

BALANCING TRADITION AND INNOVATION IN FAMILY-OWNED BUSINESSES: INNOVATION AMBIDEXTERITY

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Abstract. This study examines how family-owned businesses pursue innovation ambidexterity while preserving the traditions, values, and socioemotional commitments that often define family enterprise identity. Drawing on a structured literature review of family business, organizational ambidexterity, innovation, governance, and succession literature, the paper uses thematic analysis to synthesize recurring challenges, enabling strategies, and organizational outcomes. The analysis identifies three interrelated theme clusters. First, family firms face innovation constraints associated with resistance to change, intergenerational tension, concentrated decision authority, communication complexity, limited external knowledge flows, and resource allocation concerns. Second, successful innovation ambidexterity is supported by strategic visionary leadership, adaptive governance, external partnerships, research and development investment, innovation-oriented succession planning, human capital development, and the effective use of social capital. Third, innovation contributes to competitiveness, resilience, cultural renewal, and long-term continuity when it is integrated with rather than detached from family identity. The study contributes a synthesized framework for understanding innovation ambidexterity in family-owned businesses and offers practical recommendations for aligning tradition with strategic renewal.

Keywords: *Family-owned businesses, innovation ambidexterity, organizational dynamics, sustainability, tradition and innovation.*

JEL Classification: M10, M14, L26, O32

INTRODUCTION

Family-owned businesses represent a substantial and distinctive form of enterprise because ownership, governance, management, and identity are often intertwined across generations. Their economic importance is accompanied by organizational characteristics that differentiate them from widely held or professionally managed firms, including long-term orientation, family-centered goals, relational trust, concentrated control, and concern for legacy (Astrachan & Shanker, 2003; Denison et al., 2004; Gomez-Mejia et al., 2011). These characteristics can provide stability and commitment, yet they can also complicate adaptation when firms face technological disruption, changing customer expectations, international competition, and new forms of organizational capability.

For this reason, the study of innovation in family-owned businesses requires more than a general application of innovation theory. It requires attention to the ways family identity, tradition, succession, and governance shape the willingness and capacity of the firm to change.

The central theoretical concern of this paper is innovation ambidexterity, commonly understood as the ability to exploit existing competencies while exploring new opportunities (March, 1991; O'Reilly & Tushman, 2013). Exploitation emphasizes refinement, efficiency, continuity, and the use of established capabilities, whereas exploration emphasizes experimentation, search, discovery, and adaptation. Ambidexterity has become an important construct in organizational research because long-term competitiveness often depends on the simultaneous management of both modes of activity (Gibson & Birkinshaw, 2004; Jansen et al., 2006; Lavie et al., 2010). In family-owned businesses, however, the exploration-exploitation tension is intensified by the presence of tradition. What may appear as inertia from the outside may function internally as identity, stewardship, and intergenerational responsibility. Likewise, innovation may be viewed not only as a strategic opportunity but also as a potential threat to accumulated family meaning and control.

This tension creates a paradox at the center of family business innovation. Tradition can restrict change when it encourages excessive attachment to established practices, discourages outside perspectives, or privileges family harmony over strategic debate. At the same time, tradition can become a resource for innovation when it provides reputation, patient capital, craft knowledge, shared purpose, and strong stakeholder relationships (De Massis et al., 2016; Miller & Le Breton-Miller, 2006). Innovation in family firms therefore should not be framed simply as a movement away from tradition. Rather, the strategic question is how family firms can translate inherited strengths into adaptive capacity without undermining the cultural foundation that gives the organization coherence.

Prior research has examined family business governance, socioemotional wealth, entrepreneurial orientation, succession, and organizational innovation, but these streams are often treated separately. Studies have shown that family firms may be more cautious in risk-taking because of concerns over control and legacy (Gomez-Mejia et al., 2011; Naldi et al., 2007), yet they may also display strong long-term commitment and distinctive resource advantages when leaders integrate family values with strategic renewal (Chirico & Salvato, 2008; Kotlar & De Massis, 2013). The present paper builds on these insights by synthesizing the literature around a focused question: how can family-owned businesses achieve innovation ambidexterity while balancing the preservation of tradition with the need for innovation to sustain competitive advantage?

The paper contributes to the family business and innovation literature in three ways. First, it integrates organizational ambidexterity with family firm research to clarify why the exploration-exploitation balance is uniquely complex in family-owned enterprises. Second, it identifies recurring themes concerning barriers, strategies, and outcomes associated with innovation ambidexterity in family firms. Third, it develops practical implications for leadership, governance, succession, culture, and external knowledge acquisition. The remainder of the paper presents

the methods and procedures used for the literature review and thematic analysis, summarizes the resulting themes, and discusses implications for family-owned businesses and future research.

