

## THE RELATIONSHIP BETWEEN ORGANIZATIONAL AMBIDEXTERITY AND FAMILY BUSINESS PERFORMANCE

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### Abstract

*The concept of organizational ambidexterity is vitally important for family businesses as they have specific characteristics that lead to the ability to pursue both exploitive and exploratory orientation which results in a positive performance effect on family businesses. Organizational ambidexterity (OA) is currently recognized as one of the most critical factors in achieving sustainable competitive advantage; since there is not only short-term activity but also long-term innovation at the basis of organizational ambidexterity. In this respect, the aim of this study is to examine the concept of organizational ambidexterity from the theoretical perspective and to determine the organizational ambidexterity levels of the family businesses within the scope of this research and to determine the relationship between the organizational ambidexterity levels of those family businesses and their performances. For this purpose, the questionnaire technique was utilized developing questions from the existing literature. The questionnaire considering 47 items was presented to approximately 500 family businesses operating in Turkey through face to face interviews or via internet. At the end of the research 349 net responses were obtained from those family businesses. As a result of the Structural Equation Model used in the analysis, findings indicate that there is a positive and statistically significant relationship between organizational ambidexterity and the family business performance.*

**Keywords:** Organizational ambidexterity, exploration, exploitation, family business, business performance

### 1. Introduction

Businesses in general struggle to be profitable while also trying to be active, adaptable and flexible. Particularly in the markets with high turnover rates, it is expected that businesses will not only be able to make use of their existing resources effectively, but also it is required to conduct resource intensive research activities as well. Therefore, it is inevitable that these businesses struggle significantly if they cannot manage both processes at the same time. According to O'Reilly and Tushman (2008), being large and successful in a given period of time is not a guarantee of continuous success and sustainability.

In many recent studies, the concept of organizational ambidexterity has been presented as a solution to these challenges. As a dictionary meaning, ambidexterity means the ability of using both hands with equal skill. In terms of management literature, it means being capable of exploiting the existing competencies of any business as well as exploring new opportunities with equal dexterity. However, organizational ambidexterity is a new concept with limited studies in the area. Moreover, when the concept is reviewed in the area of family business, the number of studies is even more limited. Specific to Turkish family business literature, there is not a single study in this area. Therefore, in order to contribute to the field, the relationship between organizational ambidexterity and family business performance is analyzed in this study.

### 2. Literature Review

In this section, the concepts of organizational ambidexterity and business performance will be analyzed in a general view considering their sub dimensions like exploration and exploitation dimensions and financial performance, production performance, marketing performance, human resources performance and innovation performance for business performance. Later on the major studies regarding organizational ambidexterity and family business performance of the management will be examined under this section.

## **2.1 Organizational Ambidexterity**

The concept of organizational ambidexterity was first expressed by Robert Duncan (1976) showing the need for organizations to have a bilateral structure in the form of adaptation and alignment, respectively. Referring to the previous studies (Burns and Stalker, 1961; Thompson, 1967), Duncan argued that organizations should consider a dual form of organization for long-term success which in turn means long-term profit and long-term growth driven by global integration and staying local at the same time, based on the use of seemingly contradictory strategies such as standardization, innovation, differentiation and cost leadership, (Gibson and Birkinshaw, 2004, He and Wong, 2004). There is a lot of confusion in the use of the term, as it contains many different elements that seem to contradict each other; and for this reason, it is possible to encounter many different definitions and approaches regarding the concept of organizational ambidexterity.

From another point of view, organizational ambidexterity refers to the ability of simultaneously engaging in exploration activities to enable the organization to grow in the future, while at the same time providing the sustainability of maximizing profits (Benner and Tushman, 2003, Kohtamaki et al., 2010, Stubner et al., 2012). In this sense, ambidextrous organizations not only manage today's business demands, but are also flexible enough to adapt to changes in an ever-changing, uncertain and dynamic environment to achieve sustainability (Gibson and Birkinshaw, 2004). However, it is very difficult and complex to manage those two contradictory processes as it requires competing for the scarce resources available (Simsek, 2009). Exploration and exploitation activities require significantly different, even contradictory, constructs, processes, abilities and cultures (Sheremata, 2000; Tushman and O'Reilly III, 1996). Conflicts, contradictions and inconsistencies can be anticipated as natural consequences of this situation. In this sense, ambidextrous organizations are the ones that can successfully manage this process as they have dynamic competency that can successfully adapt to environmental factors in a continuous process of change and that can balance the use of the current resources of the business effectively while searching for new opportunities and reshaping existing resources.

According to Gibson and Birkenshaw (2004), organizational ambidexterity is based on individual competence in relation to exploration and exploitation activities. However, Tushman and O'Reilly (1996) oppose this view. According to them, organizational ambidexterity is not just a question of competence (Tushman and O'Reilly, 1996; Gupta et al., 2006), but it is a dynamic talent encompassing a complex set of routines that require in-place management, differentiation, targeted integration, and top-level leadership ability to synchronize a number of routines that the process requires (O'Reilly and Tushman, 2008).

