatory case studies seek to link an event with its effects; are suitable for investigating causality and; frequently shed light on why a phenomenon takes place. However, the boundaries between these typologies are blurred and very often, the explanatory nature of a case study is combined with an exploratory purpose (De Massis & Kotlar, 2014) as is the case in this investigation:

Summary box 4-2. Purpose of the investigation

> The purpose of this dissertation is to examine whether, how, and under what conditions, family influence enhances or hinders family firms' ability to balance exploration and exploitation in their quest for short term results and long term survival.
>
> To do so we attempt to open up the "black box" of familiness and strategic ambidexterity in family firms by investigating how the family affects the resources and capabilities of the family firm to explore, exploit and balance both.

Each of the case types described above can be longitudinal (to uncover and explain changes within the case over time), and/or comparative (to discover and explain differences between cases). Our research questions require longitudinal case studies to assess strategic adaptation and change and explore the ongoing influence of the different generations of the family on this process. At the same time, the comparative approach of contrasting type cases allows our investigation to identify and examine differences in certain crucial characteristics of the firms and the managing families.

As Yin (2009) stresses, most research efforts can benefit from multiple cases, but careful selection of each case is necessary. Cases can be chosen because of their substantive significance or theoretical relevance (Ragin, 1999); because they are critical for the research; because they are extreme or unique; or because they are particularly revelatory (Yin, 2009). Stake (1994 p.243) suggests the researcher should examine “various interests in the phenomenon, selecting cases of some typicality, but leaning towards those cases that seem to offer the opportunity to learn” because “potential for learning is a different and sometimes superior criterion to representativeness".

In multiple case research, Yin (2009) suggests the case selection should follow a literal replication logic where the conditions of the case lead to predicting the same results, or a theoretical replication logic where the conditions of the case lead to predicting contrasting results (Yin, 2009). Our research uses theoretical replication; this sampling technique is ideal for qualitative, case-based research because the selected cases shed light over the research questions and address better the research problem, "the logic and power of purposeful sampling lies in selecting information-rich cases for in-depth study… those from which one can learn a great deal about issues of central importance to the purpose of the research" (Patton, 2002 p.230).

4.3.3.2 Case selection process

To ensure a rigorous selection of cases for this research, we follow the suggestions from Eisenhardt (1989), Miles and Huberman (1994), Patton (2002), Stake (1994) and Yin (1994, 2009, 2011).

The cases in this study exemplify the phenomenon of investigation and provide the greatest learning opportunity about the particular phenomenon we want to investigate (Eisenhardt, 1989; Stake, 1994; Yin, 2009). In other words, the cases included in this investigation were selected because they explicitly display the issues of interest in our investigation (multigenerational family influence on the firm’s resources and capabilities and diverse degrees of strategic ambidexterity) and thus are likely to provide relevant data for responding the research questions in our study and deepen or extend our understanding of family firms long term strategic alignment towards exploration and/or exploitation.

To select the cases of an investigation, Miles and Huberman (1994) suggest setting boundaries or filters, but insist these boundaries should be justified and linked to the research questions. The criteria used in this investigation to define the boundaries to select the cases are summarized in the table below:

Table 4-3. Criteria for case selection

CRITERIA	DESCRIPTION	RATIONALE
Geographical boundaries	The family businesses under study were founded in Spanish territory and currently maintain their headquarters in Spain (even if they have business presence in other countries)	Restricting the selection of firms to one host country reduces the complexity of the research. Operating in the same national environment means these companies are subject to similar external forces (e.g. cultural, political, legal, economic, etc.) allowing our investigation to focus on other differentiating factors of relevance to our research.
Size	The family firms are medium to large family businesses. We apply the EU criteria (medium up to 250 employees; large above 250 employees)	The firm size criterion ensures a certain level of complexity in the strategic behavior, and allows exploring organizational inertia which is usually stronger in larger organizations (Bower, 1970) and one of the "issues" attributed to family firms (Miller, 1983).
Multigenerational family firms	The selected family firms are multi-generational (3 or more generations). Measured by the last generation incorporated to the business (as managers, board members or shareholders) (multiple generations in management are not required)	Multigenerational firms ensure a long enough period to analyze corporate, business and structural strategic trajectories in the long term. Three generations allow the examination of the changing influence of different generations on strategic behavior and on the development of resources and capabilities for exploration, exploitation and ambidexterity.
Successful family firms	The selected family firms operate financially at above average market returns (at least for a significant part of their business history). They are recognized by their peers as leading companies in their sector and described as exemplary in terms of "efficiency" (exploitation), "innovation" (exploration) or both	The objective of our investigation is to examine the influence of the family on strategic decisions to exploit, exploit and become ambidextrous; on the resources & capabilities necessary to carry out those decisions; and to manage the tensions and paradoxes of exploration and exploitation. Family firms with a relative degree of long-term success will provide the richest insights to our research ensuring the focus remains on the factors underlying differential purposeful strategic behavior rather than on inconsistent/unplanned strategies. In addition, comparing the relative degree of success of family firms with different degrees of ambidexterity can provide rich insights to our research allowing the comparison of short and long term outcomes of different strategic alignment.
Similarities in the business sector of the firm	The selected family firms share at least one business sector. For diversified companies this means the companies are still active in a related sector or that they remained in that sector for a significant period of time (i.e. more than one generation).	Companies belonging to the same sector are subject to similar market forces. This facilitates the examination and comparison of exploratory and exploitative strategic responses in the face of changes in the industry and the environment across generations in the different firms.
Sector	The family businesses have to belong to the automotive retail sector. They have to be currently part of this sector or have been in the past for a significant part of their historical business trajectory (i.e. more than one generation)	Industry factors: in the same sector companies are subject to similar market and industry forces facilitating comparison. Family sector: this sector comprises over 5400 companies in Spain; the vast majority family owned and run (Faconauto, 2014). Historical data: Auto manufacturers have extensive historical comparative data to assess efficiency levels and outcomes of distributors. This data is invaluable to compare performance. Access: The in-depth nature of this research requires full disclosure and unrestricted access to sensitive family and firm historical data. The researcher had access to this sector.

Eisenhardt (1989) suggests selecting deviant or opposite type cases, to help provide contrasting findings that lead to better grounding for the research. According to Eisenhardt and Graebner (2007, p. 27) "A particularly important theoretical sampling approach is "polar types" in which a researcher samples

extreme cases in order to more easily observe contrasting patterns in the data. Although such an approach can surprise reviewers because the resulting theory is so consistently supported by the empirical evidence, this sampling leads to very clear pattern recognition of the central constructs, relationships, and logic of the focal phenomenon."

Following the above criteria and suggestions we aimed at finding multigenerational family firms that were recognized in their sector as having opposite strategic alignment. To identify such firms we searched for family firms that: (1) displayed high levels of both strategic exploration and exploitation (2) displayed high levels of exploitation (and low levels of exploration) and (3) displayed high levels of exploration (and low levels of the exploitation).

To identify and select such potential cases the researcher consulted with several automotive retail industry experts as well as with sector associations such as the Spanish Federation of Associations of Automotive Dealers (FACONAUTO) and a number of its members (different manufacturer dealer associations in Spain). These institutions were kindly requested to provide name and contact details of members of their associations known among their networks to be:

a) Family firms particularly diversified and/or innovative (exploration) as well as particularly efficient (exploitation), in other words, ambidextrous;
b) Family firms exclusively focused on the automotive retail sector and known for their emphasis on efficiency (exploitation), i.e. aligned towards exploitation; and
c) Family firms focused on diversification and innovation (exploration) but without much emphasis on efficiency (exploitation), i.e. aligned towards exploration.

These consultations yielded a list of 14 potential companies for our study (the complete list included 33 organizations because a number of these companies came up in several lists as most dealers distribute vehicles for a large number of different manufacturers and thus are members of several dealer associations).

Eleven of the companies were labeled "particularly efficient" and only three "particularly efficient and innovative/diversified at the same time". No organization was labeled as aligned towards exploration alone because, to quote one of the respondents:

> "Given the level of competition, the current market slump and the reduced margins, it is impossible to survive in this sector unless you achieve a high degree of efficiency. Dealers that have not been able to maximize the use of existing structures, find synergies, and achieve economies of scale, have already been taken out of the market. The sector has suffered tremendously since the beginning of the crisis in 2007."
> Founder of FACONAUTO and former president of ANCR (interview November 3rd 2014)

This view is confirmed by other industry experts as well as diverse sources in the Spanish press:

> "The crisis has hit the Spanish automotive retail sector particularly hard. In 2011 alone more than 320 dealers went bust. One third of all dealers in Spain are on the verge of bankruptcy."
> El Confidencial Newspaper. Article published 26/06/2012. Consulted online 1/09/2014
> http://www.elconfidencialdigital.com/dinero/concesionarios-Espana-quiebra-cerrado-establecimientos_0_1859214083.html

> "Since the crisis started in 2007, 20% of the dealers in Spain have closed. There are around 5500 dealers left out of a network that at one point represented 6817 companies (1317 have closed). In employment terms this has meant the loss of over 30000 jobs"
> El Pais Newspaper. Article published 28/03/2013. Consulted online 1/09/2014
> http://economia.elpais.com/economia/2013/03/28/actualidad/1364470099_473270.html

In this context, our initial sample had two rather than three categories of companies: those recognized among their peers for being ambidextrous and those identified as being particularly focused on exploitation.

In addition to gathering potential organizations from industry associations we collected information from the manufacturers themselves. Most manufacturers run annual challenges to identify best performing organizations (e.g. Dealer of the Year programs) based on data regarding a number of performance and efficiency indicators such as sales, service quality, overheads, general expenses and profitability. We compiled historical lists of the winners of such challenges and cross-referenced the list of winners with the list of potential cases obtained in the manner discussed above.

Of the 14 initial potential companies half did not meet the multi-generation criteria and three companies emerged as very clear potential cases for our investigation: one diversified family firm in the ambidextrous category with 480 employees in automotive, representing 8 brands and with interests in the transportation sector (which appeared a total of 8 times in the above lists), and two in the exploitative category; one family firm with 1400 employees and representing 24 brands (which appeared 7 times on the lists); and another one with 260 employees and representing 4 brands (which appeared in 4 lists and the only dealer in Spain to have won the "Dealer of the Year Challenge" four years in a row in recent years).

All three family firms were checked against the sampling criteria as shown in the table below:

Table 4-4. Examination of potential cases against sampling criteria

CRITERIA	AMBIDEXTROUS CASE (1)	EXPLOITATIVE CASE (1)	EXPLOITATIVE CASE (2)
Geographical boundaries	Yes. Founded in Spain in 1923 (public registry/website/press)	Yes. Founded in Spain 1940 (public registry/website/press)	Yes. Founded in Spain 1943 (public registry/company website)
Size (employees)	Yes.2600 (480 in automotive)	Yes. 1400 (all in automotive retail)	Yes. 260 (all in automotive retail)
Multigenerational family firms	Yes. Fourth generation joined the business 2010. (Press)	Yes. Third generation leads the family firm since 2013. (Press)	Yes. Third generation leads the family firm since 2006. (Website)
Successful family firms	Yes (expert interviews, dealer associations inputs, press)	Yes (expert interviews, dealer associations inputs, press)	Yes (expert interviews, dealer associations inputs, press)
Similar business sector	Yes. In the automotive retail sector since 1953	Yes. In the automotive retail sector since 1950	Yes. In the automotive retail sector since its foundation
Evidence of contrasting strategic alignment towards exploration, exploitation or ambidexterity	Yes. Recognized by sector associations and manufacturers as innovative/diversified and efficient. Clear references and examples of efficiency and growth within the sector as well as diversification and innovation on company website and press	Yes. Recognized by sector associations and manufacturers. Clear references to exploitation in website (e.g. the stated values of the family firm on the company website include "steady reinvestment in the sector" and "austerity")	Yes. Recognized by sector associations and manufacturers. Clear references to exploitation in company website (e.g. reference to expansion in the sector and efficiency initiatives). Four time winner of the Dealer of the Year Award (2011-2012-2013-2014)

All three companies were contacted to verify the information collected regarding the selection criteria. After making sure the information was accurate they were all invited to participate in the study; one declined and two agreed to take part in the investigation: Ambidextrous Case 1 and Exploitative Case 2.

Miles and Huberman (1994) also provide a checklist to evaluate sampling strategies in terms of six different attributes, the table below applies this checklist to our sampling strategy:

Table 4-5. Evaluation of the sampling strategy

ATTRIBUTES OF THE SAMPLING PLAN	OUR SAMPLE	DESCRIPTION
Is the sampling plan relevant to the conceptual framework and research questions of the research?	YES	Sampling is intended to provide cases in categories that are pertinent to the conceptual framework developed for this investigation. The cases have been selected based on their potential to produce useful insights and learning from the data.
Is the sample likely to generate rich information on the type of phenomena the investigation needs to explore?	YES	The phenomena of interest (ambidexterity and family influence) are likely to appear in the observations of the cases that meet the criteria selected. The characteristics of the sample cases maximize the potential of the family firms selected to produce rich data and insights regarding strategic alignment towards exploration and exploitation and familiness.
Is the sample likely to produce believable descriptions and explanations (true to life)?	YES	The criteria ensure access to sufficient information to provide deep descriptions, explanations, complete accounts and clarifications of the observations. Diverse data sources are used to provide comparative descriptions and minimize bias of single respondents or sources.
Is the sampling plan ethical, in terms of providing information regarding process, consent, risks and benefits, and interaction with informants?	YES	The method of selection allows for informed consent where this is required. The pre-established frameworks, processes and protocols facilitate the explanation and clarification of benefits or risks associated with participation in the study. The ethical commitment document provided by the researcher clarifies the nature of the interaction between researcher and informants.
Is the sampling plan feasible, in terms of time, money, access to people, and abilities of the researcher?	YES	In determining the number of cases to select, the researcher considered the resources available (time and finances); the practical issues of access to family/firm respondents and firm data; as well as the competencies of the researcher (e.g. linguistic/communication skills for the interviews, ability to relate to informants' experiences; prior experience in the industry)

The characteristics of the resulting sample from applying the above sampling process are summarized in the table below:

Table 4-6. Overview of the selected sample

COMPANY NAME*	CASE ONE MOBILITY SOLUTIONS	CASE TWO NORTH-WEST MOTOR
Founding Year	1923	1943
Industry(s)	Automotive Retail Public Transport	Automotive Retail
Generation	4th	3rd
Shares owned by family	100%	100%
No. of family employees	7	1
Number of employees	2600 (480 in automotive retail sector)	260 (all in automotive retail sector)

* Company names are fictitious to protect the identity of the companies

4.3.4 Methods for ensuring research quality and interpreting findings

The last component of the research design provides an overview of the analytic tactics and techniques used in the investigation (Yin, 2009). Additional details explaining particular techniques used to build linkages between data to propositions and interpreting findings are also provided throughout the case analysis.

According to Yin (2009), case studies have often been regarded as qualitative "soft" research and considered a less desirable form of inquiry than surveys or experiments; this bad press emerges from four main concerns:

1. lack of rigor (e.g. erratic procedures, equivocal evidence or biased views);
2. limited basis for scientific generalization;
3. lengthy, disorganized and unreadable research outcomes; and
4. inability to establish unequivocal causal relationships.

These concerns can be addressed through meticulous research designs, multiple and rigorous data collection methods and sound and thorough data analysis (Eisenhardt, 1989; Meredith, 1998; Yin, 2009). To enhance the level of methodological rigor in our research process and its adherence to generally accepted criteria for good practice in case study research, we have carefully followed recommendations from the literature (e.g. Eisenhardt, 1989; Miles & Huberman, 1994; Yin, 1994).

Although we present in detail our research design as well as the data collection and analysis methods and techniques in the following sections, the tables below summarize the tactics used to ensure our research meets the criteria for construct validity (identifying correct operational measures for the concepts under study); internal validity (seeking to establish causal relationships); external validity (defining the domain to which the findings can be generalized), reliability and replicability (presenting clearly the methods and procedures used and demonstrating that these procedures of the investigation can be repeated with the same results).

Table 4-7. Approaches used to enhance the validity of our research design

RESEARCH DESIGN (best practices)	Proponents: (authors)	Description of approach used in our investigation	Contributes to enhancing:
Clear research questions	Eisenhardt (1989); Miles & Huberman (1994); Yin, 1994	Defining the research questions is one of the most important steps in any empirical study. Our research questions are formulated at the beginning of the study. They clarify precisely the nature of our study, determine the methodology, guide the investigation and help the reader understand the focus of the study and its position within management and family firm research.	Internal validity External validity Reliability Replicability
A priori specification of constructs	Eisenhardt (1989)	Our study identifies *"a priori"* sets of variables, models and *constructs* to guide the research process, make sense of occurrences, ensure relevant aspects are not overlooked, and direct the interpretation and focus of our research.	Internal validity External validity
Theories of interest and research propositions	Yin (1994)	The study introduces, examines and discusses in detail relevant theories and organizes them in relevant conceptual frameworks. The derived propositions identify the components of resources and capabilities relevant to ambidexterity and the potential influence of the family. Formulated working propositions are compared to the findings from the fieldwork.	Internal validity External validity Replication
Multiple-case design	Eisenhardt (1989); Pettigrew (1990); Yin (1994)	Our study uses a multiple case design. Comparisons among diverse family firms help demonstrate the influence of variability in context and yield more general results. Given the longitudinal nature of the research and limitations of resources our study examines two contrasting cases.	External validity Replication Robustness
Nature of single-case design	Yin (1994)	Each case is examined individually to maximize contribution to learning and research insights. Clear information about the process is presented. Replication logic is both literal and theoretical. Both within-case and cross-case analysis and pattern-matching are used in the study.	Internal validity External validity
Case selection	Yin (1994) Eisenhardt (1989) Eisenhardt & Graebner (2007) Graebner & Eisenhardt (2004)	Cases were selected because they provided unusual research access and because they constituted contrasting case-studies and thus were particularly suitable for revealing relationships and logic among constructs. Although unrestricted access and availability of family firms played a role in the selection of the cases, cases were selected using explicit selection criteria. Both objective criteria and external expert resources were taken into account in the identification and selection of the cases studies.	Internal validity External validity Replication
Replication logic in multiple-case design	Eisenhardt (1989) Yin (1994)	This investigation develops a rich theoretical framework that constitutes a vehicle for replication and generalization. It also provides the basis to analyze contrasting results.	External validity Replication Robustness
Unit of analysis	Markus (1989) Yin (1994)	The unit of analysis (the family firm/enterprising family) is clearly identified to allow readers understand how the case study relates to the broader body of knowledge. The study	External validity Internal validity

RESEARCH DESIGN (best practices)	Proponents: (authors)	Description of approach used in our investigation	Contributes to enhancing:
		examines multiple other levels of analysis within each single case (e.g. specific family members; generations; families; business units; family firm group; business environment).	
Context of the case study	Yin (1994)	A detailed description of the research context is provided to help the reader get a better sense of the "big picture." Externally, the cases are set against the background of the automotive retail sector; attention is paid to the relevant business context (e.g. external environment, marketplace trends and business practices, etc.). Internally, the cases are set in family businesses backgrounds (both family and business systems are taken into account in the investigation as well as the interactions between both systems).	Reliability Internal validity External validity

Table 4-8. Approaches used for data collection

DATA COLLECTION (best practice)	Proponents (Authors)	Description of approach used in our investigation	Contributes to enhancing
Clear data collection processes	Eisenhardt (1989); Yin (1994)	Detailed information is provided with respect to the data collection methods (e.g., interviews, questionnaires, archival data, etc.) and procedures (e.g., sampling strategies, number/length of interviews, profiles of interviewees, transcription, interview guides). Findings from each case are recorded to help the reader follow the development of the case. Relevant references are included regarding the use of diverse documentation and data to clarify sources and explain contributions to the analysis.	Internal validity Reliability Replication
Multiple data collection methods and sources	Eisenhardt (1989); Patton (1990) Yin (1994)	The study relies on multiple sources of evidence. The sources and methods are clearly described. Tables summarize information about the data collection process as well as sources and techniques employed. Graphics illustrate the process whenever possible.	Construct validity Reliability Credibility
Data triangulation	Eisenhardt (1989); Yin (1994)	The study uses triangulation of data sources. Diverse data points are recorded, coded and grouped to identify common themes and ensure internal validity of findings. Explanations are provided on the triangulation process. Different sources of data are clearly identified.	Internal validity Reliability
Case study protocol and database	Yin (1994)	The case study protocol, database and organization of the material are discussed in detail. Tables and graphics are provided to facilitate understanding of the process.	Reliability Replication

Table 4-9. Approaches used for data analysis

DATA ANALYSIS (best practice)	Proponents (Authors)	Description of approach used in our investigation	Contributes to enhancing
Clarification of the data analysis process	Eisenhardt (1989); Yin (1994)	Processes for data analytic procedures and methods are described in detail. Care has been taken to document the process, substantiate statements, and present the evidence clearly to facilitate sufficient relevant information to follow the evidence from research questions to conclusions and vice-versa.	Reliability
Field notes, coding, and data displays	Eisenhardt (1989); Yin (1994)	Field notes have been recorded and filed electronically. NVivo 10 was used for coding the data. Independent reviewers were involved to ensure consistency and objectivity. Graphics and tables are used to illustrate data, trends and processes whenever possible.	Reliability Replication External validity
Logical chain of evidence	Yin (1994)	The evidence is presented in a clear, organized, accessible and objective manner so that readers are	Construct

DATA ANALYSIS (best practice)	Proponents (Authors)	Description of approach used in our investigation	Contributes to enhancing
		aware of researcher's opinions, can follow the evidence and the argument and form their own opinions.	validity Internal validity
Explanation building and theory testing	Yin (1994)	The research objectives are stated and discussed at the beginning of the study. A thorough review of relevant theories (management; ambidexterity and family business research) supports the research propositions and the interpretation of data.	Internal validity External validity Replication
Time series analysis	Yin (1994)	Detailed compilations of chronological events of the family and the firm trace the strategic alignment of the family firms and allow associations with specific family-led resource and capability developments and events.	Internal validity
Cross-case patterns	Yin (1994)	Within-case and cross-case analysis and pattern-matching are used in the study.	Internal validity
Quotes (evidence)	Yin (1994)	Cases quote extensively from academic literature, industry sources, company documentation and personal interviews so that readers can follow the evidence and logic and make an independent assessment about the merits of our analysis.	Reliability
Research reviews	Yin (1994)	Emerging findings and themes were discussed with informants to corroborate the evidence presented and to ensure an accurate and comprehensive understanding of the data. Coding and interviews included third party reviewers. Doctoral supervisors reviewed every step of the investigation.	Reliability Construct validity
Comparison with extant literature	Eisenhardt (1989)	Emerging themes from the fieldwork are constantly referred to, compared and contrasted with extant literature.	Internal validity External validity

4.3.4.1 Data collection

In preparation for the case a thorough research was conducted to gather as much information as possible prior to the interviews. Information about the participating family firms and the industries was collected to provide extensive context and background and facilitate the interview process and the interpretation of the answers.

For each case a historical top-level account of the trajectory of the company was developed as well as a historical description of the influence of the family on decision making, resources and capabilities of the family firm, leadership and context, and family objectives. In addition, the researcher identified all major strategic initiatives at the structure, business and corporate levels to assess the alignment towards exploration and exploitation. To do so data was collected from three main sources:

1. Semi-structured interviews with members of the focal firms and industry experts;
2. Archival documents including sector and business publications, manufacturers data bases, public records, historical websites and internal documentation; and
3. Additional data (e.g. observation, surveys, firm visits).

An overview of the data sources is presented in the table below.

Table 4-10. Overview of data sources

	CASE ONE MOBILITY SOLUTIONS	CASE TWO NORTH WEST MOTOR
Number of interviews	14 (7 family and 7 nonfamily)	12 (6 family and 6 nonfamily)
Informants (see Appendix F for a complete list of profiles)	Family: President, CEO, Strategy Director, Expansion Director; Marketing Director Non family: HR director, Finance Director, Systems director, Director of transport group, Director of automotive group (retired); Director of business unit; Director of business unit (retired)	Family: CEO, 5 shareholders Non family: Finance director; Director of business units; 1 retired Director of business unit; Group after-sales director; Group sales director; marketing director
Maximum and minimum tenure of informants in the firm (only employees)	Family: 31 years (CEO). 4 years (Expansion Director) Non family:29 years (Finance Dir.) 6 years (HR Director)	Family: 20 years (CEO) Non-family: 35 years (Bus. Unit Director - retired); 12 years (Finance director)
Total duration of interviews	9.5 hours (family) 12 hours (non-family) Total interview time: 21.5 hours	9 hours (family) 10.5 (non family) Total interview time: 19.5 hours
Examples of archival documents (public records)	Commercial registry, public tender specifications	Commercial registry
Examples of archival documents (manufacturers)	Distribution network historical performance reports (access authorized by the family firm)	Distribution network historical performance reports (access authorized by the family firm)
Examples of archival documents (internal)	Financial statements, historical websites, organizational charts, strategic plans, internal policies, consultancy reports, family business protocol, company charters, minutes of meetings etc.	Financial statements, historical websites, organizational charts, strategic plans, internal policies, family business protocol, company charters, minutes of meetings
Examples of archival documents (press)	Press articles from local, national and international newspapers. Interviews with media	Newspaper articles from local newspapers
Examples of additional data sources for the cases	Company visits; interviews with manufacturer and sector association representatives	Interviews with manufacturer and sector association representatives; Company visits
Examples of noncase specific data sources	Interviews with 5 industry experts (automotive retail) and 1 industry expert (transportation); Annual reports and other documentation from of automotive manufacturers and sector associations; Independent sector outlook reports (e.g. Price Waterhouse Coopers, 2013)	

The first source of data included personal open ended in-depth interviews with owners and family and non family managers (active and retired) of the organizations. Interviews were based on semi-structured templates customized to the profile of the interlocutor (all templates and questionnaires are included in Appendix A). Each interview was 60 to 180 minutes in length. Interviews were audio recorded with permission of the interviewees and transcribed shortly after the interviews. The respondents were offered the possibility to stop the recording at any time and invited to signal to the researcher any information they would like to remain confidential.

The main goal of the in-depth interviews was to elicit respondents' views, opinions and experiences in their own words. The interview questions were conducted in a semi-structured manner to minimize researcher bias and to allow respondents to reflect, select and elaborate on those experiences they considered most relevant to illustrate the topics at hand. This approach allowed a deeper probing of the interested phenomena. Open ended questions provided flexibility and the ability to adapt to the different respondents, while maintaining a high degree of control on the conversation to ensure focus on the topics of interest to the research (Yin, 2009).

The conceptual framework of the dissertation was used to structure and focus the interview to ensure relevant issues were addressed without providing too many details that could introduce bias in the responses or points of views. The researcher tried to hear the exact words, capture the mood and components of the conversation, and understand the context used by the respondent to interpret the world (Yin, 1994 p.60).

The number of interviews was not preset, attempts were made to interview all significant family members from as many generations as possible as well as all relevant nonfamily managers but we also took into account pragmatic considerations, such as time, availability, and attainment of theoretical saturation. Theoretical saturation is reached when the themes related to data analysis begin to repeat themselves and no new sub-themes emerge from the data (Strauss & Corbin, 1998). While some may consider 24 interviews a low number to achieve saturation, it should be noted that the interviews lasted a total of 41 hours and were complemented by other numerous sources of internal and external data such as sector and manufacturer reports, websites, newspaper articles, company internal documents and correspondence. We considered saturation was attained when adding new interviews had no effect on the number of nodes/sub-nodes in the NVivo 10 analysis.

The selection of interviewee profiles was driven by the research questions and included the following criteria:

- Family members actively involved in top management positions;
- Family members from as many generations as possible with some involvement in the business (currently active or retired);
- Family shareholders;
- Board members (family and nonfamily if any);
- Nonfamily managers with a significant role within the family business. Nonfamily managers were selected based on knowledge of the firm and the historical business trajectory (i.e. based on position and number of years with the firm), including directors of

different business units and top managers with significant tenure in the firm (active as well as retired) and/or with access to information regarding relevant fields of expertise for this study (such as human resource directors; finance directors; or positions closely related to innovation such as systems directors).

The profiles of the respondents are included in Appendix F.

The family interviews were structured in five parts: (1) historical strategic trajectory at the corporate, business and structural levels; (2) influence of the family on resources; (3) influence of the family on capabilities; (4) characteristics of, and changes in organizational leadership and context; (5) objectives and performance. The interviews with nonfamily managers had three parts: (1) professional trajectory and background of the manager; (2) perceptions about the family and its influence on the firm; (3) in depth questions about their particular areas of responsibility. All interview guides are included in Appendix A.

For Case Two the interviews were conducted by two interviewers, as suggested by the literature (Bechhofer et al., 1984), to ensure objectivity and avoid bias of the researcher due to a personal connection with the family firm.

In addition to the family and nonfamily interviews, over a dozen of sector experts and representatives of industry associations and auto manufactures were consulted to get a better understanding of the industries and the external perceptions of the companies in their particular sectors. This allowed the researcher to evaluate informants' statements in a proper context and triangulate the findings.

Furthermore, once preliminary results were ready, informants were offered the opportunity to provide feedback to fine-tune the findings, offer relevant additional information to complete the analysis and provide nuances or clarifications to existing data if they considered additional explanations would enhances the analysis.

The second source of data includes several hundred pages of primary and secondary archival documentation providing qualitative data (e.g. minutes, documents and charts) and quantitative data (e.g. organizational records and metrics). Sources used include public registry documents, quantitative data on historical firm performance from auto manufacturers, company charters, historical organizational charts, and strategic plans, minutes of meetings, internal policies, financial records, annual reports and previously collected measurements in an organization, internal independent expert and consultant reports regarding company operations, historical websites, family protocols, etc). Although Yin (2009)

distinguishes between documentation and archival records, in this research we group these two categories together.

The third source of data includes all other resources, such as observation of premises and attitudes of employees during company visits; observation of interactions among family members during discussions and meetings; interactions between family and non family managers in the work place. In addition, during the personal interview a number of participants agreed to respond to two short surveys one regarding family objectives and another regarding the organizational context. The surveys are reproduced in Appendix B, and the results discussed throughout the cases.

Data collection using various qualitative data sources allows the integration of objective and perceptual data. This integration is particularly important in family business research because family relationships and business issues are typically blended in decision-making processes; thus, the use of a variety of different data, combining subjective or interpretative data and objective factual information, increases our understanding of the organizational processes and outcomes of the family firm. Each data source provides a different piece of the "puzzle" and contributes to the understanding of family firm ambidexterity. Various data sources are weaved together to promote a comprehensive understanding of cases; convergence of the data contributes to strengthening our findings.

A multi-method approach in gathering empirical material adds rigor, breadth, depth and enhances understanding and provides a more holistic view of the cases (Denzin & Lincoln, 1994, Eisenhardt, 1989; Yin, 2009). Using multiple data collection methods allows the verification of information (Denzin, 1978) and confirms the validity of the research processes (Miles & Huberman, 1994).

A case study is by definition a triangulated research strategy because it calls for various methods and multiple sources for the collection of empirical material (Tellis, 1997). Triangulation increases the precision of empirical research by taking into account different angles of the studied phenomenon and thus providing a broader picture. The need for triangulation is particularly strong when relying primarily on qualitative data, because although it is broader and richer, it is less precise than quantitative data (Runeson & Host, 2009). There are four different types of triangulation: data or source triangulation, i.e., using more than one data source; observer triangulation, i.e., using more than one observer in the study; methodological triangulation i.e., combining different types of data collection methods; and theory triangulation, i.e., using alternative theories or point of view (Stake & Savolainen, 1995).

This study has tried to capitalize on every form of triangulation. Particularly, triangulation has enabled the integration of constructivist qualitative elements through in-depth qualitative interviews of multiple respondents within the family business. Since family are heterogeneous groups of individuals coexisting

in multiple, complex and fluid relationships with each other, the comparison of accounts of different family members and nonfamily members in pivotal roles within the family business are fundamental for validating accounts as a form of triangulation and ensure conclusions are well grounded (Warin et al., 2007).

4.3.4.2 Case study protocol

To enhance consistency and reliability of data across cases, the data gathering processes and interviews are guided by our case study protocol (Yin, 2009). The case study protocol contains the design decisions and the field procedures for the cases and is an extremely valuable tool for several reasons: 1. the case study protocol contains the interview instruments, procedures and general rules in using the different instruments; 2. the formulation of the protocol helps the researcher decide what data sources to use and what questions to ask; 3. other researchers and relevant individuals can provide feedback on the planned protocol lowering the risk of missing data sources or interview questions and allowing the identification of questions that might need reformulating or clarifications; 4. the protocol constitutes a check list for data collection and ensures the researcher gathers all the necessary information during the interviews; and 5. it serves as a record of all data collection and analysis constituting a fundamental source of information for case reporting. The case study protocol for our research is summarized in the tables below:

Table 4-11. Case study protocol

A. OVERVIEW OF THE CASE STUDY	
Objective	Use empirical observations to refine, develop, and improve our understanding of the phenomenon of family firm ambidexterity and thereby result in generation and/or extension of family firm strategic management theory.
Issue	How does the family enhance or hinder the ability of family firms to become and remain ambidextrous across generations?
Research questions	RQ1: How does the family affect the resources and capabilities necessary for ambidexterity? RQ2: How does the family influence the strategic alignment of the family firm towards ambidexterity? RQ3: How can the family influence enhance or hinder the ability of FFs to manage the tensions of exploration and exploitation to reach their performance goals?

B. FIELD PROCEDURES	
Credentials and access	Letter of interest requesting participation and documentation introducing researcher, purpose of study, process and ethical commitment (see Appendix C)
Sources of information	List of sources and documents to be collected or reviewed on site (e.g. brochures, annual reports, press articles, field notes, interviews, mission statements, strategic plans, internal policies and correspondence, etc.)
Data collection plan	Specific evidence to be collected to address all the issues in the research propositions and answer the research questions (relevant documents are listed at the bottom of the questionnaires in annex x) Interview schedules
Preparation prior to interviews	Prior research to familiarize with sectors and companies in preparation for interviews: external information regarding the industry context and trends, and internal company information publicly available (e.g. websites, public registries, press. Digital recorder. Interview guides and questionnaires (see Appendix A)

C.INTERVIEW GUIDE (interview questions are included in Appendix A; Surveys in Appendix B)	
Familiness resources	To collect information about the influence of the family on the financial, human, social and organizational resources of the FF and its changes overtime. Includes direct and indirect effect of family on resources
Familiness capabilities	To collect information about the influence of the family on the identification of threats and opportunities; the decision making processes to seize identified initiatives; and on the ability of the FF to transform and reinvent itself in the face of internal and external changes
Family firm strategic trajectory	To collect information about the longitudinal strategic alignment of the FF towards exploration and/or exploitation at the corporate, business and structure levels. Identify distinct periods, collect sufficient data about strategic moves at all three levels to assess and classify as aligned towards exploration/exploitation
Family firm context and leadership	To collect data and information regarding the family influence on the leadership and organizational context and the changes over the different generations to examine the ability to manage, integrate and address the paradoxes and tensions of exploration and exploitation. Includes survey on perceptions about current context
Family firm objectives and performance	To collect information about the priority objectives of the family for the family and the firm; the changes overtime; the target levels established; the performance levels achieved vis a vis the different objectives; the perceived attainment levels; and the level of satisfaction with the levels attained. Family goal and perceived performance surveys

E.CASE STUDY REPORT OUTLINE	
Case profiles	1. General introduction 2. Profiles of the family business and enterprising family (business domains and structure; business life cycle stage; family values; family involvement, family life cycle) 3. Industry analysis 4. Case summary characteristics
Empirical evidence addressing RQ1 (FF resources)	1. Financial capital: family influence on availability of finances and financial structure 2. Human capital: family contributions to the HR of the firm and on the type of HR attracted and retained 3. Social capital: family influence on internal and external social capital (diversity and nature) 4. Organizational capital: family influence on FF policies, culture
Empirical evidence addressing RQ1 (FF capabilities)	1. Sensing: family influence on the ability to perceive threats & opportunities (locus and focus) 2. Seizing: family influence on decision making processes (speed, stamina and strength) 3. Reconfiguring: family influence on the ability of the FF to change and transform
Empirical evidence addressing RQ2 (FF context and leadership)	1. Organizational leadership (characteristics; changes overtime; contribution to ambidexterity). Changes in leadership style. Influence of leadership on FF. Contribution to integration of exploitation & exploration 2. Organizational context (characteristics; changes; contribution to ambidexterity). Context survey
Empirical evidence addressing RQ3 (FF objectives and performance)	1. Family objectives (priority economic and non economic objectives; changes). Family goals survey 2. Firm objectives (priority economic and non economic objectives; changes overtime). Firm goals survey 3. Performance measures (financial and non-financial) perceived levels of attainment and satisfaction vis a vis economic and non economic objectives).
Analysis comments and conclusions	Analysis of findings, conclusions, contributions to theory and practice, limitations and avenues for future research are included to complete the analysis

4.3.4.3 Research instruments

The interview protocols constitute the main instrument for this research and guided the interview conversations towards the issues relevant to this investigation. The main interview protocol has five parts:

Part 1 includes questions regarding the historical strategic trajectory of the family business and looks to identify any significant strategic initiatives at the corporate, business and structural level since the foundation of the family firm till the present time.

Part 2 questions examine the influence of the family on family firm resources, both directly (direct contributions of the family to the human, financial, social and organization capital of the firm) and indirectly (e.g. contributions of the family via their influence on the type of employees attracted and retained by the family firm).

Part 3 includes questions regarding the influence of the family on the ability to sense opportunities and threats (e.g. scope and processes of search); on the decision making processes of the firm leading to seizing identified opportunities (e.g. speed of decisions; intensity and stamina); and on the ability of the family firm to adapt and transform in the face of internal changes (e.g. business and family life cycles) and external changes (e.g. changes in the sector, the market or the economy).

Part 4 questions look into the influence of the family on the leadership (e.g. the characteristics of family leadership and their role in shaping organizational culture; internal TMT processes and leaders personality traits conducive to combining new and existing knowledge) and on the organizational context of the family firm (e.g. performance management and social support mechanisms.

Finally, part 5 of the protocol explores the economic and non-economic objectives of the family for the firm and the family as well as indicators of performance vis a vis those objectives and levels of satisfaction with historical performance towards those goals.

The logic and questions of the different parts of the instrument are presented in Appendix A. Along with the complete questionnaires, the appendix identifies all relevant components for measurement, and the documentation to gather during the interview to complement the information obtained from the respondents. The complete questionnaire was used for all respondents. Additional questions were included for human resource and finance managers (these are included at the end of Appendix A)

4.3.4.4 Ethical considerations

Ethical considerations are fundamental for any case study because the investigation is built on trust between the researcher and the case participants (Yin, 2009) and precautions must be adopted to protect the rights and well-being of the research participants. Organizational case studies often require dealing with confidential and sensitive information and thus require taking explicit ethical measures. If it is not clear from the outset how information is to be handled and who is responsible for determining what information can be disclosed, problems may emerge. Key ethical considerations in this study include: informed consent; board approval; confidentiality; handling of sensitive data; feedback; protocol reviews.

Informed consent is a very important feature in research involving individuals. Both individual respondents and organizations provided informed consent and explicitly agreed to participate in the case studies for this investigation. In both case studies, the owners held a vote regarding participation and nominated a family member to represent and assist with the research process. All informants were invited to signal any sensitive data, indicate data that was to remain confidential, and encouraged to provide feedback and clarifications when necessary. The case study protocol was reviewed by two dissertation directors and an independent management expert, all changes comments and recommendations were included in the final protocol.

To address these ethical considerations the following information was provided to the participants:

- Name, contact information and overview background of the researcher;
- A brief description of the study, its objectives and processes;
- Overview of field work procedures, i.e. a short description of the different steps of the data collection process and expectations from the participants;
- Statement clearly stating that participation is voluntary and collected data anonymous; of the right to withdraw from the study at any time, and provide feedback and clarify any aspects of the information regarding the case study;
- Information regarding the benefits and risks associated with participation in the study, i.e. the individual case analysis and comparison with another organization in the sector;
- Description of the type of information to be collected and how collected material will be used;
- The researcher also informed the participants that sensitive opinions stated by individual respondents would not be shared with other managers and/or other family member. Each participant was asked individually to consent the recording of the interview and reminded they could at any point request for the recording to be stopped and/or clarify when the information or opinions provided were not to be disclosed for confidentiality reasons.

The above information was shared through written communications between the researcher and the family firm representatives and included the following documents (see Appendix C):

- A personalized participation letter requesting participation in the research containing specific details about the research, namely purpose, objectives, process and benefits.
- An ethical commitment signed by the investigator ensuring identity and data confidentiality protection and verification of accuracy of information and use of research results. This ethical commitment provided assurance of transparency and rigor as well as the contact details of a

Deusto University representative should participants want to question, comment or voice any issues regarding the investigation or the manner in which it is conducted;

- Each respondent was provided with a short written statement prior to the interview explaining the process (i.e. duration, general content, expectations, and confidentiality).

4.3.4.5 Data analysis

In case studies, analyzing data is the heart of research building, yet this is the most difficult and least codified part of the process (Eisenhardt, 1989). The challenge is not so much collecting information as making useful, valuable data, relevant to the questions being asked (Lyn, 2005, p.33). Yin (2009 p.38) suggests that in case studies generalization is to propositions not to populations; therefore the researcher's goal is to expand and generalize theories (analytical generalization) and not to enumerate frequencies (statistical generalization). In other words, the goal of case studies is to generalize the emerging results and interpretations to existing theory rather than to the whole population of cases. Consequently, case studies do not provide conclusions with statistical significance. In case studies, different evidence, figures, statements, and documents, are linked together to build, support and strengthen relevant conclusions. Data analysis methods in this research draw mainly from the work of Yin (2009), Eisenhardt (1989), Miles & Huberman (1994) and Miles et al., (2014).

Among the analytical strategies proposed by Yin (2009), this research relies on theoretical frameworks, research questions and propositions; development of case descriptions; pattern matching; and cross case synthesis.

The theoretical frameworks presented earlier and research questions and propositions help focus attention on the data relevant to this investigation. The written case protocol provides a descriptive framework for organizing the cases. Pattern matching allows comparison of an empirically based pattern (the in-depth case studies) with a predicted one (the developed conceptual framework). Cross case synthesis assist in synthesizing data across the two contrasting case studies. Yin (2009) suggests that high quality analysis requires attending to all evidence, addressing major rival interpretations, and tackling all the significant aspects of the research.

The recordings and transcripts of interviews and meetings were reviewed frequently and recorded in NVivo 10. Respondents were re-contacted to clarify ambiguous points, complete any missing questions or provide additional information when necessary. A key feature of case research is the freedom to move back and forth between the data collection and data analysis phases (Eisenhardt, 1989). This research follows Eisenhardt's (1989) suggestion to include in the database raw material, including interview

transcripts; field notes; documents collected during data collection; survey material; coded data; coding schemes; memos and other analytic material; data displays and matrices; document summary forms; and a chronological log of data collection.

A detailed description of each case and relevant themes within it, case analysis and interpretation are provided in Chapter 5. For the individual case analysis we use different analytic tools such as matrix of categories, flowcharts, and data displays to examine relationships and facilitate analysis (Miles et al., 2014). Given the nature of the cases, in addition to generic case study tools we use specific tools to examine family and firm interactions and strategic alignment. The table below summarizes the techniques used to facilitate the analysis.

Table 4-12. Analytical tools used to facilitate the analysis

	AIM OF SELECTED TOOLS	SAMPLE ANALYTICAL TOOLS
Overall case	Gain a better understanding of the data and ensure a deep and comprehensive analysis of the evidence	•Node clusters graphics •Longitudinal organizational trajectories •Process mapping •Matrix displays
The family business system	Understand current status, history, and desired future for the family business system from the point of view of key stakeholders	•3 circle model (Tagiuri & Davis, 1996) •3 axes model (Gersick et al., 1997) •Life cycle forces (Carlock & Ward, 2001). •Governance (Hoy & Sharma, 2010) •Rules of family entry and exit (family firm protocols) •Performance matrix (Sharma, 2004) •Key family and business events •Objective set
The enterprising family	Identify the players and understand the dynamics, relationships, different perspectives and health of the family sub-system	•Genogram (McGoldrick & Gerson, 1985) •Family value systems •Family priorities •Family dynamics
The family firm	-Identify major strategic moves at the corporate, business and structure levels and classify their alignment towards exploration or exploitation -Examine the business performance (to understand the efficiency and effectiveness levels of the family firms)	•Organization/ownership charts •Succession process •Longitudinal strategic alignment graphics •Strategic decision making processes •Performance assessment

*This table draws from Miles et al. (2014) and Sharma et al. (2013)

These tools are applied in the context of the research propositions which provide the framework for organizing each case study. The cases provide an analysis of evidence following each of the research propositions and develop case descriptions. The ensuing pattern matching allows to group and combine several pieces of information related to particular theoretical propositions (Campbell, 1975).

An essential feature of case analysis is the comparison of emergent patterns with extant literature to enhance internal validity and generalizability (Eisenhardt, 1989, p. 545).To identify patterns, the transcriptions of the interviews were coded into units and organized into categories facilitating insight and comparison (Strauss & Corbin, 1998). Coding also allowed retrieval and clustering of information related to

a particular questions, concepts or themes. The analysis of this dissertation was assisted by the qualitative data analysis package NVivo 10.

While debate continues around whether computer assisted tools enhance (or not) the creativity and quality of qualitative research analysis; these tools certainly make the task more efficient, faster and easier (Marshall, 2002). In our research we inputted, coded and analyzed transcripts of interviews, written field notes, and collated documents NVivo 10. Thematic codes followed analytical categories derived from the theoretical model. NVivo 10 analysis facilitated the identification and examination of patterns within and across cases to determine whether they corresponded to the literature and theoretical framework developed. Contradictions between theory and data were analyzed for refinement an extension of theory. The systematic comparison of the theoretical framework with the evidence from each case helped assess if the theory fit with the data (Yin, 2009).

Instances confirming emergent relationships enhanced confidence in the validity of the relationships, while instances which disconfirmed the relationships provided opportunities to refine and/or extend theory (Eisenhardt, 1989). Recurring patterns found were attributed to the predicted associations (propositions) presented in the theoretical framework.

4.4 ASSESSING RESEARCH VALIDITY

The validity of an investigation denotes the trustworthiness of the results of the research. In other words, it shows to what extent the results are accurate and not biased by the researchers' subjective point of views. The validity must be addressed during all phases of the case study (i.e. design; data collection; data analysis and reporting) and therefore a number of the tactics used to address this issue have already been mentioned and discussed in earlier sections. However, the validity is further discussed in this section since the overall research validity cannot be finally assessed until all the phases of the investigation are completed.

The literature offers different ways to classify aspects of validity and threats to validity. Some authors, such as Yin (2009) suggest that the criteria used to evaluate quantitative research are equally applicable to evaluating qualitative research and uses the same terminology, i.e. construct validity, internal and external validity, and reliability; others use a different terminology, namely credibility, transferability, dependability and conformability (Denzin & Lincoln, 1994). Nonetheless, while the terminology used may be different, the underlying issues are similar and the ultimate aim of the different criteria used is to evaluate the trustworthiness of the research (Lincoln & Guba, 1985).

4.4.1 Construct validity

Construct validity refers to the extent to which a study investigates what it claims to investigate, i.e. to what extent the process leads to an accurate observation of reality (Denzin & Lincoln, 1994). One of the main challenges for case study researchers is to develop a well-considered set of actions, rather than use subjective judgments (Yin, 2009). Construct validity reflects to what extent the operational measures studied really represent what the researcher intended and what should be investigated according to the research questions. Following Yin's (2009) recommendations, to enhance construct validity this investigation uses:

- Multiple sources of evidence;
- Chains of evidence;
- Reviews of draft case study by peers and key informants.

4.4.2 Internal validity (credibility)

Internal validity, also called "logical validity" (e.g. Cook et al., 1979; Yin, 1994) refers to the presence of causal relationships between variables and results. In other words, it addresses the confidence one can have in the findings, the factual accuracy of the documentation of the research, the degree to which the theoretical explanation developed fits the data (Maxwell, 2005) and focuses on demonstrating that the subject of enquiry was accurately identified and described (Robson, 2002). Yin (2009) suggests that internal validity is applicable when causal relationships are intended and when inferences are made.

To strengthen internal validity (and ensure credibility of findings) our research applies the processes suggested by Yin (2009) and Lincoln and Guba (1985, 1994):

- Triangulation of data collection and sources: respondents, interviews, non-participant observations, and document reviews.
- Pattern matching: comparing empirical based pattern with predicted ones. Patterns exhibited within and across cases are matched and compared with existing literature. Internal validity is enhanced when empirical patterns are compared with predicted ones.
- Member checks: soliciting informant's views of the credibility of the findings and interpretations (Miles & Huberman, 1994). These member checks can be both formal and informal and are "critical for establishing credibility" (Lincoln & Guba, 1985 p. 314).

- Rival explanation: re-examining cases after initial analysis to see whether properties or emergent themes are applicable to all cases (Yin, 2009) and revising interpretations to explain outliers (Lincoln & Guba, 1985).

4.4.3 External validity (generalizability/transferability)

This aspect of validity refers to the extent to which it is possible to generalize the findings, and to what extent the findings are of interest to other cases outside the investigated case. External validity determines whether or not the cases in an investigation can be transferred to other settings (as opposed to the whole population of quantitative research). External validity enables other researchers to apply the findings of the study to their own. In other words, the analysis of external validity determines whether the findings are of relevance for other cases because there is no population from which a statistically representative sample has been drawn and the aim of the case studies is to enable analytical generalization and extend results to cases with common characteristics and thus for which the findings may be relevant.

Stake (1994) suggest engaging in "petite generalization" i.e. the identification of repeated patterns within a particular case leading to "case dependent generalization" and "grand generalization" referring to increasing or decreasing authoritativeness in the confidence of the generalizations inherent in existing conceptual and theoretical frameworks, which corresponds to Yin (2009) notion of "theoretical generalization." Yin (2009) suggests that a multiple case design increases the generalizability of a case study. Other authors suggest increasing external validity by providing rich, detailed descriptions of cases, participants, and study settings to inform the reader (Lincoln & Guba, 1985). All the above suggestions are followed to enhance the external validity of this research.

4.4.4 Reliability (conformability/dependability)

Reliability refers to the absence of random error that enables other researchers to extract similar insights should they conduct the study using the same steps (Denzin & Lincoln, 1994). Silverman defines reliability as "the degree of consistency with which instances are assigned to the same category by different observers or different occasions" (Silverman, 2005 p. 210). In other words, reliability is concerned with the extent to which data and analysis are dependent on a specific researcher.

Reliability ensures the process of the research is consistent, reasonably stable over time and across researchers and methods to reduce errors and biases in an investigation (Miles & Huberman, 1994). In case studies reliability is about doing the same case over again, not on replicating the results of one case

by doing another case study (Yin, 2009). To enhance reliability Yin (2009) suggests using a detailed and comprehensive case study protocol and developing a full case study database.

Similarly conformability refers to the internal coherence of the data in relation to the findings, interpretations, and recommendations, and dependability refers to the stability of the findings over time. To enhance both dependability and conformability, Lincoln and Guba (1985), suggest developing an audit trail, i.e. an extensive documentation of records and data stemming from the case study. These suggestions were applied and discussed in earlier sections of this chapter.

4.5 LIMITATIONS OF THE METHODOLOGICAL APPROACH AND PALIATIVES

Every methodological approach suffers from specific weaknesses. The objective of this section is to identify what these weaknesses may be and how to address them throughout the research process.

4.5.1 Main methodological limitations of our study

The first weakness of our methodological approach is the qualitative nature of our research which is sometimes considered soft subjective science (Denzin & Lincoln, 1994) and thus not as valid and reliable as quantitative research methods.

Secondly, qualitative research is time consuming, often requires incurring in other associated costs to gather the data (e.g. travel expenses), and subject to the availability and openness of the respondents. This may present additional challenges for accessing comprehensive data sets (as opposed to quantitative research investigations drawing on archival quantitative data that may be relatively easier to collect, analyze, and interpret).

Thirdly, there is greater potential for bias in qualitative research because of heavy reliance on the human element. On the one hand the researcher defines the problem, develops the frameworks, conducts the sampling, designs the instruments, collects the data, analyses it, interprets it, and reports the case results. On the other hand, using interviews as a key source of data may introduce respondent bias and affect the inputs gathered; this may happen either because respondents interpret or answer questions in the way they think the researcher intends them to; because their recollection of events may not be complete or entirely objective; or because the respondents may wish to present the organization or the family in a positive light and provide what they considers the right answers to do so.

Despite these shortcomings, the benefits and advantages of qualitative and case research were established at the beginning of this chapter. Furthermore, the investigator followed suggestions from

well established qualitative literature and tried to take every precaution possible to address these limitations during each step of the research process.

4.5.2 Strategies used to minimize limitations of methodological approach

The list below provides a short summary of the strategies used in an attempt to minimize the limitations of the adopted methodological approach:

- Develop a clear set of concepts about the inquired topic based on a thorough and systematic review of relevant literature and theories; systematic procedures for gathering and recording data; systematic and comprehensive methods for classifying raw data ensuring a comprehensive and systematic research process (Van de Ven & Ferry, 1980);
- Audit trail with extensive documentation of case records and data (Lincoln & Guba, 1985);
- Triangulation techniques using multiple respondents, different sources, methods, and theories to provide corroborating evidence (Patton, 2002; Yin, 2009);
- Peer reviews to provide an external point of view, check of the research process and ask hard questions about methods, meanings and interpretations (Lincoln & Guba, 1985);
- Informant reviews to ensure accuracy and comprehensiveness of views and interpretations (Lincoln & Guba, 1985; Miles & Huberman, 1994).
- Negative case analysis to refine working propositions as the inquiry advances and negative or disconfirming evidence appears (Miles & Huberman, 1994);
- Clear identification of the researcher points of view at the beginning of the study to allow readers' to understands the initial position as well as any biases or assumptions that may influence the inquiry (Creswell, 1998)
- All the additional tactics, tools and methods discussed earlier in this chapter.

In a final attempt to ensure the quality and rigor of this investigation, the researcher applied the checklist provided in the table below to the research process used for this dissertation. This checklist, forced the investigator to review and assess one by one the main attributes of the different phases of the research process.

Table 4-13. Research process quality and rigor checklist

RESEARCH PROCESS CHECKLIST	THIS RESEARCH
1. Are the unit of analysis and the case selection criteria clearly identified and defined?	YES
2. Are clear objectives, preliminary research questions and propositions defined?	YES
3. Is the theoretical basis—relation to existing literature—defined and thoroughly analyzed?	YES
4. Is the researcher's intention with the investigation clearly stated?	YES
5. Are the case sampling criteria clearly applied to the selection of the cases?	YES
6. Does the design include data from multiple sources (data triangulation and respondent triangulation) and uses multiple methods (method triangulation)?	YES
7. Is there a clear rationale behind the selection of respondents, roles, documents, etc.?	YES
8. Are the selected cases relevant to address the research questions (construct validity)?	YES
9. Is the integrity of individuals and organizations taken into account?	YES
10. Is a case study protocol for data collection and analysis defined (what, why, how)? Are procedures clearly defined?	YES
11. Are multiple data sources and collection methods planned (triangulation)?	YES
12. Are measurement instruments and procedures well defined (measurement definitions, interview questions)?	YES
13. Are the planned methods and measurements sufficient to fulfill the objective of the study?	YES
14. Has informed consent been obtained from individuals and organizations?	YES
COLLECTION OF EVIDENCE	
15. Is the data collected according to the case study protocol?	YES
16. Is the design applied accurately to the study of the phenomenon of interest?	YES
17. Is sufficient data recorded to enable a comprehensive analysis?	YES
18. Are sensitive results identified (both for individuals and for the organization)?	YES
19. Are the data collection procedures easily traceable?	YES
20. Does the collected data provide sufficient information to address the research questions?	YES
21. Is the analysis methodology defined, including roles and review procedures?	YES
22. Is a chain of evidence shown with traceable logic from data to research questions and existing theory?	YES
23. Are alternative perspectives and explanations used in the analysis?	YES
24. Are there clear conclusions from the analysis, including recommendations for practice and for further research?	YES
25. Are threats to the validity analyzed in a systematic way and countermeasures taken? (Construct, internal, external, reliability)	YES
CASE REPORTING	
26. Are the case and its units of analysis adequately described and presented?	YES
27. Are the objective, the research questions and corresponding answers reported?	YES
28. Are related theory and propositions clearly reported?	YES
29. Are the data collection procedures presented, with relevant motivation?	YES
30. Is sufficient raw data presented (e.g. examples, supporting data and quotations)?	YES
31. Are the analysis procedures clearly reported?	YES
32. Are threats to validity analyses reported along with countermeasures taken?	YES
33. Are ethical issues reported openly (research purpose, integrity issues, confidentiality)	YES
34. Does the report contain conclusions, implications for practice and future research?	YES
35. Does the report provide a realistic and credible account of the cases?	YES
36. Is the report suitable for its audience, easy to read and well structured?	YES

*adapted from Runeson & Host (2009)

5 EMPIRICAL EVIDENCE AND CASE ANALYSIS

The first chapters of this dissertation established linkages between resources, capabilities and ambidexterity and ascertained the family constitutes a distinctive and enduring element of the family firm (Memili et al., 2010) that contributes to the resources, capabilities of family firms (Habbershon & Williams, 1999; Habbershon et al., 2003) and shapes their strategic decision making processes (Sharma et al., 1997; Astrachan, 2010). These earlier chapters also substantiated the need for a more detailed examination of the dynamics of the family-resource-capability-ambidexterity-performance relationship.

This chapter attempts to open and explore the black box of these dynamics using our theoretical model as a framework to examine the empirical evidence and go deep into the underlying values, behaviors, processes and routines of two successful multigenerational family firms with different strategic behaviors and strategic alignment (one ambidextrous, the other one exploitative).

The box below presents the structure of this chapter and the objectives for each section:

Summary box 5-1. Chapter 5: Structure and objectives

Section 5.1 Case structure and development process

- Clarify the structure of the cases and explain the process of analysis

Section 5.2 Background information about the family firms and owning families

- Provide appropriate background and context to facilitate understanding of the case studies

Section 5.3 Resources and capabilities of the family firms under study

- Examine the family influence on the financial, human, social and organizational resources
- Examine the family influence on the ability of the firms to sense, seize and transform

Section 5.4 Strategic trajectories and alignment towards exploration/exploitation

- Review the strategic paths of the firms since foundation until December 2014
- Classify significant strategic initiatives at the corporate, business and structure levels as exploitative or exploratory

Section 5.5 Managing ambidexterity through leadership and context

- Explore family influence on the ability of the leadership of the firms to manage the contradictions of exploration and exploitation
- Examine the influence of the family on the organizational context of the firm

Section 5.6 Priority objectives and performance

- Identify the priority economic and noneconomic objectives of the family firms
- Examine the economic and noneconomic performance vis a vis priority objectives

The examination of empirical evidence from case studies is fundamental to explore the underlying factors of the variance in the strategic trajectory of family firms and in their ability to develop ambidextrous strategies. This variance emerges from the influence of founder and family values on the development of resources and capabilities of family firms (Habbershon & Williams, 2003); the prevailing concept of the family organization (Brown & Starkey, 2000); and the vision of the family for the family firm's future (Milton, 2008; Tapies & Ward, 2008).

To examine this variance we analyze empirical evidence from two paradigmatic case firms in the context of our research questions:

RQ1: How does the family affect the resources and capabilities necessary to achieve ambidexterity?

RQ 2: How does the family influence the strategic alignment of family firms towards ambidexterity?

RQ3: How can family influence help or hinder the ability of family firms to manage the tensions and paradoxes of exploration and exploitation to reach their performance goals?

To respond to these questions, this chapter includes empirical information, observations collected during the fieldwork and comprehensive data and information about the characters, contexts and events to capitalize on the richness of qualitative research (Sutton & Staw, 1995; Van Maanen, 1989) and numerous direct quotes from family and nonfamily respondents (see Appendix F for a list of respondents).[9] This qualitative empirical evidence will add to our understanding of strategic ambidexterity in the context of family firms and to our knowledge about how families may directly and indirectly influence the decisions to explore and exploit as well as the ability to balance both.

Our theoretical deduction of propositions (Chapter 3) identified a large number of factors potentially influencing the ambidextrous strategic ability of family firms. The empirical findings based on the in-depth case studies presented in this chapter, aim at enhancing our knowledge about which of these theoretically identified factors are, in practice, the main drivers of family firm ambidexterity.

[9] The list of family and nonfamily respondents and their backgrounds is included in Appendix F. Please note that we use the formal titles of respondents; several family and nonfamily respondents hold the hierarchical denomination of "Director" yet they are not all part of the Board of Directors. Respondents who are Board Members will be identified as such in the text (MS has only 4 board members-all family; NWM none)

Although the empirical evidence in this chapter draws from all the information sources mentioned in Chapter 4, due to space constraints (and to avoid overwhelming the reader with data) only a selection of the data available is included in this chapter. Nonetheless, all collected data (including coding of all interviews and secondary data) was used for the examination of each of the cases and research propositions as well as in the interpretation of results.

In addition, due to confidentiality concerns and at the request of the respondents and/or the company's top management, some sensitive information regarding, for example, detailed geographical locations for planned expansion, precise details of strategic initiatives and ongoing innovations as well as some exact dates and numbers (particularly financials) are not disclosed. In these instances, even though the specific details are not incorporated to the case reports, they were taken into account in the analysis.

Finally, it must be noted that the interviews were conducted in Spanish. To ensure accuracy of translation, quotes originally in Spanish were translated to English from the verbatim transcriptions by the researcher and translated back from English to Spanish by a native Anglophone to guarantee the precision of the statements reproduced in the case studies.

Ultimately, the objective of this chapter is to present the in-depth cases in a descriptive and neutral way using the frameworks and methodologies developed and described in previous chapters, and to provide sufficient data from respondents as well as other relevant documentation available to sufficiently substantiate the ensuing analysis, interpretation and conclusions.

5.1 CASE STUDY STRUCTURE AND DEVELOPMENT PROCESS

Using the case study protocol as a guide, the in-depth case studies are organized and presented using the following structure:

1. Background information regarding the family firms and the owning families (section 5.2);
2. Analysis of the resources and capabilities of the family businesses (section 5.3);
3. Assessment of strategic trajectories and alignment from its foundation to the present (5.4);
4. Analysis of the leadership and context of the family firms (section 5.5);
5. Priority economic and noneconomic objectives and performance of the family firms (section 5.6).

To construct the cases the researcher follows a four step process:

In a first step, guided by the propositions derived from extant literature, we selected a wealth of interview, documentary and archival data to investigate how the family has influenced the resources and

capabilities of the examined organizations overtime and how they differ with regard to the particular dimensions identified. Relevant interviews statements and data sources were classified using NVIVO 10 into the different resource categories (financial, human, social and organizational) and capability categories (sensing, seizing, and reconfiguring) as well as the sub-categories identified in the research propositions. We also aggregate and compare this data to identify specific factors that emerge as distinctive (f+) or constrictive (f-) familiness resources and capabilities in regards to ambidexterity. Identified features and instances of resources and capabilities contributing to enhancing or hindering ambidexterity are presented and discussed in section 5.3 and provide answers and insights to our first research question:

RQ1: How does the family affect the resources and capabilities necessary to achieve ambidexterity?

In a second step, using historical strategic plans and other internal archival documentation as well as respondents' accounts of the family business historical strategic trajectory, we build strategic maps of the organizations from their foundation to the present time. In doing so, we identify significant strategic initiatives at the corporate, business and structure levels of strategy. Using the methodology and criteria developed in our review of strategic management and ambidexterity literatures (Chapter 2), we analyze and evaluate the alignment of all major strategic initiatives towards exploration or exploitation. The resulting alignments at the corporate, business and structural levels allow us to determine the degree of ambidexterity achieved by the family firms in different periods of time, identify patterns and changes over time, and recognize major factors leading to identified levels and shifts. We also investigate the specific mechanisms that allow the examined family firms achieve the resulting levels of ambidexterity. These issues are discussed in section 5.4 and provide answers and insights to our second research question:

RQ2: How does the family influence the strategic alignment of family firms towards ambidexterity?

In a third step, we explore the effects of the family on the organizational conditions identified by ambidexterity literature as fundamental for managing the paradoxes, contradictions and tensions of exploration and exploitation, namely leadership and organizational context (which themselves are combinations of family influenced resources and capabilities). Again, using relevant data from interviews and internal documents, we examine the influence of the family on different leadership traits and TMT processes and the diverse components of organizational context. In doing so, we identify features and instances of distinctive (f+) and/or constrictive (f-) familiness and their contribution to (or detraction from) the ability of the firm to manage the contradictions and paradoxes inherent to ambidextrous strategic behavior. These topics are examined and discussed in section 5.5 and respond to the first part of

our third research question (i.e. this part stops short of addressing the linkage with performance vis a vis the priority objectives of the family firm):

RQ3 (part 1): How can family influence help or hinder the ability of family firms to manage the tensions and paradoxes of exploration and exploitation?

The fourth and final step, completes our analysis by exploring the linkages between the ability of the family firm to manage the contradictions of exploration and exploitation, the priority economic and noneconomic objectives of the family firm, and the actual and perceived levels of performance vis a vis the stated priority objectives. We identify the priority objectives of the family for the two subsystems of the family business: the family and the firm. We explore economic (e.g. ROI, growth) and noneconomic (e.g. prestige, public interest) organizational objectives as well as operational objectives (e.g. annual turnover, sales, market share and profit related targets) and the historical performance of the family firms against those objectives. We evaluate performance using financials and other quantitative indicators available; we also assess the relative emphasis on different objectives and perceived performance through family member surveys (see Appendix B) and we abstract and analyze interview statements and triangulate the findings with other secondary data. The results, presented in section 5.6, address the interplay between family influence, ambidextrous capability and actual performance vis a vis the priority objectives of the family and provide insights and answers to the second part of research question three. Together, sections 5.5 and 5.6 complete the answer to research question three:

RQ3 (part2): How can family influence help or hinder the ability of family firms to manage the tensions and paradoxes of exploration and exploitation to reach their performance goals?

5.2 BACKGROUND INFORMATION ABOUT THE FAMILY FIRMS AND THE OWNING FAMILIES

Discussion of the background and context of the cases is fundamental to developing an understanding of the case studies (Eiesenhardt, 1989) and central to appreciate the evolution and development of the families and their businesses. Case profiles draw attention to the reality where our research questions take place and provide an important source of qualitative data. The different circumstances, perspectives and contexts of the cases help understand the phenomena under investigation and provide better grounding for case research (Eisenhardt, 1989).

MS and NWM are successful multigenerational Spanish family firms. The Mortons have managed successfully MS for four generations and have more than doubled the family wealth and firm size with

each generation. While less impressive in their growth, the Olsons have maintained high levels of performance and expansion in NWM during three generations.

Both firms are recognized leaders in their sectors by their peers and industry experts and have above average returns, growth and longevity. The two companies are recognized as having different strategic alignments: MS is known for being both innovative and efficient (i.e. ambidextrous); NWM is recognized as a leader in constant search for improvement and efficiency (i.e. exploitative).

Both firms have been active in the automotive retail sector for over 70 years. This business domain has traditionally been the main source of revenues for both companies; currently representing almost 100% of revenues for NWM and around 60% of revenues for MS. Over the years both firms have expanded their business operations into diverse sectors and markets.

The tables below summarize basic characteristics of our cases. Additional information is provided in appendices: Appendix D explores in more detail relevant aspects of the firms, the owning families and the interactions between the ownership, management and family systems. Appendix E provides a detailed account of the strategic trajectory of each company since foundation till December 2014.

Table 5-1. Basic details about the firms object of the study

Company Name*	CASE ONE MOBILITY SOLUTIONS (MS)	CASE TWO NORTH WEST MOTOR (NWM)
Founding Year	1923 (as a bus company)	1943 (as an automotive retailer)
Current Industry(s)	Automotive Retail Transport	Automotive Retail
Core business activities	Automotive retail (60% of the activity of the family firm) Road transport (40%)	Automotive retail (100%)
Main business units	3 (automotive with 8 brands and 28 subsidiaries) 7 (transport firms)	4 (automotive with 4 brands and 11 subsidiaries)
Business domain	The family defines the business domain of the firm as “providing comprehensive mobility solutions”	The family defines the business domain of the family firm as “selling cars”
Geographical markets	Spain, Europe, Latin America, Middle East (the family defines the geographical market as global for transport and national for automotive)	North West part of Spain (the family defines the geographical market of the family firm as within 100 KM of their current territory)
Generation of family	4th	3rd
Generation in ownership	3rd	2nd and 3rd
Generation in Management	3rd and 4th	3rd

Company Name*	CASE ONE MOBILITY SOLUTIONS (MS)	CASE TWO NORTH WEST MOTOR (NWM)
Governance mechanisms	Family protocol (2007) Family Council (establish through protocol in 2007. Is currently inactive) Family office (2006) Board of directors	Family protocol (developed 2009 but not signed or implemented) Family council (informal) Board of directors (until 2010) Since 2010 no board, sole administrator
No. of non-family board members	0 (never had any, does not show much interest in introducing any)	0 (1 in the past, was a staff member of the family firm)
Number of employees	2575 (475 in automotive retail sector) (2000 in transport sector) (100 in corporate headquarters)	260 (all in the automotive retail sector)
Turnover of core businesses (2013)	350 million Euros: Automotive group : 200 million Euro Transport group : 150 million Euro (very important assets in real estate and other nonfamily firm related holdings bring significant income to the family office)	100 million Euro: all in automotive
Position vis a vis competitors (compared to industry averages)	Above average returns in both automotive and transport. Among 10% largest automotive firms and among top 5 players in transport in the country. Above average growth in both sectors	Above average returns in automotive. Among 25% largest automotive firms in the country. Top ranking in dealer of the year awards several years in a row. Above average growth
Known strategic alignment within their industries	Recognized by sector associations as leaders in their sectors. Described as very innovative, and diversified as well as efficient (i.e. ambidextrous)	Recognized by sector associations and manufacturers as indisputable leaders in their sector. Described as continuously looking for ways to improve (i.e. exploitative)

* Company names are fictitious to protect the identity of the companies

The next table provides additional details about the business activities and markets of MS and NWM and their changes over time.

Table 5-2. Overview of the business domains and markets of the firms under study

	MOBILITY SOLUTIONS (MS)	NORTH WEST MOTOR (NWM)
Original activity	Urban public transport: the founder owned and drove passengers in his bus. First incorporated family firm's activity: bus transport	Merchandise transport: the founder owned and drove merchandise in his truck. The first incorporated family firm: automotive retail
Year of entry into automotive retail	1954	1943
Current core Business domains and geographical presence	Automotive (Regional-North East Spain) (represents 60% of the activity) Transport (regional, national, international) (represents 40%)	Automotive retail (Regional- North West Spain) (represents 100% of the firm's activity)

	MOBILITY SOLUTIONS (MS)	NORTH WEST MOTOR (NWM)
Current business units (incorporated companies in the group)	5 (automotive) 7 (bus and tram transport) 1 (motorbikes) 1(car sharing) 1 (bike sharing) 1 (rail) 1 (Real state) 1 (financial and consultancy services)	7 (automotive)
Ventures in other sectors besides original business activities and period of activity	Public transport (since 1923) Auto repair (since 1927) Trams (since 1972) Auto retail (since 1954) Real estate (since 1958) Truck retail & repair (since 1983) Reduced mobility transport (since 1992) Tourist transport (since 1991) Car sharing (since 2005) Bike sharing (since 2012) Motorbike retail & repair (since 2014) Rail (incorporated in 2014)	Automotive retail and repair (cars since 1943; bikes, motorbikes, trucks and construction machinery between 1943-1967) Household electronics retail (1948-1955) Food & beverage manufacturing (1974-1979) Financial services (1975-1989) Construction/property development (1985-1997) Energy production (1984-1995) Public transport (1985-2002)
Geographical Markets and period	In automotive: Has remained regional in North East Spain (since 1923), despite efforts to expand nationally. In transport: National: Various provinces (since 1972) Europe: Portugal (since 2014) France and Italy (since 2013) Latin America (in progress since 2010) Middle East (in progress since 2014)	Property development: National (1985-1993) Transport: National expansion to several provinces (1982-1989) Automotive and all other initiatives: Local and Regional, North West Spain (since 1943)

The table below provides an overview of the families' involvement in the ownership and management of their firms:

Table 5-3. Family involvement in the business

	MOBILITY SOLUTIONS	NORTH WEST MOTORS
Generation	4th	3rd
Ownership transfers	1st to 2nd 1960s 2nd to 3rd early 2000s 3rd to 4th (pending)	1st to 2nd 1970s 2nd to 3rd (pending)
Management transfers	1st to 2nd 1960s 2nd to 3rd completed early 2000s 3rd to 4th (pending)	1st to 2nd 1979 2nd to 3rd completed 2006
Shares owned by family	100% (except in one of the transport business units where an external shareholder holds 33% and a number of temporary joint ventures)	100% (except minority holdings in the smaller non - core-business companies)
Current Number of family shareholders	4 All from the 3rd generation (25% of stock each)	7 3 from the 2nd generation; 4 from the 3rd generation (various percentages in different businesses)

	MOBILITY SOLUTIONS	NORTH WEST MOTORS
No. of family members employed	7	1
Generations currently involved in the business (as owners or managers)	2nd generation: Honorary President (Former CEO. Active in management from 1946-1999) 3rd generation: 4 Owners; the President joined the business in 1978; the Strategy Director joined in 1991; the Vice President joined in 1987; the fourth sibling is not in management but seats on the board (her husband is Director of a unit since 1993) 4th Generation: Marketing Director joined in 2012; Expansion Director (joined in 2010).	2nd generation: 3 Owners- former CEO (active 1967-2006), his ex-wife (never involved in management) and his sister (involved in management 1970-1989) 3rd generation: 4 owners, the CEO and currently sole administrator joined in 1994; of the other three only one was ever involved in management (from 1995-1997)
Family board members	4 (3rd generation) No 4th generation members seat on the board	Dissolution of the board in 2010 due to conflict with a disgruntled shareholder. CEO is currently sole administrator of all of the business units. Prior to 2010 all 7 shareholders had a seat on the board

One basic premise of our investigation (as well as a fundamental tenet of family business theory discussed in Chapter 3) is that family influence creates idiosyncratic firm behaviors and attributes (e.g. Chrisman et al., 2009b). To compare the levels of family influence of our two case studies, we combined the F-PEC scale (Astrachan et al., 2002) assessing family influence through power, experience and culture with Miller and Le Bretton Miller's (2005) four "C" framework describing the basic inherent attributes of family firms (Continuity, Command, Community, Connections) to assess the level of family influence in our two cases as shown in the table below.

Table 5-4. Level of family influence on the firm

Family influence indicators	MOBILITY SOLUTIONS	Level of influence*	NORTH WEST MOTOR	Level of influence*
Family ownership (power)	100%	++++	100%	++++
Family members in top management (power)**	7 (top two hierarchical levels all family; third level two out of five)	++++	1 (top hierarchical level)	+++/++++
Generation in board, ownership & management (experience)***	3rd (ownership) 3rd(board) 3rd and 4th (management)	++++	2nd & 3rd (ownership) 2nd & 3rd (board) 3rd (management)	+++
Family influence on shaping firm culture	Very strong	++++	Very strong	++++
Overlap of family and business values (culture)	Very high	++++	Very high	++++
Intention to keep firm in the family (continuity)	Very strong	++++	Strong (but uncertain due to conflict and lack of	+++

Family influence indicators	MOBILITY SOLUTIONS	Level of influence*	NORTH WEST MOTOR	Level of influence*
			potential successors)	
Family influence on decision making (power, command)	Key decisions taken or reviewed by the board (100% family)	++++	Key decisions directly taken or reviewed by family CEO	++++
Cohesion among employees & tenure (community)	Strong	+++	Strong	+++
Ties to external stakeholders (connections)****	Very strong	++++	Strong but in decline due to strong focus on cost reduction	+++/++++

* The ratings are based on interviews with respondents, responses to surveys and secondary data. The level of influence is ranked as follows: (+) very low; (++) low; (+++) high; very high (++++).
** Although in NWM there is only one family member in management the TMT is very small and the CEO has the last word in practically every decision, for this reason we rated the family influence for this indicator (+++/++++)
*** Refers to the amount of family experience available to the firm via management, ownership and the board. At NWM there are family members involved at the three levels but their inputs are more limited due to their lower involvement
**** Ties to stakeholders refers to the emphasis the family puts on strong long lasting relations with stakeholders

To summarize, both MS and NWM have very strong family influence and are successful multigenerational family firms with very different strategic trajectories, rates of growth and strategic alignment, making them an ideal setting to investigate our research questions.

The following sections proceed to explore the effect of the family influence in MS and NWM by examining the empirical evidence in the context of our research questions and theoretical model. Given the high number of factors and propositions in our model, to guide the reader, we provide a visual aid at the beginning of each section to situate the variable under analysis within the conceptual model (the subject under discussion appears shaded in a dark color within the model).

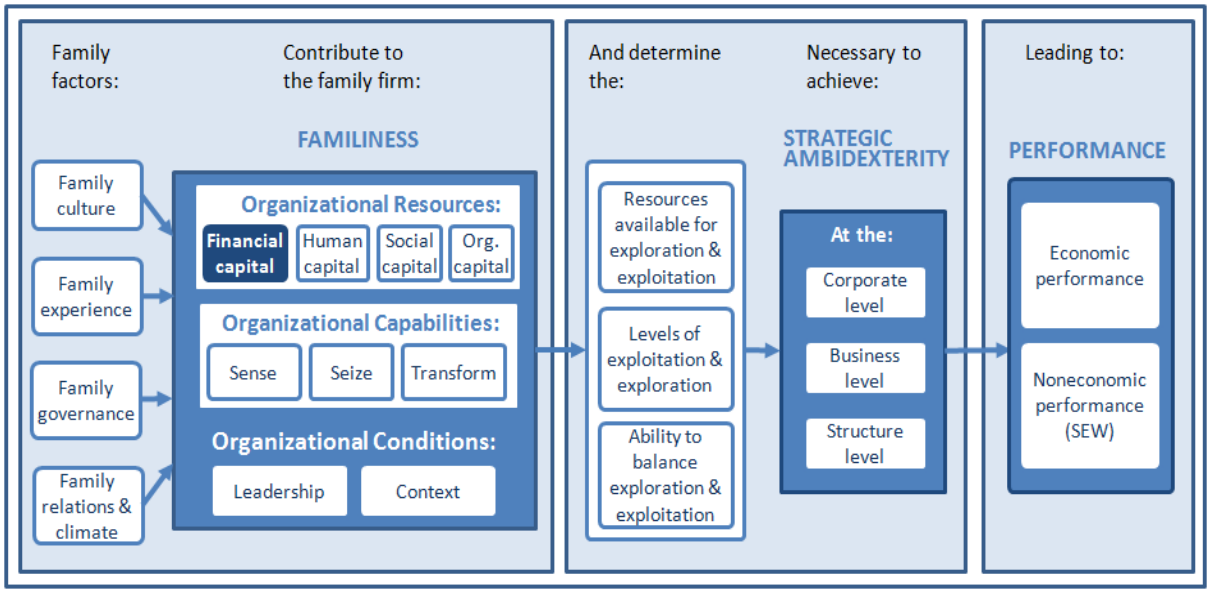
5.3 RESOURCES AND CAPABILITIES OF OUR FAMILY BUSINESSES

This section presents the case-based findings regarding the influence of the family on the resources and capabilities of the two case firms; examines the particularities of the resource and capability base of MS and NWM; and evaluates the contribution of these resources and capabilities to ambidexterity. In doing so it examines the empirical evidence to answer the first research question:

RQ1: How does the family affect the resources and capabilities necessary to achieve ambidexterity?

5.3.1 Financial Capital

Figure 5-1. Financial capital within our theoretical framework



The two propositions regarding the characteristics of financial capital leading to ambidexterity refer to the influence of the family on the availability of financial resources for exploration and exploitation (proposition P.1) and the ability of the family firm to balance financial preferences leading to exploration and exploitation (proposition P.2).

The first proposition regarding family influence on the financial resources leading to ambidexterity was enunciated as follows:

Proposition 1: Family firms will be more prone to ambidexterity when they manage financial assets to:

- **Leverage survivability capital as well as external financial resources if and when necessary to ensure sufficient resources for exploration and exploitation**
- **Take advantage of patient capital to pursue exploratory activities**
- **Manage the financial flows between the family and the business to ensure adequate levels of financial capital are available for exploration and exploitation while satisfying the financial needs of the family**

The behaviors and attitudes of our families vis a vis the management of financial assets indeed show a strong influence of the family on the availability of financial resources for exploration and exploitation. In both cases survivability capital exists but has never been necessary, in the sense that both firms have a strong belief that the businesses have to support themselves and follow sound financial practices therefore have seldom faced situations where additional capital was necessary for survival.

> "The businesses have to finance themselves; the family is not here to keep the business alive; it has to succeed on its own. We put the means for the businesses to thrive but we are not going to artificially keep them in business if they are not sustainable"
>
> (Sandra, Strategy Director and Board member MS. 3rd generation)

> "Many of our competitors have gone down for continuously providing funding to their firms when things did not go well. Here we look for solutions and ways to improve the business results; we do not solve the problems by just throwing more money at them."
>
> (David, CEO and owner NWM. 3rd generation)

Both families have had to earmark important financial resources for restructuring in the bad times, even at the cost of reduced or no dividends for long periods of time; they have done so without hesitation. Furthermore, over the years both family groups have grown significantly requiring important financial investment. In fact one fundamental similarity in both cases is the additional contributions of capital from the family to the firm, not for survival, but for expansion and growth. The family has been a fundamental source of capital to undertake investment in exploration and exploration. The family constitutes what they call at MS the "financial lung" of the firm:

> "Building the family wealth (companies aside) is an unwritten family mandate. My dad started purchasing real state with this in mind. When there is a divestment we make sure to manage and invest the proceeds wisely. Since 2007 we have our family office. At the end, that family wealth provides a great 'financial lung' to the business. It can serve as collateral when we need to make important investments. This has always been critical for our growth and for our financial independence. Think, for example, that when we won the adjudication of local transport in a large city in Latin America it required the purchase of 1000 new buses. This is the volume of investment some of our new ventures require"
>
> (Sandra, Strategy Director and Board Member MS. 3rd generation)

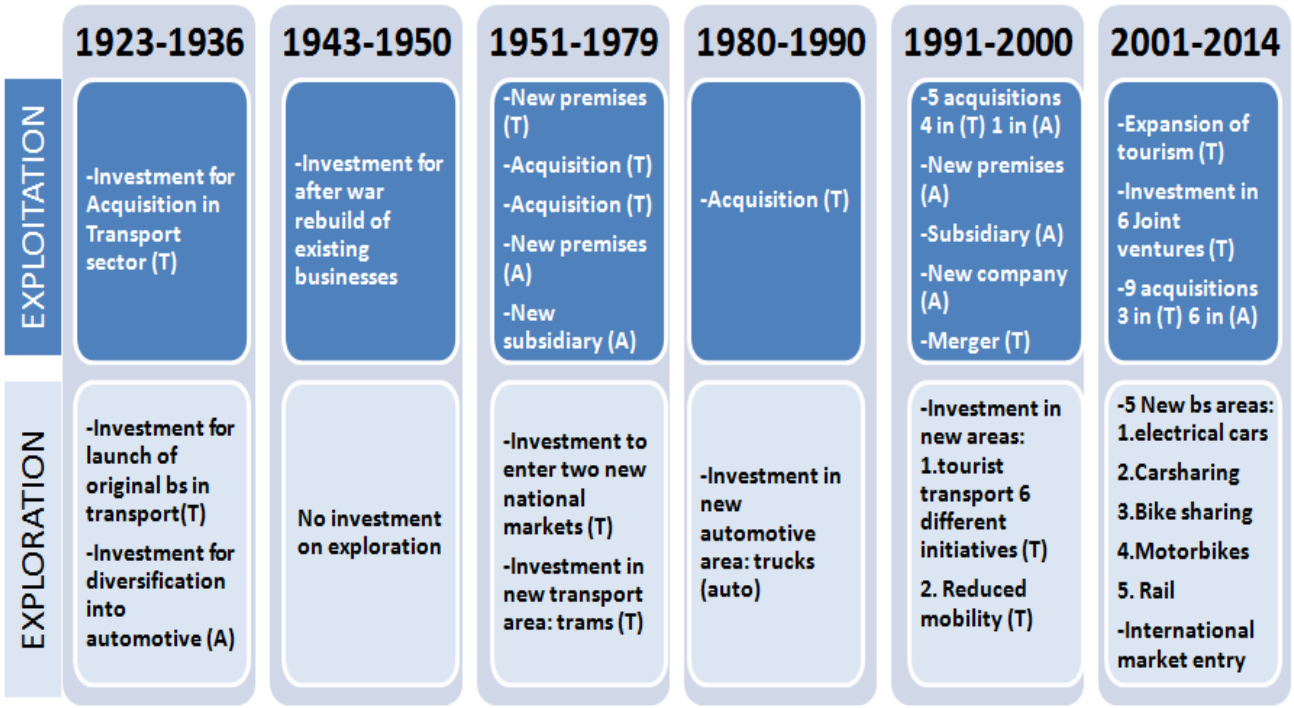
> "One thing that defines this family is its solvency. In 27 years I spent at the company, one constant was knowing the family money was always there, backing up the business. We knew we could always get financing for any investment necessary, whether an adjustment, an innovative project or a new opportunity. This financial power comes from the family"
>
> (Joe, Automotive Director MS. Retired 2012)

At NWM they refer to this family financial backing as the "financial muscle "of the company:

> "I still remember when we acquired one of the biggest dealers in the North West. The manufacturers required up front almost three million Euros in capital to start operating. The family contributed assets for most of that amount. You do not see that kind of 'financial muscle' every day."
>
> (Charles, Finance Director NWM)

Indeed, both companies have undertaken major exploratory and exploitative ventures requiring considerable financial resources. Major investment initiatives in exploration and exploitation of MS are summarized in the figure below (additional details about these ventures can be found in Section 5.4 and Appendix E):

Figure 5-2. MS's major investments in exploration and exploitation



MS shows strong investments both in exploration and exploitation in all periods except two: the post-war period when they focused on exploitation to rebuild the family firms assets after the firm was seized and destroyed during the war; and in the 1980s when they lost two major transport operations as a result of municipalization processes following the arrival of democratic government.