1. LITERATURE REVIEW

Innovation ambidexterity is rooted in the broader organizational learning distinction between exploitation and exploration. Exploitation refers to the refinement, extension, and efficient use of existing capabilities, while exploration refers to experimentation, search, variation, and the pursuit of new knowledge (March, 1991). Later scholarship reframed this tension as an organizational capability: firms must protect current performance while simultaneously preparing for future change (Gibson & Birkinshaw, 2004; O'Reilly & Tushman, 2013). This dual requirement is especially salient in turbulent environments, where firms that overemphasize exploitation may become rigid, while those that overemphasize exploration may sacrifice operational discipline and continuity (Jansen et al., 2006; Lavie et al., 2010).

Family-owned businesses complicate this ambidexterity challenge because ownership, governance, identity, and long-term stewardship are often closely connected. Unlike many non-family firms, family enterprises frequently derive advantage from continuity, shared values, patient capital, social ties, and a long-term orientation (Astrachan & Shanker, 2003; Denison et al., 2004; Habbershon et al., 2003). These characteristics can strengthen commitment and resilience, but they can also make strategic renewal more difficult when established routines become associated with family identity or legacy. In this sense, tradition is not merely a barrier to innovation; it is also a resource that may provide legitimacy, cultural coherence, and distinctive capabilities when managed strategically.

The family business literature therefore presents innovation as a paradox rather than a simple choice between old and new. Socioemotional wealth theory suggests that family firms often seek to preserve nonfinancial goals such as family control, identity, reputation, and intergenerational continuity (Gomez-Mejia et al., 2011). These priorities can reduce willingness to pursue risky innovations, particularly when innovation threatens family authority, established routines, or inherited meanings. At the same time, family influence may encourage distinctive forms of innovation because families have a strong incentive to protect the firm's future across generations. De Massis et al. (2016) describe this possibility as innovation through tradition, in which family firms use historical knowledge, craft, reputation, and identity as foundations for renewal rather than treating tradition as something to be abandoned. Similarly, Erdogan et al. (2020) show that family imprinting can shape how firms manage the tradition-innovation paradox across generations.

Prior research also highlights several conditions that influence whether family firms are able to innovate ambidextrously. Governance structures affect how family members evaluate opportunities, resolve conflict, and allocate resources (Chrisman et al., 2004; Zellweger et al., 2012). Social capital can support trust and knowledge sharing, but excessive reliance on internal networks may limit exposure to external ideas (Astrachan & Shanker, 2003; Del Vecchio et al., 2019). Entrepreneurial

orientation and risk-taking may improve innovation performance, yet family firms may vary considerably in their tolerance for uncertainty (Naldi et al., 2007). Human capital and dynamic capabilities are also central because innovation requires not only commitment from the family but also managerial skills, learning capacity, and the ability to reconfigure resources as markets change (Chirico & Salvato, 2008; Hennart et al., 2019).

Recent research extends these established dynamics into digital transformation and knowledge-based innovation. Bornhausen and Wulf (2024) show that non-family managers can strengthen digital innovation when they are granted sufficient discretion, while transgenerational control intentions shape the extent to which that expertise can be used. Hernández-Perlines et al. (2024), using data from 156 family firms, likewise find that entrepreneurial orientation and absorptive capacity jointly strengthen innovative capacity. These findings make the external-knowledge challenge more concrete: family firms may need access to digital expertise, data-driven decision processes, professional non-family management, collaborative R&D relationships, and routines for recognizing and assimilating external knowledge.

Artificial intelligence and sustainability innovation further broaden the contemporary ambidexterity challenge. Daskalopoulos and Machek (2025) find that AI adoption supports organizational ambidexterity both directly and through more comprehensive decision-making, with family involvement not significantly weakening these effects. Sustainability research reveals a similarly contingent pattern. Ferri et al. (2024) show that intra-family succession can motivate eco-innovation through environmental consciousness and community orientation, while Gutuleac et al. (2025) argue that family governance can both inhibit and enable sustainable innovation. Barguilla Sanclaudio et al. (2025) further report that environmental and social ESG practices are positively associated with innovation and that these effects are particularly strong in family firms. Together, these studies suggest that the tradition-innovation paradox now encompasses not only products and processes but also digital capabilities, AI-enabled decision-making, and sustainability-oriented renewal.