One of the most important problems faced by large and successful organizations is the sustainability of their success and growth. For example, Louca and Mondonca studied the largest industrial organizations operating in the US in the 20th century, between 1917 and 1997, and it was observed that only 28 of 266 organizations kept pace with change by continuing to make change. McKinsey's work examining the average life span of organizations in the S & P 500 was 75 years in 1975, while the expectation was 90 years in 1935. The expectation for the next years of the report is limited to just 15 years (Foster and Kaplan, 2011). As it can be seen, being large and successful business is not a guarantee of continuity (O'Reilly and Tushman, 2008).

One another important problem faced by successful organizations is the fear towards the change itself to protect their current position, strategy and goals. This fear leads the organizations to a situation called "success paradox-success trap." Organizations that have achieved a stable process and charted a path to success may start to repeat themselves after a while and thus fall behind the sectoral and technological developments and as a result miss new opportunities. On the other hand, if they are engaged in only exploration and development activities, ignoring existing functioning processes in search for future benefit, they may be dragged into a process which is costly and does produce a short-term output or guarantee long-term result. In the literature this is defined as "failure paradox-failure trap" (Carroll, 2012). In this regard, the concept of organizational ambidexterity has recently attracted attention as one of the main topics frequently discussed in the literature as a proposed solution to this problem. Organizational ambidexterity offers to any business the opportunity to adapt their structure and processes to their

strategies and objectives, as well as to be able to manage and adapt to changes in the internal and external environment. Organizations that achieve organizational ambidexterity by providing a balance between exploration and exploitation activities as the two main fields of activity of organizational ambidexterity are successful organizations that have also succeeded in maintaining sustainability in the long run beyond the paradox of success and failure trap mentioned above.

## 2.2 The Dimensions of Organizational Ambidexterity

One of the most influential scientific studies of the management literature over the past two decades is the study of James March, "Exploration and Exploitation in Organizational Learning" (March, 1991). This study includes the basic institutional challenges faced by investments in two different activities: Exploration and exploitation. Exploration activities include more sophisticated areas of activities such as developing new capabilities, investing in new technologies, tracking new customer segments and new markets. On the other hand, the focus of exploitation activities is the existing competencies, processes and products. The important thing is to be able to increase the efficiency and profitability of the organization by making the most effective use of these competencies (Carroll, 2012). Nevertheless, it is very difficult for the organizations to accommodate these two different activities together. At the heart of exploitation activities is "expanding and improving the existing competencies, technologies and paradigms" while "experimenting with the new alternatives" is laying at the heart of the exploration activities (March 1991, pp. 85). The exploitation activities are essential to improve the existing activities and the results of these activities are positive and yield short-term results. On the other hand, at the heart of the exploration activities, it is the idea of the next breakthrough - the expectation of generating a new product or a profit from the market - but it is inevitable that the outcome will be long-term with no certainty (Carroll, 2012).

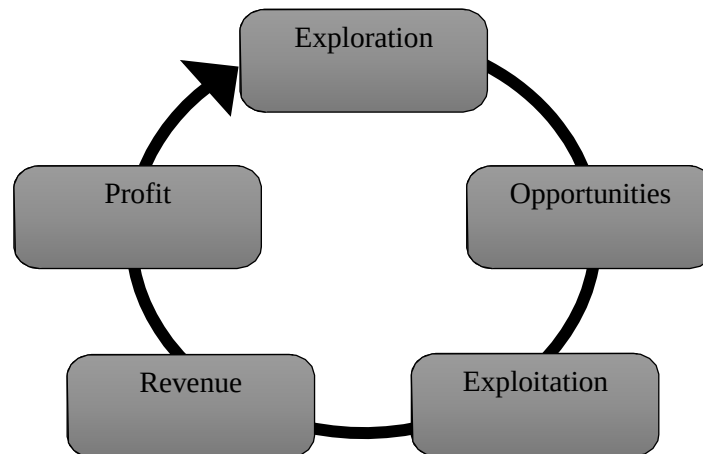


Figure 1. The Relationship between Exploration and Exploitation Activities  
Source: Lavie vd., 2010

Figure 1 demonstrates the relationship between exploration and exploitation activities in a general sense. In this section, the features of both dimensions will be evaluated under separate headings.

### 2.2.1 Exploitation Dimension

The "exploitation dimension" is one of the two basic dimensions of organizational ambidexterity. It is defined as an organizational function or activity that allows the organization to briefly utilize and distribute all of its existing resources, in particular its own knowledge and to put forward its own existence accordingly (March, 1991; O'Reilly and Tushman, 2008). Exploitation activities focus on using its own knowledge (March, 1991). This dimension is based on the assumption that the organization has complete knowledge of all its own internal competencies and external opportunities. Exploitation-oriented organizations expect to work in an environment where problems are clearly defined and solutions are clear. The focus of these organizations is on the tasks they are currently involved in,

their current mode of doing business, achieving their short-term organizational goals and protecting their current position in the market. Exploitation activities are success-oriented at the highest level and uncertainty oriented at the lowest level (Chen, 2017).

