

Understanding Social Capital that Leads to Strategic Ambidexterity Practice in Family Firm Business

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Abstract: Organizational ambidexterity refers to conditions where an organization perform innovation learning activities either explorative or exploitative way. Exploitative Innovation activities is innovation learning activities related to deepening capabilities which are currently owned while explorative learning activities related to pursuit new opportunities. Most of previous studies concerning organizational ambidexterity more easily identified on established organization where innovation learning activities usually take place in separate unit which called structural ambidexterity. Whereas on small and medium enterprises innovation learning activities going through the provision of adequate context, known as contextual ambidexterity. This study combine the concepts of the social capital components that leads to innovation capability of the organization, especially, family firm. Family firm is chosen based on the uniqueness nature of business that interplay with the family value and business value. The study showed that innovation learning activities process on family firm conducted by founder who also acts both as an owner and also as an manager of the company through cognitive leadership implementation. Social capital in the innovation learning activities in family firm business becomes important because value of family firm business overlaps between the value as a business entity and also value as a family. There are three family firm business taken as an analysis unit namely salon service, culinary and fashion. The approach used in this study is qualitative approach with deep interview and observation as a methods in data collection. Research ethics preferably emphasis on aspects of informed consent and the confidentiality of the company name.

Key words: Ambidexterity, social capital, family firm, innovation learning, qualitative approach, observation

INTRODUCTION

Innovation is the key success of the organization in the long term. Innovation learning activity in organization can be exploitative but also can be explorative. This two concept which aims to explore the potential of the organization, generally contradictory in terms of the utilization of the resources but still remain mutually exclusive for the output. At the level of organization strategy, both of this concept known as ambidexterity which refers to the ability to perform activities in the kind of explorative way and exploitative way, simultaneously in order to create an innovation. Explorative activities are the ability to perform activities with knowledge search, novelty, experimentation, changes radically in the process of creating new products or services. Exploitative activities are the ability based on the science of knowledge which can continuously improve, modify the incremental changes over process for product and services. (O'Reilly III and Tushman, 2004). Shortly, exploration emphasis of new discoveries while exploitation is emphasizing the process of improvement over what already exists (Tushman and O'Reilly III,

1996). Exploration and exploitation activities carried out by the organization is very important (Johansson *et al.*, 2013). Ambidexterity practices conducted within the organization can deliver higher performance, build the capacity to survive, divert organizational inertia and the adaptability of the organization.

The scholars agree that organizational ambidexterity ensure the long term success but at the same time it also hard to do. Therefore innovation learning activity should be done by every organization both organization with the large size and also small size. The study of organization ambidexterity is a growing topic. Innovation activity at small and medium enterprises turned out to play an important role in influencing the performance of the firm. (Verhees and Meulenber, 2004; Qian and Li, 2003). Moreover, companies which is based on entrepreneurship requires innovation sustainability in order to survive and create competitive advantage (Liao *et al.*, 2009).

Family, firm business that are the focus of this research are those in which multiple members of the same family are involved as major owners or managers, either contemporaneously or over time (Miller *et al.*, 2007). Family, firm business has a uniqueness in term of

governance because the founder usually acts as an owner and manager at one time. There is interplay between family value and business value. Ownership of the firm still concentrated at the top level. Therefore the governance of this firm tends to more simple in terms of decision making and control.

Decision making in term of innovation activities in family firm business become important considering the sustainability of business with ownership structure tend to have short life cycle because of this business frequently experience various problems, especially in succession and innovation. According to Voss point of view innovation activities in many organizations in the form of small repairs and improvements should be done on product/service and efficiency in order to provide value added for customers (Voss and Voss, 2013).

Issues related to innovation activities that should be done in the family firm business can't be separated from social capital. Internal social capital evidently has an impact on organizational innovation (Sanchez-Famoso *et al.*, 2014). Generally, the notion of social capital refers to social relations that have productive benefits (Robison *et al.*, 2002). Social capital is fundamentally about how people interact each other (Dekker and Uslaner, 2001). The proxies of social capital that used in this research are trust (Snijders, 1999; Welsh and Pringle, 2001) rules and norm governing social action (Coleman, 1988; Fukuyama, 2001), types of social interaction (Kilpatrick, 2000; Snijders, 1999) and other network characteristics (Kilpatrick, 2000). The uniqueness of this study is in qualitative methods about combination of social capital which is used in family firm business in doing innovation learning, not only to survive but also in order to create competitiveness.

Study and concept about ambidexterity in organization studies is relatively new and still slightly in literature. There is still hard to find the publication about the learning process of ambidexterity which took family firm business as a context, therefore the study about the learning process of ambidexterity in this context becomes significant. This research would beneficial, since, the model of strategic ambidexterity will help entrepreneur as a business leader to build sustainability and competitiveness of their family firms.