Taken together, the literature indicates that innovation ambidexterity in family-owned businesses depends on the ability to convert tradition from a constraint into a strategic asset. The most relevant studies do not suggest that family firms must choose between preserving legacy and pursuing renewal. Instead, they point toward a more nuanced process in which leadership, governance, culture, succession planning, external knowledge flows, and increasingly digital and sustainability capabilities shape how exploitation and exploration are balanced. This review provides the conceptual foundation for the thematic analysis that follows by identifying the recurring challenges, strategies, and outcomes associated with innovation ambidexterity in family-owned businesses.

2. METHODOLOGY

This study employed a structured literature review and thematic analysis to examine innovation ambidexterity within family-owned businesses. The review was designed to capture scholarship at the intersection of family business, organizational ambidexterity, innovation management, governance, succession, and strategic adaptation. Searches were conducted primarily across Google Scholar, university library databases, EBSCO, JSTOR, and Scopus. These sources were selected because they provide broad coverage of peer-reviewed scholarship relevant to family firms, innovation, organizational change, entrepreneurship, and strategy.

The search strategy was organized around three concept clusters. The first cluster, labeled core paradox, included the terms “innovation ambidexterity,” “exploration vs exploitation,” “tradition and innovation,” “strategic renewal,” and “innovation through tradition.” The second cluster, labeled family firm dynamics, included “family-owned business,” “family enterprise,” “socioemotional wealth,” “family imprinting,” “intergenerational succession,” and “founder legacy.” The third cluster, labeled enabling mechanisms, included “adaptive governance,” “non-family executives,” “absorptive capacity,” “external knowledge flows,” “open innovation in family firms,” and “familiness.” These terms were searched individually and in Boolean combinations to identify scholarship addressing both innovation and family business dynamics rather than either topic in isolation. Example search combinations included “family-owned business” AND “innovation ambidexterity,” “family enterprise” AND “strategic renewal,” “socioemotional wealth” AND “innovation,” “family imprinting” AND “innovation,” and “open innovation in family firms” AND “governance”.

The primary database search used 2000 through 2025 as an eligibility window rather than implying that studies were retained from every year in that period. The primary thematic sample was defined through the initial screening and full-text coding process and comprised 16 studies published from 2003 through 2023; March (1991) was retained as a foundational exception because it established the exploration-exploitation framework underlying organizational ambidexterity. The inclusion criteria required that sources address family-owned businesses or family firms and make a substantive contribution to understanding innovation, ambidexterity, governance, succession, organizational adaptation, or related mechanisms relevant to balancing tradition and innovation. Both conceptual and empirical studies were considered, including qualitative, quantitative, and mixed-methods research, because the aim of the study was to synthesize a broad scholarly conversation and identify recurring thematic patterns. Peer-reviewed journal articles were prioritized, although a limited number of foundational scholarly book chapters were retained where they were widely cited and conceptually important. A separate supplementary recency search targeted literature published in 2024 and 2025 to assess whether emerging work on digital transformation, AI adoption, absorptive capacity, and sustainability innovation extended or challenged the established thematic interpretation. Because this supplementary search was designed as a recency check after the primary analytic corpus had been defined and coded, the 2024–2025 studies were used to contextualize the literature review and

Discussion rather than added to the primary 16-study thematic sample. Incorporating them into the primary sample would have required reopening eligibility screening and rerunning the complete coding process across the full record set to preserve a consistent analytic procedure.

Sources were excluded when they focused on innovation without substantive connection to family business, addressed family business without meaningful relevance to innovation or strategic renewal, appeared only as abstracts or non-scholarly commentary, or lacked sufficient conceptual or empirical detail to support thematic synthesis. Full-text availability was required for inclusion in the final thematic analysis. Full text did not have to be openly accessible; subscription-based articles were accessed through university library databases, and items not immediately available were obtained through interlibrary loan. Full texts were available to the author for all 16 studies included in the thematic analysis. Following search refinement and removal of duplicate or clearly irrelevant records, 42 relevant articles were retained for closer review and subsequent screening. These records were screened by title, abstract, and full-text relevance. Following this screening process, 16 articles were retained for the final thematic analysis because they most directly addressed innovation ambidexterity, the tension between tradition and innovation, and the organizational conditions shaping adaptive capacity in family-owned businesses.