As it can be seen in Figure 1, the exploration activities that take place within a certain period of time result in new opportunities and the use of these opportunities leads to an increase in income. This revenue growth and the profit in turn are used again to discover new opportunities. In this way, when both functions are successfully accomplished on time, sustainability of success and growth will be provided in the context of the organization's activities (Lavie et al., 2010, Petro, 2017). When the effects of exploitation activities on organizational structure and organizational strategies are examined, it is seen that the organizational structure has a centralized side in terms of efficiency and production process, and the authority is moving downwards. Therefore, it is criticized for creating a mechanical structure by increasing organizational rigidity (Benner and Tushman, 2003, p. 248).

### ***2.2.2 Exploration Dimension***

The exploration dimension of organizational ambidexterity is described as a dimension that allows the organization to expand locally and abroad, and to invest in the future (March, 1991, O'Reilly and Tushman, 2008) for the settlement and sustainability of existing operations to legitimize organizational continuity.

The exploration dimension is based on learning through change and experience and its main focus is the future of the organization (Smith and Tushman, 2005). Unlike the exploitation dimension, the exploration dimension is focused on discovering what has not yet been discovered (March, 1991). It is always in search of new jobs or new ways of doing business. Unlike exploitation activities exploration activities consume resources in the short run, and their returns are uncertain, remote and often delayed (Arend and Chen, 2012). Although it creates new possibilities, it is likely that the first outputs obtained might result in failure and temporary performance degradation.

In fact, many well-managed enterprises may succeed in exploitation activities, while they may be weak at exploration activities (Christensen, 1997). For this reason, it can be considered as a natural approach to focus their attention on the exploitation activities that create value as much as possible in the short run instead of exploration which may not provide results in the long run and in which case, the success rate is low. But if the defects that seem like failure in the first stage are consequently concealed, the long-term new expansions will be available. Therefore, it is important to understand and manage this process well in order to get results from exploration activities.

In this regard, the most important point is the efficient distribution of resources. Transferring more resources to exploration activities may result in higher costs of services and accordingly may reduce the speed of exploitation activities. In other words, too much focus on exploration activities may cause the organization to move away from the economies of scale by substantially losing its effectiveness. On the other hand, too much focus on exploitation may lead to inertia and it may lead the organization into a constant routine by lowering its awareness of new opportunities. On the contrary, with exploration activities, an organizational environment can be formed in which acquisition of new information is supported by a centralized structure and an innovation-oriented leadership (Adler et al., 1999; Raisch et al., 2009; Lin and Mc Donough, 2011). In this way, it is not possible to get any result in the short run, but in the long run, the organization contributes positively to its sustainability and performance.

According to March (1991), while the logic of exploration is based on innovation, research of new opportunities and change, the logic of exploitation dimension is based on the topics such as production, efficiency and application. But what is important for the organizations is the effective handling of those two dimensions at the same time (Soosay and Hyland, 2008, Chaharmahali and Siadat, 2010). Therefore, organizations that are able to simultaneously manage both functions successfully are described as "ambidextrous organizations" (Petro, 2017).

## **3. Business Performance**

When the business management literature is reviewed, it can be seen that many topics and concepts are associated with the concept of business performance. In this context, it is a general concept that has been evaluated within a very wide field of study and is associated with many different concepts. According to the Association of

Turkish Language, the concept of performance is a French term and is defined as what has already done, skill, capacity or the achievement of the business in general (Denison and Mishra, 1995, Fisher, 1997). When it is considered within the framework of business management, the concept of performance is meaningful to the extent that it achieves the goals that it has set out by effectively using organizational resources (Mowday, Porter and Steers, 1982; Gibb Dyer, 2006). According to a more general definition, business performance is the outputs or outcomes of business activities carried out within a certain period of time (Bolat, 2000; Öncü et al., 2015). The concept of performance is not only confined to the business, but also is a concept that is related with many fields such as psychology and sociology (Lebas and Euske, 2005; Neely et al., 2005). The concept of performance is based on organizational theory (Venkatraman and Ramanujam, 1987), production (Neely and Austin, 2002), organizational behavior (Osterloh and Frey, 2005). It is also used in many subdisciplines, such as marketing (Ambler and Kokkinaki, 2005), state government (Ogata and Goodkey, 2005), innovation (Katila, 2005), electronic commerce (Neely et al., 2005) 2008). As you can see, although there is a wide range of definitions, it is not possible to mention any commonly accepted definition.

In general, it is observed that the concept of performance is evaluated under two subheadings qualitatively and quantitatively. Quantitative performance depends on the success of marketing and financial management, under the influence of qualitative performance, while qualitative performance includes elements such as organizational culture, employee commitment, satisfaction with their work and customer satisfaction ratings, quality and innovation performance (Denison, 2000) as well as measures such as turnover, market share and profitability increase. Of all these performance measures, the most frequently considered quantitative business performance criterion is, naturally, financial performance. Afterwards, performance criteria such as market performance, innovation performance and production performance can be listed (Yılmaz et al., 2005).

