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WHAT DETERMINES THE LONG-TERM SUCCESS OF A FAMILY BUSINESS?

Executive summary and practitioner insights based on Mahmoud-Jouini, S.B., Bloch, A., & Mignon, S. (2013). *Towards a Comprehensive Model of Sustainable Family-Firm Performance in Handbook of research on family business.*

This summary draws on the core findings of Mahmoud-Jouini et al. (2013), with interpretation and application developed independently for a family business audience.



Family firms are known for their long-term outlooks and deep-rooted values. But longevity alone does not guarantee success. Many family business thrive in their first-generation only to fail by the third. Why do some endure, stay relevant and continue innovating while others struggle to stay relevant?

In their book chapter published in the Handbook of Research on Family Businesses (2013), authors Ben Mahmoud-Jouini, Bloch, and Mignon take on this question by bringing together two important ideas in organisational theory literature: **ambidexterity** and **high-reliability organisation (HRO)**.

Ambidexterity is a firm's ability to balance **exploitation of today's resources** (refining and improving existing strengths) with **exploration** (developing new capabilities). HRO, drawn from high-stake fields like aviation and nuclear power, **refers to the cultural capacity to spot early signals of risk, act on them quickly, and learn from failures.**

BUT WHAT MAKES FIRM FAMILY BUSINESSES SUITED TO THIS DUAL CAPABILITY?

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AMBIDEXTERITY



Ambidexterity is a firm's ability to balance **exploitation**, refining and improving existing strengths, with **exploration**, developing new capabilities. Sustainable family firms benefit from this characteristics due to:

- Low CEO turnover and stable governance, which preserve institutional knowledge and deep customer relationship.
- Patient capital and a multigenerational outlook, which support steadying R&D funding, and capacity to prioritise long-term gains over short-term opportunities.

MANAGERIAL IMPLICATION: Family firms have an edge many public companies envy they are not hostage to short-term market pressures. Use this advantage to fund steady R&D and institutionalise knowledge sharing.



HIGH RELIABILITY ORGANIZATION

HRO explains how firms in high-stake field like aviation, nuclear power plants develop a high-level of reliability in operations through a sense of **collective vigilance**. This involves open communication about near-misses and constant attention to small signals of trouble.

Sustainable family firms benefit from this characteristics due to:

- Close interpersonal ties within the firm and with external stakeholders.
- years of trust and shared history encourage honest information-sharing.
- desire to preserve legacy and reputation.

MANAGERIAL IMPLICATION: Develop a culture of speaking up early and learning from near-misses. Use your close-knit structure as a strength but build structure that protect against complacency and silence.





QUESTIONS TO ASK WITHIN YOUR FAMILY FIRM



Do our KPIs reward both operational efficiency and exploration of new ideas?



What's stopping us from funding bold R&D or talent development now?



Who in our organization feels safe raising a concern and who doesn't?



Do we have the right structures in place for spotting weak signals, reviewing them and acting early?