Thematic analysis was used to synthesize the selected literature. The process involved repeated reading of the retained studies, initial code generation, comparison across sources, and the development of broader themes. Coding was both deductive and inductive. Deductive coding was informed by established constructs in the literature, including exploration, exploitation, governance, succession, socioemotional wealth, resistance to change, external knowledge flows, and organizational culture. Inductive coding allowed additional themes to emerge from the retained studies, particularly around family identity, intergenerational tension, founder legacy, innovation-oriented leadership, and the role of non-family expertise. This process resulted in three interrelated thematic clusters: constraints on innovation, enabling strategies for innovation ambidexterity, and organizational outcomes associated with integrating tradition and innovation. Figure 1 maps the complete review sequence. Its first four stages show how the primary 16-study analytic sample was constructed and coded, while the final stage represents the separate 2024–2025 recency search used to assess the currency and applicability of the established themes.

This separation is important for interpreting the study: the Results report themes derived only from the 16-study primary sample, whereas the 2024–2025 studies are used in the literature review and Discussion to compare those themes with recent developments in digital transformation, artificial intelligence, absorptive capacity, and sustainability innovation.

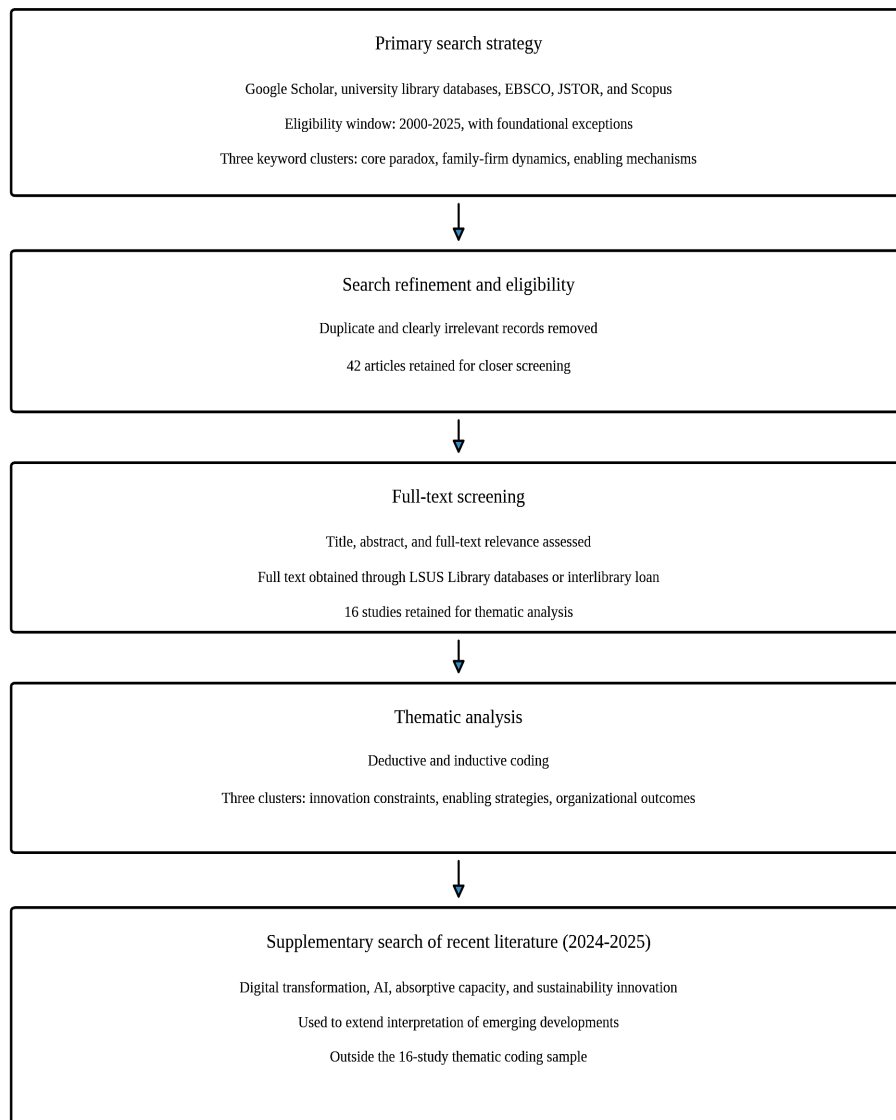


Fig. 1. Research Design and Review Process

Several limitations should be acknowledged. Although the review followed a transparent and structured search process, the study does not claim exhaustive coverage of all possible family business and innovation publications. Thematic analysis also involves interpretive judgment, and the exclusion of non-English sources may limit the global breadth of the synthesis. In addition, family-owned businesses differ across industries, institutional settings, and generational stages; therefore, the themes identified here should be understood as a synthesized representation of the literature rather than a universally fixed model.