Another interesting finding is that MS exploratory investment has always remained in areas some "connection" with the original business (i.e. related to "mobility"). Most of MS exploratory investments remain profitable businesses today (i.e. started as new exploratory ventures but eventually exploitative investments as they became part of the core business of the firm).

With each generation, the Morton family has increased the value of assets manifold and, with their value, MS' financial capacity for exploration and exploitation. This is partly because in difficult family situations, the Mortons choose to do what is best for the business and select solutions that keep the family firm's assets intact.

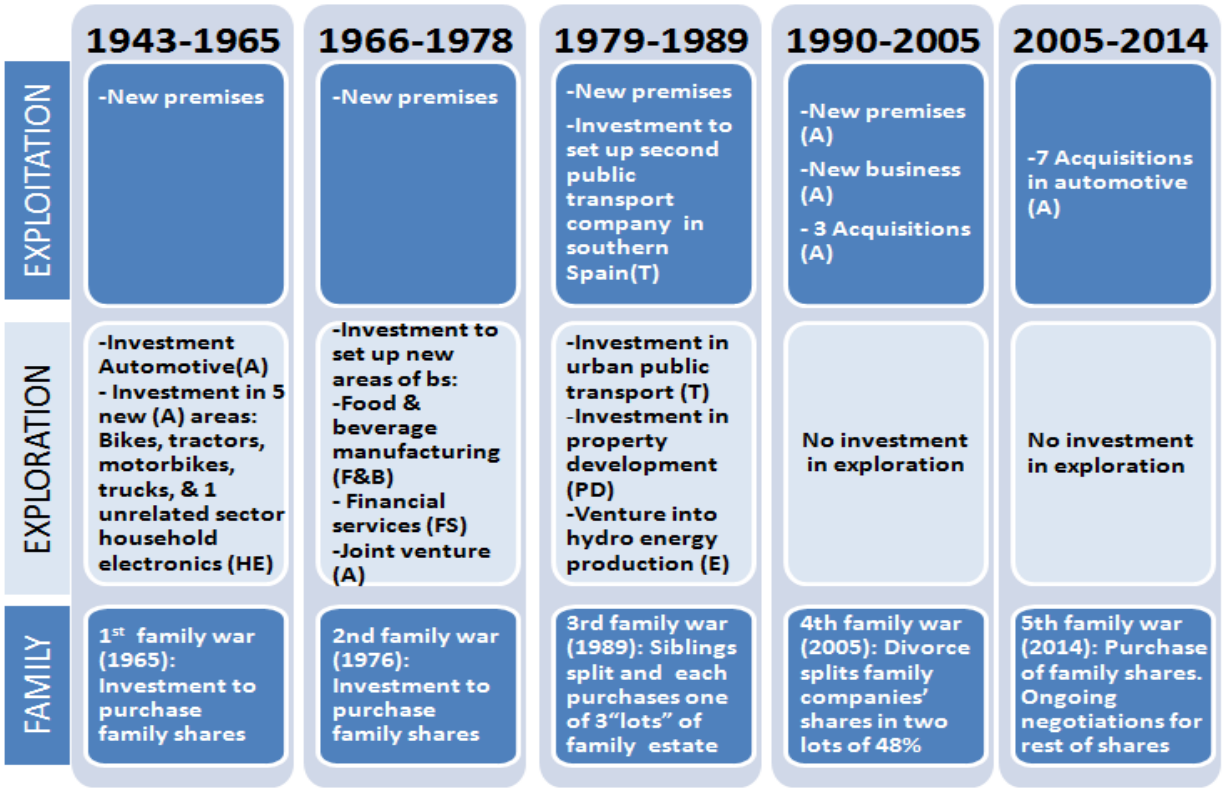
> "In the 1990s my uncle Harry donated his shares of the business to my father and to us (his nephews and nieces) rather than to his own children, taking his own family line out of the business. This was a tremendous act of generosity and extremely hard for him both in family and business terms. But he knew there was a risk of future family conflict that would spill over into the business and he put the firm before all else. That is what we do"
>
> (Sandra, Strategy Director and Board Member MS. 3rd generation)

As a result the Morton family estate has remained intact since the first generation and has achieved a volume many times the size of that of the Olson family. More resources imply MS can explore and exploit simultaneously more comfortably and take bigger risks without endangering the future of the business or the family.

> "We do not 'put our finger' very easily when we get external financing. But because we have significant family assets and fantastic financial standing in the community we very often have access to large financing without excessive risk"
>
> (Sandra, Strategy Director and Board Member MS. 3rd generation)

Similarly, the figure below shows major investments of NWM. Note that NWM's figure in addition to the rows on exploration and exploitation includes a third row on "family investment." This is because, over the years, the Olsons have used important amounts of family capital to buy out family members following family disagreements (see Appendix E for additional details).

Figure 5-3. NWM's major Investments in exploration, exploitation and family buy-outs



NWM shows a very strong and long exploration period (between 1943 and 1978); a short period with balance between exploratory and exploitative investment (1978-1989) and a period with exclusive focus on exploitative investments since 1990 and still going strong today.

NWM has experimented more widely than MS going into, for example, energy production and food and beverage manufacturing. Most of these exploratory efforts have been short-lived and often constituted a source of financial losses. All of the exploratory activity, without exception, disappeared within 5 to 15 years of the initial investment. In other words, in the case of NWM too much exploration followed by too little exploitation to realize the potential of the new ventures resulted in little financial benefits for the firm and provided no additional opportunities for expanding the operations of the company long term.

Another important difference emerging from the "family investments" mentioned above is the size of the "financial lung" or growth capital available to both companies. While the Morton's family assets have remained intact through four generations, the Olson family has regularly split the family estate. The Olson founder bought off his brother in law in the 1970s for a considerable amount of money. The second generation siblings split the family estate four ways; one of the siblings squandered his part in the late 1970's while the three remaining siblings split the remaining family assets three ways in the late 1980s. More recently one of the second generation siblings went bankrupt (wiping out one third of the remaining state) and another sibling split his family firm shares in half as a result of divorce proceedings in 2005. In 2014, the third generation siblings purchased part of their mother's shares and are in the midst of very difficult negotiations with both their parents for the rest of the shares. In short, a large part of the Olson family estate has been regularly chipped away through family buy-offs. As a result, a large part of the potential financial capacity of the group disappears, diminishing the size of the "financial lung" available for exploration and exploitation.

> "We are in top financial shape, yet I think we are a third generation family firm with the financial assets of a much younger organization. From a financial point of view, in this family individual members' financial priorities have often passed before what would be best for the family as a whole or the family firm. Of course not everybody thinks like this, but the history speaks for itself. Every year, when we are awarded these performance awards, for exemplary management, I cannot but think what we would have accomplished if we had managed to keep all the family assets together during three generations"
>
> (David, Owner and CEO NWM, 3rd generation)

To summarize, in terms of family financing both companies benefit from significant survivability and "growth" capital. However, while the asset base of the Mortons has grown exponentially, the Olson's assets, while growing steadily since foundation have grown at a more limited pace for two reasons. First, because although each generation of Olsons has grown the business far beyond what they received from

the previous generation, towards the end of every strategic cycle, family buy offs have decimate the total asset base of the family, resulting in a lower capacity to explore and exploit. Second, because unlike at MS, the exploratory activity of NWM has not contributed to improving the long term asset base of the firm (and sometimes contributed to its erosion).

Patient capital is a strong asset for both groups. Family and nonfamily respondents of MS and NWM alike commented on the long term horizon of all investment decisions in the two companies.

> "I have been in this firm for 29 years. I cannot give you one single investment decision that was not taken with a long term view. We are always thinking ahead: Where do we want to be in 3, 5 or 10 years? There is a strong notion that what you do today is to maintain the company growing and going strong for many years to come, not to produce results tomorrow or the next day but one day in the future"
>
> (Felix, Finance Director MS)

> "I have worked in other family companies and nonfamily companies with professional managers. I had never experienced before this type of long term thinking. You can tell all business decisions are made not for this year's bottom line but to feed the capacity of the firm to produce a healthy bottom line in the future"
>
> (Charles, Finance Director NWM)

The management of both firms is highly professional and the separation between family and business finances is clear. The financial flows from the family to the firm and from the firm to the family are well managed and without major imbalances. Both family firms have had a 100% reinvestment policy until recently. There was no distribution of dividends before the turn of the century in either company. MS agreed on a dividend policy in 2002 and now distributes a fix amount in annual dividends, except during economic downturns.

> "In this company we never distributed dividends until recently. When we proposed to our father to establish a dividend policy he was very upset, but we explained that we needed a better balance between the family and the firm. It took a lot of convincing but since 2002 we have a dividend policy. We set a fixed amount. We vote each year whether to distribute it or not. In the last few years we have voted not to distribute dividends since we established a wage freeze due to the crisis and we want to be coherent with our decisions"
>
> (Michael, President and Board Member MS. 3rd generation)

> "It was imperative to establish a dividend policy to keep good relations within the family. The amount that we distribute does not diminish investments nor our emphasis on growth and expansion. It has changed the level of agreement on the board. Business decisions are less distracted by family income issues because some family members feel more secure"
>
> (Sandra, Strategy Director and Board Member MS. 3rd generation)

Similarly, NWM in the past reinvested 100% of its profits. Since 2006, NWM distributes annually between 25 and 30% of the total profits of the companies in their group. Unlike at MS, the dividend policy emerged not from the belief of the family on the balance between family and firm, but as a result of negotiations and differences of opinion emerging from the divorce of the majority shareholders.

> "Distributing dividends was unheard of in our company and if it were up to the fourth generation, I think we would still reinvest 100%, like my grandfather did and my dad until he got remarried. Since the divorce the company pays up to both divorcées a monthly advance on dividends. At the end of the year this means either distributing around 30% of dividends or generating a debt of the shareholders with the company. We have opted by distributing dividends to keep the accounts of the company as clean as possible."
>
> (Ron, Owner NWM, 3rd generation)

> "Sometimes I wonder if one of the reasons for the current level of conflict with our parents is rooted in the financial focus on the business. Perhaps if the company had had clear established channels for providing a stable source of income to the shareholders before the divorce some of the current conflict could have been avoided."
>
> (Donna, Owner NWM, 3rd generation)

> "I believe the current situation is changing the way our business takes investment decisions. New investments are still evaluated in the same rigorous way but initiatives to grow no longer have the backing of 100% of the ownership. To give you an example, in one company my parents own 95% of the shares, since 2014 both state clearly their priority is receiving hefty monthly sums from the companies. If a proposal for investment requiring a few million in new investments was proposed tomorrow, I am pretty sure they would be against it. So far it has not affected the results, but in this sector you need to continuously search for increasing volume and economies of scale, who knows if a more conservative investment policy will contribute to the demise of the company in the future"
>
> (Ronda, Owner NWM 3rd generation)

One aspect that emerges from the above comments about financial decisions is that to keep high levels of investment, whether for exploration, exploitation, or both, family harmony is fundamental and that keeping an appropriate equilibrium between how many financial resources stay in the business and how much revert to the family may be an important factor for maintaining harmony.

Our second proposition regarding financial resources was formulated as follows

Proposition 2: Family firms will be more prone to ambidexterity when the family manages to balance the financial preferences of the family leading to exploration (patient and survivability capital, long terms investment horizon) with the family financial preference for low risk, parsimony and low levels of debt.

The financial preferences of both families are similar regarding risk and debt. Both financial directors used practically the same words when describing the attitude of the families about risk:

> "This company takes risks but they are carefully studied and analyzed. The family never takes risks that put the 'boat' in danger. They take calculated risks that are above the 'flotation line'. We make acquisitions and enter many new business lines but we have also let go numerous opportunities because they did not give the family the level of comfort they wanted"
>
> "We take on debt when we need to but obviously making sure the financing mechanisms are the most appropriate for the investment in question"
>
> (Felix, Finance Director MS).

> "We are very prudent. Here I completely agree with David (CEO): when you take risks you cannot put in danger the future of the entire group. We have tabled many proposals and we have acquired groups that doubled our volume but we have also decided to pass on some other opportunities because David felt it might be too much to digest or not as profitable and investment as he would like"
>
> "We do take on debt but we make sure to link the short and long term needs for financing with the capacity of the firm to pay back when it needs to. We have seen too many of our competitors go down because of this sort of imbalances"
>
> (Charles, Finance Director NWM)

Despite these similarities regarding a prudent attitude towards risk and sound financial borrowing, one company invests in markets very close to home (NWM) while the other, having a similarly limited appetite for risk and debt, embarks in risky international ventures and is continuously looking for emerging business opportunities to pursue (MS). Two financial dimensions seem to explain these differences: attitudes towards external investors and parsimony.

In terms of external investors, MS actively seeks partnerships and alliances and often creates temporary collaborations to launch new ventures. In their most exploratory ventures MS tends to bring in external investors, both to increase the resources available to launch the initiative but also to distribute the risk.

> "When we cannot assume the investment, do not have the expertise, or if the risk of going on our own is too high, we look for external partners. Most of our most adventurous initiatives have included partners initially. Often after we get comfortable and we acquire the know-how we have bought them out, but initially without partners we would not have ventured as far as we have done".
>
> (Michael, President and Board Member MS. 3rd generation)

At NWM external investors are mostly avoided following negative experiences in the past (see Appendix E for details).

> "Based on our experience I have come to the conclusion that it is best to avoid external partners like the plague"
>
> (Joseph, Owner and Ex-CEO NWM, 2nd generation)

In addition to reluctance to look for external partners to increase the financial resource base, NWM family and nonfamily respondents alike offer the opinion that, often, there is excessive emphasis on keeping costs under control. Some even express fears that it might be detrimental for the future.

> "In this sector you cannot survive without cost discipline, and certainly this discipline allowed us to ride the crisis. The results have been good, very good, partly due to this strict expense policy, but sometime I wonder if we worry too much about 'paper clips' and too little on other things that are perhaps more important."
>
> (Manuel, Sales Director, NWM).

> "My son David focuses too much on cost cutting. While overall it is a good quality to have in a business like ours, it is not always so."
>
> (Joseph, Owner and ex-CEO NWM, 2nd generation).

One final finding relating to finance that had not emerged from our propositions found in both companies is the spillover of financial rigor and practices of the family to the business. In both companies nonfamily managers agree that the rigorous processes set by the family to examine potential new investments as well as to find areas of improvement, translate in sound financial practices throughout the entire company.

> "The way the family operates their finance taught us very valuable lessons. It showed us the importance of keeping the finances in order, which in turn, translated in better financial practices of our bit of the business and thus of the overall group. In a way, we were trying to apply the family's financial rigor and long term thinking to our area of management"
>
> (Joe, Automotive Director MS, retired 2012).

This sound financial culture is also found in NWM:

> "From a financial point of view there is a very strong culture of rigor, efficiency and good management of resources. This comes certainly from the way the family does things and is felt strongest in the original business units. However, it takes very little time for this financial culture to catch on in the acquired companies. If I look at the financial practices and attitudes in any company of the group, this level of carefulness and rigor is felt. I think this is a strength of the family and by extension of all the companies owned by the family"
>
> (Charles, Finance Director NWM).

The table below summarizes the empirical findings regarding financial resources for the two cases:

Table 5-5. Summary of empirical findings for financial resources

FINANCIAL RESOURCES	MOBILITY SOLUTIONS	NORTH WEST MOTOR
Survivability capital / Financial muscle Debt Partners	Never needed capital to survive. Growth capital has been fundamental for growth. External resources (debt and partners) fundamental to explore and exploit; external partners key for exploration	Never needed capital to survive. Growth capital has been fundamental for growth. Access to debt funding for exploitation when needed. Reluctance to find other forms of external funding (particularly reluctant to engage external partners)
Patient capital / Financial culture	Patient capital is key for exploration and exploitation. Financial family culture is beneficial for the financial health of the firm	Patient capital fundamental for longer term exploitation initiatives. Financial family culture is beneficial for the financial health of the firm
Financial flows between family and firm	Very well managed. Problems anticipated. Contributes to financial health of family and firm	Well managed day to day (firm is not a family bank). Long term family and firm imbalances seem to be a source of conflict
Financial preferences effects on exploration and exploitation	Long term returns key for ambidextrous investment decisions. Strong preference for low risk and debt is balanced with external partnerships, joint ventures and strategic alliances that provide additional finance and "risk distribution" enhancing exploration	Long term returns key for exploitative investments decisions. Strong parsimony combined with a low appetite for risk and debt seems to reinforce the firm's alignment towards exploitation. Combined with reluctance to look for external sources of funding limits available financing for exploration

In conclusion, the evidence provides support our two propositions regarding financial resources, and suggests that family firms may indeed have an advantage to achieve ambidexterity if they can leverage survivability and patient capital, balance the financial flows between family and firm and show openness towards sources of external financing. However, the empirical findings also suggest that more than survivability capital facilitating it is the familial financial muscle that pushes for ambidexterity. In other words, "growth family financial capital" does not emerge from the desire to "survive" across generations but from the family's strong aspiration to expand and grow the business which inevitably leads to some exploration and/or exploitation. Whether this growth capital it will lead to one or both will depend on the vision of the family for the future of firm.

The evidence regarding our second proposition adds that the financial preferences of the family in terms of returns, risk, debt and other external sources of funding along with parsimony may interplay to allow family firms to explore and exploit simultaneously. The empirical evidence from our two case firms suggests these variables interplay but that some variables have more influence than others depending on the company, such as parsimony in the case of NWM (leading to more exploitation) and openness to external partnerships in MS (leading towards more exploration).

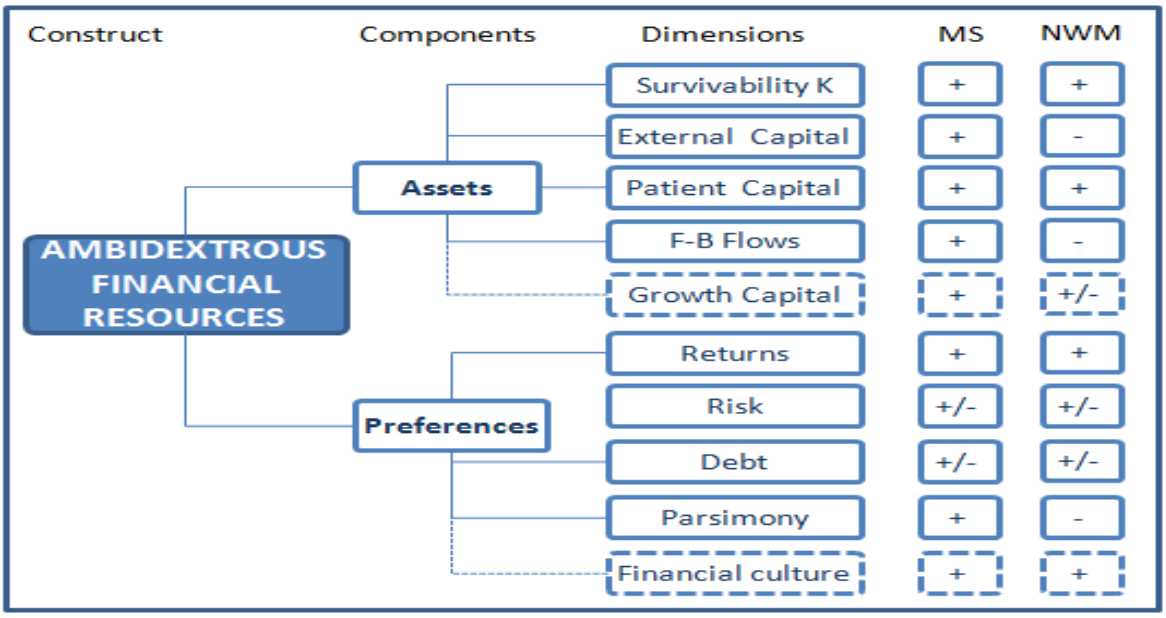
A certain level of parsimony contributes to good financial practices in both companies. Combined with sound professional financial practices of the family it can generate a favorable financial culture among all

employees of the firm. This is beneficial in both cases as it implies a more efficient use of financial resources in the family and the firm.

The evidence regarding long term orientation and patient capital, shows that long term financial preferences can be associated with both exploration and exploitation investment. Evidence on other preferences such as attitudes towards risk and debt show that, perhaps, it is not the preferences of the families per se that shape the ability to explore and exploit, but the ability of the family to find a balance in spite of these preferences. For example, MS balances the family preferences for moderate risk and debt levels by engaging with partners to lower their perception of risk and by generating enough family assets to guarantee sufficient credit is readily available for the firm without endangering the family estate. Similarly, although NWM has not engaged in exploratory activity since the 1990s, it does not seem to be due to preferences for low debt/risk; when necessary for exploitation, NWM does not hesitate to increase debt and risk levels as needed. This last point highlights again that the alignment of financial investment choices towards exploration and exploitation is closely linked to the vision and aspirations of the families for the family firm. We will explore this issue later on when we discuss cognitive social capital.

The figure below summarizes the different dimensions of our financial capital construct and their influence positive (+) or negative (-) on the ability of the firms to become ambidextrous. The dotted lines identify the new aspects emerging from the empirical work.

Figure 5-4. Ambidextrous financial resources: components and dimensions

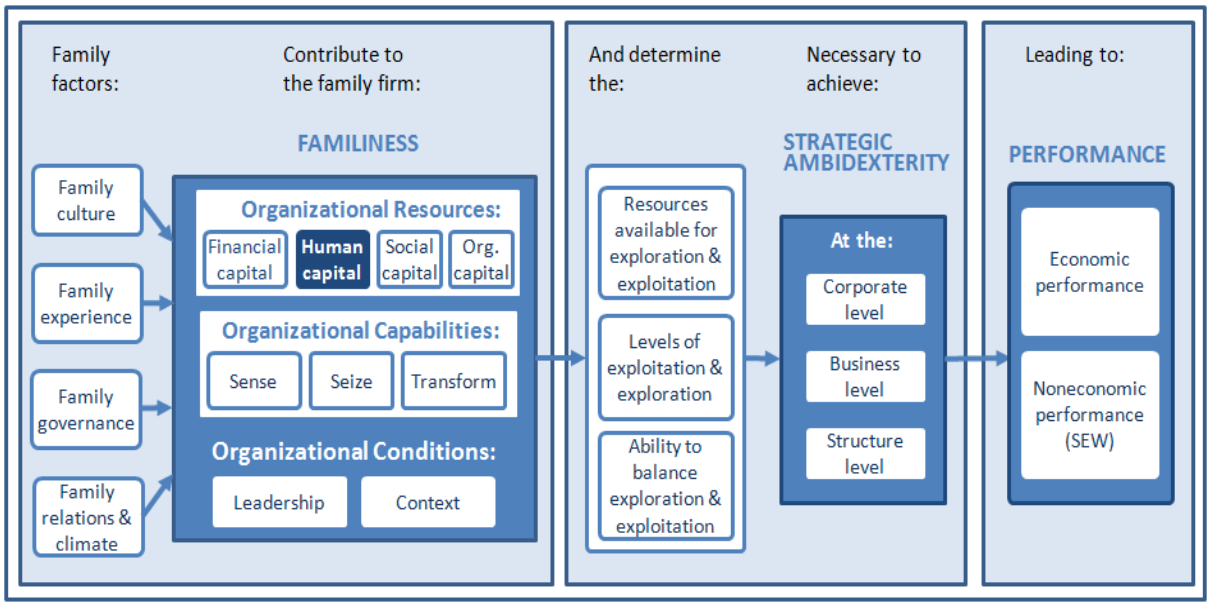


In summary, the evidence suggests that family firms will have an advantage for ambidexterity from a financial resources point of view when the family can:

1. Promote the development of patient growth capital for exploration and exploitation, and capitalize on external financial resources for exploration; and
2. Balance the family financial preferences leading to exploitation such as low risk and low debt by developing mechanisms that lower the perception of risk and/or debt burden such as accumulating sufficient family wealth and promoting external partnerships.

5.3.2 Human Capital

Figure 5-5. Human capital within the theoretical model



The three propositions regarding the influence of the family on the human capital characteristics leading to ambidexterity are related to the influence of the family on the diversity of human capital of the firm (proposition P.3); the ability of the family firm to capitalize on family involvement (proposition P.4); and the ability of the family to develop and take advantage of tacit knowledge (proposition P.5).

The first proposition on human capital was enunciated as follows:

Proposition 3: Family firms will be more prone to ambidexterity when they:

- **Support and encourage the diversity of experience and knowledge of family and non family managers by nourishing the breadth, depth and diversity of the family members' human capital (e.g. investing in their development, encouraging external experience) and open human resource practices that encourage acquisition, integration and promotion of external talent to ensure family business managers have a combination of different types (general & specific) and quality (breadth and depth) of prior knowledge and experience.**

With respect to this first proposition the behaviors and attitudes of our families show a strong influence on the diversity of the human resources available to the firm. The Morton family has a strong HR focus that translates in MS human resource policies aimed first and foremost at recruiting and developing top talent with "sp@rk", a term invented by one of the company directors to describe the type of individual they want working at MS:

> "People with sp@rk are proactive and engaged, they continuously search to improve themselves and others and want to make their mark and contribute to the success of the company. They look for solutions, they anticipate problems, they are collaborative, creative, enthusiastic, take initiatives and results oriented"
>
> (Joe, Director Automotive Unit MS retired 2012).

This "sp@rk" is one of the stated values of the company and constitutes one of the main competencies the HR department evaluates during selection processes. In addition to rigorous selection processes, MS takes part in job forums of top universities, and professional training schools to headhunt young talent. They also invest heavily on developing and grooming internal capabilities to help staff move through the ranks and proudly announce in their website that one of the key success indicators for the company is the number of hours of training they provide for employees.

> "Human capital is the key for the continuity of this company. We take care to select only the best suited candidates to the role and to our company values. We select them on the basis of their competencies for the job and not so much for their experience or what is in their CVs. To supplement existing competencies we offer more than 14 hours of training per worker a year. At the top level all managers have a permanent development plan to enhance their abilities to bring the company forward"
>
> (Albert, HR Director MS).

Unlike other companies who tend to hire candidates with experience in their own business sector, MS recruits candidates with zero experience in the sector but with excellent skills in the technical or behavioral areas of interest for the job.

> "The diversity at the top has increased significantly in the last 10 years. In the last year we have incorporated very different profiles, from very diverse sectors and with very different perspectives. We are now going through a process of defining and mapping all the competencies for each post in the company so we can find the right people for each job, identify gaps in competencies, and target better our staff development programs.
>
> We have an internal development program called "talentia" for all of our managers. One outstanding issue in terms of diversity is gender, we are making efforts and we have a gender policy, but we are still eminently a masculine company. And obviously not everything is as diverse as we would like. We can do as much as we can but we are what we are: a company with lots of acquisitions, with a lot of people with over 25 years of tenure, most of whom are very conservative and with a lot of preconceived ideas. In other

> words at the top, here at headquarters the diversity is greater. The rest of the company is certainly not as diverse as we should be, but we are working on it"
>
> (Albert, HR director MS).

Employees agree that investing in the development of staff is a fundamental objective for MS, in the words of a long time employee:

> "In this company they prepare you, they give you the tools of the trade and they challenge you to take on new responsibilities. When I was promoted to my current post I wanted to do the best possible job. I went to see Michael (MS president) and said 'I want to do an Executive MBA at ESADE' he responded, 'when do you want to go?'
>
> (Anthony, Director Automotive MS).

While the HR focus of the Mortons is not a new thing, it has taken a new meaning in the last decade as the growth and internationalization have increased their pace:

> "The 2009 restructuring process helped improved our diversity. When you centralize certain areas you need people that go from managing one area in one small company to manage that area for all of the companies in the group. You need different capabilities for that. We either looked for outsiders, ideally a top performer in their field (we hired 5 external people including the head of HR) or someone in house that we knew had the potential and put them into an accelerated training program to make them ready for the challenge"
>
> (John, Vice president MS, 3rd Generation).

This focus on top talent and diversity helps capitalize on existing company knowledge for exploitation and brings new blood for exploration.

> "The ideas come from everywhere. In the expansion small team we all have very different backgrounds. When we discuss possibilities we propose the wildest things. If my dad, aunts and uncles knew the kind of things we are looking into for the future they would have a heart attack"
>
> (Mike, Expansion Director MS, 4th generation).

At NWM, they also invest heavily in training and development of their people but their staff is more homogeneous. Employees have strong backgrounds in the automotive sector (in fact most have automotive experience only) and a large number of them have been in the company for over 20 years. Like in the case of MS, acquisitions have largely marked the overall diversity level of the group, unlike MS, however NWM has not been able to attract and recruit top talent or infuse as much diversity at the top by renewing top managers. Lower diversification of the group as a whole also contributes to more homogeneity and less diversity for NWM.

"It is difficult for us to recruit top caliber people, the CVs we receive are very homogeneous and very similar to what we already have in house. Perhaps it is because we are not in an attractive location, not close to a big capital city. Maybe it is our size or even the sector, which appeals mostly to people already in this industry. I would like to have more people to discuss things with, to contradict me, people with different ideas and capable of defending those ideas and convince me when we disagree. Unfortunately at the moment I have none"

(David, Owner and CEO NWM, 3rd generation).

"We have excellent people, but we have never been very good at selecting the right person for top level positions. I can give you two examples from my tenure. I had two people leading the business during my time. One was general manager for transport, the other for automotive. In hindsight one was never good for the job the other we promoted to his level of incompetence. In all our history I cannot tell you one single brilliant manager we have had. We have always had the most engaged, motivated, hardworking, loyal people you can find in this sector but they are not what I would call 'top talent'"

(Joseph, Owner and Ex-CEO NWM, 2nd Generation).

"The tradition in our firm is to promote from within the company and to find people close to home. In fact we have a number of family sagas (off the top of my head three brothers, a father his two kids and a brother and numerous married couples among staff). While this is very good for motivation and loyalty and shows commitment to the people in the firm, perhaps it means that we end up not having the best people for the job. If you choose the best candidate from a pool of around 250 staff (and their families and friends) chances are the best candidate is not as good as one selected among a pool of potential external candidates. This means that by the time people get to the top they have been molded by the firm and are used to the status quo. This reduces the number of fresh ideas and probably locks us in this mindset of 'doing what we know' and 'selling cars' instead of trying out some new things"

(Donna, Owner NWM, 3rd generation)

"Perhaps to change the profile type we should aim to recruit people from other sectors. We are very conservative and everything turns around David. He takes all decisions and our managers are comfortable with that state of affairs. Perhaps we need some fresh blood from outside with different experiences and from different sectors to shake things a little"

(Ron, Owner NWM, 3rd generation)

"The problem may be that we are not ready to pay for diversity. We pay more than our competitors but we are still within the range of the sector, to entice someone from another sector we need to offer more, more money and more responsibility. If we want top people we have to pay top dollar. I think we have been focusing too much in keeping costs down. David could use a shoulder and someone to share the burden of being alone at the top and taking all the decisions solo. Since I retired every big decision depends on him. There is no room for new ideas when you have only one person doing the thinking"

(Joseph, Owner and Ex-CEO NWM, 2nd Generation)

> "David oversees everything, even if he is exceptional; there are only 24 hours in a day. We are already growing non-stop, taking over company after company, most of them on the verge of bankruptcy and mired with problems. When is he going to find extra time to explore and take the firm in new directions?"
>
> (Charles, Finance Director NWM).

> "I have been with the company 40 years, I started with 17 and my colleagues also have a great number of years with the company and the sector. We understand each other very well and we know the sector inside out. We all have a similar view of the business, we all look for ways to do things better and we often coincide in our views, perhaps this limits the number of opinions. But you cannot find people with better expertise in the sector "
>
> (Manuel, Sales and Automotive Director, NWM).

The empirical evidence shows that indeed there is a difference in the breath, depth and diversity of human capital between both companies and that this diversity may be contributing to the different levels of ambidexterity. Although both companies have a very homogeneous base, important differences have emerged at the top (the most relevant management level for ambidexterity). These gaps are increasing over time.

At MS they have more diversity emerging from a more diversified business. The recent renewal process at the top has diversified the company's top management even further mixing managers with automotive expertise with people with long and diverse experiences in other sectors and even with extensive international experience. Interestingly, this growing diversity corresponds with more daring exploration at MS such as internationalization, deep technological advances, and business launches in areas further away from the family's original activities, than previous exploratory moves.

At NWM, all director level staff has been with the company a minimum of 10 years, their combined professional experience is essentially in the automotive sector, with one or at most two automotive brands, and mainly within NWM. The profiles of nonfamily respondents of NWM and MS included in Appendix F offer a good illustration of the differences in the human capital at the top of these firms.

The second proposition on human capital looks at the contribution of family members to the firm.

Proposition 4: Family firms will be more prone to ambidexterity when they encourage and channel the involvement and contribution of family members from different generations and with different knowledge and experience so the firm can tap and combine the diverse knowledge and skills of family members (e.g. encourage the involvement of different generations, maximize involvement by providing different ways to contribute -boards,

family council, family meetings and consultations, advisory groups for different matters depending on interest and expertise of different family members-)

In terms of family human capital, and although it is quite diverse in both families, MS benefits more from this diversity because there are more generations, more family lines, more family members and a bigger dispersion in age in the family members directly involved in the business. This diversity further contributes to the ambidexterity of MS as it allows family members to combine the direct expertise and knowledge of the traditional business activities with the ideas of the new generations who have joined the corporate headquarters directly without being closely involved in the day to day management of single companies of the group.

From a numbers perspective, it would seem easy to assume that MS has been better at capitalizing the family's human capital. Despite these numbers the evidence paints a complex picture. Although more members of MS are involved in the management of the family firm; there are clear differences in the way different family members are allowed to contribute to the firm that correspond not only to the family line they belong to, but also to their order among siblings. There seems to be a clearly established pecking order in the Morton family:

> "In this family we take turns. One generation waits till the other one is ready to open up the doors. The 3rd generation waited for very long. Now we have to wait our turn, its normal"
>
> (Mike, Strategy Director MS, 4th generation)

> "It depends who you talk to, my cousin was 'raised' to be part of the firm, his father is the heart of the company, and he lived on top of one of the company sites. He lived the family firm since the beginning. In my case my mom never worked in the business and only recently joined the board. My dad works at the company but he is an in-law so it is different. Not all the members of the family get the same exposure to the business or the level of internal knowledge about the family business "
>
> (Sam, Marketing Director MS, 4th generation.

> "There are no channels to learn about the business if you are not in it, obviously you hear things at home, the press, but it is very much an insider/outsider dynamic. Even inside there are levels, the generation in power and the next generation. I sometimes get invited into board meetings but that is it"
>
> (Mike, Expansion Director MS, 4th Generation)

> **"**When I was growing up, my brother was certain he wanted to join the firm. Since he was going to join the firm I assumed I would not be able to, so I did not even consider it. Later my brother decided not to join the family firm but at that time I was already doing my own thing. When my uncle proposed that I join a couple of years ago I said yes. I never got involved before because I grew up thinking my brother was going to take the spot of our family line and thus there would be no possibility for me. I imagine now that I am in, my younger brother will have the perception that because I am in he should look elsewhere..."
>
> (Sam, Marketing Director MS, 3rd Generation)

The numbers of family members allowed to contribute is closely regulated and monitored. While bringing order to the way family members integrate the firm, it seems to preclude family members in the wrong "birth order" from taking an active interest in the business. In addition, the level of transparency among generations does not seem to be very high at MS. For example, although the family protocol sets the ground rules for family involvement and directly affects all family members, the younger generation perceives it as something the previous generation sets and is responsible for. When they estate opinions about the principles and rules included in the protocol, family members from younger generations tend to add "I am not sure" and "you should ask the people involved" as if it were something completely external to them, over which they have no say or responsibility.

> "They (the 3rd generation and my grandfather) developed the protocol. We have limited involvement except in our areas of expertise. For example in anything that has to do with expansion I am involved, and my opinion weighs a lot but the final decisions are theirs. For most other matters I am not involved or invited to get involved. If you want to know more details you should ask them"
>
> (Mike, Expansion Director MS, 4th generation).

> "The protocol limits the number of family members from each family line; it is one per line with a maximum of three, or something like that. In other words there can only be three or four family members at any one time. As I understand it I will only be able to get on the board if I substitute my father. But I am not sure"
>
> (Mike, Expansion Director MS, 4th generation).

This state of affairs seems to create certain dissatisfaction in the 4th generation and a sense that more information sharing and better definition of the different roles of family members (inside the firm and outside the firm, inside the board and out) may be more beneficial for the business:

> "They are not really doing what they said in the protocol. Where is the family council? At the end the family council is the 4 siblings sitting on the board. The next generations are not at all involved. We look good on paper but nothing has changed."
>
> (Sam, Marketing director MS, 4th Generation).

> "We have our protocol and we are supposed to have a family council, but to be honest we have done nothing in that respect, there never seems to be any time for it"
>
> (Sandra, Strategy Director MS, 3rd Generation).

> "The biggest challenge at the family level is to define the different roles of the family members. Family members who are not in the firm day after day are not confronted with the business issues; they don't know firsthand how much effort it takes to keep the company where it is and to make it grow. From the outside we look very successful but it is very complex and can disappear in a minute, outside family members do not understand"
>
> (Mike, Expansion Director MS, 4th generation)

> "Family gatherings are mainly to enjoy the company of my parents and obviously not to speak about business. Other than that there are no other mechanisms for family interaction formal or informal, or for family and firm interface. We do not encourage that"
>
> (John, Vice president MS, 3rd Generation)

At NWM, despite the current levels of conflict there does not seem to be this type of pecking order and difficulties with family-firm interaction. The children joined the board of directors at 18 and have been encouraged to take part in meetings and to voice their opinions since. Now that the board does not exit, still they are asked informally for their input for any significant decision and for all matters pertaining to their respective fields of expertise. Although only one 3rd generation member joined the business the rest of the siblings, even from outside of the company seem more involved with firm rules, more aware about their content, their development and the state of affairs of both the family and the firm. Outside family members at NWM seem better informed and contribute their opinions and expertise more often to the company than outside family members at MS. However there is ambivalence about their right to contribute or to push when their opinions diverge from the ones voiced by the CEO.

> "There is a dichotomy in the attitude towards family involvement. On the one hand, we were always told we did not need to follow the family business path; on the other, we were asked to join the board as soon as we turned 18. This was great but, since I did not study business, I was never given the tools to understand the business and the accounts so I did not really feel entitled to push on my opinions. I express them, yes, they are heard, yes. But if I feel strongly about something I feel I have not earned the right to push because I never worked in the firm and also because I do not have a business or automotive background"
>
> (Ron, Owner NWM 3rd generation)

> "Unlike in other family firms, we did not spend summers working in the firm and there was no pressure for us to join, in fact in a way there was a sense of relief that we did not. I think our father in a way felt he was forced into the business because my grandfather needed him and he did not want to put us in that situation. As a result we have all developed very

> independent professional paths. My sister and I have lived abroad for years and my brother has never shown interest in the business. Yet we do have weekly email exchanges about business issues, Skype family meetings every few months where we share views and opinions and two annual family meetings face to face to discuss business issues"
>
> (Donna, Owner NWM 3rd generation)

> "I always told my kids the same thing: 'the company is here if you want to join but it is better for you to experience the outside world first and look for your true calling'. The company is not going anywhere so if they ever want to come back it will be here for them. I have made sure they had an education that would allow them to survive outside of the business and encouraged them to become independent and find their own way"
>
> (Joseph, Owner ex CEO NWM, 2nd generation)

> "Aside from David, the rest of us lack commitment to the family firm. For example, I agreed to develop a new social media strategy for the group but I have not delivered although it is my field of expertise and I am respected in this field. I guess I do not treat the family firm as I do my other clients. I think we all have fields of expertise and knowledge that in combination with our brother's management could produce a lot of new opportunities but we do not contribute more because in a way we believe it is not our role"
>
> (Ron, Owner NWM 3rd generation)

> "I do not know if it is a problem of push (we as part of the family should make sure we commit and contribute) or pull (there are no formal mechanisms to motivate channel and take advantage of the family)"
>
> (Ronda, Owner NWM, 3rd generation)

To sum up, both companies have made strong efforts to develop the family human capital (the younger generations in both families have impressive curriculums) and in tapping family talent, through selective recruitment of family members in MS and the board and through informal mechanisms at NWM. Nevertheless, both family firms have a lot of untapped family talent and could do better in setting up mechanisms to capitalize on existing family human capital. In their own words:

> "I think there is a lot of diversity in the family, but there are no mechanisms to bring those different ideas out or to take them into account. On the contrary, I think often when dissenting family opinion has tried to emerge the reaction has been to try to shush it"
>
> (Sam Marketing Director MS, 4th generation).

> "It is a pity we cannot contribute more because we are all well considered professionals in our respective fields of expertise. We have wide international experience and extensive organizational exposure to other sectors so we have a wealth of untapped knowledge and experience, networks and connections that we could easily put to work for the firm, even if on a case by case basis I think they would be very beneficial to the business"
>
> (Ronda, Owner, NWM 3rd generation)

Overall, MS has been better able to tap younger family talent despite the limitations mentioned above. In fact, these limitations may have allowed MS to incorporate younger generations in an orderly fashion and avoid "free for all" attitudes encumbering some family firms.

The evidence also seems to suggest that the attitudes of the earlier generation shapes the interest of the younger generations and that it is in their hand to improve the ability of their firms to tap the family human capital they invested so heavily in creating by providing better mechanisms to access, channel and apply it to the firms exploration and exploitation efforts.

The last human resource related proposition explores the ability of the firm to create and put to work the deep knowledge created through the years of operation of the family firm:

Proposition 5: Family firms will be more prone to ambidexterity when the family firm can develop and tap tacit knowledge of family and non family members' (developed through early involvement in the firm and strong bonds) to improve existing business activities and to identify potential new business venues (e.g. by recognizing emerging market trends or stakeholder's preferences due to their in-depth knowledge of their markets).

Both MS and NWM excel at developing tacit knowledge; this emerges clearly from their policies, processes and practices. From the comments of staff as you walk through the different business units and from the "status" they have among their colleagues and competitors.

> "People know we are good at what we do. This comes from watching people for 90 years, from trying to improve things for 90 years. My grandfather walked around with a little book where he wrote what bus stops were empty, which ones had queues, if a bus had a chipped paint… we continue to do so in more sophisticated ways"
>
> (John, Vice president MS, 3rd Generation).

> "I do not know how many times I had offers to go work for a competitor; I would not have left MS for anything. I think most of my colleagues feel the same way. Even now that I am retired I am 100% loyal to this company (he takes out his wallet and shows a Visa Card with the MS logo and the member number 000000001). I made sure I had the first one of these even though I was already retired. I am proud of being part of MS "
>
> (Joe, Director Automotive MS retired 2012)

The sentiment and opinions expressed at NWM are very similar in this respect:

> "Anything we do at NWM is considered in the sector as if we were inventing the wheel. If we do something, we know our competitors will try to do it the same the next day. Just because it comes from NWM they think it has to be good"
>
> (Mario, Marketing Manager NWM).

> "They often try to poach our workers. They know we have the best knowhow in the business. But most have been with us for decades and all are very committed. That I remembers we have only lost a staff member to a competitor, and they actually did us a favor because we were considering termination because he showed up late for work consistently and we had given him repeated warnings"
>
> (David CEO, NWM, 3rd Generation).

> "Even before I came to work here I had heard of NWM, they have been a referent in our field for over 50 years. When I go to sector meetings and forums when I introduce myself and say 'Manuel, NWM' they recognize the name, their attitude changes. Immediately my value in their eyes has gone up, even if I am still Manuel"
>
> (Manuel, Sales Manager NWM)

The main difference in this aspect is how the two companies apply the tacit knowledge they develop. MS applies this knowledge to improving "mobility solutions". NWM applies this knowledge to "selling cars better". Both utilize this knowledge in accordance with their respective business definitions and their visions for the company. Ultimately this translates into more knowledge for exploitation at NWM and more knowledge for both exploration and exploitation at MS.

The following table summarizes the empirical findings for our two cases regarding human resources:

Table 5-6. Summary of empirical findings for human resources

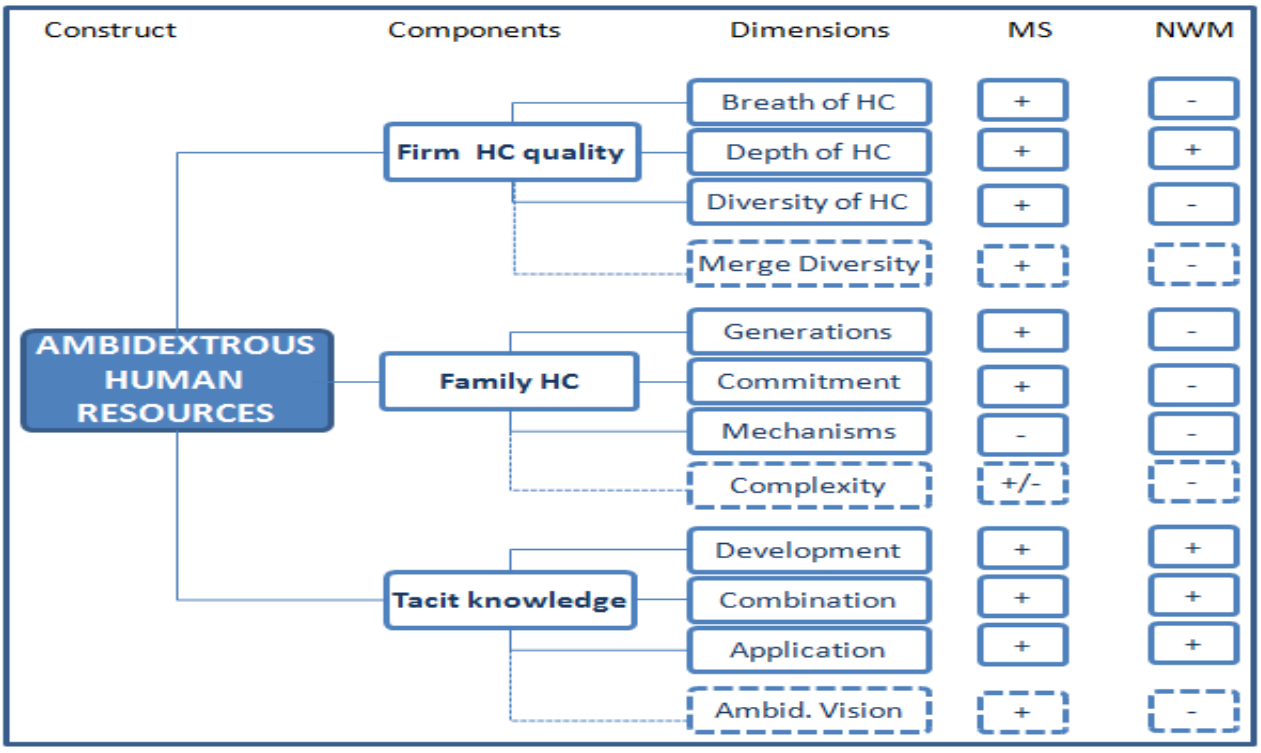
Human Resources	Mobility Solutions	North West Motor
Diversity of human resources	Great efforts to improve diversity at the top with significant increases in diversity at the management level. This has enhanced both the exploratory and exploitative capacity of the firm and increased the intensity of exploration in recent years	Very homogeneous human capital. Efforts to increase diversity have not been fruitful. This homogeneity limits the amount and diversity of ideas brought to the table and maintains the firm in pursuing continuous improvement and exploitation
Family involvement	Good number of family members involved. Very professional criteria about previous experience and education required to join. Limitation in numbers may facilitate orderly incorporation as family grows in size and complexity. Low transparency and information exchange may limit younger family members' contribution	Very low number of family members involved puts enormous pressure on a single member. Unclear rules and informal mechanisms do not maximize the potential contribution of the different generations. Unclear encouragement from earlier generation keeps involvement with the firm low or uncertain

Tacit knowledge	Very important for current success of the family firm. In combination with family vision and objectives contributes greatly to exploration and exploitation	Very important for current success of the family firm. In combination with family vision and objectives contributes greatly to exploitation

To summarize, in addition to the factors identified in our propositions three new elements emerge from the evidence as fundamental for ambidexterity from a human capital perspective: the ability of the family firm to merge new diverse talent with existing human capital with long years of service; the capacity to navigate the complexity of encouraging and incorporating family capital from different generations; and finally the ability to channel deep tacit knowledge both towards exploration and exploitation through an ambidextrous vision for the firm.

The figure below summarizes the different dimensions of our human capital construct and their influence positive (+) or negative (-) on the ability of our firms to become ambidextrous. Dotted lines indicate items added as a result of the empirical evidence.

Figure 5-6. Ambidextrous human resources: components and dimensions



In conclusion, our empirical evidence indicates that family firms may indeed have an advantage to achieve ambidexterity:

(1) If they can improve the breath and diversity of their human capital and merge it with the deep expertise and knowledge in their business areas to explore and exploit;

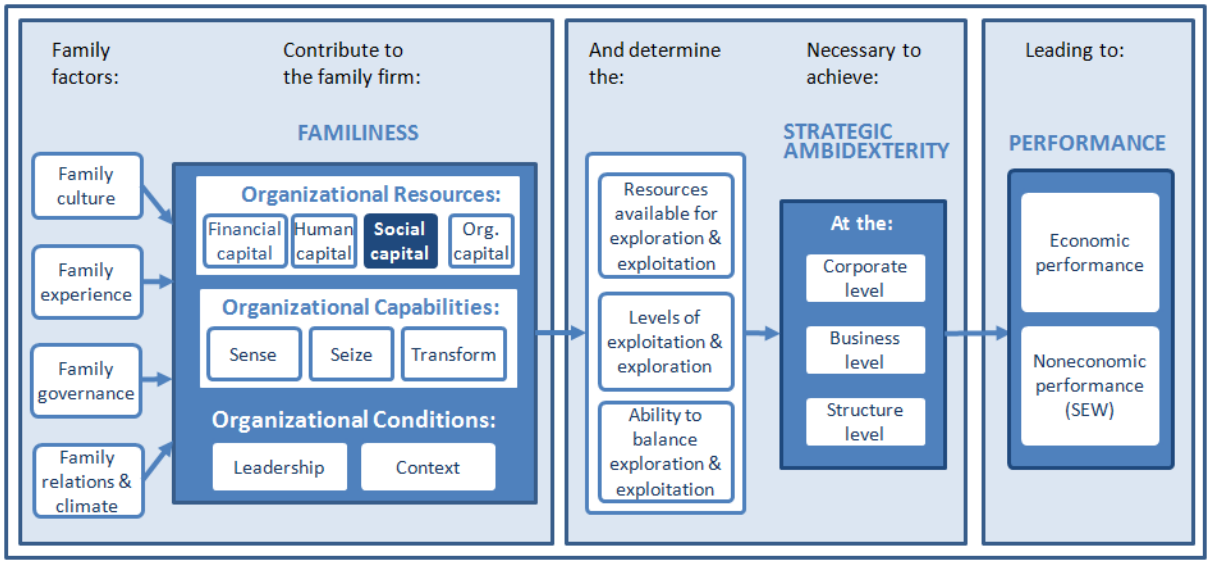
(2) If they can manage the complexity of family involvement and realize that tapping family talent is a beneficial but complex issue requiring: developing appropriate human capital through education;

balancing work experiences both inside and outside of the company; finding an equilibrium between attachment and independence from the family and the firm; promoting the level of commitment to the firm; clarifying different roles and levels of involvement of family members; and creating appropriate formal and informal mechanisms to translate involvement into high levels of commitment and meaningful contributions without interfering with the daily firm operations; and

(3) If the firm combines the strong tacit knowledge developed by the family firm with a business definition and vision that translates that knowledge into both exploration and exploitation.

5.3.3 Social Capital

Figure 5-7. Social capital within the theoretical model



The three propositions regarding the influence of the family on the characteristics of social capital leading to ambidexterity are related to the influence of the family on: the structural dimension of social capital (proposition P.6); the relational dimension of social capital (proposition P.7); and the cognitive dimension of social capital (proposition P.8) of the family firms.

The first of the three propositions regarding social capital of family firms was enunciated as follows:

Proposition 6: Family firms will be more prone to ambidexterity when they have mechanisms to:

- **capitalize on the strong bonds to improve access to resources in their networks**
- **identify and manage negative behaviors that may emerge from strong relationships**
- **review and expand the size and heterogeneity of their networks**

Empirical evidence shows both MS and NWM have strong social capital that has contributed to the successful development of family owners and managers over generations. Strong family relationships has allowed family values to pass down generation to generation; these family values and their influence on the firm are fundamental in the development of nonfamily social capital in both firms.

> "The values of my grandfather constitute the DNA of this family and this company. We all saw, ate and breathed those values growing up and we are trying to pass it along to our children. My father, my brothers and sister my son and his cousin are living examples of what they lived and received at home and they bring it to the business "
>
> (Rosa, Owner and Board member MS, 3rd generation)

> "My grandfather was the most honest, fair, hardworking and austere person I have ever known. I think my brother is like a modern version of my grandfather. This continuity builds trust and is appreciated and valued by everyone in the company. Many use my grandfather, my father and my brother as an example. It is also appreciated by customers"
>
> (Ron, Owner NWM, 3rd generation)

In terms of managing the risks of strong bonds, NWM provides an interesting example of the negative impact strong social capital can have on a family firm when it goes unmanaged.

> "In the 80s our brother hired his daughter's husband. I was not happy but I figured he was only earning an entry salary. I made a mental calculation of the financial cost of the annual salary and decided I would not jeopardize the excellent relationship with my brother over that amount of money. His performance was not great but instead of firing him, we sent him to a smaller company in the South of the country. Once there, he decided unilaterally to double his salary. Since he was in a business unit in the South, we only found out after a few months. I realized we were at the start of a downward spiral of family mismanagement and proposed to split the business. Unfortunately time proved me right. In 2009, my brother had to fire his son in law, by then general manager, after discovering he had been doing shady deals with suppliers, employees and providers for years. Instead of learning from this, my brother let his wife talk him into hiring her best friend's son as general manager of the firm. The boy was 25, fresh out of school and had no experience in managing a company, much less in the midst of the crisis. It is no surprise they went bankrupt in less than one year. My brother is 78 and is now living hand to mouth"
>
> (Joseph shareholder, Ex-CEO NWM, 2nd Generation).

> His sister adds: "Our personal relationship with my brother made us overlook things we did not agree with; it made him make the wrong choices; and it allowed his son in law to deal and wheel with stakeholders of the firm. Ultimately, you could say that relationships precipitated the demise of his side of the firm"
>
> (Carmen, Owner NWM 2nd generation)

Despite this negative example, both companies enjoy well managed strong long-lasting relationships and personal connections with stakeholders, and an enviable level of loyalty among employees. The families also show extraordinary commitment towards family firm employees.

> "As part of the family we are responsible not for 2600 employees but for 2600 families. They are like our extended family and we need to take good care of them"
>
> (Sam, Marketing Director MS, 4th generation)

> "Some of the staff has known me since I was in diapers; others drove us to school in a van with the company logo. When I have to make a hard decision like closing down a subsidiary or terminating a contract it is very hard. I try to do it as best I can even when I know I cannot do what the person sitting in front of me really needs. I remind myself that my first responsibility is to keep the company going strong in the long run for the remaining 250+ families that are also my responsibility"
>
> (David, CEO NWM, 3rd generation)

These relationships provide many benefits to the businesses from incredible levels of effort and commitment to everlasting loyalty.

This is demonstrated by the comments from MS employees:

> "This (indicates the company premises) is our home. These people (points at the rest of the staff) are my family. We go back to our apartments to sleep at night, but we practically live here because we care and we want to contribute. The commitment of the family is contagious"
>
> (Anthony, Director Business Unit, MS).

> "The level of commitment is such that I often get calls from retired employees with suggestions on how to improve things. Recently an employee approached me to offer to help set up some kind of MS retired club to channel that knowledge that has left the company so they can continue to contribute after retirement"
>
> (Albert, HR director MS)

As well as NWM staff:

> "All of us (the management team) are ready to contribute what we can, when we can, we would do anything for this company and this family"
>
> (Manuel, Sales Manager NWM)

Negative behaviors emerging from strong bonds are not sanctioned nor tolerated in either of the firms. Employees know very well what is expected and what is acceptable. This clarity in both companies comes from the role modeling of the family members and shows in the comments from MS nonfamily and family employees:

> "The family is absolutely professional and thus all the employees do the same. The family members are the first ones to roll up their sleeves when necessary. They work harder than any one and they do not take the resources of the firm for granted like they do in other family firms. They care for their employees more than any firm I know (even the unions congratulated us on the caring way we handled the recent restructuring although we had to let go close to 100 people). The family is rigorous, respectful and follows the rules. The staff follows suit and everyone 'knows their place'"
>
> (Anthony, Director Automotive, MS).

> "It is important to be consistent in applying the rules so that people know what to expect. Recently a valuable member of the staff with 26 years in the company was issued repeated warnings regarding a decision. Later, in front of the strategic committee (the board plus all directors), he implied he was ready to put his job on the line about this issue. The President invited him to review the numbers and come back to discuss it with him in his office. He insisted 'Everyone here is my witness, if I am not right and do not get the result I expect, I will put my job on the President's desk.' When he presented his resignation letter it was accepted on the spot. It was hard; it was a loss for the company. Not only financial (given his salary and tenure) but most of all a high caliber human resource. But it had to be done"
>
> (Sandra, Strategy Director MS).

> "Everyone in this company knows money is sacred. If you cheat or take some of the company money directly or indirectly, it does not matter how many years you have been with the firm or whether you drove the President of the company to school, or if you are a family member, you are out"
>
> (Joe, Director Automotive MS. Retired 2012)

As well as in the opinions shared by NWM staff:

> "We have seen many of our friends lose their jobs in companies in our sector because of excesses both of the family and the employees. Here we might not have the highest salaries or the shortest working hours, but we know the company is professional, serious and reliable and that if we work well and follow basic rules of honesty we will be treated fairly and as best as possible until the day we retire or the day we decide to go elsewhere"
>
> (Manuel, Sales Manager NWM).

> "The family can be understanding and flexible, but certain behaviors are not tolerated. The rules written or unwritten are clear and they are enforced. They are applied equally to everyone in and out of the family, with long or short tenure in the company, in one business unit or another. There is no such thing as "acquired rights" by birth or otherwise, so very few ever take advantage. If you do abuse the system, 43 days compensation per year worked is not going to save you even if you have been with the company for 40 years and it costs the company a fortune"
>
> (Mario, Marketing Director, NWM).

Empirical evidence also shows both family firms recognize the importance of relationships in bringing new business opportunities and allowing the companies to prosper and grow. For example in the case of MS:

> "My brothers are so well connected; without them there would be no business. They invest a lot of time building, managing and cultivating the right relationships: with the business community, with the sector associations, with the public administration. Those connections bring us information about opportunities, contacts to pursue those opportunities and at times resources to make them come true"
>
> (Sandra, Strategy Director MS, 3rd generation).

> "Relations have always been instrumental for our business. In fact, back in 1923 my father created the company after a friend of his told him there was a bus for sale and another friend helped him fix it up. Since then good networks and strong relationships have been a pillar for the growth of our company"
>
> (Michael Sr., Honorary President MS, 2nd generation)

> "Partnerships have been fundamental for this company from very early on. Back in the 80s we had a bad period, we lost two of the largest public transport contracts we had. We were forced into a merger with a competitor, it saved the company. Years later, that same partnership was instrumental in our expansion. It also taught us the importance of choosing the right partners and managing partnerships well"
>
> (Michael President MS, 3rd generation)

> "When we pursue international opportunities and do not have the level of contacts we have in Spain we look for partners who have strong relationships in their country. That is how fundamental we consider strong relations are for our business "
>
> (Mike, Expansion Director MS, 4th generation).

They convey a similar message at NWM:

> "Without a doubt relationships have been fundamental to the survival and growth of this family firm. Back in the 60s, my grandfather's relationship with the manufacturer ensured we kept the business during a major family dispute with his brother in law."
>
> (David, CEO NWM, 3rd generation).

> "My father's work with the sector associations have opened many doors, pointed at many opportunities and certainly brought a lot of valuable information and know how that we have put to work. It came at a high cost for the family; my dad was always on the road, attending conferences, making speeches. My brother is doing the same now a days, they invest a lot but they do it because it is fundamental for the business"
>
> (Ronda, Owner NWM, 3rd generation).

> "We hear about most business opportunities thanks to David; he knows everyone and everyone knows him. NWM is well respected in the sector so people know we are serious and can be trusted. As soon as people hear some company is not doing well they call us"
>
> (Charles, Finance Manager NWM).

Both families recognize the loss of opportunities for not having the right relationships, either the right mix or the sufficient strength. In the case of MS:

> "We have been trying to go international for years. The reason it has taken such a long time is because we do not have the same network of relationships in other countries than we have in Spain. In our line of business networks are everything "
>
> (Mike, Expansion Director MS, 4th generation).

In the case of NWM they add:

> "One of the reasons we stopped growing in public transport was because we did not have sufficient or strong enough connections in the public administration in locations farther away from our home town. I guess we could have cultivated them over the years but we focused more on building and strengthening our connections in the automotive sector"
>
> (Joseph, Owner, Ex-CEO NWM, 2nd generation).

> "When the urban transport contract for our hometown was about to expire, the mayor called my father to tell him not to bother presenting a proposal because they were going to award the contract to ALSA. Our competitors were obviously better at working their connections with the public administration than us. That marked the end of the transport business of our family group"
>
> (David, CEO NWM, 3rd generation).

> "Sometimes we did not use the best criteria for choosing our partners. When we were thinking of entering the race for the public tender of the public transport in our home town, I reached out to an old colleague for help; he was in automotive as long as we had been, and in public transport even longer. He put me in contact with his best manager so I could learn and proposed to become partners if we got the tender. I proposed it to the board and my brother said no, so I let it go. Later when we got the tender my brother introduced a friend of his (someone with no experience or relevant resources for the venture) as partner and we allowed it. I guess you could say that was one of those decisive moments in a business. The potential partner is today easy 10 times the size of NWM…"
>
> (Joseph, Owner NWM, 2nd generation).

While both companies have very strong relationships and manage them well to avoid free riding, unethical behaviors and inefficiencies, they differ in the heterogeneity of their contacts. In the automotive sector both companies are head to head, they are widely known, respected, and thoroughly connected with all the relevant associations and present in all the appropriate committees. However, NWM networks stop there. On the other hand, MS has traditionally focused on establishing a wider network, not only in transport and automotive but in other areas as well.

MS' President heads one of the strongest business lobbies in the North East of Spain and keeps very close connections with local, regional and national government agencies, he sits on the board of several important organizations and teaches in top Spanish business school. The other three Morton board members cultivate and thoroughly seed their own personal networks for the benefit of the business as well, and the new generations are starting to do the same.

> "My brother Michael is a lawyer he has his law connections and focuses on building the automotive and the business world relationships. My brother Joseph is an engineer so he has his group of connections and represents the business in transport and tourism forums and associations. Both work their separate networks with local, regional and national administrations and give talks at top business schools. We all have our own alumni networks from our masters in business. All family and non family employees know networks are absolutely crucial for our businesses and work on their own networks as well"
>
> (Sandra, Strategy Director MS, 3rd generation).

This difference in network heterogeneity seems to have been a strong factor in keeping NWM in a narrow business domain while allowing NWM to expand to unrelated markets and business activities.

Our second proposition regarding relational social capital was enunciated as follows:

Proposition 7: Family firms will be more prone to ambidexterity when they manage family influence such that:

- **They can create and capitalize on high levels of trust within and towards the firm**

- **They promote group norms that include teamwork and openness to diversity, criticism, and failure**

- **They build and capitalize on a strong identity that embraces both past traditions and high expectations for the future**

- **The family firm identity's focus and locus allow a sufficient level of environmental awareness and flexibility in the definition of their competitive arena to allow for both exploration and exploitation**

The levels of trust within the family firm are high in both cases; although respondent in both companies mention that, the lower you move down the organization the more likely it is to find mistrust and individuals who are more reluctant to share their knowhow with each other out of fear that they may take over their jobs.

For example at MS the head of HR is of the opinion that:

> "This resistance to share information is probably related to these sectors, at the workshop the mechanics do technical work, in the buses they drive, there is no intellectual component to their job so it is more difficult to differentiate themselves, they protect their turf as they can"
>
> (Albert, HR Director MS).

Similarly, at NWM they comment:

> "In general we have a good level of sharing and trust but given the crisis, the fact that we take over companies in very bad shape, and the heavy restructuring required due to the crisis, I guess it is natural that some people try to protect themselves. I know that not everyone openly shares their knowledge at our company. We need to improve in this"
>
> (David, CEO NWM, 3rd generation).

> "At the management level there is a very high level of trust. I tell everyone everything I know and I invite them to ask me all the questions they want. I want that sharing to happen, the more I trust them and they trust me the more we can learn together, the more they know the more they can help me with my job. The more we do together, the better for the company. But at lower levels there is this culture of hiding, they seem to think 'if I tell my colleague this trick that allows me to change this in half the time, perhaps if there is need to let someone else off it might be me because now he can replace me'"
>
> (Manuel, Sales Director NWM)

This relative reluctance for information sharing at the bottom of the organization contrasts with the prevailing overall social norms that emphasize openness, flexibility, teamwork, collaboration, and information exchange both in the case of MS:

> "We have an internal online system that gives everyone access to all the technical information in the firm, any individual can benchmark performance against similar units, individuals or even specific tasks and identify who is the best performer for that area in the entire company. From there they can ask for assistance to get up to that level of performance. The system is used with a regularity that surprised me. It is a sign that it works for them as well as for the bottom line of the company"
>
> (Steve, IT Director MS)

> "We all make mistakes. I have made my share and I will continue to do so. At MS we expect people to be responsible and take decisions. When you take decision after decision undoubtedly there will be some good ones, some not so good ones and a few bad ones"
>
> (Sandra, Strategy Director and Board Member MS, 3rd generation)

And in NWM's case:

> "One of the advantages of having many separate business units is that people can compare results, ask each other for help and learn from each other. There is an exceptional level of trust and exchange between the different business groups, both formal and informal. People readily pick up the phone to ask questions, share information, ideas and opinions"
>
> (Manuel, Sales Director NWM).

> "What I like about NWM is that everyone is open and straightforward, if they don't like something they tell you, there is no back stabbing, no politics. Colleagues are not trying to show how good they are or proving how bad others are. When mistakes are made there is no finger pointing, we have a discussion we learn from the experience and we move on. We don't dwell on it forever"
>
> (Eduard, Director automotive NWM, retired 2010).

> "When mistakes are made there is no finger pointing, we have a discussion we learn from the experience. If it is relevant we do make sure everyone concerned knows about it. Everyone knows this so in general we are quite forthcoming. This attitude comes all the way from the top. For example, a couple of weeks ago David said something that upset me, a few days later he called to apologize and to clarify the situation. It is not in every company that the CEO admits to making a mistake and apologizes to the employees."
>
> (Manuel, Sales Director NWM)

> "I can't remember where the quote comes from but my father used to repeat to everyone in the family and the firm 'only those who never do anything avoid making mistakes'. I think this is why when mistakes are made there is no blame culture. The culture is: 'OK, I made a mistake, I take responsibility, I find a solution and move on"
>
> (David, CEO NWM, 3rd generation).

There is evidence that such degree of group coherence generates a certain level of groupthink and resistance to change in both groups but also signs that it is not rampant or regular. In the case of MS staff wish things move at a faster pace and change happened more naturally but they also acknowledge eventually things do change.

> "Changing things takes effort and a lot of time. When I proposed to abolish a post that I thought was unnecessary for my business unit, the Board said. Are you crazy? The quality indicators are going to go down the drain! The rest of the directors of other business units agreed that it was an awful idea. But if you are convinced, and keep pushing… it works. Currently no business units has that post anymore"
>
> (Anthony, Director Automotive MS).

> "Some of the managers in this company are very traditional and conservative. If I proposed to some of the unit directors a sales representative with a piercing they would not accept him, even if he were the best sales person in the world. The younger people, the ones that have been less time with the company are more open and more likely to voice dissent"
>
> (Albert, HR Director MS).

At NWM managers are aware that they might be reluctant to react at first because they are set in their own ways of doing things but that when the value of a change is seen it is adopted quickly:

> "When someone from outside comes in and tells us this would work better this way, our first reaction may be, no way we have been doing it this other way for 50 years and it works!. But when you see that other way works better, in a heartbeat it spreads to all the units like wildfire"
>
> (Mario, Marketing Director NWM)

Both firms have a strong identity, although this identity is evolving as the companies grow and acquire other companies. The family firm identity is strongest in the original family business units. Some of the more recent acquisitions have had less time to digest this new identity as most were family firms with very strong cultures and identities themselves.

In the case of MS they express that:

> "The employees have different levels of identification with the business. I imagine it is easier for some to identify with the family and the company when they have come into MS as young adults, spent half their life here and feel responsible of what the company has become. Others have been absorbed from other companies that MS just purchased. It is not at all the same thing"
>
> (Albert, HR Director MS).

In NWM's case they are of the opinion that:

> "Some identify with the firm more than others. I would say identity is strongest in the original family businesses. Some of us entered the firm very young; I started working here at 13. Some of us have known the grandfather, the father and drove the kids to school. Some people feel closer to the Olson family and to NWM than to their own families"
>
> (Virgil, After sales Manager NWM).

> "If you go here (points at original business on corporate map) you will find people who fully identify with the company and feel part of the family. This particular company (points at another company in the group structure) was in the hands of the Lopez family: they had a very paternalistic approach; the family did not take staff to sleep at home with them because they did not have enough space to fit them all, if they had they would have. This other one was more diversified but they were conflict avoiders so in this one they are not used to hearing no. This last two have not had much time to assimilate the new company identity and are finding a way to adapt. So it varies from one site to the next"
>
> (Manuel Sales Manager NWM).

In terms of how that identity is defined and interpreted, empirical evidence shows that both companies have developed an identity that respects and embraces the history and tradition of the firm and at the same time tries to look for way to modernize and stay in tune with the times. In MS' case they say:

> "We have built on the family tradition on the knowhow we have developed through generations. The foundation is the same but the technology is different. For example we still take the same approach when we prepare a proposal for public transport in a new city: We put the map of the city on the table and we study it. Of course we use very sophisticated technologies today, algorithms and software that we have developed and improved over the years, but we combine that with our traditional approach, getting to know the city and looking at it from the user perspective. We merge the old and the new, it has always worked for us"
>
> (Michael, President MS, 3rd generation).

> "You could say what characterizes this company is a blend of the expertise they have created in 90 years with a healthy sense of ambition. This means they always want more for the company; they are always three steps ahead of everybody else. They imagine things nobody even dares dream about and this has brought them from 1 bus driven by the

> grandfather to a company of over 2500 people"
>
> (Luis, Commercial Director Automotive Group MS, Retired 2014).

In the case of NWM:

> "There is a deep awareness of the history and trajectory of the company and respect for the effort and commitment of this part of the family. I think this comes from a very clear picture of 'what is' and 'what could have been'. In 1989 NWM split in two groups, one is this one; the other went bankrupt in 2012. Until the split we used to rotate; we worked pretty much with everyone. Those of us who were here before 1989 have friends who worked in the failed group and are fully aware that it could have been us. Those who joined later know the story because everybody knows and it has been on the news. Those who come from acquired companies were often in ailing companies and are happy to join NWM with the prospects it represents. There is a strong notion that if NWM is still standing is because it must be doing something well. So, we keep doing more of those things. We try to do them faster, better and more efficiently but the essence is the same"
>
> (Virgil, After sales Manager NWM).

> "Fundamentally we keep the same tradition but we modernize. We have always tried to be the best at what we do; my grandfather, my father, me... Today we define best as being in the top 10% in every financial and non financial indicator. We have not changed what we do, what has changed is how we do it. Times are always changing and to stay in the top 10% you have to be one of the first to adapt. Back in the early days we were one of the first and few dealers to have a P&L. This was before computers and Excel. Nowadays it's all about the internet, we are one of the few dealers with a social media strategy"
>
> (David, CEO NWM, 3rd generation)

In other words, both MS and NWM seem to benefit from blending tradition and modernity, keeping the knowledge and experience that works, refining it and combining it with new trends and technologies.

In terms of the content of that identity, i.e. how the companies define themselves, MS staff defines the essence of the company and its competitive arena in broad terms in line with the business definition discussed earlier. In all of the interviews the term mobility and mobility solutions appears over 50 times; none of the staff in automotive describes their competitive arena as selling cars or being car dealers. The website describes MS as experts in private mobility and staff members make a clear distinction between being a dealer and a mobility expert:

> "This company does not sell cars. We are not a car dealer. We do not "deal" we assist and help our customers go where they like, when they like, how they like"
>
> (Anthony, Director Automotive MS).

The HR Director agrees:

> "We are not a traditional automotive or transport company we are a mobility company that has expertise in private and collective mobility. That is why we look for people who are out there; who get to know the trends in society; who engage in social media; who want to explore how clients want to move"
>
> (Albert, HR Director MS).

Conversely, NWM identity is in line with its narrower business definition, in the words of a NWM employee:

> "In this company we know how to sell cars and we know how to manage car dealerships efficiently"
>
> (Charles, Finance Manager NWM).

This evidence seems to support the notion that MS staff with a broader identity focus has more room to explore a wider range of possibilities in novel business domains, while NWM's narrow identity focus contributes to keeping business initiatives close to the original business.

In regards to the extent to which organizational identity is centered inwards or outwards, both organizations are tremendously focused on the environment. There is a very strong awareness that at the end the customer makes or breaks the future of the company and thus they are determined to keep customer loyal and happy. This high environmental awareness allows both companies to anticipate trends and respond quickly to changes and challenges.

> "We were ready for the crisis even before it hit. We knew the level of sales of 2007 was unsustainable. We picked up the signs before anyone else and we started making adjustments when others were still celebrating. We are probably one of the few companies in the sector to remain in the black throughout the entire crisis period"
>
> (Anthony, Automotive Director MS).

> "We anticipate needs before they emerge. We were the first company to adapt our buses to handicapped travelers, well before it was a legal requirement. In fact we had to do the designs ourselves because there was nothing in the market that satisfied our standards. When the legal requirements came the public administration came to us for assistance"
>
> (John, General Director Transport Group, MS).

However, these companies tend to define "environment" in accordance to their business definition, and therefore more broadly in the case of MS. In addition, while being equally aware of their environment and proactive in searching for opportunities for improvement and growth, the above statements also illustrate that in comparison NWM seems to focus more on identifying threats and finding out how to

overcome those threats while MS puts more emphasis more on anticipating opportunities and pursuing them.

One last aspect of identity that emerges from the evidence has to do with the level of identification of the firm as a "family" business. At MS this sense permeates the firm from top to bottom:

> "Although we have over 2500 employees and many of them have not met the family, everyone working here identifies the firm with the Morton family. It is clear to everyone that the values of the Morton family are the values of the firm. This sense of being part of the "family" is particularly strong after the 90th anniversary celebration events. Knowing the history and being part of it creates a sense of belonging to this family, a certain adherence to the values of the family and an identity as a family firm"
>
> (Albert, HR Director MS)

In contrast at NWM this conscience of being a family firm does not exist as strongly:

> "We know NWM is a family firm, but the family is not felt very strongly. The personal presence of the family CEO is obviously very strong but the rest of the family is unknown to most of us. We know we are family owned but I do not know how much the family defines the identity of the firm for me. Of course the values of the family and the preferences of the family managers influence how the firm is run but it is done in a very professional way that does not impregnate the firm with the sense of 'family' like in other places"
>
> (Charles, Finance Manager NWM)

Perhaps differences in the degree to which "family" defines the identity of the firm influences their ability to reap the positive influence of the family on the firm; by developing a greater "family firm identity," MS seems better able than NWM to take advantage of positive familiness factors.

The third and final proposition regarding the cognitive dimension of social capital was:

Proposition 8: Family firms will be more prone to ambidexterity when the family influence contributes to:

- **Developing family firm values supportive of both exploration and exploitation**
- **Establish a strong shared long term family vision**
- **Creating and maintaining a family firm language and stories that facilitate the development of common cognitive frameworks that are open and flexible.**

The values of the two family firms are summarized below (for more details see Appendix D):

Table 5-7. Family firm values

Mobility Solutions Values	North West Motor Values
Commitment	Commitment
Excellence	Excellence
Hard work	Hard work
Honesty	Honesty
Trust	Fairness
Care	Client focus
Sustainability	Austerity
Discipline	Dedication
Sp@rk	Modesty
Professionalism	Quality
Innovation	Efficiency
Long term focus	Constant improvement

In both cases the company values emerge from the personal values of the founder, passed down through generations and shaped by the family experience. In both cases these values are still very much alive today and guide business behaviors.

Although both firms share a number of values and most of their values could support both exploration and exploitation it is significant that some of the different ones point at exploration in the case of MS (e.g. innovation, long term focus) and exploitation in the case of NWM (e.g. efficiency, constant improvement). Therefore it would seem that specific family values play an important role in driving these family firms towards exploration, exploitation or both.

These values translate into a particular vision for the firm. At MS this vision is consistently described across the firm. Different versions of the company vision can be found in the company websites, strategic plans and internal documents. Although using different wording, they all talk about continuous growth and expansion; about moving upwards and outwards in transport and automotive; about servicing better the needs of more people in more places; and about doing so in ways that are more innovative.

> "From the beginning we have had a public service calling in the area of mobility. We want to keep growing and innovating to respond to emerging mobility needs of people and organizations; offer solutions that anticipate needs; and use innovative and sustainable technologies. We want to do so the same way we have always done it: with enthusiasm, professionalism and continuous innovation"
>
> (Michael, President and Board Member MS, 3rd generation).

> "I think our company slogan can help describe our vision. We want to keep our company 'Always in motion' meaning that we want to keep providing more innovative services, for more people, through more generations"
>
> (Sandra, Strategy Director and Board Member MS, 3rd generation)

> "The vision of the company was not always so clear in the minds of the staff, although I think it was always clear in the minds of the family. Until 2009 we really operated like two groups and within each group there were a bunch of logos, slogans and visions each pulling staff in different directions. Now everyone has a shared understanding, we know where we are going and why. We are mobility experts and we want to innovate and grow"
>
> (Albert, HR Director MS)

This shared knowledge seems to help MS staff focus on exploration efforts:

> "I have come up with really wild ideas over the years. Even some people in my own team (and they are all highly skilled and innovative types) look at me as if thinking: 'Steve, Did you smoke something this morning?' but never once has the President said no to my proposals because even though he is not an IT guy we both want to surprise the world with something that was not there before we came up with it. It takes a long time, a lot of patience and resources but I dare to put them on the table because, I know, even if it takes years, that it will be part of the future of the company"
>
> (Steve, IT Director MS).

At the same time this vision provides some boundaries to what exploration means for the company:

> "Keep moving forward in our two mobility areas (private and collective). Increase the business activities and markets of the firm. Continuously look for new business opportunities for expansion. Of course in areas related to mobility services. We certainly would not expand by starting to produce screws, for example"
>
> (Mike, Expansion Director MS, 4th generation).

NWM does not have formal written vision statements in any internal company documents reviewed or in the company websites of the group. The written statements that could be broadly interpreted as a company "vision" focus more on describing the current activities of the company such as, "selling cars and providing after sales services", rather than providing a picture for the future.

A number of internal documents and one web page mention the aspiration to "keep growing in the automotive sector". Other documents mention "long term orientation" and express the desire to keep providing "top quality services" and "the best possible services to clients". Family and nonfamily respondents expressed a variety of opinions when asked about the firm's vision:

> "I guess to continue to grow. Improve results in all the aspects relevant to our activity (sales, after-sales, parts, used cars, quality indicators etc). Keep working on responding to customers' needs as best as we can. To keep improving profitability"
>
> (Manuel, Sales Manager NWM).

> "I guess to grow. To keep up the good work. At the very least to maintain the levels of results we are getting now"
>
> (Virgil, After sales Manager NWM).

> "For me it is to be local leaders in innovation. Innovation not necessarily in technology, also in other aspects of client services. In other words I think the vision is to keep our company being a referent in our small field. Using our deep knowledge in the market for innovation"
>
> (Ron, Owner NWM, 3rd generation).

> "To be among the most profitable, with good financial health, continue to grow and try to diversify"
>
> (David CEO, NWM 3rd generation).

Family and nonfamily respondents at NWM do not seem to have a common unique sense of the vision of the company. Some talk about profitability, others about innovation and diversification. Most coincide however on maintaining top financial performance by improving what they already do. Perhaps this more grounded and less "aspirational" vision combined with a lack of consensus around this vision may be contributing to NWM more exploitative trajectory.

In terms of how these family firms keep the values and vision alive through a particular use of language and stories that express why the firm is important to the family, the evidence shows that they are more prevalent at MS than at NWM. At MS five different people used the same analogy used by "Uncle Harry" to explain why diversification and having different business activities help keep the family company alive and healthy:

> "One hand washes the other and both together wash the face"
>
> (Letter sent by Harry, 2nd generation, to his nephews in 1975; also mentioned during interviews by Michael Sr., 2nd generation; Sandra and Michael 3rd Generation; and Anthony and Joe Automotive Directors, MS)

The word "sp@rk" was invented at MS to refer to proactive, enthusiastic, hardworking and committed problem solvers and appears in the corporate website as a fundamental company value; in HR they have a tool to evaluate the level of such "sp@rk" in employees and potential candidates; and the word can be found in hundreds of internal correspondence and documentation. These and other terms used internally such as the "BOARDS" (an internally developed dashboard to compare results among business units) are widely used and have a common meaning to all MS employees.

Family stories are not widely used at MS; some are shared in the original company and at headquarters but most employees know little about the family history.

> "Family stories are not used and shared at MS. When I worked at HP I used to welcome all new recruits telling them the story of the company, we do not that here. Except for the efforts made for the 90th anniversary of the company it is unusual to hear family anecdotes outside of the headquarters where the family members work, or at the premises of the very first automotive company where some employees have 30 years of tenure. I think we should use this more as people reacted very positively during the 90th anniversary events"
>
> (Albert, HR Directors MS).

At NWM the respondents were unable to recall any family firm sayings or stories but 7 different family and non family members mentioned the following family tradition as something widely known and appreciated throughout the company:

> "I would not call them family firm stories, but stories about established family traditions. For example everybody knows and appreciates that people can rise through the ranks in this company. There are plenty of examples, everybody knows them. A high number of people started very young, Virgil and his brother were 13 and 15 when they joined, Virgil is now after sales manager, and his brother leads the workshop under his command. I think these stories make them more committed. So I would say the stories are not about the family but about how the family preferences have shaped the business"
>
> (David, CEO NWM, 3rd generation)

At NWM the staff uses a lot of common technical jargon but it seems to be more an adopted language specific to the activity and the manufactures they work with, than a particular language developed internally at the company through years of exchange.