Business performance is crucially important as it affects the behavior of all internal and external stakeholders, such as shareholders, managers and employees, as well as outside investors, customers and the community (Kaplan and Norton, 1996). While internal stakeholders influence business practices and objectives, external stakeholders also make decisions on whether or not the business is worth investing and lending, whether to use the products of that business, or whether to maintain business relations based on the performance of the business (Karabag, 2008). Therefore the concepts of performance or business performance are uncertain concepts and difficult to measure and accordingly they do not have any compromised definition (Rogers and Wright, 1998; Verweire and Van den Bergh, 2004; as cited in Biçkes, 2011).

### ***3.1 Dimensions of Business Performance***

Business performance is a multi-dimensional concept (Hofer, 1983; Lenz, 1981) as it depends on a large number of different decisions, actions and measures. That's why it is used in several research areas. For this reason, parallel to the study discussed in the literature, the following sub-dimensions will be analyzed briefly in this section.

#### ***3.1.1 Financial Performance***

Business performance is embraced with financial performance measurements (objective and quantitative) and non-financial performance measurements (subjective and qualitative). This distinction is based on traditional accounting based performance measures and perceived financial performance measures. Objective financial performance measures that are relatively easier to measure are based on accounting data such as return on asset (ROA), return on equity (ROE) and return on sales (ROS). In this way, the operating performance of the company can be measured by determining the financial performance of many operational results such as productivity and profitability, shareholder value and indebtedness. Although it is criticized and cautiously approached as alleged to be unreliable, it is important to make regular performance measures in order to be able to make long-term healthy decisions on behalf of the enterprise and to perform functions such as planning, inspection and control.

#### ***3.1.2 Production Performance***

It is the business unit responsible for producing the desired product in the shortest possible time period, at the lowest cost with the desired quality, using the business assets such as raw materials, equipment, energy and human

resources (Gezgin et al., 2002). Features such as low price, quality, flexibility and logistics performance, which provide competitive advantage to the business, are also among the factors that determine the production performance of that business (Ward et al., 1996; Çatı et al., 2012). Production performance is also an important factor in determining an enterprise's competitive advantage. The intense competition and the complexity and variability of markets create an uncertain environment for businesses. In order to compete under these conditions and to be able to meet the expectations of all internal and external stakeholders while maintaining profitability, it is inevitably important to control and measure production performance continuously. Thus, what is needed for the success of the business and what needs to be done has been highly clarified and the roadmap to carry the organization to success has become clear.

When the production performance literature is reviewed, Skinner's study (1969), which emphasizes the importance of achieving competitive advantage of production strategies, is one of the reference studies on production performance. However, there are no common concepts in the literature that are accepted as the main determinants of production performance. One other study, Filippini (1998) emphasized the production performance in terms of economic advantage, quality and time performance. Rosenfield et al. (1985) have considered the costs and delivery time as the main parameters for their performance in terms of production performance (Yavuz, 2010). To sum up, it is known that major production performance criteria are cost, quality, delivery and flexibility. However, it is inevitable that production performance criteria may differ in parallel with the changing environmental conditions. Today, there is a shift towards modern performance measurement criteria with customer satisfaction, quality, technology and innovation from the understanding of maximum production and profit-oriented traditional performance measurement depending on minimum cost.

### ***3.1.3 Marketing Performance***

Marketing performance considers all the activities aiming to increase the current market share considering the long term profitability in the target market and to motivate all units to be customer oriented in general, to develop new products that will meet the needs of the customers, and to conduct pricing activities that can be accepted by all the customers (Moorman and Rust, 1999). Coordination and integration with all existing units of the enterprise is vitally important for the marketing activities to be carried out correctly (Apaydın, 2012). However, harmony, communication and coordination among all units, particularly between production and marketing units is crucially important, since the sustainability of any enterprise is possible only if they are providing any product or service that meet the expectations of the target market. This process is only possible through coordination of production and marketing units.

On the other hand, the previous studies reveal that the two units that are most difficult to coordinate and integrate are production and marketing units (Gezgin et al., 2002). The main reason behind this situation is the differences in target of those units (Bayrak and Özdil, 2003; Jerath et al., 2007; Catı et al., 2012). According to Morgan and Turnell (2003) marketing performance can be measured by market share, customer satisfaction, competitive position of the firm against competitors, customer loyalty and sales growth (Öztürk, 2012). Performance indicators are also measured and evaluated by the change criterion in the product and brand range, sales strategies, promotion and advertising strategies of the enterprise (Liu et al., 2002). In general, many of the research studies measure the market performance depending on the sales, market share and profitability (Green et al., 1995; Morgan et al., 2002; Hooley et al., 2003).