3. RESULTS

Consistent with the analytic sequence shown in Figure 1, the Results report only the thematic analysis of the 16-study primary sample. That analysis produced three interrelated clusters of findings: constraints on innovation, enabling strategies for innovation ambidexterity, and organizational outcomes associated with integrating tradition and innovation. Rather than portraying family firms as either inherently innovative or inherently resistant to change, the literature presents innovation ambidexterity as a contingent organizational capability shaped by governance, succession, family identity, knowledge access, and leadership interpretation.

The first thematic cluster concerns the constraints that make innovation ambidexterity difficult in family-owned businesses. Resistance to change was one of the most consistent barriers across the retained studies. In family firms, routines often carry symbolic meaning because they are tied to founder legacy, family identity, and prior organizational success. Innovation proposals may therefore be interpreted not merely as strategic alternatives, but as threats to continuity, inherited wisdom, or family control. From this perspective, resistance is often culturally and relationally embedded rather than simply operational.

A second recurring constraint involved intergenerational dynamics. Succession periods intensify the tension between exploitation and exploration because incoming leaders may advocate strategic renewal while senior generations emphasize preservation of established practices and meanings. Succession therefore becomes not only a transfer of authority but also a contested moment in which family members renegotiate what continuity should mean. The literature also identified communication complexity and concentrated decision-making structures as barriers to innovation. Because family and business relationships overlap, disagreements about innovation can become emotionally charged and difficult to separate from hierarchy, loyalty, or historical conflict. Innovation may stall when decision authority is overly concentrated or when strategic debate is muted by status differences within the family system.

The literature also identified limited external knowledge access and cautious resource allocation as recurring constraints. Although family firms often benefit from trust-based internal networks, those same networks can narrow exposure to external perspectives, emerging technologies, and professionalized management practices. In practical terms, this may include limited access to digital expertise, external R&D partners, non-family managerial knowledge, market intelligence, and routines needed to recognize and assimilate outside knowledge. Innovation may therefore suffer when the firm becomes overly inward-looking or too dependent on inherited routines. Similarly, concern for preserving family wealth and continuity may limit willingness to commit resources to exploratory initiatives. Together, these constraints suggest that the challenge is not simply whether family firms choose innovation, but whether they create conditions in which exploration can occur without being interpreted as abandonment of family legacy.

Table 1. Challenges in Innovation for Family-Owned Businesses

Challenge	Key issue	Strategic implication	Illustrative supporting literature
Resistance to change	Established routines, founder legacy, and family identity may create reluctance to alter inherited practices.	Frame innovation as a means of preserving long-term continuity rather than rejecting tradition.	Gomez-Mejia et al. (2011); Naldi et al. (2007); De Massis et al. (2016)
Intergenerational dynamics	Successors must balance respect for family values with the need to respond to changing markets, technologies, and customer expectations.	Integrate innovation into succession planning, mentoring, and next-generation leadership development.	Erdogan et al. (2020); Kotlar & De Massis (2013); Chirico & Salvato (2008)
Communication complexity	Overlap between family and business relationships may make disagreement over innovation more emotionally charged and difficult to resolve.	Create formal forums for strategic dialogue, feedback, and conflict resolution.	Chrisman et al. (2004); Zellweger et al. (2012); Sirmon et al. (2007)
Power structures and decision-making	Concentrated family authority may slow innovation decisions or privilege status and tradition over strategic evidence.	Use adaptive governance structures, clearer role definitions, and outside expertise to improve decision quality.	Chrisman et al. (2004); Zellweger et al. (2012); Kotlar & De Massis (2013)
Tradition-innovation conflict	Family members may disagree over whether change strengthens or threatens the firm's identity and legacy.	Connect innovation initiatives to stewardship, continuity, and shared family purpose.	De Massis et al. (2016); Erdogan et al. (2020); Gomez-Mejia et al. (2011)
Limited external perspectives	Heavy reliance on internal networks may restrict access to new knowledge, technologies, and managerial practices.	Develop partnerships, advisory relationships, and industry networks to broaden learning and exploration.	Del Vecchio et al. (2019); Hennart et al. (2019); Bannò & Sgobbi (2016)
Resource allocation constraints	Innovation may be constrained by caution in deploying capital, especially when family wealth preservation and continuity concerns are salient.	Establish explicit innovation investment criteria and balance exploratory spending with operational stability.	Gomez-Mejia et al. (2011); Naldi et al. (2007); Miller & Le Breton-Miller (2006)

The second thematic cluster concerns the strategies that enable innovation ambidexterity in family-owned businesses. One of the strongest patterns in the retained studies was the importance of strategic visionary leadership. Innovation gained greater legitimacy when leaders framed it as a vehicle for continuity, stewardship, and long-term relevance rather than as a break from the past. In family firms, leadership is therefore not only about promoting new initiatives but also about interpreting tradition in ways that make adaptive change legitimate. This

framing allows innovation to be understood as a means of extending the family enterprise rather than weakening it.

