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MANAGING PARADOXES IN FAMILY FIRMS: A CLOSER LOOK AT INNOVATION (SUMMARY)

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≈ SUMMARY ≈

MANAGING PARADOXES IN FAMILY FIRMS: A CLOSER LOOK AT INNOVATION

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Principal Topic

A paradox is defined as “contradictory yet interrelated elements that exist simultaneously and persist over time” (Smith and Lewis, 2011, p. 382). As such, paradoxes can only be managed, not solved. Decision-makers understand and work within the boundaries of this assumption every day. Family firm leaders are faced with additional paradox-rooted dilemmas. For example, paradoxes manifest as tensions stemming from often conflicting inter-generational perspectives, related to, for example tradition versus change. These tensions have been found to both frustrate and fuel innovative behavior in family firms. The growing body of literature on organizational paradoxes reiterates these findings, suggesting potentially powerful relationships between paradoxes and innovation. The research field, however, lacks insights into how family firms manage paradoxes relating to aspects of the innovation process.

We provide additional insight by taking a temporal perspective to understand the unique paradoxes associated with innovation in family firms. Specifically, we investigate the question: *How do the paradoxes associated with family firms affect their innovation activities?* We use the 12 dimension “innovation radar” to capture innovation (Sawhney, Wolcott, and Arroniz, 2011) in a sample of long-lasting family firms, exemplifying how family firms that utilize past knowledge and traditions can create a competitive advantage in how they innovate for the future.

Method

34 in-depth interviews were carried out with family and non-family executives in five family firms, representing multiple industries. The following criteria were used to distinguish family firms: (1) 50 percent or more of ordinary voting shares owned by members of the family; (2) 50 percent or more of the management team are members of the owning family; and (3) the company is perceived by the chief executive to be a family business. Interviews were conducted using an interview protocol and were recorded and transcribed. Secondary sources were also utilized to triangulate the data. The empirical material was coded and analyzed.

Results and Implications

Our results indicate that; firstly, family firms can successfully manage their unique innovation paradoxes by establishing, maintaining, and nurturing strong links between the past, present and future. Secondly, the most effective combination of these temporal dimensions relies on the specific situational factors of the paradox. Thirdly, family firms that leverage knowledge and traditions from the past are uniquely positioned to develop specific types of innovations (e.g. customer-oriented innovations), thus creating a competitive advantage.

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