MATERIALS AND METHODS

This research uses deductive thinking approach that place theory as the foundation of thought have a standard procedure and can be replicated (Neuman). Theory of organizational innovation, social capital and resource based view are depicted in the various forms

of activities both exploitative and explorative. To answer the research purpose, this study refers to the concept of the learning process of organizational ambidexterity both contextual and structural forms (Duncan, 1976; Birkinshaw and Gibson, 2004) and the social capital (Sanchez-Famoso *et al.*, 2014, Dekker and Uslaner, 2001). The (three) types family firm business which are culinary, fashion and spa had been selected to become cases in this research. Qualitative and quantitative methods used to obtain the data. The data used are primary data and secondary data. Secondary data was obtained from financial report and other resource. Primary data collected through in-depth interview with the entrepreneur, business leader and owner. This research involved informants who acts both as an entrepreneur, business leader and as a manager of family firm business. Selected informants chosen based on criteria: experiencing in managing family firm business more than 10 years, family firm which has promising economic growth due to its economic performance. The research conducted in 2013-2016. Data collected from in depth interview and observation.

RESULTS AND DISCUSSION

In Indonesia context, family firm is a unique business entity. It can be comprehend literally as a way of running business. But family business has its own complexity when it is associated with traditional and conventional management style. Complexity lies within the nature of relationship. Relationship does matter in any kind of business but strategic positions are restricted to the family member. So, the family values embedded in the company management. Social capital of the family coloring business management.

Family firm business which become focus on this research, represent that family values coloring the implemented business management. The dimensions of social capital that is dominant with innovative learning activities are as follows.

Trust: Based on chosen family firm business, the main value from this family firm is trust. Trust is kind of contract as well as employment contract. Relationship between family members frequently preferable than competency. Trust towards employee frequently become the basis for participation in activity which are held by the owner/management. At this point the innovation learning process occurs.

Honesty: Honesty become the basis of consideration in employee recruitment, promotion and even mutation.

Honest employee preferable to choose than dishonest employee, although, that dishonest employee is clever.

Rules: Rules which are become basis on family firm supervision generally is a derivation from values which is held by owner. Islamic basic values have become the basic rules of the three existing family firm. For catering business, provision of halal food becomes the basis for procurement services in catering business. Whereas fashion leads to fashion that follows Islamic outfit Sharia. Likewise with salons which lead to services provide and deliverable that must not contravene with Islamic rules.

Family firm governance: Sustainability in the family firm business is business in safe hands which means control of the business held by trusty. This means that owner ensure if that relevant people doesn't hold the main control, the strategic position will be given to trusty people namely family members. By securing strategic positions to people who trustworthiness is bound by family relationship whether blood or marriage, it is considered as a way to guarantee business sustainability.

Social interaction: Dynamics that occur in the family firm is the result of interaction behavior between family members in the family firm, so that, every family firm has the uniqueness of each culture.

Social capital which are owned by family firm become a determinant in innovation learning activity. In accordance with the conceptualization by Grootaert and Van Bastelaer there are two dimensions from social capital that is from micro to macro level and the continuum from cognitive to structural.

From Fig. 1, it can be said that social interaction that happens in family firm located at the bottom right of the matrix. Based on theoretical framework used, the model of social capital in the innovation learning process follow Fig. 2. The result of this research shown that the

ambidexterity learning process occurred in the strategic level in the context of family firm business, especially with the small medium size. It is quite different with the ambidexterity learning process occurred at the established corporation. Ambidexterity form in established corporation usually takes the structural form named structural ambidexterity. Another kind of ambidexterity occurred in educational institutions that takes hybrid form ambidexterity which is a mixed between structural ambidexterity and contextual ambidexterity .

The explanation of this unique relationship between social capital, cognitive leadership and family firm strategic ambidexterity shown in Table 1.

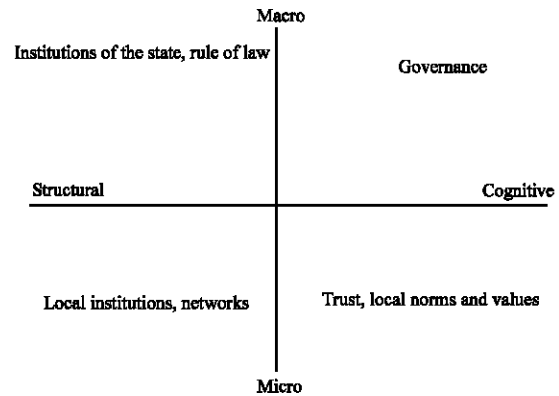


Fig. 1: Conceptualization of social capital developed (Grootaert and Van Bastelaer, 2002)