> "We use a lot of acronyms and names of indicators that come from the manufacturer's (the indicators they use to measure our performance). Other common terms are sector or business related. I imagine any other dealer would use the same type of language"
>
> (Manuel, Sales Manager NWM)

Even if not "homegrown" this "common" language is widely adopted and shared and facilitates communication and exchange among staff at all levels and between the different business units, promotes information and best practice sharing and enhances constant improvement (exploitation).

Interestingly, common codes at MS point at diversification (Uncle Harry's hand saying) innovation (vision statement), continuous movement (slogan) and proactive teams (sp@rk) which are consistent with both exploration and exploitation. At NWM, common codes talk about profitability and improvement of manufacturers indicators. Even when NWM respondents talk about innovation they provide strict

boundaries “in our field.” In other words, NWM common codes are more aligned with improvement and exploitation.

Cognitive social capital includes the shared vision and purpose as well as the unique language and stories. Together they allow shared communication and collaboration and to achieve long term family goals. The family's value system and vision for the firm also provide the background for goal formulation and prioritization. Although we explore objectives more thoroughly later in this investigation (section 5.6), it is important to note a number of important differences between the two firms as part of our analysis of cognitive social capital.

The Morton family seems to see the business as an objective in itself, as a vehicle of family fulfillment and status. The founder moved to another city wanting to build something for him and his family excelling at what he did. At some point this “excellence” and “healthy ambition to grow” became the drivers of the firm. Today, the success and good standing of the firm is an objective in itself over and above its ability to sustain the family. This objective keeps the family united behind the firm and the business focused; staffmembers see themselves as an integral part of this quest.

At NWM the founder also started the business as a way of providing for his family after he was black listed by the Franco regime as a “liberal” teacher and could no longer exercise his chosen career. The desire to do things well was also there, and this aim for excellence has remained with the family firm. However, for many family members the family firm remains a means to an end rather than an objective in itself, this clearly affects how the family defines the “identity” of the business and the vision for the future of the firm.

This basic difference rooted on the family values translates into different priority objectives for both firms. The table below summarizes the objectives mentioned more times by family and nonfamily respondents of the two firms during the interviews. As can be observed the list shows a mix between exploratory and exploitative objectives and between between economic and noneconomic for MS and a greater focus on financial objectives and exploitative for NWM.

Table 5-8. Firm goals most often mentioned by family and nonfamily respondents

Mobility Solutions Goals	North West Motor Goals
Sustainable growth	Financial performance
Expansion	Operational performance
Family unity	Growth
Increase employment	Customer satisfaction
Public service	Efficiency
Innovation and efficiency	Lower costs
Customer satisfaction	(stay among top 10% in above indicators)

MS' broad and open objectives (e.g. sustainable growth, expansion) point at a longer term perspective while NWM's focus on narrow quantitative targets (e.g. stay at the 10% in specific indicators) provide a relatively shorter term perspective.

In sum, from a cognitive social capital perspective, in comparison to NWM, MS seems to have a strong advantage towards achieving ambidexterity because the Morton family values support both exploration and exploitation; because the family vision for the firm supports those values; because their objectives are more balanced and imply a longer term focus and because stories and common language used within the family firm are consistent with those values, vision and objectives. In comparison, NWM values, vision, objectives and common codes pull the company towards exploitation.

The following table summarizes the empirical findings for our two cases regarding social capital:

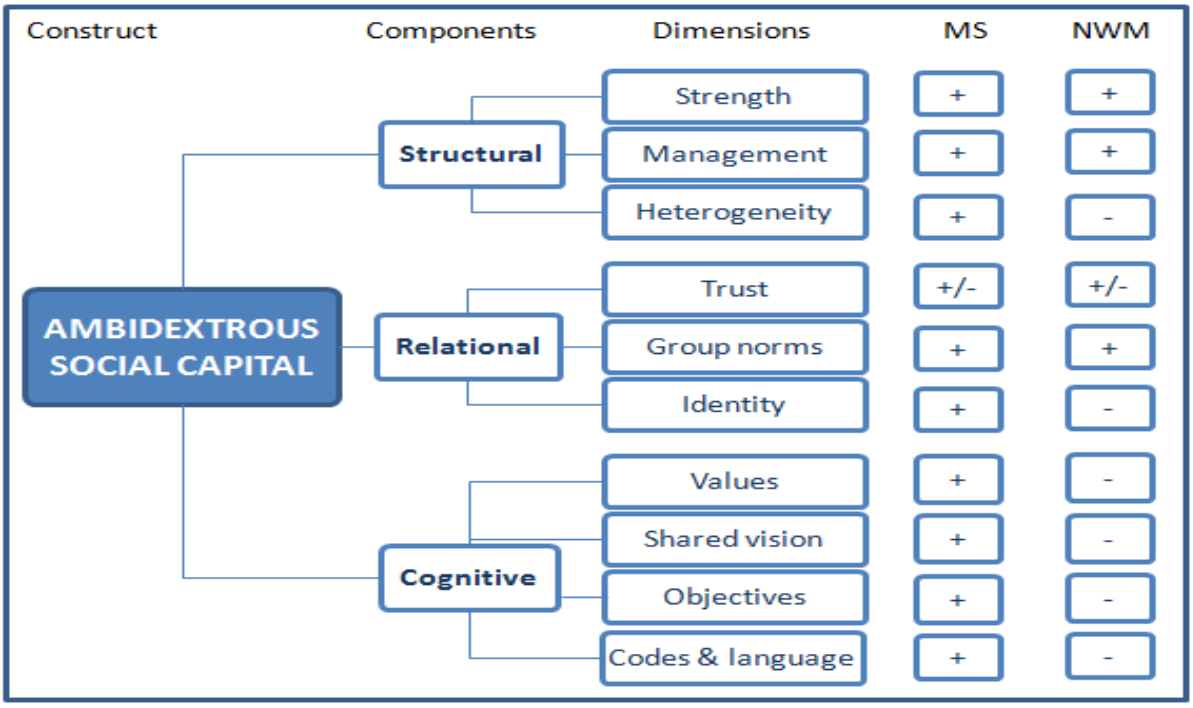
Table 5-9. Summary of empirical evidence for social capital

SOCIAL CAPITAL	MOBILITY SOLUTIONS	NORTH WEST MOTOR
Structural social capital	Very strong internal SC. Well managed. No signs of free riding and efficiencies. Overall positive contribution. Heterogeneous networks contribute to exploration and exploitation	Very strong internal SC. Well managed. No signs of free riding and efficiencies. Overall positive contribution Homogeneous networks contribute to exploitation
Relational social capital	High levels of trust at the top. High levels of openness and collaboration in certain parts of the business although not others. Certain degree of flexibility but takes time and effort. Broadly defined outward identity facilitates ambidexterity and the pursuit of emerging opportunities. Strong family identity helps MS derive the benefits of familiness	High levels of trust at the top. High levels of openness and collaboration in certain parts of the business although not others. High flexibility when results demonstrated. Narrowly defined identity facilitates exploitation and outward focus speed of reaction to threats. Not so strong family identity of the firm limits the benefits of familiness for ambidexterity
Cognitive social capital	Values that provide incentives for innovation and improvement; a vision that offers a focused yet open enough long term direction that helps experiment while providing orientation; and a balance set of objectives contribute to ambidexterity	Values that emphasize exploitation combined with absence of a clear and common vision and narrow exploitative objectives drives the firm towards exploitation

To summarize, the evidence from MS and NWM supports the notion that family influence shapes the social capital that allows the family firm to develop ambidexterity and that the three dimensions of social capital interplay to support/hinder exploration and exploitation efforts of family firms. It also highlights the preponderant role of cognitive social capital for ambidexterity in family firms.

The figure below summarizes the different dimensions of our social capital construct and their influence positive (+) or negative (-) on the ability of our firms to become ambidextrous.

Figure 5-8. Ambidextrous social capital resources: components and dimensions

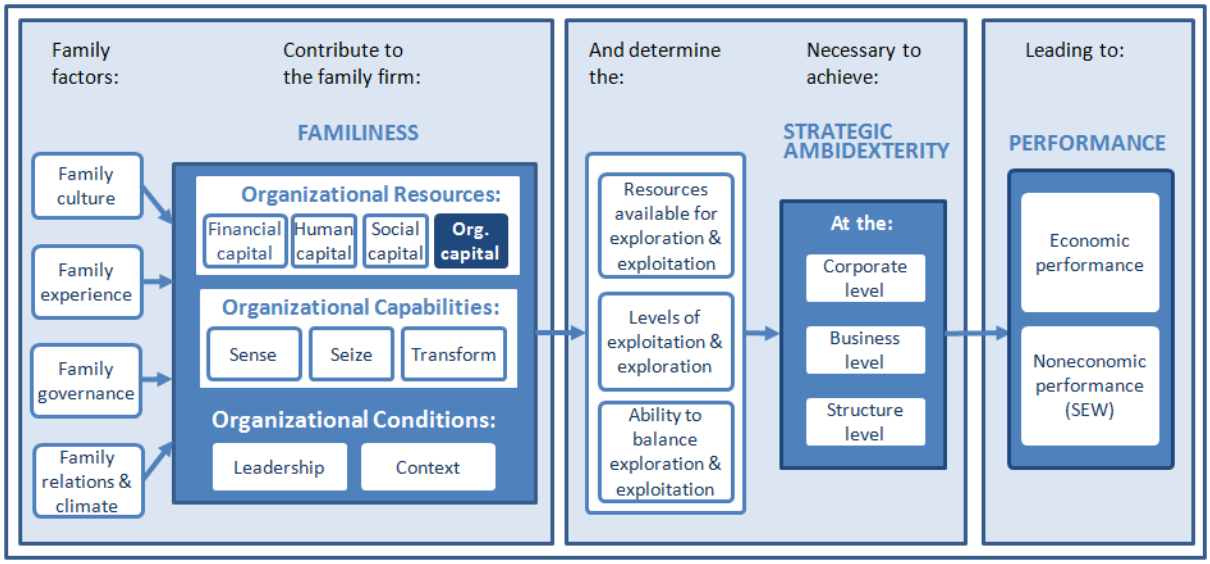


In conclusion, our empirical evidence regarding social capital indicates that families may be able to promote their ability to become ambidextrous if they:

1. Develop, manage and leverage strong internal social capital while building and capitalizing on heterogeneous external networks to stay profitable and finding new business ventures;
2. Contribute to creating a strong outward looking broad yet focused family business identity that blends tradition and ambition;
3. Provide the firm with a value system that provides incentives for both exploration and exploitation; a long term vision based on those values that is open yet focused; and a balanced set of objectives that creates aspirations for the firm to explore and exploit.

5.3.4 Organizational Capital

Figure 5-9. Organizational capital within the theoretical model



The four propositions regarding the influence of the family on the characteristics of organizational capital leading to ambidexterity are related to the influence of the family on: the internal procedures of the firm (proposition P.9); the prevailing organizational culture (proposition P.10); the ownership and management structures (proposition P.11); and the reputation (proposition P.12) of their family firms.

The first of the four propositions regarding organizational capital was enunciated as follows:

Proposition 9: Family firms will be more prone to ambidexterity when the family influence contributes to:

- **Develop internal rules that contribute to managing, preserving and applying relevant existing business knowledge to exploitation and exploration**
- **Establish practices that encourage and embrace the approaches and contributions of different generations**
- **Support flexible internal procedures that facilitate the incorporation and integration of established organizational rules with emerging business practices**

The empirical evidence from our two cases shows that both MS and NWM have developed fairly sophisticated procedures to keep, manage and provide access to relevant business information. These practices emerged from the need to have easy access to information from the different subsidiaries and business units as both companies started to branch out and expand. In the case of MS its President explains it like this:

> "Both our sectors are highly regulated in terms of activity related processes so we do not have a lot of freedom. Manufactures dictate the procedures for the private mobility and public administrations determine the conditions in collective mobility. However, over time and by working in different activities in different sectors, different markets and with different stakeholders we have develop best practices for a great number of things. We are continuously updating these procedures. You could say it is our own homegrown benchmarking system"
>
> (Michael, President MS, 3rd generation).

At NWM they started very early on to develop internal procedures to have access to information:

> "When I joined the company in 1967 I realized we could really benefit from comparing what was being done in each of the companies. Not so much to control, centralize or standardize but out of interest of why something worked well in one company and not so well in another. So I started developing tools to document and map out the processes in different parts of the company. They were very rudimentary but for the first time we had a clear picture of what was happening where and how"
>
> (Joseph, owner, ex CEO NWM).

> "We have a lot of processes and procedures set by the manufactures, everybody in the industry has to follow those. In addition we have other internal practices that have emerged little by little, from our own experience, from making mistakes, from learning from our colleagues. Over time we have perfected them, ditched some, added others"
>
> (Virgil, After Sales Director NWM).

Internal procedures in both companies arise as a combination of the needs of the business (i.e. to put some order to the growth efforts) as well as particular interest and strengths of the different family members which have resulted in unique "homegrown" internal procedures that have allowed both MS and NWM to develop a deep knowledge and understanding of the sectors they operate in.

For example at MS they comment:

> "We have very different personalities so we bring different things to the table and influence how we operate. We also have been in the business many years so we have tried many things and learnt by trial and error. With time we have developed our own internal systems specially tailored to our needs and priorities. For example most transport companies use commercial software for their logistics and management. We have developed our own in-house based on our experience"
>
> (Sandra, Strategy Director MS, 3rd generation).

Similarly at NWM they say:

> "Each generation has pet projects and preferences and they leave a mark on the way we do things. My granddad was a teacher by training so he had employee literacy programs inside the company; this led to L&D programs later on and started a tradition of strong investment on staff training. My dad being an engineer introduced process mapping. My brother likes numbers and finance and spreadsheets so our managers probably look at more financial ratios than anyone in the business. All combined provide quite an interesting combination that shapes what we do and how we do it"
>
> (Donna, Owner NWM 3rd generation).

These internal systems feed on the experience and strengths of different generations and allow these two companies to understand better their markets. Ultimately they facilitate the ability of MS and NWM to identify and anticipate changes in their markets.

In terms of reaction time there are some differences between the two firms when it comes to changing internal rules and procedures or generalizing emerging practices. At MS changing internal procedures takes more time, which is understandable given the size and complexity of the company.

> "Changing anything in this company takes time and a lot of patience. Those who have been with the company for many years are used to it but the last wave of nonfamily top managers, like me, who are used to more speed in our previous companies, we notice the difference. It is not only about the complexity of the business but also about the need of the board to take or review every single decision. It creates a bottleneck"
>
> (Albert, HR Director MS).

> "After the restructuring we had lengthy strategic review meetings every month. Every manager had to explain in minute detail what they had been doing. Very soon it became apparent it was too much but we kept doing them for two years. But eventually we stopped. So with time things do change but they take time"
>
> (Joe, Director Automotive MS. Retired 2012)

> "I think there is more flexibility in transport than automotive because in automotive there is no general director so the ultimate decision remains with the President, since he is a very busy man that means that any decision gets delayed until he has time on his agenda"
>
> (John, Commercial Director Automotive MS. Retired 2014).

At NWM procedures tend to change as soon as an opportunity to improve is detected or a "better" practice is seen somewhere else (e.g. press, conferences, discussion with colleagues).

> "We are extremely flexible when our processes no longer serve a purpose. When we find a better way of doing things or when we realize the market needs something else we change very quickly. We are still a relatively small company and our structure is very flat so any one can either initiate the change or if necessary pick up the phone call David an initiate a

> change as soon as the need for it is detected"
>
> (Manuel, Sales and Automotive Director NWM).

To summarize, the empirical evidence shows both companies exhibit a fantastic ability to draw from the experience, knowledge and strengths of the members of the family working in the firm to create practices that keep them in touch with their markets. They both exhibit a fair amount of flexibility and a high ability to blend established rules and procedures with emerging ones. At MS this flexibility and incorporation of new procedures seems to take more time and effort creating delays in their incorporation, which may be partly due to the higher complexity of their business and the number of different interconnected business lines that may make changing procedures less straightforward than at NWM but also to the fact that the board needs to OK most decisions before implementation.

Homegrown procedures have enabled both companies to pursue their priority objectives effectively and therefore it seems the differences of two firms vis a vis ambidexterity may emerge not so much from differences in how internal processes are developed and adapted but on the ultimate purpose for those procedures and whether they strive towards exploration or exploitation. However, there is one important exception to this statement. One particular procedure that seems to directly affect the ability of the firm to explore and exploit is the objective setting process of each firm.

At MS the objectives are set in a way that promotes both exploration and exploitation:

> "I have my 'operational' objectives like everyone else in the company and I have to deliver on those as well, for example keeping the cloud, the intranet and the IT systems running 24/7 and have backups ready in case of failure. But part of my objectives are 'creative' and difficult to measure: to think what the next thing will be, to anticipate the needs of people and to introduce things before others even start thinking about it. When I get my performance bonus it takes into account both areas"
>
> (Steve, IT Director MS)

Conversely, at NWM the objectives measure mainly exploitative progress:

> "All of us have incentives based on performance, on the sales numbers, the quality indicators etc. Basically if you look at the indicators the manufacturers use to calculate the quarterly bonus and the financial objectives of the firm that David sets you will have a very good idea of how the objectives and targets are set how they are measured at the end of the period"
>
> (Manuel, Sales Director NWM).

Our second proposition regarding organizational capital was formulated as follows:

Proposition 10: Family firms will be more prone to ambidexterity when the family influence contributes to develop an organizational culture that:

- **Enhances family commitment to the business and a stewardship behavior**
- **Emphasizes group collaboration and harmony while allowing for a certain degree of individualism**
- **Balances internal organizational focus with an open organizational culture**
- **Promotes the natural tendency towards long term orientation and balances long term investment on capability creation and the refinement of existing competencies**
- **Limits excessive centralization and reliance on one (or a few) family managers**
- **Shows openness and flexibility towards changing the "founder's or owner's way of doing things"**
- **Promotes collaboration and inclusion to manage the needs and demands of a growing number of owners and distinct family lines to maintain the long term orientation of the firm**

Empirical evidence shows family behaviors in our two cases promote strong commitment and stewardship cultures that keep the staff trying to look for solutions and opportunities beyond their call of duty. It makes staff readily available to take on responsibilities or tasks "not under their job description" and go out of their way for the benefit of the company. In the case of MS:

> "I think the staff 'drinks' what flows from the board, from the family which is to 'live the company', the dedication, to put your 'sp@rk' to try new things or improve things. I think this is the most important. Because of it we try to build a legacy for our team, for our business group for the company as a whole"
>
> (John, General Director Transport, MS)

Staff members at NWM express this sentiment in a similar fashion:

> "David works harder than anyone, keeps an eye on everything, knows about everyone, and asks around. People appreciate this and do the same. Sometime we think: 'How can he do his job and still remember to ask about this client or that issue'. So when we see

> something in another business unit or other department we help because it is how things are done around here."
>
> (Charles, Finance Director, NWM).

In both companies the atmosphere is collegial, the family management is perceived as extremely professional, approachable and open, and mistakes are considered opportunities to learn. Again NWM's failed sister company provides interesting evidence of what can happen very quickly to the culture of the organization when the family management is not perceived as responsible or professional.

> "Since the family members were often late and seldom there, there was no discipline, it was free for all and nobody went out of their way for anything. Even when we needed a car from them (which meant an additional sale and commission for them) it was hard to get anyone to respond to the request. Nobody seemed to care, it is not surprising how it ended"
>
> (Manuel, Sales Director NWM).

Despite the favorable cultural environment at NWM, staff does not seem to have much time for developing radical ideas. However, this seems to be the result of a combination of demanding objectives and sector pressure than exclusively due to cultural obstacles. Although this trait is common to automotive retail, and at MS the level of creativity in automotive in comparison to the other business areas is also significantly lower, at MS they seem to be relatively more relaxed about not meeting all the objectives the manufactures set. This evidence seems to re-emphasize the importance of objective setting processes for ambidexterity.

> "Sometimes when the end of the month approached we have to make the decision of not meeting an objective. It certainly affects the bottom line for the quarter in terms of bonuses but on occasion there are certain lines we are not ready to cross. I call Michael and I let him know so that it does not catch him by surprise and that is it"
>
> (Anthony, Director Automotive MS)

In terms of the balance between individualistic and collaborative staff, both firms have some members that are more team oriented than others. Although the evidence indicates the type of individualism is different. In the case of MS there seems to be a better balance between individual and team spirit and between individual and group goals.

> "We look for team players and people with a highly collaborative nature (sp@rk) and you could say this is a general trait of all our teams. But we also have some "star players" not in the sense that they are Divas and need attention but in the sense that they are more independent and autonomous. Like the IT director, who responds directly to the president and is always working on fancy ideas. I guess it also depends on the role so I guess one

could say that we have both a few bouts of individualism with a strong overall team spirit"

(Albert, HR Director MS).

"Anyone in a supervisory/managerial role has a similar incentive structure to ensure collaboration and promote behaviors that are favorable for the company in its entirety. Obviously the percentages change depending on the role of each manager but basically the incentive system has 4 components and three of those have a collaborative nature. 10% of their incentive depends on the result of the company (MS); 20% depends on the result of their business group (transport or automotive); and 40% to the result of their business unit (company A, B or C). Only 30% of their incentive is linked to their individual objectives. So there is more incentive to contribute to the whole rather than the parts"

(Albert, HR Director MS).

In the case of NWM the incentive system seems to promote more individual behaviors:

"In general people collaborate but there is also competition within the group. A few will try to hit their objectives at the cost of a colleague. I guess this behavior is promoted by the incentive system we have in place which perhaps promotes competition in some areas"

(Joseph, Owner, Ex-CEO NWM. Retired 2012).

The above comments also emphasize the importance of consistency between the processes and the culture of the organization. Even if overall the family creates a collaborative culture that enhances exchange and learning, particular procedures (such as incentives) can determine whether or not the firm can reap the full benefits of that culture and vice versa. In other words, the different factors need to work in unison to contribute to ambidexterity.

In terms of the ability of the firm to create internal focus to promote exploitation and efficiency both firms have developed a strong internal focus, yet they stay open to what is happening around them and what others are doing.

"No one in the company knows the business and the sector like this family. This expertise compounds with each generation. They talk to other businesses, go to courses to dealers in other countries, to providers. Not so long ago Joseph spent a week visiting companies using different types of paint booths to find out their differences. As a result we were the first in our region to have an infrared spray booth. We might not be a diversified group but in dealership management we know quite a bit"

(Charles, Finance Director, NWM).

Obviously this openness is relatively narrower for NWM as the type of new knowledge they are looking for is still quite focused but it has not translated into resistance to outside influence from a number of different sources including their customers, suppliers and other firms in the sector.

> "Joseph and David have always been looking for new things to do in our area. When Joseph came back from international fairs, we used to spend a month exploring all kinds of ideas he had gathered, from new activities, to new machinery, to importing 'funky' automotive accessories. It was a great exercise and very interesting, not all of it profitable but we learnt a lot. David is this week in San Francisco at the North American Dealer Association annual meeting, I am sure he will have some ideas too. The difference is that the sector is tougher now; no one has time to share and develop 'funky' ideas. I am not saying we should waste resources like we sometimes did in the past, but I think we would benefit on making a little bit of effort to do a bit more, to find some kind of middle ground"
>
> (Manuel, Sales Manager NWM).

Both companies demonstrate a long-term orientation favoring long term investment and value optimization. At MS they promote investment in R&D dedicating a significant amount of their budget to the IT systems department which produces a great number of their innovations. Both companies invest heavily in developing services and markets and are always looking for new ways to expand their business albeit in different ways. At MS they are more focused on cutting edge technology and inventing new ways to satisfy the mobility needs of their clients:

> "Technology seems to drive many of the improvements and new business we create, it is all about anticipating what people may need and finding how new technologies can help in servicing those needs"
>
> (John, General Director Transport, MS)

At NWM they are also looking for opportunities to improve and grow and are ready to make important investments for the long term:

> "When the opportunity to expand has come it has not always been at the best moment. When we acquired dealers south of here in 1996 or up north in 2005, their price was outrageous because they were good times for the automotive industry. People thought we were overpaying. Maybe they were right, but you cannot choose when opportunities come to you, you have to take them when they come. We knew already back then that in this business to be competitive you have to have certain size. We were not thinking 'we will recover the investment in two years'; we were thinking 'this investment will make us stronger for the future'. Indeed it has."
>
> (Joseph, Owner, 2nd generation NWM).

Both companies show a readiness to invest in restructuring processes when the business requires it.

> "We took longer than others to restructure. It cost the firm a lot of money both the wait and how it finally was done. We tried to make it as easy as possible on the affected families. The family was firm about that, they said we do not care about the cost we want to do this as painless as possible. First we used pre-retirement plans; then we relocated people within the MS group; we hired a company specialized in relocation for the rest. These were huge sums of money in the worst time possible for the business. But the effort

was made thinking on the long term benefits. The result apart from a more rationalized structure was happy and cared for employees in and out. I still get calls and Christmas cards from a lot of the people that we had to terminate, that speaks for itself. I think that investment and sensitivity created 2600 ambassadors of the firm and I am sure it will pay off with interest"

(Antonio, Director Automotive MS).

In the case of NWM:

"Everything here is done thinking on the long term and the bottom line not for this year but for years to come. When the crisis hit many dealers were reluctant to downsize because of the cost. I could tell you many conversations with David and the rest of the management team, he kept saying I know it is going to cost a lot of money this year and will hit our bottom line but in the long run it will make us stronger and more competitive. The same goes for investments in energy savings, and any other equipment, the question is not how much is it going to cost me but how much can we get from that investment down the line in terms of savings but also in terms of providing better services"

(Mario, Marketing Manager NWM).

The evidence above illustrates, that at MS long-term investments on improving operations are combined with investment on capability creation (exploration) and maintaining the emotional capital of the firm (even at a higher financial cost) suggesting a more ambidextrous alignment of MS long-term investments. At NWM investments are more directed at the refinement of what they do (exploitation).

In terms of the reliance on a few members of the family, there are certain concerns in both companies about the dependence on the President/CEO. This issue is closely linked with the management structure.

At MS this worry is not very strong because although MS' President is a very strong leader, he is surrounded by family members who could step in, as well as a team of professional managers at the top of the business units that would ensure continuity of the business leadership in his absence. This team of people provides a sense of strength to the firm and thus makes them more daring overall. Also, as mentioned before all managers have exploratory objectives and therefore exploration is a joint task and does not depend on the CEO alone.

"Michael is the undisputable leader of the firm, he knows and everyone knows. When people are starting to go somewhere he has gone and back three or four times. We help him but a big part of the success of the company is his doing. Obviously we have the advantage of having worked together for many years so we would be able to replace him it if need be. We do not have his vision but we have a lot of expertise developed over the years in the firm and we would continue going ahead in a similar way"

(Sandra, Strategy Director and Board Member, 3rd generation MS).

Nevertheless, some people feel the reliance on a few individuals (namely the president and the other 3 members of the board) slows down the company:

> "The problem is everything has to go through the Board or through Michael. The Board is too busy to look into every matter; they could when we were smaller but as we grow and grow it is becoming unmanageable"
>
> (Mike Expansion Director MS, 3rd generation).

> "You try to get an appointment with Michael and they tell you: 'sure Friday four weeks from now'. I think a lot more delegation should happen. They (the board) are too involved in the day to day "
>
> (Sam Marketing director MS, 3rd generation).

At NWM there is a growing concern about the high degree of dependence of the company on David and the lack of obvious successor or even second in command to support him at the top of the firm.

> "We are too dependent on David. I do not want to think what we would do if something happens to him. I could try my best but there is no one in the company who could replace him even remotely"
>
> (Manuel, Sales and Automotive Director NWM).

> "Since my dad retired only David knows enough about the business to make a meaningful contribution. None of us had the calling or the interest to continue the family legacy and since there aren't any other ways to get involved we stay pretty much out of it. I think this is one of the biggest weaknesses of our family firm"
>
> (Ronda, Owner 3rd generation NWM).

> "If something happened to David I think we would have to sell the company. I do not see my sister coming from the US or my other sister moving her family or myself abandoning my own business. Besides even if we were ready to do that, we have not stayed close enough, we would not know what to do with it if we did take over"
>
> (Ron, Owner 3rd generation NWM).

> "David is too alone. In fact since I left he is completely alone. He has no one to share his ideas or worries with. He has good people around but not good enough to give him different opinions, they mostly listen and do. Only Manuel gets close to the level where it would be a discussion among equals. This is bad for the firm because everything is too dependent on Davis's opinions and David's decisions"
>
> (Joseph, Owner, 2nd generation NWM).

These comments also emphasize the fact that unlike the Mortons, the Olsons do not perceive themselves as being attached to the firm in the future, highlighting again the differences between the long term commitment of the family to the firm and the strength of the family firm identity.

In addition, this dependency on a single family member combined with the absence of a support network at the top clearly limits the ability of NWM to explore in at least three ways. Firstly, there is a sense within the firm that important decisions, such as exploration, correspond only to the CEO. Secondly, the CEO is overwhelmed with work and has little time for exploratory thinking as discussed earlier. Thirdly, the fear that if something happened to the CEO there would be no one with the knowledge or the skills to follow suit keep the ideas close to home to minimize risk.

The third proposition regarding organizational capital was enunciated as follows:

Proposition 11: Family firms will be more prone to ambidexterity when the family influence contributes to develop organizational structures that:

- **Combine centralized family organizational structures with informal organizational structures that allow quick and intuitive decision making**
- **Provide mechanisms to manage the growing complexity of ownership structures.**

Family members in both firms enjoy long tenures and very high levels of power that derive not only from belonging to the founder's family but from their successful professional trajectory and contributions to the business. In terms of management, this has resulted in relatively centralized operations in both firms (as illustrated by the comments above about the reliance on a few members of the family).

At MS high degrees of centralization, have not translated on a reduced ability to explore perhaps due to the entrepreneurial personality of the family managers but also because every top manager has explicit exploratory objectives built into their incentive system again emphasizing the importance of objectives in the pursuit of ambidexterity.

> "Everybody knows the company is the Morton's family company, they are the owners and take the decisions. It is very centralized but in each business area you have people trying to think of new ideas. The fact that the final decision stays with the family and that is not as quick as some would like does not deter the creative process. I bring ideas about transport from my team, George on bicycles, Steve on systems etc. "
>
> (John, General Transport Director MS).

At NWM the centralized structure is supplemented by informal interactions with management which do not exist at MS. However, since the CEO keeps the ultimate decision making power, these informal channels do not contribute to exploration; although they do contribute to more rapid exploitation.

> "Things are quite informal, David talks to everyone and his door is always open. Everyone in the company knows they can go talk to him and come out the door with an answer. If they come with a proposal they might come out with a green light and a budget. This sometimes make some managers uneasy because they feel the hierarchy is not being respected but it makes things move"
>
> (Manuel, Sales Manager NWM).

In terms of ownership, and despite the number of years in operation, the two firms still have a relatively low level of dispersion of ownership. At MS the four siblings of the third generation are the sole shareholders. At NWM four siblings from the third generation, their parents and one aunt from the second generation complete a total of seven shareholders.

At MS they have addressed ownership issues in the protocol and do not seem, thus far, to face any challenges or dissenting voices. Obviously there are family issues and different challenges but they are managed at board meetings.

> "Of course there are issues, but we have learnt with time that the best way is to bring them out in the open. For example in the board meeting today we will discuss how to deal with the entrepreneurial ideas of members of the family. Do we invest or not? On which ones? How much? Etc. It is time consuming but it is better than leaving it there to fester and blow up on our faces"
>
> (Sandra, Strategy Director and Board Member MS, 3rd generation)

Although the ownership remains in the hands of a low number of family lines, at NWM there are increasing signs of infighting, focus on consumption in some family members and a trend towards wanting to extract more resources from the firm. We will address these in more detail under the priority objectives of the family.

Most of these aspects have emerged from conflict started when a divorce in the second generation resulted in a fifty-fifty split of the matrimonial assets including the company shares. Since the 2005 divorce settlement, decision making processes are extremely complicated and agreement hard to reach. For example, internal correspondence and company documentation show that at one point the approval of auditors took over 8 months. To avoid this type of costly delays for the firm, the board was dissolved and David, the 3rd generation CEO, became sole administrator of the firm. Since then, seven court cases have been brought against the previous board members and the current administrator of the company.

Although the legal procedures to date have sided with the company management and found no wrong doing, this level of conflict generates legal costs for the firm, causes high levels of stress for administrator and shareholders alike, and distracts the focus of the firm away from business priorities and exploration.

Another related issue further limits the ability of NWM to explore. Although the shareholders have remained united to face the legal issues mentioned, the marriage and subsequent move of Joseph (2nd generation) 400 kilometers from the closest family firm site has increased the emotional and professional distance among shareholders. This distance results in a growing disinterest for future exploration as evidenced in the following communication between father and children:

> "I am 74 years old. Statistically I have 10 or 12 years left and I want to enjoy them. I want to take back what is mine and recover my capital before any new investment is carried out. Shareholders must receive what belongs to them. If not through more dividends distributing the more than eight million Euros in reserves of the firm"
>
> (Excerpt. Letter from Joseph Owner NWM 2nd generation, to his children. October 2014).

These findings provide evidence that complexities in the ownership (i.e. ownership dilutes and/or the family climate deteriorates) increase the short term demands of the family on the firm, reduce availability of resources for exploration and shorten the time horizon for family firm investment leading to an exploitative alignment, which is consistent with NWM strategic behavior.

Two leaders of these families offered advice about this issue. MS' president advocates clarity in the rules:

> "We are aware that too many people taking decisions and too many shareholders pulling in different directions would threaten the business. We have very strict rules in the protocol about how many members and family lines can seat on the board; how many share holders; about how shares pass on from generation to generation and between members of the same family line. For us this is fundamental for the health of the business. This is something we all agree upon"
>
> (Michael, President 3rd generation MS).

The patriarch of the Olsons offers advice along the same lines:

> "Obviously one cannot change the past but if I were to do everything again I would say: the moment you create a family business start to develop a family protocol with clear rules for everything that has to do with family. If we had done that, my siblings and I would have probably stayed in business together; my brother would still have his family business and half of my father's legacy would not have ended in the hands of my ex-wife. I tell my kids:' when you manage to fix your issues with your mother and me, the first thing you need to do is to clarify the rules for everything among yourselves to avoid future conflict'"
>
> (Joseph, Owner, Ex-CEO NWM. Retired 2006).

The last of our four organizational capital propositions was enunciated as follows:

Proposition 12: Family firms will be more prone to ambidexterity when the family strives to contribute to developing a strong favorable corporate reputation, particularly if the family reputation is built on a long term search for delivering outstanding offers to their markets.

Both families enjoy a very good reputation among their clients. This reputation has been built through years of focused activity of the family firm on excellence, high quality services and professionalism. At MS, this emphasis came all the way from the founder:

> "I was able to build a reputation because I always took extreme care to be rigorously punctual and made sure I did not miss a single train. The users of carriages started taking my bus instead because it was more reliable, faster and cheaper"
>
> (Excerpt. Manuscript written by Michael Morton, MS founder in 1923).

Mr. Morton convinced his customers to change over to a new technology. Since then, MS has been developing new ways to help its customers travel in new ways using different technologies and developing services no one had offered before.

> "We want to maintain and improve this reputation of professionalism and innovation. If we want to be a multinational group that competes with the big players we need to. We are not a big group when compared to the big players, compared to them we are midgets. I am talking about RATP, National Express; they have a capitalization many times ours. Still we compete against them we have managed to get contracts competing against them because we have been able to build a reputation of professionalism, competitive offerings and outstanding innovation"
>
> (Mike, Expansion Manager MS, 4th generation).

NWM also enjoys a very good reputation; it too aspires to provide outstanding offers:

> "Over the years we have built a reputation of excellent quality, excellent customer service, seriousness and professionalism. Where we started the business this reputation was linked to the family name but as we started to grow this could not be extended as we took on the names of the purchased companies plus we were far from our home turf where nobody had heard about us, so the name did not command the respect we had built with the original business. Although people do not know us by the family name nowadays they still know our company names by reputation"
>
> (David, CEO, NWM, 3rd generation).

> "You can ask anyone in our sector about NWM. They will know what we stand for. The banks will tell you they want to give us credit because we pay well and are very reliable. The customers will tell you that we are the best in the area. Providers will tell you that we keep our payments current and our employees will tell you they are happy and proud to work with us"
>
> (Charles, Finance Director NWM).

These outstanding offers that build reputation need not be based on innovation. In the case of NWM they are based on very careful customer service. In other words they do not offer services that are more innovative but that are better quality or better value.

Therefore, our evidence shows that a favorable reputation is not necessarily a driver of ambidexterity. In our proposition we suggested that a favorable reputation based on the desire to "deliver outstanding offers" may contribute to ambidexterity. However, both MS and NWM aim to deliver outstanding offers yet NWM does it based on improving existing offers while MS on improving the range of their mobility solutions. Perhaps as with the business domain, it is not so much the outstanding offer in itself that drives ambidexterity, but how the family firm defines what an outstanding offer means for them, in other words what kind of reputation they want to have. Nevertheless the evidence from our cases shows reputation is fundamental both to pursue exploration and exploitation successfully.

To conclude, the empirical evidence shows that strong levels of organizational capital contribute to the success of these two family firms, this organizational capital allows MS to explore and exploit better and helps NWM become more efficient accentuating their respective alignments. Both companies have clear processes and practices, although MS finds it more difficult to change those processes rapidly. Regarding organizational culture, both families exhibit stewardship and commitment with positive impact on the firms' culture; both companies have a good balance between internal focus and openness and between collaboration and individualism and a strong long term orientation and while they exhibit respect for the founder's way of doing things it has not impeded their progress and growth. Both firms enjoy excellent reputational resources.

The few differences at the organizational capital level may help explain the different emphasis on exploration of both firms. Most importantly the different visions for the long term orientation of their firms (ambidextrous for MS and exploitative for NWM); NWM's high dependency on its family CEO; and increasing complexities and conflict in the firm's ownership that are increasingly affecting the ability of NWM to explore. This trend has intensified with the distancing of the former CEO from the family and could jeopardize the long term prospects of NWM.

The following table summarizes the empirical findings for our two cases regarding organizational capital:

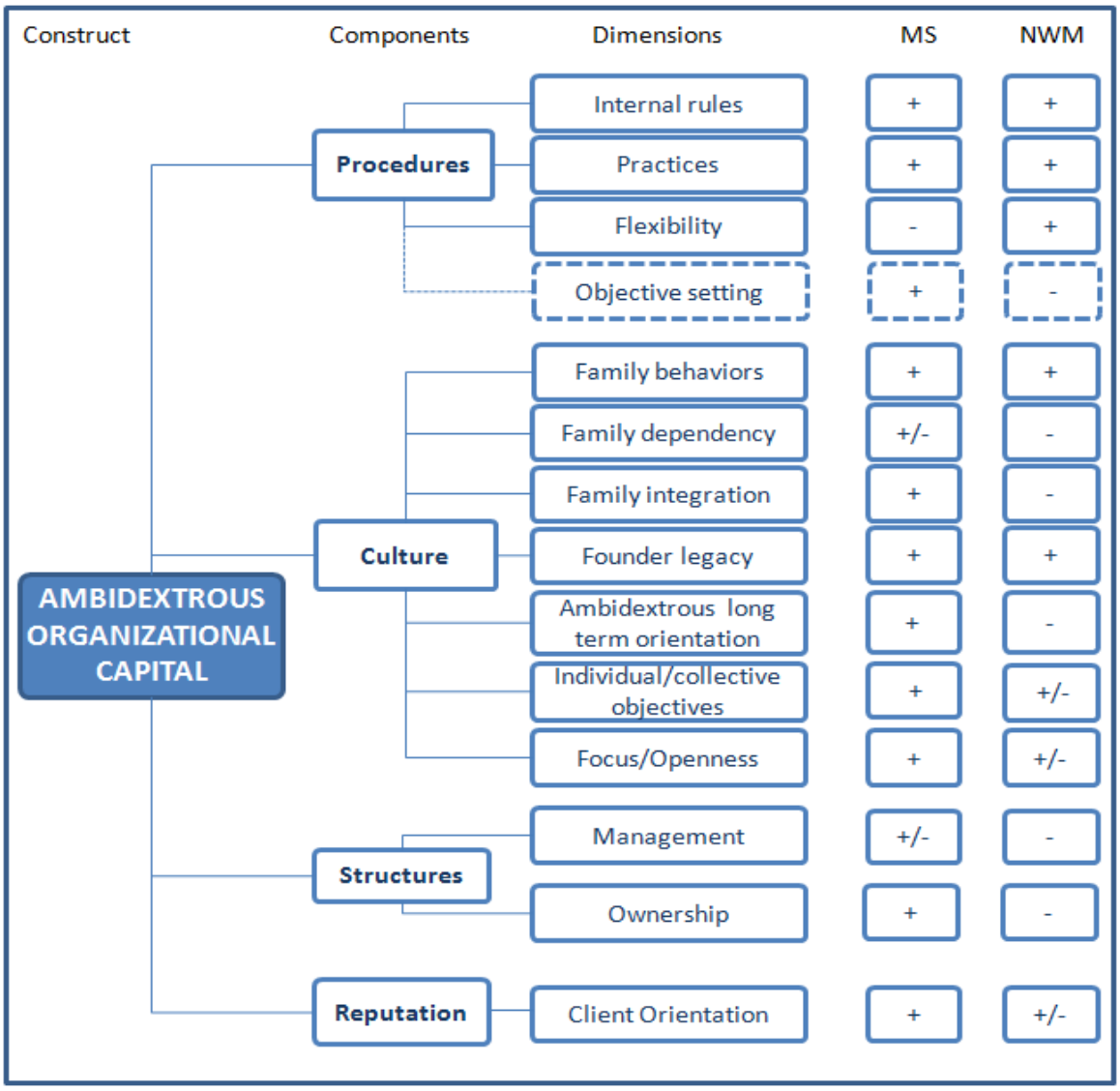
Table 5-10. Summary of empirical findings regarding organizational resources

ORGANIZATIONAL CAPITAL	MOBILITY SOLUTIONS	NORTH WEST MOTOR
Internal procedures and objective setting processes	Clear processes, rules and practices contribute to developing knowledge and merging existing experience with emerging practices. Flexible but slow in incorporating new processes and changing existing ones	Clear processes, rules and practices contribute to developing knowledge and merging existing experience with emerging practices. Very effective in incorporating new processes and changing existing ones
Culture	Strong stewardship and commitment; good balance between internal focus and openness and between collaboration and individualism; Family and non family teams at the top limit reliance on President. Efforts to address family priorities and issues keep conflict levels low and family harmony high.	Strong stewardship and commitment; good balance between internal focus and openness and between collaboration and individualism; Excessive reliance on CEO. Lacks mechanisms to integrate business and family priorities. This has lead to conflict that interferes with the business.
Structures	Overall very centralized and formal structures. However they leave relatively high levels of autonomy to the business units. Clear rules to manage ownership rights help align the views of the family and the firm	Very centralized but informal structures give everyone in the firm direct access to CEO. Lack of clear rules to pass down ownership threatens the long term continuity of the firm
Reputation	Very strong reputation based on continuous improvement and search for innovative solutions for their customers	Very strong reputation based on top quality service and continuous improvement of processes

To summarize, the evidence from MS and NWM supports the notion that family influence shapes the organizational capital that allows the family firm to develop ambidexterity and that the different dimensions of organizational capital interplay to support/hinder exploration and exploitation efforts of family firms.

The figure below summarizes the different dimensions of our organizational capital construct and their influence positive (+) or negative (-) on the ability of the case firms to become ambidextrous. Dotted lines indicate items added as a result of the empirical evidence.

Figure 5-10. Ambidextrous organizational resources: components and dimensions



In conclusion, our empirical evidence regarding organizational capital indicates that families may be able to promote their ability to become ambidextrous if they:

1. They combine flexible procedures and promote objective setting processes that include exploratory and exploitative goals and support individualism and collaboration through individual and collective goals and incentives;

2. Develop and capitalize on favorable organizational cultures based on the behaviors of the family (stewardship, commitment and long term orientation) that balances focus on developing expertise and openness to new ideas, promotes a long term ambidextrous orientation and integrates family and firm priorities;

3. Develops strong family and non family managers to limit firm dependency on a single or very few family members and maintains a flexible interpretation of the founder's legacy and traditions and promotes exploratory and exploitative initiative of non-family manager even in the presence of centralized structures;

4. Manages ownership structures that allow the firm to maintain a united vision for the firm and favors a reputation built on both innovation and efficiency.

Conclusions regarding the family influence on firm resources

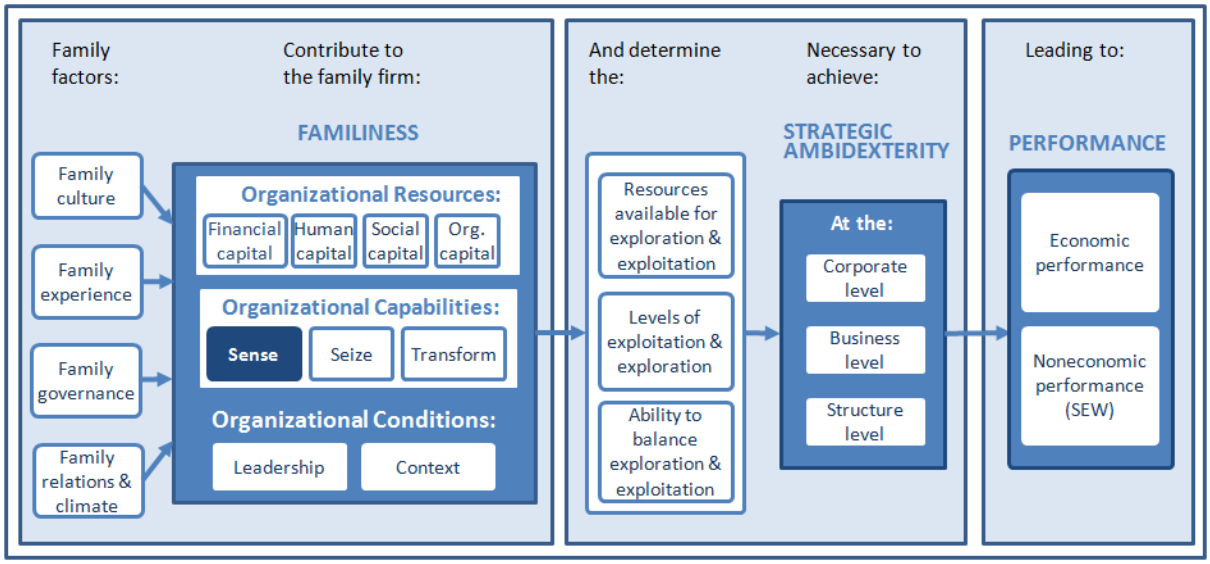
The previous analysis of the empirical evidence from the two selected cases show that the two families have and continue having a strong influence in shaping the quantity as well as the characteristics of resources that contribute or hinder the development of the family firm's ambidexterity. The evidence also highlights that some resource components, such as the cognitive dimensions of social capital, have a strong influence in shaping the characteristics of other resource components; for example in our two family firms, the vision of the family (cognitive social capital) had a strong effect on the type of tacit knowledge developed within the firm (human capital) and internal procedures of the firm (e.g. objective setting processes and incentives).

To sum up, the evidence clearly supports the notion that the family shapes the ability of the firm to explore and exploit via the influence of the family on the resources available to the firm.

Having reviewed the family influence on the resources of the firm identified in our model, we continue the analysis of our first research question by examining the effect of the family on the capabilities of the family firm.

5.3.5 Sensing capabilities

Figure 5-11. Sensing capabilities within our theoretical model



Our proposition regarding sensing capabilities of the family firm was formulated as follows:

Proposition 13: Family firms will be more prone to sensing ambidextrous opportunities when they manage to:

- **Encourage family and nonfamily members to develop broad networks and experiences and to apply them to the search for opportunities**
- **Combine constrained search and enduring knowledge structures to identify exploitative opportunities with informal and open search practices emerging from a long term perspective**
- **Establish mechanisms to engage nonfamily experts and stakeholders in the identification of emerging opportunities and exchange of ideas**
- **Capitalize on family unity to overcome shortcomings in family human capital when searching for new opportunities**

Sensing opportunities and threats requires scanning, searching, and exploring business changes and opportunities and requires MS and NWM to combine all resource types through processes that lead to the development of market intelligence, the identification of trends, and the exchange of information to identify and discuss new developments. This section examines how the Morton and Olson families influence and shape sensing processes and activities in their respective companies.

To identify opportunities for exploration as well as exploitation family firms need mechanisms to broaden both the scope of their search and the range of opportunities they consider suitable for the business. The family can broaden the horizons of family and nonfamily members by encouraging exchanges and experiences within and outside of the company and by supporting the efforts of employees and family members to tap their knowledge as well as their networks.

Both NWM and MS make significant efforts to gather a wealth of information about the needs and preferences of their customers and to keep an eye out for emerging trends. They have their own market intelligence mechanisms but also take advantage of the data gathered by the organizations they work with (auto manufacturers as well as public administrations) to identify opportunities to improve their offers.

> "We try to know well our customers. We use our own surveys, which we do through the phone and in person, but also have asked manufacturers for access to the feedback of their independent customer satisfaction surveys. From those sources we know what makes our clients tick, what is important for them and what they do not like. We adapt our services accordingly and have introduced many changes based on that data"
>
> (Anthony, Director Automotive MS).

> "The client defines what we offer. We have are always gathering data about the likes and dislikes of our clients. We also use data from the manufacturers as well as from reports about the trends in the sector so we are the first to know if there is an opportunity to improve"
>
> (David, CEO NWM 3rd generation).

MS facilitates exploration by encouraging external experience of staff and the development of family and nonfamily member networks, as well as including a broader range of opportunities in what MS considers a "potential" opportunity for the company:

> "In our search for international expansion I have talked to administrations from Peru to the Philippines, from Saudi Arabia to Morocco. I have used all my contacts abroad and all my family's contacts; I have also contacted former colleagues of members of our staff with experience in those countries; from all those I have expanded my network. These contacts and our know-how allow me to make a strong case for MS in different forums. I might have to try 20 different things to get 1 opportunity but that is the way to do it"
>
> (Mike, Expansion Director MS, 4th generation).

Conversely, at NWM they keep their search reduced to the areas where they are already in business and define a "potential" opportunity as become bigger dealers in their area of influence rather than as supplementing their activities by doing something else or going to remote locations and thus remain

firmly exploitative in their sensing. NWM has a strong ability to tap the specialist knowledge of their staff to improve business operations:

> "We learnt the hard way not to adventure too far from what we know. So I guess the opportunities we look for are within our close proximity, someone I know in the sector who calls to say a dealer is in bad shape, an employee's noticing that a particular market area is not well served by our competitors. I think we, as a family, are scared to search beyond what we know and I think that is the sense we have transmitted to our people. They will come with ideas but they will usually be an improvement on something we are already doing, they contribute many ideas about how to improve their respective areas of work"
>
> (David, CEO NWM 3rd generation).

The evidence shows that MS higher levels of exploration respond to the collective effort of family and nonfamily staff members high and low in the organization. At MS everyone has an incentive (economic via bonus for reaching objectives as well as social via recognition of the family and colleagues) to contribute to the search for new opportunities. Every manager is proactively looking for ideas from anywhere in the organization and from stakeholders. At the same time, the fact that the head of expansion is a family member ensures riskier initiatives are tabled at board meetings.

> "There isn't a single way. Obviously it is my job as expansion director to look into opportunities both close and far away from what we do, but ideas come from everywhere, my dad may say Mike why don't you look into this market, but also someone from lower down in the organization may say: 'why don't we look into public bicycle transport?'"
>
> (Mike, Expansion Director, 4th generation).

The family culture can also enhance or hinder the sensing abilities of the firm by defining what is important and what is not, what to pay attention to and what to ignore, and ultimately determines the range of options for the firm and the scope of potential strategic search. The evidence from MS suggests that it is important to have a clear yet flexible vision to look for opportunities:

> "I can give you numerous examples of how new opportunities came to be. They come from everywhere and respond to different reasons. Their common denominator is that they are all related to mobility, mobility sectors, mobility services, improving the mobility experience etc. Just to name a few, the idea of the tourist line to the local amusement park emerged from the need to find something to do with a number of buses that had no service of weekends. Another time I read on the newspaper that they were thinking of moving the dock for the big tourist cruise ships to the other side of the port; that meant soon there would be a demand for bringing the passengers of the cruise ships into the city center so we went to the mayor and made a proposal. The internet rechargeable bus pass card was an innovation of our IT department, it was an idea to make things easier for people to catch the bus when they had no cash in hand, we were the first company in the country to do it probably one of the first in Europe"
>
> (John, General Director Transport MS).

At NWM, the CEO is considered to have the role of opportunity finder and is perceived as the one having the best ability to decide what constitutes an opportunity or not. While not a role searched for by the CEO, this widely the perception of family and non family members alike, and limits the ability of the firm as a whole to identify potential exploratory opportunities. Staff does contribute to business level sensing, however, at the corporate level it is the responsibility of the family CEO.

> "I would say 99% of the expansion opportunities we pursue are identified by David. He is the one who knows the business best, has the broader network and thus access to what is going on. At the process level everyone contributes but in general they do not lead to big changes as in this sector almost everything has been decided by the manufacturer"
>
> (Manuel, Sales Director NWM).

> "Last summer my sister and I had an idea. I still think it would be a great business for the company. It is not exactly in the same business area but it has to do with vehicles and rental so we could take advantage of some of our infrastructure and knowhow. We proposed it and my brother David did not seem impressed, so we dropped it. He knows the business better so he must be right. Or maybe he does not have time and we do not feel like we can push on things like this. I guess everybody feels he is the one who has to decide and to come up with all the ideas."
>
> (Ron, Owner NWM 3rd generation).

At MS family influence has not constrained the sensing ability of non-family human capital of the firm. In addition, family unity makes the family members feel more "able" to fulfill their roles as a team. Family cohesiveness also facilitates the exploratory process by allowing more "daring" family members to sell the more "conservative" family members more risky exploratory options.

> "In the protocol we made sure that the new generations are fully prepared for the kind of business they will be running. I come from a pharmacy background and never worked anywhere else, sometimes I feel at a disadvantage. None of us in my generation had experience in another company so we had to learn by trial and error, by supporting each other and making one "whole" out of the different strengths of each sibling and by bringing in experts of all kinds to advise us and help us decide: is this market a good opportunity? Is the legal environment stable enough? etc"
>
> (Sandra, Strategy Director MS 4th generation).

> "If the board knew what things I am looking into at the moment they would have a stroke. I need to prepare my case very well, but I know them all very well, I know what they are looking for in an opportunity and when I am ready I can present it in a way I know it will be seriously considered. It took me a while to convince them that going into "motorbikes" was a good business to go into and that it wa part of our business domain, but I managed and it is proving quite profitable"
>
> (Mike, Expansion Director MS, 4th generation).

We already discussed how family conflict affects the resources available to invest on exploration and exploitation. In addition to the direct effect on resource availability, several family members have provided examples where the lack of family agreement has resulted in dismissing potential opportunities, and how limited human capital (both of family and nonfamily members) affect the opportunity search and selection process:

> "Mainly it was my 2 brothers who came up with the ideas. The financial advisor and I did not bring ideas and we were the more conservative members of the board. In fact I think as a member of the board Peter, our financial advisor, was all doom and gloom and discouraged most proposals. My brothers seemed to see opportunities everywhere. I remember this once where my brother pointed out a venture in the North but the financial director at the time, who also happened to be Peter's son and my financial advisor, warned me against the operation on the basis that it was too much for the company. Since I am not an expert in finance or automotive, I trusted his advice because his father had been my father's right hand. Of course, not much later I realized most of his advice for me and for the company had been aimed at minimizing his workload. But we did everything by consensus so if I was not onboard we did not go for it. I think my lack of knowledge and the profiles of our financial advisors contributed to missing many opportunities"
>
> (Carmen, Owner NWM 2nd Generation).

The above quote illustrates well how the family impacts the ability of the firm to sense and analyze the merits of an opportunity. In addition to the lack of family unity around this particular decision, this example illustrates how the lack of family and nonfamily human capital can contribute to missing, dismissing or discounting business opportunities.

NWM did have a highly exploratory period between foundation and until 1980's, were a number of opportunities were identified. However, the direction of the exploratory ventures identified was not always very clear.

> "My father and later my brother and I were always looking for opportunities to grow but we had only our limited knowledge of the automotive sector and we tended to use somewhat a shotgun approach trying a bit of everything without much external help and without a particular criterion except aiming to grow the business. We never sat down to discuss in what direction or how. We let go many opportunities due to the conservatism of our financial advisors (who were also board members), although neither had any experience in business other than with us. Peter Sr. was a hard working honest man; his son in retrospect was quite a mediocre professional. Neither had the talent or knowledge to contribute in this respect, so this aspect relied on my brother and me with our limited experience and our eagerness to expand. Our ventures had different outcomes; sometimes we were successful as with public transport, sometimes we had almost catastrophic results, like with food and beverage. The latter turned us more conservative. It would have helped having someone external with a different view and better knowledge than us. Certainly having a better idea of where we wanted to go would have helped evaluate the options"
>
> (Joseph, Owner NWM 2nd Generation).

In addition to re-emphasizing the importance of quality nonfamily expertise, the above comment suggests that the absence of a clear vision may have contributed to pursuing exploratory opportunities without adequate resources and ultimately turned a highly entrepreneurial organization into a more conservative one. Furthermore, since the majority of Olson family members do not perceive their future linked to the family firm, they have pursued exploratory career paths outside of the family firm limiting further the potential exploratory contribution of family members to the firm.

To conclude, the empirical evidence from our cases shows that MS broadens its search horizons by encouraging external experiences and the networks of family and non-family members, promoting collective opportunity search practices, and including external expertise in both the search and the analysis of opportunities. Furthermore, having an open, strong and clear family vision provides everyone with a flexible mental maps to look for a variety of opportunities both in exploration and exploitation. Finally, the family cohesiveness helps the family pull together their strengths and allows an awareness of its weaknesses that results in better opportunity recognition and evaluation.

In contrast, the Olson family shows a dual approach to opportunity recognition, what they call a "shotgun" approach where they identify opportunities in a broad range of sectors without a clear purpose, followed by a narrow exploitative search in response to failed exploratory initiatives. Since at NWM, the absence of family and nonfamily diversity and expertise is not counterbalanced by family unity or external advice, it reduces the ambidextrous sensing ability of the firm.

The following table summarizes the empirical findings for our two cases related to sensing:

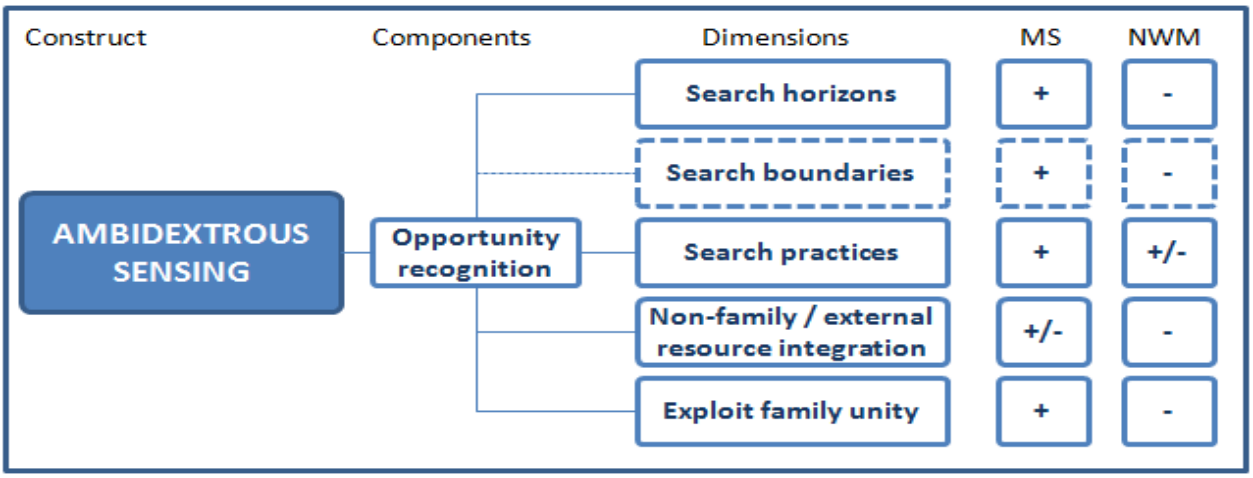
Table 5-11. Summary of empirical evidence regarding sensing capabilities

SENSING	MOBILITY SOLUTIONS	NORTH WEST MOTOR
Search horizons and search boundaries	Varied networks and experiences broaden search horizons for exploration and exploitation. A flexible yet clear vision provides guidance on the type/scope of opportunities and provides clear but flexible boundaries for opportunity search	Very broad search horizons without boundaries followed by very narrow search focused on traditional business area. No vision to guide or direct sensing of opportunities
Search practices	Collaborative search at MS promotes search from family and nonfamily members at all levels of the organization	Limited to a reduced number of family members. Good ability to involve staff in business level opportunity search but mostly exploitative
Nonfamily resource integration	Yes, consistent and frequent since foundation both from non family staff member and from external experts	No, few exceptions have been staff members with limited qualifications and experience
Family unity	Yes, helps provide a sense of security and merge strengths of family members. Helps more explorative members promote initiatives	Occasional, supports indiscriminate risky exploration at times while limiting less risky exploitation at others

To summarize, the evidence from MS and NWM supports the notion that family influence shapes the ability of family firms to sense exploratory and exploitative opportunities and that a combination of human, social and organizational resources interplay to support/hinder exploratory and exploitative sensing. It is noteworthy to mention that in addition to the dimensions identified in our research proposition, from the evidence emerges the importance of the family influence in pushing the search boundaries of the firm by broadening both the amount of people involved in opportunity search and extending the areas they may contribute to. Evidence from MS shows the families can do this through a combination of economic and social incentives that put no relevant areas of search "off limits" for any member of the staff in the organization.

The figure below summarizes the different dimensions of our sensing construct and their influence positive (+) or negative (-) on the ability of our firms to become ambidextrous. Dotted lines indicate items added as a result of the empirical evidence.

Figure 5-12. Ambidextrous sensing capabilities: components and dimensions



In conclusion, our empirical evidence regarding sensing indicates that families may be better able to promote ambidextrous sensing if they:

1. Provide a clear yet flexible vision and promote experience and networks of family and non family members;

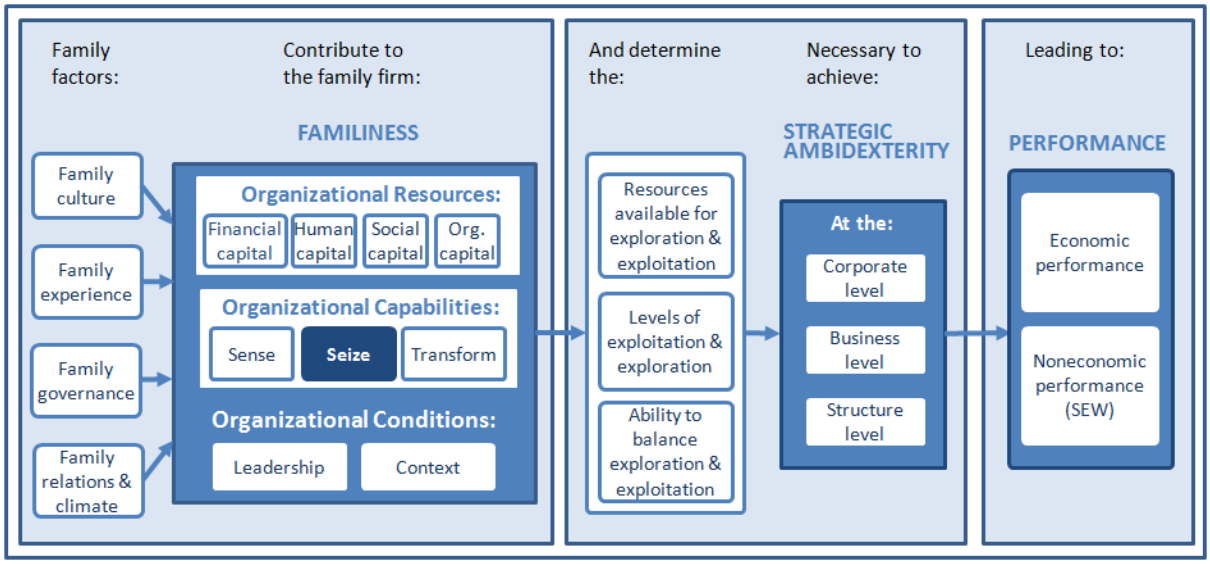
2. Create incentives to involve more staff and family members in opportunity sensing;

3. Take advantage of external resources to identify and assess opportunities;

4. Promote family unity to take advantage of family knowledge, balance the strengths and weakness of the different family members and keep an open mind about more daring exploratory options.

5.3.6 Seizing capabilities

Figure 5-13. Seizing capabilities within the theoretical model



Our proposition regarding seizing of opportunities was enunciated as follows.

Proposition 14: Family firms will be more prone to ambidextrous seizing when they develop mechanisms to:

- **Maintain an open mind for exploratory options in the face of external threats**
- **Combine their human, social, organizational advantages to take advantage of swift decision making and implementation**
- **Capitalize on financial independence to implement and persist on exploratory initiatives while ensuring sufficient funding is allocated to seizing priority initiatives**
- **Manage potential resistance to the selection and implementation of exploratory alternatives emerging from affective attachment to the firm's history and tradition**

Seizing opportunities is about taking decisions and implementing them to take advantage of the opportunities/threats identified. Families influence the decision making processes leading to the allocation of resources to particular ventures identified through sensing activities, as well as the ability of their organizations to implement the decisions taken in a timely manner.

Both MS and NWM have faced periodical business threats over the years and dealt with them in different ways. At MS they take the challenges as opportunities to explore new solutions:

> "The civil war in the 30s; the de facto expropriation of the parent company in the 80s; and the adverse economic conditions in several periods have reinforced our efforts to diversify and look outside our immediate business and markets. It has not been easy to make decisions because we are cautious by nature. The way we go about it is to put several options on the table, create various scenarios and select the one we think can contribute better to our long term success. Sometimes the best one is the riskier or the more uncertain one; it takes time, we are not fast in deciding, but we know this search for new things to do has kept us in business in the bad times and growing fast in the good times"
>
> (Michael, President MS, 3rd generation).

At NWM they tend to recoil and retreat to known territory:

> "The struggles of our firm have come primarily from family conflict. Then from not so good investment in sectors we did not know anything about. We were always very fast deciding, perhaps too hasty both to say yes and to say no. I think my father and David are more into analyzing the business options. My brother and I, we were more 'spur of the moment'. Both have their good things and bad. In my father's time he needed to be decisive because he did not have the majority in the business and relations were uneasy with his brother in law. In our time the business was booming and we had very strong desire to grow and too much money in our hands so perhaps we did not think our decisions through. David is living completely different circumstances; the market has dropped by 60% in after sales it is still dropping, every year since 2008 when you think it cannot go lower it drops more. Under these conditions the investment options are limited: you consolidate, you integrate, and you look for synergies."
>
> (Joseph, Owner Ex-CEO 3rd generation).

> "I think in taking decisions to diversify we have failed. We depend too much on one activity and one manufacturer. We could have done a lot more. As far as I am concerned, during the time I was making the decisions on my own I could have taken more decisions to diversify not only to other manufacturers but into other activities. I stopped being proactive in taking exploratory decisions due to the disaster with the food and beverage initiative. It was my decision and it almost took down the entire group in the late 1970s"
>
> (Joseph, Owner Ex-CEO 3rd generation).

Threats in MS case have accentuated their desire to diversify and explore further away from their core businesses and markets to avoid being in the same situation in the future or too dependent on an activity or a market. In NWM bad times have focused decisions on exploitation and concentration.

At MS they have a dual speed for decision making:

> "Decisions that affect efficiency are extremely fast. We detect the opportunity, make a diagnostic and close the deal, that is how we have acquired all these companies in automotive, looking for synergies. For new things we are slower in deciding, we all (the board) need to be convinced and agree 100%. But once decided we go all in. We are extremely quick in implementation"
>
> (Sandra Strategy Director MS, 3rd generation).

> "I would like to say that while we may be slow in deciding, compared to our competitors we are fast, perhaps because what delays our decision making process is thorough analysis. Once the consensus is reached there is no hesitation or half ways, we put all the necessary resources of the family and the firm behind the decision"
>
> (Mike, Expansion Director MS, 4th generation).

In the case of MS they put on the table several options exploratory and exploitative; the family ponders the decisions as long as they needs to, but once decided the full organization is behind the decision. Therefore, overall they tend to move quicker that their competitors.

Although the last word remains with the all family board Furthermore, at MS nonfamily staff from relevant areas of the business and external advisors are often involved in the process leading to decision making.

> "When I proposed a change in structure for my business unit to Michael, he threw up his hands in horror and said: 'What is the manufacturer going to say? What will happen to our quality indicators?' But I explained that this was not a whimsical inspiration, I explained the logic and he said ok go ahead. You could say that with decisions related to the day to day management the family is very flexible, they leave the decisions up to us. With more strategic decisions they are more inflexible"
>
> (Anthony, Director Automotive MS).

> "Closing down a business unit was very hard; we hesitated for a long time out of fear of back lash from the manufacturer and the clients. I take responsibility for it; even if the family was not happy with it I should have pushed to do it and taken the decision. But the crisis had already lasted over a year and I said to myself: 'it has to start improving'. It did not. Finally it had to be done, my successor and the family had no alternative"
>
> (Joe, Director Automotive MS. Retired 2012)

> "We create committees for important decisions, anyone who is relevant to the decision is invited and encouraged to contribute to the analysis, and we often bring in experts and consultants in different areas and also relevant experts from our partners. At the end the board takes a vote but the vote is taken based on the information of the committees. We

always decide by consensus, if anyone has doubts we look at the data and collect more data until all of us are 100% onboard. It is a difficult process but it avoids hesitation and conflict once decisions are made"

(Sandra, Strategy Director and Board Member MS, 3rd generation).

In addition to the above, MS' preference to search for strong partners in the pursuit of new opportunities usually ensures initiatives are backed up by strong financial resources (and also non financial) and thus are more likely to take more aggressive strategic options and to invest larger amounts in a greater variety of exploratory and exploitative strategic initiatives.

"We do not have the size to go head to head with some of our big competitors so we are not afraid to look for very strong partners to be able to commit similar levels of resources. To give you an example we have teamed up with Caixa Bank and with Fujistsu. Normally the decisions about acquisitions are taken by me and approved by the family; those tend to be very quick if the price is right. Business level decisions are taken directly by the director of the business unit and are also quite quick"

(Mike, Expansion Director MS, 4th generation).

NWM is extremely quick in deciding for exploitation and often quick in deciding against exploration because they prefer to play safe after the bad experiences. Decision analysis tends to be exclusively internal and driven by the family CEO; the rest of the family is consulted but generally agrees with the opinions of the CEO.

"Normally the decisions about acquisitions are taken by me and approved by the family; those tend to be very quick if the price is right. Business level decisions are taken directly by the director of the business unit and are also quite quick, I have to approve them if they require significant investments but otherwise is left to the responsibility of the director"

(David, CEO NWM, 3rd Generation).

"Things move very quickly, if anyone sees something or hears something they think can be beneficial to the firm they bring it up to the director of their business unit, if it is a good idea we either implement it immediately or we get the OK from David. So you could say in the worst case scenario the decision is a phone call away"

(Manuel, Director Automotive NWM).

Both companies feel a strong attachment for their original business and may find it difficult to give it up. However, at MS the latest generation seems ready to let it go if need be. Probably this is the case because the 4th generation is the first generation not directly involved in the day to day operations of the original family activity.

> "I do not think the third generation would be able to let go of the original business. With the recent crisis I have proposed several times to leave the original manufacturer we work with since the 1950s. The answer has always been an astounding NO! They will never be capable of dropping this part of the business, even if the numbers show it is not as profitable as other businesses we have. I don't push too much because we are doing things in other areas with more future and restructuring so at least it does not cost the group more money, but if it were up to me I would be completely capable of letting it go"
>
> (Mike, Expansion Director MS, 4th generation).

At NWM the family is still very much involved in the day to day management of the business and therefore still very much attached to the original business.

> "It is certainly not as profitable a business as it used to be, but it still produces good returns. The amount of work is huge and the pressure unbelievable but if we let this business go, What would we do? Where would we invest instead? This is where our know-how is. I wouldn't know where to begin in another activity"
>
> (David, CEO NWM, 3rd generation).

At the moment both families are making decisions that reflect their strong attachment to the original business activities. Although we discuss reconfiguring in the following section, it is relevant to mention that, in addition to influencing decision making processes, attachment also affects the ability of these two firms to reconfigure by divesting from the original activity.

The following table summarizes the empirical findings for our two cases related to seizing opportunities:

Table 5-12. Summary of empirical evidence regarding seizing capabilities

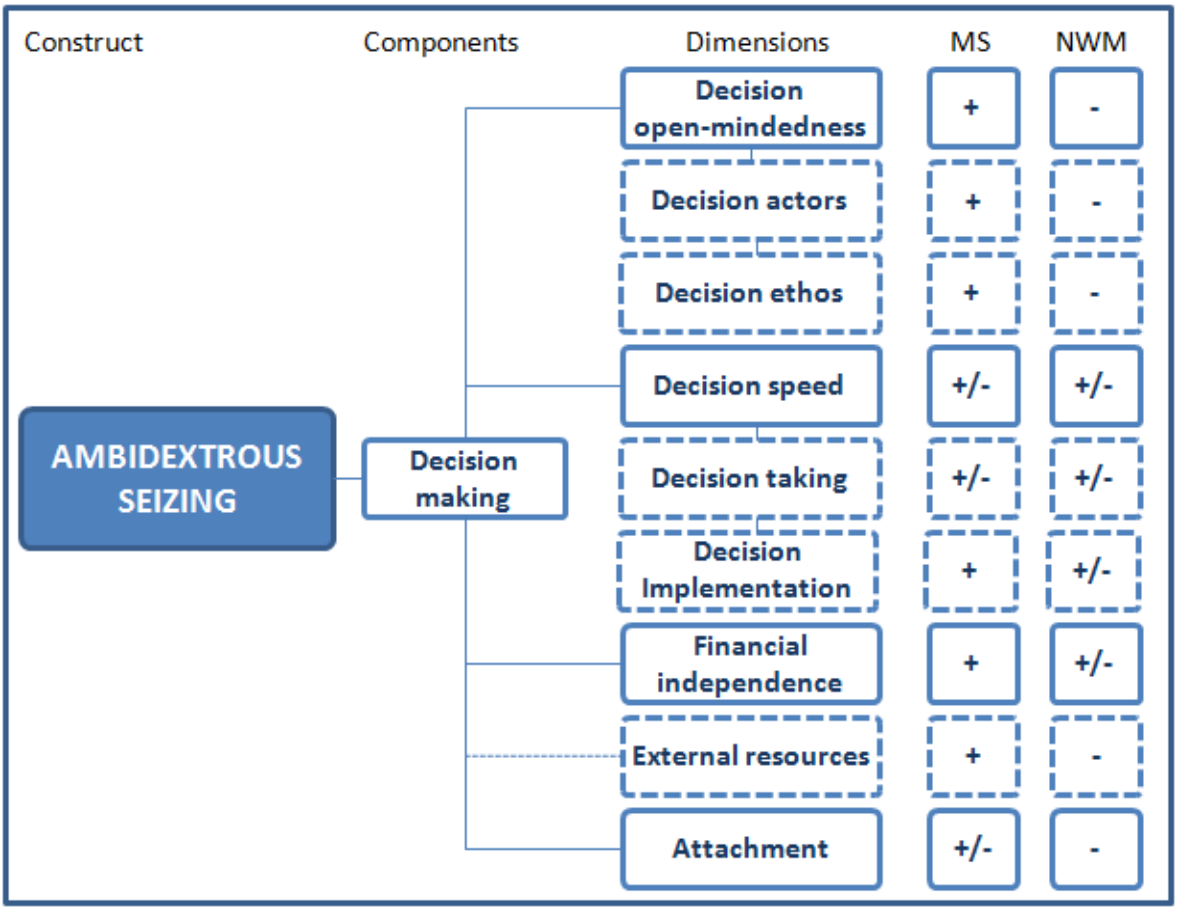
SEIZING	MOBILITY SOLUTIONS	NORTH WEST MOTOR
Decision range; Decision ethos	A wide range of options are considered and decisions often include exploration and exploitation initiatives. The vision provides justification to this diversity ('ethos') and provides context to decide whether initiatives are within the firm's domain	Quite narrow decision range mostly exploitative. This range is in line with the firm's vision and business definition
Decision speed; Decision actors; Implementation strength;	Slow decision making for exploration, quicker for exploitation decisions. Involving external actors improves quality of decisions. Very quick implementation backed up with strong resources enhances exploration	Very quick decision making but rely mainly on the opinions of one person. Limited external contribution limits range and quality of decisions. Speedy decisions are mainly exploitative
Financial independence and other resources	Yes, MS allocates sufficient resources to move quickly and decisively. Including external finance and partners when necessary both for exploration and exploitation	Yes for exploitative decisions (in the past for exploratory as well but not since the 1980s). Limited resources leads to conservative decisions and on occasion toletting go clear exploitative opportunities. Avoidance of partners prevents accessing resources that would favor exploration

Attachment to the original business	Yes, however it has not impeded exploration. Detachment is increasing as later generation is no longer involved in day to day management of operations.	Yes, but more out of fear for not having appropriate resources to pursue other business activities than out of loyalty for the business and legacy of the founder

To summarize, our initial research proposition identified open mindedness, swift decision making, financial independence and the degree of attachment to the original business of the firm as dimensions of seizing capabilities. The evidence has provided additional detail to these dimensions. For example, open minded seizing includes not only by the breath or range of decisions but also by the underlying vision driving those decisions and the actors participating in them. The evidence also shows that companies can get comfort and explore more by having different speeds for exploratory and exploitative decisions and that decision speed is relevant both at the decision making stage and the implementation stage. Finally, the evidence shows that external resources have a strong influence on the ability of the family firm to seize exploratory initiatives.

The figure below summarizes the different dimensions of our seizing construct and their influence positive (+) or negative (-) on the ability of our firms to become ambidextrous. Dotted lines indicate items added as a result of the empirical evidence.

Figure 5-14. Ambidextrous seizing capabilities: components and dimensions

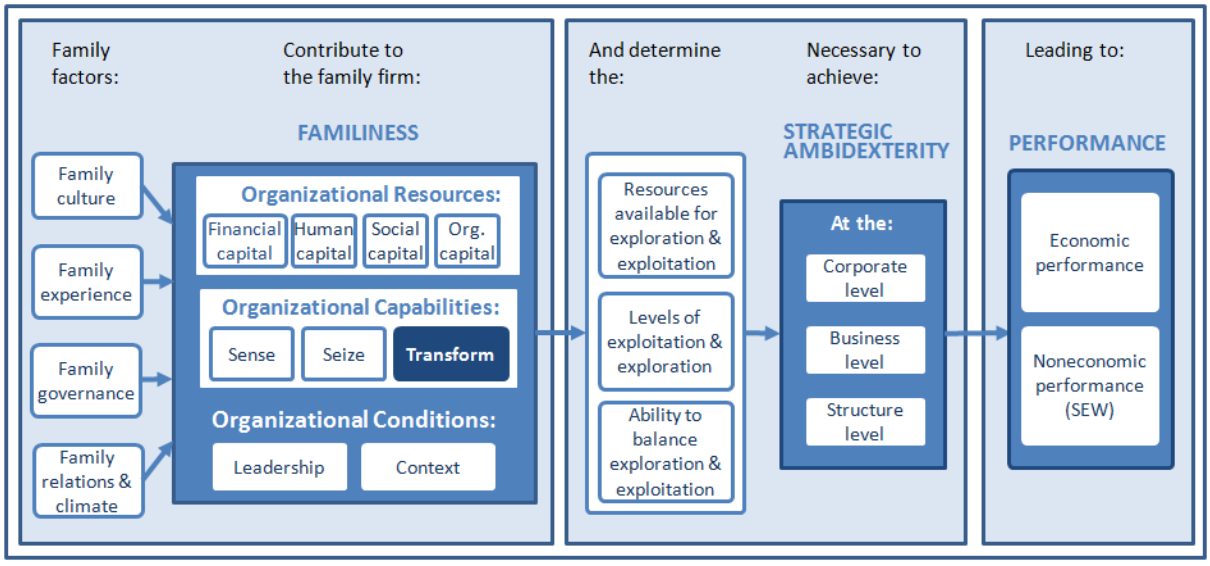


In conclusion, our empirical evidence regarding family influence on seizing of opportunities indicates that families may be better able to promote ambidextrous seizing when the family:

1. Promotes decision making that includes a variety of strategic options including exploratory and exploitative alternatives;
2. Considers integral part of the family firm make up exploratory and exploitative decision making (i.e. defines the decision ethos of the family firm as including both exploration and exploitation decisions);
3. Encourages relevant internal and external actors to participate in the decision process and creates a sense of urgency in implementation (emerging from the degree of conviction of the family regarding the decision taken)
4. Identifies sufficient financial (as well as other) resources to back up the investment decisions, including external partners (who can bring in important know-how and networks for the venture)
5. Uses attachment to the business as a way to exploit but not at the cost of reducing or avoiding investment in exploration.

5.3.7 Reconfiguring capabilities

Figure 5-15. Reconfiguring capabilities in the theoretical model



Our proposition regarding the reconfiguration of family firms was enunciated as follows:

Proposition 15: Family firms will be more prone to ambidextrous reconfiguring when they develop mechanisms to:

- **Manage life cycle forces to capitalize on stability periods for exploitation and take advantage of life transition periods to promote deep organizational change**

- **Actively manage family components of resources to capitalize on family-resource components to drive change and adapt to the changing needs of family and firm**

- **Foster an entrepreneurial, flexible and open organizational cultures to curb inertial forces and limit internal resistance to change**

- **Maintain a future focused perspective while balancing tradition and transformation by managing change processes in a way that respects the core family values and acknowledges previous generations' contributions**

- **Manage and resolve conflict and promote companywide communication and learning.**

MS and NWM are quite stable organizations and have not suffered many radical transformations, partly because they operate mostly in mature sectors, partly because their main sectors of activity are highly regulated by manufacturers (automotive) and public administrations (transport). Despite this reality, these two companies have had to change and adapt over the years both to accommodate the needs of bigger, more complex organizations as they have grown in size through acquisitions, new ventures and organic growth, and to take on changes in their environment (in particular increased levels of competition).

> "We have grown and changed a lot during the years. To say the changes were planned would not be totally accurate, it is better to say that we have the will to 'never stay still'. Sometimes luck played in our favor but like sportsmen say 'the harder we work, the luckier we get.' We have changed a lot to take advantage of social and economic opportunities both in automotive and transport. In the good years to reap the benefits of population growth, the Olympic games, new mobility needs… In crisis times to take advantage of opportunities to acquire more companies, create synergies and savings and become more robust. We are the same family but our company has had to change tremendously"
>
> (Michael, President and board Member MS, 3rd generation).

> "We have changed a lot because the conditions of the market required it. There have been legislative changes in automotive distribution; the manufacturers themselves have gone through deep changes which affect their distribution networks. The market in this sector has also changed from a market where you just had to exist to be successful to a market with cut throat competition. In addition, the economic cycles affect our sector quite significantly. When there is a boom we grow very rapidly like in the late 80s and then the

mid 2000s. The crises are also deeply felt in our sector, in the early 90s…, now.

Think that in our record year we sold 3700 new vehicles, a good year for us today is 2400 (including about 600 sold by a dealership we acquired only two years ago) so to compare we are talking about 3700 in 2007 and about 1800 today. That is less than half the volume... This requires a lot of tweaking in company structure but also deep changes in the mentality of the staff. I think that if we manage to stay at the top year after year despite the long and deep crisis it means we have been quite able to keep up with those changes"

(David, CEO NWM, 3rd generation).

MS has gone through two major organizational transformations; these have indeed coincided with generational change. In fact these changes were partly promoted by generational renewal:

"Around year 2000 we were growing very fast but not in a very organized fashion. My dad at the time was still active but my brothers already managed most of the day to day. To Michael it was crystal clear: we needed to promote the generational change and we needed to take advantage of that transition to put the house in order. It was our first serious attempt at changing the way things worked. We merged some of the companies and created some partial hubs. It was difficult and messy but it put order to at least some parts of the business and put us on the right path"

(Sandra, Strategy Director and Board Member MS, 3rd Generation).

"In 2007 we completed the family protocol to start preparing for the next generational change. In 2008 we hired a consulting company to help transform the organization. The new organization we created in 2009 and the new management model we established aimed at consolidating the strong growth; prepare us for a new era for the company; and allow us to continue growing nationally as well as internationally. The change process was long and not easy, we had numerous workshops to involve the staff in the process but it was necessary"

(Michael, President and Board Member MS, 3rd Generation).

