FAMILY BUSINESS ENTREPRENEURSHIP

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1. Introduction

When speaking about family businesses, they are often named the engine of the European economies. To be successful in an increased globalized world, academic research has developed a strategic concept for family business firms: Entrepreneurial Orientation. This concept is discussed in the literature for several reasons. First, almost every family firm starts by its founder, the entrepreneur. Second, friends and family members are often the first and only financier of a new venture and thus involved in the firm. Finally third, family firms should behave like entrepreneurial firms, always seeking for opportunities and ideas to realize competitive advantages.

Over the last twenty years, the political and public perception of large and public corporations as the one and only generator for jobs and welfare has changed (Audretsch 2009). The paradigm in academic research and politics has shifted towards new ventures on the one and established family firms on the other. Both types of firms however share one idea - the role model of individuals as owners and managers and their entrepreneurial orientation. The following section will point out critically some commonalities and intersections of both research areas. Furthermore, the relevance of different aspects of entrepreneurship for family firm research will be discussed.

Commonality in Entrepreneurship and Family Firms Research

The academic literature on family firms addresses the definitional dilemma of family business research in any manner. Until now, the research community has not found a generally accepted definition of the family firm. This, however, is important to contrast characteristics, strategies or performance of family firms with other types of firms, like new ventures or large and public companies. The simplest way, defining a threshold of equity shares owned by an individual, fails to sufficiently describe and capture the nature of a family firm (Audretsch, Hülsbeck, and Lehmann 2013). Thus, several streams in the literature have been established to circumvent the problem of operationalization and measurement. One stream of literature defines the family business by its main components, namely ownership, management, and control. According to this literature, a family business is either controlled, managed or both controlled and managed by a group of individuals belonging at least to one family (Anderson and Reeb 2003; Familienunternehmen 2014; Maury 2006). This stream treats the entrepreneurial orientation of family firms by considering different generations.

While the first generation is almost the founder and entrepreneur, the second, third and following generations are, by definition, less entrepreneurial in the sense of the spirit and characteristics by its founder (Audretsch et al. 2013). The second strand of literature follows the essence approach, in that a family firm is characterized by its behavior, vision, and mission (for example Chrisman, Chua, and Sharma 2005). While this concept captures almost all what is meant by 'familiness', it is faced with a measurement problem for quantitative studies.

Both streams on the literature however, are based on the assumption that the willingness to transfer the business to the next generation is a key characteristic of the family business. And, following Brockhaus (1994), both entrepreneurship researchers as well as academic research in family business have to master the same challenge concerning the definition of their object of interest and consider the strategic orientation beyond the myopic and capital market driven view. No empirical evidence is truthful without a clear-cut definition of what is meant by a family and how this construct is measured. The results should then are reflected and discussed within this context.

Entrepreneurial Orientation in Family Firms

Entrepreneurial orientation (EO) is a very popular, fruitful, and promising topic in family business research if they are willing to transfer the business to the next generation. Since environment changes overtime and often unforeseen and exogenously, family firms should behave like entrepreneurs to survive. Lumpkin and Dess (1996) distinguish entrepreneurship and entrepreneurial orientation in a simple way: ”[…] new entry explains what entrepreneurship consists of, and entrepreneurial orientation describes how new entry is under-taken. […] An EO refers to the processes, practices, and decision-making activities that lead to new entry.” (Lumpkin and Dess 1996, pp. 136, 137). EO is generally described by five components: the autonomy to promote ideas, the willingness to innovate and take risks, proactivness as the ability to identify new market or product opportunities, and competitive aggressiveness.

These dimensions are assumed to play a key role in family businesses and that family firms differ in some of these dimensions from other types of firms. In particular risk taking and proactiveness are assumed to have a different impact on firm performance (Naldi, Nordqvist, Sjoberg, and Wiklund 2007; Short, Payne, Brigham, Lumpkin, and Broberg 2009). It could also be shown that EO is dynamically changing in successful family firms and should thus not be treated as a once-and-forever level (Zellweger and Sieger 2012). The concluding remark is that entrepreneurial orientation is a relevant and necessary condition for family firms in pursuing their strategy of surviving over generations.

Corporate Entrepreneurship in Family Firms

Entrepreneurial orientation is also discussed in the context of established and large companies regardless of the ownership structure (Zahra 1991), like Johnson & Johnson, a publicly listed Forbes 500 Company, but labels itself as “a family firm”. Academic research in corporate entrepreneurship point out that the also large and established companies have to behave like entrepreneurs to survive in almost global markets. They assume that increased competition leads to shorter product life cycles and thus a struggle for new ideas, innovations and technologies (Randøy, Dibrell, and Craig 2009). Corporate entrepreneurship is thus seen as a strategic orientation of family firms to gather the scare resources to compete successfully (Salvato 2004; Uhlaner, Kellermanns, Eddleston, and Hoy 2012). Kellermanns and Eddleston (2006) identify several technological opportunities and how to exploit them in family firms (Kellermanns and Eddleston 2006). However, the concept of corporate entrepreneurship and the entrepreneurial orientation seems only be successful, if the family is not only involved within the firm by large ownership stakes but also by an involvement beyond ownership (Hamelin 2013; Rogoff and Heck 2003; Sciascia, Mazzola, Astrachan, and Pieper 2012). Again, these findings suggest that future research should strongly put effort on different measures on family firms.

Conclusions

All concepts of “Entrepreneurship”, “Corporate Entrepreneurship”, and “Entrepreneurial Orientation” are promising and fruitful to describe and analyze the strategic orientation of family firms. Empirical research should put effort to solve measurement problems, both for the construct of family firms and different concepts of entrepreneurial orientation. Many open questions could be examined from a similar perspective and theoretical background, and the interrelated research fields, entrepreneurship and family firms, can benefit from each other: Today’s entrepreneurial firms are the family firms of tomorrow.

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