### ***3.1.4 Human Resources Performance***

As mentioned before, it is difficult to make a definite definition of the concept of performance because of the many different factors that influence the performance of the business. Undoubtedly, one of the most important factors affecting performance is the human factor. Therefore, when the concept is considered from the perspective of human resources management, business performance is defined as the result of the interaction of the target of the business (Çalık, 2003; Ozden, 2014). In terms of business performance, human resources management practices

(HRM) have increased considerably in recognition of the fact that the most important competitive power is human resources in an environment where developing technologies and fast competition conditions are experienced. When the literature is reviewed in this sense, it is easy to find several research studies regarding human resources (Rogers and Wright, 1998, Harris and Ogbonna, 2009, Ahmad and Schroeder, 2003, Stavrou et al., 2007, Biber, 2006, Liu et al. Budhwar, 2010). When all these studies are examined, it is seen that there is a positive relationship between HRM practices and organizational performance in general terms.

Providing a continuous lifelong education opportunities according to the duties and responsibilities of the employees, sharing knowledge and experiences gained over time with employees in a transparent management approach and ultimately increasing role of the employees both in the decision and solution processes will result in improvement of the products and services quality in the short term and satisfaction and motivation of the employees in the long term. This will be decreasing the costs as well as increasing the amount of value added products and the service quality. As a result, the business performance will be affected positively.

### ***3.1.5 Innovation Performance***

The performance dimension which is discussed more frequently in the literature in relation to the concept of business performance in the recent period is the innovation performance. Before referring to innovation performance, it is important to refer the concept of innovation which is a kind of change in the product itself, in its production process or in the marketing process in order to respond better to the needs of the target market or to get competitive advantage over the competitors (Alpkan et al., 2005, pp.175-189).

Just as the concept of performance, there is not any common and precise definition of the concept of innovation. The notion is brought into the literature by classical economist Joseph A. Schumpeter, an Austrian classical economist who lived between 1883 and 1950. In his book "Capitalism, Socialism and Democracy" written in 1942, he talked about innovation in the context of his own discourse of "creative destruction". According to this approach, the competitiveness of non-innovative entrepreneurial businesses is declining. By the way the performance of less competitive businesses will also decline. According to Schumpeter, innovation can be achieved by (1) the production of a new commodity or qualification which is not known by the consumer, (2) the application of a new production method, (3) entering into a new market, (4) and the realization of a new organization (Ülgener, 2006).

According to another definition; innovation, the creation of a new and original idea, and the transformation of the product into a preferred product compared to the alternatives available in the market. Innovation helps the operator better adapt to changing environmental conditions by altering the operator's existing products, resources or processes. The concept of innovation is defined in various forms as a process and an output. But the point is that it is a very critical concept for businesses in today's market conditions where innovation, competition and change are very intense and rapid. From this point of view, the concept of innovation is defined as a tool for creating and sustaining competitive advantage (Standing and Kiniti, 2011, p.289; as cited in Gürkan and Gürkan, 2017).

Relatively as there is not any border in the international market, the impact of globalization has also led to significant changes in the purchasing behaviors of the customers. For this reason, businesses can only gain competitive advantage through innovation (Porter, 1990). Therefore, it is required to adopt more innovative approach towards production, marketing, human resource applications and customer services from a wider perspective in terms of technology, and in the case of doing business. For this reason, the ability of innovativeness is a dynamic capability that affects the performance of any business (Mengüç and Seigyoung, 2006; as cited in Öncü et al., 2015).

When national and international studies on the innovation performance of enterprises are examined, it has been observed that there is a limited number of studies carried out in the national field (Akse, 2012; Kiler and Bilginoğlu, 2010; Güler and Kanber, 2011; Erdem et al., 2011; Çiçek and Onat, 2012; Atalay et al., 2013; Öncü et al., 2015; Kitapçı and Çömez, 2016; Şişmanoğlu and Akçalı, 2016). On the other hand, in the international arena there are several studies regarding innovation performance (Chaganti and Damanpour, 1991; Han et al., 1998; Calantone et al., 2002; Jong and Vermeulen, 2003; Hult et al., 2004; Cho and Pucik, 2005; Hansonlou, 2009; Hinloopen, 2003; Laursen and Salter, 2006; Na Lim and Peltner, 2011; Bigliardi, 2013; Heshmati, 2006; Matsuo, 2006; Prajogo, 2006;

Cosh et al., 2012; Czarnitzki and Hottenrott, 2009; Muiruri and Ngari, 2014; Lundvall and Nielsen, 2007; Ottenbacher, Shaw and Lockwood, 2006; Parida, Westerberg and Frishammar, 2012; Prajogo and Ahmed, 2006; Saenz et al., 2009; OrfilaSintes and Mattsson, 2010; Juanez-Jimenez and Sanz-Valle, 2011; Tanev, 2005, Zeng et al., 2010; Zhang and Duan, 2010; Zhao, 2001; as cited in Kaygısız Ertuğ and Bülbül, 2015).

Although the analysis of innovation performance has been based on many different elements, many researchers (Bulut et al., 2009; Calantone et al., 2002; Comanor and Scherer, 1969; Dutta and Weis, 1997; Ernst, 2001; Günday, 2007; Hagedoorn and Cloudt, 2003; Katila, 2005), especially references patents and notifications of new products as measures of innovation performance (Yavuz, 2010).