The family has also been able to take advantage of the generational differences to facilitate difficult decisions leading to a different way of doing things:

"With the municipalization of urban bus services in the 1980s we went from having a company with over 100 buses to one with a dozen buses and no public contracts. There was the possibility to partner up with a competitor to save the company but my dad was very reluctant. He said to his competitor: 'you and I, we have been competitors all of our lives. We will never reach an agreement. Why don't we leave the next generation to negotiate?' This was a very intelligent decision for both families; my brother and his counterpart from the other family negotiated a 50-50 alliance. It changed completely the way we had to operate but we benefited tremendously from it."

(Sandra, Strategy Director and Board Member, MS).

At NWM they also have taken advantage of generational changes to push for reform, but changes have tended to be more gradual and more related to the managerial style of the family firm leader.

> "I would say that other than the leadership style of David and Joseph, the firm did not radically change from one day to the next, but obviously we are changing everyday and certainly the company of 'the good old times' is very different from the company today. It has required some big changes in the mental maps of all the staff and management"
>
> (Manuel, Director Automotive NWM)

> "In some ways we have taken advantage of the generational transitions to make changes. The first generation was more involved in developing and stabilizing the core business, the second on entrepreneurial activity and diversifying and the third more into putting the organization in order, bringing in a more professional, transparent and efficient management. This of course has translated in very different organizations internally even though we have not changed the definition of what we do"
>
> (Ron, Owner NWM, 3rd generation)

> "The second generation had a business that was highly profitable, had huge margins. There were waiting lists. When people came to the company you told them what car they could buy what model was available what color they were getting and what specifications.
>
> The third generation is managing a market where people shop around not only for the brand and model but among dealers of the same manufacturer. They compare prices, they know end of the month is crunch time, they bargain and they tell you: 'if you can improve this offer I will buy it from you if not I will go to your competitor'
>
> The manufacturers are also all under huge pressure to sell, they set very ambitious targets and the competition is fierce. It's a completely different ball game and requires a completely different type of organization and a different type of management, I think the family firm has managed on both counts"
>
> (Ronda, Owner NWM, 3rd generation).

Change takes more time at MS than at NWM. This difference responds to the greater complexity and diversification of the business and the heavier management structure at MS, but also to the Morton's preference for more time to process the need for change and to ponder the options. This is understandable due to higher risk of exploratory ventures and intricate inter-relations between the different parts of the business. However, it could limit future ability of MS to change as their exploration is increasing in intensity and speed (e.g. internationalization).

> "Mike for sure would like the family to be more nimble when it comes to strategic moves; staff complains that the family takes a long time to ponder and decide when changes are proposed, particularly when it is for staff related concerns. Internal changes can take an eternity. I think the family may be afraid of changing things too much out of fear that they will 'jinx it.' But eventually things happen because they have to happen, because the

company is in very mature and competitive markets so either they change or the get kicked out of the market. Also, the aspirations of the family helps the evolution, they know if they want to compete with the big ones they can only do it by being quicker than them, because in comparison they are a very small company"

(Albert, Director HR, MS).

"Change happens very quickly in our firm. When it comes to change I think mostly the family group responds to two factors: one internal factor- the ambition to keep growing and one external- the need to survive in a sector that has suffered huge changes and huge increase in competitive pressures"

(Ron, Owner NW, 3rd generation).

Despite their differences, the family constitutes a strong driver of change in both companies. The families' commitment to the business, their reputation and professionalism commands a lot of respect among employees and therefore the staff follows the lead of the family if and when the family decides change is necessary.

In MS' case:

"We are a big company, not everyone knows the family any more but everyone knows this is the Morton's family firm. If there is something that defines this family is consistency. All the decisions are well thought out and thoroughly analyzed so they carry a lot of weight. Decisions of the board may take a long time but they are consistent with the values of the family and what this firm stands for. I think this facilitates the change processes at MS. People know most of the time there is no turning back, they know this company keeps moving forward so they either move forward with it or they stay behind"

(Albert, Director HR, MS).

"These past years have been very tough. For our staff and for us. We did not know if some of our automotive businesses would be able to make it. We all had to roll up our sleeves and get to work to do what needed to be done. Employees have suffered it, but not alone. We froze salaries, our own included, and we stopped distributing dividends. I think examples like this also carry a strong message across the businesses: 'Yes we need to make deep changes; yes, some are very difficult, but we are in it together,' I think this helps the change process"

(Sandra, Strategy Director and Board Member MS, 3rd generation).

In the case of NWM:

"I have lived many changes over the years in this company. If the decision to change comes from the family, which usually it does, people know it is going to happen so they get on with it. The family has a very good reputation; they have kept the business safe for 70 years and growing. Staff may grumble when a change is proposed but they trust the decisions of

> the family. They know family members who work here put all they have into the business, they see it every day. Even if they do not like a decision or might prefer to maintain things the old way, they follow the family's lead (whether it is David's, Joseph's or Anthony's before him)"
>
> (Eduard, Director Automotive NWM, retired 2006).

In addition to the family's direct influence on change process, both companies contribute to the firm's ability to change through communication channels that are more formal at MS and more informal at NWM.

In the case of MS:

> "I think the biggest internal change took place in 2009. We redefined the vision of the company. We restructured the entire group; 36 managers changed post, function, and responsibilities. Most were appointed to completely new teams. This was hard but we involved everyone in the process and we made sure everyone had the relevant information throughout. We hired external consultants to help us with the diagnostic and the reorganization. It took almost two years to complete and many months for people to feel comfortable in their new roles but everybody understood why it was necessary and how it could benefit the firm's future so we managed to keep uncertainty to a minimum"
>
> (Sandra, Strategy Director and Board Member MS, 3rd generation).

At NWM:

> "When changes are necessary relevant explanations are provided to the staff concerned. It is not like: 'the big boss in New York wants more profits so you have to change this or that' it is more like: 'look this is the situation, this is where we are, this is what we need to do to remain competitive. It is either we work together and manage to do it or we all go out of business. Similarly the staff can come to David or to anyone in the management team and voice any concerns. We have an open door policy, and I am not just saying that. It is not rare that someone from the bottom of the company drops in to talk to David about an issue. This proximity to the management and the family also helps"
>
> (Manuel, Sales Director NWM).

There is a deep rooted belief in both firms that change is not only necessary but essential for the company and that it explains in big part the success of both companies. This belief has been maintained through the generations; each generation takes the legacy from the previous one and builds upon it with their own strengths and in their own styles.

In the case of MS:

> "Very early on we realized that the only way possible was to innovate, to adapt to the markets, to anticipate to the needs of users and clients and to keep growing. This is clear to

> our family since the times of our grandfather who was a great visionary. To do all this we need to be flexible, efficient and fast. Everything in our current company structure is designed to create an organizational culture and environment that emphasizes customer focus, flexibility, efficiency and speed"
>
> (Michael, President and Board Member MS, 3rd generation).

At NWM this belief is expressed as follows:

> "If there is some kind of mantra in this company it has always been: growth, growth, growth. We have always had the conviction that a business group that does not grow tends to disappear and so we promote reasonable and stable growth through quick adaptation to the needs of the market. So change is an integral part of the family's business philosophy since the very beginning. We have done it in different ways and with more or less success but each generation has contributed and made their mark "
>
> (Joseph, Owner Ex-CEO NWM. 2nd generation. Retired 2006).

This organizational culture favorable to change makes both companies relatively; it facilitates incorporation of new companies swiftly and speeds up implementation of change because it provides a sense of direction.

> "In acquisitions change is not automatic, we have our own way of working and people coming from other organizations need to change their own 'mental maps.' Sometimes we also need to change our own 'mental maps' as well. We take in all the different perspectives: financial, clients, resources… and since we know where we want to go: that we want to grow, innovate and be efficient; we capitalize on our strengths (our knowhow and our people) to drive that message across the entire organization"
>
> (Sandra, Strategy Director and Board Member MS, 3rd generation).

One major difference in the culture of both organizations is the emphasis and interpretation of entrepreneurship. The Morton's have a stronger overall entrepreneurial culture; this characteristic was infused by the founder and has remained a fundamental driver of the family culture, therefore at MS, periods rich in new business ventures in a certain business area are followed by periods focused on efficiency to consolidate and integrate new ventures to the core business.

Entrepreneurial periods at NWM are also followed by periods of efficiency but in most cases these periods do not aim at consolidating the new exploratory ventures but at strengthening further the original business and therefore have not resulted in long term additions to the family business portfolio. Again this emphasizes the importance of the family values and how the family defines the business, the firm's identity and its culture. The table below summarizes the empirical findings for our two cases related to reconfiguring opportunities:

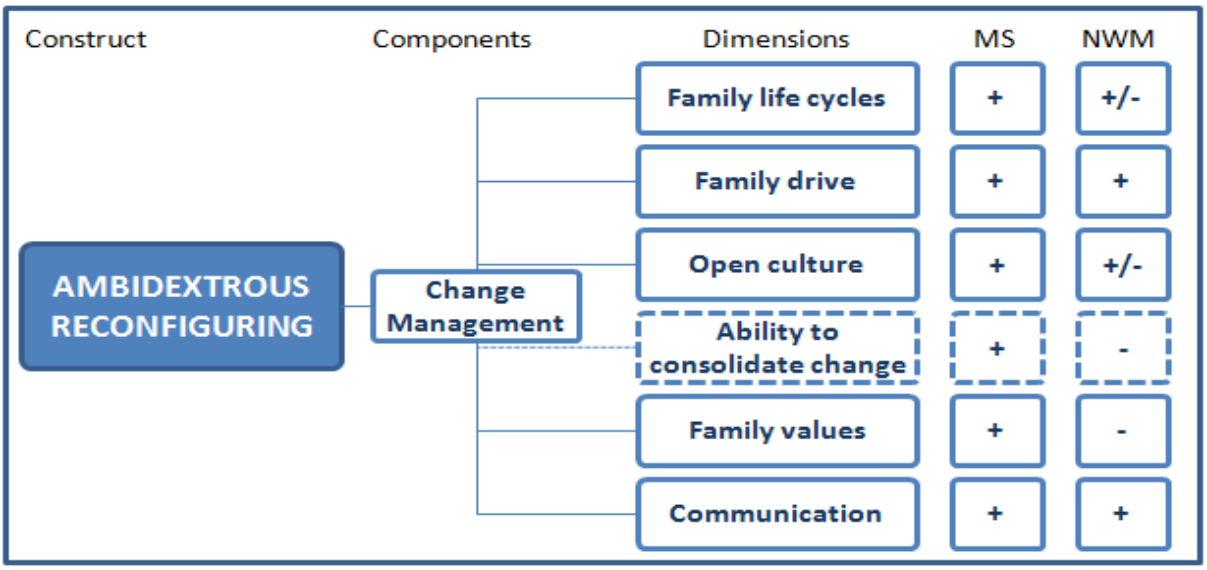
Table 5-13. Summary of empirical evidence regarding reconfiguring capabilities

RECONFIGURING	MOBILITY SOLUTIONS	NORTH WEST MOTOR
Family life cycles	Uses generational transitions to push deep changes in the organization to promote innovation and efficiency	Generational change is accompanied by some organizational change but changes are more gradual and mostly promote one sided alignment
Family as a driver of change	Although the family takes time to change, it inspires and motivates the staff of the organization to embrace and implement changes when they decide the time has come	The family is both a direct driver of change (mostly gradual) and indirect by inspiring the staff of the organization to change
Family as a source of a flexible and entrepreneurial organizational culture	Flexible culture combined with strong entrepreneurial spirit and focus on efficiency promotes exploration and exploitation. New ventures are consolidated and integrated into core business	Flexible culture combined with strong efficiency focus promotes rapid adaptation and exploitation. Exploratory periods do not translate into a more diversified firm because new activities are not consolidated
Stable family values as driver of change	Family builds on tradition and implements changes respecting previous efforts (since these values promote innovation and efficiency it promotes ambidexterity)	Family builds on tradition and implements changes respecting previous efforts (since these values favor efficiency they promote exploitation)
Communication and conflict	Companywide formal communication efforts facilitate deep change process. Informal exchanges at lower levels facilitate gradual changes	Informal communication mechanism and accessibility to CEO facilitate gradual change processes

To summarize, our initial research proposition identified family life cycles, family change drivers, an open entrepreneurial culture based on strong family values, a balance between tradition and transformation, and appropriate communication channels to deal with the tensions of change as dimensions influencing reconfiguring capabilities in family firms. In addition to these, the evidence highlights the importance of locking-in change to ensure the organization does not return to homeostasis. In other words, exploratory initiatives will only produce long lasting transformational change if they are consolidated and internalized to make part of a new version of the family firm. The evidence also provides further confirmation that family values and vision (cognitive social capital) are fundamental in creating the culture that will promote ambidexterity by driving transformation because the underlying values and vision will determine whether the organization is able to truly transform itself in a significant way.

The figure below summarizes the different dimensions of our reconfiguring construct and their influence positive (+) or negative (-) on the ability of our firms to become ambidextrous. Dotted lines indicate items added as a result of the empirical evidence.

Figure 5-16. Ambidextrous reconfiguring capabilities: components and dimensions



In conclusion, our empirical evidence regarding family influence on transformation processes indicates that families may be better able to promote ambidextrous reconfiguring if the family:

1. Uses generational change to promote deep changes and ensures those changes consolidate and are fully integrated during stable generational management phases. However, since tenure is often long, deep changes may be required during stable periods as well and may require families to review their "speed" of change;
2. Embraces change and at the same time build levels of trust and respect that encourage and inspire the rest of the staff to embrace change themselves;
3. Ensures an open and flexible entrepreneurial culture while making sure exploratory ventures are followed by consolidation into 'main stream' business operations of the family firm (even if from a structural point of view these new ventures operate independently)
4. Provide a framework and context that help family members and staff take advantage of the strengths built over the years while introducing any necessary adaptations
5. Build formal and informal mechanisms to engage staff in exploratory and exploitative change processes that promote exchanges between family and non-family employees

Conclusions regarding the family influence on firm capabilities

The previous analysis of the empirical evidence from the two selected cases regarding dynamic capabilities suggests that families can become more ambidextrous if they use their influence to promote wide but focused search practices that involve nonfamily resources and take advantage of family unity to widen their potential opportunities and the quality of their evaluation; if they use their power in the

business both for decision making and implementation and are open to bringing external resources when necessary; and if they take advantage of the family influence and cycles to promote and consolidate change and keep an open mind about letting go some of the aspects of the family legacy including divesting from the original family business.

As in the case of resources, cognitive social capital seems to be a fundamental factor in shaping sensing, seizing and transformation processes: by defining the search horizons and boundaries in opportunity recognition; by providing a framework and direction for decision making; and by offering context to help family members and staff make sense of, and capitalize on the strengths built over the years while introducing and internalizing necessary changes.

We have now examined all resources and capabilities identified in our theoretical model and completed the analysis of the evidence regarding research question one.

5.4 STRATEGIC TRAJECTORIES, ALIGNMENT AND FAMILY INFLUENCE

In this section we proceed to examine the historical alignment of MS' and NWM's strategic initiatives at the corporate, business and structure levels to explore the second research question in our investigation:

RQ 2: How does the family influence the strategic alignment of family firms towards ambidexterity?

To explore this question, this section analyses in detail the strategic paths of Mobility Solutions and North West Motors from the foundation of the family firms in 1923 and 1943 respectively until the beginning of 2015. For each case, we developed historical accounts of the strategic trajectory of the firm (Appendix E) using all information gathered during the interviews as well as other primary and secondary data, including family correspondence, internal firm documentation (in particular strategic plans, the family protocol histories, minutes of meetings, internal family and company documents, records of acquisitions, mergers, and other legal and administrative records), press articles and company press releases. In addition, we systematically reviewed historical websites of the two family groups for the last 15 years using the internet web archive (http://www.archive.org)[10] to extract the "about us", "our services" and "news" sections of these company websites available in the online website archive.

[10] Internet Archive is a US based non-profit website library. It copies and stores snapshots of websites at frequent intervals to keep records of all websites on a regular basis. Their database stores website snapshots since 1996.

5.4.1 Strategic attitudes emerging from the historical strategic trajectory

To provide some context, below we summarize several major differences emerging from the strategic trajectories of MS and NWM that seem to contribute to explaining the different strategic alignment of the two family firms:

Differences in strategic content

There are important differences in the content of the strategy accounts of these companies. At MS, the internal documentation and the interview conversations are almost exclusively focused on the business. When MS respondents mention the family, it is usually to elaborate on the contribution of a particular family member to the essence or the progress of the company. Conversely, at NWM most of the available documentation and the family member accounts contain more details about the family affairs than about the business operations.

Obviously there could be a bias emerging from a different degree of openness vis a vis the researcher in sharing family details, but even in the family protocols (documents essentially developed by and for the family with no apparent need for bias), the Morton's preamble and family business history is centered on business events and milestones while the Olson's family business history contains more information on family conflicts than on business activities.

Differences in defining strategic milestones

Both historical accounts show clear demarcations among different strategic periods. At MS, the different strategic periods are defined in business terms and revolve around the firm's accomplishments and challenges. Conversely, at NWM, strategic periods are marked by family events (in fact, in the family protocol history, the different periods are entitled by the name of the family member in charge of the business); and the end of every period is marked by what they denominate a "family war."

Differences in strategic focus and vision

From the beginning, the strategic trajectory of MS shows a clear strategic focus; this focus evolves from narrow to broad. MS' vision grows with each strategic period maintaining a common core, "transport", and expands from "transporting people in a bus" to "being specialists in private and collective mobility." Conversely, NWM starts off with a broad but fairly focused vision "anything that has to do with the wheel" and finishes with a very narrow one "selling cars". Furthermore, despite having defined their business activity originally in relatively broad terms, they experiment far away from that definition into, for example, food manufacturing and energy production. By the end of the last period they define themselves as "experts in selling cars" because it is "what we know". In other words, their vision goes

from broad to narrow and remains unfocused for much of the company's trajectory. They have, nevertheless, maintained a consistent and strong strategic focus in automotive retail; this focus drives the growth of the firm.

Differences in consolidating exploratory efforts

The path of growth and diversification of MS in every period attempts to consolidate the accomplishments of the previous period and to build on capabilities already developed so they can move to the next level and keep their trajectory moving outwards (more markets) and upwards (more growth with more business initiatives). When they lack the resources or capabilities they look for appropriate partners who can help them expand their capability and resource base to keep growing and expanding. In contrast, NWM launches into highly exploratory initiatives often without having appropriate in-house resources and capabilities or appropriate partners. Even when they do have appropriate resources and capabilities they frequently seem to lack the stamina to maintain sustained interest in their diversification efforts. In consequence most diversification efforts fail or fade away until they eventually vanish.

Differences in attitudes in the face of strategic challenges

Difficult strategic events at MS are presented as opportunities to grow and learn. They recognize the most defining strategic moments of the business as those when they were close to failing. They insist those challenges made them even more determined to try again and succeed.

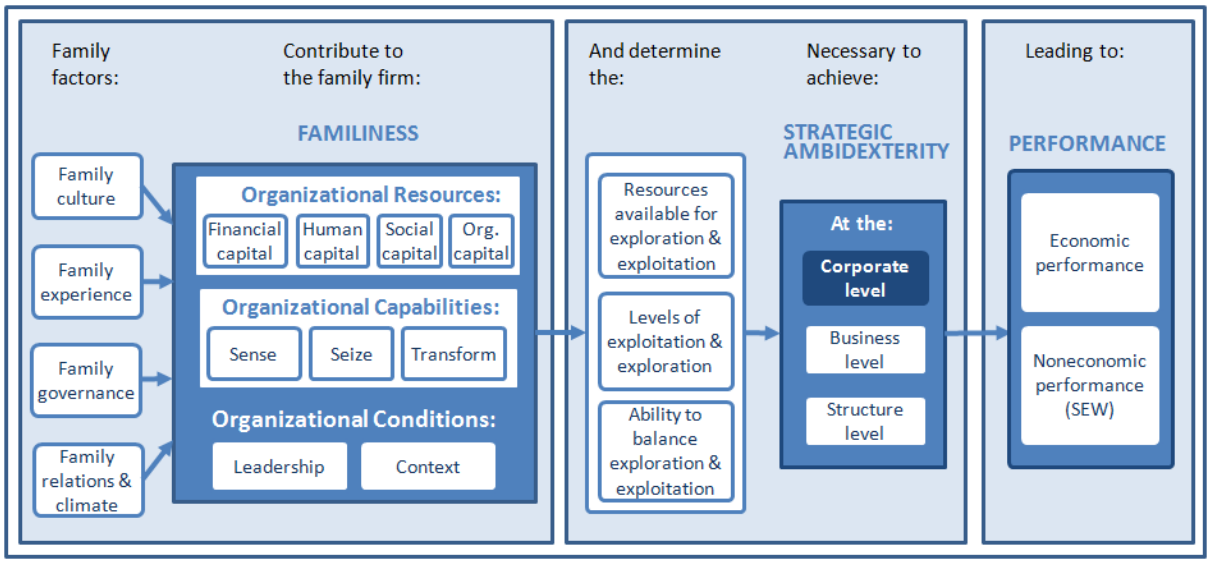
> "from the loss of the parent company we learnt we had to be diversified and not depend on one business activity or a single market, we had to be bigger, better and stronger"
>
> (Michael Sr., Honorary President MS, 2nd generation).

At NWM, difficulties and failures seem to be interpreted more negatively and often the lesson drawn is not to try again. For the second generation, failed partnerships translate into "avoid partners like the plague" and failed business initiatives into "stick to what you know." This interpretation is very telling since business associates were often chosen because they were friends of the family and not necessarily because they were suitable business partners, and business initiatives admittedly launched because "my father asked me to" or because "I listened to someone I knew." Even when they own up to having failed in doing prior "due diligence" in evaluating the said partners and ventures, they still seem to draw the conclusion that it is not a good idea to try again.

The above differences are important for the ambidextrous strategic ability of these family firms because they have shaped the preferences of both families for exploration and exploitation. They also put in context the current strategic alignment of MS and NWM.

5.4.2 Corporate level strategies: alignment and family influence

Figure 5-17. Corporate level strategy in the theoretical model



5.4.2.1 Corporate level strategic alignment

Major corporate initiatives at MS and NWM are summarized in the tables below; each table has a column for exploration and exploitation; every strategic period has two lines: the top line contains corporate initiatives related to segments and business activities and the bottom line includes the geographical markets.

Earlier we classified corporate initiatives within the firm's current product/market scope; consolidation initiatives to focus on core business activities; and expansion moves to strengthen current business domains and markets of the firm are classified as exploitation. Initiatives outside the organization's current strategic scope and diversification activities to enter new markets or business segments are classified as exploration.

Please also note that some diversification has been gradual; in a number of cases strategic initiatives could be considered either as exploration or exploitation. When in doubt we asked the family respondents whether they considered the move an extension of previous activities/markets or a new activity/market based on whether the different initiatives required the company to develop additional knowledge or capabilities. In case of discrepancy between the researcher's classification and the family's

classification we have used the family's criteria since they have better knowledge about the extent to which new initiatives differed from existing activities and markets of their firm.

Table 5-14. Corporate level strategic initiatives of MS (1923-2014)

PERIOD	DIVERSIFICATION (EXPLORATION)	CONSOLIDATION (EXPLOITATION)
1923-1936	Original exploration: bus urban transport (1923) Diversification into auto repair (1927)	First acquisition transport (1926) First public transport contract (1927) Second public transport contract (1929) Second acquisition transport (1933)
	Original market: Morton's home town (1923)	Expansion of bus lines to expand reach (1925) Expansion to adjacent markets –transport (1933)
1943-1950		Recover existing business activities Acquisition (1950)
		Recover existing markets Expansion of business lines (MS becomes sole transport provider in their home town) (1950)
1951-1979	First entry into real estate business (1959) First entry into tram transport (1972)	Expansion of activity/Public contract for 25 years (1953) Official agent (1954) and distributor car manufacturer (1966) Expansion of automotive business (1967) Acquisition transport (1971)
	New markets: Andalucía and Aragon (1972)	Expansion of auto to nearby city (1976)
1980-1990	First entry into trucking (1983) Entry into school and staff transport Launch of Hotel-Bus initiative (1989)	Forced divestment in transport (1982) Acquisition transport (1984) Merger to expand operations (1985)
		Loss of local transport market and Andalusia market (1982) Expansion of trucking to nearby city
1991-2000	Launch of diverse innovative tourist transport activities (1993) First entrants into specialty reduced mobility transport (1992) Sole provider for Para-Olympic games (1992) Introduces innovative tourist transport initiatives (1998)	Expansion of automotive activities (1992) Expansion of tourist activities (1993) Expansion into premium segment automotive (1993) Acquisition- transport company (1996) Expansion of bus lines (1998) Expansion of trucking activity-adding more brands (1999) New company to offer tram services (2000) 3 Acquisitions transport (2000)
	Entry into province capital city market- transport (1991) Entry into northern province (2000)	Entry into new adjacent market-automotive (1992) Expansion of bus lines into adjacent markets (1994) Expansion of bus lines into the northern town (1996)
2001-2014	Entry into car-sharing business (2005) Entry into electric car import and distribution (2007) Entry into bike sharing business (2012) Entry into rail business (2014) Entry into motorbikes (2014)	Acquisition automotive (2001) Acquisition automotive (2002) Expansion transport (2002) Acquisition of partner company to consolidate transport (2004) Expansion automotive (2008) Acquisition transport (2009) Strategic alliances to expand activities transport (2011) Launch of used vehicle megastore (2009) 7 acquisitions automotive (2001, 2002, 2007, 3 in 2012, 2013)
	New market transport: Navarra (2009) Wins public tender for two capital cities in Latin America (2010) Entry into France and Italy transport (2013) Awarded public city transport in capital city Portugal (2014) Tourist transport project Middle East (2014)	Strengthening in existing markets through acquisitions, alliances and joint ventures (2001-2014)

As can be appreciated in the above table, at the corporate level, MS shows high levels of exploration and exploitation both in business activities/segments as well as geographical markets for all the periods in MS' strategic trajectory except one (the after-war period). It can also be clearly observed that as time goes by, MS grows more adventurous and explores further away from its original activities and markets.

Geographically, MS moves gradually from local to regional to national and to international and from cars and basic bus services to more complex mobility private and collective service offers in business domains.

Table 5-15. Corporate level strategic initiatives of NWM (1943-2014)

PERIOD	DIVERSIFICATION (EXPLORATION)	CONSOLIDATION (EXPLOITATION)
1943-1965	First activity automotive retail and repair (1943) Diversification into "wheel related" activities (1944-1950) Diversification into coal mining transport services (1946) Diversification in to home appliances (1947)	Exit from most non-automotive activities by 1950
	Original market: Olson's hometown (1943) Entry into adjacent coal mining province-transport (1946)	Exit adjacent province coal mining transport (1950)
1966-1978	Diversification into financial services (1970) Diversification into public works machinery (1972) Attempt to enter automotive premium market (1973) Diversification into food and beverage manufacturing (1974) First construction venture (1977)	Expansion of automotive business (1967) Expansion of financial service business (1975) Exit from all diversified activities by 1978
	Expansion of automotive activities into nearby city (1976)	
1979-1989	First entry into transport (1982) First entry into rent a car (1985) First entry into tourism property development (1987) First entry into industrial park development (1989)	First public tender contract urban transport (1985) Expansion of transport business (1987) Forced exit tourism/ industrial part development (1989-90)
	Entry Madrid market -rent a car- (1985) Entry Andalucía market-property development/car rental (1987)	Entry Extremadura market-transport (1987) Exit from all markets but automotive and transport
1990-2005		Expansion of automotive activities (1990) Small construction venture (1990) Acquisition- automotive company (1995) Acquisition automotive (2003) Acquisition two new manufacturer brands (2004) Acquisition automotive (2005) Forced exit transport (2000)
		Entry into adjacent markets -automotive (1995, 2003, 2005)
2006-2014		7 Acquisitions in automotive to expand business (2006-2014) Expansion to fourth brand (2013)
		Strengthening existing markets through acquisitions (2006-2014)

The above table shows that, at the corporate level, NWM shows both exploration and exploitation efforts in two of the strategic periods (between 1966 and 1989). It is difficult to assess how ambidextrous the company really was at the time. The respondents of the family tend to agree:

> "I could not say whether consolidation or diversification was our greatest concern since I joined the company in the 1960s. We definitely tried to expand in automotive and we were obsessed with finding new business opportunities to diversify, but in general we were not very successful at it"
>
> (Joseph, Owner Ex-CEO, NWM 2nd generation).

However, since most of the diversification activities cease to exist or fail shortly after they were launched, it is fair to assume that NWM had limited ambidextrous capability because despite their simultaneous

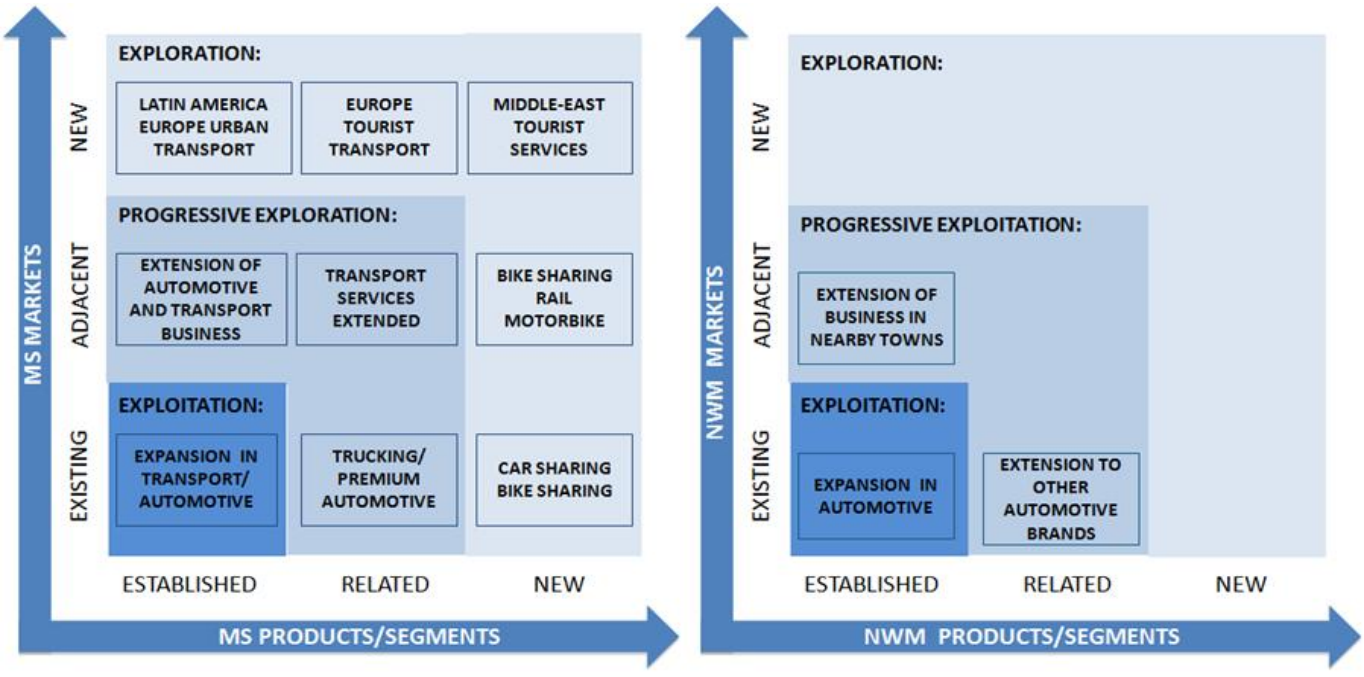
efforts to explore and exploit they seem to have failed to integrate both activities into the core business of the firm.

From 1989 onwards NWM focuses exclusively on exploitation both in business activities/segments as well as geographical markets. Opposite to MS, NWM grows more cautious as time goes by, reducing its strategic initiatives exclusively to automotive retail and its geographical markets to cities adjacent to the original business of the family. This caution and narrowing in the interpretation of the capabilities of the firm is illustrated by the following comment of NWM's CEO:

> "Last year we were in the race to become distributors for a premium manufacturer. The race was close although our competitor had one big advantage: they were already distributors for that brand in other markets. Nevertheless, I thought we were a strong candidate. When the manufacturer chose our competitor it occurred to me that perhaps we are best at dealing with clients in the segments we are already operating, and that we might not have what it takes to be as good with clients from the premium segments"
>
> (David, CEO NWM 3rd generation).

These different trajectories help explain the current corporate strategic alignment of NWM and MS illustrated in the figures below:

Figure 5-18. Corporate level alignment at MS vs. corporate alignment at NWM



On the right, Mobility Solutions' figure shows a high degree of ambidexterity of the firm at the corporate level. MS' corporate strategic initiatives include: (1) out right exploitation (ventures to consolidate their markets both in automotive and transport); (2) progressive exploration as they venture into new segments in automotive and expand to other Spanish provinces by extending their bus lines, and their

transport services building on their knowhow and requiring the development of additional capabilities and; (3) right out exploration through ventures into international markets with existing activities (city tram and bus services in Latin America and Europe), related ventures in new markets (tourist services in Europe), ventures to pursue innovative services in far away markets (tourist related initiatives in the Middle East), as well as initiatives to conduct business in completely new activities in existing and related markets (bike and car sharing, motorbike and rail transport).

On the left, North West Motors' graphic shows a low degree of ambidexterity of the firm at the corporate level. NWM's corporate strategic initiatives include; (1) exploitative initiatives, as well as (2) some progressive exploitation and no outright exploration at the corporate level.

Note also the difference in nomenclature in the graphs. In MS' figure we labeled related activities in adjacent markets as "progressive exploration" because respondents provided evidence that new capabilities and knowledge were necessary for initiatives in adjacent markets and related activities.

> "When we acquire a dealer in the same brand, it is basically more of the same in another city. However, every time you add relations with a new manufacturer it requires learning how they operate, they all have their own way of working. In particular premium brands like to do things in a different fashion to justify the price of their products"
>
> (Luis, Commercial Director Automotive Group, MS).

Instead, NWM respondents consider that automotive expansion into other brands and adjacent markets does not require the development of new capabilities or knowledge.

> "We basically do the same we are doing in our other companies. We already have the know-how and capabilities so we replicate what we know in the new companies we acquire or we set up regardless of where they are"
>
> (David, CEO NWM 3rd generation).

Therefore we have labeled these NWM activities in the figure above as "progressive exploitation."

5.4.2.2 Family influence on corporate level strategy

Our proposition regarding the influence of the family on corporate level strategic alignment of family firms was enunciated as follows:

Proposition 16. Family firms will be more prone to strategic ambidexterity at the corporate level when they have mechanisms to:

- **Minimize strategic simplicity and inertial forces**

- **Manage self-restricting investment practices**

- **Exploit generational diversity and change**

The evidence shows that while both firms show a strong emotional attachment to the original business sectors of the founder, both evaluate potential changes in the composition of business domains and markets of the family business group based on their global strategy, the business merits of the venture (i.e. future individual contribution of the new business unit to the group) and its contribution to the group (e.g. economies of scale and synergies).

> "When we expand, we know exactly what we are looking for. Michael knows where he wants to take the group. In automotive we look at three factors: 1. Multi-brand; 2. Economies of scale and; 3. Geographical proximity. In the last few years there have been many opportunities to grow in private mobility but we have said no to a number of them because they did not fit with our strategic vision. We go for opportunities that not only have good potential for producing financial results but that make the group stronger by either bringing in more brands, more segments, and more adjacent regions and have potential for synergies with our existing business units. We have had opportunities to expand even further in the original auto-manufacturer brand of the grandfather but we decided not to go there"
>
> (Luis, Commercial Director Automotive Group MS).

MS has diversified in automotive even in the face of strong resistance from the original manufacturer, starting to work with other brands as early as 1993 and shows less attachment to the original brand.

> "In automotive, loyalty to the original manufacturer is very strong for my grandfather and still strong for the third generation. As far as I am concern, if it is good business we should stay with them; if not we should divest, no second thoughts about it."
>
> (Mike, Expansion Director MS, 4th generation).

The lower dependence on a single sector (traditionally around half of the business) and a single manufacturer (never more than 60% since the 90s) makes MS more flexible and this emerges directly from the emphasis of the family on not "having all the eggs in one basket". This growing detachment is as much a result of the vision of the family for the firm as a consequence of the decreased involvement of different generations in the day to day management.

> "Not depending on a single business sector, line or market has been a strong motivator of our strategic trajectory from the start, that is what prompted alliances in transport early on, and investment on automotive even earlier. This trend further emphasized by the loss of the parent company in 1982. We will never allow being in such a vulnerable situation again. So we keep looking for ways to open markets and activities for the firm"
>
> (Sandra, Strategy Director and Board Member MS, 3rd generation).

> "Michael Sr. was (and still is) totally involved in the day to day of the business, he knew (and knows) every single number of each business unit in the original family business. Michael was pretty much that way until the mid 90s and is still quite involved in the automotive business. Mike and his cousin joined the HQ directly so they do not have the same level of involvement with the day to day and the same degree of proximity to any of the business units"
>
> (Anthony, Director Automotive MS).

At NWM there is a greater attachment to the original business, more loyalty towards the original automotive brand, and the family has always been and remains 100% involved in the day to day management of the business.

> "I think sometimes we have been too loyal to the original manufacturer my grandfather started the business with. In Galicia we launched a new dealer on the manufacturer information that the market would represent over 1000 vehicles a year. When we started it was not even half of that and we suffered cut throat competition from another brand with local production in that province. Other times we have been shy in acquiring more brands because the manufacturer did not see it favorably even though many of our colleagues in other parts of the country went on and did it anyway. Sometimes we listen too much perhaps because of the loyalty they showed our father so many years back. While my father was alive it was from the manufacturers mouth to God's ears"
>
> (Joseph, Owner NWM, 2nd generation).

This family loyalty has often restricted the strategic choices of NWM:

> "We have let go investments we had due to pressures of the manufacturer and at times even not considered potential opportunities just by thinking what will the manufacturer think. In the past this might have been necessary to keep the business but not anymore and we still show a great deal of "fear" of what the manufacturer will do if we go against their wishes"
>
> (Ron, Owner NWM).

In addition to the degree of family involvement in day to day management and the level of attachment to the original business or manufacturer, MS counts with several mechanisms to keep corporate strategic decisions based on business factors rather than family considerations and relatively free from existing approaches and decisions and to keep corporate acquisitions.

> "My brother is the one that has always had a clear vision of where we are going with all these acquisitions and growth, but obviously none of us can be expert in everything. We surround ourselves with people that know what we don't know to introduce different points of view in the process. We bring in employees with particular recognized expertise; look for partners who are experts in a certain area; and bring in consultancy firms that we pay to provide all the relevant information for decision making"
>
> (Sandra, Strategy Director and Board member MS, 3rd generation).

Conversely, and while also based on sound financial analysis, at NWM the acquisitions and divestment decisions depend solely on family members opinions, particularly the CEO, and thus lacks the diversity and quality of inputs of MS.

In both firms strategic choices are driven by economic considerations more than family needs. Divesting from the original business activities is still difficult for both firms, although more for NWM and becoming less so for MS with the incorporation of new generations; in fact the emphasis on internationalization is clearly driven by younger generations. This is also related to the earlier discussion about the greater generational diversity and higher propensity to transform at MS.

The following table summarizes the empirical findings for our two cases related to the strategic alignment at the corporate level:

Table 5-16. Summary of the evidence regarding corporate level strategies

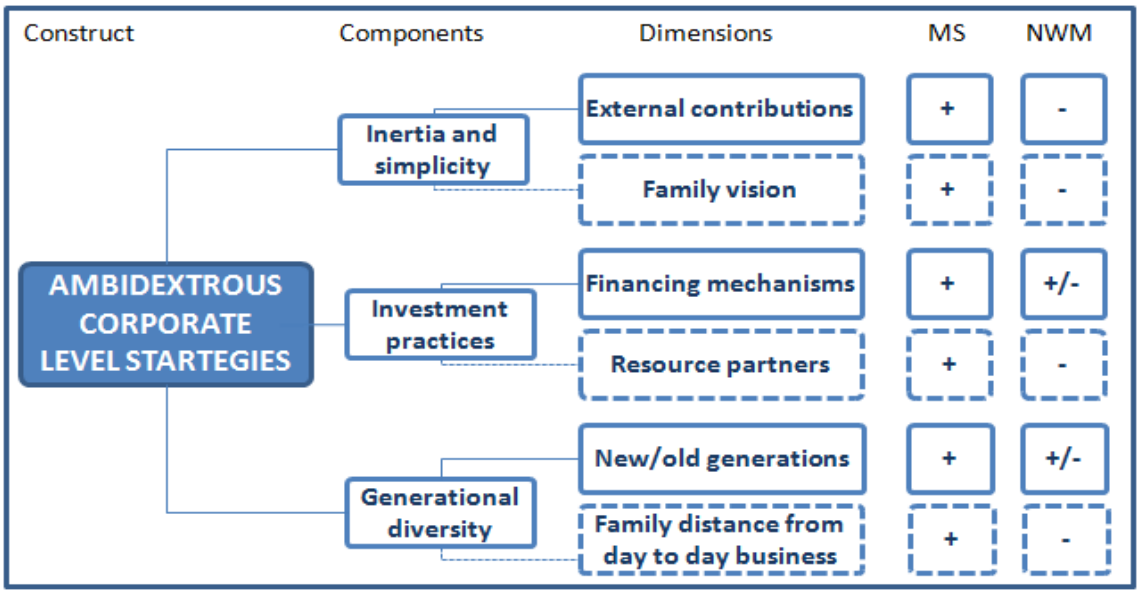
Corporate level strategic alignment	MOBILITY SOLUTIONS	NORTH WEST MOTOR
Strategic inertia and simplicity	Lower family involvement in day to day; detachment from original business/brands; high quality non-family internal and external inputs for corporate decision making; and a family vision that promotes both exploration and exploitation decrease inertia / simplicity	Higher involvement and attachment to original business and manufacturer combined with strategy analysis driven solely by a few family members, combined with exploitative vision limits the diversity and quality of inputs in corporate strategy decision making
Investment practices	Ability to generate internal financing for business ventures, call on external financial mechanisms when necessary do not limit corporate strategic options. External financial partners often bring other resources that allow corporate expansion into unrelated fields	NWM does not hesitate to call on external financial mechanisms for exploitation but avoids doing so for exploration limiting strategic options at the corporate level to exploitation
Generational involvement and diversity	New generations can take a distance from the original business and push for more exploration, more ambitious expansion and more rapid decision making. Combined with more cautious views of older generations result in ambidextrous strategies at the corporate level	New generation stays close to day to day business and renews focus on exploitation reinforcing the exploitative alignment. Limited involvement of other family members and generations to strategic decisions at the corporate level limits diversity of corporate strategic options

To summarize, our initial research proposition on corporate strategic alignment identified the ability of the family to minimize inertial forces and self-restricting investment practices and the capacity of the family firm to capitalize on generational diversity and change as potential drivers of ambidexterity at the corporate level of strategy. In addition to supporting these, the evidence provides more fine grained details of the dimensions; it reinforces the importance of having external resources in corporate strategic decision processes but above all it highlights again the fundamental role of the family vision, this time in

shaping the alignment of the firm's strategy at the corporate level. In regards to investment practices the evidence reinforces what we already discussed, that at the corporate level openness to external funding but particularly access of suitable external partners may promote the ability of the family firm to maintain high levels of exploration over time. Finally, the evidence suggests that although new generations can promote corporate exploration they maybe better able to do so when they take a distance from the day to day operations of the family firm.

The figure below summarizes the different dimensions of our corporate strategy construct and their influence positive (+) or negative (-) on the ability of our firms to become ambidextrous. Dotted lines indicate details emerging from the empirical evidence.

Figure 5-19. Ambidextrous corporate strategic ability: components and dimensions



In conclusion, the evidence suggests that families can influence corporate level strategic alignment via mechanisms that:

1. supplement the family's ability to identify and analyze corporate opportunities limiting strategic simplicity and inertia through the introduction of external contributions to the processes of corporate strategic analysis and a broad and clear family vision that pushes the family towards exploration and exploitation at the corporate level;

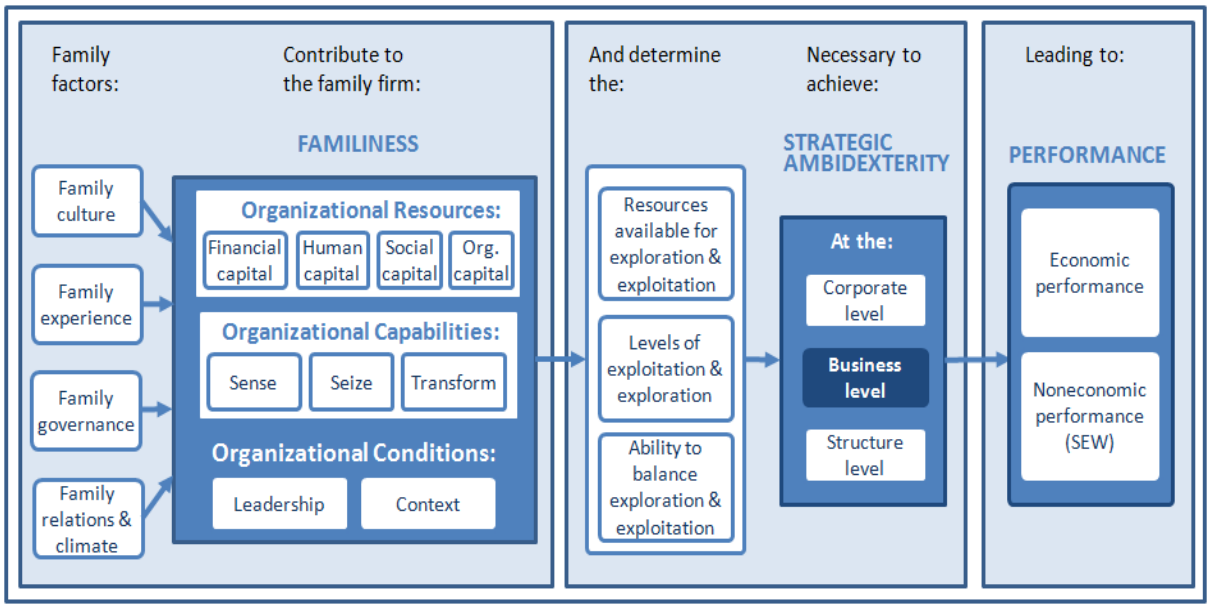
2. promote openness to various sources of financial capital for new investment including not only external financial mechanisms but also partners that expand the strategic options of the firm and;

3. capitalize on generational change and diversity not only to promote exploration and exploitation, but also to allow the family to combine a global view of the business with narrower

views from particular business unit perspectives to limit the pull of the attachment to traditional lines of business.

5.4.3 Business level strategies: alignment and family influence

Figure 5-20. Business level strategy within the theoretical model



5.4.3.1 Business level strategic alignment

Earlier we established that exploitation at the business level relates to efficiency initiatives of the firm; and business level exploration to improvements in the characteristics of the company's offer and innovation.

Unfortunately, information about business level strategic initiatives is scarcer in the internal documentation of the two companies and less clear in the memories of family and non-family respondents alike; therefore it is not possible to develop a comprehensive list of business level initiatives for every strategic period.

Furthermore, at the business level, the strategic options of both companies are quite constrained by the sectors they operate in. In automotive, manufacturers set the standards in terms of costing, pricing and quality requirements leaving very little wiggle room for the distributor to initiate changes in those areas. Similarly, in transport, public administrations and the specifications of public tender contracts establish the characteristics of the service offer. Despite these constraints, there is sufficient evidence to provide an overall sense of the alignment of business level strategic behaviors.

Efficiency

NWM and MS are both relatively efficient organizations. Both companies pay careful attention to efficiency measures and exhibit major strategic initiatives to increase efficiency after the 2008 crisis.

> "We have used best practice indicators for years now, including a large number of efficiency measures. This helps us to keep close control remain efficient and be prepared for everything. Well not everything, we were not ready to the depth and length of the current crisis and as a result we did have to take very comprehensive measures to increase efficiency. We reduced personnel and closed down some of the subsidiaries, we had to let go almost 300 people in automotive to be able to compete, we started with small staff reductions thinking the crisis would soon pass, but we had to keep downsizing 4 years in a row. We also froze wages, they are still frozen"
>
> (Luis, Commercial Director Automotive MS. Retired 2013).

> "In transport the market is a lot more stable so while we try to remain efficient and we control costs and expenses very closely (as is part of our contract conditions and good management) we do not suffer big external shocks unlike our automotive brothers. We have a constant efficiency improvement policy but there has not been any major initiative in my 24 years in this side of the company that say, for example, increased efficiency by 20%. It is more a day to day control of efficiency to make sure we are always operating at our most efficient"
>
> (John, Director General Transport MS).

Similarly, at NWM they emphasize the constant focus on efficiency and the absence of major moves until the current crisis.

> "Efficiency in our business is closely related to workforce management. Labor costs amount to over 75% of our total costs. Major efficiency initiatives in our sector will always be linked to a reduction in the number of staff. I do not remember any major initiative to improve efficiency during my time in the company (1967-2006). However, we did try to improve the way we were doing business systematically; we discussed the P&L accounts monthly on the board. Every time things were not moving in the right direction we made changes to be more efficient. However, other than this continuous tweaking, I cannot remember any significant efficiency plan until the latest crisis."
>
> (Joseph, Owner NWM, 2nd generation).

> "Over all we are a highly efficient organization. Prior to the crisis we never had to do any big readjustments. We are always making small adjustments, major efficiency moves have only been necessary since the crisis. Three of the most significant initiatives include: 1.Renegotiation of all company leases decreased rent cost over 50% between 2007 and 2010; 2. Staff reduction by 50 people in year 2008/09 and 3. Major investments in 2013/14 (ongoing) to introduce led lighting and lower energy consumption."
>
> (David CEO, NWM 3rd generation).

In other words, both companies display similar high levels of attention to efficiency as well as the ability to undertake significant efficiency initiatives when necessary.

Innovation

While both companies' are restricted by the constraints of their sectors, MS and NWM show significant ability in keeping up with the changes in the preferences of their customers and markets. Both introduce incremental innovative features to their offers in a regular basis:

> "In terms of innovation we have little space for maneuvering; all standards are set and measured by the manufacturer and non compliance results in serious economic penalties. Having said that, in areas where we have leeway we have always been first movers. We were among the first to make after sales profitable through innovations in quality control and by providing a company warranty for repairs. We offered courtesy cars long before it became a general manufacturer policy. We were also the first to turn around the second hand market by providing better quality and conditions, including the ability to return and exchange the car. These were introduced long before it was a legal European requirement. We introduced our own loyalty card and loyalty programs before the manufacturers introduced theirs. More recently, we have been one of the first to use the internet and social media extensively to communicate with our customers"
>
> (Joseph, Owner NWM, 2nd generation).

> "You could say we have been very good in making small innovations to improve the quality, appeal and value of our offers but not so good at developing creative ideas for radically new services. The ideas are sometimes there both from the family members and the non-family staff, but unless they have to do with our core business offers we do not seem to pursue them seriously, partly because we are so intensely involved and focused in our core services".
>
> (Ron, Owner NWM, 3rd generation).

However, MS is a lot more proactive than NWM in going beyond the introduction of gradual innovations. Despite the constraints of the sectors they operate in, MS staff is continuously searching for far reaching innovations to anticipate the needs and preferences of their customers, particularly in its transport services but to a lesser extent also in automotive.

> "Over the years we have being pioneers in many things, we were the first in the country to introduce biodiesel in transport back in 1992 we did a pilot with the Energy Institute; also in using hybrid engines and we tested the first totally electric bus in Spain. We were the first to introduce GPS localization allowing users to check waiting time and the first to install interoperable contactless smart card payment systems. At the moment we are developing a technology similar to the electronic toll system in highways but for transport. We developed customized handicapped vehicles before anyone; in fact we had to do the design of the vehicles ourselves because they did not exist. When years later handicapped associations wanted those vehicles to look like "normal buses" we

redesigned them completely so they appeared like regular vehicles… I could keep on, the list is long. I would say without a doubt we are among the top 5 Spanish transport companies in innovation and by far the first in our region (it is not us who say this it is the public administration)"

(John, General Director Transport Group MS).

"There are so many I do not know where to start, in 2002 we had the first cloud and communications network, and this was before VPN. In 2007 we were the first company in Europe to be able to recharge contactless smart cards online. We were the first Spanish company to have a transport RPB vertical application; it was 100% developed in-house and allows integrating any new company into our system in very little time. We were the first bus company in Spain to sell tickets with seat reservation online. We have done big things and small things to help our users: we were the first to let the parents check online whether their kids were on the school bus. Our ZEUS project provided real time measuring and comparison of every indicator both for transport and automotive allowing fast response when there are discrepancies or gaps; this on top of being an innovation contributes to efficiency".

(Steve, Systems Director, MS).

"In automotive we cannot be as innovative because the manufacturers do not allow it. Still we have done a number of things. We developed our own MS maintenance contract for clients with many versions to accommodate the needs of different types of customers; only very few dealers in the country have this type of contract. We have a MS loyalty card over and above the manufacturers' because we want to address better the needs of our clients. We have customized financing mechanisms for our clients; our competitors still use exclusively the manufacturer financial mechanisms. We created a centralized call centre for external clients of the warehouse and created a delivery service for them; this made MS a preferred provider for many auto repair shops"

(Luis, Commercial Director Automotive MS. Retired 2013).

This interest for innovation has its roots in MS' founder, and although in the last 15 years it has focused on IT and sustainable energy it has been a constant throughout the entire family firm history.

"Innovation is part of our DNA even if our two core sectors are not particularly innovative. Our grandfather was always experimenting with his buses… making them more comfortable and more appealing, thinking about new extensions for the lines. He carried around this notebook making notes about ideas; about new things to do to; about the number of people waiting in bus stops; about new possibilities he imagined for the future… That innovative spirit has remained and it is alive in every generation of this family and can be found in many of our staff. It is part of what we call 'sp@rk'"

(Sandra, Strategy Director MS, 3rd generation).

To summarize, at the business level, both companies show similar levels of exploitation; MS and NWM maintain high levels of efficiency with continuous incremental efficiency measures and undertake radical initiatives to adapt in the face of important external changes when necessary. In terms of business level

innovation, both companies are also very able and responsive in identifying and introducing progressive innovative features to their offers. However, when it comes to outright business level exploration, NWM does not show the same level of innovative ability as MS.

There is plenty of evidence of numerous highly innovative initiatives at MS both in transport and automotive, although admittedly most of the business level innovation takes place in transport, where the company has more flexibility to use its creative capacity and IT is taking an important role. Nevertheless, high levels of innovation in transport seem to have had a spillover effect into automotive (for example, the automotive warehouse delivery service logistics program was developed by the transport company experts and the "Automotive boards" or benchmarking system of the automotive business units has its roots in a transport application).

Furthermore, all the respondents of the company, both from the transport and the automotive side of the business, emphasize that the search for innovative solutions to improve, extend and woo their customers is not only an integral part of their job descriptions but a defining feature of their business culture.

The tables below list a number of significant business level initiatives in both companies and classifies them as exploratory or exploitative (they are classified by year rather than by strategic period because data is scarce for most strategic periods).

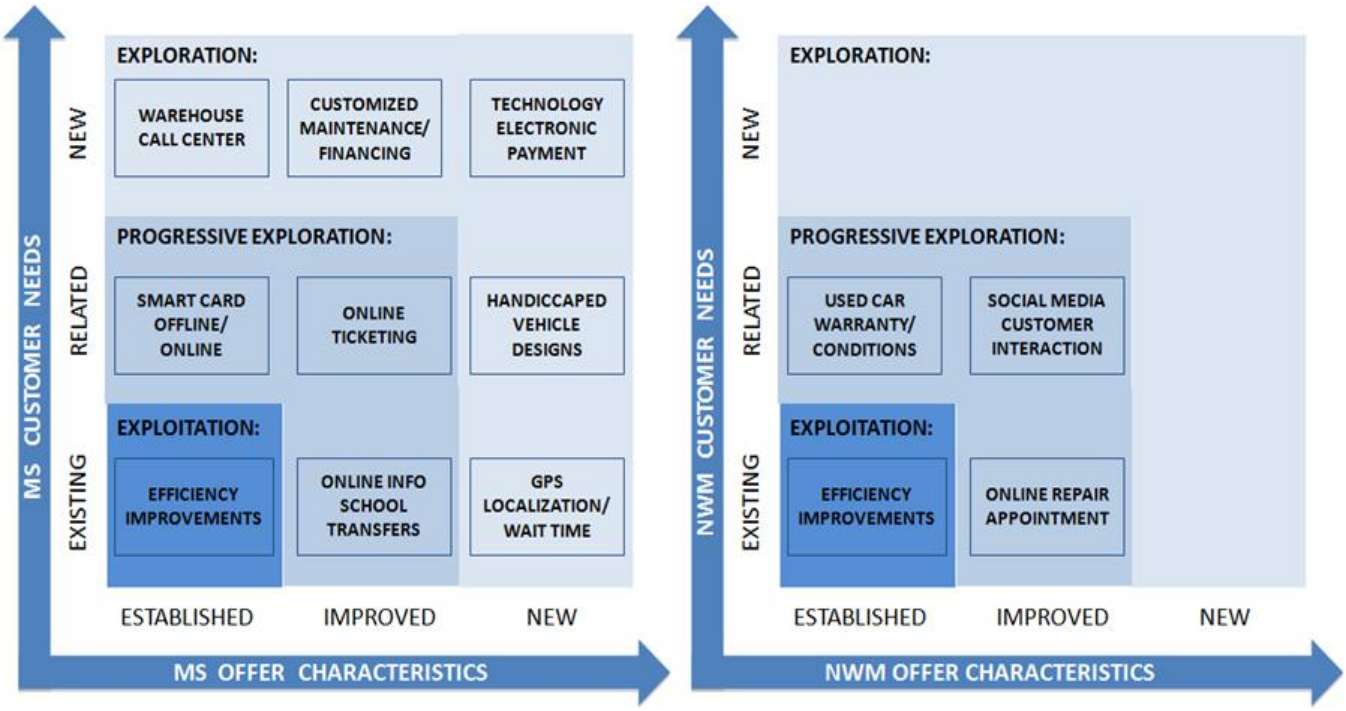
Table 5-17. Business level exploration and exploitation initiatives MS and NWM

BUSINESS INNOVATION (EXPLORATION)	BUSINESS EFFICIENCY (EXPLOITATION)
MS INNOVATION INITIATIVES	**MS EFFICIENCY INITIATIVES**
Handicapped mobility vehicle original design (1991) Introduction of biodiesel pilot with the Energy Institute (1992) Localization by GPS (1992) Electric buses test (1995) Regular mobility vehicle adaptation for reduced mobility passengers (1997) Set up of R&D budget and Systems department (2002) Company cloud (2002) Smart cards (2005) Full online reservation/ticketing systems (2006) Online recharge of smart cards (2007) Vertical transport application (2008) Zeus project (2009)	Introduction of diesel engines to reduce gasoline costs (1933) Centralization of warehouse by manufacturer (2003) Photovoltaic panels/solar energy in all automotive sites (2004) Staff downsizing (2008-2013) Centralization of warehouse for the entire automotive group (2009) Centralization of used car appraisal, warehouse and sale (2009)

MS maintenance and finance programs (2010) T-Mobility (2014)	
NWM INNOVATION INITIATIVES	**NWM EFFICIENCY INITIATIVES**
Quality controls and warranty for auto shop repairs (1978) Courtesy car for clients (1980) Return and exchange of used vehicles (1985) Company warranty for used vehicle sales (1988) First company loyalty program (1989) Online repair appointment (2005) Social media engagement programs (2010)	Incentive program to increase productivity (1968) Used car management program (1970) Warehouse redesign (1993) Staff downsizing (2008-2009) Early retirement plans (2008-ongoing) Lease renegotiation (2008-2010) Led lighting (2013-ongoing)

To facilitate the comparison of the level of ambidexterity at the business level, the figures below illustrate the alignment of a number of the business level initiatives in both companies.

Figure 5-21. Business level alignment at MS vs. business level alignment at NWM



Much like at the corporate level, MS shows a greater flexibility and range in its business level alignment and greater levels of ambidexterity.

5.4.3.2 Family influence on business level strategy

To examine how the family influences business level strategic alignment of the family firm we enunciated our second proposition on strategic alignment as follows:

Proposition 17. Family firms will be more prone to strategic ambidexterity at the business level when they have effective mechanisms to:

- **Engage involved family members in business level decision making;**
- **Generate, maintain and apply useful business level knowledge;**
- **Promote and provide access to nonfamily resources when necessary for the development and implementation of business level strategies.**

The evidence from our cases suggests that promoting ambidexterity requires the combination of the three elements above.

> "Our biggest strength, I think, is our ability to read the markets and translate that into different features for our services. To do so we combine information from different sources. Michael has access to valuable information through his networks that provide a macro perspective on our markets (where the public administrations are heading, innovations in the sector etc). He gets involved in a lot of initiatives to have such access. Mike and Sam push to introduce new technologies and update our customer knowledge. At a lower level, our business unit managers know their client' preferences intimately and add that information to the equation. Finally we have experts (internal as well as external) in many areas and they add their expertise in their fields as well. The three elements are equally necessary to stay competitive and be the first to offer some new features to our services"
>
> (John, Director General Transport MS).

In other words, MS combines the family knowledge about the trends in markets and the family firm's processes with nonfamily knowledge about technical specifications, and about products and clients, to anticipate market trends and produce new offers.

> "David know this sector better than anyone; most of us know our customers pretty well too. We use this deep knowledge to introduce improvements that allow us to be more efficient and better in addressing the needs of our clients"
>
> (Mario, Director Marketing, NWM)

> "Joseph and David are always pushing for us to update our technical skills to improve. Lately internet skills but they have always promoted new technologies to engage better with our clients. Ron helps us with this too because it is his field of expertise"
>
> (Manuel, After sales Director, NWM)

An enhanced integration and recombination of different family and nonfamily knowledge resources provides an advantage for MS over NWM when it comes to ambidexterity, allowing MS to look for alterations of business offers that are both close to what they are already doing as well as far. This suggests that it is not only family involvement but the ability of the family to combine family as well as

nonfamily contributions that leads to distinctive business level exploration and exploitation paths and ambidexterity.

This implies that to promote ambidexterity, families can develop significant levels of tacit knowledge by promoting and combining family and nonfamily contributions to business level strategies to better anticipate and meet specific customer needs and requirements with their offers.

The evidence also shows that the availability of appropriate expertise and financial resources to carry out new and improved offers is fundamental for pursuing business level exploration and exploitation.

> "When we discovered the opportunity to offer online ticketing we had the advantage that we had in house IT expertise, budget to pursue it as well as access resources we did not have in-house. This allowed us to go from having the idea to making the service available in less than one week. Obviously once we came up with it, all our competitors tried to do the same, but it took them a much longer time because none of our competitors have our level of expertise or the connections to access resources as quickly as we can. By the time they catch up with us we are already on our next project"
>
> (John, Director General Transport MS).

The following table summarizes the empirical findings regarding business level strategic alignment:

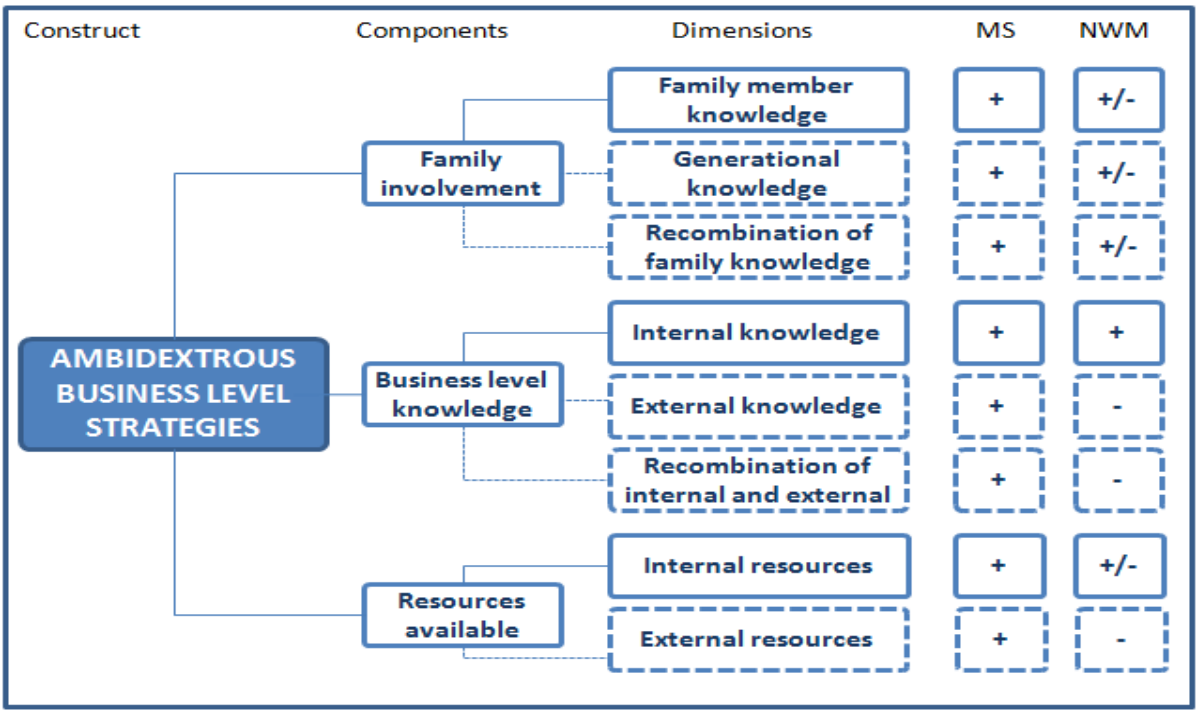
Table 5-18. Summary of empirical evidence for business level strategic alignment

Business level strategic alignment	MOBILITY SOLUTIONS	NORTH WEST MOTOR
Family involvement	Good ability to tap on the family's intimate knowledge of the business and markets as well as the new knowledge of younger generations on new technologies and customer preferences allow the company to mix business level exploration and exploitation	Deep involvement of family members at the business level promotes business level exploitation. New generations emphasize new technologies and promote progressive exploration
Business level Knowledge	Combination of family knowledge about markets and firm's processes with nonfamily internal and external expertise about services, clients and market trends and technical areas enhances integration and recombination of family and non family knowledge and promotes ambidexterity	Good ability to combine family and non-family business level knowledge. Development and integration of this knowledge is mainly related to existing activities and results in higher levels of exploitation than exploration but facilitates progressive exploration perhaps due to limited access to new knowledge
Resources available	Continuous search for external expertise to expand and supplement their business level resources and knowhow. This access enlarges the potential business level exploratory and exploitative strategic options	Tendency to stay within existing internal expertise and resources to develop business level strategies limits the business strategic options to what the company knows and closely related options favoring exploitation over exploration

To summarize, our initial research proposition on business level strategic alignment identified the ability of the family to engage in business level strategic decision making, its capacity to promote business level knowledge and its openness to access external resources as potential drivers of ambidexterity at the business level of strategy. In addition to supporting these, the evidence provides more fine grained details of these dimensions: at the level of family involvement it highlights the importance of tapping and merging the business knowledge from different generations; at the level of generating business knowledge it emphasizes the ability to recombine family and nonfamily business knowledge; finally, regarding the availability of resources for business level strategies it underscores the important role of accessing specialized external expertise and recombining it with internal business level knowledge.

The figure below summarizes the different dimensions of our business strategy construct and their influence positive (+) or negative (-) on the ability of our firms to become ambidextrous. Dotted lines indicate details emerging from the empirical evidence.

Figure 5-22. Ambidextrous strategic business level ability: components and dimensions



In conclusion, the evidence suggest that families can promote ambidextrous business level strategic alignment if they:

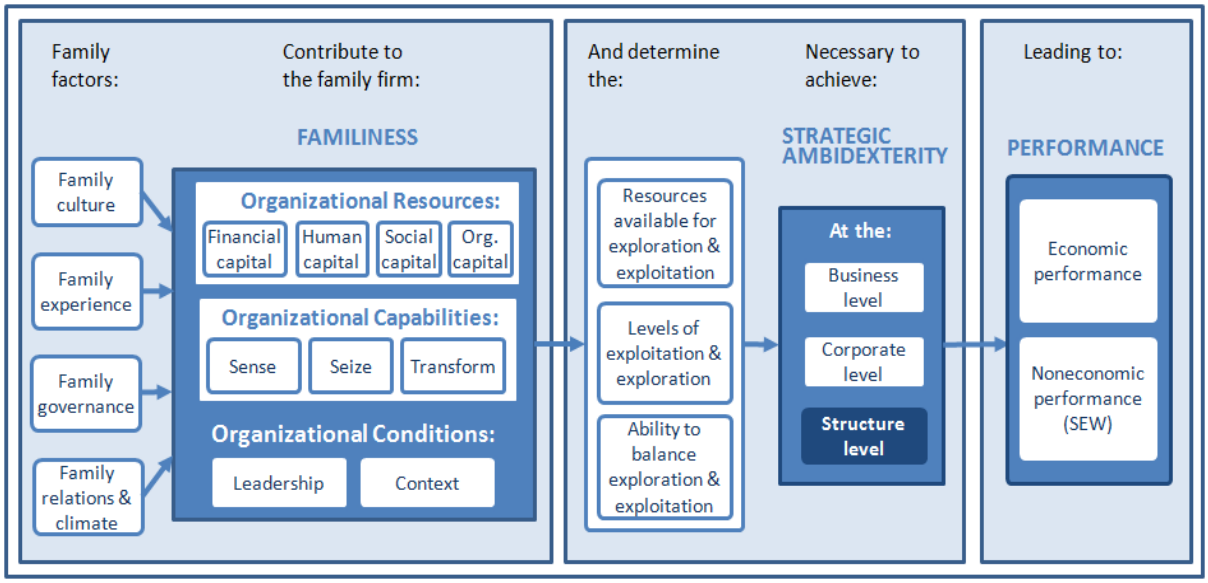
1. promote diverse family involvement and develop tacit knowledge of family and nonfamily members and support the recombination of this knowledge for business level exploration and exploitation;

2. encourage the development of new business level knowledge for exploration as well as exploitation by tapping family and nonfamily business knowledge; and

3. advocate and support access to expertise outside of the company and their field to supplement their resources.

5.4.4 Structure level strategies: alignment and family influence

Figure 5-23. Structure level strategy in the theoretical model



5.4.4.1 Structure level strategic alignment

In addition to corporate level choices about markets and business activities, and business level decisions about efficiency and innovative characteristics of company offers, NWM and MS make choices about how to implement selected corporate and business strategies via internal structures and external business models. In this section we discuss major strategic decisions of NWM and MS at the structure level, i.e. their initiatives to centralize and maintain existing business models (exploitation) as well as their initiatives to decentralize and transform their business models (exploration).

This area is the most stable of the three strategic levels in both companies. In their entire strategic trajectory respondents from both organizations admit to very few changes both in the structure and business models of their family firms. The internal data is consistent with that interpretation and shows only a couple of significant structural changes for each of the companies and only one major shift in business model for MS.

Structure

The organizational structure of both companies has evolved in a very similar fashion. From foundation until 2009, both family firms have had a traditional pyramidal hierarchical structure with a family member at the top and a relatively flat organizational structure underneath it: a director for each transport and/or automotive business unit, and below that level, two managers in automotive (one for sales and one for after sales in automotive) and a small support structure for the transport business units; at the bottom of the pyramid inspectors and drivers in transport units, and mechanics, warehouse and sales staff in automotive.

Over the years, as NWM and MS have grown through acquisitions or new ventures (both in transport and/or automotive), they have replicated the same structures in the new companies.

> "The structure in general has been and is very flat. Every business unit is the same: one director, one or two managers below that and then the rest of the staff. Some years ago they added one more level in an attempt to supervise the transport and the automotive groups but this post appeared and disappeared and was not really established until the organizational to head the last reorganization"
>
> (Albert, Human Resource Director MS).

As markets became more competitive, there has been a trend in both firms to merge and centralize similar business units by business activity, manufacturer brand, or geographical area, to reduce the number of staff at the top levels of the organization. In addition, in automotive both companies have created coordinating or transversal roles by area of expertise (e.g. quality, marketing, used vehicles, sales and after sales).

In automotive both firms have also centralized and decentralized business units following changes in the manufactures preferences for atomization in the 1980s and the 1990s, and later for concentration at the turn of the century. In addition to this manufacturer driven structure changes, both companies have made attempts to adjust their structures to accommodate the effects of the crisis.

At MS there have been only two major efforts to modify the organizational structure. The first one, between 2002 and 2005, attempted to create two pilot centralized units: one for automotive grouping all dealers of a same manufacturer (in 2002) and one for transport with a number of bus companies in the same geographical area (in 2005). Each pilot group was staffed with a general manager for the group and kept the rest of the organization intact. This move added a hierarchical level between the family top management and the business units, but the attempt remained partial, was short-lived, and did not change the way the company operated.

"Before 2009 there were minor attempts to centralize and the directorships of a couple of companies were merged, but shortly after, they were again decentralized. Then there was an effort to centralize all the activity around a geographical location but very timid and with very limited impact on the way things worked around here"

(John, General Director Transport MS).

After these shy attempts at restructuring, in 2007 MS launches a major initiative to re-structure the entire group that culminates in 2009 with a complete overhaul of the organizational structure.

"The type of re-structuring necessary was not possible while we were still partnering 50-50 in one of the large transport groups of the company. But in December 2006 we bought out the 50% from our associates and a new era started for MS. We went from shared management in a big chunk of our transport business to controlling all of the companies in the group. We made the move from managing independent brands and groups in automotive and transport with their own management systems, to creating a truly single organization. We created a single corporate group and a common identity for all the different business groups and brands"

(Sandra, Strategy Director MS).

"The restructuring is much deeper than this of course, but to give you an idea, I used to travel with 25 different business cards. If I had the hat of automotive brand A, I would give this card; if I had the hat of transport brand X, I would give you this other company card. Externally we did not have a common corporate identity. Internally the different companies operated like independent silos under the umbrella of the Morton family group but nonetheless working in their own peculiar ways"

(Michael, President MS).

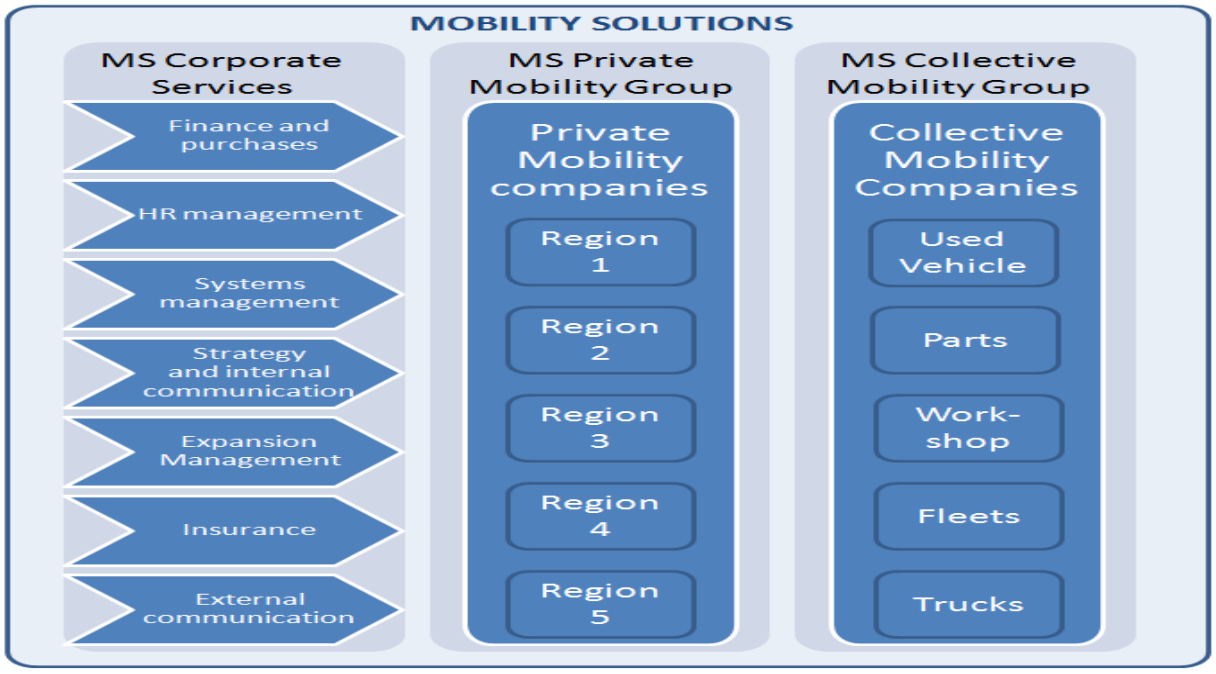
After almost two years of intensive work, the new MS structure was born. The company would have only two big groups, one for collective mobility and one for private mobility each with a general manager. A headquarters was also created, physically separated from any of the business units, to host MS' top management as well as all the transversal corporate services for the entire group. Until 2009 every business unit had staff managing different aspects of these services but they did not have strong expertise in the different areas, they mainly provided administrative support. With the restructure corporate services including human resources, finance, IT systems, strategy, expansion, internal and external communication and insurance were centralized and professionalized.

"Before the restructure every unit had a finance department, an HR department etc. These teams did not provide much guidance to the unit they were in. HR teams did payroll, finance teams accounting and cash flow. They provided basic administrative support but no meaningful advice on how to improve HR, finance etc"

(Albert, HR Director MS).

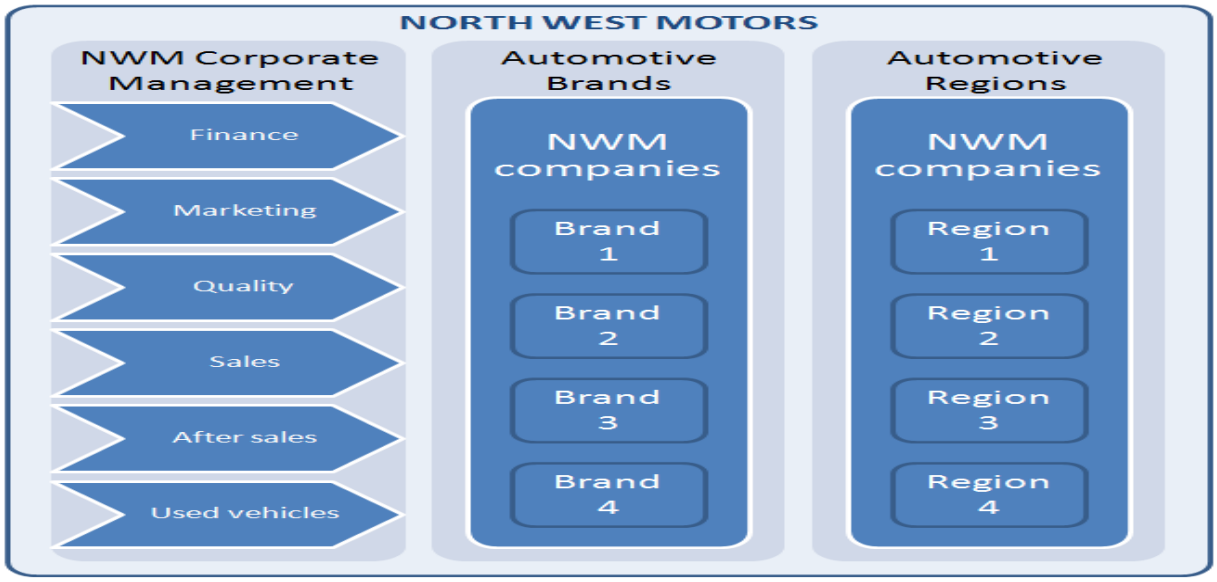
In addition to the transversal corporate services, MS grouped the different transport companies by geographical area and created common services within automotive to take advantage of synergies in the different areas of the business (used vehicles, fleets, parts, workshop, and industrial vehicles). This new structure created a matrix-like organization at MS illustrated below.

Figure 5-24. Organizational structure MS



In a sense, over time NWM has created a similar organization, with centralized management of functional aspects such as finance, marketing, quality used vehicles, after-sales and sales, as well as groupings of companies by region and brands. Although, unlike MS, NWM arrived at this structure gradually, without any major structural reorganization.

Figure 5-25. Organizational structure NWM



This structure does not provide NWM with as much structural flexibility or renewal for two reasons. The first one is that at NWM most functional directors are also automotive unit directors. This means that their expertise and attention are divided between managing their business unit and providing support to the group in their area of expertise. The second reason is that these directors are first and foremost automotive experts; most of them came up through the ranks of NWM and their expertise and experience is almost exclusively in automotive and at NWM. In most cases, they were selected for the post because they were the best internal assets of the company in that particular area of expertise. While extremely talented and committed professionals, their level of expertise and experience is relatively limited. Furthermore, since they were already part of the human capital of the firm they are unlikely to infuse new perspectives or to introduce radically new ways of doing things, and thus this new structure has limited capacity to extend the capabilities of NWM.

Ultimately, both companies introduced structural changes to take advantage of economies of scale and synergies, and they have both been extremely successful at it. However, at MS the structural reform had an additional driver: to professionalize the corporate services of the group to improve the overall capabilities of the firm in those areas. For this reason, most directors of central corporate services at MS were externally recruited and selected based on their level of competency and expertise in their particular functional area (regardless of their prior experience in automotive or transport). In other words, the ultimate objective of the recruitment process was to expand the knowledge of the group and build or extend the existing capabilities of the group in those areas to take the group out of its comfort zone.

Business models

Externally, NWM strategic behavior at the structural level sits between Miles and Snow's (1978) "defenders" and "analyzers." Defenders offer a limited range of products, offer top quality and customer service and manage outstanding efficiency. Analyzers tend to expand into areas close to their existing core competencies and make incremental improvements to existing offers instead of developing completely new ones. NWM focuses on maintaining a business model that maximizes efficiency. This

choice allows NWM to outperform most of its competitors in efficiency indicators (as well as MS as shown in the table below) such as cash flow, employee productivity, and direct costs.[11]

Table 5-19. Efficiency indicators for MS and MWM

	CASH FLOW	PRODUCTIVITY	COSTS
MS Ranking vis a vis the network	Top 50%	Top 50%	Top 50%
NWM Ranking vis a vis the network	Top 10%	Top 10%	Top 10%

Source: Manufacturers' databases comparing indicators of all distributors in their network for the last 15 years. The percentage shows the average ranking of both companies since 2002 as part of the distribution network of a common manufacturer (this manufacturer represents 60% of the total automotive business for MS and 85% for NWM)

At the same time, high levels of environmental awareness as well as proactive search in their sector allows NWM to identify and adapt to market trends by gradually shifting its business model to accommodate those changes and maintain results in the medium and long run.

MS changed its overall business model by integrating the business and re-defining itself in terms of "mobility" after the 2009 restructuring. Using Miles & Snow (1978) nomenclature, MS shows a combination between the analyzer and prospector behavior. MS combines gradual adaptation of business models very similar to NWM with a focus on flexibility that occasionally results in the development of a new business models for particular parts of the business. This behavior is supported by significant amounts of R&D and marketing spending, allocation of resources to new offer development as well as higher spending in motivating, informing, and educating sales force and customers. As a result MS outperforms NWM in operating margins (confirming MS ability to communicate and influence its customers to position their service offers as higher value added propositions and thus reap higher prices).

Table 5-20. R&D, marketing and margins at MS and NWM

	R&D	MARKETING	MARGINS
MS	Dedicated department at HQ (12 people) and significant annual budget	Dedicated department at HQ (5 people). Corporate marketing strategy. Budget and objectives go far beyond manufacturer's requirements	TOP 10%
NWM	No budget or dedicated staff	One person part time. Lacks own marketing strategy. Follows objectives and budget meet manufacturers' conditions	TOP 50%

Source: Internal company documents and manufacturers' databases.

[11] Note that these indicators are only for the common activity for MS and NWM. i.e. automotive. In transport there are no readily available statistics to rank the level of efficiency of MS in the industry but experts suggests MS ranks at the top given its ability to out-bid their competition in public procurement processes.

In sum, at the structural strategy level and looking at the evolution in the automotive business units alone, the degree of centralization between MS and NWM business units is very similar (except for the differences in the degree of control/delegation of the family management discussed earlier). The evolution of their business models is very similar as well: both companies have shifted from a sales centered business model in the 80s to an after-sale centered business model in the 90s to a customer centered business model in the new millennium.