A second enabling strategy involved adaptive governance structures. Family firms were better able to balance exploitation and exploration when governance systems created room for evidence-based evaluation, external advice, and more formalized strategic discussion. Advisory boards, clearer role definitions, non-family managerial involvement, and more structured succession processes appear especially valuable in reducing the tendency for innovation decisions to be shaped solely by informal hierarchy or family influence. The literature also emphasized the value of external partnerships, knowledge acquisition, and diversification. Collaborations with outside stakeholders, including consultants, suppliers, customers, universities, and professional networks, help family firms expand exploratory capacity while retaining control over identity-relevant decisions.

The retained studies further indicate that investment in research and development, human capital, and innovation-oriented succession planning supports ambidexterity. Family firms are more likely to sustain renewal when they invest in managerial learning, successor preparation, professional development, and experimentation. Innovation capacity depends not only on financial resources but also on absorptive capacity, learning culture, and leaders able to connect inherited family values with emerging market opportunities. Culture, talent development, and social capital therefore function as enabling conditions rather than as passive background characteristics.

Table 2. Strategies Employed by Family-Owned Businesses

Strategy	Purpose	Practical application	Illustrative supporting literature
Strategic visionary leadership	Aligns family values with a forward-looking innovation agenda.	Communicate innovation as part of the firm's long-term identity and competitive future.	Chirico & Salvato (2008); De Massis et al. (2016); Erdogan et al. (2020)
Adaptive governance structures	Balances family influence with timely, evidence-based strategic decision-making.	Use advisory boards, committees, non-family executives, or outside expertise to support innovation decisions.	Chrisman et al. (2004); Zellweger et al. (2012); Kotlar & De Massis (2013)
External partnerships and diversification	Introduces new knowledge beyond the firm's traditional family boundaries.	Pursue collaborations with suppliers, customers, universities, consultants, and industry groups.	Del Vecchio et al. (2019); Hennart et al. (2019); Bannò & Sgobbi (2016)
Investment in research and development	Supports exploration of new products, processes, and market opportunities.	Dedicate resources to experimentation while maintaining core operational strengths.	Yin et al. (2023); Jansen et al. (2006); Lavie et al. (2010)
Culture of innovation	Encourages creativity, learning, calculated risk-taking, and openness to change.	Reward constructive experimentation and treat failure as a source of learning.	Denison et al. (2004); Birdthistle (2008); Wu et al. (2019)

Strategy	Purpose	Practical application	Illustrative supporting literature
Succession with an innovation lens	Ensures leadership continuity while developing adaptive capability in the next generation.	Evaluate successors for innovation readiness as well as commitment to family values.	Erdogan et al. (2020); Kotlar & De Massis (2013); Chirico & Salvato (2008)
Human capital development	Strengthens the managerial and organizational capacity needed for innovation.	Invest in professional development, cross-generational mentoring, and managerial learning.	Habbershon et al. (2003); Bannò & Sgobbi (2016); Birdthistle (2008)
Social capital utilization	Leverages trusted internal and external relationships to support renewal and learning.	Use family reputation, stakeholder trust, and external networks to access knowledge and opportunities.	Astrachan & Shanker (2003); Habbershon et al. (2003); Del Vecchio et al. (2019)

Taken together, these strategies suggest that family firms achieve ambidexterity not by abandoning tradition, but by building leadership, governance, and learning structures that turn tradition into a platform for renewal.

The third thematic cluster concerns the outcomes associated with successful innovation ambidexterity. When family firms effectively connect tradition and renewal, the result is not merely greater innovation in a narrow sense, but a broader pattern of cultural alignment, competitiveness, continuity, resilience, and adaptive learning. Cultural alignment occurs when innovation is interpreted as consistent with family purpose and organizational identity rather than as an externally imposed disruption. Under those conditions, employees and family members are more likely to support experimentation and strategic renewal. At the same time, innovation enhances competitiveness by allowing family firms to adapt products, services, and processes to changing market conditions while retaining the relational strengths associated with family ownership.