#### **4. Literature Review Regarding Organizational Ambidexterity and Business Performance**

The concept of organizational ambidexterity is crucially important due to the relationship between organizational ambidexterity and business performance. According to O'Reilly and Tushman, organizational ambidexterity is one of the most critical factors in achieving sustainable competitive advantage because, at the core of organizational ambidexterity, there is not only short-term activity but also long-term innovation as well. In this respect, organizational ambidexterity is an important concept that provides organizations with competitive advantage by achieving both long-term and short term goals of the organization.

In general, it is emphasized in the literature that organizational ambidexterity has a direct or indirect positive effects on organizational performance (Raisch and Birkinshaw, 2008; Simsek, 2009; Chrisman et al., 2003; Gibb Dyer, 2006; Rutherford et al. 2008; Stubner et al., 2012).

The overall focus of organizational ambidexterity in the literature is its consequences on the organizations. For example, long-term success (Raisch et al., 2009) and sustainable competitive advantage (O'Reilly and Tushman, 2008) are also the major consequences of organizational ambidexterity as well as better business performance (Gibson and Birkinshaw, 2004; Smith and Tushman, 2005). Although not often emphasized, a few studies have addressed some of the negative consequences of organizational ambidexterity. For example, Gibson and Birkinshaw highlighted the high cost of ambidexterity in their study in 2004. They emphasized that this process has a serious cost, yet the cost is far below the benefits and advantages created at the end of the process.

Smith and Tushman (2005) highlighted that businesses must be both proactive and effective in their areas of activity in order to be able to perform in the long run. This urges the organizations to be flexible: focusing on its ongoing jobs while being forward looking and focusing on research activities as well. When it comes to ambidexterity, it is expected that ambidextrous organizations will do these things simultaneously. In addition, Raisch et al, (2009) highlighted the need for organizations to use their existing competencies while underlining the importance of developing new competencies. In another study, it was emphasized that the failure rate of organizations which are good at balancing the exploration and exploitation activities is very low (Probst and Raisch, 2005).

Literature review of the studies on the subject of ambidexterity in Turkey shows that there is very limited number of studies in Turkey. In the level of PhD there are two thesis written by Melis Attar (2014) "The Impact of Organizational Ambidexterity of Leadership Features of Top Managers: Exploration on the Turkish Banking Sector" and Elif Yılmaz (2017) "The Relationship of Organizational Ambidexterity with Whistleblowing Act and Employees' Intention to Leave." However, no thesis or article has been found to directly examine the relationship between organizational ambidexterity and business performance.

#### **5. Research Model and the Methodology**

The data for the study were obtained as a result of a survey conducted by face to face interviews or via internet with a family member in a top management position of the family businesses using simple random sampling method from September 2017 - March 2018. The questionnaire considering 47 items was presented to approximately 500 family



businesses operating in Turkey. At the end of the survey 349 net responses were obtained from those family businesses. Before beginning to analyze the data gathered, all the questionnaires were rechecked for outliers or incomplete values and erroneous coding, the inappropriate questionnaire data were excluded from the study resulting in 349 surveys with valid data. The number of family businesses in Turkey is unknown. For this reason, when the sample size is not clearly known, it is stated that the sample size should be 5 times as large as the number of questions included in the study (Yıldırım, 2010). Thus, with 38 questions on the questionnaire, the minimum number of valid responses required is 190. Since this study resulted in 349 valid responses, sufficient data for the study was obtained. This data was analyzed using SPSS 22.0 and AMOS 22 statistical data analysis programs. Additionally, in this study, Structural Equation Model (SEM) was used to determine the relationship between organizational ambidexterity and business performance in the family businesses.

### **5.1. Descriptive Statistics**

The questionnaire considering 47 items was presented to approximately 500 family businesses operating in Turkey. At the end of the survey 349 net responses were obtained from those family businesses.

In this context, the oldest family businesses were founded in 1924 and the newest one was established in 2018. 43.3% of the enterprises were founded from 1981- 2000. Furthermore, 82% of the participants are male and 18% are female. Family business managers participating in the study examined in terms of age; the youngest participant was 18 years old and the oldest participant was 81 years old. In addition, 11.7% of the participants were aged 30 and under, 22% were between 31 and 40 years, 26.9% were 41 to 50 years, 20.9% between 51 and 60 years and 5% are 61 years and older. Participants were generally in the middle age group.

18% of the participants stated that they are with high school education, 11% with associate degree, 46% with undergraduate education and 20% with postgraduate education. 43% of the participants have 1 to 5 years, 20% have 6 to 10 years, 12% have 11 to 15 years, 8% have 16 to 20 years, and 17% have 20 years and above family business experience. It is a natural result that in the Turkish family business culture, the founder's presumptive succession candidates are directed to work for others, especially at a young age. Among the participants, 38% stated that they are active in production, 33% in services and 11% in the food sector. When the results of the number of employees are examined, 23% of the participants stated that they are working with 1 to 9 employees, 39% of them with 10 to 49, 25% of them with 50 to 249, and 13% of them working with 250 or more employees, respectively. Therefore, the majority of participants are small and medium-sized SMEs.