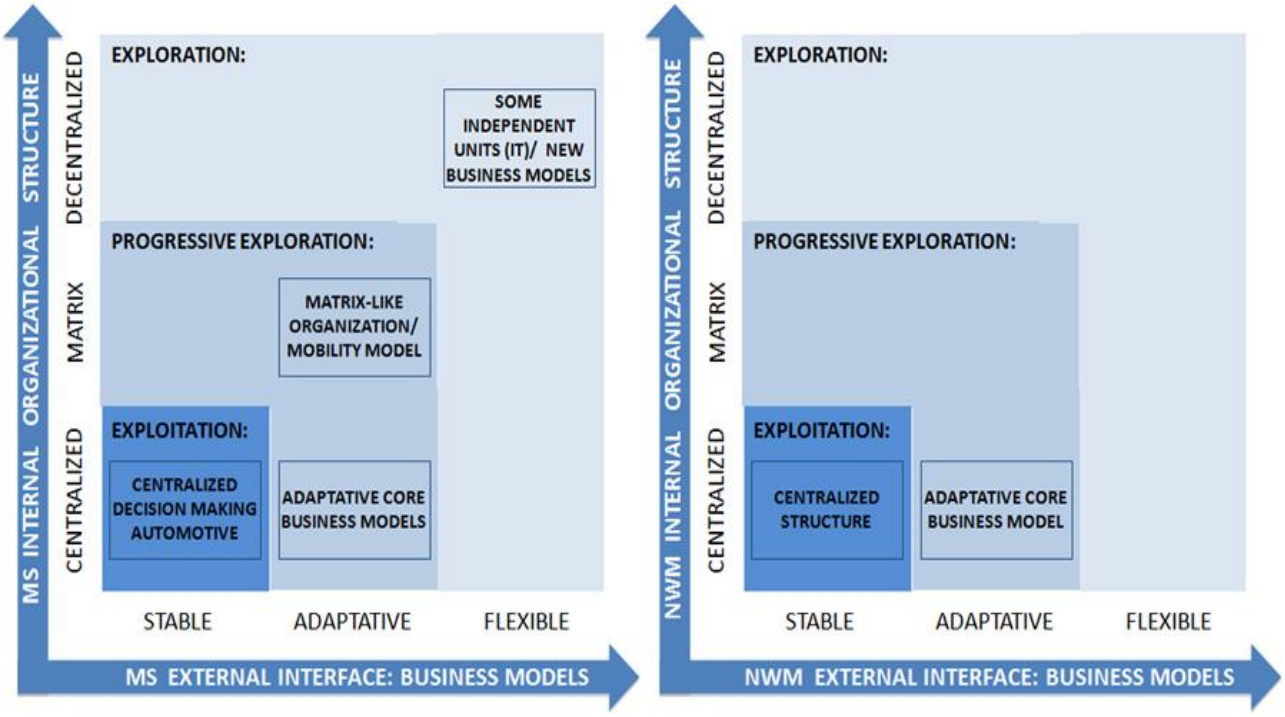
Overall, NWM displays higher levels of centralization and more stable business models than MS. Undeniably, a certain degree of centralization is necessary to survive in the automotive retail sector given its level of competition and requirements for synergies and efficiencies. Arguably it is difficult to create flexible business models with all the conditions imposed by the manufacturers and in fact MS, shows greater decentralization and flexibility in transport than in automotive.

Despite facing similar sector constraints, MS has been able to combine more centralized structures and business models for the automotive core business, with other more flexible structures for areas where the manufacturers exercise less pressure. For example, at MS they have created autonomous adjacent business units such as the "MS auto-selection" to manage multibrand used vehicle sales, with higher levels of decentralization and a more flexible business model.

Furthermore, some of the transversal corporate service units at MS operate with extremely high levels of autonomy. For example, the systems team reports directly and exclusively to the President of the company, who admittedly "never questions what we are doing and leaves us carte blanche to experiment and create new ways of interacting with the markets" (Steve, Systems Director). These differences make MS more ambidextrous also at the structural level.

The figure below illustrates the different structural alignment of NWM and MS.

Figure 5-26. Structure level alignment at MS vs. structure level strategic alignment at NWM



In sum, both companies still maintain a highly centralized organizational structure in automotive, more so NWM than MS. At MS the new matrix structure is used more flexibly in the transport group and business units function with higher degrees of autonomy; the automotive group, however, while more autonomous than at NWM, it is still highly reliant on the President for important decisions and thus functions more like a centralized structure in most aspects of the business.

Despite this fact, MS is moving towards a more complex matrix like structure to deal with the complexities of juggling with various business units and stable and flexible business models in the family firm group. In addition, given the constraints of the automotive and transport sectors, the existence of decentralized units such as IT systems or MS auto-selection, allow MS to maintain flexible business models in certain parts of the business infusing the group with a greater level of overall flexibility.

5.4.4.2 Family influence on structure level strategy

To examine how the family influences structure level strategic alignment of the family firm we enunciated our third proposition on strategic alignment as follows:

Proposition 18. Family firms will be more prone to strategic ambidexterity at the structure level when they have mechanisms to:

- **Counterbalance the predisposition of the family towards centralization and maintenance of stable business models particularly in the face of change;**

- **Check periodically the alignment of existing organizational structures and business models with the needs of the organization and the markets; and**

- **Capitalize on the unique decision making power of the family to enable and facilitate exploration.**

Both family firms show a predilection for centralized structures and this makes MS and NWM very effective at carrying out strategic decisions. This centralization of power provides both families with high levels of authority and thus low levels of internal resistance that facilitate the pursuit of strategic initiatives and high speed in implementing change when it has the family's backing.

The concentration of authority at NWM and MS allows the Olsons and Mortons to project their vision on the business. Since the Morton's vision calls for exploration and exploitation, this vision promotes the development of structures and business models that enable ambidexterity; since the Olson's vision is focused on exploitation it promotes structures and business models that serve exploitation and incremental change.

> "Everyone knows this is the Morton's company and they have the final word. Yet within the new structure there are more areas of the company with greater autonomy. Particularly those farther away from the traditional expertise of the family. For those the family provides the generic strategic mandate of growth and expansion, other than that they pretty much organize themselves and their interactions with markets as they see fit because they have the knowhow and the family does not"
>
> (Albert, Human Resource Director MS).

> "The proof that our company's structure and business model has evolved in line with changes in the market is that we are still standing while most of our competitors are in bad shape. We are stronger now that we were in 2004 despite all the years of crisis and we remain leaders in our sector. David understands this business and provides support. This is particularly important when something does not produce the expected results. When that happens he works directly with the person responsible of that department to find out what we have to tweak to perform better and stay on the lead in our territories"
>
> (Jose, Used Vehicle Director NWM).

Neither of the firms shows a strong ability in making radical structural moves, partly due to constraints in their sectors, partly out of fear of losing control of what is going on in their business. This fear is more accentuated in areas where the family members have a deeper knowledge and intimacy with the business.

"Despite the restructuring and the introduction of an additional hierarchical level in automotive, the business unit directors still see Michael as their boss because they still report directly to him; they see the new post as an equal, and adviser. This emerges from the close contact Michael has always kept with the automotive business. He has delegated most of the day to day since the 90s, but in this area he still keeps control. This reality makes the automotive group a lot less nimble than the transport group"

(Albert, Human Resource Director MS).

"Some family leaders delegate more but at the end of the day everyone knows what goes is what the family CEO says. This works well because it makes the decision making process extremely rapid and the implementation immediate (if David or Joseph say so, whatever it is it goes) but it also means that as we grow in size perhaps a more decentralized structure would be better for the group. To date David has been able to juggle all but I think he is getting close to the point where it might be too much and other decisions that deserve more attention than the business level ones may pass him by"

(Manuel, Sales Director NWM).

At MS this emphasis on centralization in some areas contrasts with complete decentralization in others.

"One thing I have to be grateful for, is that the family does not meddle in my area. It is painful to discuss technical IT processes with non systems experts. I have never felt the need to explain how my team works, I just explain what we want to accomplish and that's enough. Michael knows a lot about automotive and he knows a lot about transport but he is also aware that he is not an IT expert. This freedom allows us to operate connected and at the same time disconnected from the rest of the company. We contribute to the rest of the business but we also create our own business. One of the latest projects is not about autos or buses it's about payment technology. In a sense we have created a new business model for MS, one related to a technical aspect of mobility payment systems but that is not mobility per se, to do so we need certain independence"

(Steve, Systems Director MS).

Combined, this ultimately results in MS' overall more flexible structure and a better ability to adopt different business models within the group. In other words, despite the Morton's willingness to maintain control over the traditional parts of the business and the size of the company, MS has kept high levels of awareness about the need to realign organizational structures as well as the impact of structural mechanisms in the ability of the company to serve new markets and segments. This awareness ultimately prompted the family to implement a radical structural change. While it is still very much a work in progress, the family was fundamental to initiate it and keep the momentum. Obviosly this type of changes take longer to implement, not only due to their nature but to the resistance of the family to let go the control of certain business areas.

"The organigram has changed, the overall structure has changed, a lot of people moved around, and a number of new people joined at the top but it is still very much an

organization that works in the old ways. You could say it is a similar organization with pockets of modernity. It will take time for the rest of the organization to catch up. It is already a good sign that things are moving in certain areas, this has a spillover effect on the rest of the organization. The family is 100% behind it so ultimately it will take hold. In some areas it will be difficult. Michael, for example, is attached to the automotive business because it's where he started professionally, he likes to retain higher levels of control over that side of the business"

(Albert, Human Resource Director MS).

The following table summarizes the empirical findings related to the strategic alignment at the structure level:

Table 5-21. Summary of evidence regarding structure level strategic alignment

Structure level strategic alignment	MOBILITY SOLUTIONS	NORTH WEST MOTOR
Centralization	High levels of centralization and authority of the family allow rapid decision making and allow the projection of the family vision on the business. Since the family vision calls for exploration and exploitation it promotes some autonomy and flexibility that enable ambidexterity despite the preference for centralization	High levels of centralization and authority allow rapid decision making and allow the projection of the family vision on the business. Since the vision is focused on exploitation it promotes structures and business models that encourage exploitation and incremental change
Alignment with the market	High level of awareness about internal/ external alignment of organizational structures and business models (defined broadly). Misalignments are usually dealt with through incremental changes but occasionally prompt the family to overhaul the organization (although they take time)	High level of awareness about internal and external alignment of the organizational structures and business models (defined in terms of current status quo). Misalignments are dealt with through incremental changes in business models
Exploration enabling decision making	Decision making speed facilitates renewal at the structural level. Speed is slower for drastic change. The family identity as "innovative" allows the family to use this decision making effectiveness to explore at the structure level promoting certain level of ambidexterity	Decision making speed facilitates incremental change at the structural level. The family identity as "efficient and leaders of their sector/markets" prompts the family to use this decision making power to promote rapid exploitation

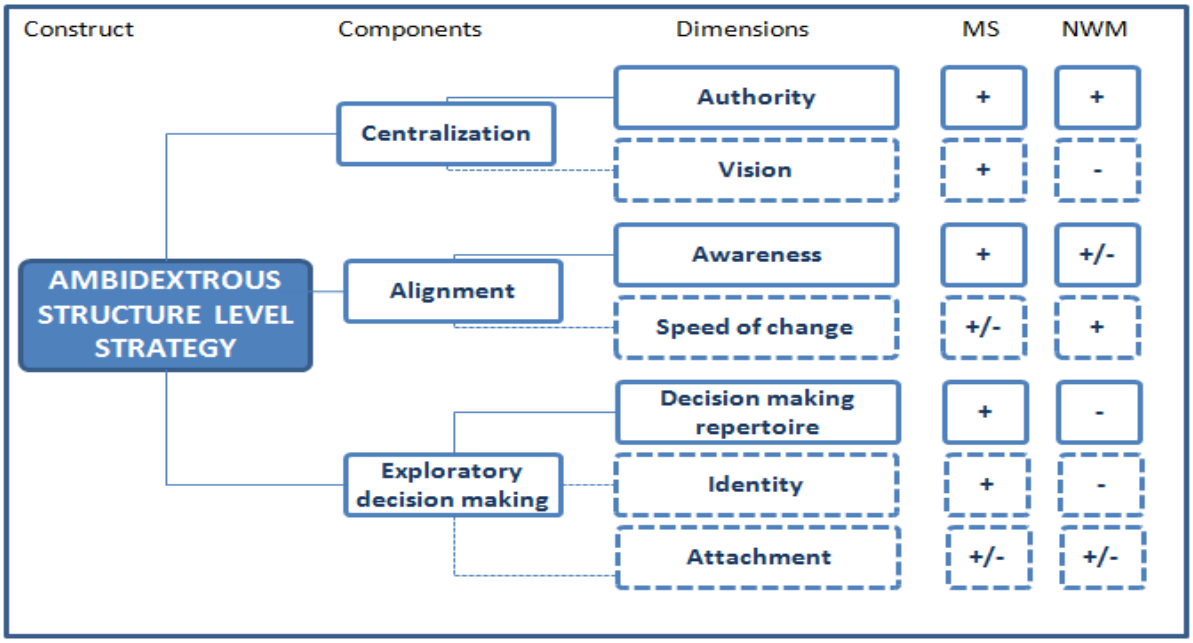
To summarize, our initial research proposition on structure level strategic alignment identified the ability of the family to counterbalance its preference for centralization and stability; its readiness to review and adapt the internal and external fit of the organization; and its ability to capitalize on rapid decision making power as potential drivers of ambidexterity at the structure level of strategy. In addition to supporting these, the evidence provides more fine grained details of these dimensions.

The evidence shows, for example, that an ambidextrous vision can help family firms to counterbalance the family preference for centralization and stable business models; that families can promote ambidexterity at the structure level by reviewing their internal and external alignment periodically using

a broad definition of what alignment means; and that capitalizing on their decision making will only promote ambidexterity if the identity of the firm embraces exploration and exploitation and if the family is able to "detach" sufficiently to surrender control on traditional parts of the business

The figure below summarizes the different dimensions of our structure level strategy construct and their influence positive (+) or negative (-) on the ability of our firms to become ambidextrous. Dotted lines indicate items added as a result of the empirical evidence.

Figure 5-27. Ambidextrous structure level strategic ability: components and dimensions



In conclusion, the evidence from our two cases suggests that families can promote ambidextrous structure level strategic alignment if they:

1. combine centralization of power and authority to facilitate decisions at the structure level with a vision that favors both exploration and exploitation;

2. promote broadly defined business models that encourage exploration and exploitation; and

3. contribute to the development of a family firm identity that embraces both exploration and exploitation and allows family members to take sufficient distance from original business activities to surrender some control.

We have now examined the influence of the family on the alignment of strategic initiatives at the corporate, business and structure levels and completed the analysis of the evidence regarding research question two.

5.5 MANAGING AMBIDEXTERITY: LEADERSHIP AND CONTEXT

Sections 5.5 and 5.6 analyze the evidence related to our last research question:

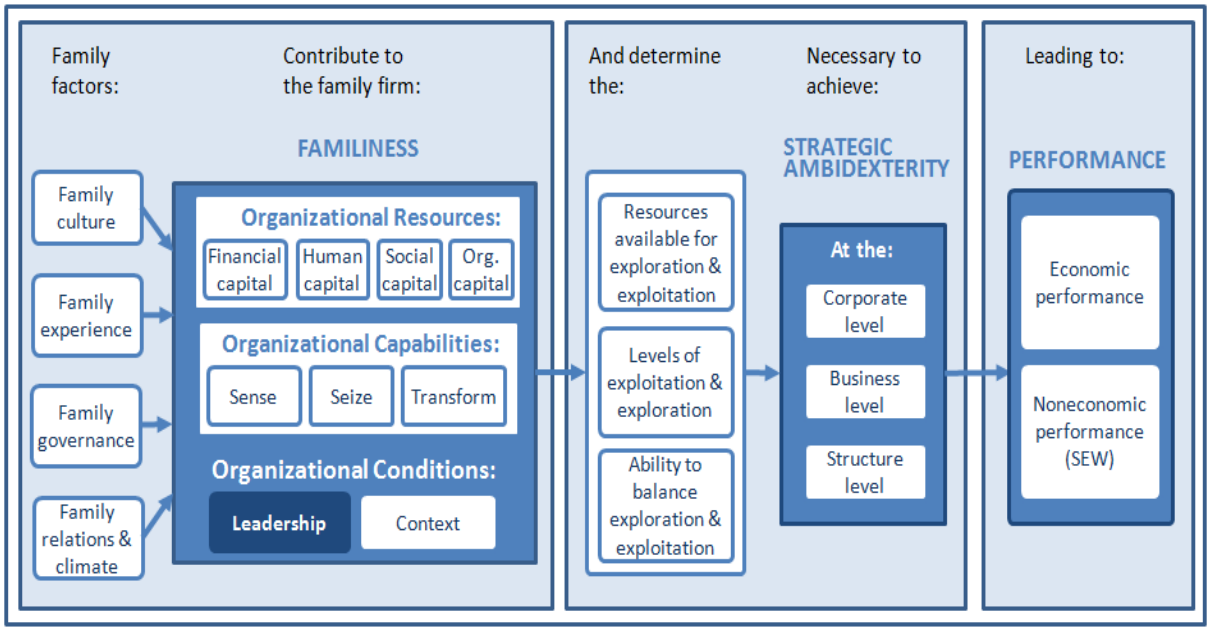
RQ 3: How can family influence help or hinder the ability of family firms to manage the tensions and paradoxes of exploration and exploitation to reach their performance goals?

In this section, we examine the influence of the family on leadership and context to explore the ways enterprising families to promote or hinder the ability of their firms to manage the contradictions and paradoxes of exploration and exploitation. Section 5.6 will complete the analysis of this third question by examining the priority economic and noneconomic objectives and the performance levels of NWM and MS vis a vis those objectives.

Although previous sections on specific resources of our family firms touched upon some basic aspects related to the underlying resources of family firm leadership and context, the sections below go beyond that analysis to explore specific aspects of leadership and context to unveil those that have helped or hindered the integration of exploration and exploitation at MS and NWM.

5.5.1 Leadership

Figure 5-28. Leadership within the theoretical model



To explore the effects of family leadership on family firms, we developed two research propositions regarding leadership. The first one (proposition P.19) is related to the ability of the top management of the firm to balance exploration and exploitation; the second one (proposition P.20) is related to the ability of the family leadership to balance family and firm

The first leadership proposition was enunciated as follows:

Proposition 19: Family firms will be more prone to ambidexterity when the top management of the family firm:

- **Taps on the particular capabilities of family CEOs and family firm founders while maintaining an heterogeneous TMT composition and goal set**
- **Establishes efficient mechanisms to manage disagreement and conflict in TMT processes while allowing a diversity of opinions to emerge**
- **Promotes a spirit of openness**

Capabilities of family CEOs and TMT composition and goals

As we discussed in earlier chapters managers are better able to deal with the contradictions and tensions of exploration and exploitation when they have high degrees of autonomy (in task and decision making); high levels of social capital (so they are well connected throughout the organization and can gather information and support across the organization); and certain personality traits conducive to combining new and existing knowledge (such as creative problem solving, passion and discipline).

We have already explored some evidence showing the ability of family CEOs from different generations at MS and NWM to make autonomous decisions and to build strong social capital within their family firms and strong networks outside the firm. In addition to these similarities, family leaders are described by the respondents in terms of unequaled passion and commitment for the business and identified as the "shapers" of the family firm.

In the case of MS:

> "Across the generations all the family members working for the family firm have shared the same enthusiasm for the family business and what we want to accomplish. You will not find anyone with a higher level of commitment to the business, sometimes I think it consumes us"
>
> (Sandra, Strategy Director and Board Member MS, 3rd generation).

> "My brother Michael, my father before him and my grandfather before them, forged the vision for the family firm. They have built on each others' achievements, but at the same time they have left a very strong imprint on the firm, how we work, where we go"
>
> (Rose, Owner and Board Member MS, 3rd generation).

In the case of NWM:

> "Anthony, Joseph and David had the same level of involvement and drive for the business. They had different styles and took the firm in different directions. They listen to other members of the family and the firm but ultimately it is their personal decisions and preferences that have shaped the company. Everyone working in this company has total faith in the decisions they take because the results speak for themselves"
>
> (Eduard, Director Automotive, NWM. Retired 2006).

> "The one thing my grandfather, my father and my brother had in common was their passion for the family business and their total dedication. They have shaped the company with their continuous efforts and vision"
>
> (Ron, Owner, NWM. 3rd generation).

Both family firms have always enjoyed very strong family leadership. Currently, MS president and NWM CEO are highly respected by their organization, by their families, and by peers in their respective sectors (their parents and grandparents before them commanded the same levels of respect). Despite their age difference (one is in his early 60s and the other in his late 30s), they are described by their employees in a very similar way:

> "Michael is very professional, he follows the path his father started and knows exactly where he wants to take this company. In fact we are here today because this was his vision when he joined the company back in the 1970s. He is very directive and when he is sure about something he is like a bulldozer. He can also be very flexible when it is necessary. Everyone recognizes him as the indisputable leader of this organization"
>
> (John, Director Transport MS).

> "David is passionate about what he does and extremely professional. He is completely devoted to the business and wants to maintain the organization at the top of our sector. His style is more controlling and directive than his father's, this shows he is young and eager to contribute to the success of the company. He knows the sector inside out and is always learning new ways and pushing us, "the old guard" to embrace new things. Since he leads the company we have grown and improved significantly, and we keep doing so"
>
> (Jose, Used Vehicle Director NWM).

Employees and family members alike coincide in describing family leaders from the different generations as visionary, entrepreneurial and open to change and note the mix between continuity and renewal as new generations take over the leadership of the firm.

> "All the generations have the DNA of the founder. They all have their own personal styles and introduce changes in accordance with their own preferences but at the core they have the same values and those values drive their leadership and vision"
>
> (Luis, Commercial Director Automotive MS. Retired 2014).

> "The grandfather and the father were less involved in the day to day than David, but they all share the same passion for the sector, for doing things well, for keeping things professional and for the satisfaction of a job well done and a healthy and growing business. That has been and is, in my opinion, the main driver of all the generations"
>
> (Eduard, Director Automotive NWM. Retired 2006).

They also observe how different individual traits have influenced certain aspects of the business:

> "My grandfather started the business with the clear aim to grow and expand; my dad took on that mandate and went a bit further in exploring markets; but it has been my brother who has really had this ability to see beyond what we were already doing to what you see now. Without them we would not be where we are today. We would be a very different organization, one more similar to our competitors"
>
> (Sandra, Strategy Director and Board Member MS, 3rd generation).

> "My father was orderly and a teacher at hart; he liked the pieces to fit so he pushed for initiatives that suited his preferences and vision of the business. My brother was more of a serial entrepreneur; he thrived on starting new projects whether they fit with the business or not. David is like a modern version of my father; he likes things to make sense. Their leadership style, priorities and decisions at the head of the business have shaped the firm more than anything else"
>
> (Carmen, Owner NWM, 2nd generation).

These statements show that MS' and NWM's family CEOs have the individual characteristics necessary to deal with the contradictions of exploitation and exploration: they are flexible, open to change, autonomous and well connected. In this context of equally "ambidextrous" CEO capabilities, a broader vision behind MS leadership emerges again as the most important difference between NWM and MS leaders.

Another leadership difference that may account for the different strategic alignment of both firms is the level of diversity at the top. As MS and NWM and their families have grown in size and complexity, family CEO capabilities are no longer sufficient to achieve strategic balance, and require a broader executive team that expands available knowledge and opinions and limits the effects of family conflict on strategic decision making processes. At MS, the direct contribution of the family CEOs to the strategic balance of the family firm has been supplemented by a variety of family and non family senior executives; at NWM strategy making still relies heavily on the family CEO.

As we have already discussed, the Morton family has been better able to tap on the capabilities of a wider number of family members adding diversity of family opinions at the top. In contrast, at NWM there is only one family member directly involved in the management of the firm. This is important because according to respondents, the complementarities between different family members at the top of the company constitute a fundamental asset for the firms. These complementarities help introduce diversity and balance in decision making at the same time.

MS third generation and NWM second generation leadership describe this phenomenon in a similar fashion:

> "We are all very different. Michael likes to analyze things carefully and take decisions having examined all the factors. John is more impulsive and wants to take action fast. I am in the middle between one extreme and the other. These differences are extremely valuable for finding a balanced direction. My nephews are also very different but their strengths also complement one another and contribute to bringing in more diversity"
>
> (Sandra, Strategy Director and Board Member MS, 3rd generation).

> "When we worked together as a leadership team we complemented each other very well. Joseph and Ivan wanted to move forward at top speed, came to the meetings full of ideas; Joseph more macro (new ventures outside of our sector), Ivan more micro (within close proximity) very creative, entrepreneurial and complementary. The financial director and I played devil's advocate and counterbalanced their continued desire to act. Unfortunately for David, he does not have this family checks and balances because nobody else has continued with the business"
>
> (Carmen, Owner NWM, 2nd generation).

> "When we separated the business back in 1989, what I missed the most was the complicity with my siblings. As a team we were stronger than as individuals. Managing solo is much more difficult; even if you have top notch people around you there is never the same level of commitment and bonding than with family. Having your siblings on board gives you more security when you take decisions, even if you are convinced from the outset it is the right thing to do. No one will challenge your decisions or fight for their opinions like your siblings, this is good for decision making"
>
> (Joseph, Owner NWM 2nd generation).

As our respondents note, NWM does no longer benefits from family diversity and balance of opinions limiting the diversity of opinions at the top of the organization.

MS has gone to great lengths to create more heterogeneous TMTs, mixing newcomers and old timers both in family and nonfamily executive teams. The external additions in the last decade are based on technical merit and expertise and not on professional or personal ties with owners and managers of the

family and have increased the cognitive diversity of MS; enlarged the firm's social networks; and improved the recognition, evaluation and selection of strategic alternatives.

> "Even if we keep the final decisions at the board level, we are no longer able to identify all the range of options or evaluate the merits of different alternatives on our own. The business is much too complex to do so. If we tried to keep everything under control we would be limited by our previous experience. For example, we do not understand some of the technical details behind the IT systems we use and we are certainly not aware of all the technical advancements available. We don't need to, that is why we have top level experts to help us recognize and evaluate opportunities in that area"
>
> (Sandra, Strategy Director and Board Member MS, 3rd Generation).

Ultimately, this diversity has widened the perspectives of MS executives and broadened the goal set of the top executive team.

> "Before I came here I never lasted more than 4 years in the same place because I like to innovate and do new things all the time. I boarded a plane at 27 and landed at MS at 42. I have been here already 12 years, a record in my career. My goal is to push the barriers of what can be done in my field of expertise, and they let me do that. I am proud of saying that when I arrived in this company in 2002 we did not even have email or an intranet and today we are at the forefront of technological innovation."
>
> (Steve, Systems Director MS).

In other words, the diversity at the top has contributed not only to expand the knowledge and social networks of MS; as different experts support their own set of professional goals (based on their expertise) within the broader goal set of the family MS, they have expanded the goal diversity of MS as well. This greater level of diversity of objectives and how to achieve them at MS results in a wider range of exploratory and exploitative strategic options than at NWM.

TMT processes: diversity of opinions and conflict management

Families also influence the internal dynamics of family firm boards and executive decision making organs and shape decision making processes. The internal processes favored by each family can hinder or enable the ability of family firm executives to express their opinions, consider large amounts of information, deal with ambiguity and consider more and more varied strategic alternatives. A certain level of power equality between family and nonfamily TMT members can enhance participation and widen the scope and integration of strategic opinions of family and nonfamily executives. It is in this area, that we find another important difference between NWM and MS leadership.

At MS, top management is interpreted as two complementary levels. The family level, i.e. the board of directors (all four family members) and the business level (composed by all the top executives of the firm reporting directly to the board or the President of the company).

> "There is the family board which is the ultimate decision making organ of the firm and there is the corporate top management of the business which includes all the top managers of the transversal corporate services and the general managers of the different business groups and who make the decisions for their particular areas of the business and consult the board. They all sit at corporate HQ and together they conform the top management of the firm"
>
> (Albert, HR Director MS).

Conversely, at NWM the members of the second hierarchical level regard themselves "middle management" and consider top management is composed solely by the family CEO (and for some old timers also the family ex-CEO).

> "Top management at NWM is basically David. Myself and all the different managers of business units or technical units, we are middle managers"
>
> (Manuel, Sales Director, NWM).

While one might consider this to be a semantic difference, the fact that top managers at NWM do not consider themselves part of the "top" executive team has a significant impact on how they interpret their role in the business and how much they contribute to strategic decision making, limiting further the diversity of inputs voiced and considered at the top of NWM.

> "Nowadays, I think there is not one top executive in the firm capable of contradicting David (perhaps with the exception of Manuel). This was also the case in my time once my siblings were no longer there. I do not think this is because David or I dislike being contradicted. I think it is a combination of two factors: we have been unable to select people with the right capabilities, and as a result we have not been able to create appropriate mechanisms for debate and decision making at the top of the company. This was not an issue when we were a smaller firm but it is becoming an important issue now"
>
> (Joseph, Owner NWM, 2nd generation).

> "There is not a lot of discussion or diversity of opinions at the top. First of all we all have very similar views having been in the company for so long. Second, most of us do not feel we have the same level of expertise as David or Joseph, so I guess we do not know how much we can contribute. After so many years taking decisions without much contribution from us, I personally feel that David has gotten used to not having "opposition" and that since he knows the business so well, he can argue one side and the opposite side as strongly. At times I have the impression he takes the decision and then looks for arguments to make the case for his preferred option when he consults with us"
>
> (Manuel, Sales Director, NWM).

This limited debate and discussion extends to the family as well, diminishing even more the chances for divergence and differences of opinion at the top of NWM.

> "I think we are too respectful of our brother's opinions for many reasons (this also happened with my father before him). First because he is an indisputable leader in the sector. He has managed to keep the group growing and making money despite the sector crisis, the economic crisis and the family crisis. This in itself is no small feat. I think we feel we can only share our opinions in a very light way, as if not to disturb, hoping the idea or the opinion will get noticed but not pushing for it. I think this limits the family contribution, hurts the variety of opinions voiced and the range of alternatives considered and puts an unfair amount of stress on David. We "filter" too much; by the time we express opinions they are politically correct versions of any strong beliefs behind them. I think it would be better for the firm if we were more direct and forceful"
>
> (Ron, Owner NWM, 3rd generation).

In contrast, at MS the addition of new generations and external members in the executive teams has increased significantly the level of debate both due to the profiles of the TMT members and to formal mechanisms that encourage exchange of opinions. Although the board remains in the hands of the 3rd generation family members, at MS, mechanisms exist to bring the opinions of other top executives and experts (these were discussed earlier in the organizational capital section). Even in the absence of external board members, MS manages to maintain a good level of debate, discussion and contribution of diverse ideas at the top, even if it is often "on demand" by the family board.

As discussed earlier, at MS the majority of top executives are recent recruits with no previous ties with family or the firm. They were recruited because of their levels of expertise. This makes them much more likely to challenge the thinking style of the family and provides MS access to diverse information for collective decision making and problem solving.

Furthermore, the current mix between executives with over 20 years of experience in diverse sectors (e.g. automotive director, transport director) combined with more recent additions to the TMT from other sectors (e.g. HR director, systems director, corporate commercial director) ensures both exploration and exploitation alternatives are considered and taken. This state of affairs contrasts with the top level management at NWM, where, while old timers and young recruits coexist, they do not have the same level of diversity or specialized expertise and thus keep the focus of NWM on exploitation.

Moreover, at MS, disagreements that cannot be solved internally are often settled by calling in external experts to conduct deeper analysis.

> "The final decision belongs to the board but anyone with a sound enough argument can be heard and if the argument is solid the board will reconsider. Important decisions are

always discussed in length, anyone with relevant information is asked to contribute and exchanges are generally very open and candid. If a strong case is made but there are still doubts on the board they will call on external consultants to provide additional data and unbiased points of view. At the end the board makes the decision but only after having heard and discussed all the dissenting points of view at length. This probably lengthens the decision making process but facilitates the decision implementation as everyone with qualms feels that their concerns were heard and taken into account"

(Albert, HR Director MS).

The ensuing debate of opinions, potential options and goals and how to achieve them, produces more alternative views; increases potential courses of action and results in a broader range of exploratory and exploitative initiatives at Mobility Solutions.

At NWM bringing in external advice is not a general practice. On the one hand the high cost of such expertise is considered more of an unnecessary luxury than a necessary investment and decisions about experts are taken on the basis of cost rather than the level of expertise offered. Furthermore, negative past experiences with big consulting firms have reinforced the notion that external input is not worth the investment.

"Every time we have called on consultants or experts from well known consultancy firms we have had a bad experience. We are small fish for this kind of firms so at the end the "expertise" we get comes from an intern or junior partner. Our experiences have been pretty much all negative. Frankly I do not think they are worth the price they charge"

(David, CEO NWM, 3rd generation).

In addition to diversity, ambidextrous TMT decision making requires a certain level of cohesion within teams. The levels of TMT behavioral integration, i.e., collaborative behavior, information exchanged and joint decision making (Hambrick 1984) of TMTs at NWM and MS are discussed below.

At MS communications with the family management tends to be formal (by appointment only) and the frequency is not very high. In particular, access to the President and to the members of the board is not as easy and straight forward due to complicated agendas and numerous commitments. However, the quality of the exchanges, when they occur, seems to be rich for reasons already discussed.

"The board members are accessible but they have very complicated schedule, so it takes time. It is not like you can come and put an issue on the table, there is a formal process. We have strategic meetings and different committees, the board members attend either individually or collectively, and when they debate something and require additional information they call on this person or that team."

(Albert, HR Director MS).

Collaboration among top managers often includes the development of new initiatives as well as continuous improvement of specific business areas and expands knowledge and experience of TMTs.

> "We always work on several projects at the same time, some related to business issues and some to future opportunities. For example, we are working with the different company directors to integrate our SAE-I system in all the companies of the group. This system allows managers to have real time information on the resources of their business unit to improve management and efficiency. We are working on the launch of the new electronic ticket. We recently upgraded the technology of our no-contact electronic cards to make sure we are using the most modern technology so that our systems are compatible with the most sophisticated technology used by potential partners for future strategic alliances"
>
> (Steve, Systems Director MS).

Finally, although the ultimate decision takes place at board level, the discussion often incorporates the opinions of nonboard family and nonfamily members.

To summarize, to achieve ambidexterity MS has struck a balance between a certain level of diversity (both in TMT composition and goal preference) and a level of cohesiveness that allows for sufficient debate and discussion emerging from the strong shared vision. When decisions are difficult, they tap on more external resources to complement their knowledge and opinions. While at times their internal processes slow down decision making they seem to allow MS to identify and respond to emerging environmental changes relatively swiftly.

At NWM, top managers have a higher frequency of communications; these communications are fluid, natural and informal and allow a rapid exchange of information. However, the quality of the information exchanged vis a vis ambidexterity is low because it tends to be redundant as they all have similar backgrounds, expertise and opinions.

> "Everyone knows David and Joseph are a phone call away. They always walk around and maintain their doors open so we feel very comfortable bringing up any issue with them"
>
> (Manuel, Sales Director, NWM).

The levels of collaboration among top team members are also very high, yet top manager collaboration is almost exclusively geared at improving efficiency limiting the ability of NWM to combine and integrate exploration and exploration.

> "We are always in touch with each other. If I have a problem in an area I know I can call the managers in any of the other business units for guidance or advice. When we see something is working or not working we immediately share the information with each other. We have joint projects among the business units to increase synergies"
>
> (Jose, Used Vehicle Director, NWM).

At NWM diversity at the top is low and cohesiveness is high, the focus of the TMT on exploitation allows NWM to be a lot quicker than MS in exploitative change but limits the ability of the firm to explore.

In addition to TMT diversity and cohesiveness, in family firms, kinship, ownership, succession processes, and family conflicts can introduce inefficiencies in decision processes and affect the level of behavioral integration of family firm TMTs. MS and NWM display significant differences in how they manage and deal with family conflicts of interests.

The Mortons are not free from family conflict, but over the years the family has come to the conclusion that when it comes to family matters, no issue is too small to ignore. The board meets periodically to discuss such issues and they try to put family differences on the table as soon as they emerge.

> "We have learnt the hard way that small issues can become big issues when it comes to the family. We make sure every time an issue emerges we discuss it on the board ASAP so all opinions and voices are heard before things get out of hand. This afternoon we are discussing the rules to invest in individual entrepreneurial projects of the younger generations: Should the company invest? Should individual shareholders invest? If so how much and for how long? In which ventures? How do we decide which ones? This and similar family matters are on the agenda the first Monday of each month"
>
> (Sandra, Strategy Director and Board Member MS, 3rd generation).

At NWM the family is reluctant to bring to the table or discuss difficult issues. The absence of debate often leads to the polarization of positions and ultimately affects the business decisions.

> "In our family we tend to avoid talking about problematic issues. Among us (the third generation) we are getting better at it, but in general, we are an avoidance family. This has caused major family rifts over the years. I think it would be better to speak openly about the different issues when they emerge and people are still relatively calm. Instead we tend to say nothing until someone explodes. At that point it becomes more damage control than anything else and is addressed through buy outs, court cases etc etc…)"
>
> (Ronda, Owner NWM, 3rd generation).

At present, escalating levels of relationship conflict in the Olson family have damaged the cohesion of the family ownership, and undermined their confidence in the ability of the business to succeed. In turn this reduces the commitment of the family to the future of the business and the ability of the business to identify and pursue balanced ambidextrous strategic alternatives.

> "I am tired of conflict. I love the firm but I find that lately I am forcing myself not to care about it. In the last few months I have stopped reading reports and business related emails because I do not want to care. It is difficult because naturally I want to keep contributing, but the current situation makes it difficult for me to visualize the future"
>
> (Joseph, Owner NWM, 2nd generation)

> "All the business decisions I have taken in the last 18 years have been to strengthen the business. In the last 8 years I do not feel the same backing from some of the majority shareholders anymore (my father and my mother particularly), even though they are the main beneficiaries of the growth of the last decade since they own 48% of the business unit that has expanded more rapidly. For the first time in my life I am starting to regret having joined the business and devoting my life to the family company"
>
> (David, CEO NWM, 3rd generation)

These differences in the approach to family differences and conflict have resulted in a higher level of harmony in the Morton family.

> "Of course there is plenty of family conflict and disagreement! When it is not one of us putting the "rock in the shoe" it is another. We are constantly doing it. We try to address all the issues and reach some kind of agreement. For sure it requires everyone to compromise but it is much better than the alternative. I think overall this system has helped maintain good relations within the family and shielded the business decisions from family conflict"
>
> (Sandra, Strategy Director and Board Member MS, 3rd generation)

Furthermore, the manner in which the Mortons and the Olsons deal with conflict also impacts the level of openness of the family coalition.

Openness

The degree of openness of the family coalition is essential for family firm's ambidexterity because it determines the family's reaction speed towards environmental change, eases rigidities emerging from family identities expands the firm's screening, and the potential strategic alternatives available; this level of openness results from the combined individual traits of team members (e.g. formal education, background, experience, and receptivity to learning and change), the heterogeneity among the various members, and the processes to manage interpersonal differences.

Earlier discussions about the characteristics of the family human resources, the number and degree of family members involved in the business and the internal processes of the family and firm have provided sufficient evidence to compare the degree of openness of the Morton and Olson family coalitions. We consider no further evidence and discussion is necessary to conclude that:

(a) considering individual family members, both the Morton and the Olson families enjoy favorable individual traits and high levels of openness and heterogeneity;

(b) considering the level of involvement of the family as a whole and the family coalition as a team, the internal mechanisms and processes to promote contribution of family members and manage their differences; the Morton's family coalition seems to enjoy a greater level of openness than the Olsons'.

To summarize, through the lenses of our first proposition regarding the characteristics and processes of family leadership and TMTs, MS seems to have gained an advantage for ambidexterity through a broad family vision, family and nonfamily TMT diversity; TMT processes and behavioral integration levels that allow for sufficient debate and discussion; and conflict management practices that have shielded the business from family conflict and maintained a high level of openness of the family coalition. In contrast, NWM's narrower vision, lower TMT diversity and absence of mechanisms to manage family conflict result in a limited range of strategic alternatives that contribute to maintaining the exploitative alignment of the firm.

The second proposition regarding family leadership was enunciated as follows:

Proposition 20: Family firm leaders will be better able to manage the contradictions of exploration and exploitation when they are able to integrate and balance family and firm

Several members from both families declared that for them "the business comes first," yet the evidence presented earlier shows that at MS they have achieved better mechanisms to promote family involvement in the firm, and to improve communication between family members to minimize family interference with business decisions. As we saw above, the generation in leadership at MS goes to great lengths to ensure family harmony; at times this has required the Mortons to take business decisions specifically to maintain the balance between family and firm.

> "We are more a family firm than a family in business (in Spanish 'somos una empresa familiar mas que una familia empresaria, aunque tambien' to emphasize that for MS the business, "empresa," comes before family). However, some business decisions have to be taken to ensure the balance between the family and the business. For example, the dividend policy, the family office, the recent integration of our non-managing sister on the board and the integration of her son into the management team have all been decisions we made to maintain that balance. Of course we make sure they are sound business decisions as well, but certainly their main purpose is promoting the equilibrium between the family and the firm to maintain harmonious relationships and avoid pressures on the business. We consider this equilibrium is fundamental for business health and growth. Without it we could not be as ambitious as we are. Certainly we would not be where we are today if we had spent half of our time fighting with each other"
>
> (Sandra, Strategy Director MS, 3rd generation).

The ability to manage the family/firm contradictions has certainly had a big influence at NWM and MS not only in terms of resources available for exploration and exploitation but also on the ability of the leading family members to take exploratory and exploitative business decisions.

> "Managing and dealing with conflicting needs is an inherent part of what we do as a family. Very early in the history of this firm we had to deal with family tragedy and business challenges. My grandfather adopted my uncle when his parents died. My father took the difficult choice to merge 50-50 in the 1980s. My uncle donated his shares to us rather than to his kids… We have many partners; we also have family members inside and out the business who perceive the firm differently; we need to keep them happy and it is no easy task because they have different priorities and objectives. We also need to maintain the standards of different public administrations and deal with sudden changes in priorities when new parties come into power… We had to help the older generation let go the business and prepare the younger generation; soon we will have to make sure they are ready to take over. I would say the biggest challenge at the helm of this business is juggling with all these demands, its building and maintaining the conditions that maintain the right balance to allow our company to keep thriving"
>
> (Michael, President and Board Member MS, 3rd generation).

The words of the president of MS seem to imply that managing the contradictions of family and firm, are no different from managing the business priorities of partners and stakeholders and thus that building the leadership ability in one area helps the overall ability of the leadership in dealing with paradox. The evidence certainly shows that the Morton leadership has been able to maintain the balance between the business and the family, and that this equilibrium has allowed MS to secure more family resources for exploration and exploitation and to maintain a united family front that fully backs the chosen strategic options of the family firm leaders.

> "My brothers and my sister have been at the head of the company for decades. I only joined the board recently but I have always trusted their direction. Whenever there has been an issue (even before I was on the board) I have always had the certainty that their decisions would ultimately be the best for both the business and for the family "
>
> (Rose, Owner and Board Member MS, 3rd generation).

In regards to the level of family and firm balance of NWM, we have already discussed in earlier sections the levels of conflict as well as the different perceptions of family members in diverse generations. We examined evidence showing how higher levels of conflict diminishes the resources available to NWM and how the absence of mechanisms to channel family issues have resulted in growing mistrust among shareholders that ultimately translate in a reduced ability to pursue exploratory strategic paths and thus limit the range of strategic options available to the family firm.

> "I am a lot more conservative now that the situation with the family is so complex. Any strategic decision I take can easily end up, at best, in threats issued by particular

shareholders warning that they will not support future strategic decisions should the current one not go their preferred way and, at worse, in the courthouse. As you can imagine this is not the best environment to make big steps or investments, take risks or venture far from existing strategic paths "

(David, CEO NWM, 3rd generation).

The following table summarizes the empirical findings for our two cases regarding leadership:

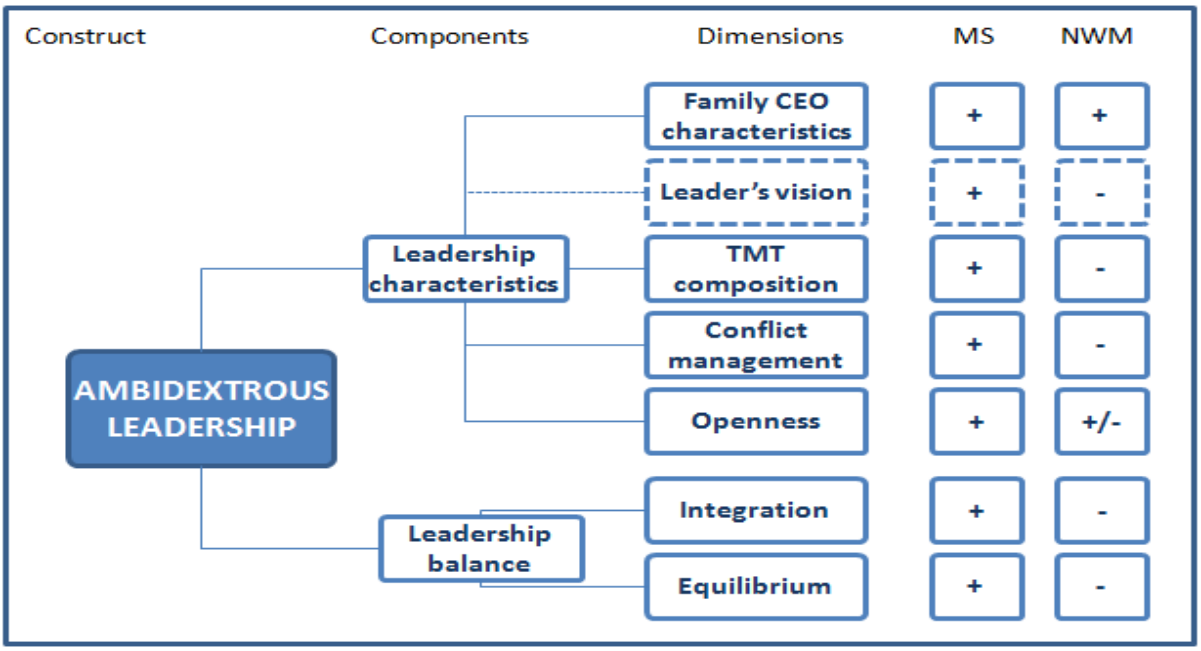
Table 5-22. Summary of evidence regarding ambidextrous leadership

LEADERSHIP	MOBILITY SOLUTIONS	NORTH WEST MOTOR
Family CEOs and TMTs characteristics	Family CEO characteristics combined with ambidextrous vision promote ambidexterity. High levels of heterogeneity of TMT promote high levels of exploration and exploitation	Favorable family CEO capabilities combined with narrow vision and low levels of heterogeneity of the TMT promote exploitation
TMT processes and conflict management	Although the board keeps tight control, structures and processes of TMTs broaden strategic options, promote debate and improve decision making processes leading to exploration and exploration. There are clear and effective processes to channel and address family conflict	TMT structure and decision making processes limit the range of strategic options available to the firm to exploitative initiatives. No processes or channels exist to manage or address family conflict
Openness	High individual family member openness combined with processes to channel the contribution of different family members and manage their differences ensures openness of family coalition	High individual family member openness. Absence of processes to channel the contribution of family members or manage differences results in lower overall openness of the family coalition
Family –Firm Balance and integration	High level of integration between family and firm and good balance between family and business issues allows MS to explore and exploit with a strong resource base and full family support	Low levels of family and firm integration and balance limit the resources available for exploration and exploitation and reduce the backing of the family for strategic change limiting NWM's strategic options

To summarize, in addition to supporting the elements of our initial research propositions regarding leadership, once more the evidence highlights vision (in this case the influence of the family leadership in setting that vision) as an important factor underlying the ambidextrous capabilities of family firms.

The figure below summarizes the different dimensions of our leadership construct and their influence positive (+) or negative (-) on the ability of our firms to become ambidextrous. Dotted lines indicate items added as a result of the empirical evidence.

Figure 5-29. Ambidextrous leadership: components and dimensions

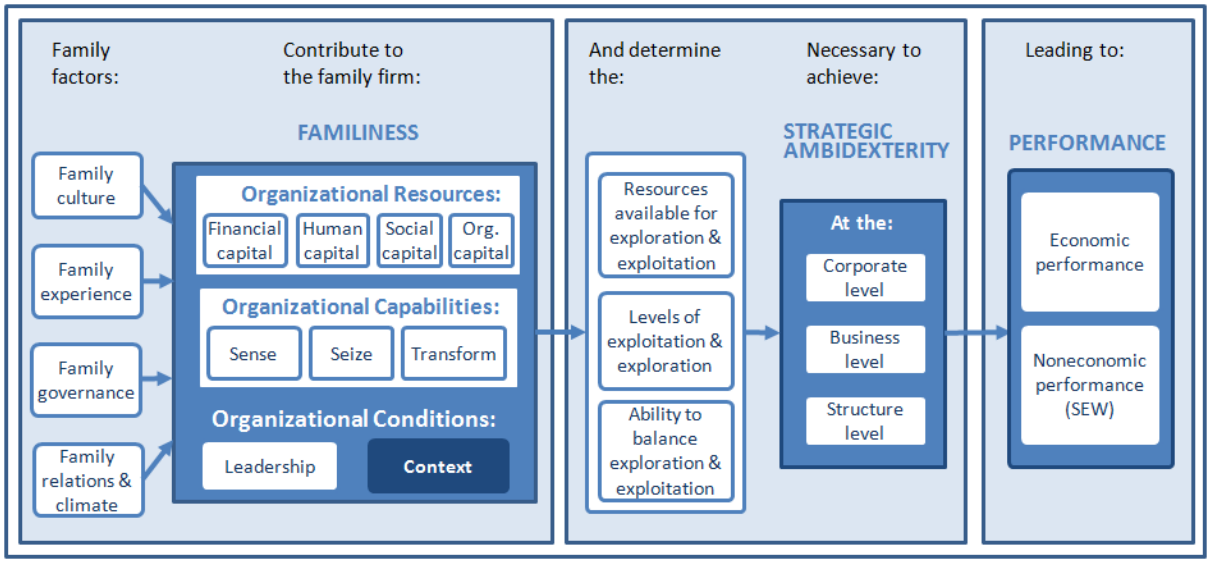


In conclusion, the empirical evidence from our case firms indicates that family firms may indeed have an advantage to achieve ambidexterity if family leaders can:

1. Provide an ambidextrous vision and build capable, heterogeneous and diverse TMTs (both family and nonfamily) with a variety of fields of expertise and goals that enlarge the strategic options of the firm to explore and exploit;
2. Create structures and processes to promote TMT diversity and interaction that maximize the contribution of members with different opinions and ensure appropriate mechanisms exist to address family differences and conflict; and finally,
3. Work actively on balancing family and firm to hone their ability to deal with the contradictions and paradoxes of exploration and exploitation.

5.5.2 Context

Figure 5-30. Context within the theoretical model



Our only proposition regarding the family influence on the ability of the family firm to create a context conducive to ambidexterity was enunciated as follows:

Proposition 21: Family firms will be more prone to ambidexterity when the family contributes to generating an organizational context that:

- **Matches high levels of support and trust with equally high levels of performance management (discipline/stretch)**
- **Allows family firm employees to exchange and combine information to engage in boundary role activities that capitalize on family network resources**
- **Creates formal and informal incentive systems in the family firm that value and reward exploration and exploitation equally**
- **Capitalizes on a long family history of learning by trial and error to create filters that enable family firm to identify the need for change and exploration**

In regards to the balance between support and performance, family leaders in both firms declare putting more emphasis on performance while aiming to provide sufficient levels of support to help their staff accomplish the high levels of performance expected from them. A survey to assess the perception of the context based on Birkinshaw and Gibson (2004) administered to all respondents interviewed show that while both companies are indeed perceived by respondents as putting most emphasis on performance

and results, MS is perceived by respondents as better able to counterbalance this emphasis by providing appropriate support to employees and managers (except in celebrating success). Although the sample is not representative and results should be interpreted with caution because it only includes family members and top tier nonfamily managers, these perceptions are consistent with other evidence from the two companies.

The first issues that emerge from the evidence and may explain this difference in contextual balance trickles down from the high levels of trust between the Morton family members. This trust encourages MS employees to bring ideas forward to their managers; executives to present daring initiatives to the board; and family board members to be more receptive to trying new paths.

> "Being in sync with each other allows us to take risks because we feel stronger as a team, as a family and as a business. Not every initiative works the way it is expected but if we are all convinced we go for it. However, we do not move forward until everyone on the board is fully convinced. This has several advantages for the business: the first one is that once we take a decision we do not hesitate; the second, and I think even more important, is that we do not waste time on "I told you so". If something works out, we celebrate, if it does not, we move ahead with no regrets or guilt; the third one is that we wait patiently for results, sometimes too long for my taste, but at least we do not abandon initiatives before making sure we gave it a real chance"
>
> (John, Vice president MS, 3rd Generation).

In addition to levels of trust and support that help individuals on the firm to come forward and take initiatives and risks, staff at MS mentions a variety of support mechanisms that help them identify new business prospects and improvement mechanisms. In particular they highlight the personalized executive development plans and training, and MS' comprehensive information systems available to all employees through the intranet that allow the identification of best practices and provide access to peer support (these systems were discussed under human and organizational resources). These systems allow MS staff to cross over to other parts of the business to tap on each other's knowledge and to reach out to their combined collective networks, and eventually come up with novel combinations and ideas leading to exploitative and exploratory initiatives and activities.

> "All the companies in the group are integrated in our global information systems. Anyone can access the data and dig deeper into specific areas. A lot of companies have these systems but more often than not employees ignore them. It took people sometime to get used to but the rates of use of the systems are very high. The measurements keep improving as people in the organization track down the best performers in their weakest areas and team up with them and HR to find ways to catch up or even surpass the benchmark. I was worried employees would not use all the functionalities but actually they often come to my team asking for additional features"
>
> (Steve, Systems Director MS).

Furthermore, at MS they manage by objectives. As we discussed earlier, each employee has company, team and individual objectives that are measured and rewarded periodically. These objectives have both exploratory and exploitative components. MS rewards exploratory and exploitative performance with economic incentives (e.g. financial bonuses) as well as noneconomic ones (e.g. successes are shared on the intranet and employees are given credit for their contributions and publicly praised by the family leaders).

> "We put more emphasis on results than on support. We set ambitious targets for the company and these translate into challenging goals for each and every one of our people. But we also do our best to provide our staff and managers with the tools, skills and resources they need to achieve those objectives and we reward hard work and results"
>
> (Sandra, Strategy Director MS, 3rd generation).

> "In general we have a pretty good balance between pushing for results and providing assistance and support networks to all employees. My entire team is devoted to providing this support and the company spend a lot of the L&D budget in making sure people with supervisory tasks have the appropriate skills to coach and support their teams. Our weakest area is perhaps celebrating success, we share success stories via the intranet and the company newsletter, the Strategy Director directly congratulates those with novel ideas or outstanding results publicly but I think we have to do a lot more to make our people feel valued and appreciated"
>
> (Albert, HR Director MS).

Finally, the Mortons, through generations focusing on process innovation and improvement, continuous growth and expansion have created a distinct "MS context" based on the family vision, history, culture and what they call "sp@rk" (proactive search for new solutions and opportunities). This particular family firm context enables and motivates each employee to look for ways to improve and identify new business prospects within and outside their individual business units resulting in more ambidextrous strategic alignments.

In sum, the evidence shows that at MS' performance management and social support are relatively balanced. Since these two aspects of organizational context are mutually reinforcing, both together create a high performance organizational context that contributes to the ability of MS to explore and exploit effectively and balance both.

In regards to NWM, earlier sections already noted how different levels of trust (or lack thereof) among family members at different times have either promoted (e.g. high exploration levels during period of strong trust among second generation siblings on the board) or hindered exploratory action (e.g. low exploration levels in current period of mistrust since 2006).

In addition to this direct effect of trust on top level exploration, the evidence shows an indirect effect on lower levels of the organization. Although few nonfamily employees do not seem to be aware of the current family conflict; its effects are nonetheless perceived. While employees freely collaborate among each other and enjoy ready access to the family leadership, managers at NWM seem to perceive as of late a diminishing level of "top-down" trust.

> "Lately the levels of control are excessive and give us a sense of mistrust from the top"
> "The family leadership is becoming oppressive, it looks into the tiniest details and causes unnecessary anxiety in decision making"
> "At times this gives us the impression the family does not trust us"
> "There is still a good level of trust, but we do not feel fully trusted by the family leadership anymore"
> "David is unable to fully trust his management teams anymore; he feels he needs to be continuously on top to get good results. It is never enough"
>
> (Diverse executives at NWM some of whom prefer to remain anonymous).

In this type of environment NWM managers and employees are unlikely to take initiatives and risks and reach across organizational boundaries or networks to venture into unknown territory. This type of context is more likely to lead NWM employees to stick to existing tried and true approaches to hit their targets than to exploration.

In addition to diminished trust, NWM directors also describe the context as becoming less supportive and impersonal and more skewed towards performance as of late.

> "I do not know if it is the crisis but extremely high levels of performance are expected. We are always expected to achieve better results, it seems it is never enough"
> "Despite great results there is low level of recognition for the efforts made by the teams"
> "David works 24/7; he expects the same from us. This is not good for him or us"
> "David is so consumed by the results that he is starting to forget to take care of the human side of the teams he leads. This affects how we deal with our own teams as well"
> "We focus so much on results that we end up caring more about finances than people"
> "The objectives are moving targets; they are more and more ambitious. It's too much"
> "More recognition of the teams and non-economic incentives would be highly beneficial for the firm. I do not know how long we can sustain this high level of performance"
> " I wish David was as good at congratulating people for a job well done as he is in finding and reporting what needs improvement"
>
> (Diverse Executives at NWM some of whom prefer to remain anonymous).

This imbalance makes NWM a highly demanding and results oriented organization lacking appropriate support. To use Birkinshaw and Gibson's (2004) nomenclature, the Olson family is creating a "burnout organizational context" at NWM. Although NWM employees still show high levels of satisfaction, the above comments constitute strong warning signals for the future. In the context of ambidexterity, such levels of pressure to perform combined with low social support make it difficult for staff to engage in experimentation and search for new ideas.

The following table summarizes the empirical findings for our two cases regarding context:

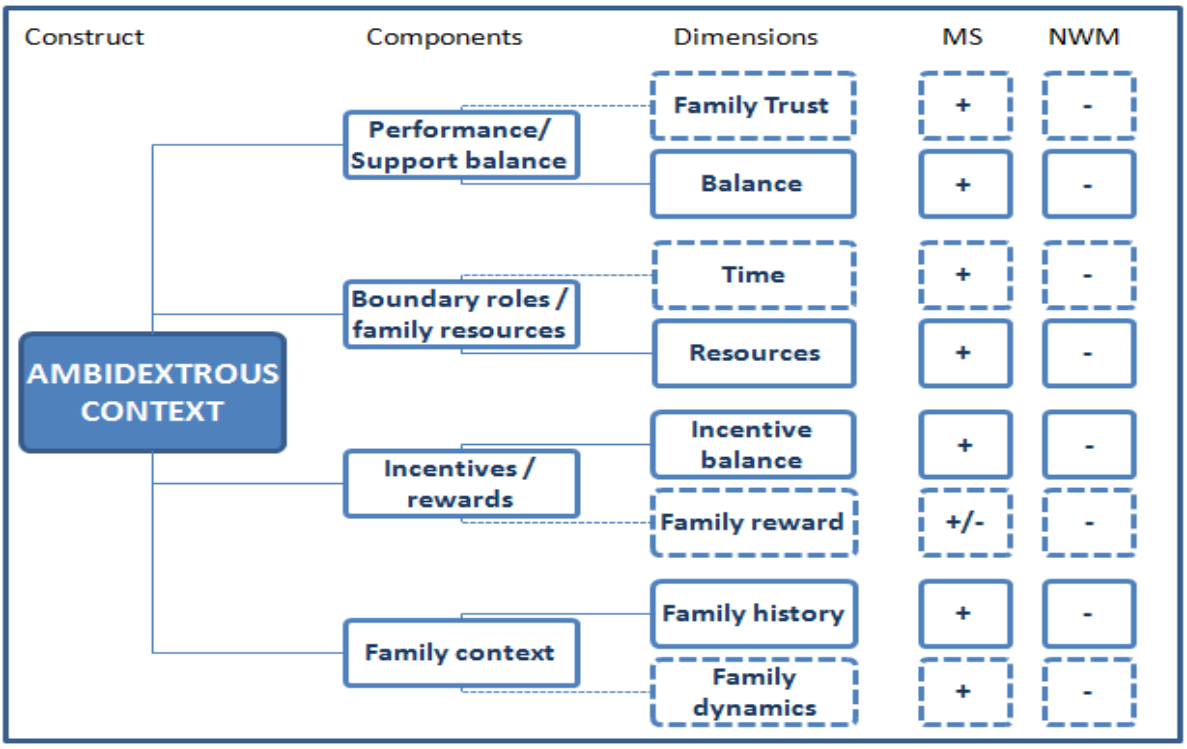
Table 5-23. Summary evidence regarding context

CONTEXT	MOBILITY SOLUTIONS	NORTH WEST MOTOR
Balance between performance and support	Good balance between performance mechanisms and social support promote exploration and exploitation activity across the organization	Lack of family trust promotes emphasis on performance and neglects social support limiting exploration
Participate in boundary role activities to capitalize on family networks	L&D practices and IT systems allow MS staff to cross over to other parts of the business to tap on each other's knowledge and to reach out to collective networks to come up with ideas leading to exploitative and exploratory initiatives	High levels of stress and fear of underperformance limit the ability of NWM to undertake initiatives or roles not directly related to their official function
Rewards and incentives for exploration and exploitation	MS has balanced economic and noneconomic rewards for both exploration and exploitation efforts. Non economic reward mechanisms could be improved	NWM uses almost exclusively economic incentives, these incentives are geared towards promoting exploitation alone
Family-led context	MS' context built on its history of innovation, improvement, continuous growth and expansion and based on the family vision, history, culture and "sp@rk" drives staff to engage in exploration and exploitation	Exploitative history combined with a results oriented context and low social support exacerbated by the levels of current conflict is creating a "burnout organizational context" that limits NWM's staff ability to explore

To summarize, in addition to supporting the components of our initial research proposition regarding organizational context, the evidence highlights the trust among family members as an important factor contributing to a balance between performance and support; the benefits of allowing and promoting the interaction among staff in different areas of the business; the important role of social (especially family) incentives; and the interplay of family history and family dynamics in shaping the influence of the family context on the organizational context.

The figure below summarizes the different dimensions of our organizational context construct and their influence positive (+) or negative (-) on the ability of our firms to become ambidextrous. Dotted lines indicate items added as a result of the empirical evidence.

Figure 5-31. Ambidextrous context: components and dimensions

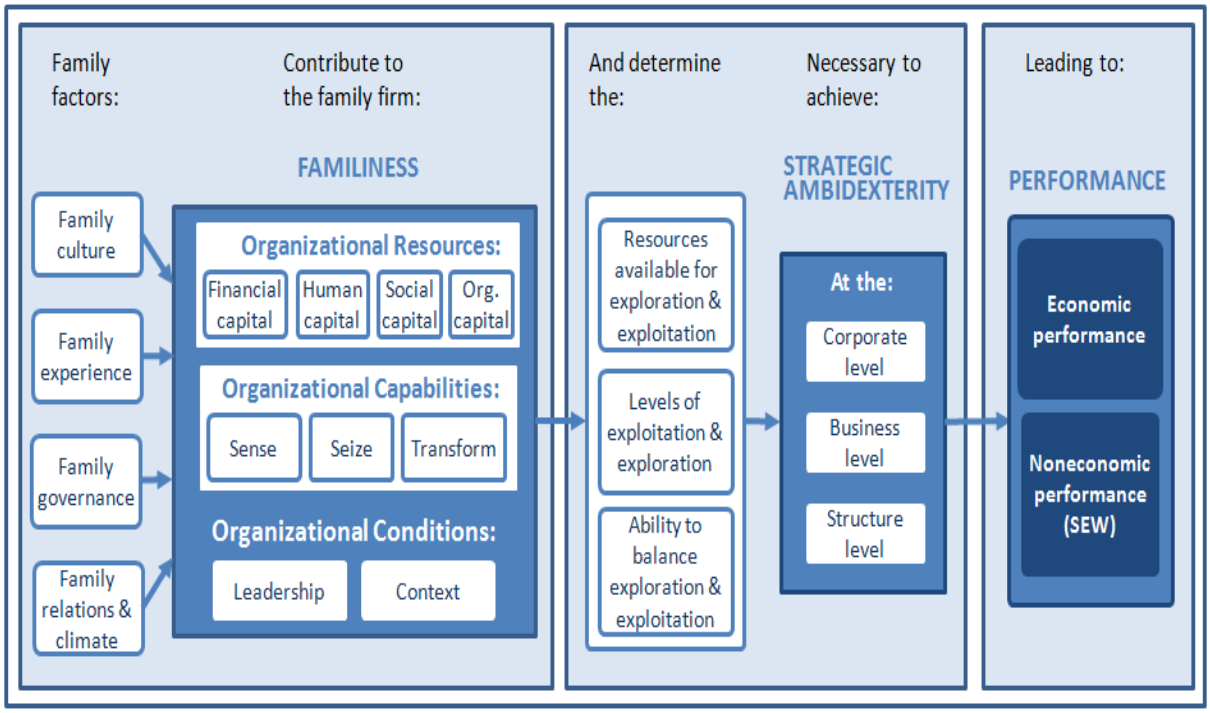


In conclusion, the empirical evidence indicates that family firms may indeed have an advantage to achieve ambidexterity if family leaders can:

1. Promote family trust to ensure appropriate levels of social support, and capitalize on family command and respect to contribute to the balance between performance and social support (particularly if the family firm has high performance ambitions);
2. Send a strong message that boundary activities are sanctioned by the family and considered an integral part of the job by providing easy access to firm resources and time;
3. Develop incentive mechanisms that reward both exploratory and exploitative achievement and capitalize on the family as a resource for noneconomic incentive mechanisms (e.g. acknowledgement and celebration by family members); and finally
4. Acknowledge that both family history and family dynamics influence the organizational context of the firm and manage this influence by contributing to building a more ambidextrous family history and creating mechanisms that “shield” the organizational context from the effects of negative family dynamics.

5.6 PRIORITY ECONOMIC AND NONECONOMIC OBJECTIVES AND PERFORMANCE

Figure 5-32. Economic and noneconomic performance within our theoretical model



To complete the answer to our last research question:

How can family influence help or hinder the ability of family firms to manage the tensions and paradoxes of exploration and exploitation to reach their performance goals?

We proceed to examine the priority economic and noneconomic objectives of the Mortons and the Olsons and the performance levels vis a vis their aspirations for the selected priority objectives.

Earlier we established links between objectives, strategic action and performance, that families have particular priority economic and noneconomic objectives and that family members and dominant family coalitions develop objective and subjective aspirations levels for their priority objectives and measure results based on tangible and perceived progress towards their targets. In this context, this section examines evidence from our case firms to provide answers to the following questions:

1. What are the priority economic and noneconomic performance objectives at MS and NWM?
2. What are the performance levels (both objective and perceived) vis a vis those objectives?
3. How do these objectives and levels of performance affect the strategic thinking of the family and the alignment towards exploration and exploitation?

5.6.1 Priority economic and noneconomic objectives of NWM and MS

To explore the priority economic and noneconomic objectives in the context of Mobility Solutions and North West Motors, in addition to asking all respondents questions regarding the perceived priority economic and noneconomic objectives of the firm (see Appendix A), we requested all family owners and managers from different generations (7 in MS and 7 in NWM in all) to take a survey (see Appendix B) to provide their opinions about the relative importance of different family and business objectives as well as their sense about their ranking of importance for the family.

We received 13 completed surveys from family members. At NWM all shareholders but one responded to our survey (two from the 2nd generation and four from the 3rd generation-including the family CEO). At MS we received answers from all seven, including the Honorary President and former CEO from the 2nd generation; all four shareholders from the 3rd generation (including the President, Vice-president and Strategy Director) and two family managers from the 4th generation.

The surveys show that the Morton's have a high level of agreement on the priority objectives for their firm: organizational growth, increasing profitability, improving efficiency, innovation and diversification of activities and markets; as well as their family goals: increasing family wealth, maintaining family harmony, building the reputation of their family and family firm, preparing the next generation for generational transfer and building the family human capital of the younger generations.

The survey results are consistent with all other information gathered from internal documentation and from the interviews (the perceptions of family and nonfamily managers regarding organizational objectives of the firm were also briefly discussed earlier under cognitive social capital.

> "The family certainly wants to keep the business in the family and make it grow. This company is the Morton's family firm everyone knows this. Since 2009 we work with very detailed 5 year strategic plans. The plan sets out the objectives of the family for the firm. The 2009-2014 strategic plan established four priority objectives: growth and expansion, profitability and efficiency. Everyone in the firm and the family knows these are the four pillars for organizational action and what we will be measured against"
>
> (Luis, Commercial Director Automotive MS. Retired 2014).

The Olson survey responses show a greater dispersion in their answers, both regarding the relative importance of different objectives and their ranking. Despite the degree of diversity of responses, however, a number of common priority objectives emerge both for the business: profitability, growth and efficiency; and the family: building family harmony, family wealth and the human capital of the family. The results of the survey are summarized below:

Table 5-24. Summary of results from family firm priority objectives surveys

	MORTON FAMILY MOBILITY SOLUTIONS	OLSON FAMILY NORTH WEST MOTORS
Stability of objectives	The Mortons survey results show a remarkable degree of consistency in the answers. Not only in the relative importance of each of the objectives but also in their ranking. There are no significant differences between owning managers and non owning managers and only slight differences among generations	The surveys from the Olsons showed a very high variation in the answers both about the ranking and the relative importance of different objectives; so much so, the researcher contacted individually each respondent to make sure the differences were not the result of unclear instructions or misinterpretations about the content or the scales of the survey
Priority business objectives	Top five business objectives: 1st Growth, 2nd Profitability, 3rd Improving efficiency 3rd Innovation 5th Diversification (both in markets and activities)	Three objectives make the top five of all family members: Growth, profitability and efficiency. Two other are shared by most respondents: increase revenues and the capacity to finance growth with company revenues
Priority family objectives	Top five family objectives: 1st Family wealth 1st Family harmony 3rd Reputation 4th Prepare next generation 5th Develop family human capital (although they all agree on the top 5 there is some variation in the relative importance and the order of priority among generations)	The following 5 objectives make the top 5 for most Olson respondents: Family wealth/income, family harmony/strengthening family relations and developing family human capital /preparing the next generation

As mentioned previously, in recent years, the literature has grouped noneconomic goals of family firms into the notion of socio emotional wealth. To examine the role and importance of socioemotional wealth for both enterprising families we also asked the respondents to fill out a survey based on the work of Berrone, Cruz and Gomez-Mejia (2012) including the five dimensions (a.k.a. FIBER) of socio emotional wealth (the survey is included in Appendix B).

The Mortons' responses regarding their socio emotional wealth are as consistent as their opinions about their priority family and firm objectives. The discrepancies among Olson respondents are even greater regarding the socioemotional wealth dimensions than they were in their opinions about priority family and firm objectives. In fact, the levels of conflict emerging from the 2005 divorce seem to have created a "before and after" context for the family members. The impact of emotions generated by this family event is so great that some Olson family respondents contacted the researcher to ask whether they had to respond to the survey about their perceptions of the socio emotional wealth dimensions "before or after the divorce and the present conflict, because their answers would be very different in one case or

the other." Three family members provided two answers to the survey one with a note "perceptions before the conflict" and the other "perceptions after the conflict."

The results of the survey for each of the socio emotional wealth components are examined below:

Family control and influence: The answers for this part of the survey are very consistent for all family respondents for both companies. Family members from both families agree that the family exerts and wants to keep exerting absolute control of their firms and keep influencing strategic decisions of their firms formally and informally; directly as managers of the business and board members and indirectly by influencing TMT appointments. In other words, controlling and influencing the direction of their business is important for the Olsons and the Mortons. Both families extract socioemotional wealth from maintaining high levels of control and influence. However, there is a difference in the scope of their desire to influence: the Mortons show a deeper desire to exert their influence beyond their firm to the sectors where they operate and the communities surrounding their businesses.

> "The firm is also a vehicle to leave the mark of the family beyond the firm, even if it is a small one. We influence the families of over 2500 employees; we try to influence the way the transport and the automotive sector operate through our relations and work in industry and business associations and public administrations and we put emphasis on the environment and our public service vocation because we believe our role includes contributing to the wider community"
>
> (Michael, President MS and Board Member 3rd generation)

Identification with the firm: A very different picture emerges from family respondents form the two families in this area. The Morton family members show a higher degree of identification and closer ties with their firm even though the business no longer shares the family name. These identity ties lead the Mortons to consider the firm an extension of the family and influences their attitudes towards stakeholders, and their business decisions and is consistent with their emphasis on reputation as a priority objective.

> "Our family has made this company and the company is also an important part of our lives, of who we are, not only as individuals managing the business but also as a family. Although we maintain a very professional separation of family and business, we identify very deeply with the firm (this explains why it was so difficult to lose the parent company in the 1980). As a family we define what the firm becomes, the company history, our business successes and failures define who we are as well"
>
> (Michael, President and Board Member MS, 3rd generation)

The Olsons' survey results in this area show a much lower degree of identification with the firm (especially after the divorce) even though one business unit still carries the family name. As expected, the level of identification of the family members who are or have been part of the family business

management is relatively higher than for the rest, but even in those cases the levels of identification with the firm are significantly lower than for the Mortons'.

> "When we were kids and young adults, the firm definitely played a part in defining who we were; later, when I was starting my masters, it was extremely difficult for me to leave the family business (in fact if it had not been for my father I would have stayed) because I felt part of it, it had become a very important part of my life and I felt responsible for the wellbeing of the people I worked with. But in the past few years it is difficult to say. Sometimes I feel close some others I try not to care because it is too difficult"
>
> (Donna, Owner NWM 3rd generation)

> "I think since the conflict started, we are all trying to grow a thicker skin to deal with the situation. Ultimately this means we are taking some distance both from the family and the business. But I do not think it is because we want to, it's a defense mechanism"
>
> (Ronda, Owner NWM 3rd generation)

In sum, at present, the Mortons demonstrate a higher degree of identification with the business than the Olsons. The more The Mortons identify with the businesses, the more sensitive they are about the firm's external image because the firm's reputation reflects on them and the harder they work to keep building on the family reputation for efficiency and innovation. This pushes the Mortons to work harder to develop outstanding and innovative services and to grow to expand the number of people that can enjoy and appreciate their offers and knowhow.

> "MS is a family firm, as we grow, we dedicate our efforts to bringing our services to an increasing number of users and to sharing our responsible business attitude as well as the knowledge we have built through 90 years of experience.
>
> With the slogan, always in motion, with more than 150 transport lines, over 90 million passengers a year and thousands of loyal customers in automotive, MS is extending its good practices to new cities and new countries"
>
> (MS website extract from the section entitled "Where we are: Devoted to Growth")

Binding social ties: The results of this part of the questionnaire show that strengthening social relationships of the family firm takes a broader meaning for the Mortons.

> "One of the key components of the DNA of this family and this firm is "commitment", commitment to our family values, commitment to our employees, to our customers and users, to our city, to our community. This are just not words, we created the Mobility Solutions Community Center and put it at the service of the community so that local companies and institutions can organize events for free. We invest in community causes, we sponsor local sports events. These is not marketing or CSR for us, it is the reflection of the Morton's sense of belonging to this community, our family and our firm were born and grew here and we want to give back"
>
> (Michael, President MS, 3rd generation. MS Community Center Inauguration Speech)

The Olsons coincide with the Mortons in wanting to build contractual relationships based on trust and reciprocity. However, they also show that, as a family, they do not derive as much socioemotional wealth from building bridges with the community at large, with a broader range of institutions, or from forming deeper bonds with employees. Overall they show a lower priority in building social ties for the firm.

> "We have never been one of those companies deeply involved with the community. In the past, we sponsored local sporting events but more for marketing purposes than anything else, in fact one of the reasons we stopped sponsoring sports was because we did not get much return on investment. I think we have always believed the best way to build ties with the community is through outstanding service and quality "
>
> (Joseph, Owner and former CEO NWM, 2nd generation)

Higher and broader emphasis in preserving strong and enduring ties within and outside their firm translates into the Mortons' demonstrating more solidarity with staff, as showed during the recent automotive group restructuring (see section on resources for details); more emphasis in creating relational trust with nonfamily stakeholders, such as customers and users of their services, potential business partners and local institutions and communities.

Emotional attachment: Emotions play a big role in both family firms. The Morton survey responses show a big role for the emotional attachment component of socioemotional wealth. All respondents show that the emotional wellbeing of the family members "emotional bonds" "affective considerations" "emotional ties" and "feeling warmth for each other" are perceived as fundamental priority by all; they also show a high level of agreement in considering that feelings and emotions do not interfere with decision making processes. Non-family managers seem to be in agreement with this statement:

> "In decision making the family keeps the business and the family completely separate. This is true even between the owning siblings: they never refer to each other as members of the family but as professional managers. You never hear one talking about the other as "my brother" or "my sister" but about the President or the Strategy Director. This attitude trickles down to the decision making processes. If there are differences of opinions or strong feelings between family members I have not experienced them at the office in 24 years with the company"
>
> (John, General Director Transport MS)

Since the Morton family members enjoy positive emotions and affection emerging from the interaction of family and firm they feel more emotionally attached to their company, its history as well as its processes, products and services.

Emotions also emerge strongly at NWM, particualrly regarding recent family events (i.e. the divorce and ensuing family conflict). The negative emotions emerging from this event are so strong that one family member expressed in this portion of the socio emotional wealth survey the opinion that "family member

welfare" "emotional bonds" "affective considerations" "emotional ties" and "feeling warmth for each other" are "no longer of concern to the family" showing this respondent's level of discontent with the current situation. The rest of the respondents show a variety of responses in the different items of this socio emotional wealth component, and therefore it is difficult to assess the general level of emotional attachment between family and firm. However, all respondents of the survey agree that emotions and feelings affect deeply the decisions of the family firm.

> "If you had asked us only a few years ago, my siblings and I would have responded to these questions very differently. Before the conflict, we had absolute certainty that the company would remain in the family forever and that the bonds with our parents would be as strong as they are between us. Now I think there is much uncertainty created by bad blood and mistrust among family members. At present, it is very difficult to say what the future will bring for the family firm. One thing is for sure though, strong negative emotions are affecting business decisions and like it or not shaping the future of the family firm"
>
> (Ron, Owner NWM, 3rd generation)

The Olson family members' negative emotions result in an increased feeling of detachment from the firm, its business processes and its offers.

Renewal of family bonds through transgenerational intentions: The last dimension of socio emotional wealth refers to the long term focus and the intention of passing the business to future generations. For this dimension as well, the respondents' survey answers show a different picture for NWM and MS. The Morton family shows more certainty in wanting to maintain transgenerational value by keeping the business in the family for the next generation and thus makes big efforts to create and maintain the conditions to ensure the influence of historical family values as drivers for family and firm.

In contrast, while the Olson respondents agree on a strong long term perspective of shareholders, they show ambivalence towards the value of maintaining the business for the next generation. Alluding to the post-divorce levels of family conflict, one family member considers that "keeping the business and continuing the family legacy are no longer a priority for all the members of this family". The rest of the Olson family respondents show a variety of opinions regarding generational transfer, continuing the legacy or maintaining the business in the family.

In conclusion, as shown in the table below, the two family firms in our study differ both in their current stocks of socioemotional wealth, as well as the sources for deriving socioemotional wealth.

Table 5-25. Socioemotional wealth for the case firms

	Morton Family/Mobility Solutions	Olson Family/North West Motors
Socio emotional wealth	**Family control:** very strong **Identification:** very high **Binding ties:** A strong priority interpreted in the broadest sense (employees, institutions, providers, customers, community at large) **Emotional attachment:** Strong family ties are very important and considered a means to avoid family interference on business decisions. **Renewal of bonds:** Very important for all family respondents	**Family control:** very strong **Identification:** historically high currently low **Binding ties:** Strong priority for contractual relations not for broader ties (employees, community, other institutions) **Emotional attachment:** Ambivalence about this component. However, all respondents consider attachment has suffered the consequences of current conflict and exerts a strong negative effect on firm decisions and family relations **Renewal of bonds:** Overall ambivalence among respondents

The above discussion based on the information gathered during the interviews, the internal documentation and the survey responses, allows the identification of priority objectives of our case firms, these objectives are summarized in the table below:

Table 5-26. Priotity objectives for the case firms

	MORTON FAMILY MOBILITY SOLUTIONS	OLSON FAMILY NORTH WEST MOTORS
Economic Objectives for the Firm	1st Growth , 2nd Profitability, 3rd Improving efficiency 3rd Innovation 5th Diversification	1st Growth, 2nd Profitability 3rd Improving efficiency 4th Increase revenues 5th Increase the capacity to finance growth with company profits
Family objectives (non- economic goals)	1st Family wealth 1st Family harmony 3rd Reputation 4th Prepare next generation 5th Develop family human capital	1st Family wealth 2nd Family harmony 3rd Developing family human capital 4th Strengthening family relations 5th Preparing the next generation

	MORTON FAMILY MOBILITY SOLUTIONS	OLSON FAMILY NORTH WEST MOTORS
Sources of socio - emotional wealth for the family	**Family Control**: yes **Identification with the firm**: yes **Binding Social Ties**: yes in a broad sense **Emotional Attachment**: yes **Renewal of bonds trough succession**: yes	**Family Control**: yes **Identification with the firm**: not as much as in the past due to current level of conflict **Binding Social Ties**: yes, but only in a narrow sense **Emotional Attachment**: yes, but lacking currently **Renewal of bonds trough succession**: uncertain

Having identified the priority objectives for our two case studies, the next section proceeds to examine the performance levels vis a vis these priority objective sets.

5.6.2 Objective and subjective performance levels vis a vis priority objectives

Most organizations measure their performance using financial indicators of the firm. MS and NWM are no exception, both companies (and families) keep close tabs on EBITDA and include a number of other financial measures in their organizational performance dashboards (such as revenues, costs, margins and productivity data) as well as some market-based measures (e.g. market share, sales growth); social impact measures (e.g., customer satisfaction, customer loyalty); and other comparative indicators vis a vis their competitors (e.g. data from manufacturers comparative databases and other industry performance measures).

Performance vis a vis priority business objectives

To assess their performance both companies use four types of objective reference values:

1. Results of similar companies in their sector, i.e. their peers and competitors (this data is available particularly for the automotive sector not so much for MS' transport sector).

2. Measures against organizational objective targets (such as market share, sales growth and customer satisfaction indicators) set in the annual and quarterly plans of the organization (some of these targets are influenced by the manufacturer -in automotive- and public administrations – in transport).

3. Past performance comparative panels showing the historical efficiency and evolution of company performance indicators.

4. Comparative data between the firm's different business units (since both companies own several companies in the same sector they use their own internal statistics to compare internal performance, benchmark, and establish best practices).

It has to be noted that to facilitate comparison, for the business performance section, we limit most of our analysis to the business performance of the MS automotive group for the manufacturer both companies have in common (as mentioned earlier this manufacturer represents 85% of NWM business and 60% of MS). Also, at the request of the companies no references are made to specific financial numbers. However, all the analysis and conclusions are based on detailed historical business performance data extracted from internal documentation and databases of the two companies as well as historical databases from the automotive manufacturers.

In addition to the above indicators MS also keeps track of the number of new initiatives and innovative aspects introduced to their service offer or organizational processes (e.g. novel marketing initiatives, new service features or improvements in internal procedures) as well as a number of indicators related to staff well being (such as absenteeism, turnover, training hours, and organizational climate).

The table below summarizes the main targets used by the two firms to evaluate their business performance, (+) and (–) signs indicate which company has shown better performance in 2014 for each area. The performance indicators in the last 10 years have pretty much held the same pattern in performance in all indicators, except for profitability. 2014 is the first year that MS has taken the lead over NWM in year or year profitability indicators.

