Spotlight
by CeFEO

Can family businesses truly balance profit, purpose, and sustainability?

How can family firms master ambidextrous strategies for long-term success?

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Sustainability challenges have pushed businesses into uncharted waters, especially family-owned hybrid organizations operating at the intersection of public mission and private market logic. How do these businesses balance the profit imperative with social equity and environmental stewardship?

In family firms, this tension is even sharper. Emotional attachment, legacy concerns, and generational shifts make balancing short-term returns and long-term societal impact complex. Using evidence from Sweden's municipal housing corporations—classic examples of hybrid organizations—this article examines how family-influenced businesses can manage these contradictions. By embracing *ambidextrous sustainability* and refining internal structures, family firms can move beyond survival and thrive in the age of sustainability.

WHAT WE STUDIED

The researchers conducted a comprehensive study involving:

- **Survey responses** from 141 municipal housing corporations, focusing on executives' views on sustainability strategy and organizational structures.
- **Archival financial and non-financial data** reflecting real-world outcomes in financial, social, and environmental performance.
- **In-depth interviews** with board members, CEOs, and CFOs.
- **Observation of board and management meetings** to capture everyday organizational dynamics.

The research specifically examined how aligning exploration (future innovation) and exploitation (present optimization) affects performance and how two critical structural elements—**centralization** and **connectedness**—influence this relationship.

KEY INSIGHTS

1. Ambidextrous Sustainability Boosts Financial and Social Performance

Organizations that balance **explorative** sustainability initiatives (like new eco-friendly technologies) with **exploitative** ones (like improving efficiency in existing operations) achieved:

- **Better financial results**, albeit modestly.
- **Stronger social performance**, such as offering more affordable housing.

For family businesses, this finding underscores that pursuing sustainability isn't a distraction from profits—it's an enhancer, particularly when social responsibility is part of the brand identity.

2. Over-Connectedness Can Backfire

Contrary to expectations, high **informal connectedness**—lots of hallway talk, easy access across ranks—**weakened** the positive impact of ambidextrous sustainability on financial performance.

This suggests that while strong family bonds and informal networks are assets, **too much informality** can slow decision-making and blur priorities, especially in strategic sustainability initiatives.

3. Centralization Hurts Financial Agility

Highly centralized organizations (where decisions funnel through top executives) struggled with financial outcomes. Without flexibility at lower levels,

organizations couldn't adapt sustainability strategies quickly enough to seize financial opportunities.

For family firms, where decision-making can often stay "at the top" with senior family members, decentralization emerges as a critical lever for improving sustainability-related financial performance.

4. Environmental Performance Requires a Longer View

Interestingly, there was **no direct link** between ambidextrous sustainability and immediate environmental outcomes. This suggests:

- External regulations standardize environmental performance across the industry.
- Environmental gains manifest more slowly over time.

Family businesses should treat environmental strategies as **long-term investments** rather than expecting short-term financial rewards.

TAKEAWAYS

Balance Dual Strategies Deliberately

Family firms must foster both **operational excellence today** and **sustainability innovation for tomorrow**. Overweighting either side can lead to the "success trap" (short-term gains but stagnation) or the "failure trap" (future readiness but current decline).

Formalize Decision-Making Channels

Strong family ties and informal communication are advantages, but strategic sustainability initiatives demand **structured, transparent processes**. Clear roles, documented goals, and formal review points prevent mission drift.

Empower the Next Generation and Local Leaders

Pushing authority down to **younger family members** and **local managers** fosters responsiveness and diverse ideas—critical for driving both environmental and social innovation.

Invest in Environmental Sustainability with Patience

View environmental strategies as **strategic positioning** for long-term viability rather than expecting immediate returns. Regulatory and societal pressures will continue to favor firms that lead in this area.

IMPACT

This study shifts the conversation for family businesses: **Sustainability and profitability are not opposing goals**, but managing them requires both strategic ambidexterity and smart internal structuring.

For family firms navigating intergenerational transitions, global competition, and rising ESG (Environmental, Social, Governance) expectations, the message is clear:

Structure your family business like a hybrid athlete—strong today, agile for tomorrow.

As sustainability demands grow, firms that master ambidextrous sustainability will not only survive but become the role models and market leaders of their industries.

RECOMMENDATIONS FOR FAMILY FIRMS

To successfully navigate the complexities of balancing financial, social, and environmental goals, family businesses should focus on five key areas:

1. Strategy Development: Family firms should deliberately craft dual sustainability strategies—one that enhances current operational efficiency (exploitation) and another that invests in future innovations (exploration). This dual approach ensures the business remains competitive today while building resilience for tomorrow.

2. Organizational Structure: While strong family ties and informal networks are valuable, family firms must establish formalized structures for sustainability initiatives. Setting up dedicated sustainability committees, formal reporting lines, and accountability mechanisms can help ensure that strategic sustainability goals are not lost in informal conversations.

3. Leadership Development: Empowering the next generation of family members and non-family managers is critical. They should be trained to navigate both market-driven and mission-driven logics, embracing ambidextrous thinking that balances financial goals with broader societal impacts.

4. Performance Measurement: Family firms should develop performance metrics that distinguish between short-term financial outcomes and long-term sustainability achievements. Measuring social and environmental impacts over longer periods helps align organizational focus with broader legacy-building goals.

5. Stakeholder Engagement: Actively engaging a broad set of stakeholders—including tenants, employees, regulators, and community members—helps family firms stay attuned to evolving expectations. This collaborative approach can uncover new opportunities and reinforce the firm's legitimacy in both markets and communities.

By following these recommendations, family businesses can better balance profitability, social good, and environmental responsibility—ensuring a

sustainable and enduring legacy for generations to come.

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