When the ownership structure of the family businesses in the study is examined; 45.3% belonged to the first generation and 24.4% to the first and second generation. In addition, when the findings are evaluated in terms of the generations that manage the business, 44.4% of the participants indicate that they are in management of the first generation, 19.5% of the second generation and 20.6% of the first and second generation. Moreover, it is natural that these enterprises are SME-level family businesses that are under the management of the founder. When the results are analyzed in terms of the generations that are active in the board of directors, 43.6% of the participants stated that the first generation, 17.2% of the second generation and 24.1% of the participants were active in the first and second generation of the board of directors. It is meaningful that the generation, which is actively on the board of directors, is the first generation in the family businesses, where the ownership is largely in the management of the founder.

### **5.2. Structural Equation Model**

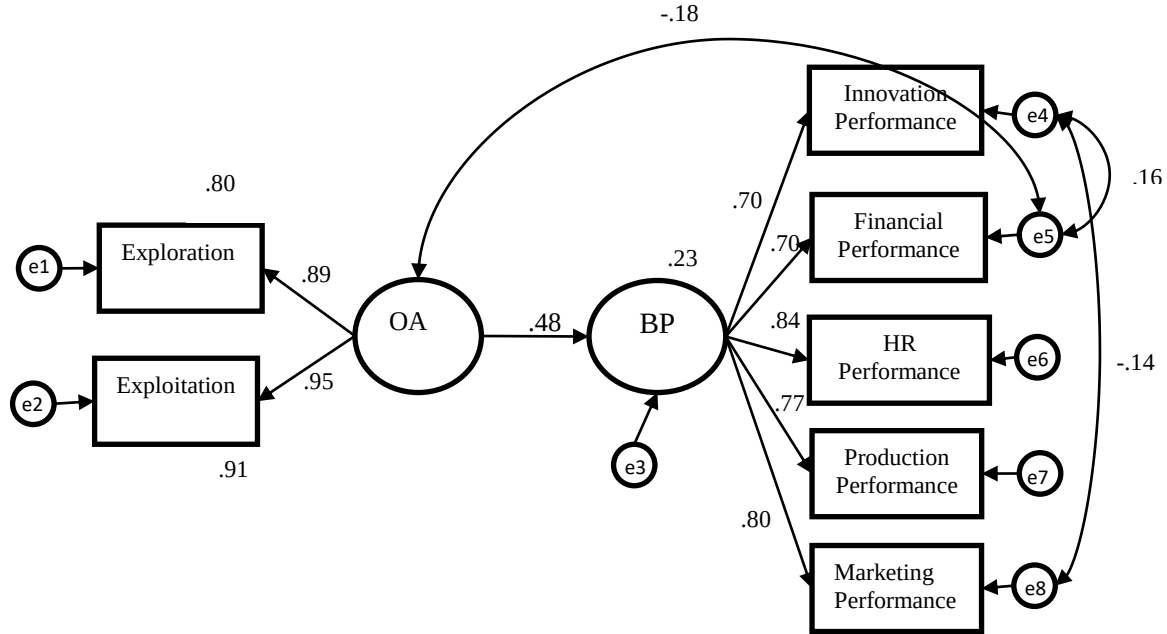
Compared to the regression technique used in cases where the variables are continuous and measurable, more complex techniques are required to analyze a model consisting of other variables known as latent, dimension and structural variables. One of the most important techniques used to combine latent or structural variables is the structural equation model (Randhawa and Ahuja, 2017). Structural equation modeling (SEM) is a multivariate method that can be observed due to a particular theory and defines the relationship between latent variables and causality as a model (Karagöz, 2017). SEM has a wide range of applications as well as economics and social sciences.

SEM has the power to produce complementary effects, which are the final sum of linear and nonlinear effects, rather than the linear regression that shows only linear effects, as well as the linear and nonlinear effects between the interrelated variables (Randhawa and Ahuja, 2017).

Furthermore, SEM provides a framework for a very general and useful statistical analysis that includes a large number of traditional and multivariate analysis methods, including quantitative, regression analysis, discriminant analysis, and canonical correlation analysis in particular cases. The structural equation model is usually visualized by a graphical path diagram. As a statistical model, it is usually represented by a set of matrix equations. The recently developed software enables researchers to present the model in the form of a direct road diagram. For a simple set of models it is convenient to use this way, but for more complex models the situation can be annoying. For this reason, the current SEM software still supports the command or matrix style model specification (Hox and Bechger, 1998). The main reason why SEM, which examines the relationship between the observed variables and latent variables, is being used very frequently in scientific studies is due to the fact that it has a technique that can analyze the relationship between the internal variables and the measurement error between the variables and internal-external variables (Randhawa and Ahuja, 2017).