Table 5-27. Performance indicators and comparative performance between MS and NWM in 2014

	MORTON FAMILY MOBILITY SOLUTIONS	OLSON FAMILY NORTH WEST MOTORS
Shared performance indicators used by MS and NWM	Sales (-) After sales (-) Levels of stock (-) Market share (-) Client recommendation rate (-) Rework rate (-) Customer satisfaction levels (-) Profitability by business area (+) Overall Profitability (+) EBITDA (+) Expenses (-)	Sales (+) After sales (+) Levels of stock (+) Market share (+) Client recommendation rate (+) Rework rate (+) Customer satisfaction levels (+) Profitability by business area (-) Overall Profitability (-) EBITDA (-) Expenses (+)

	MORTON FAMILY MOBILITY SOLUTIONS	OLSON FAMILY NORTH WEST MOTORS
Particular performance indicators used by MS (established and measured since 2009)	Successful staff selection processes (measured by results of new recruits) Staff training hours per staff member Absenteeism Turn over Employee satisfaction level Compensation systems alignment (number of staff meeting targets tied to current strategic objectives) Number of new processes identified Number of new business opportunities Optimization level of procurement (savings from purchase orders as a group) Information access and exchange (IT) Income from new offers/services External communication (measured by favorable press coverage) % of customer using MS proprietary services (MS maintenance & financing)	NWM does not set objectives regarding any other business performance indicators. NWM gathers data on some of these indicators (such as absenteeism and staff turnover) but does not use these to set company objectives or take remedial action. NWM does not produce any type of data internally on innovation, process or staff related issues for purposes of setting performance targets.

As seen above, NWM outperforms MS in most of the performance indicators they share. These indicators are also the main indicators used by distribution networks to determine the ranking in the annual dealer of the year awards. This is no surprise as NWM has ranked at the top of the dealer of the year awards four years in a row, while the best ranking in the dealer of the year award for MS in the last decade has been 53rd (in 2014).

The emphasis of NWM and MS on different indicators and aspects of performance since 2009 create different incentives for managers and employees of these two companies. NWM keeps focusing primarily on reaching targets set by the manufacturer and focusing on improving efficiency, while MS is less worried with hitting all of the manufacturer's targets and more with finding a balance by expanding its objective set to include process, human development and innovation targets.

In fact, this change in the areas they measure and the emphasis on particular indicators may explain recent differences in current profitability. For example, once MS has been able to absorb the costs of the automotive restructuring process (which had a much higher cost for MS than NWM both due to the initial degree of misalignment as well as MS choice to invest in making the restructuring as painless as possible for the staff), MS has been able to reap the benefits from increased emphasis on staff development and innovation. Better profitability, despite MS being, over all, a less efficient business than NWM (as indicated by lower performance indicators in areas such as productivity and expenses), suggests that MS is currently better able to extract more value from its markets.

Despite superior performance by NWM in sales, after sales, market share, quality (rework and returns), client satisfaction and expenses, in 2014 MS surpasses NWM in every profitability indicator. This fact perhaps suggests a growing ability of MS to generate "value added" and charge higher prices to its customers, derived from the pursuit of a more ambidextrous objective set.

A more ambidextrous objective set including targets for reaching new segments and new markets has promoted the size and diversity of MS automotive group (to the current 8 brands, 28 business centers, in 14 cities) and provided MS with several cost and market advantages. On the cost side MS is now better able to (1) produce savings in supply chain management through lower prices from common purchases and group procurement processes and (2) take advantage of synergies between business units from different manufacturers. On the market side, the diversification to different automotive brands and segments within the automotive group, allows MS to (1) capture a greater number of corporate clients by customizing offers mixing and matching offers using multiple brands; (2) cross-sell to clients when they are not convinced by a particular manufacturer and (3) create distinctive corporate products by combining multi-brand products services and outlets in all of their geographical markets.

In addition, MS objectives with focus on developing internal capabilities and organizational innovation translates into internal conception of unique MS services and offers which are independent from the manufacturers allowing MS to enhance customer loyalty with particular service features and extract more value from its customers by selling their own services. Since MS staff develops and markets these particular services, as sole provider MS faces no competition from the manufacturer or other distributors for these services. Therefore they can charge higher prices and differentiate themselves better. In addition, since these services are independent from the manufacturers they leave larger margins for MS as they are no longer a "distributor" but a direct provider of these in-house developed services.

> "One of the best examples of internal innovation in developing new offers is MS' maintenance contract for 4 years or 80 thousand km. With it we ensure the loyalty of the customer for 4 years in the car maintenance, which is the hardest business area to achieve customer loyalty in and one of the most profitable and with higher volume of spare parts. In addition this contact has a huge impact in cash flow as we manage to cash in at the contract signature what we will invest in the maintenance cost the for next years. Today we sell this maintenance contract to almost 50% of customers and as of today no other distributor in the area offers it"
>
> (Luis, Commercial Director Automotive, MS).

In addition to all the above targets and indicators regarding business performance of MS and NWM we also collected subjective business performance measures. We asked respondents about their perceptions about organizational performance. These subjective self-reporting measures provide interesting complementary information.

It has to be noted that subjective measures suffer from psychological and cognitive biases and the quality of self-reporting measures decreases with the time lag between the information collection and the event and therefore the tables below should be interpreted with caution. However, they provide an interesting additional source of information to understand the business performance of the case firms.

To measure subjective performance we asked the 14 family owner managers to rate their perceived level of performance in different areas during the management of each generations (see Appendix B). These perceptions along with other objective measures are summarized in the table below.

Table 5-28. Objective and perceived performance vis a vis economic objectives at MS

MS Priority Objectives	MS Historical Performance	MS performance vis-à-vis the sector/industry	Perceived MS performance by family respondents
1st Growth	Significant annual growth both in number of employees and turnover	Has become one of the largest providers in automotive nationally and a strong national and international player	Very high during all generations
2nd Profitability	Average increased profitability year on year for most years (except crisis periods)	Increased profitability in comparison to competitors both in automotive and transport. Currently among the top 10% in automotive	Very high during all generations
3rd Innovation	A number of innovations in internal processes and service offers particularly in the next 15 years	Recognized as an innovator in both transport and automotive (by specialized press, industry associations and experts)	High in first; Medium in 2nd; Very high in 3rd generation
3rd Improved efficiency	Implementation of dash boards has increased efficiency significantly in the last decade	Improved efficiency in comparison to competitors in automotive. Currently among the top 50% in efficiency ratios	High in first; medium in 2nd and high in 3rd generation
5th Diversification	Strong growth in number of activities and markets, increased speed in last decade	Recognized as a very diversified company in both transport and automotive (by specialized press, peers, industry associations and	High in first; Medium in 2nd; Very high in 3rd generation

Table 5-29. Objective and perceived performance vis a vis economic objectives at NWM

NWM Priority Objectives	NWM Historical Performance	NWM performance vis-à-vis the sector/industry	Perceived NWM performance by family respondents
1st Growth	Sustained growth both in number of employees and turnover (except crisis and bs separation)	Is one of the largest automotive distributors in the North West and one of the fastest growing in its distribution network	Very high during all generations
2nd Profitability	Average increased profitability year on year for most years (except crisis periods)	Increased profitability in comparison to competitors. Currently among the top 50% in automotive	Very high during all generations

NWM Priority Objectives	NWM Historical Performance	NWM performance vis-à-vis the sector/industry	Perceived NWM performance by family respondents
3rd Improved efficiency	Year on year increases in efficiency since the 3rd generation took over	Very high efficiency in comparison to competitors in automotive. Currently among the top 10% in efficiency ratios	High in first; medium in 2nd and very high in 3rd generation
4th Increased revenues	Year on year increases in revenues for the units that remain in the family (except crisis periods)	Its revenues have grown in accordance to the business growth. In comparison the average NWM has increased revenues at a higher rate	High in first; very high in 2nd and high in 3rd generation
5th Growth financed with profits	All acquisitions have been financed with company profits and low levels of external debt	In comparison with its competitors and peers NWM has a very strong financial position (as reported by Spanish rating agencies AXEXOR eINFORMA)	High in first; medium in 2nd and very high in 3rd

The variety of objective and subjective indicators summarized in this section show that NWM and MS have been quite effective in reaching their priority business objectives.

Performance vis a vis family priority objectives

Measuring performance towards family objectives is more complex as there are fewer objective indicators than for business performance. Nevertheless the tables below summarize the available information regarding family objectives and perceptions of the family regarding the performance towards those goals.

Table 5-30. Objective and perceived performance vis a vis noneconomic objectives at MS

Mortons' Priority Objectives	External evidence related to performance levels of family objectives	Perceived performance by family respondents
1st Family wealth	Every generation has at least doubled the family wealth during their tenure (the 3rd generation has tripled it)	Overall perception of very high achievement for all the generations in terms of contributing to the family wealth
1st Family harmony	No evidence on family conflict. No court cases or known disputes. Internal documents, comments from respondents and all data available to the researcher indicate a high level of family harmony	Overall perception of very high achievement for all the generations in terms of maintaining family harmony
3rd Reputation	Numerous positive references from local and national press attest to the reputation of the firm. A specialized book refers to MS as one of the top 50 "captains of the Spanish industry"	Overall perception of very high achievement for all the generations in terms of building the company's reputation
4th Prepare next generation	Protocol guidelines ensure new generations acquire appropriate educational and professional capabilities prior to joining MS. Development plans exist for each new comers once	Overall perception of very high achievement for all the generations in preparing the next generation to take over the business

Mortons' Priority Objectives	External evidence related to performance levels of family objectives	Perceived performance by family respondents
5th Develop family human capital	Every member of subsequent generations has increasing levels of education and professional experience. All 4th generation family members of age hold a university degree by a reputed Spanish university, 90% has a master's degree they are all gainfully employed	Overall perception of very high levels of achievement for all the generations in developing the overall human capital of the family

The above table shows the Mortons have been very able to fulfill all their priority family objectives as well as show a high degree of satisfaction with the perceived levels of attainment. The same cannot be said for the Olsons as shown below.

Table 5-31. Objective and perceived performance vis a vis noneconomic objectives at NWM

Olsons' Priority Objectives	External evidence related to performance levels of family objectives	Perceived performance by family respondents
1st Family wealth	Every generation has increased significantly the family wealth as compared with the moment when managerial transfer took place (although not to their maximum potential level due to excisions of family assets)	Overall perception of high achievement for all the generations in terms of contributing to the family wealth
2nd Family harmony	Evidence of family conflict. 9 court cases involving family owners/managers. Significant amounts of internal documentation including emails, letters and other correspondence document the lack of family harmony	Very high perceived ability to contribute to family harmony for first generation; low for 2nd and medium for 3rd generation. Over all perception of current level of harmony is very low
3rd Develop family human capital	Every member of subsequent generations has increasing levels of education and professional experience. Most 3rd generation family members have a BA, MA and international experience are economically independent from the business and have successful careers	Overall perception of very high levels of achievement for all the generations in developing the overall human capital of the family (although they feel the firm does not fully benefit from this increased human capital)
4th Strengthen family relations	A wealth of correspondence evidencing weak family relationships and high levels of mistrust among family members. Particularly between some of the 2nd and 3rd generation owners.	Very high perceived ability to strengthen family ties for first generation; low for 2nd and medium for 3rd generation. Current perception of ties is weak
5th Prepare next generation	Unsigned protocol guidelines require new generations acquire appropriate educational and professional experience before joining NWM. Current family CEO is highly prepared (as per peers and experts opinions) although he has no MA or external professional experience. The family has been able to develop excellent human capital but has not been able to capitalize on it and has no definite plans to do so in the future	Very high perceived ability of first generation preparing the second, medium for the 2nd generation preparing the 3rd and low perceived ability for the 3rd generation to prepare the 4th generation to take over

The evidence shows the Olsons have achieved relative high levels of performance in two of their top five family objectives (family wealth and development of the family's human capital). On the other hand, they have done quite poorly overall regarding the other three priority objectives: family harmony, strengthening family relations and preparing the next generation.

Socioemotional wealth

The previous section already discussed the perceptions of the Mortons and the Olsons regarding socioemotional wealth. There is no objective way to measure the target levels of a family firm's socio emotional wealth or the valuation of "affective endowment" family owners associate with the firm. However, since SEW preservation constitutes a key noneconomic reference point for framing family firms strategic choices, we can explore how the perceptions of these two families regarding SEW may lead to different strategic alignment of MS and NWM.

In this sense, as we discussed in chapter 3 family firms may be more inclined to accept greater probabilities of financial losses if that means preservation of SEW; that family CEOs will make strategic decisions that are closely aligned with SEW preservation of family owners; and that family owners count future benefits of control as part of their current socioemotional endowment. In this context, the lower perceived levels of SEW expressed by the Olsons relative to the Mortons may contribute to explain the difference in the strategic behaviors of MS and NWM.

Without strong SEW the Olsons are more likely than the Mortons to perceive the family firm more as a source of financial funding and a economic instrument and therefore NWM is less likely to display the idiosyncratic strategic behaviors associated with family ownership discussed in chapter 3. Conversely, the Mortons' with their higher levels of perceived SEW consider their firm more as a trans-generational family tradition that provides benefits for the family that go beyond financial gains and therefore more likely to pursue ambidextrous strategic paths.

Table 5-32. Perceived levels of socioemotional wealth in the case firms

	MORTON FAMILY MOBILITY SOLUTIONS	OLSON FAMILY NORTH WEST MOTORS
Perceived levels of socio-emotional wealth	Stronger perceived socioemotional wealth levels will lead MS to pursue strategic options that help preserve the levels of socioemotional wealth of the family. To preserve socioemotional wealth MS displays strategic behaviors consistent with the simultaneous pursuit of economic and non	Lower perceived socioemotional wealth levels associated with lower levels of identification and emotional attachment as well as higher uncertainty about the future of succession emerging from family conflict may lead NWM to pursue strategic options that focus more on economic objectives.

These findings are consistent with the results observed in the previous sections on priority business and family objectives. The Mortons have a better balance between priority economic and non economic family and firm objectives and are more successful in achieving results in both areas. Conversely, the Olsons are more prone to pursue, and also better able to successfully attain, firm and family economic objectives such as efficiency, profitability, or family wealth than noneconomic ones (such as family harmony or building strong family ties).

5.6.3 Priority objectives, perceived performance and ambidexterity

The empirical evidence from our cases strongly suggests that family firm objectives contribute to the decisions of the family firms to explore and exploit and that a relationship exists between the objectives of the firm, performance and ambidexterity.

As discussed earlier, the linkage between noneconomic objectives of the firm and strategic alignment towards exploration and exploitation is complex because different combinations of noneconomic objectives may influence strategic decisions differently and lead to either exploratory or exploitative behavior. However, from our analysis, three elements related to the objectives of our case studies emerge as contributing to the different strategic alignment of MS and NWM: (1) the balance between exploratory and exploitative objectives; (2) the equilibrium between family and firm goals; and (3) the levels of SEW.

Exploitative/Exploratory objective balance

The Mortons show a greater balance between exploratory and exploitative objectives, they put emphasis on profitability and efficiency (exploitative objectives) as well as innovation, reputation and expansion of markets and product lines (exploratory objectives) and achieve equally satisfactory results in both exploration and exploitation as indicated by the objective and subjective indicators presented above.

The satisfaction with the levels of attainment in both areas creates a virtuous cycle for MS that drives the organization to become more efficient (as evidenced by improving indicators over the years) and bold (as demonstrated by the increasing pace of exploration and the growing distance of exploratory initiatives with the traditional activities and markets of the firm). This virtuous cycle contributes to reinforcing an ambidextrous strategic alignment of MS.

The Olsons, put more emphasis on exploitative objectives than on exploratory objectives. They are extremely successful at achieving outstanding results in efficiency measures. These success levels and

their positioning as leaders in efficiency reinforce their strategic path towards efficiency and more exploitation.

Family and firm goal equilibrium

The evidence also shows the Mortons are better able to juggle family and firm objectives. They show equally satisfactory results in family and business goals. This superior balance between the pursuit of economic objectives of the firm and the family (often attained through shorter term exploitative initiatives) and the pursuit of noneconomic goals related to the long term needs of the business and the desire to pass on the firm and increase family wealth (often attained through long term exploratory initiatives) provides an additional ambidexterity advantage to MS over NWM.

The Olsons lower ability to achieve satisfactory results in family objectives creates a growing gap between the family and the firm that seems to contribute to the family tensions and further limits the ability of the family ownership to initiate, support and sustain exploratory initiatives.

Perceived lvels of socioemotional wealth

Finally, the rising levels of conflict among the Olson family members since 2006 have eroded the SEW of the family and further contributed to the increased focus on economic objectives and exploitation. In fact, as we discussed earlier decreasing levels of emotional attachment (i.e. wellbeing of family members, emotional family ties, warmth and affection among family members) have undermined family unity limiting the ability of NWM family management to take business risks and explore. Furthermore, these family dynamics seems to increase the focus of the Olsons and NWM on business and efficiency goals and the exploitative alignment of NWM. Given the historical cycles of conflict mentioned by the Olsons for each strategic period this could contribute to explaining the reduced ability of NWM to pursue and consolidate exploratory efforts. It also suggests that in the absence of appropriate levels of SEW, family firms may not be able to capitalize on family cycles to alternate exploration and exploitation and achieve ambidexterity.

Conversely, strong emotional attachment and family harmony create a virtuous cycle at MS, strengthening the Mortons' SEW and family unity. In turn, stronger unity supports the ability of MS to undertake more daring exploratory initiatives while intensifying their search for constant improvement.

In conclusion, the evidence suggests that differences in objectives and performance indicators also contribute to the diverse alignment of MS and NWM and provide some useful insights for family firms. From this point of view families may be able to enhance their ambidextrous capability by:

1. Pursuing a balanced set of goals (economic/noneconomic; family/business; short term/long term; operational/strategic; exploratory; exploitative);

2. Using a variety of economic and noneconomic short term and long term performance indicators to evaluate performance; and

3. Combining backward looking year on year performance measures with challenging and aspirational long term forward looking targets;

4. Increasing their awareness of family dynamics on the perceived levels of SEW and managing the impact of SEW endowments on the family firm strategic decisions.

Performance-ambidexterity linkage

Our investigation cannot establish or predict causal relationships between ambidexterity and firm performance. However, the evidence from our case firms shows clear differences in ambidexterity and performance levels.

In terms of objective measures of performance, the family firm with a higher level of ambidexterity displayed growth rates (measured both in revenues and employees) several times higher than that of the firm with exploitation alignment. This gap has grown over time as the difference in size and diversification between both companies widens year after year (along with their resource and capability endowments).[12] Meanwhile, the family firm with lower ambidexterity displayed in most years, higher short term year on year profitability and lower overhead costs for comparable business activities.

Significant differences also emerged in the family members' perceptions of socioemotional wealth endowment and attainment of priority economic and noneconomic objectives. The firm with a higher level of ambidexterity shows higher overall satisfaction in the levels of attainment of their priority economic and noneconomic goals. The exploitative firm shows good levels of satisfaction for their economic priorities but low for their noneconomic goals.

[12] In the late 1980s, MS and NWM had strong similarities in terms of domains of activity and markets served as well as in revenues, employees and assets. Since then the gap between the two has widened year after year. The widening of this gap seems to have coincided with MS' engagement with external partners (that increased its rate of exploration) and NWM refocus on exploitation following the pruning of the family firm (that refocused NWM on exploitation).

Finally, the perceived levels of socioemotional wealth are much higher in the family firm with a higher level of ambidexterity.

In other words, the ambidextrous company is less profitable in the mature business activities common to both family firms because it has refocused some resources and capabilities into finding new more profitable business lines and less mature markets (e.g. combining existing capabilities in transport with emerging know how in technology) and developed many new lines of business and markets for the family firm.

Conversely, the exploitative family firm has continued to focus its resources on efficiency and lowering costs and has reached a plateau of growth and profitability. Despite being an indisputable leader in its sector for years (as proven by repeated industry awards) the ability of this firm to grow and succeed long term is constrained by the absence of exploration and the inherent limitations of staying in the same mature business domains and markets.

In conclusion, in regards to our third research question, the evidence from our two case firms suggests that families can promote the ability of their firms to manage the tensions and paradoxes of exploration and exploitation by contributing to developing ambidextrous leadership and context characteristics, as well as by actively managing their objective set and performance measures and targets. In doing so, their family firms may be able to achiever greater levels of growth and long term success.

6 CONCLUSIONS AND IMPLICATIONS

This investigation set off with the purpose of understanding:

> **Whether, how, and under what conditions, family influence enhances or hinders family firms' ability to balance exploration and exploitation in their quest for short term performance and long term survival.**

To achieve this purpose and respond to our research questions, the previous chapters built theoretical frameworks to bridge research on family firms and ambidexterity; identified potential linkages between familiness and the ability of a family firm to achieve strategic ambidexterity; and analyzed longitudinal in-depth case study evidence to explore the black boxes of familiness, strategic ambidexterity and family firm performance.

Our conceptual and empirical findings show that strategic ambidexterity in family firms is a complex multifaceted social phenomenon involving numerous factors emerging from interactions between family, firm and the changing business environment and suggest that families do indeed influence the ability of their family firms to achieve strategic ambidexterity. Our investigation also identified:

(1) Resource and capability dimensions of familiness influencing strategic ambidexterity;
(2) Mechanisms families can use to promote multi-level ambidextrous strategic alignment;
(3) Aspects of family leadership and family firm context that can support the integration of exploration and exploitation in family firms; and finally
(4) Linkages between ambidextrous ability and family firms' performance goals.

This chapter provides a summary and discussion of these findings. The chapter structure and objectives are summarized below:

Summary box 6-1. Structure and objectives of the chapter

Section 6.1 Review of the theoretical foundations of this study

- Provide a brief recap of the context and literature leading to our research questions

Section 6.2 Findings and implications

- Summarize the key findings for each research question and discuss their implications

Section 6.3 Contributions to theory and practice

- Discuss the main contributions of this study to both theory and practice

Section 6.4 Limitations and further research

- Identify the study's limitations and propose potential avenues for future research

Section 6.5 Concluding remarks

- Wrap up this investigative work with brief concluding observations

6.1 BRIEF REVIEW OF THE THEORETICAL FOUNDATIONS OF THIS STUDY

Ambidexterity is the ability of an organization to simultaneously pursue efficiency and innovation to revitalize the company's business, adapt to changes in the environment and establish sustainable competitive advantages to succeed in the short term and survive in the long term (Duncan, 1976; Levinthal & March, 1993; March, 1991; Tushman & O'Reilly, 1996, Raisch et al., 2009).

This ability is vital, because firm survival depends on the organization's capacity to find new markets while strengthening existing operations (March, 1991; Ward, 1987) and is becoming increasingly relevant in today's rapidly changing and VUCA (volatile, uncertain, complex and ambiguous) environment (Collins & Hansen, 2011; Johansen, 2007; Teece, 2007).

The concept of ambidexterity has received scant attention in the family business context (Allison et al., 2013; Hiebl, 2015; Stubner et al., 2012; Webb et al., 2010). This oversight is striking because transgenerational success and survival are distinctive characteristic of successful family businesses (Davis, 1968; Gersick et al. 1997; Miller & Le Breton Miller, 2005) and yet remain a great challenge for most family firms (Hoy & Vesper 1994; Marshall et al. 2006; Morris et al. 1997; Schwass, 2005).

Multigenerational family firms show a strong ability to improve and innovate, to merge tradition with innovation (Bergfeld & Weber, 2011; Miller & Le Breton Miller, 2005; Schwass, 2005). Successful family firms manage for long term market success (Miller & Le Bretton-Miller, 2005) adapting to external and internal changes (Schwass, 2005) by mastering different types of competitive advantage such as efficiency and quality, innovation, brand building, and entrepreneurship to sustain their competitive edge (Miller & Le Bretton-Miller 2005). This continuous innovation and constant improvement provide some family firms with an advantage in surviving through generations (Habbershon & Pistrui, 2002).

In short, successful transgenerational family firms achieve short term success and long term survival by managing the balance between innovation and entrepreneurship (exploration) and efficiency and improvement (exploitation), i.e. by becoming ambidextrous. Despite this knowledge, we still have a limited understanding of how the family affects the ability of the firm to become ambidextrous.

In this research context this thesis started with the aim of exploring the following general question:

How does the family influence family firms' ability to balance exploration and exploitation to achieve ambidextrous strategies in their quest for short term results and long term survival?

The notion that family influence in a business gives rise to a bundle of idiosyncratic resources and capabilities, a.k.a. familiness (Habbershon & Williams, 1999), is widely accepted and used in family business research (e.g. Lester & Cannella 2006; Pearson et al. 2008; Rutherford et al. 2008; Zellweger et al. 2008b), and helps explain the idiosyncratic strategic behaviors of family firms (e.g. Berrone et al., 2010; Gomez-Mejia et al., 2007, 2010; Miller & Le Breton-Miller, 2005; Sharma et al., 1997).

Family business research suggests that the idiosyncratic resources and capabilities of family firms (Cabrera et al., 2011; Habbershon & Williams, 1999; Habbershon et al., 2003; Salvato, 2009) may promote the capacity of family firms to sense and seize strategic exploratory and exploitative business opportunities and reconfigure assets in order to maintain competitiveness in the face of change (Teece, 2007). However, to do so families need to manage family influence to enhance the quality and quantity of resources available for exploration and exploitation and the family firm's ability to identify and adapt to change.

Some families provide family firms with unique resource advantages, such as committed human capital, strong social capital, patient financial capital, and survivability capital (Arregle et al., 2007; Hopes & Miller, 2006; Sirmon & Hitt, 2003); and enhanced capability development processes, such as technology enhancing knowledge sharing (Zahra et al., 2007); superior dynamic adaptation through knowledge integration (Chirico & Salvato, 2008); unique recombination of strategic resources through constant social interactions (Salvato & Melin, 2008); improved opportunity identification from exceptional knowledge structures and combinative capabilities (Patel & Filet, 2011); and particular reconfiguration and deployment of resource stocks (Chrisman et al., 2009). These particular resource and capability characteristics indicate a potential advantage for balancing exploration and exploitation initiatives in family firms.

Other families deplete family business resources (Habbershon & Williams, 1999; Habbershon et al., 2003; Sirmon & Hitt, 2003); support path dependent capabilities making their firms unable to adapt to changing environments (Chirico & Salvato, 2008; Koiranen & Chirico, 2006); and make their firms heavily dependent on the experience and abilities of family founders and managers to initiate and sustain organizational change (Teece et al., 1997, Helfat & Liberman, 2002; Zahra et al., 2007). These findings suggest some family firms may be at a disadvantage in pursuing ambidextrous strategies.

As of yet, it is not fully understood how constrictive (f-) and distinctive (f+) familiness emerge, nor the conditions that give rise to one or the other (Chrisman et al. 2005b; Dyer, 2006; Habbershon et al., 2003; Irava & Moore, 2010; Weismeier-Sammer et al., 2013), maybe because of the complexity and broad scope of the familiness construct (Moores, 2009).

Clarifying and detailing the dimensions of the familiness construct leading to family firm strategic ambidexterity motivated the formulation of our first research question (RQ1) to explore the family contribution to the development of resources (financial, human, social, and organizational) and dynamic capabilities (sensing, seizing and reconfiguring processes) family firms need to explore and exploit and promote ambidexterity:

RQ1: How does the family affect the resources and capabilities necessary to achieve ambidexterity?

In addition to familiness, research has long emphasized that the strategic behavior of family firms differs from the behavior of other organizations (e.g., Astrachan, 2010; Chua et al., 1999; Habbershon & Williams, 1999; Miller & Le Bretton Miller, 2005; Sharma et al,. 1997). Families have been found to positively influence and strengthen exploratory strategic alignment (e.g. Corbetta et al., 2002; Salvato 2004; Zahra et al., 2004) through strategic control (ownership) through direct and indirect involvement in the firms' corporate, business and structure level decision making processes (management). However, evidence also shows family firm strategic preferences can be more risk averse, more conservative, and less entrepreneurial as generations go by (e.g. Athanasios 2000; Carney, 2005; Martin & Lumpkin, 2003) and thus suggest an exploitative alignment of family firms' strategic decisions.

Of course these differences are a reflection of the heterogeneity of family firms (Garcia-Alvarez & Lopez-Sintas, 2001; Gersick & Feliu, 2014; Goel et al., 2014; Klein, 2008; Nordqvist et al,. 2014; Sharma & Irving 2005; Sharma & Nordqvist, 2007) but within this heterogeneity there are family firms that manage to develop and capitalize on family related factors to achieve high levels of both exploration and exploitation.

A long term business perspective emerging from the desire of families firms to pass on the legacy to the next generation (e.g. Daily & Dollinger, 1992; Harvey, 1999; Le Breton-Miller & Miller, 2006); a friendly environment for entrepreneurial activity (e.g. Carney, 2005; Lumpkin et al 2008; Zahra et al., 2004); the pursuit of nonfinancial goals (e.g. Astrachan & Jaskiewicz, 2008; Gomez-Mejia et al., 2001, 2007, 2010; Mustakallio et al., 2002; Zellweger et al., 2011); and family funding for new business ventures (e.g. Craig & Moores, 2005); are all family related factors that ambidexterity research identifies as conducive to exploration (Gibson & Birkenshaw, 2004; Raisch & Birkinshaw, 2008) and with strategic investment in future business opportunities (Ward, 1987) with more remote and uncertain returns on investment (March, 1991).

On the other hand, the pursuit of superior quality, operational excellence and product leadership (e.g. Astrachan & Jaskiewicz, 2008; Craig & Moores 2005; Miller & Le Breton Miller, 2005) to uphold the

family reputation (Khatri & Ng, 2000; Sorenson, 1999; Tagiuri & Davis, 1992; Zellweger & Nason, 2008); a preference for less risky strategic alternatives to secure and preserve family wealth (Claver et al., 2009; Morck & Young, 2003); and a desire to maintain control through centralized structures (Bartholomeusz & Tanewski, 2006; Lindow et al., 2010), are characteristics linked with efficient exploitation of operations and strategic investment in existing business activities (Tagiuri & Davis, 1996) offering more immediate and certain returns (March, 1991).

This open debate about the strategic preferences of family firms and the family factors and mechanisms leading family firms to align towards exploration and/or exploitation led to the formulation of our second research question (RQ2) to explore the strategic alignment of family films over time and the family mechanisms leading to ambidextrous corporate, business and structure level strategies:

RQ2: How does the family influence the strategic alignment of family firms towards ambidexterity?

Regardless of the preferred alignment, strategies require resources. Allocation of sufficient resources to exploitation strategies ensures an organization's short term viability; adequate investment on exploration strategies ensures its future survival (Levinthal & March, 1993; Gibson & Birkenshaw, 2004; He & Wong, 2004; Lubatkin et al., 2006). Unfortunately, organizations have limited resources; exploration and exploitation require different types of resources and compete for limited quantities of organizational resources creating trade-offs, tensions and contradictions for the organization (He & Wong, 2004; March 1991). Thus, in addition to resources and capabilities to explore and exploit, ambidexterity requires mechanisms to manage these trade-offs and contradictions and integrate exploration and exploitation strategies (Gibson & Birkenshaw, 2004; O'Reilly & Tushman, 2008; Raisch et al., 2009).

The need to explore how family firms cope with the trade-offs, tensions and contradictions of exploration and exploitation prompted the formulation of the first half of our third research question (RQ3) to look into the family influence on the organizational conditions (namely leadership and context) leading to ambidexterity in family firms:

RQ3 (initial): How can the family influence help or hinder the ability of family firms to manage the tensions and paradoxes of exploration and exploitation?

While this third question explores the ability of family firms to manage the paradoxes of ambidexterity, it is incomplete because it does not address the issue of performance.

Ambidexterity is theorized to have a positive effect on different performance dimensions; while a majority of research provides empirical support for ambidexterity's direct effect (O'reilly & Tushman, 2013), other scholars find contingent (e.g. Lin et al., 2007); curvilinear (e.g. Yang & Atuahene-Gima, 2007); zero effect (e.g. Venkatraman et al., 2007) and negative effects (e.g. Atuahene-Gima, 2005) on performance.

In the face of these equivocal results, this study builds on research assessing ambidexterity performance effects measuring the actual exploitation and exploration attainments of organizations (e.g. Venkatraman et al., 2007) and explores the performance effects of ambidexterity by looking into the family firms' exploration and exploitation outcomes via the performance targets and aspirations of the family firms as well as their actual financial and nonfinancial results over time.

Successful family firms pursue a combination of exploitative shorter term, and often economic, goals (e.g. profit, income) and exploratory longer term, and often noneconomic, objectives such as building a legacy or maintaining family harmony (Chua et al., 2003; Leenders & Waarts, 2003; Zellweger et al., 2013). Satisfying one set of objectives at the expense of the other may create an imbalance with detrimental effects for the business, the family and the ability of the firm to achieve ambidexterity.

Despite abundant research exploring family influence on family firms' financial performance (e.g. Allouche et al., 2008; Anderson & Reeb, 2003 Daily & Dollinger, 1992; Lee, 2006; Sciascia & Mazzola, 2008; Miller et al., 2007; Minichilli et al., 2010; Wagner et al., 2015) and growing research on socioemotional wealth (e.g. Berrone et al, 2010, 2012; Gómez-Mejía et al., 2007, 2010; Jones et al., 2008; Zellweger et al., 2013), the linkages between noneconomic objectives and performance remain under researched in the context of family firms (Debicki et al., 2009). Exploring these linkages is important because nonfinancial objectives are a fundamental characteristic of family firms (e.g. Astrachan & Shanker 1996; Donnelley 1964; Morris et al. 1997) and may promote ambidexterity in these organizations.

Indeed, research focusing on specific nonfinancial objectives of family firms such as altruism (Schulze et al., 2001); autonomy and control (Olson et al., 2003;Ward, 1997); cohesiveness and loyalty (Sorenson, 1999); family tradition and legacy (Sharma & Manikutty, 2005); family harmony and trustful relations (Sharma & Manikutty, 2005); personal identity (Dyer & Whetten, 2006); pride (Zellweger & Nason, 2008); reputation (Khatri & Ng, 2000); and family name recognition and status (Sorenson, 1999; Tagiuri & Davis, 1992) demonstrate that these nonfinancial goals can be as important as financial performance for some family businesses.

This combined pursuit of financial and nonfinancial objectives makes for the particular strategic alignment of family firms (e.g. Ibrahim & Ellis, 1994; Miller & Le Breton-Miller, 2005; Pollak, 1985). In fact, evidence shows that "nonfinancial aspects of the firm that meet the family's affective needs" (Gomez-Mejia et al., 2007 p.106) influence critical strategic decisions of family firms because family firms aim to preserve the affective value gained from the firm, i.e. their socioemotional wealth (Berrone et al., 2010, 2012; Gomez-Mejia et al., 2010).

In other words, family principals select and assess strategic decisions based on a combination of socioemotional and economic objectives (Berrone et al, 2012; Gómez-Mejía et al., 2010; Jones et al., 2008; Zellweger et al., 2013). Therefore, by identifying the particular mix of priority economic and noneconomic objectives of a family firm and the actual levels of performance towards those objectives we can examine the outcomes of exploration and exploitation strategies and family firm performance.

In this context, we reformulated and expanded our initial RQ3 to explore the association of the objectives of family firms with exploration and exploitation and to examine the links between the ambidextrous ability of family firms and the levels of attainment of priority economic and noneconomic goals:

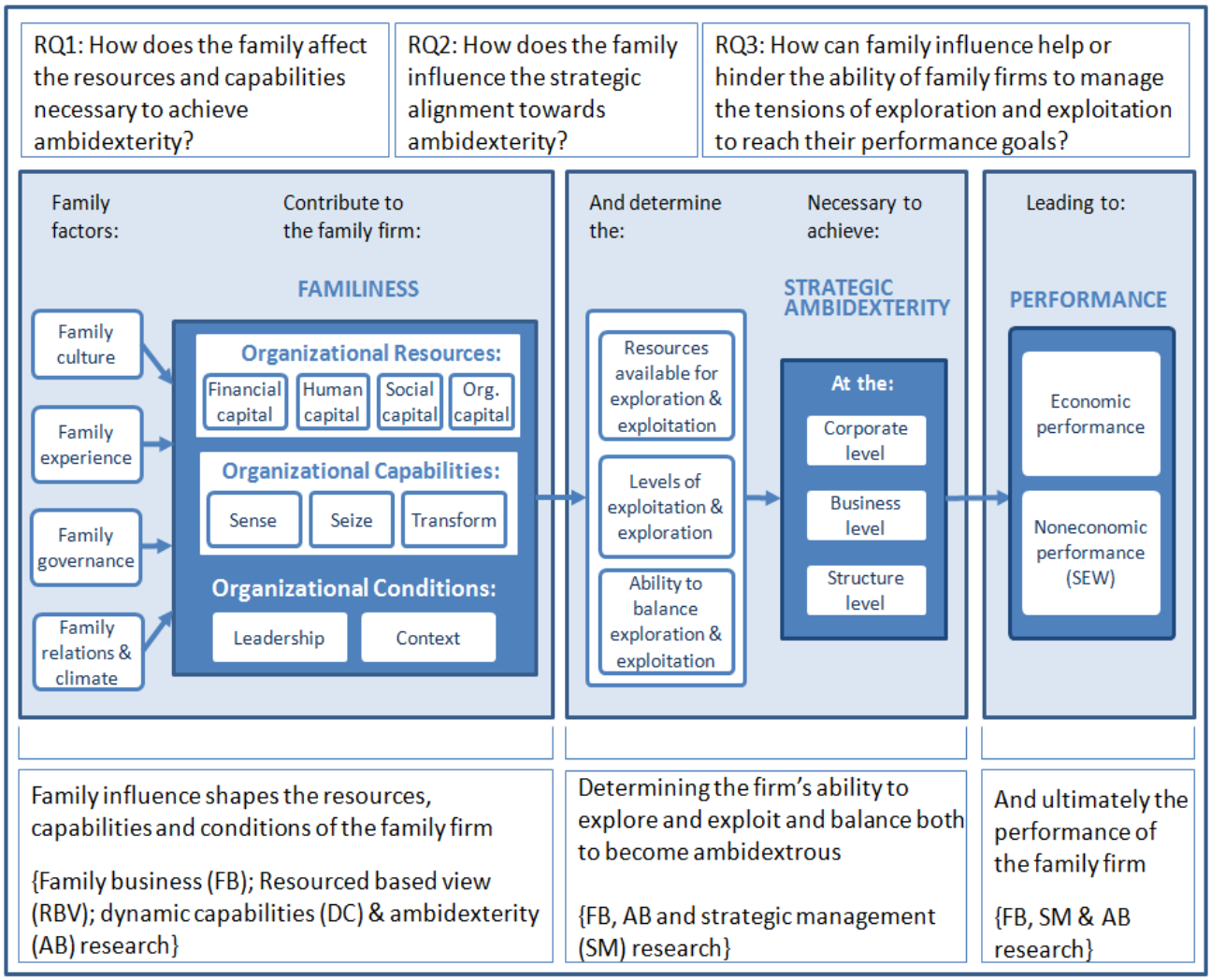
RQ3 (definitive): How can family influence help or hinder the ability of family firms to manage the tensions and paradoxes of exploration and exploitation to reach their performance goals?

To summarize, in an attempt to explore our three research questions, our study draws on a wealth of research. It uses the RBV to identify how different resources contribute to exploration and exploitation; dynamic capability research to explore the processes firms use to reconfigure resources to improve and innovate as markets change; strategic management theory to classify organizational initiatives and objectives and assess the strategic alignment towards exploration and exploitation. Ultimately, by combining these fields of research with ambidexterity and family business literatures we built bridges between these two disconnected fields of management research.

As a result of this process we developed the theoretical foundations necessary to explore the family influence on family firms' ability to successfully pursue and balance exploration and exploitation and its subsequent effect on the attainment of their priority economic and noneconomic goals.

The theoretical model developed to collect and analyse the data and interpret our research findings is presented below:

Figure 6-1. Theoretical model guiding our research



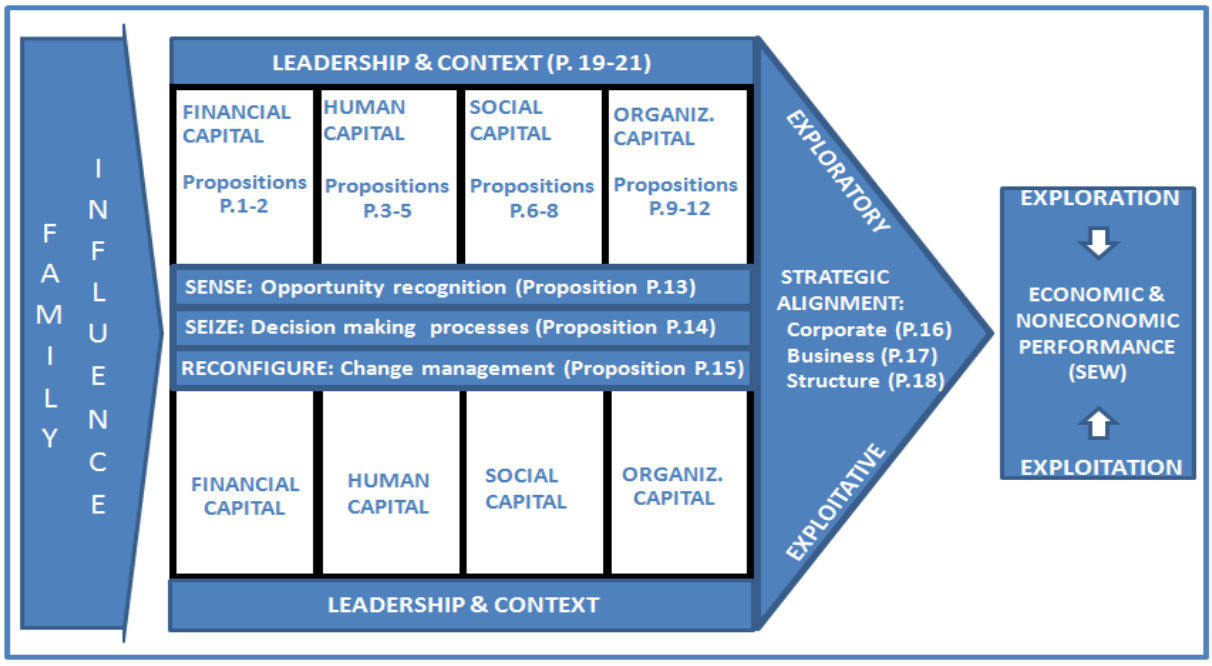
6.2 FINDINGS AND IMPLICATIONS

The theory development in this dissertation proposed that the idiosyncratic characteristics of family firms could promote or hinder the ability of this type of organization to balance exploitation and exploration strategies. Specifically, we argued that family firms' ability to achieve strategic ambidexterity would emerge from: certain characteristics of the owning family that determine organizational resources and capabilities (familiness) of the family firm; particular family driven strategic preferences at the corporate, business and structure levels; specific organizational conditions created by the family leadership; and a singular set of family and business economic and noneconomic performance objectives (see Chapter 3 for all the details).

The components of our conceptual framework and the twenty one research propositions (P.1 to P.21) that emerged from our literature review are illustrated in the figures below (for easy reference the

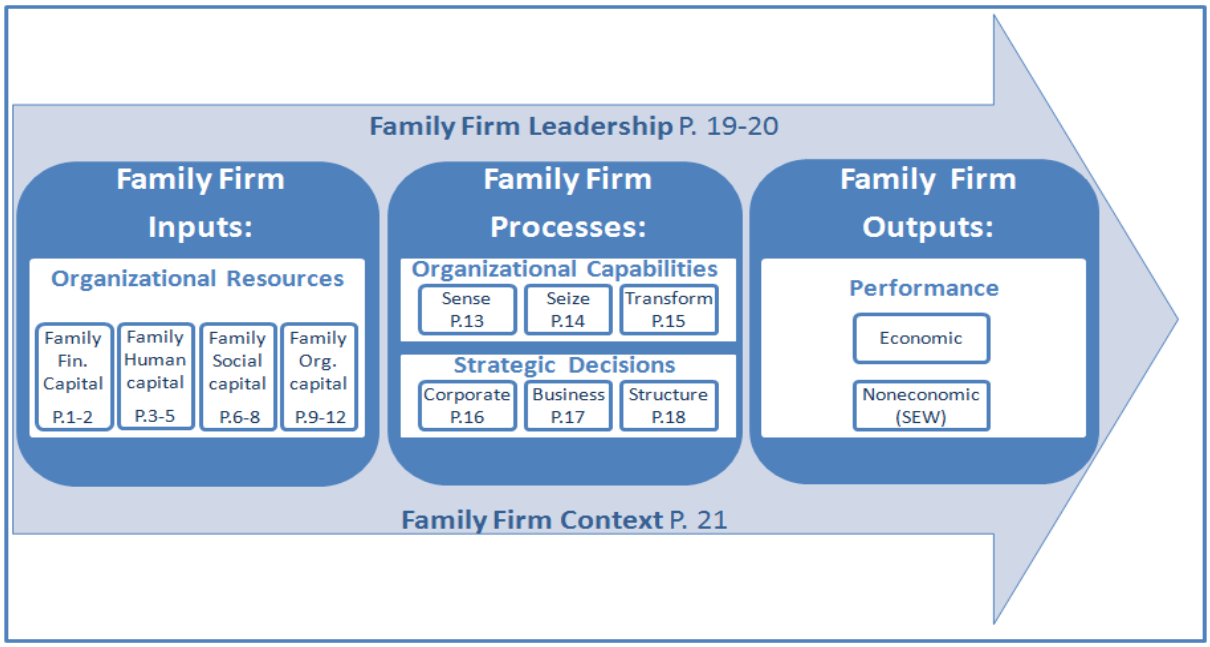
research propositions numbers appear in parenthesis next to each component). These figures illustrate the relationships explored in this research. The first figure organizes the components and propositions of this research from a familiness point of view based on family business research.

Figure 6-2. Familiness view of ambidexterity



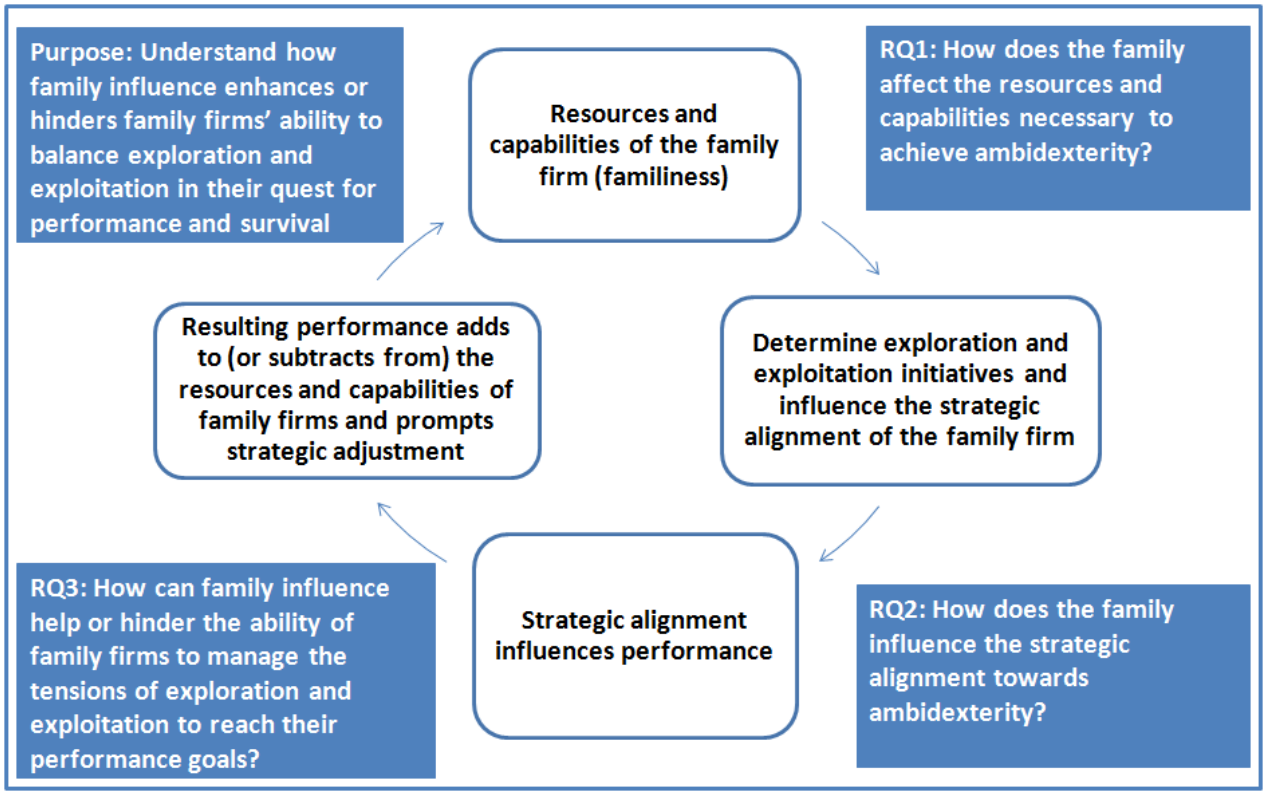
Drawing from organizational ambidexterity research, the second figure presents strategic ambidexterity as an input-process-output and organizes our research propositions and components accordingly.

Figure 6-3. Input-process-output view of family firm strategic ambidexterity



These theoretically based frameworks illustrate the relationship between family resources and capabilities, strategic action and performance in different ways. Both highlight the preponderant role of family leadership in guiding the business towards ambidexterity as well as in providing the appropriate context to balance exploration and exploitation. Together they reinforce the original logic proposed at the start of this investigation to explore our research questions:

Figure 6-4. Original logical framework and research questions



In answering the above research questions, using our theoretical constructs the qualitative empirical results generally confirm this logical framework:

Our paradigmatic family business cases showed that family influence on resource and capability development and management has an impact both on the characteristics and availability of resources for exploration and exploitation and on the ability of the firm to sense and pursue opportunities and change. Together these resources and capabilities determined the timing and intensity of exploration and exploitation initiatives of the family firms and influenced their strategic alignment.

In addition to shaping the resources and capabilities available for exploration and exploitation, the evidence showed that specific practices of the family firm shape the strategic alignment towards exploration and/or exploitation at all levels of strategy (corporate, business and structure) and reinforce the family effect on the strategic alignment of the firm towards exploration and/or exploitation. It also

highlighted the fundamental role of family leadership both from a business perspective and a family perspective. Fron an organizational point of view, the leadership plays a fundamental role in directly managing the tensions between exploration and exploitation as well as in creating the teams and organizational contexts to deal with such contradictions at different levels of the firm; from a family perspective the leadership is key in finding a sustainable long term balance between the needs of the family and the firm.

Finally, the evidence suggests that, indeed, a superior ability to balance exploration and exploitation allows the family and the firm to better achieve its economic and noneconomic priority objectives. The performance effects of the resulting strategic alignments were clearly reflected both in objective business performance indicators (e.g. profitability, market share, growth) as well as subjective levels of perceived performance of family members (e.g. the perceived levels of SEW endowments, overall satisfaction with performance levels, and degree of family harmony). In fact, while both family firms are considered successful multigenerational family firms and viewed as leading companies by peers and industry experts, and both display above average performance when compared with competitors and industry averages, the evidence showed significant differences in their short and long term economic and noneconomic performances.

Furthermore, the evidence suggests that overtime, differences in familiness, strategic preferences and actual and perceived performance have reinforced the strategic alignment of both firms: strengthening ambidexterity in one case and emphasizing exploitation in the other. Finally, the growing gaps in exploratory and exploitative behaviors between both firms seem to have widened the performance differences over time.

The next sections provide additional details on the conceptual and empirical findings for each research question.

6.2.1 Research Question One (RQ1)

RQ1: How does the family affect the resources and capabilities necessary to achieve ambidexterity?

A basic premise of our study was that family firms able to develop the attributes of distinctive positive familiness (Habbershon et al., 2003; Sharma, 2008) would be more capable of developing successful ambidextrous strategies. The evidence from our cases shows that, indeed, family firms have the potential to develop distinctive resources and capabilities leading to the design and implementation of successful exploratory and exploitative initiatives.

Abundant research shows that family and business interactions generate idiosyncratic resources and capabilities for the family firm (Habbershon & Williams, 1999; Habbershon et al., 2003). However, while familiness is a widely accepted notion in family firm research, there is no clear definition of the components of resources and capabilities that constitute familiness (Chrisman et al., 2005; Lambrecht & Koiranen, 2009; Moores, 2009; Sharma, 2008). In this context, the first aim of our RQ1 was to develop a framework to clearly identify, define and analyze the different components and dimensions of familiness relevant for ambidexterity (Appendix G provides an overview of all components and dimensions of familiness identified by our investigation).

In response to RQ1, our study identified twelve components of family firm resources (financial, human, social and organizational) that may either enhance or hinder the ambidextrous ability of family firms. Two components are related to financial resources (financial assets and financial preferences); three additional components are related to human resources (firm human capital quality, family human capital; and tacit knowledge of the firm); three components relate to social capital (structural, relational and cognitive) and the four last components to organizational capital (procedures, culture, structures and reputation).

Within these thirteen components, our study identified 46 different dimensions that families can influence to either contribute or hamper the ambidextrous ability of their firms. In the context of our paradigmatic case studies, the analysis of the resource components and dimensions produced the findings summarized in the table below:

Table 6-1. Summary findings regarding family firm resources

	COMPONENTS/ DIMENSIONS	FINDINGS
FINANCIAL RESOURCES	**Assets (Survivability and growth capital; external financing)**	Growth capital is more important than survivability capital for ambidexterity and emerges from a deep desire of the family to grow the business. In addition to providing access to additional finance, external financial resources can promote exploration by lowering the perceptions of risk of family firms
	Assets (Patient capital)	Patient capital is related to both exploration and exploitation and promotes ambidexterity as long as the family vision embraces both exploration and exploitation
	Financial flows between family and firm	Good short and long term management of financial flows is fundamental to maintain family capital intact. A good balance of flows between family and firm can minimize conflict and avoid pruning of financial resources in family firms
	Financing preferences exploration/ exploitation	Strong family preferences that favor exploitation (e.g. risk and debt aversion) can be offset by the family through mechanisms that allow the family firm to balance those preferences and pursue high levels of exploration and exploitation (e.g. sufficient family wealth lowers the risk of default and external partners to share risk burden)

	Financial culture	A rigorous financial family culture is beneficial for family firms because it implies better management of resources for exploration and exploitation. However, it will only favor ambidexterity if the family firm favors both exploitation and exploration. Excessive prudence and parsimony can lead to high exploitation and low exploration
HUMAN RESOURCES	**Firm human capital (Diversity of human resources)**	Diversity of human capital at all levels (breadth, depth, diversity) is fundamental both for exploration (to generate out of the box thinking) and exploitation (by mixing deep expertise with new ways of doing things)
	Family human capital (Family involvement)	To maximize the family contribution to ambidexterity families must develop the human capital of the family; create mechanisms to promote family involvement and channel family contribution, and to balance the contributions of different generations and family members in different roles within and outside the firm
	Tacit knowledge	Is fundamental for ambidexterity but its level of contribution to exploitation and exploration depends on the way the family firm defines the business domains of the firm and their long term vision for the firm (e.g. innovative, efficient)
SOCIAL CAPITAL	**Structural social capital**	To achieve ambidexterity FF need to combine strong and well managed internal SC leading to exploitation with the heterogeneous external networks that can contribute to exploration and finding new venues for the business
	Relational social capital	While trust and group norms can contribute to ambidexterity, identity emerges as the most fundamental factor leading to ambidexterity. A strong identity as "a family firm" helps families reap the benefits of familiness for ambidexterity. The way a family firm defines its identity shapes exploration and exploitation (broad flexible identity=more exploration vs. narrow fixed identity=more exploitation). The focus of the identity (i.e. internal vs. external) intensifies the effect of identity on ambidexterity
	Cognitive social capital	Family values, the way the family formulates the long term vision of the firm and the resulting objectives shape the ambidextrous ability of family firms. The evidence suggests cognitive social capital has strong spillover effects on other factors and emerges as one of the fundamental components influencing ambidexterity
ORGANIZATIONAL CAPITAL	**Processes and procedures**	Clear processes, rules and practices contribute to developing knowledge and merging existing experience with emerging practices and can facilitate exploration and exploitation depending on the goals of the family firm. More flexibility in adopting new practices can contribute to the speed of adaptation. Objective setting processes are particularly relevant for ambidexterity
	Culture	A positive culture based on strong stewardship and commitment; a good balance between internal focus and openness, collaboration and individualism favors ambidexterity. However, if family priorities are not addressed and managed the resulting conflict can preclude the family firm from benefiting from a strong and favorable business culture.
	Structures	Highly centralized family firm structures can still lead to ambidexterity when managers enjoy high levels of autonomy. Clear family ownership structures help align the views of family and firm and favor ambidexterity. Flexible structures accentuate the overall alignment of the firm towards exploration, exploitation or ambidexterity
	Reputation	Reputation will contribute to the ambidexterity of the family firm when the family firm pursues a reputation built on both innovation and efficiency

Our study also identified 20 capability dimensions related to the opportunity recognition, decision making and change management processes that families can manage to promote ambidextrous sensing, seizing and reconfiguring capabilities.

In the context of our paradigmatic case studies, the analysis of the capability components and dimensions produced the findings summarized in the table below:

Table 6-2. Summary of findings regarding capabilities of family firms

	COMPONENTS/ DIMENSIONS	FINDINGS
SENSING CAPABILITIES	**Search horizons and search boundaries**	Families who can broaden the search horizons for opportunity search and provide a clear vision that provides some flexible boundaries to staff can help enlarge the number of opportunities identified for exploration and exploitation
	Search practices	Search practices that include more family and nonfamily contributions from different parts of the family and the firm can contribute to expand the options for exploration and exploitation
	Nonfamily resource integration	Nonfamily resources and external advisors help family firms increase the number of opportunities identified and improve evaluation and selection of opportunities
	Family unity	Families who are more aware of their strengths and weaknesses and work together can better discern opportunities. Family unity also helps balance more progressive and conservative family members contributing to more exploration and exploitation
SEIZING CAPABILITIES	**Decision range; Decision ethos**	Families who promote open decision processes that consider "natural" bringing to the table a variety of exploratory and exploitative proposals can pursue a more ambidextrous set of initiatives.
	Decision speed; Decision actors; Implementation strength;	The speed of making the decision may not be as important as who is involved in the decision and how the decision is taken because ultimately this will affect the momentum and stamina of implementation and the amount of resources backing the implementation of the decisions taken in the family firm
	Financial independence and other resources	Financial independence as well as financial muscle are both important for exploration and exploitation. However, the family conviction that investing in both exploration and exploitation is part of the firm's vision and identity is fundamental in family choices providing strong financial backing to exploratory and exploitative initiatives
	Attachment to the original business	Attachment does not necessarily mean reluctance to explore; it depends more on whether the firm sees exploration as part of its makeup. Furthermore, families who are able to decrease involvement in the firm's day to day management of some family members can reduce the level of attachment
RECONFIGURING CAPABILITIES	**Family life cycles**	Generational change can be used to promote organizational renewal but it will only lead to ambidexterity if the changes are aimed to facilitate deep and gradual change. Family conflict reduces the ability of family firms to use life cycles to alternate exploration and exploitation focus
	Family as a driver of change	Families can promote organizational change both directly and indirectly. The effect on ambidexterity will be determined by the type of changes the family favors
	Family as source of flexible and entrepreneurial culture	To result in ambidexterity entrepreneurial new ventures need to be followed by exploitative efforts to integrate new initiatives and make them part of the core business (if not they become 'transient' new ventures with limited time horizons and reduced contribution to the long term health of the business)
	Stable family values as driver of change	Strong and stable values that are built upon by subsequent generations facilitate change by providing context to the process. The ultimate effect on ambidexterity depends on the content of those values (cognitive social capital)

	Communication	Open communication mechanism can be a catalyst for both exploratory and exploitative change efforts. Communication can increase staff involvement in deep organizational changes along with the family and facilitate change.

In addition to the findings about specific components and dimensions of resources and capabilities, our investigation provides other important insights regarding resources and capabilities:

Interplay among resources and capabilities

To examine familiness, our study examined resources and capabilities separately. However, these resources and capabilities are obviously interlinked and influence each other. Although our study did not set out to examine these interactions, it clearly emerged from the evidence that resource and capability dimensions influence each other greatly. For example, the cognitive dimensions of social capital had a strong influence in shaping the characteristics of several other dimensions. In our case firms, for instance, the vision of the family (cognitive social capital) had a strong effect on the type of tacit knowledge developed within the firm (human capital). Similarly, the priority objectives of the family (also cognitive social capital) influenced objective formulation processes (organizational capital). Together resources shaped the sensing, seizing and reconfiguring practices favored by each firm.

These interactions are also highlighted by diverse levels of influence of different dimensions. While the evidence shows all the different components and dimensions of familiness have a certain degree of influence, their overall effect on ambidexterity varies. Some resource dimensions seem to be fundamental to develop ambidexterity, such as growth capital, human capital diversity, structural social capital heterogeneity, and cognitive social capital. Other dimensions accentuate the trend already set by these fundamental dimensions.

Most dimensions on their own, while helpful and necessary, may not be sufficient to derive benefits for ambidexterity. A number of dimensions, have different effects depending on their intensity, for example a certain level of parsimony appears to be beneficial to ambidexterity by promoting efficient management of financial resources but can become detrimental when it limits investment in exploration. Finally some dimensions can derail the progress of the family firm towards ambidexterity, such as family dependency or family conflict (which are, themselves, the result of combinations of family involvement -human capital-, relational and cognitive dimensions of social capital, and culture and formal structures -structural capital-).

Finally, in addition to providing insights into resource and capability dimensions related to ambidexterity, our methodology also enhances our understanding of familiness by providing a comprehensive theoretical framework to identify, define and assess its components.

Thus, our investigation makes three important contributions to familiness research:

1. First, by looking at each resource and capability separately, it unveils specific resource and capability characteristics and combinations leading to enhanced ambidexterity;
2. Second, by incorporating a time dimension, our study is able to examine exploration and exploitation initiatives with different time horizons and explore how the flows and stocks of capital are relevant to the family firm's ability to explore and exploit.
3. Finally, by capturing the variations in stocks of resources over time and the directionality of capital flows between family and firm we were able to explore how the life cycles of a family and the business (Sharma, 2008) and particular events of family and firm affect the ability of the organization to explore and exploit over time.

These findings are important for family business research because they contribute to clarifying the concept of familiness. Familiness has been described as an "umbrella construct" because it refers to a variety of undefined family firm aspects (Lambrecht & Koiranen 2009; Sharma, 2008); and a "fuzzy concept" (Moores, 2009) because there is no agreement around the dimensions of resources and capabilities that constitute familiness (Irava & Moores, 2010) nor clarity in defining the conditions and factors causing distinctive (f+) and constrictive familiness (f-) (Chrisman et al., 2005).

To summarize, from a theory point of view our careful definitions and detailed analysis of familiness components and dimensions respond to calls for additional exploration of the familiness construct (Moores, 2009; Phan & Butler, 2008; Sharma et al. 2006; Weismeier-Sammer et al., 2013) and provide a comprehensive framework for identifying critical resource and capability dimensions of distinctive (f+) and constrictive familiness (f-) associated with ambidexterity.

From a practical point of view, our framework constitutes a tool for family business managers and advisors to examine the characteristics and resources of family firms to identify whether and to what extent they are capitalizing on family influence to develop resources and capabilities conducive to ambidexterity and to identify areas where the family may be hampering the ability of their firms to develop the resources and capabilities necessary to explore and exploit and become ambidextrous.

6.2.2 Research Question Two (RQ2)

RQ2: How does the family influence the strategic alignment of family firms towards ambidexterity?

Having identified the resource and capability components and dimensions that can contribute to ambidexterity, our study explored how family firms applied these resources and capabilities over time to the pursuit of specific exploratory and exploitative strategic initiatives at the corporate, business and structure levels and examined the role of the family in shaping these strategic decisions.

Research strongly suggests that particular characteristics of family businesses influence their strategic initiatives (e.g. Astrachan, 2010; Sharma et al., 1997; Naldi et al., 2011; Nordqvist, 2005). Despite some literature exploring how and how much the family affects strategic decisions, there is scant research examining and classifying the strategic alignment of family firms at the corporate, business and structural levels or exploring how the family may affect the strategic choices leading to such alignment (Naldi et al., 2011). Therefore, before we could proceed to respond our research question we had to develop a methodology to define and classify strategic initiatives of family firms as well as to assess their alignment towards exploration and exploitation (See chapter 2.4).

Using strategic management research providing classifications of strategic initiatives (e.g. Ansoff, 1957; Porter 1985; Miles & Snow, 1978), we developed a taxonomy to classify strategic initiatives at the corporate, business and structure levels. Combining this taxonomy with strategic management and ambidexterity research (e.g. Benner & Tushman, 2003; Bergfeld & Weber, 2011; Burgelman, 1991; He & Wong, 2004; Jansen et al., 2006; Vermeulen & Barkema, 2001; Webb & Pettigrew, 1999) we were able to develop a methodology to evaluate the alignment of strategic initiatives towards exploration or exploitation at the corporate, business and structure levels.

Once we could identify and classify strategic initiatives of family firms at the different levels of strategy and evaluate the alignment of individual initiatives, we proceeded to respond to RQ2.

In response to RQ2, our study identified nine components related to family strategy decision making with the potential to enhance or hinder the ambidextrous strategic decision making ability of family firms. Three components are related to corporate level strategies (namely the ability to curve inertia and strategic simplicity, flexible corporate investment practices and generational involvement in corporate strategic decision making); three additional components related to business levels strategies (level of family involvement in business level strategies, ability to refresh and recombine business level knowledge, and access to internal and external business level resources); finally, the three last

components relate to structural level strategies (ability to capitalize on family centralization, awareness and reaction to internal and external misalignments, and decisiveness in structural exploration).

Within these nine strategy components, our study identified 21 different dimensions that families can influence to promote ambidextrous strategy alignments. Our subsequent analysis of these dimensions produced the findings summarized in the table below:

Table 6-3. Summary of empirical findings regarding strategic alignment of family firms

	COMPONENTS/ DIMENSIONS	FINDINGS
CORPORATE LEVEL STRATEGIC ALIGNMENT	**Strategic inertia and simplicity**	Families can limit strategic inertia and simplicity by promoting an ambidextrous vision; taking some distance from day to day operations and original business operations; and promoting participation of high quality experienced non-family members both inside and outside the company
	Investment practices	Families can promote ambidextrous corporate strategies by ensuring sufficient internal and external financial mechanisms for exploration as well as exploitation. External partnerships in addition to bringing financing can be helpful in promoting exploration and thus contribute to ambidexterity
	Generational involvement	Families can promote ambidexterity by encouraging the involvement of different generations; promoting participation of family members more distant from day to day operations to ensure a more global view of the business; and combining the inputs and preferences of different family members with different professional and personal stages
BUSINESS LEVEL STRATEGIC ALIGNMENT	**Family involvement**	Families can use family involvement to promote ambidexterity at the business level by combining intimate family knowledge of the business and its customers with new knowledge of younger generations on emerging customer needs
	Business level Knowledge	Given the rapid changes in technology and customer preferences family knowledge needs to be combined with nonfamily technical expertise to promote business level exploration and promote ambidexterity (this expertise may be internal or external)
	Resources available	Families can promote business level ambidexterity by supporting access to external business level resources and expertise and encouraging strategic options that combine deep internal knowledge with external business level expertise
STRUCTURE LEVEL STRATEGIC ALIGNMENT	**Centralization**	Families can promote structural level ambidexterity through ambidextrous visions that allow flexible structures and business models while taking advantage of centralization of authority and decision making on the family to project that vision and promote flexible structures and business models
	Alignment with the market	Families can promote ambidexterity at the structure level by reviewing their internal and external alignment periodically using a broad definition of what alignment means. The reaction time to resolve misalignments depends on the family's perception about the required change
	Exploration enabling decision making	Families can promote structure level ambidexterity by capitalizing on their decision making power but only if their identity calls for them to pursue both exploratory and exploitative structural moves. Family attachment to parts of the business may slow down the speed of exploration in those areas of the family firm

In addition to identifying specific family factors that can promote or hinder ambidextrous strategic alignment in family firms, and providing insights and recommendations regarding the ways families can support an ambidextrous strategic alignment at the corporate, business and structure levels of their organizations, our second research question contributes to research in two important ways:

1. First, it contributes to enriching our understanding of the influence of the family in shaping strategic processes of family firms answering to repeated calls for research to further examine this influence (Astrachan, 2010; Chrisman et al., 2005a, 2010; Ibrahim et al., 2008; Zahra & Sharma, 2004; Le Breton-Miller & Miller, 2009; Sharma et al., 1997).

2. Second, it clarifies the concept of strategic ambidexterity and provides tools to assess strategic alignment of strategic initiatives towards exploration and exploitation at every level of strategy. In doing so, our study responds to calls for research integrating main stream strategic management literature with ambidexterity research to assess strategic initiatives, conceptualize strategic ambidexterity, capture concrete strategic initiatives and examine underlying factors leading to strategic decisions (Raisch & Birkinshaw, 2008; Simsek, 2009).

To summarize, from a theory point of view our methodology and analysis of strategic alignment components and dimensions contributes to a better understanding of family influence on family firm strategic processes (Astrachan, 2010; Le Breton-Miller & Miller, 2009); adds to the conceptualization of strategic ambidexterity (Raisch & Birkinshaw, 2008); and provides a comprehensive methodology for evaluating strategic alignment towards exploration and exploitation providing a much needed tool to assess the exploitative and exploratory strategic attainments of firms (Simsek, 2009).

From a practical point of view, our strategic alignment methodologies and frameworks provide useful tools for family business managers and advisors to examine the alignment of strategic initiatives towards exploration and/or exploitation at each level of strategy as well as a comprehensive list of items to explore the underlying family factors that may be at the root of such an alignment.

6.2.3 Research Question Three (RQ3)

RQ3: How can family influence help of hinder the ability of family firms to manage the tensions and paradoxes of exploration and exploitation to reach their performance goals?

Having explored the family influence on the resources and capabilities necessary for ambidexterity (RQ1) and the family factors leading to exploitative and/or exploratory alignment of strategic decisions (RQ2), our study explored the ways in which families can contribute to managing the tensions and paradoxes of

exploration and exploitation (He & Wong, 2004; March, 1991) and the mechanisms they can use to identify, manage and overcome these contradictions (Gibson & Birkenshaw, 2004; O'Reilly & Tushman, 2008; Raisch et al., 2009).

To address the first half of our RQ3, our study identified six components of leadership and context that enhance or hinder the ability of family firms to juggle and manage the contradictions and paradoxes of exploration and exploitation. Two components are related to leadership (i.e. the characteristics of the family firm leadership and the ability to balance and integrate family and firm); four additional components are related to the organizational context families contribute to creating (i.e. the balance between performance management and social support; the ability of the family to promote staff to take boundary roles while capitalizing on family resources; the incentive mechanisms promoted by the family; and the historical family context).

Within these six components our study identified 15 different dimensions that families can influence to promote a leadership and organizational context conducive to ambidexterity. The subsequent analysis of these dimensions produced a series of findings which are summarized in the table below:

Table 6-4. Summary findings on the organizational conditions leading to the integration of exploration and exploitation

	COMPONENTS/ DIMENSIONS	FINDINGS
LEADERSHIP	**Family CEOs and TMTs characteristics**	Families can enhance their ambidextrous ability if they can foster strong capabilities in their family leaders and promote a vision that supports exploration and exploitation. As the complexity and size of the family and the firm increases, it also requires families to develop and integrate heterogeneous TMTs
	TMT processes and conflict management	To maximize the diversity of inputs from family and non family members, families need to ensure appropriate structures and processes to promote TMT diversity, interaction and discussion. Appropriate mechanisms to address family differences of opinions and conflict can help the family firm pursue ambidextrous strategic paths by promoting family support for selected strategies
	Openness	To foster ambidexterity families need to promote not only the openness of individual members but the combined openness of the dominant coalition. This may require establishing processes to allow family members to exchange and debate their opinions as well as processes to manage their differences in a constructive manner
	Family/Firm Balance and integration	Families can promote the ambidexterity of their family firms by developing processes to accept and manage inherent dichotomies of leading family and firm. When family leaders are able to balance family and firm they may create a virtuous cycle that improves the overall ability of the leadership of the firm to deal with the contradictions and paradoxes of exploration and exploitation

	COMPONENTS/ DIMENSIONS	FINDINGS
CONTEXT	**Balance between performance and support**	Leaders of high performing family firms can enhance the ambidextrous ability of their firms by compensating a demanding organizational context with strong support mechanisms. To do so family leaders need to promote trust among family members (lack of family trust promotes emphasis on performance and neglects social support)
	Promote boundary role activities that capitalize on family resources	Family leaders can foster ambidexterity by creating an organizational environment that allows some time to explore boundary activities and provides access to family resources and capabilities to do so. Strong family backing of support activities such as staff development programs can send a strong message about the family's stance regarding this type of activity
	Rewards and incentives for exploration and exploitation	To foster ambidexterity families need to promote incentive mechanisms that reward exploration and exploitation. Given the high levels of respect commanded by family leaders, direct acknowledgement and celebration of successes by the family can go a long way as non-economic incentives
	Family-led context	Both the family history and dynamics have a strong influence on the organizational context. Negative family dynamics can easily spill over to the firm's context. To promote ambidexterity family firm leaders can establish appropriate social support mechanisms that "shield" the organizational context from the effects of negative family dynamics

In addition to identifying specific family factors contributing to the development of ambidextrous leadership and context in family firms, and providing the insights and recommendations presented above, the examination of our third research question makes other contributions to research:

1. The longitudinal evidence from this study highlights the need for families to review and upgrade the leadership of the family firm as family and firm grow in complexity to achieve and maintain ambidextrous strategic alignments (including the addition, when necessary, of sufficient numbers of heterogeneous nonfamily members in the TMT). While this may be necessary for any organization (Lubatkin et al., 2006), it is particularly important for family firms due to the central role of the family in decision making, their preference for maintaining control, and the additional complexity of integrating different family lines and complex and distant family relationships as the generations go by (Carlock & Ward, 2001; Gersick et al., 1997).

2. Our findings also indicate that family leadership can promote and enhance the ability of the family firm to explore and exploit over time. However, to do so family leaders need to demonstrate not only ambidexterity vis a vis exploration and exploitation but also vis a vis the family and the business. This finding is consistent with findings in the literature about the benefits of balancing the needs of both the firm and the family (Basco & Perez, 2009; Poza, 2007; Ward, 1987).

3. In line with the above and consistent with ambidexterity research findings (Beckman, 2006; He & Wong, 2004; Jansen et al 2008; Lubatkin et al,. 2006; Peretti & Negro, 2006; O'Reilly & Tushman, 2004, 2007, 2013; Smith & Tushman, 2005; Volberda et al., 2001) family leadership emerges as one, if not the most, important factors leading to the ambidextrous ability of family firms. The evidence from our study shows that ambidextrous family leadership is particularly relevant for achieving ambidexterity in family firms because, in addition to being personally able to manage the contradictions of exploration and exploitation, when family leaders are able to balance family and firm they create a virtuous cycle that improves the overall ability of the firm to deal with the contradictions and paradoxes of exploration and exploitation. Conversely, when family leaders are unable to manage the contradictions of family and firm, the ensuing conflict can create a vicious cycle pushing the alignment of the firm towards exploitation and limiting the ability of the firm to explore and exploit simultaneously. This is important because family leaders are often better at leading either the enterprise or the family, but only a few are naturally able to lead both equally well (Garcia-Alvarez & Lopez-Sintas, 2001).

4. Finally, by looking deep into the behaviors and practices of family business leaders and family firm TMT dynamics our investigation provides insights into how family firm leaders deal with the contradictions between exploration and exploitation. O'Reilly & Tushman (2013) highlight the lack of studies examining these dynamics as one of the major shortcomings of current ambidexterity research.

To summarize, from a theory point of view our analysis of leadership and context components and dimensions contributes to a better understanding of family influence on family firm leadership and its subsequent effect on organizational context and unveils the conditions under which family leadership may be beneficial to family firms (Miller et al., 2013). In the process, our investigation also contributes to furthering ambidexterity research by exploring the particular behaviors of leadership in attending to the contradictory demands of exploration and exploitation (O'Reilly & Tushman, 2013).

From a practical point of view, our frameworks on leadership and organizational context provide a useful check list for family business managers and/or advisers to examine the characteristics of the leadership and context of their family firms and identify specific factors that may be impeding the ability of the firm to integrate exploration and exploitation.

Having explored the family influence on the resources and capabilities necessary for ambidexterity (RQ1); the factors leading to exploitative and/or exploratory alignment of strategic decisions (RQ2); and the ways in which families can contribute to managing to tensions and paradoxes of exploration and

exploitation (first half of RQ3), our study still needed to establish whether a better ability to explore and exploit (through a combination of family enhanced resources and capabilities; superior strategic decision making; or a greater ability to cope with the tensions contradictions of exploration and exploitation) translated in enhanced performance for family firms.

Before we could address this question, however, we had to tackle several issues. Although ambidexterity is theorized to have a positive effect on performance dimensions, empirical research shows mixed results (e.g. Atuahene-Gima, 2005; He & Wong, 2004; Lin et al., 2007; Venkatraman et al., 2007; Yang & Atuahene-Gima, 2007); this ambiguous results emerge from the lack of a common definition for the ambidexterity construct and the absence of an accepted definition or methodology to determine what ambidexterity performance means or how to measure it. Several factors contribute to making ambidexterity performance measurement a challenging process; this study addressed them in different ways:

First, from a conceptual point of view, the diversity in the ambidexterity construct and the diverse definitions of exploration and exploitation result in different interpretations of what is to be measured. We addressed this problem by developing theory based definitions of ambidexterity, strategic ambidexterity, as well as exploration and exploitation strategic initiatives and performance (all definitions are included in Appendix H).

Second, the lack of consensus around ambidexterity measurement imply most researchers apply different ambidexterity indicators and develop their own survey scale measures to assess the degree of orientation towards exploration and exploitation. These measures based on Likert-scale type surveys of managers' perceptions are often ambiguous and open to interpretation (O'Reilly & Tushman, 2013). Instead of relying on subjective surveys, we looked for evidence of realized exploration and exploitation outcomes (Venkatraman et al., 2007) building from the evidence of our longitudinal strategic initiative analysis. We combined this outcome approach with our definition of performance: "the ability of the firm to achieve its priority short term and long term priority economic and noneconomic objectives and hit their set performance targets". The advantage of using objectives as a basis to assess performance is that they are derived from well established strategic management literature and count with a number of well established objective and subjective measures.

Third, given that exploration ventures and exploitation initiatives have different time lags, measuring performance requires the collection of both short-term and long-term performance measures of exploration and exploitation. Most ambidexterity performance studies lack this data since it requires longitudinal measures which are difficult to gather. Our study collected indicators since foundation till

the present time and, therefore, our analysis relies on abundant objective short and long term performance indicators to evaluate the attainment of exploration and exploitation and the historical performance of the case firms.

We mention these methodological steps among our research findings for two reasons. Firstly, because no methodology to date exists to assess strategic ambidexterity, and secondly because this approach can constitute an important contribution to ambidexterity research by offering an alternative or complementary method to measure ambidexterity and assess the ambidexterity-performance relationship based on theoretically based principles and objective indicators rather than ad-hoc subjective measures.

Once these methodological were solved, our study used strategic management (e.g. Ansoff, 1965, 1976; Drucker, 1958), the behavioral theory of the firm (e.g. Chen, 2008; Cyert & March, 1963; Gavetti & Levinthal, 2000), and ambidexterity literature (e.g. March, 1991; Gibson & Birkinshaw, 2002; He & Wong, 2004; O'Reilly & Tushman, 2008) to classify economic and noneconomic objectives of organizations as exploratory and exploitative.

Most authors suggest that short term profitability is linked with the exploitation of current activities, that is, with the improvement and enhancement of existing processes, products and markets leading to the reduction of costs, increased efficiency and enhanced satisfaction of existing customers; on the other hand long term returns and growth seem to be related to exploration of new areas of business, such as expansion into new markets, extension of product ranges and adoption of new technologies (e.g. Cao et al, 2009; March, 1991; Gibson & Birkinshaw, 2002; Han & Celly, 2008; He & Wong, 2004; O'Reilly & Tushman, 2008).

Furthermore, organizations make strategic adjustments comparing actual performance with aspiration levels (Cyert & March, 1963); to make an assessment organizations combine backward looking performance feedback indicators leading to adaptive (exploitative) changes with forward looking cognition mechanisms based on beliefs and aspirations about future outcomes favoring radical (exploratory) change (Chen, 2008, Gavetti & Levinthal, 2000). Therefore in addition to the choice of objectives, the indicators family firms use to assess performance also influence the propensity to explore and exploit.

Once our taxonomy of exploratory and exploitative objectives was developed, we turned to family business research to explore the economic (e.g. profit, income) and noneconomic (e.g. building a legacy, maintaining family harmony) objectives of family firms (Chua et al., 2003; Leenders & Waarts, 2003) and their relationships with exploration and exploitation.

Since family principals select and assess strategic decisions based on a combination of socioemotional and economic objectives (Berrone et al, 2012; Gómez-Mejía et al., 2010; Jones et al., 2008; Zellweger et al., 2013), we examined noneconomic objectives using the FIBER (i.e. Family control; Identification with the firm; Binding ties; Emotional attachment and Renewal of bonds) dimensions of socioemotional wealth.

By identifying the particular mix of priority economic and noneconomic objectives of a family firm and the actual levels of performance (based on objective measures) as well as perceived levels of performance (based on family member opinions about performance) towards those objectives, we were able to compare ambidexterity levels with actual and perceived performance.

Our subsequent analysis of the evidence regarding priority objectives and performance levels produced a series of findings which are summarized below:

Firstly, for our two case firms, the evidence suggests a positive linkage between greater levels of ambidexterity attainment (successful exploration and exploitation initiatives) and higher overall performance (including economic and noneconomic performance and objective and subjective measures).

Second, our analysis suggests there is a circular relationship between objectives, performance and ambidexterity. A more balanced strategic set (understood as an objective set with both economic and noneconomic objective targets) backed by performance indicators in both areas, promotes the pursuit of exploration and exploitation; higher levels of exploration and exploitation result in better outcomes; better results provide family firms with incentives to explore further and exploit better. In other words, better and more balanced levels of attainment in both economic and noneconomic objectives create a virtuous cycle driving the organization to become more efficient and bolder in exploration. This virtuous cycle eases some of the path dependency, risk aversion and inertia often identified with family owned firms and reinforces ambidextrous strategic alignments.

Third, the evidence shows that both the priorities of the family (i.e. the goal preferences of the family leadership and the family coalition) as well as the indicators (i.e. the nature and variety of indicators used to measure success) and mechanisms (i.e. the objective setting procedures and incentive mechanisms to evaluate and promote objective attainment) favored by family firms to set performance targets and manage performance, have a strong impact on the actual performance outcomes attained.

Fourth, our study found four factors related to economic and noneconomic objectives of family firms that may contribute to different levels of strategic ambidexterity of family firms:

1. the balance between exploratory and exploitative objectives;
2. the equilibrium between family and firm goals;
3. the performance indicators favored by the firm; and
4. the perceived levels of socioemotional wealth of the family members.

Finally, our research shows that the perceived levels of socioemotional wealth of family members can erode rapidly due to individual family events (such as family conflict) and have significant effects on both the priority objectives of the family as well as the ability of the family to pursue those objectives. This is because lower levels of socioemotional wealth can undermine the level of family unity necessary to support longer term and riskier exploratory ventures. Ultimately, this can create a vicious cycle that increasingly focuses the business on short term efficiency goals and exploitation.

In addition to exploring the relationship between the ability to integrate exploration and exploitation and performance vis a vis economic and noneconomic goals, the second half of our third research question makes other contributions to research:

1. Our study contributes to ambidexterity research by providing a methodology to assess strategic ambidexterity; and by offering a complementary method to assess the ambidexterity-performance relationship based on objective measures rather than ad-hoc subjective surveys.

2. The longitudinal evidence from this study highlights the need for ambidexterity research to gather a variety of both short term and long term, economic and noneconomic performance indicators.

3. Our study also contributes to family business research in several ways. Firstly, it provides a framework to link economic and noneconomic objectives of family firms with exploration/exploitation and ambidexterity. Secondly, it explores the linkages between noneconomic objectives and performance, in doing so, it responds to calls for further research on noneconomic objectives of family firms (Debicki et al., 2009) and to explore the linkages between noneconomic objectives in family firms and performance (Astrachan, 2010; Morris et al. 1997).

6.3 CONTRIBUTIONS TO THEORY AND PRACTICE

Beyond the contributions of each of our research questions, this study also makes contributions to the larger body of academic scholarship.

Our study helps bridge the gap between the resource based view (e.g. Barney, 1991; Wernerfelt, 1984) and dynamic capability theory (e.g. Teece et al, 1997) and family business, and between ambidexterity

research and family business literature. We demonstrate that resources and dynamic capability theories are useful theoretical lenses for enhancing our understanding of familiness components and dimensions and how these dimensions and components can promote or hinder ambidexterity. In doing so, our research shows that combining different fields and diverse theoretical frameworks is an effective way to examine and enhance our understanding of family influence and involvement while highlighting the inter-disciplinary nature of family business research.