The literature also suggests that innovation ambidexterity contributes to continuity and resilience by enabling firms to preserve what is most valuable in the family enterprise while adapting to uncertainty and disruption. In this way, innovation does not replace tradition; it helps sustain the organization across generations. Several studies further indicate that successful family firms develop stronger learning and adaptive capacity, using external knowledge, managerial development, and strategic reflection to reinterpret legacy assets as foundations for future growth. Innovation ambidexterity in family-owned businesses is therefore best understood as a dynamic capability rooted in the strategic management of paradox rather than in the rejection of tradition.

Table 3. Outcomes and Impacts of Innovation in Family Firms

Dimension	Key indicators	Strategic significance	Illustrative supporting literature
Cultural alignment	Innovation is integrated into organizational values; employees and family members are encouraged to contribute ideas; communication channels support experimentation.	Innovation is more likely to endure when it is interpreted as consistent with family identity rather than as a break from it.	De Massis et al. (2016); Denison et al. (2004); Wu et al. (2019)
Enhanced competitiveness	The firm adapts products, services, processes, and market responses to changing conditions; innovation supports long-term positioning and continuous improvement.	Innovation ambidexterity strengthens the firm's ability to compete while preserving core capabilities.	Jansen et al. (2006); O'Reilly & Tushman (2013); Yin et al. (2023)
Continuity and resilience	Innovation strengthens the firm's ability to navigate uncertainty, sustain operations, and preserve legacy while responding to disruption.	Innovation becomes a mechanism of long-term survival rather than a threat to continuity.	Miller & Le Breton-Miller (2006); Chirico & Salvato (2008); Hennart et al. (2019)
Learning and adaptive capacity	The firm improves its ability to absorb knowledge, revise routines, and respond strategically to new conditions.	Adaptive learning helps family firms balance exploitation of current strengths with exploration of future opportunities.	Lavie et al. (2010); Del Vecchio et al. (2019); Habbershon et al. (2003)
Strategic renewal	Family firms reinterpret legacy assets, reputation, and inherited strengths as platforms for future innovation.	Renewal allows the firm to evolve without severing ties to tradition.	De Massis et al. (2016); Erdogan et al. (2020); March (1991)

Overall, the three thematic clusters suggest that innovation ambidexterity in family-owned businesses depends less on choosing between preservation and change than on developing organizational mechanisms that allow both to coexist productively. Family firms are most likely to sustain this balance when leadership, governance, succession, and knowledge acquisition practices enable tradition to function as a strategic resource for renewal rather than as a constraint on adaptation.

4. DISCUSSION

The findings indicate that innovation ambidexterity in family-owned businesses is best understood as a paradox-management capability. Family firms must preserve the identity, values, and legacy that give the enterprise continuity while also adapting the business to changing technologies, markets, and competitive conditions. The literature does not suggest that family firms must choose between tradition and innovation. Instead, it shows that the central strategic

challenge is determining which traditions operate as enduring strengths and which have become constraints on renewal. This interpretation is consistent with De Massis et al. (2016), who conceptualize tradition as a potential source of innovation, and Erdogan et al. (2020), who show that family imprinting shapes how firms negotiate the tradition-innovation paradox. The present synthesis extends these arguments by identifying governance, succession, external knowledge access, and leadership interpretation as interconnected mechanisms through which tradition is translated into either constraint or adaptive capability.

One of the most important implications of the review is that innovation in family firms is shaped not only by economic calculation but also by meaning. In these organizations, routines, governance arrangements, and strategic preferences often carry symbolic significance because they are connected to founder legacy, family identity, and intergenerational stewardship. This finding is consistent with socioemotional wealth research showing that family firms protect control, identity, and continuity alongside financial goals (Gomez-Mejia et al., 2011) and with evidence that family firms may exhibit distinctive risk-taking patterns (Naldi et al., 2007). More recent digital innovation research qualifies a simple resistance narrative. Bornhausen and Wulf (2024) show that non-family managerial expertise can strengthen digital innovation when family owners provide sufficient discretion. Family influence can therefore constrain exploration through control preservation while also enabling renewal when outside expertise is integrated without threatening core identity.