### ***5.3 Findings and Results***

As a result of the Structural Equation Model established and used to examine the relationship between organizational ambidexterity and business performance, it was determined that there is a statistically significant correlation between organizational ambidexterity and business performance ( $\beta = 0.48$ ,  $p < 0.05$ ). This means that a unit increase in the variable of organizational ambidexterity leads to an increase of 0.48 units in business performance. R<sup>2</sup> of the relation between organizational ambidexterity and business performance is found to be 0.23, which indicates that 23% of the variance in organizational performance would be explained by organizational ambidexterity.



**Model 1:** Business Performance =  $0,48 \times \text{Organizational Ambidexterity} + \varepsilon_1$

OA: Organizational Ambidexterity      BP: Business Performance

Figure 2. Structural Equation Model Examining the Relationship between Organizational Ambidexterity and Business Performance

When the model is examined on the basis of latent variables; it is found that there is a strong and statistically significant relationship between the exploration  $R$  ( $\beta = 0.89$ ,  $p < 0.05$ ) and exploitation dimensions ( $\beta = 0.95$ ,  $p < 0.05$ ), which are the subscales of organizational ambidexterity. Besides, as it is shown in the Model 1, there is a strong positive, and statistically significant relationship between business performance and the market performance ( $\beta = 0.80$ ,  $p < 0.05$ ), human resources performance ( $\beta = 0.84$ ,  $p < 0.05$ ), innovation performance ( $\beta = 0.70$ ,  $p < 0.05$ ), production performance ( $\beta = 0.77$ ,  $p < 0.05$ ) and financial performance ( $\beta = 0.70$ ,  $p < 0.05$ ).

On the other hand, when the consistency values of the model are analyzed, the values of  $X^2 / sd$  ( $2,636 < 3$ ), CFI ( $0,906 > 0,90$ ), GFI ( $0,962 > 0,90$ ) and RMSEA ( $0,060 < 0,08$ ) are obtained, it reveals that the scale is verified and that the observed variables represent the latent variables adequately.

Chart 1. Structural Equation Model for the Relationship between Organizational Ambidexterity and Business Performance

|                      |      |                              | $\beta$ | S.E.  | t      | p   | Standardize $\beta$ | $R^2$ |
|----------------------|------|------------------------------|---------|-------|--------|-----|---------------------|-------|
| Business Performance | <--- | Organizational Ambidexterity | 0,219   | 0,039 | 5,671  | *** | 0,475               | 0,226 |
| Financial            | <--- | Business Performance         | 1,000   |       |        |     | 0,698               | 0,394 |
| Human Resources      | <--- | Business Performance         | 1,483   | 0,117 | 12,635 | *** | 0,835               | 0,697 |
| Production           | <--- | Business Performance         | 1,058   | 0,102 | 10,393 | *** | 0,774               | 0,600 |

|                                                                                                                                             |      |                      |       |       |        |     |       |       |
|---------------------------------------------------------------------------------------------------------------------------------------------|------|----------------------|-------|-------|--------|-----|-------|-------|
| Marketing                                                                                                                                   | <--- | Business Performance | 1,109 | 0,106 | 10,512 | *** | 0,800 | 0,639 |
| Innovation                                                                                                                                  | <--- | Business Performance | 1,537 | 0,108 | 14,248 | *** | 0,697 | 0,485 |
| Exploitation                                                                                                                                | <--- | Business Performance | 1,006 | 0,071 | 14,202 | *** | 0,952 | 0,906 |
| Exploration                                                                                                                                 | <--- | Business Performance | 1,000 |       |        |     | 0,894 | 0,800 |
| $\chi^2/df=2,636$ ; CFI=0,906; GFI=0,962; RMSEA=0,06<br>***It shows that the variables are statistically significant at the level of 0,001. |      |                      |       |       |        |     |       |       |

## 6. Conclusion

The purpose of this study is to analyze the relationship between organizational ambidexterity and business performance of family businesses by using structural equation model. Accordingly it is derived from the analysis that there is positive and statistically significant correlation between organizational ambidexterity and business performance. From this point of view, when the organizational ambidexterity level of any business was increased, its business performance was also affected positively; however, in the case of a declining level of OA, business performance will be affected negatively. The most important contribution of this study to the existing literature is that it enables us to analyze the sub-dimensions of the variables with the help of the Structural Equation Modeling which is used in the research model. In this respect, future studies can make additional contributions to the literature to by effectively focusing on the different business sectors (sectoral analysis) in order to get more specific results, or by concentrating separately on small, medium and large enterprises.

This study also aims to contribute to the professional life of family business members. The findings of this study, in which the mediator role between organizational ambidexterity and family influence is analyzed, are parallel with the findings of many previous studies. Accordingly, increasing the level of organizational ambidexterity taking into consideration the specific family dynamics of each family business affects the performance of the business positively. Therefore, it is important to increase the organizational ambidexterity levels of the family businesses, to determine which ambidexterity type is more suitable for the family business and to restructure the family business accordingly. As it is seen in this model, the performance dimension that has the greatest impact on the business performance is human resources performance. Hence, proper human resources practices and performance management as well as getting consultancy services from professionals particularly in the area of succession planning and family constitution are important for the family businesses which have achieved a certain scale and complexity.

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