To summarize, our study integrates theoretical contributions from strategic management, ambidexterity and family business literatures and in doing so our results advance three different fields of literature: research on RBV and its dynamic capabilities extension; research on family business; and research on ambidexterity. The contributions to theory are summarized below:

Table 6-5. Contributions to theory

FIELD	AREA	CONTRIBUTIONS TO THEORY
RBV / DC	**Definitional clarity & Taxonomy**	Clear definitions of resource and capability types; development of an exhaustive taxonomy of resource and capability dimensions and components
FAMILY BUSINESS RESEARCH	**Familiness construct**	Conceptual clarity of the familiness construct by examining how and under what conditions family influence contributes to the resources, capabilities and organizational conditions necessary for ambidexterity. The time dimension allows our study to examine the effects of flows and stocks of capital on familiness
	Family influence on strategy	Better understanding of the influence of the family in shaping strategic processes of family firms at the corporate, business and structure levels. Empirical taxonomy of the components and dimensions of family influence on strategic decisions
	Family firm ambidexterity	More fine grained analysis of the factors underlying the ability of family firms to achieve ambidexterity. Empirical taxonomy of components and dimensions of family influence on ambidexterity
	Family firm objectives	Identification of the role of balanced objectives sets for ambidexterity, including balance between exploratory and exploitative objectives; equilibrium between family and firm goals; and adequate levels of perceived SEW of the family
	Relationship family firm objectives/ performance	Better understanding of family firm objectives by examining the relationship between the different family business priority objectives, exploitation-exploration decisions and performance vis a vis priority objectives
AMBIDEXTERITY	**Ambidexterity construct**	Identification of the underlying dimensions of resources, capability components and organizational conditions contributing to ambidexterity
	Strategic ambidexterity	Development of the concept of strategic ambidexterity as a dynamic capability by examining the resources and processes leading to strategic moves towards exploration and/or exploitation in family firms and developing a methodology to assess alignment

FIELD	AREA	CONTRIBUTIONS TO THEORY
	Ambidexterity performance measurement	Identification and development of a complementary method to assess the ambidexterity-performance relationship based on theoretically based principles and objective measures rather subjective measures based on surveys
	Ambidextrous leadership	Provide insights into how leaders manage the interfaces between exploration and exploitation

In addition to contributions to theory, the implications of this study, as outlined in the previous sections, are of paramount relevance in practice for family firm owners and managers as well as family firm advisors. Owners and managers can extract from this study that they, consciously or unconsciously, affect the strategic alignment of their respective organizations by providing (or not providing) the necessary resources, capabilities and structures for exploration and exploitation. Advisors can use the tools developed in this investigation to assist them in managing the family influence to the advantage of family and firm.

In particular, our study shows that values, vision and objectives (cognitive social capital) of the family have a strong effect on the range of strategies their family firms will consider pursuing. It is important, therefore, that owners and managers increase their awareness about the consequences of such influence on the ability of the firm to adapt in the long run. To do so they can explore the current and desired family vision for the firm and its consequences for the future strategic alternatives of the firm.

In their search for ambidexterity, family leaders and managers also need to be aware of their important role as managers of the family, as well as of the business. Making sure appropriate mechanisms exist to adapt management and family structures, as the family and the firm grow in complexity, is fundamental to maintain an appropriate balance between family and business. The ability to achieve this balance can fuel the advantage of the family firm to become ambidextrous.

To help family firms exploit this advantage and manage family involvement to their benefit this dissertation offers frameworks to:

1. Examine the influence of the family on the strategic process at different levels (objectives, strategies, resources, capabilities and organizational conditions);
2. Assess the strategic alignment of organizational initiatives and the influence of the family on strategic initiatives to explore and exploit at the corporate, business and structure levels;
3. Identify particular areas of family influence to improve the short term results and long term prospects of their firms.

In addition to the findings and recommendations offered in this study we would also like to point out that ambidexterity may not be a suitable strategic path for all family business. Attempting to balance exploration and exploitation strategies raises the risk of a firm being good at neither (e.g., Kotler, 1997; Miles et al., 1978; Miller & Friesen, 1986). Furthermore, ambidexterity poses an additional challenge for smaller family firms given their limited resources and capabilities (Lubatkin et al., 2006) and the effort required of the firm to support exploration and exploitation can overwhelm the firm (Benner & Tushman, 2002; Katila & Ahuja, 2002). However, in the current turbulent and hypercompetitive economic environment family firms may not have other alternatives for long term survival.

In any event, if family firms intend to maintain ownership of their business and remain successful across generations, they need to recognize and manage the family influence in order to capitalize on the advantages of family influence while managing the disadvantages. Family firms that can leverage their unique resources, capabilities and organizational conditions to prepare for, manage and overcome changes that erode their competitive advantage by exploring and exploiting, will be better able to survive and remain successful in the long run. In this context, our study provides a number of frameworks and tools that can facilitate the assessment and management of family influence factors leading to successful exploration and exploitation and equilibrium between both.

6.4 LIMITATIONS AND AVENUES FOR FURTHER RESEARCH

This dissertation's findings and conclusions should be interpreted with relative caution. As with any scientific work, this study has several limitations, most of which open up new avenues for future research.

First of all, it is important to re-emphasize that this thesis focused on contributing to family business theory by building a solid and rich theoretical model based on extant literature and empirical qualitative findings. In this manner, the intention of our study was not to prove the derived propositions of this research. Therefore we strongly encourage other researchers to build on this theoretical model and considerations to advance on the nascent research of family firm ambidexterity. Furthermore, our investigation examined the components and dimensions of the different factors of familiness independently, and while it highlighted the existence of strong interdependencies it did not explore them; future research taking a more systemic approach could provide additional and useful perspectives.

Although family firm research has made substantial advances in operationalizing constructs such as family influence by using the F-PEC scale (Astrachan et al., 2002) and socioemotional wealth through the FIBER construct (Berrone et al., 2012), research on family firm ambidexterity and constructs measuring

ambidexterity are still in their early stages. Analysis of primary internal company data (internal correspondence and documentation of family and firm) as used in this dissertation, has been proven to be a promising source to assess such constructs particularly in the context of family firms (Micelotta & Raynard, 2011) and could be used to extend this study's findings and develop other relevant constructs.

Second, theories generated from case-study-based research are often influenced by prior observations and subjectivity of the researcher who in gathering, analyzing, and interpreting the data may unknowingly include a source of bias. To limit this bias, observations and analysis were guided by the literature (Chapters 1-3) and the fieldwork was guided by the research methods and protocols (Chapter 4) which were designed to maximize the validity of the research process.

Furthermore, the limited number of cases may limit the generalization of our results. Our findings are based on data gathered from only two successful multigenerational firms. While the firms were selected for theoretical reasons (theoretical sampling) they limit the generalization of these findings. Thus a useful advance to strengthening robustness of our theory and its generalization would be to obtain information across a wider spectrum of family firms to cross validate constructs and model the different characteristics of the components and dimensions of familiness and their influence on exploratory and exploitative initiatives. This would extend the findings of this study beyond the boundaries of this dissertation.

However, the objective of this study was to provide a deeper and richer description of the phenomenon and so reliability and construct validity were of greater prominence than external validity. The validity, meaningfulness, and insights generated from qualitative case study have more to do with the information-richness of the cases selected than with sample size. Each case is significant in its description of familiness resources and capabilities and their influence on the strategic alignment of the firm and can lead to improvements in theory and practice. Furthermore, it is no longer obvious that limited observations cannot be useful to generalize findings, nor that studies with a vast number of observations will result in meaningful generalizations (Guba & Lincoln, 1994; Yin, 2011).

A third limitation concerns the nature of the organizations we studied. First of all, our family firms had limited strategic freedom due to the maturity of their sectors and the highly regularized nature of the sectors they operate in. Perhaps family firms in sectors with higher degrees of strategic freedom would have resulted in a different set of findings. Applying our model and methodology to a different set of family firms in less mature sectors or markets may yield interesting results to contrast with our findings. Similarly, research shows ambidexterity to be more valuable under certain conditions (e.g. environmental

uncertainty, highly competitive markets, larger firms with more resources) and therefore exploring other family firms facing different conditions would enrich, qualify and complement our findings.

Despite this limitation, it is noteworthy that the evidence from our ambidextrous case firms suggests that firms in mature sectors may also be able reap the benefits of ambidexterity under certain circumstances. This seems to contradict ambidexterity literature suggesting that ambidexterity may not benefit organizations in mature sectors (e.g. O'Reilly & Tushman, 2013) and perhaps opens opportunities to explore under what conditions organizations in more mature industries may develop and take advantage of ambidexterity.

A fourth limitation is the internal focus of our study. Since the aim of our investigation was to explore family influence, our study focused mainly on internal factors leading to ambidexterity and only considered external factors implicitly (through for example the existing market constraints and the adaptation of the family firm to external shocks). However, a firm's ability to achieve better performance through balanced exploration and exploitation at any point in time will depend on both external factors (e.g. environment, industry) and internal elements such as resources available to invest on exploration and exploitation and renewal and regenerating capabilities leading to exploitation and exploration initiatives (Dutta et al., 1999; Shi et al. 2006). Future studies may want to add and explore some of these external factors to the study of family firm ambidexterity.

Fifth, as with all qualitative research, there is a risk of moderating factors and alternative explanations not being considered in this study. In regards to factors, we tried to consider all potential factors but for the sake of parsimony some factors were not incorporated. Perhaps incorporating other factors would be an interesting addition to this research. In regards to alternative explanations, we aimed at considering alternative explanations through measures outlined in extant literature (Yin, 2011). However, we cannot totally exclude the existence of such omissions and therefore call for replication of this study.

Finally, this study was conducted in a specific national context, in Spain, with Spanish family firms. While this approach facilitates comparison, it discounts cultural factors that may be relevant when transferring the results of our studies to other organizations, for example by affecting how the family influences the firm resources and capabilities and ultimately how it may shape the strategic behavior of the firm towards exploration or exploitation (Hofstede, 2001; Hall & Hall, 1990).

From the perspective of family business objectives, our study invites other researchers to explore further the linkages of strategic alignment towards exploration and exploitation with specific FIBER dimensions of socioemotional wealth. Although it was not the aim of our research to explore linkages of specific strategic initiatives with particular dimensions of socioemotional wealth at the time when the strategic

initiative was decided upon, our respondents' accounts and the available data clearly hinted that important strategic moves may be directly related to specific priority FIBER goals at the time of the decision. Although recent research on socioemotional wealth (e.g. Berrone et al., 2012; Gomez Mejia, 2010; Zellweger et al., 2013) has contributed significantly to developing the concept, much remains to be done for example in exploring how family and firm events may affect perceptions of socioemotional wealth or the underlying individual FIBER factors behind a particular strategic initiative.

6.5 CONCLUDING REMARKS

Family owners and managers deeply influence organizational behavior. In addition to the direct influence of family owners and managers, there is an indirect family influence stemming from the individual histories of the family and the firm. In the case of ambidexterity, this influence shapes the resources available for exploration and exploitation, the development of capabilities allowing the firm to sense and address opportunities and threats, the preferences in strategic alignment, the ability to manage the contradictions of exploration and exploitation and the objectives and targets guiding strategic action.

In this context, our study aimed at exploring how this influence shapes the ability of family firms to balance exploratory and exploitative strategic initiatives in their quest to achieve their family and business economic and noneconomic objectives in the short and long terms.

Despite the mentioned limitations of this research, this study has shown that strategic ambidexterity is a complex phenomenon. It has also unveiled the various components and dimensions of the many layers of family influence.

We hope to have opened new avenues for future research and provided some useful insights for family and nonfamily managers, researchers and practitioners by providing theoretically grounded and comprehensive theoretical models and propositions to ground our research; detailed frameworks to help assess family influence on strategic ambidexterity; and tools to determine the historical exploitation and exploitation achievements of family firms as well as their levels of attainment towards their chosen priority economic and noneconomic objectives.

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APPENDICES

APPENDIX A: Semi-structured interview guides

APPENDIX B: Surveys

APPENDIX C: Documentation provided to the participating companies

APPENDIX D: Detailed background information about the case firms and families

APPENDIX E: Detailed strategic trajectories of the case firms

APPENDIX F: Profiles and details of family and nonfamily respondents

APPENDIX G: Overview of family influence components and dimensions identified in this investigation

APPENDIX H: Glossary of definitions

APPENDIX A: Semi-structured interview guides/questionnaires

Table A-0-1. Questionnaire to explore the resources of the firm

RESOURCES	FINANCIAL CAPITAL	HUMAN CAPITAL	SOCIAL CAPITAL	ORGANIZATIONAL CAPITAL
Definition	Monetary and physical assets	Competence, attitude and intellectual agility of staff	Resources embedded, available and derived from network	Structure, procedures and rules creating common understanding
Relevant aspects for strategy	1. Available financial capital and slack resources 2. Type of financing mechanisms 3. Allocation decisions of available capital	1.Quality of human capital 2.Scope and breadth of knowledge and experience 3.Tenure,loyalty, motivation and flexibility	1.Structura capital (density, strength and hierarchy) 2. Cognitive (shared language, vision, knowledge integration) 3.Relational (trust, norms, identity) 4. Family climate & Emotional cohesion	1. Corporate culture(values and management style) 2. Internal processes (formal policies, procedures and structure)
Linkages between resources exploration and exploitation	1. Exploitation and exploration require sufficient financing 2. Financial slack is particularly important for exploration 3. Financial stress can be associated both with exploration and exploitation 4. Exploration is often associated with patient capital and low levels of debt 5. Exploitation is often linked to higher levels of debt	1.Specific/industry HC may be linked to exploitation 2.General/meta-industry HC may be linked to exploration 3.Both specific and general HC are needed to balance exploration and exploitation 4.The type of HC may shape the ambidexterity solution of firm 5.High cognitive diversity of decision makers is related to higher exploration 6.Entrepreneurial and risk taking attitudes of managers influence exploration and exploitation 7.Individual personality traits such as creativity, discipline and passion affect ambidexterity	1.Strong ties may be linked to exploitation while weak ties to exploration 2.Network centrality and diversity may be linked to both exploration and exploitation 3.Generic trust may be linked to exploitation while resilient trust to exploration 4.Norms and obligations may lead to exploitation or exploration depending on whether they lead to group think or openness and flexibility 5.Identity may be linked to exploration and exploitation (over identification leads to inertia) 6.Strong and compelling vision may enhance both (depending on underlying vision and goals) 7.Common language narratives enhance both exploration and exploitation unless they introduce perception biases (leading to exploitation)	1.Formal internal processes and routines may lead to exploitation 2. Corporate culture can lead to exploration or exploitation depending on the underlying assumptions and beliefs and can balance the exploitation bias of formal structures 3.Structures that balance stability and flexibility can promote ambidexterity 4.A context balancing performance management and social support can lead to ambidexterity 5.Leaders and founders are fundamental in creating and changing an organizational culture that balances exploration and exploitation and in managing the tensions between both
Implications for studying ambidexterity in family firms	Need to examine family effect on the availability of financial resources and slack, patient and survivability capital and attitudes towards indebtedness.	Need to examine family effect on specific and general human capital; levels of cognitive diversity; risk propensity and entrepreneurial attitude of decision makers; and type of individuals the family firm attracts.	Need to examine family effect on the nature and diversity of networks; the prevailing trust; the strength of norms, obligations and identity; values and objectives underlying organizational vision and degree of openness (vs. bias) of common languages and narratives.	Need to examine family effect on the formal processes and routines; the structures of the organization; and the informal practices based on the beliefs of the firm and the behaviors and views of its leaders (leadership and context is covered in more detail in the leadership/context part)
Related questions to examine family influence on the resources of the firm	1. What is the financial structure of the group? 2. How has it changed overtime? 3. What financing mechanisms does the family favor? 4. How do you finance	1. Could you give a short overview of your educational/professional background? 2. How varied do you consider the human capital of the family to be in terms of background, education and experience? 3. How do you think this variety contributes to the firm? 4. What kind of profile(s) would you say your	1. What industry associations and other organizations are family members part of? 2. How would you describe your relationships with employees, customers, suppliers and other stakeholders? 3. How do you use these relationships to improve access to resources in their networks (examples)? 4. How do you identify and manage negative	1. What kind of formal rules exist to create, manage, preserve and apply relevant existing business knowledge to support exploitation and exploration? 2. How do you develop and review these rules? 3. What practices are there in place to encourage and embrace different points of view? 4. How flexible are internal procedures?

RESOURCES	FINANCIAL CAPITAL	HUMAN CAPITAL	SOCIAL CAPITAL	ORGANIZATIONAL CAPITAL
	exploratory and exploitative initiatives? 5. How do you create and leverage survivability capital to ensure exploration and/or exploitation? 6. How do you leverage external financial resources to ensure exploration and/or exploitation? 7. How do you create patient capital and to what extent do you use it to promote exploration? (examples) 8. How do you manage the financial flows between the family and the business? 9. How do you deal with financial imbalances between the family and the business (profits vs. income)? 10. How do you manage (and to what extent are you able to balance) the financial preferences of the family leading to exploration (patient and survivability capital, long terms investment horizon) with the family financial preference for low risk, parsimony and low debt?	organization attracts and retains? 5. How do you think the family contributes to attracting this type of individuals? 6. How varied do you consider the human capital of the organization to be in terms of background, education and experience? 7. How do you nourish the breadth, depth and diversity of the family members' human capital (e.g. investing in their development, encouraging external experience) 8. How do you support and encourage the diversity of experience and knowledge of family and non family managers? 9. Could you describe the views and practices of the firm regarding acquisition, integration and promotion of external talent? 10. How (and to what extent) do you ensure family business managers have a combination of different types (general & specific) and quality (breadth and depth) of prior knowledge and experience? 11. How do you encourage and channel the involvement and contribution of family members from different generations and with different levels of involvement knowledge and experience? 12. How do you tap and combine the diverse knowledge and skills of family and non family members? 13. What mechanisms do you have in place to provide opportunities of various (non-managing) family members to contribute to the firm? 14. Could you provide some examples of tapping knowledge of family and non family members' to improve existing business activities and/or identify new business venues?	behaviors that may emerge from strong relationships? 5. How do you assess your external networks? 6. Do you assess the size and heterogeneity of your networks? 7. How do you create and capitalize on high levels of trust within and towards the firm? 8. What do you think are the prevailing group norms regarding teamwork, openness to diversity, criticism, and failure in the family and the firm? 9. How do you promote and reinforce specific group norms? 10. What kind of identity has the family contributed to creating in the firm? 11. How have you built and capitalized on that identity? 12. To what extent does the identity embrace past traditions and high expectations for the future? 13. How has this identity changed over time? 14. How does this identity affect the definition of your competitive arena? 15. To what extent does this identity allow for environmental awareness? 16. To what extent does this identity allow for change and organizational flexibility? 17. To what extent does their definition of competitive arena allow for both exploration and exploitation? 18. What are the main family firm values? 19. To what extent are these values supportive of exploration and exploitation? 20. What is the family vision for the firm? 21. How strong is this vision within the firm? (is it shared and felt strongly?) 22. To what extent does the firm vision represent the long term vision of the family? 23. Is there evidence of a common firm language and stories? 24. How are they developed?	5. How and to what extent does the family contribute to support flexible procedures? 6. How and to what extent do procedures facilitate the integration of existing rules with emerging practices? (examples) 7. How do you encourage group collaboration? 8. How and to what extent do you allow for a certain degree of individualism in the firm? 9. How would you describe your organizational culture? 10. How do you balance internal organizational focus with an open organizational culture? 11. How do you promote long term orientation within the firm? 12. How do you balance long term investment on capability creation and refinement of existing competencies? 13. How and to what extent do you manage centralization and reliance on one (or a few) family managers? 14. To what extent are you open and flexibility towards changing the "founder's or CEO's way of doing things"? (examples of change?) 15. How do you promote collaboration and inclusion to manage the needs and demands of a growing number of owners and distinct family lines to maintain the long term orientation overtime? 16. How and to what extent does the family group combine centralized family organizational structures with informal organizational structures that allow quick and intuitive decision making? 17. What mechanisms/practices exist to manage the growing complexity of ownership structures as the family grows? 18. What is the attitude of the family regarding the creation of new structures in the group? 19. How does the family encourage the development of family business portfolios that

RESOURCES	FINANCIAL CAPITAL	HUMAN CAPITAL	SOCIAL CAPITAL	ORGANIZATIONAL CAPITAL
			25. To what extent do these stories and language contribute to creating common cognitive frameworks that are open and flexible and embracing of the contribution of past and present?	include exploitative and exploratory ventures?
People to interview	Family managers CFO	Family managers Head of HR	Family managers Non-family managers Sample employees (if inconsistent or insufficient data from managers)	Family managers Non-family managers Sample employees (if inconsistent or insufficient data from managers)
Documents to gather	Financial statements and internal financial documentation	HR policies/ procedures Recruiting materials (profiles searched) HR documentation available (recruitment, selection, talent management)	Proof of memberships to diverse associations Family and firm stories and histories Unique language/terms used in internal and external company documents, communications and website	Organigrams over time; Organizational structure Internal policies Internal documentation and website (mission, vision, values) Data bases/ organizational repositories
Indicators:	Financial structure (e.g. financial mechanisms; levels and composition of debt) Financial flows between family and business Financing mechanisms for exploratory initiatives Level of external autonomy - independence from banks, and financial markets	Diversity of background and experience of family members and non-family employees. Emphasis of L&D (number of hours and range of topics covered) HR Policies and practices (existence and content) Levels and nature of interaction between family and non-family members	Number, variety and type of contacts within and out of the organization Stability of relationships Strength of norms Flexibility of roles Existence of collective goals Propensity collective action Prevalence of fragile vs. resilient Trust Prevalence of Dyadic/generalized Trust	Organizational structure Knowledge and application of tacit rules Examples of changes in internal procedures and rules Balance of written and tacit rules Evidence of evolution in written rules and accepted practices Level of internal autonomy of employees

Table A-0-2. Questionnaire to explore the dynamic capabilities of the family firm

CAPABILITY COMPONENTS	SENSING	SEIZING	RECONFIGURING
Definition and purpose	Routines and processes to identify and recognize internal and external opportunities and threats. These processes are related to routines aimed at scanning the organization and the environment, as well as activities for information and knowledge gathering/exchange/analysis for opportunity and threat recognition.	Routines, procedures, and systems for taking advantage of opportunities and addressing threats; make appropriate decisions (in terms of time, content and leverage); absorb and integrate resources to create and capture value from opportunities. These routines are closely related to decision making processes that analyze, assess and opportunities and threats, determine courses of action and deploy resources for implementation.	Routines and processes to implement continuous change and renewal to maintain competitiveness as the environment changes. Reconfiguring processes are closely related to structural mechanisms facilitating double loop learning, change and long term vision that enable continuous adaptation and realignment of structures, and the recombination of tangible and intangible assets to maintain internal and external alignment
Underlying practices, routines and activities to explore within the family firm	Routines to identify, gather, analyze and assess relevant information about the organization and the environment Internal R&D activities to identify ways to enhance existing businesses and processes and develop new business ideas External information gathering analysis and interpretation (customer, industry and competitors) Market research activities	Decision-making processes Consensus building practices Business modeling & strategy development Systems and structures to develop, implement initiatives and allocate resources to take advantage of opportunities/address threats Routines to communicate new offers to the market and gather information for fine-tuning strategies	Routines to question existing internal culture and practices Practices and activities to assess internal and external fit Change management routines used to jump start transformation Practices to create internal buy-in and lock-in change
Specific requirements for the development of ambidextrous capabilities	Ambidextrous sensing requires scanning and searching across products, technologies, and markets, both local and distant; involves understanding latent demand, the structural evolution of markets, and the nature of competitive dynamics. This suggests organizations need to be able to create and mix a broad combination of human capital and social capital. While sensing activities may not require large financial resources they do require a certain degree of decentralization (organizational capital) so that information generated at different levels of the organization makes its way to the top.	Ambidextrous seizing is about making timely decisions concerning the optimal mix of exploitation and exploration and committing and applying resources for their development and implementation. Seizing activities present challenges to simultaneous exploration and exploitation because they are often resource intensive requiring significant quantities and qualities of all resources (financial, human, social and organizational) and thus may intensify the resource trade off issues of ambidexterity.	Ambidextrous reconfiguring involves mobilizing, coordinating, and integrating exploitative and explorative resources and knowledge throughout the firm. Transformation activities depend largely on external market events and thus the intensity and quality of resources can vary significantly. In the face of change, organizations re-organize their assets to remain competitive. Incremental change allows for gradual and sequential organizational adaptation and realignment requiring fewer and less complex resources and capabilities. Rapid and radical changes require simultaneous realignment of numerous structures and processes putting more strain on all organizational resources and capabilities.
Implications for studying ambidexterity in family firms	Need to examine family effect on the availability of the family firm to gather and analyze internal and external information to produce alternatives for improvement and change. In particular their influence on their ability to mix a broad combination of human and social capital with a sufficient degree of structural flexibility to allow and	Need to examine family effect on the ability to make timely decisions; select among different exploratory and exploitative alternatives; allocate resources accordingly; and manage the resource trade off challenges to ensure a balance between exploration and exploitation.	Need to examine family effect on the ability to coordinate and integrate organizational resources to adapt to internal and external changes. In particular the ability of the family to realign organizational structures and processes in line with external market events (both incremental and radical).

CAPABILITY COMPONENTS	SENSING	SEIZING	RECONFIGURING
	encourage a continuous and comprehensive searches inwards and outwards.		
Related questions to explore family influence on the capabilities of the firm	1. How important is gathering information for your organization? 2. What type of information do you consider fundamental for the organization to stay competitive? 3. How do you/does your organization keep informed about changes in your organization, the industry and the business environment? 4. What are the main sources of information you use? 5. Have these sources changed overtime? 6. How is the process of information gathering structured and formalized? 7. Who is involved in this process? 8. In what industry associations are you or other family members active? 9. Does the family encourage non-family members to join associations as part of their work? 10. What kind of information do you extract from these memberships? 11. How is the information gathered analyzed? 12. Who is involved in the analysis and how does the analysis process work? 13. How is the information circulated and shared across the organization? 14. Who decides what information goes where? 15. How do you ensure relevant parts of the organization receive pertinent information? 16. Could you describe what you perceive have been the most important changes in your organization and your environment? 17. Could you describe what is your personal attitude towards those changes?	1. How quick do you think is your decision process vis a vis your competitors and other organizations in your industry? 2. Who is involved in strategic decision making processes in your organization (at the corporate, business and structural levels)? 3. How are decisions made at each of these levels (and who decides)? 4. How does the family influence the different levels? 5. To what extent and how do you involve non-family members and externals in your decision making and implementation processes? 6. Could you describe the decision making process in your organization? 7. Describe in detail the process of deciding for or against an exploratory exploitative initiative. 8. Who is involved in exploitative decisions and implementation? 9. Who is involved in exploratory decisions and implementation? 10. What are the decision criteria used for pursuing different strategic alternatives? How are they decided upon? 11. How do you deal with conflicts in decision making and build consensus? 12. Who is responsible for allocation of resources and implementation? 13. How do you decide the allocation of resources when there are several initiatives on the table? 14. What do you do if there are not sufficient resources for all initiatives on the table? How do you decide where the resources go? 15. In relative tames, how much does the group generally invest in exploration and exploration? 16. How do you decide whether to bring in external resources (new employees, capital etc)? 17. How do you manage implementation when there are several initiatives competing for resources?	1. What is your personal attitude towards change? 2. How flexible do you consider your family and organization to be? (please provide examples) 3. Could you describe the most significant external market changes affecting the organization? 4. Where these changes incremental (slow to occur and foreseeable) or drastic and rapid to occur)? 5. How soon and how did your organization identify these changes required changes in the way you do business? (was this fast/slow relative to your competitors and other organizations in the industry)? 6. What elements of your organization have suffered significant changes due to these external market events? 7. In retrospect: Which elements have been easier to change and why? 8. Which posed bigger challenges and why? 9. What is your personal attitude regarding change? 10. How would you describe the attitude of the family towards change? 11. Has this attitude changed overtime? If so, Why? 12. How would you describe the attitude of the organization regarding change? 13. How do you motivate employees to adopt new ways of doing things? Do you establish incentive systems? 14. How difficult is it generally to get the different part of the organization to adopt new tasks and processes? Does it vary across departments and organizational units? 15. Do you think the family influence has been beneficial/detrimental to organizational adaptation and change? 16. What do you think are the main family factors driving or slowing down the ability of your organization to adapt? 17. Do you think your organization would have behaved differently if you had not been a family firm? How so? 18. How do you manage life cycle forces? Do you take advantage of life transition periods to promote deep organizational change? 19. To what extent and how do you capitalize on family resources to drive change and adapt to the changing needs

CAPABILITY COMPONENTS	SENSING	SEIZING	RECONFIGURING
			of family and firm? 20. Do you consider your family fosters an entrepreneurial, flexible and open organizational culture? 21. To what extent does the prevailing family culture promote or hinder internal resistance to change? 22. How do you balance tradition and transformation, core family values and different generations' contributions 23. How do you manage and resolve conflict in the family and the firm? 24. To what extent does conflict lead to learning and change?
People to interview	Family and non-family managers. Board members	Family and non-family managers. Board members	Family and non-family managers. Board members
Documents to gather	Information gathering protocols. Market studies. R&D documents.	Decision making protocols. Minutes of the Board of Directors meetings.	Internal company documents regarding restructuring and change processes.

Table A-0-3. Questionnaire to explore the strategic alignment of family firms

STRATEGIC ALIGNMENT	CORPORATE STRATEGY	BUSINESS STRATEGY	STRUCTURAL STRATEGY
Definition	Strategic initiatives at the corporate level, i.e., decisions regarding the range of markets to serve and business domains to cover.	Strategic initiatives at the business level, i.e., decisions about the specific mix of features of the offers of an organization in terms of quality, quantity, time and cost that will meet customer needs and requirements.	Strategic initiatives at the structural level: decisions about internal routines, processes and structures that create value and allow the organization to interface and stay in tune with the environment.
Purpose	Define the domains of activity of the firm and markets (entry and exit decisions)	Define the segmentation and positioning (market-product mix to enhance value proposition and competitive position)	Define internal features— e.g. structure, policies, processes, governance- and business models to interface with the environment
Implications for studying ambidexterity in family firms	We need to identify major corporate strategy moves in the history of the firm and categorize them as exploratory or exploitative	We need to identify major business strategy initiatives in the history of the firm and categorize them as exploratory or exploitative	We need to identify significant functional strategy shifts in the history of the firm and categorize them as exploratory or exploitative
Family influence	At the corporate level research suggests the family can influence ambidexterity levels by: 1. Overcoming strategic simplicity and inertia; 2. Controlling self-restricting investment practices limiting entrepreneurial activity; 3. Capitalizing on generational change and the inputs from different generations to create momentum for strategic renewal.	Research suggests at the business level, the family may influence business strategic alignment through: 1. The degree of family involvement in strategic and operational issues; 2. The ability of the family to create and capitalize on knowledge resources to identify emerging trends in their business segments; and 3. The capacity of the family firm to gather the appropriate resources to capitalize business level opportunities emerging from this intimate knowledge.	At the structure level, the family may influence the alignment of organizational structures and business models through: 1. The degree of control and authority exerted by the family in determining organizational structures and business models; and 2. The propensity of the family to use that authority to modify organizational structures and business models in line with changing needs in the markets.
Decisions leading to exploitation	Consolidation decisions to leave or expand existing activities and/or to leave or expand in current markets Refocus on core business: Initiatives to consolidate and decrease the product/market scope of the firm (e.g. divestment; closures; withdrawal from segments; exiting markets) Expansion of core business: Initiatives of the firm that enlarge scale but maintain existing product-market scope. Extension of existing core business through alliances, acquisition, expansion and new ventures.	Changes that improve existing features of the offers of the firm; Improvement in the way the offers address the existing needs and requirements of the target markets Initiatives to improve the way things are done: Efficiency enhancing measures; changes to offers to adapt to current customer needs. Efficiency initiatives include cost cutting or efficiency-increasing measures and programs resulting in significant reductions of expense ratios or increases in productivity per employee. Increased focus on internal operations of the business	Moves towards centralization and maintenance of existing routines, processes, incentives and governance mechanisms; Maintenance of existing business models or slight adaptations Moves towards centralization, stability, standardization; routinization to maintain existing and tested business models and improve efficiency Consolidation of organizational levels. Creation of top level functional and central operating roles; Merging business units; Creation of centralized services

STRATEGIC ALIGNMENT	CORPORATE STRATEGY	BUSINESS STRATEGY	STRUCTURAL STRATEGY
Decisions leading to exploration	Initiatives outside the current strategic scope: New segments; New geographical markets Entering new segments Entering new markets through green fields, acquisitions; alliances; adding new business segments; new ventures Diversification decisions to enter new product markets And/or new geographical markets	Initiatives to change the way business is done: Innovation programs, radically new offer features to fulfill new or emerging customer needs. Innovation moves such as company-wide innovation programs (indicated by increased customer focus expenses, improved service level and significant increases in price signaling enhanced product attractiveness; increased focus on market needs and the business environment; Investments in product technology, technical services, aftermarket services, sales support & market research) Changes that imply radically new offer features or novel offers; Radical changes in the needs and requirements addressed with a specific offer	Moves toward decentralization, autonomy, flexibility, increasing interaction with customers and investing on R&D to identify new business models Elimination of functional or central operating roles; Elimination of top level posts; split up of business units; elimination of centralized service units within the firm; new business models Moves toward increasing the degree of autonomy; Frequent changes in internal routines, processes, incentives and governance mechanisms; Significant changes in business models
Related questions to explore family influence on the strategic alignment of the family firm at the corporate, business and structure levels	1. Describe the major corporate strategic events and initiatives during your history that have made your group what it is today—think in terms of 20-, 15-, 10-, and 5-year blocks 2. Describe major contributions of the family in general (or specific family members in particular) to those corporate strategic initiatives. 3. Who is involved in decisions involving corporate strategy 4. Can you please describe the process leading to corporate strategic decisions? 5. How timely do you think your corporate strategic moves have been traditionally (relative to competitors? Relative to the industry?) 6. In general how easy/challenging is for your organization to enter/exit new markets? 7. Do you find your organization is swifter at making corporate moves when you are expanding or divesting? Why? 8. How strong is the attachment to traditional markets and business activities of the firm? How do you ensure a broad range of corporate investments? 9. How would you describe the family attitude towards corporate initiatives requiring important resources/investment? 10. Do you take advantage of generational diversity and change to promote corporate diversification and	1. Could you please describe the trajectory of the different business units of the group signaling the most significant strategic initiatives at the business level? 2. Describe major contributions of the family in general (or specific family members in particular) to business level strategies. 3. Could you describe how and to what extent the family influence business level strategic choices? 4. Who (family and non-family) is traditionally involved in decisions involving business strategy? 5. Can you please describe the process leading to business strategic decisions? 6. Have there been any major opportunities for exploration/exploitation at the business level that you feel would have been beneficial for the group but were not taken advantage of? What were they? What were the main reasons for not pursuing such business level strategies? 7. How timely do you think your business level strategic moves are relative to competitors? Relative to the industry? 8. In general how easy/challenging is for your organization to change the segmentation and positioning of offers? 9. Do you find your organization is better at improving offers/making new offers or both? Why? 10. Have there been any major opportunities for improving efficiency or innovation at in the different business units	1. Could you please describe the most significant strategic changes at the structure level? 2. Describe major contributions of the family in general (or specific family members in particular) to those structural changes. 3. Describe significant business model changes 4. Describe major contributions of the family in general (or specific family members in particular) to changes in business models 5. Who is traditionally involved in decisions involving functional strategy? 6. Can you please describe the process leading to structural changes? 7. How do you identify the need to change the structure of the organization or the need to change your business model? 8. What are the main internal and external drivers prompting changes in your internal structural strategy? a. Organizational size b. Family growth c. Business growth d. Need for separate units e. Changes in the environment 9. What are the main internal and external drivers prompting changes in your business models? a. Stakeholder priorities b. Business growth

STRATEGIC ALIGNMENT	CORPORATE STRATEGY	BUSINESS STRATEGY	STRUCTURAL STRATEGY
	renewal? (examples) 11. What is the family attitude towards creating portfolio ventures to explore new corporate alternatives? (examples?) 12. Have there been any major opportunities for corporate expansion that you feel would have been beneficial for the group but were not taken advantage of? What were they? What were the main reasons for not pursuing such corporate level strategies? 13. In your opinion what are the main external environmental factors that have shaped your corporate strategy? (e.g. below) a. Competition (changes in the industry, technology requirements, capital requirements, and trends for consolidation)? b. Competitor behavior? c. Scope and opportunity of markets (growth, decline)? d. Importance of innovation and change to stay competitive? e. Major innovations in the industry? f. Demographic/social trends? g. Environmental considerations (constituting an opportunity or threat for your business)? h. Political and economic situation? i. Taxation/other legal considerations?	that you feel would have been beneficial for the group but were not pursued? What were they? What were the main reasons for not pursuing such business level strategies? 11. What is the level of engagement of the family members in business level decision making? 12. How and to what extent do you capitalize on the family's intimate business knowledge for decision making at the business level? 13. What is the attitude of the family regarding accessing non-family resources for the development and implementation of business level strategies? 14. In your opinion what are the main external environmental factors that have shaped your corporate strategy? a. Competition (e.g. changes in your competitors offers)? b. Emerging needs of clients? c. Importance of innovation and change to stay competitive? d. Growing competition (e.g. need for efficiency due to lower margins)? e. Demographic/social trends? f. Environmental considerations (constituting an opportunity or threat for your business units)?	c. Changes in the environment d. Business objectives 10. Can you think of any instances where misalignments called for significant structural shifts in the group (or revised business models) but these were not implemented (or implemented with delays)? What were they? What were the main reasons for not adopting such structural changes? 11. How timely do you think your structure changes are (relative to competitors? Relative to the industry?) 12. In general how easy/challenging is for your organization to change the organizational structure and business models? 13. Can you describe significant organizational shifts towards centralization / decentralization? Please explain the reasons behind these moves. 14. What are the views of the family regarding centralization / decentralization? Why? 15. How and to what extent do you manage to balance the predisposition of the family towards centralization and maintenance of stable business models in the face of change? (examples) 16. How often and how do you assess the alignment of existing organizational structures and business models with the needs of the organization and the markets? 17. To what extent do you feel the family capitalize on its unique decision making power to enable and facilitate change?
People to interview	Family and non-family members involved in corporate strategy (corporate investment/divestment)	Family and non-family members involved in business strategy (business unit segmentation and positioning)	Family and non-family members involved in functional strategy (structural changes and business models)
Documents to gather	Strategic plans; internal documents regarding corporate strategy; external communications; press releases; news	Business plans; internal documents regarding strategy of business units; external communications; press releases; news	Organigrams; internal documents regarding structure; external communications with stakeholders

Table A-0-4. Questionnaire to explore the organizational conditions leading to ambidexterity

MANAGING TENSIONS & INTEGRATION	LEADERSHIP	CONTEXT
Definition	Leadership is the process of influence or example exerted by an individual leader or a leadership team to induce a group to pursue particular objectives held by the leader or shared by leader and followers.	Combination of social and organizational capital combining the structure and culture of the firm (organizational capital) and the trust and norms (social capital) of the firm. Structural context refers to the formal administrative processes and mechanisms (e.g. incentives, career management systems) organizations put in place to foster certain employee behaviors; cultural context refers to more intangible qualities and the underlying belief systems and values of individuals in the organization that shape the firm's management system, management practices and behaviors.
Purpose	Exert influence, guidance and motivation to support and encourage the pursuit of specific objectives for the organization	Create the organizational conditions to promote exploration and exploitation
Implications for ambidexterity	-Leaders can foster ambidexterity by shaping organizational culture (support creativity with resources; provide freedom to try new ways, take on challenging task; increasing failure tolerance through collaborative interest, support and feedback; delegate to foster interaction, information and knowledge sharing; autonomy (task and decision making); social interactions (to facilitate gathering information and support at diverse hierarchical and functional levels); -TMT internal processes can enable executive teams to handle large amounts of information, deal with ambiguity and envisage a diversity of potential alternatives; -Leaders personality traits are conducive to combining new and existing knowledge (e.g. creative problem solving; and equal doses of passion and discipline)	Organizational context shape individual behaviors and provide individuals in the firm with sufficient autonomy to deal with the conflicting demands of exploitation and exploration. Performance management provides incentives for high quality work and to promote accountability while social support, provide individuals with the necessary backing and autonomy to realize high levels of performance are necessary to create an organizational context that fosters ambidexterity.
Components	-Leader influence on culture (Attitude towards creativity, flexibility, openness, autonomy, social interactions, failure) -TMT processes (TMT diversity; behavioral integration; quantity and quality of information exchanged; collaborative behavior; joint decision-making) -Personality traits (openness; creativity; passion; discipline; control)	Discipline encourages fulfilling commitments through clear standards of performance, feedback, rewards and sanctions. Stretch induces to strive for ambitious objectives through shared goals, collective identity, and a sense of contribution to the purpose of the organization. Support to encourage assisting others through freedom of initiative and appropriate guidance and help. Trust persuades to rely on commitments through perceived fairness of decision making processes, involvement in decisions and activities, and suitable selection of qualified individuals.
Family influence	Leadership in family businesses often rests with family members. To achieve ambidexterity family firms need to strike a balance between a certain level of diversity (both in composition and goal preference) within the TMT of the firm and a level of cohesiveness that allows for sufficient debate and discussion while allowing swift decision making to identify and respond to emerging environmental changes. The level of integration of family and firm may enhance the ability of family managers to manage ambidexterity.	Family firms can develop strong bonds and trust that create supportive organizations but often find challenging to balance with equally strong performance management mechanisms to promote discipline and stretch necessary for an organizational context leading to ambidexterity. Strong trust can foster creative ideas; persuades managers to propose unusual exploratory initiatives to the board; and makes boards more receptive to unconventional strategies.

MANAGING TENSIONS & INTEGRATION	LEADERSHIP	CONTEXT
		Implementation of such initiatives requires strong discipline and stretch
Questions	1. Who leads the family firm? (and has lead in the past) 2. Can you describe the changes of leadership style over time? 3. Describe how your family leadership (understood as owners as well as managers) plays a role in creating an advantage or constraint for your family business? 4. What distinct resources or capabilities do you associate with your family leadership for promoting innovation and generating new business opportunities? 5. What distinct resources or capabilities do you associate with your family leadership for improving and expanding business processes and activities? 6. Can you describe the individual leadership traits of family members in the TMT? 7. How would you describe them in terms of a. Openness b. Flexibility c. Creativity d. Passion e. Discipline f. Fear of failure g. Autonomy and control h. Ability to delegate 8. Who forms the TMT in your organization? 9. How many are family/nonfamily members? (in the past how much external involvement have you had in TMT) 10. How would you describe the diversity among the members of the TMT in terms of background and experience, in terms of goal set and in terms of views and opinions? 11. Can you describe the communications among the TMT (periodicity, process, content)? 12. Can you describe how you deal with conflict and diversity of opinion within the TMT? 13. What mechanisms do you use to manage disagreement and conflict? 14. How do you ensure a diversity of opinions to emerge? 15. Would you describe the TMT of your organization as having a spirit of openness 16. How would you describe the balance and integration between family and firm? 17. What mechanisms does the family leadership use to reach that balance? 18. What are the major challenges you have found to balance family and firms needs and priorities?	1. What is the attitude of the family regarding performance of employees? 2. Can you describe how do you set goals for yourself and the rest of the organization? 3. Can you describe how managers in your company set goals for themselves and individuals in their teams? 4. In general how challenging/aggressive do you strive for those goals to be? 5. Could you describe the degree of flexibility you allow the roles of your managers and staff? 6. To what extent do you promote and allow individuals in the company to take on creative challenges? 7. How do you make decisions to promote people within the firm? 8. Would you say the family business context drives individuals to focus on doing a good job or on shining to advance in the organization? 9. Can you describe how you help individuals in your company develop? 10. To what extent do you consider the company provides opportunities for individuals to stretch and grow professionally? (examples) 11. How do you measure individual performance in your company? 12. Describe how do you use performance feedback to improve performance 13. Can you describe reward systems in your organization? 14. How do you identify and deal with underperformance in the organization? 15. Describe the attitudes of the family regarding efforts to develop employees? 16. How and to what extent do you ensure managers invest in developing their teams? 17. Can you describe your views on delegation of authority to lower levels of the organization? 18. To what extent do you think the family encourages decisions to be taken at the lowest appropriate level (examples)? 19. Describe the information sharing practices in the organization? In your opinion to what extent individuals are ready to share information that others need? 20. How and to what extent are family firm employees encouraged to exchange and combine information to engage in activities that fall outside their “job description”? 21. How do you encourage and support employees’ initiatives and ideas to improve processes and innovate? 22. How does your organization identify the need for change and exploration?
People to interview	Family owners and managers/ members of the board of directors	Family and nonfamily managers.
Documents to gather	Minutes of board meetings and other internal communications;	Performance management procedures; internal employee surveys

Table A-0-5. Questionnaire to explore the priority objectives of the case firms

OBJECTIVES	OBJECTIVES FOR THE FAMILY FIRM		OBJECTIVES FOR THE FAMILY	
	ORGANIZATIONAL OBJECTIVES	OPERATIONAL OBJECTIVES	FAMILY OBJECTIVES	PERSONAL OBJECTIVES
Definition	Goals defining purpose, performance objectives and desired behaviors within the organization (often linked with the preferences of entrepreneur or top managers and ideological connotations)	Outcomes the organization actually seeks to attain through its operating policies and activities	Particular set of objectives of the owning family guiding the strategy of their business	Objectives of key individuals in the firm guiding their business priorities
Purpose	Provide long term guidance and targets for the organization. Changes in organizational goals take time, are gradual, and respond to changes in the coalition structure	Provide targets for a given area for a given period of time (usually one year). Changes in the short term goals respond to changes in the aspiration levels of the owner/managers	Influence the decision making processes of the business towards specific economic and non-economic aspirations of the family	
Sample objectives and indicators	Non economic: prestige, tradition, patronage, public interest, social welfare Economic: profit, return on investment, growth	Production related: stable employment, acceptable cost, output level Inventory, levels of finished goods Sales related: levels of goods & services sold (units, revenue) Market share related: growth of share Profit related: accumulate & replenish resources, set performance level	-Emotional and affective goals (e.g. identity, family stability; cohesion and harmony) -Continuity and survival goals: (e.g. long term firm survival; resources for subsequent generations; preserve ties) -Security and development goals (e.g. family employment, development & growth; family needs and lifestyle) -Reputation, community and social goals (e.g. Service to the community; philanthropy) FIBER (SEW)	Pursue a personal hobby Professional independence and control (own boss) Personal challenge, Stimulation, success, respect and recognition Control of life style Level of income Steady employment Personal pride
Questions	1. What are the most important goals for your family firm? 2. How have they changed overtime? 3. How do you establish long and medium term objectives for the firm? 4. What are your current goals for the medium long term? 5. How do you measure the degree of attainment? 6. How often do you check progress? How? 7. Describe the level of satisfaction with the level of performance towards fulfilling those objectives, are there some you	1. How do you establish short term objectives for the different organizational units? (who, how, monitoring, indicators, etc) 2. What are your current goals for the next period? 3. How will you measure the degree of attainment? 4. What were the objectives for the different business units in the latest period? 5. How did you measure the level of achievement at the end of the period? 6. Describe the level of satisfaction with the	1. How do you establish family objectives? 2. What are the most important goals for your family? 3. How have they changed overtime? 4. How do you establish objectives for the family? 5. What are your current family goals? 6. How do you measure the degree of attainment? 7. How often do you check progress? How? 8. Describe the level of satisfaction with	1. What are the most important goals for you as an individual part of the family firm? 2. How have they changed overtime? 3. Do you set specific objectives for yourself? 4. What are your current goals? 5. How do you measure the degree of attainment? 6. How often do you check progress? How? 7. Describe the level of satisfaction with the level of performance towards fulfilling those objectives

OBJECTIVES	OBJECTIVES FOR THE FAMILY FIRM		OBJECTIVES FOR THE FAMILY	
	have been more successful at reaching and why? Are there particular goals that have been more challenging? Why? 8. Describe what you do when there is a gap between the targets and the results 9. How do you reconcile and integrate short and long term objectives?	level of performance towards fulfilling those objectives. 7. Were there some objectives you have been more successful at reaching and why? Are there particular goals that have been more challenging? Why? 8. Describe what you do when there is a gap between the targets and the actual short term results	the level of performance towards fulfilling those objectives, 9. Are there some you have been more successful at reaching and why? 10. Are there particular goals that have been more challenging? Why? 11. Describe what you do when there is a gap between the targets and the results 12. How do you reconcile, balance and integrate the family goals and the business objectives?	8. Are there some you have been more successful at reaching and why? 9. Are there particular goals that have been more challenging? Why? 10. Describe what you do when there is a gap between the targets and the results 11. How do you personally reconcile your own goals, the goals of the family and the firm?

CUSTOMIZED FUNCTIONAL INTERVIEW GUIDES TO GATHER ADDITIONAL INFORMATION FROM NONFAMILY TOP EXECUTIVES

Table A-0-6. Additional interview guide for financial executives of the case firms

OBJETIVO DE LA ENTREVISTA	1. Analizar trayectoria, preferencias y prácticas financieras del grupo y las empresas del grupo. Examinar influencia en la habilidad de la organización para promover y mantener equilibrio entre innovación y exploración de nuevas oportunidades vs eficiencia/sinergias/ expansión del core-business). No necesito números exactos sino tendencias y magnitudes relativas. Busco una visión general de tendencias y épocas con características marcadas para entender la evolución a lo largo de los años y frente a cambios internos (cambios generacionales, de liderazgo, de la organización) y externos (crisis de los distintos sectores, crisis económica, etc.) 2. Identificar ejemplos concretos de estas prácticas/preferencias y su influencia en la trayectoria estratégica del grupo
EXPECTATIVAS	• Evaluar la disponibilidad histórica de recursos financieros para iniciativas de exploración/innovación y de mejora de eficiencia/aprovechamiento de sinergias. (No necesito montos exactos sino identificar tendencias, épocas que sí, que no, factores) • Medir en términos relativos el énfasis de la inversión del grupo en explotación / exploración / ambas a la vez (identificar épocas con énfasis en una/otra o en las dos). Me interesa el volumen relativo de inversión. • Examinar la contribución histórica de las distintas unidades de negocio al grupo (no busco cifras exactas de resultados financieros, sino tener una idea de distintos periodos donde la contribución de cada sector sea diferente –debido a ciclos distintos de distintos sectores- y si esos ciclos se corresponden o no con inversiones mayores o menores en automoción/transporte y/o en innovación-exploración de nuevas oportunidades vs eficiencia-expansión del corebusiness). Identificar qué factores (internos/externos) determinan las inversiones. • Comprender practicas/preferencias financieras (ej.: reinversión, política de dividendos, actitudes ante el riesgo, aportaciones adicionales de capital, niveles de endeudamiento, fuentes externas de financiación, aprovechamiento del family office). • Tener una visión general de estas prácticas, de su evolución y de su influencia en la estrategia del grupo. • Entender a grandes rasgos la filosofía financiera del grupo y el nivel de autonomía financiera de las distintas unidades de negocio.
TEMAS: **1. Estructura financiera** **2. Disponibilidad financiación** **3. Preferencias y mecanismos** **4. Resultados y perspectivas de futuro**	- Estructura financiera a grandes rasgos. Cambios significativos a lo largo del tiempo. Factores de cambio (internos? Externos? Cuáles?) - Preferencias del grupo por determinados mecanismos de financiación. Cambios significativos de estas preferencias a lo largo del tiempo. - Niveles de disponibilidad histórica de capital para iniciativas estratégicas (a nivel corporativo/unidades de negocio/para cbs estructurales) - Niveles de inversión relativa en iniciativas de innovación y eficiencia (tendencias y aproximaciones no necesito cifras exactas) - Periodos fuertemente centrados en inversión en innovación/exploración de nuevas oportunidades o mercados vs inversión en búsqueda de eficiencia sinergias y expansión del core-business o en inversión en ambas simultáneamente. Fuentes de financiación utilizadas - Preferencias financieras. Actitudes frente al riesgo. Mecanismos financieros para mantener un nivel de riesgo aceptable para familia y apropiado para el negocio. Influencia de estas preferencias en el equilibrio de inversión en exploración/explotación - Mecanismos de financiación para mantener ciertos niveles de inversión en innovación/expansión (ej.: montos o porcentajes establecidos para nueva inversión o innovación; aprovechamiento del family office) - Niveles de capital disponibles para iniciativas con altos niveles de riesgo/incertidumbre (incluso en ausencia de fuentes de financiación externa o en tiempos de crisis). - Ejemplos de existencia y magnitud de “Patient capital” (capital familiar con horizonte temporal muy largo “survaibalility capital” (capital familiar adicional para la empresa en tiempos de crisis) Nivel de “Parsimony” (frugalidad de la familia). Influencia en decisiones financieras - Nivel de aprovechamiento de fuentes de financiación externa (niveles y composición de deuda). Nivel de autonomía financiera. Influencia - Equilibrio y gestión de flujos financieros entre empresas del grupo. Entre empresa y familia. Gestión de desequilibrios en flujos financieros. - Visión general de la trayectoria histórica de resultados del grupo (contribución de distintas unidades de negocio a los resultados del grupo) y de tendencias en inversión (exploración/explotación/ambas). Mayores retos encontrados. Nivel de satisfacción con los resultados - Benchmarks y targets utilizados para el análisis financiero (ej. periodo anterior, media del sector, set targets; best in class) - Perspectivas del grupo desde el punto de vista financiero a corto/largo (5-10 años). Retos que se presentan para la familia y la empresa.

Table A-0-7. Additional interview guide for human resource executives of the case firms

OBJETIVO DE LA ENTREVISTA	1. Analizar la trayectoria de las preferencias, prácticas y políticas de personal y recursos humanos del grupo y las empresas del grupo y la influencia en la habilidad de la organización para promover y mantener el equilibrio entre eficiencia e innovación; entre el aprovechamiento de sinergias y la exploración de nuevas oportunidades. No necesito copias de políticas internas ni datos exactos busco tener una visión general de tendencias y épocas con características marcadas para entender la evolución del grupo a lo largo de los años en términos de crecimiento/decrecimiento del empleo; características de los directivos; cultura organizacional; cambios significativos en RRHH debido a factores internos (cambios generacionales, de liderazgo, de la organización) y/o externos (crisis de los distintos sectores, crisis económica, etc.) 2. Identificar ejemplos concretos de estas prácticas y su influencia en la trayectoria del grupo
EXPECTATIVAS	• Obtener una idea general de las características de los directivos en términos de diversidad cognitiva –educación y variedad de experiencias- Identificar fortalezas y retos a este respecto • Identificar ciertos rasgos preponderantes de personalidad y actitudes de los mandos (por ej. actitudes frente al emprendimiento, el riesgo, "out of the box thinking" "open-minded" colaboración, trabajo en equipo, disciplina, creatividad, pasión por su trabajo, lealtad, niveles de motivación y compromiso con la empresa) (características generales que tiendan a "definir" el carácter "típico" de la mayoría o de ciertos sub-grupos particulares dentro del grupo si no es homogéneo). Cambios en estas características a lo largo del tiempo • Entender las políticas y prácticas generales de RRHH y como afectan a la capacidad del grupo para mantener el equilibrio entre exploración y explotación. Aquí me interesan sobretodo los mecanismos, prácticas y políticas que afectan la cultura y el contexto organizacional (por ej. Objetivos, incentivos, feedback, comunicación -top down/bottom up-. Formación y desarrollo. Gestión de talento) • Entender a grandes rasgos la filosofía de recursos humanos del grupo y el efecto sobre la cultura y el contexto organizacionales.
TEMAS: **1. Estructura y cambios** **2. Fomento y uso de diversidad en RRHH** **3. Cultura y contexto organizacional** **4. Resultados y perspectivas de futuro**	- Estructura jerárquica. Líneas de mando. Niveles de centralización/descentralización. Estilos de liderazgo (autonomía, flexibilidad, control, delegación, colaboración etc.). Cambios significativos. Factores del cambio. Actitudes ante los cambios (nivel de resistencia). Retos - Influencia de la familia a la hora de facilitar procesos de cambio (ej: role models; actitudes; carisma; identificación que influyen al cambio) - Niveles de diversidad en el capital humano (diversidad en términos de experiencias previas en otras empresas, industrias, países; estudios, carreras y certificaciones previas; expertos y generalistas etc.). Prácticas para maximizar el aprovechamiento de esa diversidad - Mecanismos para apoyar y fomentar la diversidad de la experiencia y conocimiento de gerentes familiares y no familiares para incrementar la profundidad (expertise) y diversidad del capital humano - Prácticas para fomentar la adquisición, integración y promoción del talento externo que garantice y fomente la diversidad de opiniones. - Mecanismos/procesos para aprovechar, fomentar y canalizar la participación e incorporación del capital humano de distintos miembros de la familia de diferentes generaciones y con diferentes conocimientos y experiencia a la empresa - Mecanismos y prácticas de comunicación e interacción del personal (familiar-no familiar; bottom up-top down; inter-grupo/intra-group; intra unidad de negocio/inter unidad de negocio; iniciativas para fomentar la interacción dentro y fuera de la empresa) - Prácticas para aprovechar y combinar los conocimientos y habilidades de directivos familiares y no familiares en distintas empresas del grupo y con distintos perfiles. Formación y desarrollo. Gestión de talento. Cambios. Factores de cambio. Fortalezas y retos. - Descripción general. Cambios importantes a lo largo del tiempo. Factores. Fortalezas. Retos importantes - Programas de inducción/integración de empleados. Mecanismos/prácticas para comunicar y mantener valores/visión común/cultura org. - Practicas para tomar el pulso al contexto organizacional (ej. Encuestas de satisfacción del personal etc.). Resultados y seguimiento. - Sistemas de compensación e incentivos. Principios generales. Sistemas de establecimiento de objetivos. Sistemas de evaluación de desempeño y feedback. Criterios de evaluación. Políticas/prácticas de promoción interna. Percepciones generales de los empleados. - Visión general de la contribución de RRHH a la trayectoria del grupo. Mayores retos encontrados. Iniciativas para sobrepasarlos - Benchmarks y targets utilizados para el análisis de RRHH (ej. periodo anterior, sector, set targets; best in class). Nivel de satisfacción - Perspectivas de RRHH a largo plazo (5-10 años). Retos que se presentan para la familia y la empresa.

APPENDIX B: Surveys

Table B-0-8. Survey on priority goals and perceptions about attainment of priority goals

ENCUESTA SOBRE LAS PERCEPCIONES DE LA FAMILIA RESPECTO A OBJETIVOS PRIORITARIOS Y RESULTADOS OBTENIDOS						
	A. ¿En tu opinión, qué importancia tienen los distintos objetivos empresariales y familiares para tu familia?			B. ¿Cuál es tu percepción sobre el nivel de resultados alcanzados para dichos objetivos? (1 = bajo; 3 = intermedio; 5 = alto)		
		Orden de importancia absoluta (es decir, ¿en un ranking de objetivos seria 1º, 2º, 3º etc?)	Nivel de importancia relativa. ¿Cuán importante es este objetivo para la familia? 1= poco importante 3=medio 5= muy importante	*Durante la primera generación*	*Durante la segunda generación*	*Durante la tercera generación*
OBJETIVOS EMPRESARIALES	Incrementar la cifra de negocios		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Incrementar la cuota de mercado		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Mejorar la rentabilidad		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Mejorar la eficiencia		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Mejorar la calidad		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Mejorar los márgenes		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Aumentar la capacidad de financiar crecimiento con beneficios		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Aumentar el número de empleados		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Hacer crecer la empresa familiar		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Innovar		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Diversificar a otras áreas de negocio		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Diversificar a otros mercados		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
OBJ. FAMILIARES	Mantener la armonía familiar		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Incrementar el patrimonio familiar		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Desarrollar el capital humano familiar (educación, experiencia)		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Preparar a la siguiente generación para el relevo generacional		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Mantener/mejorar la reputación de la familia		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Fortalecer las relaciones familiares		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5
	Mantener/mejorar el nivel de vida de la familia		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5

Table B-0-9. Socioemotional wealth priority survey

ENCUESTA SOBRE LAS PRIORIDADES SOCIOEMOCIONALES DE LA EMPRESA FAMILIAR	Nivel de intensidad (1 = muy poco; 3 = ni poco-ni mucho; 5 = mucho)				
Los miembros de la familia tienen un fuerte sentido de pertenencia a nuestra empresa.	1	2	3	4	5
Los miembros de la familia se identifican con el éxito de nuestra empresa como si fuera propio.	1	2	3	4	5
La empresa tiene una gran importancia personal para los miembros de nuestra familia.	1	2	3	4	5
Nuestra pertenencia a la empresa contribuye a definir quiénes somos.	1	2	3	4	5
Nos sentimos orgullosos de decir que somos parte de esta empresa.	1	2	3	4	5
Los clientes asocian el nombre de nuestra familia con los productos y servicios de la empresa.	1	2	3	4	5
Nuestra empresa es muy activa en promover actividades sociales para el bien de la comunidad.	1	2	3	4	5
En nuestra empresa, los empleados no familiares son considerados parte de la familia.	1	2	3	4	5
En nuestra empresa las relaciones contractuales se basan principalmente en la confianza y la reciprocidad del trato.	1	2	3	4	5
En nuestra empresa consideramos importante el desarrollo de relaciones sólidas con otras instituciones (por ej. otras empresas, asociaciones profesionales, agencias del gobierno etc.)	1	2	3	4	5
En nuestra empresa los contratos con proveedores se basan en relaciones duraderas y de largo plazo.	1	2	3	4	5
En nuestra empresa las emociones y los sentimientos a menudo afectan los procesos de toma de decisiones.	1	2	3	4	5
El bienestar de los miembros de esta familia es fundamental para nosotros.	1	2	3	4	5
En nuestra empresa, los vínculos emocionales entre los miembros de la familia son muy fuertes.	1	2	3	4	5
En nuestra empresa, a menudo damos tanta importancia a las consideraciones afectivas como las económicas.	1	2	3	4	5
Los fuertes lazos emocionales entre los miembros de esta familia me ayudan a mantener una opinión personal positiva sobre mí mismo.	1	2	3	4	5
Los miembros de esta familia sienten cariño los unos por los otros.	1	2	3	4	5
Continuar con el legado y la tradición familiar es importante para nosotros.	1	2	3	4	5
Los accionistas familiares son más propensos a evaluar las inversiones mirando el largo plazo que el corto plazo.	1	2	3	4	5
Es poco probable que los miembros de esta familia consideren vender la empresa.	1	2	3	4	5
Conseguir una transmisión exitosa del negocio a la siguiente generación es importante para esta familia.	1	2	3	4	5

Adapted from Berrone et al., (2012)

Table B-0-10. Survey on the organizational context of the case firms

PERFORMANCE MANAGEMENT- DESEMPEÑO	Raramente			A veces			Siempre
<u>En nuestro grupo los mandos/gerentes ...</u>							
"Establecen objetivos ambiciosos y exigentes".....	1	2	3	4	5	6	7
"Ofrecen retos creativos a su gente, en lugar de limitarse a definir sus tareas al detalle”.....	1	2	3	4	5	6	7
"Están más centrados en hacer bien su trabajo que en subir puestos en la organización".....	1	2	3	4	5	6	7
"Se esfuerzan por ofrecer retos que hagan “estirar” y “crecer” a su gente".....	1	2	3	4	5	6	7
"Utilizan objetivos e indicadores de desempeño (performance) para gestionar sus equipos".....	1	2	3	4	5	6	7
"Se aseguran de que cada uno asuma responsabilidad y rinda cuentas por su rendimiento".....	1	2	3	4	5	6	7
"Utilizan evaluaciones y ofrecen feedback específico para mejorar el nivel de resultados".....	1	2	3	4	5	6	7
“Motivan y premian el trabajo bien hecho con incentivos”.....	1	2	3	4	5	6	7
SOCIAL SUPPORT - APOYO:							
<u>En nuestro grupo los mandos/gerentes ...</u>							
"Se esfuerzan constantemente por apoyar y desarrollar a sus equipos"	1	2	3	4	5	6	7
"Delegan a cada individuo la autoridad necesaria para desempeñar bien su trabajo".....	1	2	3	4	5	6	7
"Delegan la toma de de decisiones al nivel jerárquico más bajo posible”.....	1	2	3	4	5	6	7
"Tienen acceso a toda la información necesaria para la toma de decisiones".....	1	2	3	4	5	6	7
“Comparten rápidamente información y mejores prácticas a otras partes de la unidad/grupo”.....	1	2	3	4	5	6	7
“Consideran fracasos y errores (cuando la intención y el nivel de esfuerzo es bueno) como una oportunidad de aprendizaje, y algo de lo que no hay avergonzarse”.....	1	2	3	4	5	6	7
"Se atreven a tomar riesgos calculados".....	1	2	3	4	5	6	7
“Establecen objetivos realistas”.....	1	2	3	4	5	6	7

APPENDIX C: Documentation provided to the participating companies

LETTER OF INVITATION TO PARTICIPATE IN THE INVESTIGATION

A la Atención del Sr. D. XXXX
Direccion

Ginebra, X de XXXX de 2014

Estimado Sr. XXXX:

Antes de nada quisiera presentarme. Mi nombre es Diana Orejas. Estoy completando mi doctorado en Competitividad Empresarial en la Universidad de Deusto. Resido en Suiza y trabajo como formadora y consultora para varias organizaciones, entre ellas las Naciones Unidas y Duke Corporate Education.

Quisiera solicitar su participación en mi proyecto de tesis doctoral. Mi trabajo de investigación estudia la influencia de los recursos y capacidades familiares en las decisiones estratégicas del grupo familiar. En particular, pretendo examinar el papel de la familia a la hora de facilitar o entorpecer la capacidad de la empresa familiar para tomar decisiones estratégicas que permitan perseguir eficiencia e innovación simultáneamente, mejorando los resultados a corto plazo y garantizando la supervivencia y éxito de la empresa familiar en generaciones futuras.

Para completar mi proyecto necesito estudiar en profundidad dos empresas familiares que por su trayectoria estratégica, su historia familiar, y sus resultados a lo largo de varias generaciones, permitan examinar la temática en cuestión. Por ello, y después de considerar numerosas empresas familiares, junto con mis directoras de tesis, hemos considerado oportuno solicitar su colaboración. Creemos que XXXX, empresa en X generación, reúne las condiciones ideales para el objeto de estudio por su nivel de diversificación y profesionalización, además de su énfasis en innovación y visión a largo plazo.

Adjunto le envío un resumen del objetivo de la investigación y un artículo de prensa explicando el proyecto en más detalle para ampliar la información sobre la naturaleza de mi tesis. Si decide participar, espero que los resultados y las conclusiones del estudio sean de utilidad para el grupo familiar y que contribuyan al reconocimiento de la labor de su familia y su empresa en el mundo académico y empresarial.

Le agradezco mucho su atención. En los próximos días me comunicaré con su empresa por vía telefónica para saber si decide colaborar con nuestro proyecto de investigación y fijar la fecha para un primer encuentro.

Atentamente,



Diana Orejas

Estudiante de doctorado,
Doctorado en Competitividad Empresarial y Desarrollo Económico
Universidad de Deusto

SUMMARY PROVIDED TO THE CASE FIRMS ABOUT THE RESEARCH AND ITS OBJECTIVES

TITULO DE LA TESIS DOCTORAL:

LOS RECURSOS Y CAPACIDADES DE LA FAMILIA Y LA "AMBIDESTREZA" ESTRATÉGICA: CÓMO MAXIMIZAR LA INFLUENCIA FAMILIAR PARA ALCANZAR LOS OBJETIVOS FAMILIARES A CORTO Y LARGO PLAZO A TRAVES DE GENERACIONES.

RESUMEN:

La aceleración constante del ritmo de cambio en el entorno empresarial obliga a las empresas a adaptarse y transformarse cada vez más rápidamente para mantener su ventaja competitiva. La capacidad de una organización para cambiar y satisfacer las condiciones de su entorno está estrechamente ligada con los procesos organizativos que llevan a la exploración (innovación) y explotación (eficiencia).

Investigaciones recientes en el campo de la gestión empresarial demuestran que las organizaciones que tienen éxito a corto y largo plazo tienden a ser "ambidiestras", es decir, son capaces de adaptar sus estrategias de negocio existentes (explotando eficiencias); mientras preparan nuevas estrategias para enfrentar desafíos futuros e identificar nuevas oportunidades (explorando e innovando). Sin embargo, la gestión "ambidiestra" requiere conciliar las tensiones y conflictos que surgen de la naturaleza contradictoria de la eficiencia y la innovación.

Gracias a sus características particulares, las empresas familiares podrían tener una ventaja para un entorno organizacional adecuado que equilibre las estrategias de explotación y exploración. A través de una investigación cualitativa basada en estudios de caso en profundidad, esta investigación examina la influencia de la familia en los recursos y capacidades necesarios para desarrollar estrategias ambidiestras y contribuir a cumplir los objetivos de la empresa familiar a corto y largo plazo.

El objetivo de esta investigación es buscar formas de ayudar a las empresas familiares a gestionar la influencia de la familia en la empresa reconociendo y aprovechar los recursos y capacidades de la familia para preparar, gestionar y aprovechar los cambios que podrían erosionar su ventaja competitiva.

INVESTIGADOR:

Diana Orejas
Deusto Business School

ETHICAL COMMITMENT PROVIDED BY THE RESEARCHER TO THE CASE FIRMS

PROYECTO DE INVESTIGACION DOCTORAL:

LOS RECURSOS Y CAPACIDADES DE LA FAMILIA Y LA "AMBIDESTREZA" ESTRATÉGICA: CÓMO MAXIMIZAR LA INFLUENCIA FAMILIAR PARA ALCANZAR LOS OBJETIVOS FAMILIARES A CORTO Y LARGO PLAZO A TRAVES DE GENERACIONES.

COMPROMISO ETICO PARA EL CASO EN PROFUNDIDAD DEL GRUPO XXXX

Como investigador de este estudio de caso me comprometo con la Familia XXXX, el Grupo XXXX y todos los integrantes del grupo a:

- Proporcionar información clara, precisa y completa sobre los objetivos de este estudio, el proceso de investigación y la metodología utilizada;
- Respetar y valorar el tiempo de las personas que actúen como interlocutores en esta investigación;
- Solicitar autorización para grabar las entrevistas. El objetivo de la grabación es únicamente transcribir la información de manera fiel, evitar pérdidas de información y facilitar clarificaciones en caso de duda. Las grabaciones y transcripciones correspondientes son para uso exclusivo del investigador y no serán accesibles a terceros;
- Proporcionar una copia del caso y de las conclusiones de la tesis antes de la finalización del trabajo de investigación, para ofrecer la oportunidad de revisar el contenido y si fuera necesario hacer los cambios o aclaraciones pertinentes;
- Facilitar una copia del trabajo corregido y finalizado;
- Utilizar las conclusiones de la investigación únicamente con fines de investigación académica y docencia;
- Producir un trabajo de investigación con los más altos estándares de calidad y rigor.

Compromiso ético firmado en Ginebra el X de XXXX de 2014



Diana Orejas
Universidad de Deusto
Programa de Doctorado en Competitividad Empresarial y Desarrollo Económico

BACKGROUND IFERA-FBN ARTICLE PROVIDED BY THE RESEARCHER TO THE CASE FIRMS

FAMILINESS AS COMPETITIVE ADVANTAGE (Published online by IFERA-FBN July 2012)

Do family firms enjoy a competitive advantage because their very nature involves managing a paradox (family versus business) – and so they are more skilled at managing other paradoxes that are important for commercial success? That's one of the possibilities that will be explored as part of research by Diana Orejas, a doctoral student at Spain's Deusto Business School, who has won the IFERA-FBN International Best PhD Research Proposal Award 2012.

Academic research suggests that successful organizations need to be able to do two things at the same time, even when those things appear to be contradictory. To use an analogy, organizations need to be able to write with a pen in their right hand, and then write just as well with a pen in their left hand. In other words, they need to be ambidextrous.

One key task for organizations is to find new markets, focusing on what might happen tomorrow and where opportunities will open up. This can be thought of as 'exploration'.

A different task is to strengthen existing operations, focusing on what can be done today in order to be as efficient as possible. This can be thought of as 'exploitation'.

Somehow, organizations must 'explore' and 'exploit' at the same time. But this can be a source of tensions. Too much emphasis either on exploiting short-term profitability or on exploring new opportunities increases the risk of organizational crisis. That's why successful organizations need to be ambidextrous and able to manage paradox.

What type of business has paradox built into its very essence? The answer is family business. The 'family system' is very different to the 'business system'. The nature of families is to be inclusive, emotional and focused on who people are. In contrast, the nature of business is to be exclusive, rational and focused on what people can contribute.

Diana Orejas writes: "Business and family require contradictory ways of thinking, thus, individuals raised in business families grow up instinctively learning to balance these divergent systems. Likewise, exploration and exploitation require balancing conflicting ways of thinking. Thus the experience in balancing family and business may help family firms manage the paradoxes and contradictions of ambidexterity."

Further factors

Going beyond this skill in managing paradoxes, there may be further factors that push family firms simultaneously towards exploration and exploitation, giving them a natural advantage in ambidexterity.

Firstly, research shows that the desire of family firms to pass on a legacy to the next generation provides family firms with a longer-term business perspective, and makes them more likely to be associated with a friendly environment for entrepreneurial activity, patient capital, seed funding for new projects, and investment in opportunities with more remote and uncertain returns on investment. These are all factors that favor exploration.

Secondly, family firms have also been found to pursue superior quality, operational excellence and product leadership; to be more risk averse; and to have more centralized structures. These characteristics are all linked with the efficient exploitation of existing business activities.

Diana Orejas writes that: “In sum, research indicates that family firms might possess unique stimuli to pursue exploration and exploitation as well as an embedded ability to manage contradictions effectively.”

Need for research

She continues: “Despite this knowledge, however, very little is known about whether or how family firms develop their capacity to become ambidextrous. It is in this research area that my dissertation will attempt to contribute to the literature.

“The purpose of the dissertation is to examine whether, how, and under what conditions, family influence enhances or hinders firms’ ability to balance exploration and exploitation initiatives.”

Put another way, the dissertation will explore how ‘familiness’ can foster or hinder the firm’s capacity to be ambidextrous. Familiness can be defined as the unique bundle of resources a particular firm has because of the interaction of the family.

Diana Orejas writes: “A basic premise of this research is that family firms able to develop the attributes of distinctive positive familiness may be more capable of developing successful ambidextrous strategies.”

The research could help explain why some family firms are able to achieve sustainable performance and survive across generations while others are not. Various authors have already observed that long-lasting family firms have an ability to balance innovation with tradition, and to find new markets while strengthening existing operations. Examples of such firms are found in books such as ‘Managing for the Long Run: Lessons in Competitive Advantage from Great Family Businesses’ by Danny Miller and Isabelle Le Breton-Miller.

The research is currently underway and, when complete, it aims to provide practical insights into how family firms can manage family involvement to their advantage – and so improve both short-term results and long-term prospects.

Award details

Diana Orejas received the IFERA-FBN International Best PhD Research Proposal Award at the 12th Annual IFERA World Family Business Research Conference in Bordeaux in June 2012. ‘IFERA’ stands for the ‘International Family Enterprise Research Academy’.

APPENDIX D: Detailed background information about the case firms and families

The Businesses

Age

The case firms are roughly the same age. Although Mobility Solutions (MS) was established in the 1920s and North West Motor (NWM) in the 1940s, both firms have been in operation roughly a similar amount of years, as MS was seized during the Spanish civil war 1936-1939 and the second generation had to rebuild the business from scratch in the 1940s.

Size

Using the EU categories for firm size (based on the number of employees) both family firms qualify as large firms (over 250 employees). Even though MS is 10 times the size of NWM in terms of employees, considering the automotive business alone, one is roughly twice the size of the other. Both firms had a very similar historical trajectory in terms of growth and diversification until the end of the 80s (full details about this trajectory can be found in Appendix E). In automotive, both groups grew at a similar pace until the last decade. MS recent automotive acquisitions (2007-2012) doubled the size of its automotive business and account for most of the current gap in headcount and revenues.

Business Domain

The founders of these two family firms started off in a very similar fashion with the ownership of a large vehicle and offering their personal service driving that vehicle. MS founder started driving a bus and transporting people; NWM founder drove a truck and transported merchandise. From that original activity, MS' founder set up a collective transport company, while NWM's founder set up a private transport company (originally selling bicycles and automobiles). Although these companies start out in two different sectors they are both closely related to transportation (collective transport vs. private transport). With time MS would go into automotive and NWM into public transport, thus making the two companies very similar until the end of the 1980s.

Both family firms have been active in the automotive retail sector for over 70 years. This business domain has traditionally been the main source of revenues for both companies; currently representing around 60% of revenues for MS and almost 100% of revenues for NWM. Over the years, both firms have expanded their business operations into diverse sectors and markets. Despite the commonalities, one of the main differences between both groups is how they define their business domain. The website defines

the business of MS as "providing comprehensive mobility solutions to individuals and institutions, to cover daily and one-off mobility needs by offering an extensive and complementary range of dynamic, innovative and sustainable individual and collective transport solutions." MS' owning family defines the domain of the family business in a similarly broad manner:

> "This family has always had a loose but clear definition of the business domain of the family firm, one that is flexible enough for us to diversify, keep up with the times and innovate but focused enough that it takes full advantage of our strengths, know-how and expertise"
>
> (Michael, President and Board Member MS, 3rd generation)

> "There is a saying that has been repeated for generations that illustrates the need to define the business in a way that allows for several and distinct business lines. The saying goes like this: 'one hand washes the other and both together wash the face'. In this family firm there have been countless occasions when one part of the business has keep another part going"
>
> (Sandra, Strategy Director and Board Member MS, 3th generation);
>
> (Joseph, Director Automotive. Retired 2012)[13]

> "We are in the business of moving people, mostly by road (bus, truck, van, car, bicycle, motorbike). We just created a company to go into rail. If proven to be a profitable activity we will move people by water, air or any other way"
>
> (Mike, Expansion Director MS, 4th generation)

The majority of family members consider other individual or collective entrepreneurial initiatives of the family in non-mobility related sectors, such as construction, property development or financial investment not to be part of the family business but by-products of the family operations.

In contrast to MS' broad, if focused definition, NWM's defines the domain of the firm in more restricted terms. NWM website announces "since its origins this family business has been devoted to automotive retail: to the sale and repair of bicycles, motorbikes, cars and trucks". The family members interviewed agree with this definition:

> "fundamentally this family has always defined the family firm as 'selling cars'; with everything good and bad that such a narrow definition implies for the trajectory and the long term vision of the business"

[13] Both respondents used the exact same words during their respective interviews to refer to this saying.

(Ron, Owner NWM, 3rd generation).

Over the years NWM has gone into business activities as diverse as household electronics; public works and mining machinery; food and beverage manufacturing; energy production and property development. However, none of these other sectors have taken hold or been considered by the family as an expansion of the family business domain but as independent entrepreneurial ventures with limited or short–lived success:

"We have always tried to grow and diversify and tried our luck in other business domains but have never fared well. Our attempts have either been short-lived or a source of stress and financial losses. What we have learnt from these ventures is that we should stick to what we know best: selling cars"

(Joseph, Owner NWM, Ex-CEO 2nd generation. Retired 2006).

Geography

Mobility Solutions and North West Motor also diverge in how they define the potential geographical arena for their businesses. Although both companies have expanded over the years, they have a very different market outreach. MS is currently committing strongly to internationalizing the business, particularly in the transport sector, while looking for opportunities to expand nationally in automotive. NWM defines the potential geographical market for the firm within a short distance of their current business operations ("no more than 150 Kilometers", they say). While in the past they have adventured far into other Spanish regions, they are currently limiting themselves to expanding the business in close proximity.

Business values

MS' website provides a list and description of the fundamental business values of the family firm:
Trust: our raison d'être are our users and clients. Generating trust is an essential objective for each and every employee in this company.

Honesty: we have a strong public service vocation. We believe that mobility is a fundamental right for everyone, and therefore we offer specific solutions to each situation.

'Sp@rk' (this is a term invented by the company to describe what they look for in employees): we value proactive individuals in our firm. We search for people with ideas and concerns who commit to responding to clients' and organizations' needs. We believe they move our company forward.

Commitment: we are committed to the society around us and actively search to be aware of its needs.

Innovation: We search constantly the best ways to bring people closer, making their journeys feel faster, more comfortable and safer.

Sustainability: we have a deep respect for nature and actively attempt to help preserve the environment.

In addition to the values posted online a majority of respondents mention hard-work, commitment to doing the best job possible, professionalism, care (care for the clients, care for the staff, and care for the work done) and a long term focus.

The business values of NWM are not mentioned on their website but are strongly felt by family and non family staff: search for excellence; focus on keeping the client happy, satisfied and loyal; efficiency and constant improvement came up continuously in different interviews.

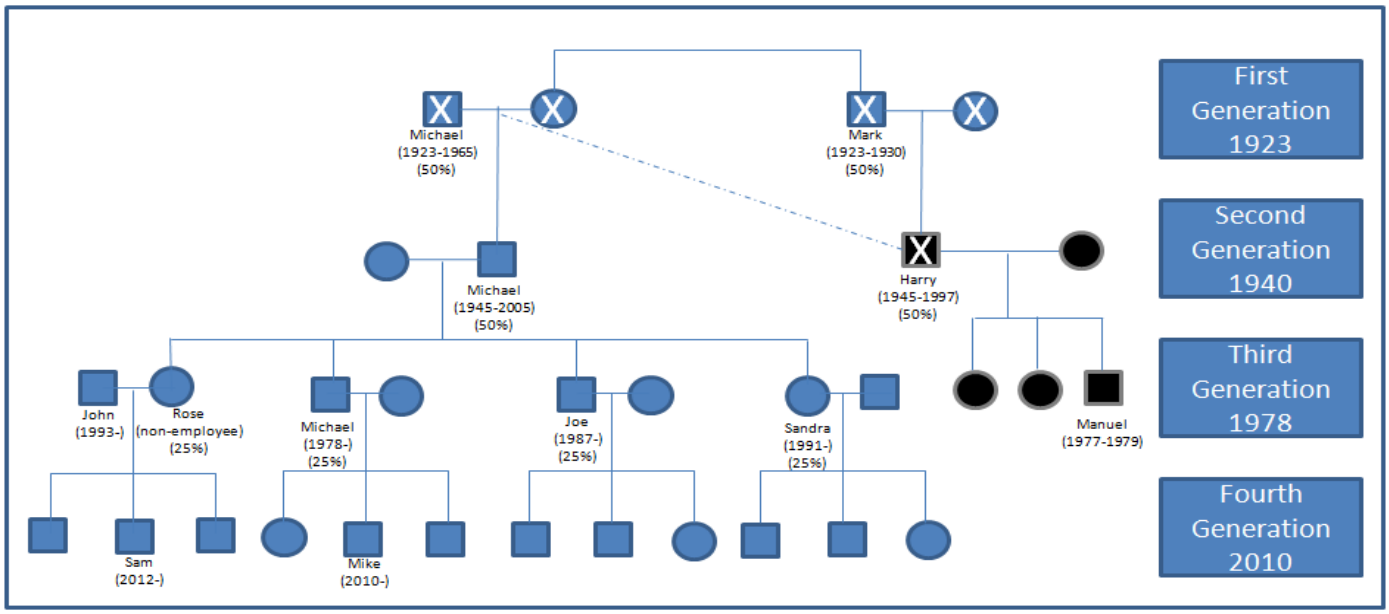
> "The motto of this business is to try to be the best at what we do. This means keeping the client happy with excellent quality and service. The level of dedication of our staff makes us leaders in our sector. I try to demonstrate this also with my own example"
>
> (David, CEO NWM, 3rd generation).

The Families

Mobility Solutions was founded by Michael Morton and his brother in law, Mark. Due to the untimely death of Michael's sister and his husband Mark, Michael and his wife adopted their nephew Harry joining the two family lines of the second generation. Michael Sr. and his cousin and adoptive brother, Harry, led the business together from the 40's until they passed the baton to the third generation in the late 90s. Currently the family is led by the third Michael of the family, his brother Joseph and sister Sandra in close collaboration with two members of the fourth generation.