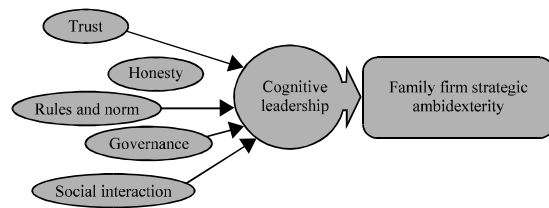


Fig. 2: Model of social capital in the innovation learning process

Table 1: Social capital characteristic shown by three SME's

SME's core business	Social capital characteristic	Cognitive leadership implementation	Strategic ambidexterity learning process
Salon service	Trust	Giving delegation of authority towards trustworthiness employee for control over the financial and daily operations	The learning process in the form of participation in seminars and short course only done by entrepreneur who acts as owner and leader
	Social interaction	There is periodically event held by entrepreneur as a business leader named "pengajian". It is a regular meeting that discussed Islamic values related to business issues arise and faced by the firm. Sharing knowledge with Islamic value and business value disseminate amongst the employee	Innovation made generally exploitative which is innovation that in accordance with Islamic Sharia. Innovations are made only to the refinement and improvement of services rendered
	Governance	Entrepreneurs are giving space towards professional employee to become manager in organizations within certain limits	Entrepreneurs formed an association based on the similarities in values and core business. The network of this association used to have a relation

Table 1: Continue

SME's core business	Social capital characteristic	Cognitive leadership implementation	Strategic ambidexterity learning process
			with another entrepreneur in different city and country Entrepreneur are exercising innovation learning process with another entrepreneur which are having business with similar basis rule and norms Submission of entrepreneur ideas gradually done and one direction from top to the bottom Design for development in employee competencies takes in various informal form. Employees are allowed to study and benchmarking services through internship at similar businesses within a specified time limit Employees are allowed to receive any feedback from customers to be submitted to the entrepreneur Entrepreneur gives strict restrictions related to undertaken innovation process whereas innovation is an idea that comes from the entrepreneur Employees are given sufficient authority to carry out minimal innovation that is only associated with delivery service to the customers Operational manager positions was delegated to a professional staff after the business start to mature and allow the innovation learning process in exploitative way related to employee competency
Culinary	Rules and norm	Employees are given decisive and routine comprehension related to food processing to keep up the quality and halal food. So, priority to follow Islamic law in purchasing foods materials and also in foods processing is mandatory High turnover rates lead entrepreneur doing dyadic process associated with new employees motivation in order to have the same vision and mission of the company	Explorative strategic innovation generally occurred at the top level which is the owner of the business, so, at the same time have to decide whether the innovations which made can be continued or not. The innovation learning process by entrepreneurs conducted by self-taught and learned through non-formal education
	Governance	Decision making is done by the founder and owner of the firm whereas management has begun handed over to the manager Communications within manager become more intensive in the form of informal diffusion and conveying of entrepreneur's business concept	Innovation that can be delegated towards subordinates is in an exploitative innovation that is related with menu of dishes which become customer interest Entrepreneur as a business leader giving strategic positions towards son/daughter in law for operational management
Moslem's fashion	Rule and norms	Rule of creation a new product must follow the Islamic Sharia, so, there is a fixed rule in deciding the design, ingredient, process and co-creation of products that will be produced	Strategic innovation done by entrepreneur who is doing learning process with another entrepreneur colleague which are having similar business
	Governance	Key decision maker is still held by the founder and owner and manager. Even couples engage in the promotional activities	Innovation learning process but made both explorative and exploitative
	Social interaction	Provide role models that are relevant to employees within the company. Owner, founder and management alternately attend meeting with association group	Explorative innovation is explorative market opportunities by holding exhibitions and counter abroad that is Malaysia and Middle East. At the same time exploitative innovation is was made against others new materials Innovation in the field of management already started with the technology application in marketing functions, production and managerial

CONCLUSION

Innovation learning process in explorative and exploitative way conducted by family firm business generally, occurs at the level of strategic by founder who act as an owner and manager, so, it called as strategic ambidexterity. This means that the domination of the entrepreneur as business leader in doing innovation learning process was really strong. Space for employee participation in doing innovation learning process usually restricted to the scope of authority to whom it delegated.

Governance in the firm still marked by the involvement of family members in family firm, so, values which is adopted by the family still tinged the conducted management. The conducted innovation learning process determined by social capital which are owned by the family firm business, there are trust, honesty, rule and norms, governance and social interaction. Implication of this research are the entrepreneurs have to pay attention to the sustainability of the firm because the innovations activities must be continuously not only at the strategic level.

RECOMMENDATIONS

The idea for further research might be to explore and identified the family firm that run business in area of local wisdom based products. The value of this business might be more unique due to diversity and heterogenous values lies in indigenous people in Indonesia.

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