A second implication concerns the role of leadership and governance. The findings consistently suggest that family firms are better able to manage the exploration-exploitation tension when leaders communicate a clear strategic rationale for renewal and when governance structures support more transparent, evidence-based decision-making. This pattern is consistent with earlier work showing that governance affects resource allocation, conflict resolution, and commitment to family-centered goals (Chrisman et al., 2004; Kotlar & De Massis, 2013). Recent sustainability research deepens this conclusion. Gutuleac et al. (2025) find that family governance can both inhibit and foster sustainable innovation and identify shadow boards composed of younger employees or external experts as an emerging mechanism for broadening strategic input. The present synthesis therefore suggests that adaptive governance is not simply a matter of formalization; it is a means of widening expertise and strategic debate while preserving meaningful family voice.

The review also highlights the importance of succession and knowledge acquisition. Succession should not be treated only as a transfer of ownership or positional authority. It is also a moment when the firm's future orientation is renegotiated. This interpretation is consistent with Ferri et al. (2024), who find that intra-family succession can stimulate eco-innovation by fostering environmental consciousness, community engagement, and future-oriented responsibility. The knowledge-acquisition theme is also reinforced by Hernández-Perlines et al. (2024), whose study of 156 family firms finds that entrepreneurial orientation and absorptive capacity jointly strengthen innovative capacity. These newer studies clarify what external knowledge access means in practice: family firms benefit from

routines that help them recognize, assimilate, transform, and apply outside knowledge rather than merely accumulating external contacts.

Digital transformation, artificial intelligence, and sustainability innovation further illustrate how the contemporary family firm must manage ambidexterity. Daskalopoulos and Machek (2025) find that AI adoption fosters ambidexterity directly and indirectly through more comprehensive decision-making, while family involvement does not significantly weaken that relationship. This suggests that preserving family identity need not be incompatible with AI-enabled strategic renewal. Sustainability research points in the same direction: Barguilla Sanclaudio et al. (2025) report that environmental and social ESG practices are positively associated with innovation and that family ownership can strengthen these relationships. Together with the eco-innovation findings of Ferri et al. (2024) and the governance review of Gutuleac et al. (2025), these studies reinforce the present review's central conclusion: family influence is neither uniformly restrictive nor uniformly enabling. Its effect depends on how governance, succession, decision processes, and knowledge capabilities are configured.

For practitioners, the practical message is straightforward: family firms are more likely to innovate successfully when they avoid framing renewal as a rejection of legacy. Innovation efforts should instead be connected to stewardship, long-term survival, service quality, reputation, craftsmanship, or the founder's entrepreneurial spirit. This does not eliminate the need for difficult strategic choices, and some inherited practices may no longer serve the organization well. However, the literature suggests that innovation becomes more sustainable when it is integrated into the family firm's sense of purpose rather than presented as an externally imposed disruption.

This study also has limitations. The analysis is based on a structured review and thematic synthesis of prior scholarship rather than primary empirical data. The retained sample provides a focused basis for interpretation, but it does not claim to represent every possible study relevant to family business innovation. Thematic analysis necessarily involves interpretive judgment, and the exclusion of non-English sources may limit the breadth of international representation. In addition, the supplementary 2024–2025 literature was used to extend interpretation of emerging developments and was not included in the 16-study thematic coding sample. A future review could rerun the complete search and coding process with an expanded recent sample.

Longitudinal studies could examine how family firms manage innovation ambidexterity across generational transitions. Comparative research across industries, institutional settings, and national contexts could further clarify how tradition, governance, and family influence shape innovation under different conditions. Quantitative work could test relationships among governance mechanisms, successor characteristics, external knowledge flows, and innovation outcomes. Future research should also examine whether AI-enabled decision making, digital transformation, and sustainability-oriented innovation alter the balance between exploration and exploitation differently across generations and governance structures.

CONCLUSION

Family-owned businesses face a distinctive innovation challenge because strategic renewal is inseparable from family identity, legacy, and intergenerational stewardship. The literature reviewed here suggests that innovation ambidexterity becomes most achievable when family firms do not treat tradition and innovation as opposing forces. Tradition can become a strategic resource when it is reinterpreted through leadership, governance, learning, and external collaboration in ways that support adaptation. Family firms that develop this capacity are better positioned to sustain competitiveness, preserve meaningful continuity, and renew the enterprise for future generations.

Overall AI Involvement Summary

OpenAI ChatGPT was used during manuscript revision for language editing, structural drafting assistance, and bibliographic verification. The author independently reviewed and verified all AI-assisted output and cited sources and assumes full responsibility for the manuscript's analysis, interpretations, and conclusions. No AI tool was used to generate or alter research data.

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