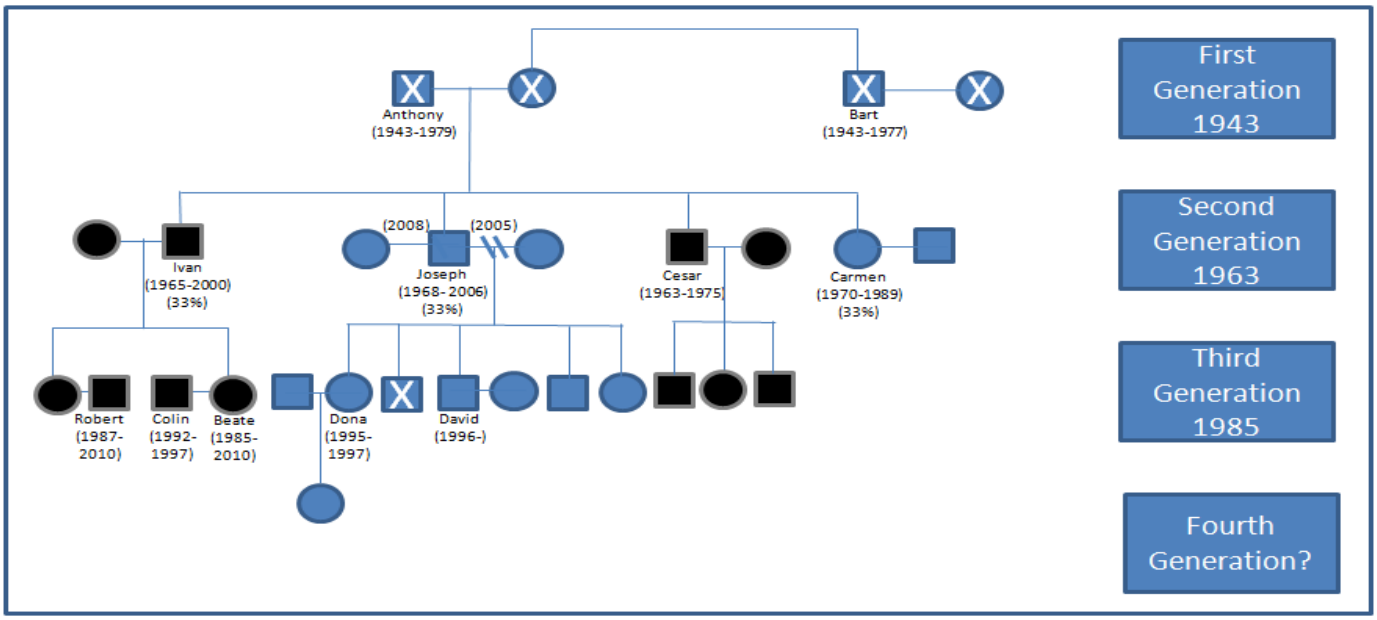
There is a significant age gap between the third generation Morton siblings (over 20 years) and even wider between the fourth generation cousins (over 30 years). The fourth generation started joining the business in 2010. Currently three generations co-exist in different honorary and active management positions; the third generation holds on tight to the ownership for the foreseeable future with each of 4 sibling owning 25% of the family firm. This family structure is illustrated in the genogram below (in parenthesis under each family member appears the period of active employment of the different family members as well as the share holdings of the different family members during each generation. The family lines appearing in black were owners of part of the family firm at one point but ceased to be at some point in time).

Figure D-0-1. Genogram Morton family



The Olson family was also founded by two brothers in law, Anthony and Bart. Anthony had four children while Bart had none. The second generation joined the business in the 1960s and the third generation in the 1980s. Through the years, a large number of family members (in particular in laws) have worked for the business for different periods of time. Currently, only one family member is employed by the family firm, David, he leads the family group singlehandedly since 2005. Ownership is also more spread among the members of the Olson family. Currently there are shareholders from the second and third generations owning different percentages of share of the different companies of the group (due to the complexity in the current ownership participations the figure below does not include information on current shareholdings but is discussed in more detail in the next sections).

Figure D-0-2. Genogram Olson family



Ownership and succession

Both family firms have always been and still remain privately owned family firms. The owning families retain 100% of the ownership rights (except for minority external participations, as well as partnerships and joint ventures for specific business initiatives). The ownership of the Morton family business has been passed on successfully from the first to the second generation and from the second to the third. It is noteworthy to mention that the shares owned by Harry (second generation) never passed on to his children but to his nephews (Michael's children); therefore only one line of the third generation holds ownership of the firm. Although the transfer to the fourth generation is not planned for the foreseeable future there are clear rules about how the shares are to be passed down the different family lines.

The Olson family went through a smooth transfer of ownership from the first to the second generation in 1979 but is still struggling to complete the ownership transfer between the second and third generations (the management transfer occurred seamlessly over a decade ago). Currently only two family lines of the second generation have shares of the business (Joseph and Carmen) along with Joseph's ex-wife and their four living children.

Generational involvement

In the MS family group the number of family members has increased steadily over time as new generations have joined the business to work alongside the preceding generations. Currently the group is jointly managed by 6 members of the 3rd and 4th generations closely observed by the second generation patriarch who holds the post of the Honorary President and follows the business closely.

Even when not active in the business, the influence of the earlier generation continues to be felt strongly in both cases. In the case of Mobility Solutions, although no longer a shareholder, the 2nd generation patriarch keeps close tabs on the performance of the family group:

> "In this family we don't retire, my dad will be looking at spreadsheets until the day he dies. And the rest of us…, well, we will do the same, it is in our blood to keep contributing to the business in any way we can"
>
> (Sandra, Strategy Director and Board Member, 3rd generation)

> "My granddad calls up this manager or that director to find out why this bus was not here or to ask what happened there"
>
> (Mike, Expansion Director, 4th generation).

> "Just this morning my granddad told me he dreamt that we needed more buses and he was travelling to America to get them. He is 89 but this illustrates his level of commitment"
>
> (Sam, Marketing Director, 4th generation)

Conversely, at NWM the number of individuals and generations involved in the business has fluctuated widely. Although historically a larger number of family members have been involved in the NWM group, currently there is limited involvement of the family with only one member from the third generation.

In NWM the CEO is a member of the 3rd generation. The 2nd generation still owns a controlling stake in the largest business unit; and smaller but significant shareholdings of the other companies of the group and thus exerts significant influence in important strategic and investment decisions of the group:

> "My dad was an invaluable resource. Now he comes now and then, mostly to get money. His interest in the business has dwindled. His priority objectives have changed radically"
>
> (David, CEO NWM, 3rd Generation)

> "In terms of family involvement, you could almost say there is a before and after (the divorce). In the past, all generations pushed or pulled together to keep the business growing and healthy even those not active in the firm. All generations worked together for the same goals. In the last few years, the earlier generation seems more worried about individual priorities than the business and the younger generation is taking a distance discouraged by this turn of events and the escalating levels of family conflict"
>
> (Donna, Owner NWM, 3rd Generation)

Family values

The Morton and the Olson families have very strong family values; these values according to family and non family respondents permeate the company culture and the business decisions. MS' website declares: "Our family values define the values of our business group." All non-family respondents talked about the coherence of the family, about how although the group is highly professionalized and business and family clearly separated, family values shape the company. Most identify these values as: trust, hard work, commitment, and rigor.

> "The values of this family are built on my father's character traits: effort, hard work, discipline, commitment, rigor, innovation"
>
> (Michael, Honorary President MS, 2nd generation).

> "Trust, commitment, hard work and coherence emanate from all the members of this family, you can breathe those values when you work with them or around them"
>
> (Albert, HR Director MS).

> "Effort, dedication, commitment and love in everything we do. We are a family of hard workers even if sometimes we think we would like to work less. Working hard is an entrenched value in our family. We also value what we do, the people we do it with and we do it for; in other words we do things with love"
>
> (Sam, Marketing Director MS, 4th generation).

> "Willingness to make sacrifices, hard work, effort, commitment"
>
> (Mike, Expansion Director MS, 4th generation).

The Olson family shares some of those values. According to the respondents:

> "My dad was the one who planted the seeds for our family and company values. His values: Honesty, humanity, , dedication, hard work and fairness"
>
> (Carmen, Owner NWM, 2nd Generation).

> "Hard work, commitment, excellence, tenacity, austerity, modesty"
>
> (Ron, Owner NWM, 3rd generation).

> "Tireless hardworking family, search for excellence, very competitive-aim to be the best at what they do, total commitment to the business even at their own personal cost"
>
> (Manuel, Automotive and Sales Director NWM).

> "Effort, dedication, and full commitment to what they do whether in business or elsewhere. Self-sacrificing, always looking for ways of doing things better"
>
> (Charles, Finance Director NWM).

> "Austerity, excellence, try our best in everything, aim for leadership in what we do, hard work, commitment"
>
> (David, Owner and CEO NWM, 3rd generation).

In both cases there is a great degree of alignment between family and business values.

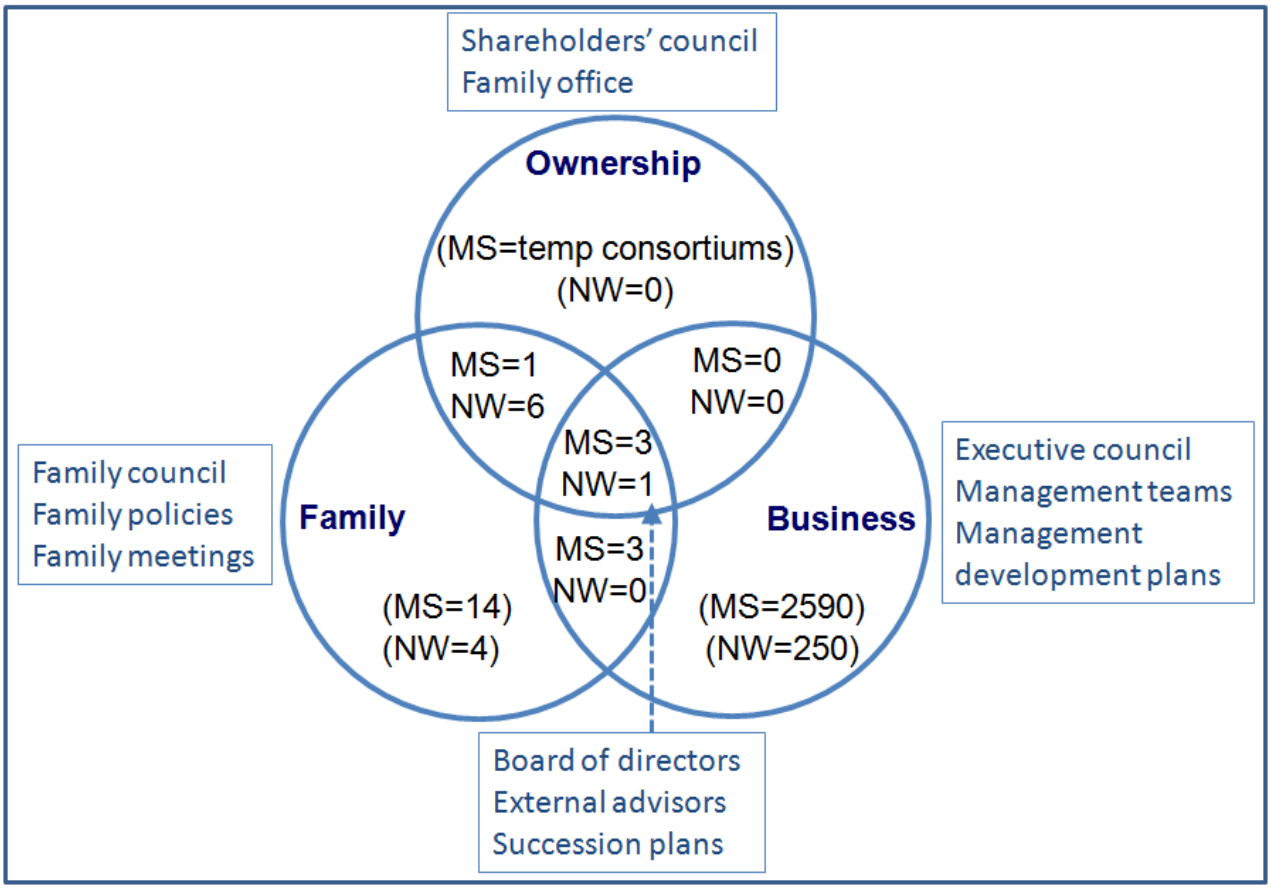
Family Business Systems and Governance Mechanisms

The families and businesses described above can be better examined using three overlapping circles representing the family, the business and the owners (Tagiuri & Davis, 1982). The three circle model provides a framework to quickly review the complexity and professionalization of management, the business ownership structures, the family dynamics and the existing governance mechanisms.

Family business governance is particularly complex because it requires mechanisms to steer the business, to maintain relationships, to safeguard the wealth and harmony of the family, to maintain accountability and performance, and to ensure transgenerational succession (Goldbart & DiFuria, 2009). Successful family firms often use a combination of governance mechanisms to make sure the views, priorities and concerns of owners, employees and family members in the three-circles are heard, taken into account and addressed (Hoy & Sharma, 2010).

The figure below provides the number of individuals pertaining to one or several of the circles in the three circle model; the accompanying table summarizes the governance mechanisms used by each family firm.

Figure D-0-3. Three circle model



Adapted from Hoy & Sharma (2010) and Tagiuri & Davis (1982)

Table D-0-11. Governance mechanisms of our case firms

SYSTEM	GOVERNANCE MECHANISMS	MOBILITY SOLUTIONS	NORTH WEST MOTOR
Family	Family council	Yes, but inactive	No (informal meetings)
	Family policies	Family protocol	Comprehensive family protocol developed but not signed
	Family meetings	Seldom	Not since 2010
Ownership	Shareholder council	Yes, (shareholders coincide with board of directors). In joint ventures/strategic partnerships separate temporary shareholder councils are established with nonfamily presence	No (informal meetings of groups of shareholders)
	Family office	Yes	No
Business	Executive council	No (informal "breakfast with the president")	No

SYSTEM	GOVERNANCE MECHANISMS	MOBILITY SOLUTIONS	NORTH WEST MOTOR
	Management teams	Yes	Yes
	Executive development plans	Yes	No
Family-Ownership-Business	Board of directors	Yes	Suspended since 2010
	External advisors	Yes (not at board level)	Only on an ad hoc basis
	Succession plans	Yes (not clearly shared with successors)	Yes (in theory, not implemented as originally planned)

The Family System

The governance mechanisms of the family circle serve those related to the family by blood, adoption or marriage sharing a psychological sense of ownership towards the family firm; these mechanisms typically aim at clarifying roles, responsibilities and benefits of family members, enhance their sense of belonging and maintain family harmony (Gersick & Feliu, 2014).

Every member of the business family has an investment in the family business regardless of their active involvement in the ownership or staff of the firm, not only for financial and lifestyle reasons but also because of the impact on the wealth, health, happiness and prospects of present and future generations. Considering the longevity and the number of generations in both our family firms, these families have a relatively low number of family members with a sense of ownership for the family firm.

Mobility Solutions has a total of 22 family members in the current family firm system. Of those, only four are shareholders (they are all members of the same generation and family line; three of them are employed by the firm); seven family members are currently active in the business (four from the third generation and two from the fourth generation). The Morton family has maintained this relatively low number due to early deaths in the family during the first generation; proactive pruning of the family during the second generation (in the late 1990s uncle Harry donated his shares of the business to his nephews and nieces rather than to his children taking his own family line out of the business); and clear and strict rules governing the incorporation of family owners and employees set by the third generation. The Morton family established a family protocol and a family council in the late 2000s and has well defined family policies which are mostly rigorously enforced (except for family council and family meetings which often fall behind as business priorities take precedence).

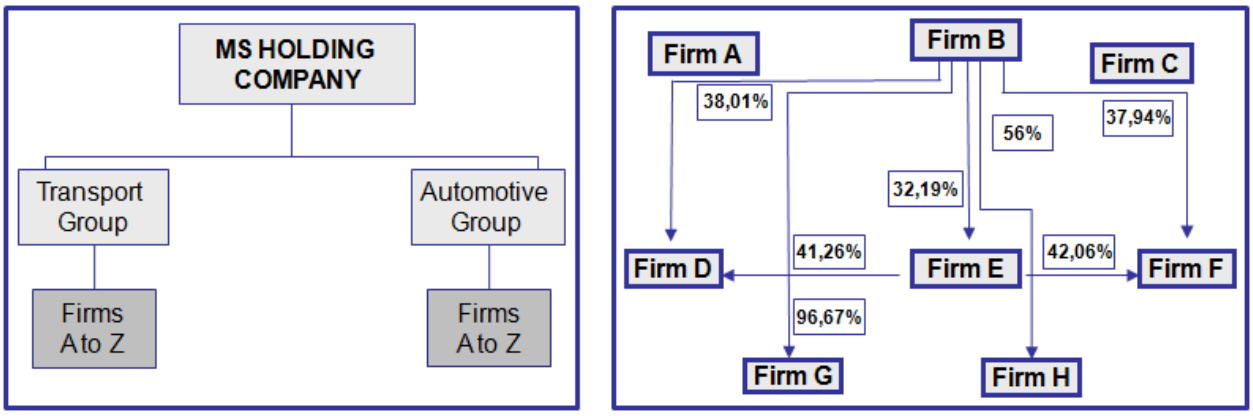
Similarly, North West Motor family system counts today with a small number of family members, less than a dozen; 7 are shareholders (2 siblings from the second generation, the former wife of one of these

siblings, and the four living children of the failed marriage). Only one family member is actively employed by the business. The Olson family has come to this situation as a result of the absence of children of one of the founders and active and passive family pruning of the second generation: one of the children cashed in his inheritance and opted out of the family business in the 1970s and the three remaining siblings chose to divide the family estate in three parts in the late 1980s. One brother with his third of the family estate declared bankruptcy in 2011 and is currently under insolvency proceedings; the other two siblings stayed in business (partially) together and continued the legacy of their father and uncle. One of these siblings has four children (all of them are currently shareholders) and the other is childless. In 2009 the Olson family developed a comprehensive family protocol including clear policies on family ownership and employment. However, to date the protocol has not been signed, applied or enforced due to internal conflict emerging from the 2005 divorce of Joseph (second generation) and his wife (in the divorce settlement the spouses split the company shares they owned equally between them; they do not see eye to eye regarding company matters since) . Looking into the future, the family prospects for another generational transfer appear dim; the only young child of the 4th generation was born and lives abroad.

The Ownership System

The governance mechanisms of the ownership circle serve the equity owners; aim at preserving the asset base and secure returns for shareholders (Gersick & Feliu, 2014). In addition to the number of family shareholders already discussed, our two cases display other interesting differences regarding the ownership system. First, there is a greater simplicity in the ownership structure of Mobility Solutions, where a holding company is owned equally by the four second generation siblings (25% of the shares each). All other companies of the group are owned or participated by the parent company (see below). In contrast, NWM although much smaller in size, presents a much more complex ownership structure with seven family shareholders owning different individual participations of each of the companies of the group and with the companies owning cross-shares of other companies in the group (the cross-shares between NWM companies are illustrated below).

Figure D-0-4. Ownership structures for Mobility Solutions and North West Motor



The second difference emerges from a different view of external shareholders. Over time, both family firms have integrated external investors but they have done so in a very different manner. Currently, in both cases, the family owns practically 100% of the family company shares. However, in the past both family groups have engaged with external investors and MS continues to do so. MS has a long tradition of searching for, and engaging in, successful strategic partnerships and continuously engages in temporary and long term strategic joint ventures with external individual investors and institutions to expand operations and pursue new businesses. For example, presently MS has a partnership with Caixa Bank and Fujitsu for a technology project of over 70 million euros to pursue an innovative technology project.

Over the years, NWM has occasionally welcomed participation from external individuals and firms. However, these "external" investors have always been considered more because of their status as "friends" of the family or of a particular family member than for the potential contribution to the business operations.

The third and final difference in regards to ownership is in the views regarding non-family employees share holders. MS has a very clear "no" policy and has never had non-family employees as shareholders of the family companies. In contrast, NWM has, on occasion, used stock as an incentive mechanism for top managers often with negative and expensive outcomes. In all cases they claim the effects on performance were negligible or negative and required expensive re-purchases of shares at termination or retirement of the employees.

In terms of formal ownership governance mechanisms, MS, does not have a shareholder council, but the coincidence between shareholders and board of director's means the concerns and issues of all share holders can be voiced and addressed during board meetings. The Morton family has a family office since 2007 created to manage a large influx of cash following a very sizable divestment.

The Olson shareholders do not count with a family office or mechanisms to formally identify or address owners' concerns and priorities, other than legally required shareholder meetings. Since 2010, due to escalating levels of conflict, meetings are heavily populated with lawyers representing the different sides and a public notary to officially record the proceedings.

The Business System

The governance mechanisms of the business circle refer to the management and executive teams that facilitate company operations by establishing the values, norms and performance standards that govern business decisions and maximize performance vis a vis the owners' priority objectives (Gersick & Feliu, 2014)

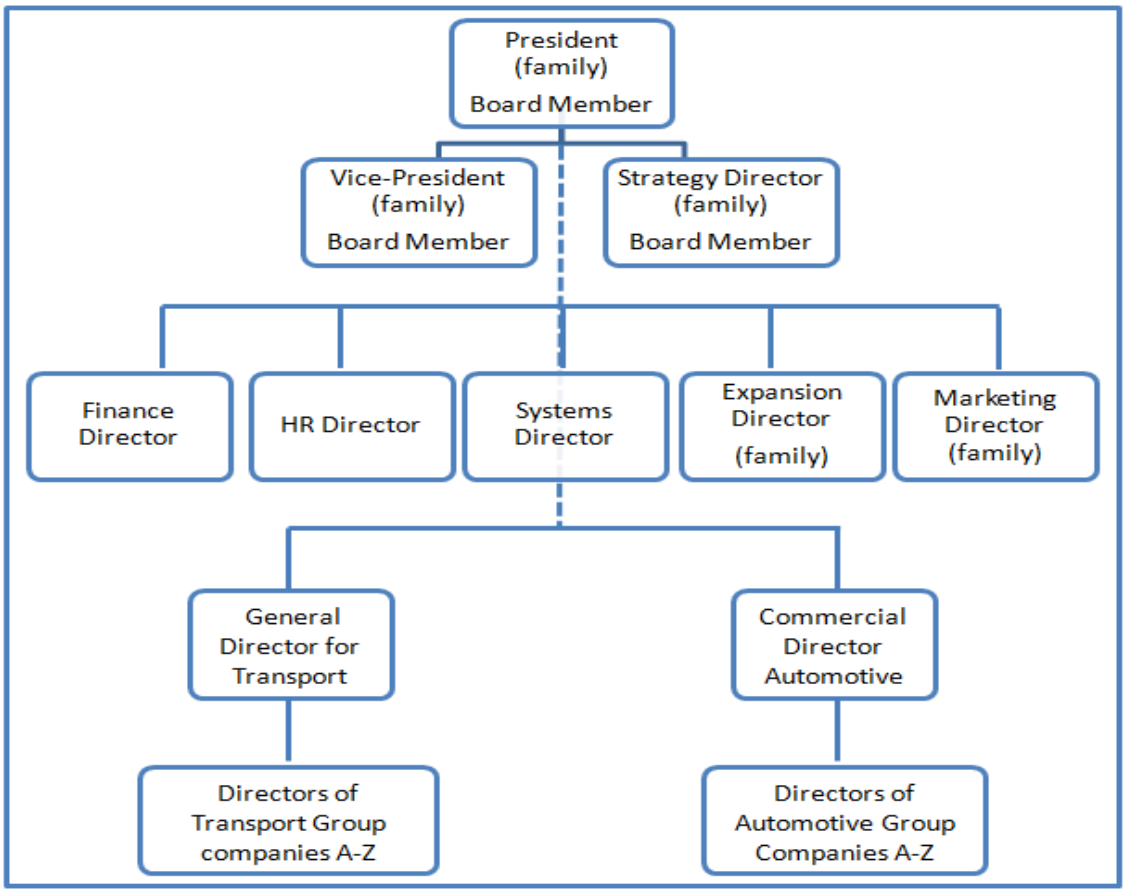
The family business needs mechanisms to run smoothly (i.e. appropriate management teams); to manage the potential interference of individual owners; and to address nonfamily employees' priorities regarding career prospects and job security. The family businesses in this investigation recognize this reality and the problems emerging from uncertainties in these areas. Both companies have highly professional independent management teams with sufficient autonomy to make business decisions.

MS and NWM are also highly aware of the importance of recruiting, retaining and developing the best employees. The shear difference in size of both companies may account for some of the differences in this area. As a significantly larger and more professionalized company often subject to the scrutiny of external investors, international partners and public administrations, MS has a dedicated human resource department run by an experienced manager at the director level and top level human resource policies. In contrast, NWM has no expertise or staff dedicated to the profiling, selection, performance and talent development processes necessary to fully address these concerns.

To sum up, in terms of formal governance mechanisms within the business circle, both MS and NWM have highly professionalized management systems. In the last 15 years, MS has been making additional efforts to recruit top level expertise for its executive teams, and is in the process of implementing best practices to manage performance and develop and reward talent. To ensure more contact and exchange with nonfamily employees, in the last year MS has timidly initiated informal encounters with staff from different business units at all levels of responsibility, through "breakfasts with the president". Only one such encounter has taken place to date, but the intention to increase this type of communication is manifested by family and nonfamily executives. Although highly professionalized, NWM in comparison lags behind particularly in recruiting high caliber talent, developing management team development plans and addressing succession issues for key staff positions.

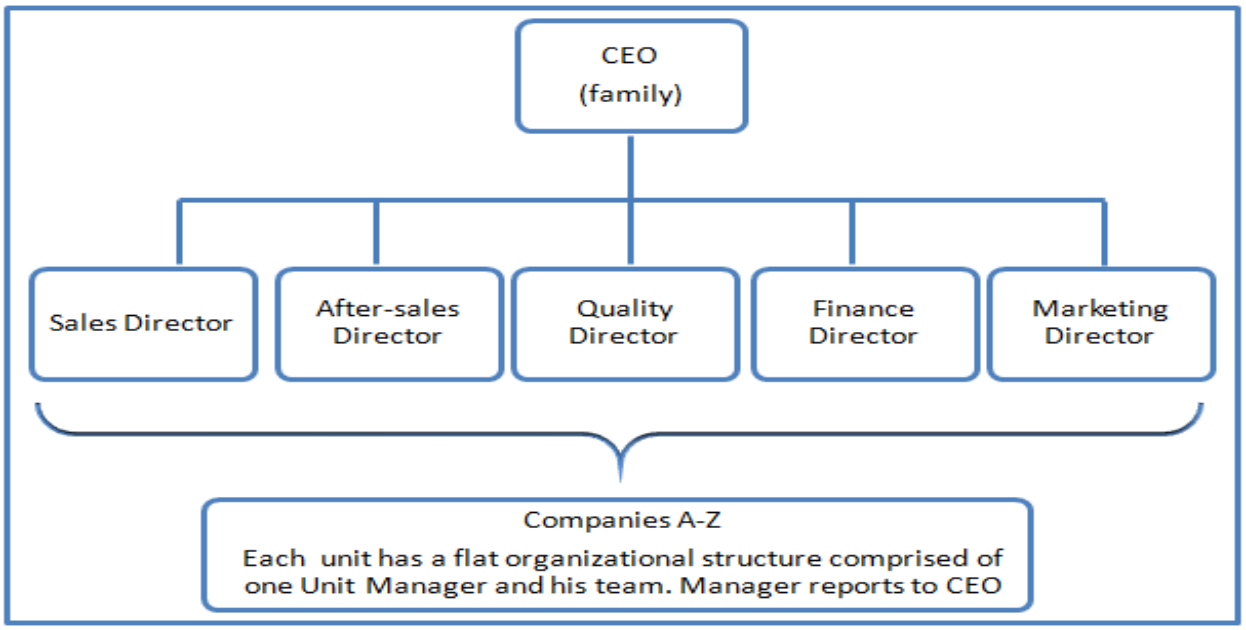
The organizational structures of both family firms are illustrated in the figures below.[14]

Figure D-0-5. Organization chart Mobility Solutions



[14] Please note that not all "directors" have a seat on the board of directors. To avoid confusion when we refer to those sitting on the board we refer to them explicitely as "board members"

Figure D-0-6. Organization chart North West Motor



Family, ownership and business

At the convergence of the family, the ownership and the business systems family firms require governance mechanisms that determine the overall direction of the family and the firms. Formal boards of directors are quite a recent phenomenon in both firms; but both firms have been having informal board meetings for many decades. In the case of NWM the formal board was dismantled in 2010. Neither board includes non-family non-shareholder members. Despite this fact, both family firms appreciate and make use of external advisors. MS makes extensive and continuous use of external expertise and often creates expert groups and committees that, although not an integral part of the board, offer advice to inform board decisions. NWM uses external expertise less often and usually linked more to highly specialized services such as legal issues than expertise related to the business. At NWM they expressed the desire and openness to include external members on the board if and when it is reinstated; at MS board members showed strong preference for not having external members.

Regarding succession plans, both family firms have a clear awareness about the importance of this issue. Both companies have experience “model” succession processes in the past (twice in MS, once in NWM). In MS the family protocol developed by the third generation spelled out the process; fourth generation members had little say or involvement in the process. This is surprising as the president of the company is only three years away from legal retirement. However, given the 20 year gap among siblings the family considers the most pressing succession issues concern the third generation alone.

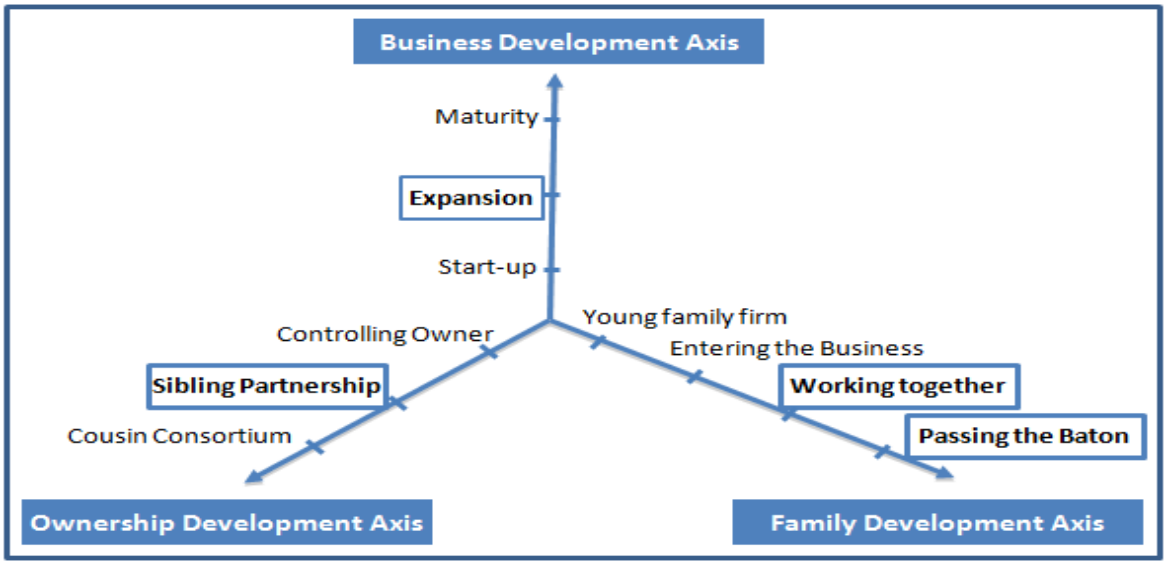
NWM presents an interesting situation in succession planning: there are clear succession plans; preparations for succession started decades ago; both the preceding and succeeding generations express a similar theoretical approach as to how the process should be handled; and management transfer was completed a decade ago. However, despite all these factors, ownership transfer has not progressed and has been on stand-by for the last decade.

Development stages of the family firms

One additional way to explore the confluence of business, ownership and family systems is to capture the evolution along each dimension of the three circle model. We use the three axes model developed by Gersick et al., (1997) to show the stage of development of our two family firms along the three dimensions (illustrated below). Along the business axis, both family firms are still in the growth-expansion phase with MS displaying faster growth, more expansion into new business and geographical areas and a higher degree of sophistication in the formalization processes. Despite these differences both companies display growth in number of business units, employees and revenues.

Along the Family development axis at MS they are at the "working together" stage, with the third and the fourth generations sharing the responsibility for different key areas of the business after two successful baton transfers. NWM is no longer on the working together stage and the involvement of the second generation is very limited and does not seem likely to complete the baton passing stage in the short term. Both companies are in the sibling partnership stage along the ownership development axis.

Figure D-0-7. Three dimensional family firm development model

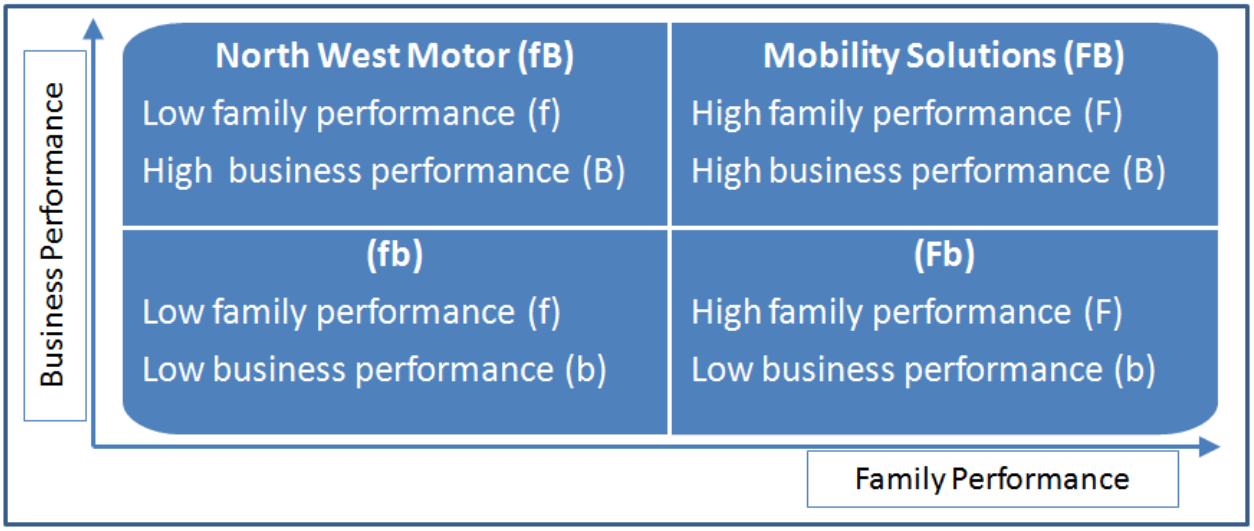


Adapted from Gersick et al., (1997)

Family and firm performance

One final tool to better understand our family firms is Sharma's (2004) performance matrix. The figure below illustrates MS's and NWM's overall performance along the family and business dimensions. High performance along the family dimension builds the emotional capital and resilience of the family firm; high performance along the business dimension builds the financial strength of the family business; high stocks of both emotional and financial capital help family firms overcome challenges and pursue opportunities as family, firm and ownership move through different development stages (Hoy & Sharma 2010). Both our companies have high business performance; both enjoyed high levels of family performance until recently, MS continues to do so while NWM has been riddled with family conflict since 2006.

Figure D-0-8. Family firm business/family performance matrix



Adapted from Sharma (2004)

APPENDIX E: Detailed strategic trajectories of the case study firms

Mobility Solutions strategic trajectory

The strategic trajectory of MS can be broken down in six major strategic periods:

1. Foundation and first years. Building the business: (1923-1936)

In 1923 Michael and his brother in law Manuel launch the company with one bus:

> "The first vehicle was a little more than a carriage with an engine instead of horses. The front, the driver's part, was completely open. The passengers part had side seats and a rear entry"
>
> (Michael Sr. Honorary President, 2nd generation)

Soon after, in 1924, MS 're-invents' its only bus to make the travel "more comfortable for the passengers" (they changed the chassis, the wheels, the bodywork, the wooden seats for leather seats and painted it bright red on the outside and white in the inside). These changes "made customers flock from the horse carriages to the faster, cheaper and more comfortable Morton's bus."

In 1925, MS expands its bus lines for the first time. In 1926, MS makes its first acquisition of another bus company and gets its first public urban transport contract for 5 years. In 1927, MS establishes its first automotive company to "repair and sell parts and accessories for the emerging automotive sector." By 1929 MS has expanded to 6 buses, acquired another local transport company, purchased "the most modern bus available at that time" and won a second public transport contract.

In 1933 another acquisition is followed by the purchase of diesel engines "to save in gas consumption because petrol was 0.76 cents a liter and diesel only 0.41" and more aerodynamic chassis. By 1936 the company had 50 workers and 15 buses. The company is seized at the start of the Spanish civil war. In 1939 MS recovers in France "only 5 of the 15 buses; they are mostly destroyed and burnt" and start rebuilding the company in a post war environment with petrol rationing.

2. Reconstruction and re-birth: 1943-1950

The second generation joins the business after the war. In 1943 MS initiates legal proceedings to clarify and renew transport contracts with the new local authorities and focuses on rebuilding the business. By 1950 MS acquires two new bus lines and two more buses.

3. Expansion: 1951-1979

In 1953 MS wins its first 25 year public transport contract. In 1959 the company purchases new premises for the business and creates a real estate company to manage the firm's real estate assets. MS becomes official repair agent in 1954 and official distributor of an important car manufacturer in 1966. MS builds new premises for the automotive company and a subsidiary in a nearby city in that same year. Strong expansion of urban lines in the 1960s and 1970s; MS goes into inter-city transport. More bus company acquisitions in 1971. In 1972 MS goes out of its local market for the first time through joint ventures in Andalucía and Aragon. By 1979 the company has 50 buses and 186 workers. MS also diversifies into tram transport services in the 1970s.

> "You could not stop. You either expanded or threw in the towel, there was no other alternative. It was a condition for survival: if there were more passengers you needed more buses, if you did not have them you had to get them. So that is what we did"
>
> (Michael Sr. Honorary President MS 2nd generation)

4. Crisis and recovery: 1980-1990

The third generation starts joining the company at the end of the 1970s, just as the new Spanish constitution enters into effect. The 1980s start with the loss of the parent company due to the municipalization of public transport following the change of local governments. MS goes from a company with almost 200 employees and 53 buses to a company of 50 people and 15 buses.

> "We took a very bad hit with the loss of the parent company, not only from a business perspective but from a family perspective. We found ourselves with a decimated company and in a state of emotional shock: we had lost our grandfather's legacy. It was a huge challenge but we were set on continuing… we liked the business and we had lived it since we were little"
>
> (Michael, President and Board Member MS, 3rd generation)

Shortly after, MS looses the Andalusian market in similar circumstances and social unrest shakes the company's Aragon subsidiaries with a 2 month strike in 1986.

In the mid 1980s MS diversifies into truck retail and repair and becomes official distributor of several truck manufacturers. The transport side of the business starts to recuperate with a new acquisition and a providential merger.

> "The only way to survive was to merge with one of our competitors. We needed the size to compete or we would remain forever a small company. It was very difficult because it had to be a 50-50 partnership but we knew expansion was the only way to the viability of our company"
>
> (Michael President and Board Member MS, 3rd generation)

In 1989, the merged company, ventures into tourist transport with an initiative called “Bus Hotel” with several partners in Madrid; the initiative was unsuccessful and discontinued shortly after. In 1990 the merged company ventures more successfully into long-distance bus transport.

5. Strong growth in transport: 1991-2000

Despite of the difficulties of the 1980s the company continues its efforts to expand. In fact the bad times seem to reaffirm the desire of the firm to grow and diversify.

> “As a family we were able to stay positive after losing the parent company. The need to survive drove us towards the search of new opportunities in other activities and other markets that would guarantee the survival and expansion of the company in the long term. We were set on diversifying more because from a financial perspective the automotive business saved the transport business when we lost the parent bus company”
>
> (Michael President and Board Member MS 3rd generation)

Under the leadership of the third generation MS initiates a strong period of growth taking full advantage of all opportunities coming its way: the Olympic Games, growing tourism, liberalization, new mobility options and population growth. MS launches a new automotive subsidiary in a nearby city, diversifies its automotive business into the premium segment, acquires several companies (1 in automotive and 4 in transport) and expands its urban and intercity bus lines.

MS launches a number of transport ventures: specialized handicapped mobility, school and business staff transport and several different tourism transport initiatives. MS also leads the re-instatement of the tramways in the North East of Spain.

6. Consolidation, diversification and internationalization: 2001-2014

The generational transfer of ownership consolidates the leadership of the third generation at the helm of the company. In 2004 MS buys out its providential associate after 20 years of successful partnership regaining majority in all family group companies. During this period MS continues to expand its initiatives in collective mobility (including urban and inter-city transport, new tourist transport initiatives, and more tram lines) and private mobility (including cars, trucks and motorbikes).

Many acquisitions (4 in transport and 7 in automotive) contribute to consolidate the growth of the group. Continuous search for new urban transport public contracts in other provinces ensure national market expansion. Several joint ventures help MS venture into car sharing (2005) and bicycle sharing public transport (2012).

In 2010, MS wins the public tender for the urban transport in two capital cities in Latin America although the implementation proves to be full of complexity and legal uncertainty. Set on going international MS launches intercity transport into Italy and France through an alliance with a large French transport operator. In 2014 they launch initiatives in the Middle East, consolidating the internationalization efforts of MS.

In automotive, MS becomes sole importer and distributor of electric cars for Southern Europe in 2007, launches a multi-brand mega-used car store in 2013 and goes into motorbike retail and repair in 2014 representing several distributors.

By the end of this period the company employs 475 people in automotive, officially distributes vehicles for 8 automotive manufactures, including brands in the premium segment (representing highest prices and margins) the value segment (the mid-price range) and the entry/low cost segment.

In collective mobility MS employs 2060 people and owns 850 buses and over 40 trams, transports over 100 million passengers a year through 75 different urban transport contracts and 81 intercity lines.

> "In a moment of global economic crisis, we identified a tremendous opportunity to grow. It has not been easy because investing in times of crisis is complicated but we have managed to position ourselves in all segments and diverse activities while taking advantage of synergies. This gives us solid grounding to face future market changes and environmental shocks. We will continue to be very active entering new businesses, acquiring more companies, and applying to public tenders all over the globe"
>
> (Michael President and Board Member MS, 3rd generation)

On December 30th 2014, MS is awarded the public contract of the urban transport in a large city in Portugal beating well known international transport conglomerates. This award consolidates further the internationalization efforts of MS and its position as a relevant international player in the global market.

North West Motors Strategic Trajectory

The strategic trajectory of NWM can be divided into five major strategic periods:

1. Foundation, diversification and first family war: 1943-1965

NWM was founded on January 5, 1943 by Anthony (10% of the shares) and his brother in law Bart (who "had a strong majority in the company but had 'bigger fish to fry in Madrid'"). The company's activities included the sale of all types of motor vehicles and parts, conversions and repairs of trucks. During this period they diversified widely in what they call "the wheel sector" becoming official distributors and authorized repair shop for the following manufacturers: Orbea Bikes; Montesa MV Avello, Derbi, Rieju, Lanch, Seter motorcycles; Official Bosch Service; Automobiles Renault and Jeep Vyasa; Renault Tractors; Velosolex Orbea; and Michelin agent.

> "My father wanted to grow the business and was continuously looking for new opportunities in what he used to call 'the world of the wheel'. For him, if it had wheels, it was related to our business… it did not matter if it was a skateboard or heavy machinery. He also tried in other sectors, he really wanted to expand"
>
> (Joseph, Owner, Ex-CEO NWM 2nd generation)

Also during the 1940s, NWM starts a venture to sell and repair White Westinghouse Home Appliances and sets up a business to transport coal for coal mining companies in the area following Anthony's purchase of a number of trucks from the US army. As car sales start taking off, NWM gradually abandons all other activities; by the end of the 1950s its activity is mostly automotive sale and repair.

In 1954, Ivan is the first member of the second generation to join the business; in 1961 he leaves the company to go to Mexico. In 1962, the first family war breaks out, it is solved when Anthony purchases an additional 30% of the company's shares from his brother in law, but he remains a minority shareholder.

> "Fundamentally my father spent his years in business trying to manage and appease our uncle, a very visceral man. For the most part, Bart did not interfere with the management of NWM as he had bigger and more profitable businesses in Madrid where he lived. Our father managed the business like he wanted even if he only had a minority holding. On occasion our uncle would have strong reactions and threaten to fire everybody including our father"
>
> (Joseph, Owner, Ex-CEO NWM 2nd generation)

2. New diversification efforts and second family war: 1966-1978

During the 1960s NWM opens an automotive subsidiary in a nearby city and builds new premises in the hometown to expand its activities. In the mid 1960s a second brother, Cesar, joins the business. At the

end of the 1960s the other two second generation brothers join, Ivan (back from Mexico) and Joseph, their contracts are terminated two years later by Bart. Joseph would be readmitted a few months later.

In 1970 NWM launches a financial service company. Ivan is re-hired and the three brothers work together. During this period the activity of NWM is diversified again to include sale and repair of public works machinery for several manufacturers (Poclain, Volvo BM, Granier) as well as a dramatic increase in activities of Jeep-Vyasa and tractors sales. All these activities ceased in the late 70s or early 80s.

In another attempt to diversify within the automotive sector, in 1973 NWM sets up a front company to become official distributor of Mercedes. Since at the time manufacturers' required exclusive dedication, fears of losing the parent company result in divestment in this venture two years later.

In 1974, an attempt to diversify outside of automotive, NWM sets up a food and beverage manufacturing company. The venture was never profitable and produced significant loses; it was sold in 1978 for a symbolic euro a share.

> "That sale saved NWM; it is the only time in my career where I could not sleep at night. I was afraid my idea would bring down the entire family group. The day I signed the papers of the sale I was extremely relieved. I could not belief how close we had been to losing it all. And all of it because I had listened to someone I knew when he said it would be a great business"
>
> (Joseph, Owner, Ex-CEO NWM 2nd generation)

In 1975 a new financial services venture is launched, several employees are invited to become shareholders. Under pressure from the automotive manufacturer this company was liquidated in 1989.

A second family war breaks out in 1976 with Anthony and two of his sons on one side and Bart and the third sibling on the other. The war is settled when Anthony purchases another bundle of shares from Bart. A new automotive dealership is launched in 1976 in a nearby city; both the parent company and the new dealer expand in 1977 with new subsidiaries. At Bart's death in 1977 Anthony buys the remaining shares of NWM, he now has 100% of the shares of the group. Shortly after, in 1979, Anthony donates all of his shares to three of his children and completes the generational transfer to the second generation starting a new period where the three siblings co-lead NWM.

> "Our brother made an alliance with our uncle to get our dad fired and take over the post of CEO. This betrayal almost killed my father, in 1 month he aged 20 years. The manufacturer saved my father's post against my uncle's wishes; they refused to have my brother as CEO and sided with our father, who despite his minority holding was widely respected both inside and outside the company and highly recognized as a model professional in the automotive sector"
>
> (Joseph, Owner, Ex-CEO NWM 2nd generation)

3. Co-leadership of the second generation and third family war: 1979-1989

In a new effort to diversify, in 1982 NWM launches a transport company to be able to apply to the public tender of the urban transport in their home town. In 1985, the City Council awards a 20 year Urban Transport public contract to NWM. A friend of one of the siblings enters the company as partner with 20% of the stock and is recruited as general manager. Ensuing conflicts with this manager end with the repurchase of his 20% stake three years later for 25 times its original value.

In the mid 1980s NWM sets up a car rental company in Madrid with subsidiaries in all the towns where they are already active. In 1987 NWM launches a property development venture with some friends of the family in Andalucía, although originally things go well, the first Gulf War and the ensuing crisis leave the venture on the verge of bankruptcy and is liquidated. Under the umbrella of this southern venture NWM launches another rent a car operation in Andalucía; the venture is sold to the executive managers of the rent a car a few years later.

In 1987, NWM expands its urban transport business with a public contract for the urban transport of a city in Extremadura and creates a real estate company to manage the property of the family. In this same year, NWM launches a venture to produce energy from a waterfall in Asturias; the venture never takes off because 'we refused to play the game with the local authorities when they asked for a bribe to pass the environmental certification'.

In 1989, NWM goes into another partnership 'with some other friends' to venture into industrial real estate development in the North of the country; the venture is a disaster and NWM loses the entire investment. Shortly after, the three siblings decide to separate and divide the family group in three parts, two business related and one with real estate holdings; they negotiate and go their separate ways (Joseph and Carmen stay in business together). Before the split the company had 390 staff and 40 buses.

> "Although I call this separation a 'family war' it was quite peaceful and in all the time we worked together the relations among us were fantastic. But when we split the family assets a lot of money changed hands both to compensate for the difference in value of the three lots and the preferences of each sibling. Unfortunately, while the negotiation and breakup were exemplary my brother and I did not speak to each other again until his part of the company went bust over 25 years later"
>
> (Joseph, Owner, Ex-CEO NWM 2nd generation)

4. Joseph's leadership, consolidation in automotive and fourth family war: 1990-2002

Following the separation of the second generation siblings, Joseph takes the leadership of his side of NWM with activity in both transport and automotive, a staff of 160 and 20 buses. Although his sister

remains a minority partner at NWM (she kept the third composed mostly of real estate) she leaves active management of the companies and moves to Madrid.

In 1990 NWM sets up a new auto-repair subsidiary and launches a new construction venture. One year later a new car rental company is added to NWM ventures. Also in 1991, NWM launches a new automotive dealer in Galicia. The reason behind this new NWM venture is the desire of Anthony to provide employment for his prodigal son, who after the betrayal of the 1970s entered into doggy business deals and fled to Argentina to avoid creditors and legal action. The venture lost over a million Euros in three years and was closed.

> "Despite what my brother did, my father wanted to be fair and treat all of us the same. My brother had demanded his legal inheritance from my father in the 1970s so legally my grandfather owed him nothing. But my father wanted to be fair to all his children and felt that he owed my brother the difference between what he received and what he donated to us. My father asked me to set up a company to employ my brother. I agreed but with the condition that it would be managed by a professional manager. I think we went into that market without doing our due diligence; there was not enough market for the dealer we set up. It was a costly mistake"
>
> (Joseph, Owner, Ex-CEO, 2nd generation)

From this moment onwards NWM refocuses its efforts on automotive.

> "After all the money lost in several attempts to diversify and having lots the transport side of the business I thought the best way to survive in our sector was to grow and achieve a volume that would allow us to take advantage of synergies and economies of scale to stay competitive"
>
> (Joseph, Owner, Ex-CEO NWM 2nd generation)

NWM starts acquiring automotive companies, with a first acquisition in Zamora in 1995. In 2002 the only remaining public transport contract expires; the city council advises NWM to sell the company to ALSA; the sale is signed in 2000. NWM acquires two additional companies in 2003 and 2005 in Asturias. David (who had joined the business in 1996) leads these acquisitions as he is taking on more responsibilities in preparation for the generational transfer.

Joseph divorces his wife; the divorce settlement splits the matrimonial assets in half. Each spouse keeps around 48% of the family companies (the actual percentages vary for each company); their four children own the remaining 4%.

5. David's leadership, strong expansion in automotive and fifth family war: 2003-2014

In an uncertain ownership environment and in the midst of conflict generated by the divorce Joseph retires completing the management generational transfer to the third generation.

> "My advice to my children when I retired was: avoid partnerships like the plague; stick to what you know 'selling cars'; and make a good family protocol to avoid all the mistakes we made"
>
> (Joseph, Owner, Ex-CEO NWM 2nd generation)

In the following years NWM acquires 7 more dealers in the North West of Spain. By the end of this period the company is mostly concentrated in automotive, employs 260 people, and officially distributes vehicles for 4 automotive manufactures, including brands in the value segment (the mid-price range) and the entry/low cost segment.

> "I would like to do a lot more, continue growing through acquisitions, diversify into premium brands and perhaps related sectors, but the situation is extremely complex. My siblings and I acquired some of my mother's shares in 2014 and we have majority in some family companies; in others we still have each a 1% stake. We are negotiating with both our parents at the moment but, of course, the resources that go into buying them out cannot go into investment"
>
> (David, CEO NWM 3rd generation)

In December 2014, NWM acquires one more dealer in the North West of Spain. When the deal takes effect during 2015 it will add 26 more employees to the headcount of the company.

APPENDIX F: Profiles and details of family and nonfamily respondents

Table F-0-12. Family respondents from Mobility Solutions

Family member	Role in the family firm	Education	External Experience	International Experience	Years with the firm
Michael Sr (2nd)	Honorary President	Commerce	No	No	1945-2005
Michael (3rd)	Board Member President	Law & MBA	No	No	1978-Present
John (3rd)	Board Member Vice President	Engineer & MBA	No	No	1987-Present
Sandra (3rd)	Board Member Strategy Director	Pharmacy & MBA	No	No	1991-Present
Rose (3rd)	Board Member (not an MS employee)	Pharmacy	Yes owns pharmacy	No	On the board since 2009
Mike (4th)	Expansion Director	Finance & MBA	Yes in finance consulting	Yes	2010-Present
Sam (4th)	Marketing Director	Business & MBA	Yes in marketing	Yes	2012-Present

Table F-0-13. Nonfamily respondents from Mobility Solutions

Non-family staff member	Role in the family firm	Education	External Experience	International Experience	Years with the firm
Steve	IT Systems Director	Telecomm Engineer	Yes in various sectors	Yes	2002-present
Albert	HR Director	MBA Labor Relations	Yes in various sectors	Yes	2009-Present
Felix	Finance Director	Business & MBA	No	No	1984-Present
John	General Director Transport	Business & MBA	Yes	Yes	1991-Present
Luis	Commercial Director Automotive	Business & MBA	Yes	No	2003-retired 2014
Joe	Director Automotive	Finance & MBA	Yes in the sector	No	1984-retired 2013
Anthony	Director Automotive	Business & MBA	No	No	1990-Present

Table F-0-14. Family respondents from North West Motors

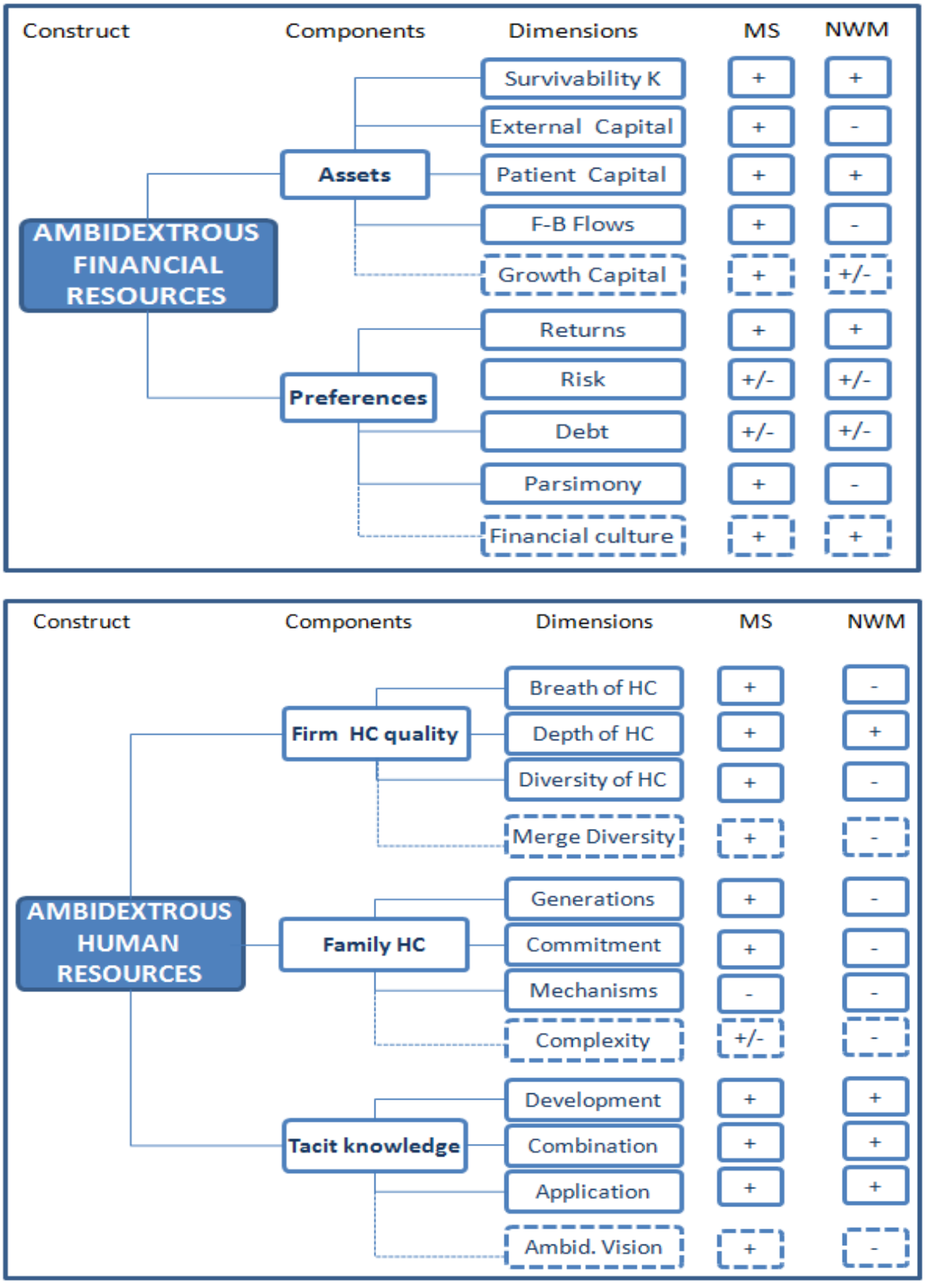
Family member	Role in the family firm	Education	External Experience	International Experience	Years with the firm
Joseph (2nd)	Owner	Engineer	No	Yes	1967- retired 2006
Carmen (2nd)	Owner	Economics	No	No	1971-1989
David (3rd)	CEO	Business & MBA	No	Yes	1998-Present
Donna (3rd)	Owner	Economics & MA	Yes in various sectors	Yes	1995-1997
Ron (3rd)	Owner	Advertising MA	Yes in various sectors	Yes	Works occasionally as consultant
Ronda (3rd)	Owner	Business MBA MA	Yes in various sectors	Yes	-

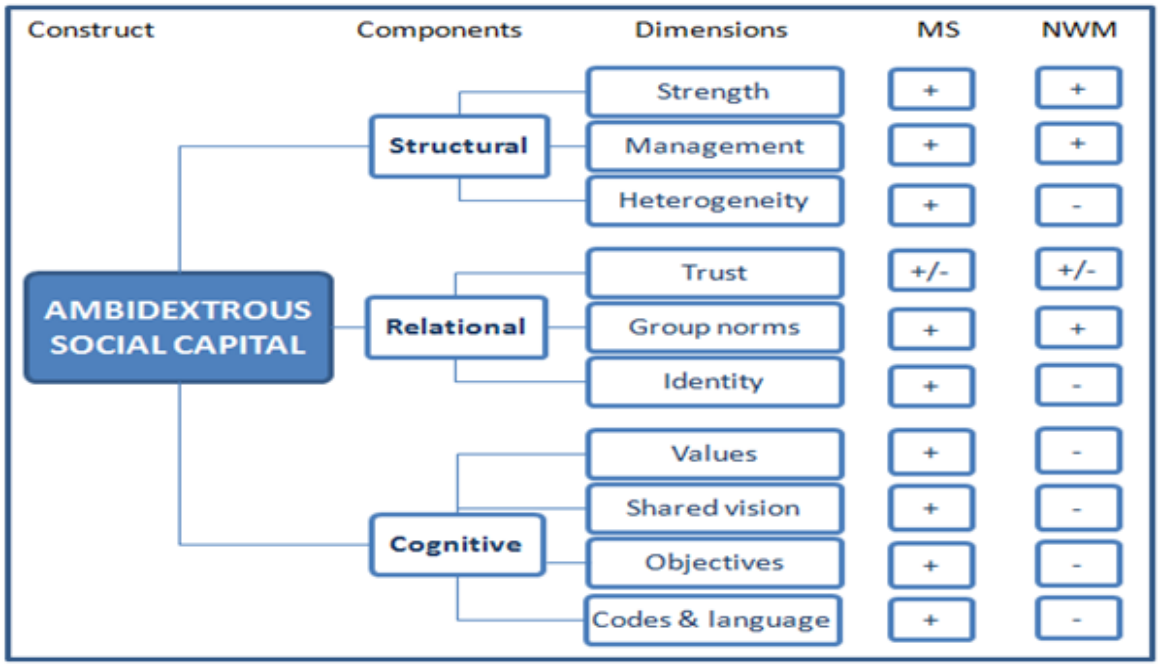
Table F-0-15. Nonfamily respondents from North West Motors

Non-family staff member	Role in the family firm	Education	External Experience	International Experience	Years with the firm
Manuel	Sales Director	High school & management courses	Yes in the sector	No	1996-present
Charles	Finance Director	Business	Yes in the sector	No	2007-Present
Eduard	Automotive Director	High School	No	No	1967-Retired 2005
Virgil	After Sales Director	High School	No	No	1982-Present
Jose	Used Vehicle Director	High School	Yes in the sector	No	1991-Present
Mario	Marketing Director	High school	Yes in the sector	No	2006-Present

APPENDIX G: Overview of family influence components and dimensions

Figure G-0-9. Components and dimensions of ambidextrous resources




Construct
Components
Dimensions
MS
NWM
AMBIDEXTROUS SOCIAL CAPITAL
Structural
Relational
Cognitive
Strength
Management
Heterogeneity
Trust
Group norms
Identity
Values
Shared vision
Objectives
Codes & language
+
+/-
-

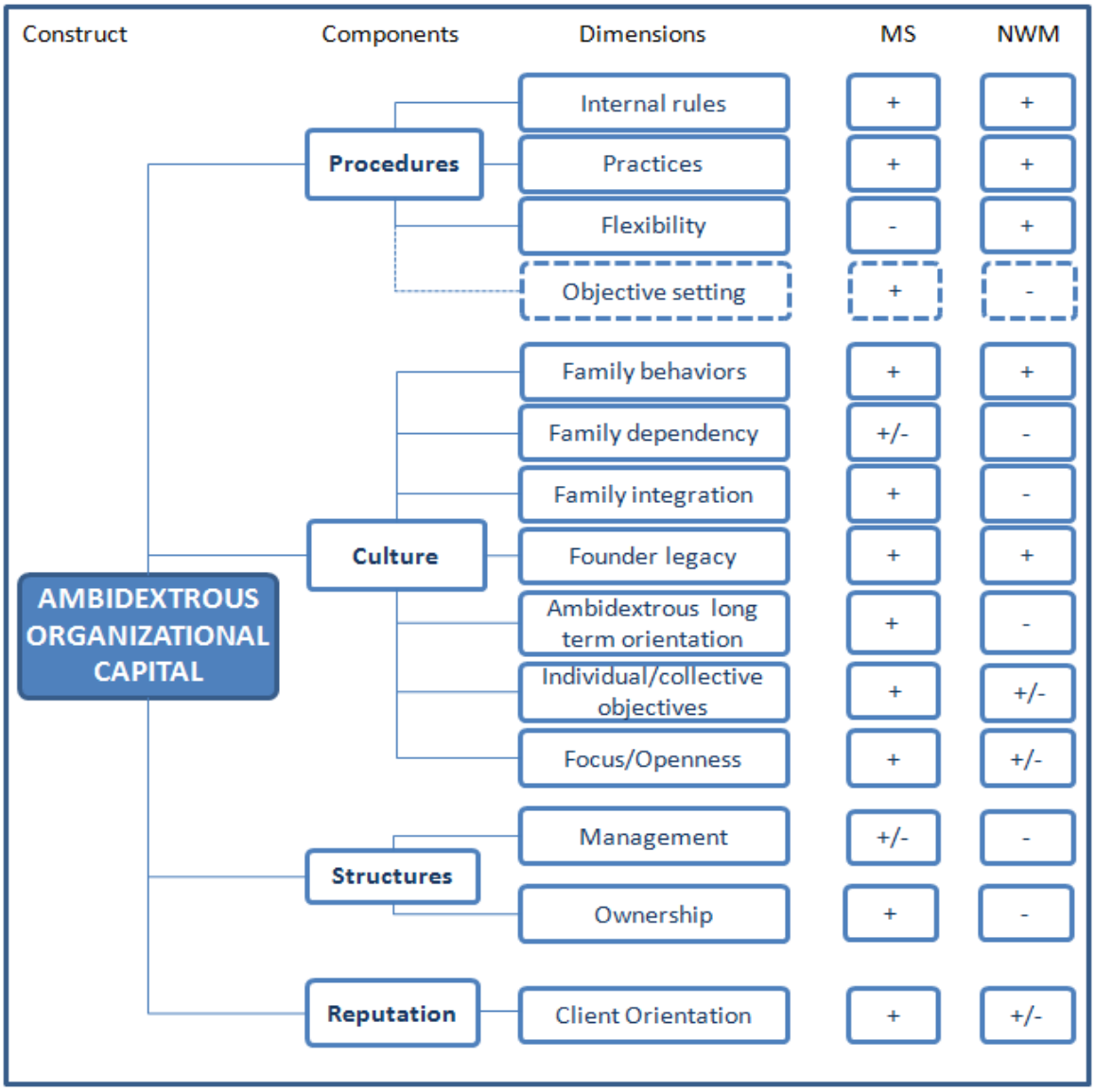

Construct
Components
Dimensions
MS
NWM
AMBIDEXTROUS ORGANIZATIONAL CAPITAL
Procedures
Culture
Structures
Reputation
Internal rules
Practices
Flexibility
Objective setting
Family behaviors
Family dependency
Family integration
Founder legacy
Ambidextrous long term orientation
Individual/collective objectives
Focus/Openness
Management
Ownership
Client Orientation
+
+/-
-

Figure F-0-10. Components and dimensions of ambidextrous capabilities

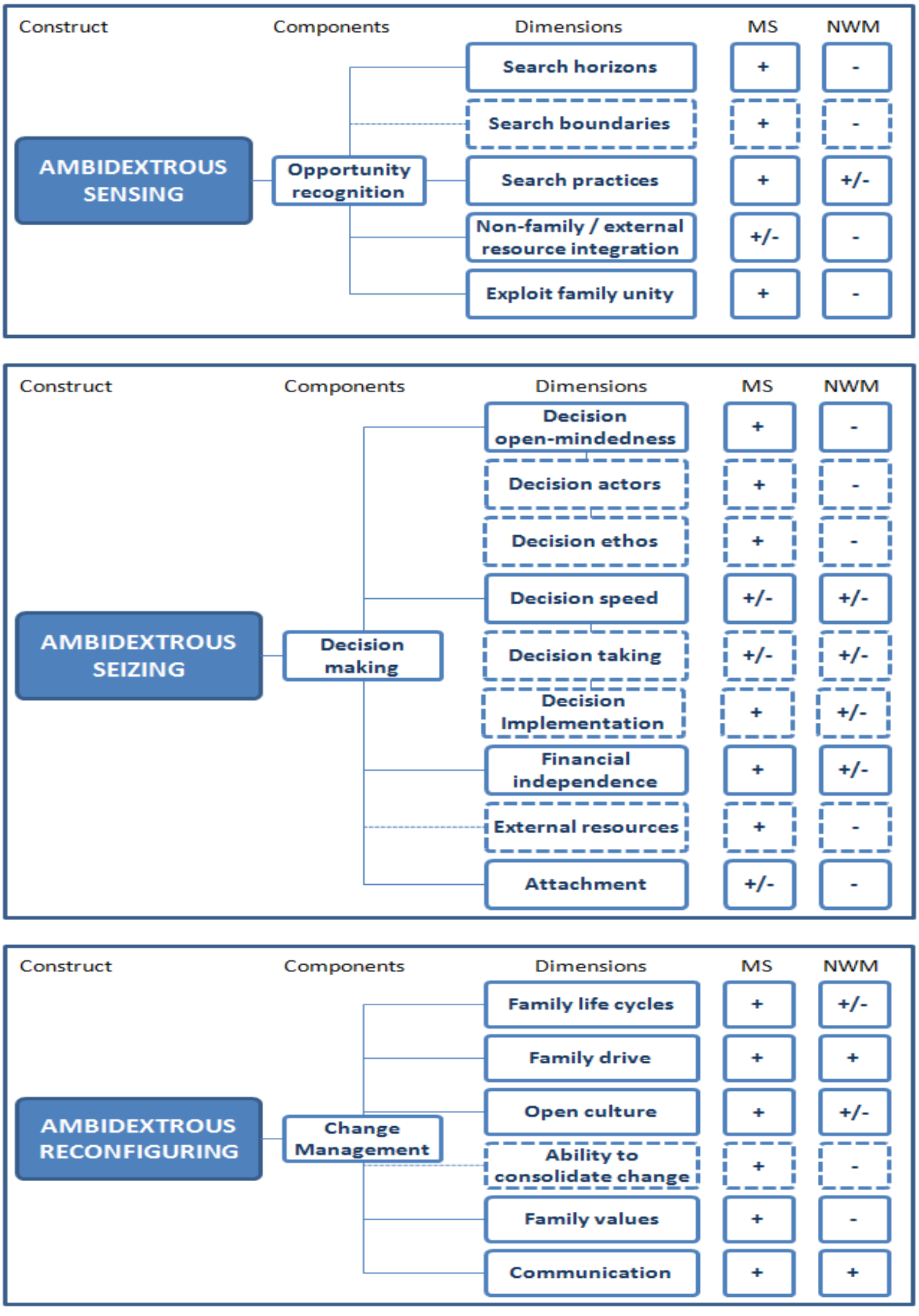


Figure F-0-11. Components and dimensions leading to ambidextrous strategic alignment

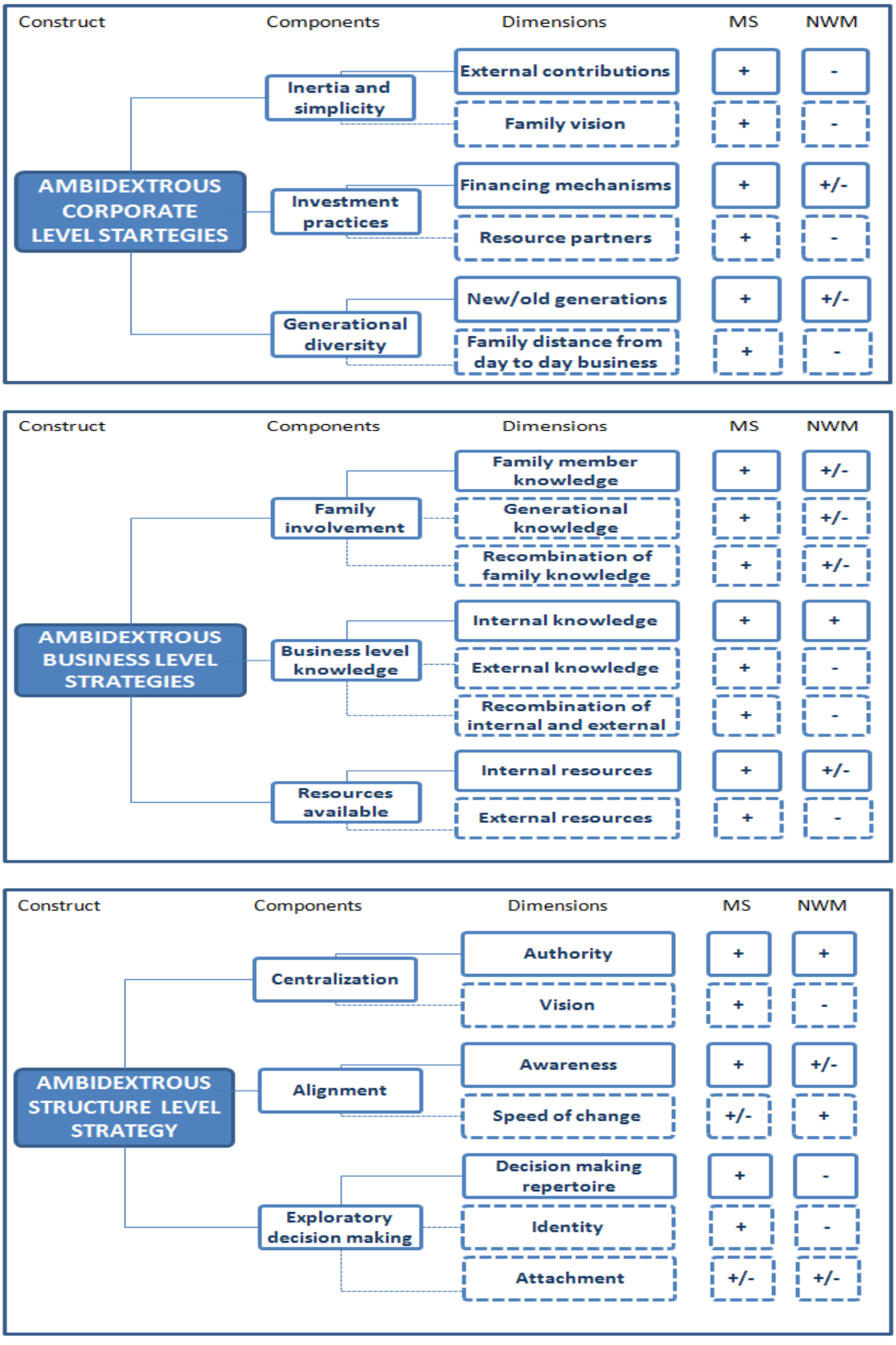
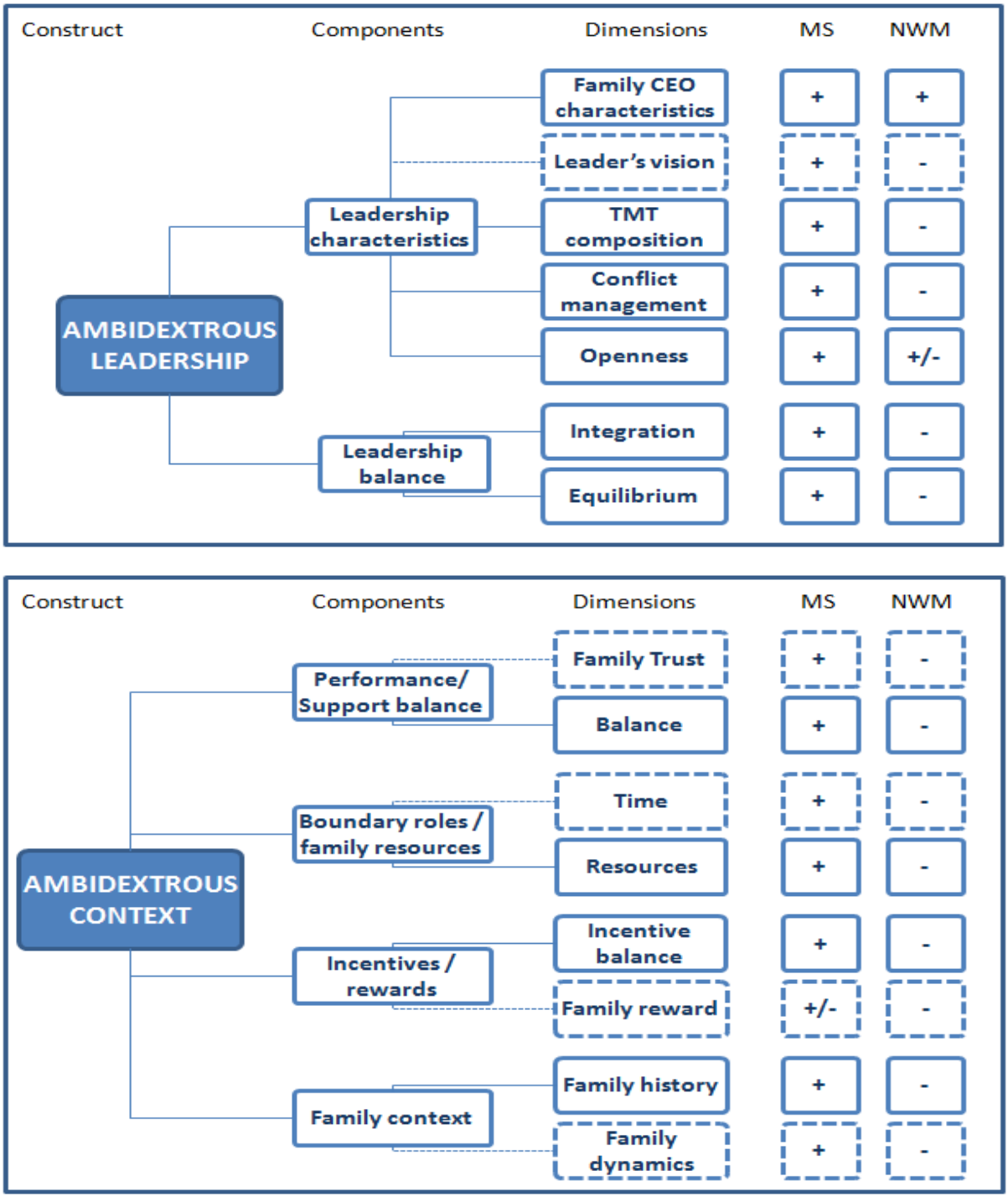


Figure F-0-12. Components and dimensions of organizational conditions leading to ambidexterity



APPENDIX H: Glossary of definitions

ORGANIZATIONAL RESOURCES

Financial capital is constituted by the monetary and physical assets available to the organization.

Human capital is the combination of competence, attitude and intellectual agility of the human resources available to the firm (Roos et al., 1997).

Social capital can be internally focused (bonding) or externally focused (bridging) (Adler & Kwon, 2002) and refers to the resources embedded within, available through and derived from the network of relationships of individuals and groups in the organization (Nahapiet & Ghoshal, 1998).

Organizational capital refers to the structure, procedures, rules and arrangements that create a common understanding of what the organization does; measure and monitor operations; and integrate and coordinate work. Organizational capital includes corporate culture and internal processes and routines (operating processes; formal structure; policies; information flows and content of databases; and incentive schemes) of the organization.

ORGANIZATIONAL CAPABILITIES

Capability is "a firm's ability to perform repeatedly a productive task which relates either directly or indirectly to a firm's capacity for creating value through effecting the transformation of inputs into outputs." (Grant, 1996)

Dynamic capability is "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Dynamic capabilities thus reflect an organization's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions" (Teece et al., 1997, p. 516).

Operational capabilities: routines and processes necessary to conduct the current business of the firm, i.e. they allow an organization to produce and sell an offer today and produce returns in the present without making any changes (not explored further in this research).

Dynamic renewing-incremental capabilities: routines and processes that result in modifications in operative routines to improve the effectiveness and efficiency of the processes and routines of the organization allowing the organization to adapt to evolutionary changes in the environment and keep producing returns in the short to medium term.

Dynamic creative-regenerative capabilities: routines and processes that allow for and foster creative or entrepreneurial activity allowing the organization to identify new business opportunities, develop novel strategies and business models and allow the organization to create and or respond to disruptive changes in the environment and earn a living in the longer term.

Dynamic capability components:

- **Sensing**: routines and processes to recognize internal and external opportunities and threats; these processes are related to routines for information and knowledge gathering, exchange and analysis.

- **Seizing**: routines and processes to make appropriate decisions (in terms of time and content), absorb and integrate resources to create and capture value from opportunities (Katkalo et al., 2010); these are closely related to decision making processes that analyze, assess opportunities and threats, determine courses of action and deploy resources for implementation.
- **Reconfiguring**: routines and processes to implement continuous change and renewal to maintain competitiveness as the environment changes. Reconfiguring processes are closely related to structural mechanisms facilitating double loop learning, change and long term vision.

ORGANIZATIONAL CONDITIONS

Context is the set of stimuli and pressures that shape individual organizational behaviors; it is constituted by four behavior-inducing elements;

1. Discipline to encourage individuals to fulfill their commitments through clear standards of performance, feedback, rewards and sanctions.
2. Stretch to induce members to strive for ambitious objectives through shared goals, collective identity, and a sense of contribution to the purpose of the organization.
3. Support to encourage individuals to assist others through freedom of initiative and appropriate guidance and help.
4. Trust to persuade members to rely on commitments through perceived fairness and equality of decision making processes, involvement in decisions and activities affecting them, and suitable selection of qualified individuals (Ghosal & Bartlett, 1994, 1997).

Ambidextrous organizational context balances the hard elements of performance management (discipline and stretch) with the soft elements of organizational cooperation and social support (support and trust) (Gibson & Birkinshaw, 2004). Together these four elements promote the ability of individuals and their firms to explore and exploit.

Leadership the process that creates and adapts visions of common goals for the organization and creates the mechanisms and motivation to attain those goals.

Ambidextrous leadership can ease tensions and trade-offs of exploration and exploitation by:

1. Setting a clear and compelling direction for the organization (Benner & Tushman, 2003);
2. Making decisions about structure, culture, processes and resource allocations that allow firms to both explore and exploit (Smith & Tushman, 2005);
3. Creating internal processes 'that enable them to handle large amounts of information and decision alternatives and deal with conflict and ambiguity' (Tushman and O'Reilly, 1997, p. 23); and
4. Ensuring a level of TMT diversity, integration and complexity that assists managers in dealing with the contradictory knowledge processes of exploitation and exploration (Beckman, 2006; Carmeli & Halevi, 2009; Lubatkin et al., 2006; Peretti & Negro, 2006).

ORGANIZATIONAL AMBIDEXTERITY

Ambidexterity is the ability to manage incremental and revolutionary change, to achieve an appropriate balance between exploration and exploitation initiatives (Tushman & O'Reilly, 1996). This ability can be examined through the routines and processes used to mobilize, coordinate, and integrate contradictory efforts, and allocate, reallocate, combine, and recombine resources and assets across exploratory and exploitative efforts (Jansen et al., 2009) and reveals itself through the exploitative and exploratory achievements of the organization (Simsek, 2009).

Strategic ambidexterity is the ability to manage strategic initiatives at the corporate, business and structural levels, to achieve an appropriate balance between exploration and exploitation. The strategic ambidexterity of an organization can be explored through the resources (financial, human, social and organizational) of the organization and the routines and processes used by the firm to sense environmental change, seize opportunities and reconfigure resources and assets across exploratory and exploitative strategic efforts. Strategic ambidexterity reveals itself through the alignment of specific corporate, business and structural strategic initiatives towards exploration and exploitation and the outcomes of the exploitative and exploratory achievements of the organization.

STRATEGIC INITIATIVES

Strategic initiatives at the corporate level: decisions regarding the range of markets to serve and business domains to cover.

Strategic initiatives at the business level: decisions about the specific mix of features of the offers of an organization that will meet customer needs, preferences and requirements.

Strategic initiatives at the structural level: decisions about internal routines, processes and structures that create value and allow the organization to interface and stay in tune with the environment.

ORGANIZATIONAL GOALS

Organizational goals or objectives are aspiration levels with respect to selected measurable economic and noneconomic variables and contain three elements:

(1) the attribute chosen as a measure of fulfillment (i.e. the indicator);

(2) the scale to measure the attribute and;

(3) the standard, aspiration or target to achieve.

The degree of priority and aspiration level for different objectives result from the characteristics and preferences of CEOs and TMT members and salient coalitions of the firm; the diversity of goals of TMT members; the level of consensus around those goals and the gap between the aspirations or targets set and the perceived levels of performance towards those goals.

In this context, performance represents the measurable outcomes against the expected or target aspirations vis a vis the selected priority economic and noneconomic indicators.

FAMILY BUSINESS

Family firm: an organization governed and/or managed by members of one or few families with the intention of maintaining the business across generations to shape and pursue the vision of the family (Chua et al., 1998).

Familiness: the unique bundle of resources (financial, human, social and organizational), capabilities (sensing, seizing and transformation processes) and organizational conditions (leadership and context) of a family firm due to the interaction among the family, its individual members, and the business. This interaction can be positive (f+) or negative (f-):

- Distinctive familiness (f+): enhanced resource and capability stocks for family and firm arising from balanced flows between the two systems
- Constrictive familiness (f-): reduced resource and capability stocks for one or both systems resulting from excess flows in one direction and/or free-riding.

Family firm goals: the unique set of economic and noneconomic objectives shaped by the family and pursued by a family business that inform strategic decision making in family firms.

Family firm performance represents the perceived ability of the family firm to achieve the priority economic and noneconomic objectives of the family. Perceptions about economic performance are based on financial indicators (e.g. ROI); market indicators (e.g. market share); and noneconomic business performance indicators (e.g. quality of the firms social relations). Perceptions about noneconomic performance are based on socioemotional wealth endowments. The resulting combination of economic and noneconomic performance outcomes determines the perceived level of overall performance of the family firm and informs strategic decisions.