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Entrepreneurship across the Generations in Family Firms

2006-2011

The purpose of this project was to investigate how entrepreneurship is sustained and developed across generations in family firms. Most entrepreneurship research has focused on individuals who start firms or how big, often publicly listed companies can create entrepreneurial organizations. The growing family business research field, where concentrated ownership with a long term orientation is put in focus, has previously not been linked strongly enough to entrepreneurship research. This is true despite the fact that most entrepreneurs start their business as a family business and that many families want to keep and develop their businesses during many family generations. Even if entrepreneurship is not inherited, there are many entrepreneurs who have parents who have been entrepreneurs. This project has focused on the concept of transgenerational entrepreneurship and combines corporate entrepreneurship research with research about family business to address the overall purpose. Transgenerational entrepreneurship means the capabilities and attitudes of a business family to continue being entrepreneurial and create new economic and social values across generations. This means that we had an ambition to introduce the business family as a level of analysis for entrepreneurial activities in addition to the tradition business level. To secure practical relevance of the research, part of the purpose was to co-create and share new knowledge with the business families participating in the study as well as other business families. The overall purpose of the study has not changed during the project period.

One important result is the Three A-model for entrepreneurship in family businesses which Mattias Nordqvist and Leif Melin have created based on theoretical and empirical research in this project. The three A model is a conceptual model where the concepts Actor, Activity and Attitude are linked together to create a point of departure from which we can both research entrepreneurship in family businesses, and create educational activities for them. The model is based on the idea that to understand how entrepreneurship can be sustained and developed across generations we need to consider actors, activities, and attitudes as well as how these are connected. Actors refer to the individuals in the family and the firms who are entrepreneurial. What role does different people have, or could have, so that their competence and motivation can be best used to develop a firm? What role does actors in the next generation have? Is their knowledge and ideas used? Are their people who perhaps in their current role constrain development because they are a bit too conservative? Activity is about what projects and actions that are performed so that the business continues to be competitive. Are enough new products being developed? Are enough resources invested in innovation? Attitude refers to the approach or orientation that people in the family and the firm has towards change and growth. Are they enough proactive? Is there enough willingness in the senior generation to create space for the young generation to contribute to the future development? Are people too careful leading to that the firm does not take the risk needed to become innovative and entrepreneurial?

Another result, promoted by Ethel Brundin, Mattias Nordqvist and Leif Melin, is that the cultures of the family and company are very important for the future entrepreneurial potential in a family business. In particular, we found that two dimensions of the entrepreneurial orientation, proactiveness and autonomy, are very influenced by the cultures in a family and firm. Our results indicates that the impact of the culture on the proactiveness of a family business and on the degree of autonomy enjoyed by individuals means that the entrepreneurial capacity can be both facilitated and constrained. This leads to a complex organizational dynamics which includes the interplay between different levels; individuals, the family and the business. To understand this dynamics we introduce the concept of owner-centric culture in order to underline that it is not just the founder who is important for the content and impact of the culture for the entrepreneurial capacity, which earlier research has suggested. Another result is the significance of communication, clear roles and fair treatment. As a clear theme running across all our empirical studies of family businesses that have been successful in maintaining and developing their entrepreneurial capacity across generations as well as of firms that have run into problems with this, we see that good communication is pivotal. This may sound obvious but is far from easy to establish. Our results points to that it is important that business families create a good communication climate early where all individuals can voice their opinions. In order to create good communication during longer time and a good ground for the family business to develop across generations, it is needed to be very clear on what roles different family members shall have. Even if there are many people who want to be involved, not all of them can be the CEO. Most often, everybody cannot be board members either. And even if all family members seldom strive to reach these positions, most of them strive to find a way to be heard. Our research indicate that in order for people to find their roles, a crucial issue is that some family members, most often the senior generation, must be prepared to leave their established roles. The good communication and role creation must occur in collaboration in a process where all feel fairly treated. It is easy to end up in a situation where some family, or non-family members, feel they have been unfairly treated. Such emotions may, in turn, harm the communication in the business even over the long term as well as the family's capacity to be competitive as owners in business.

The project has led to new research questions. One example is how the family as a social institution impacts entrepreneurial activities such as new firm creation (not just in established firms as this project has focused on). Here a study shall be conducted that focuses on how family capital, that is, financial, human and social capital impacts the younger generation in a family to start their own firms.

Another research question is how the many successions in Swedish family firms can be understood as an entrepreneurial process, and not just as the transfer of ownership and the administrative responsibility of an existing firm. In this project, we use data from Statistics Sweden and link the labor market movements of individuals to ownership transfer in firms in order to see how firms where ownership is transferred inside the family develop in comparison with those where external owners enter the firm.

The following are the two most important publications in the project:
Nordqvist, M. & Melin, L. (2010), "Entrepreneurial Families and Family Firms",
Entrepreneurship & Regional Development, 22 (3): 1-29

This is an introduction article to a special issue of an important scientific journal within the entrepreneurship field. The special issue was done as part of the project. In the article we go through systematically and analyze more or less all previously published research on the intersection between entrepreneurship and family business. In addition to a number suggestions for future research, we develop a conceptual model which can be used to analyze and understand entrepreneurship within the family business context. The article has been positively received by colleagues and is frequently cited in new research in this area.

Nordqvist, M. & Zellweger, T. (eds.) (2010), *Transgenerational Entrepreneurship: Exploring Growth and Performance in Family Firms across Generations*: Cheltenham: Edward Elgar

This is an international anthology which contains contributions from a number of research teams in Europe. These teams have conducted similar research as us in this project. In addition to the editorship, Mattias Nordqvist is co-author of an introduction article which lays the theoretical foundation for the concept transgenerational entrepreneurship and of a methods chapter which describes how it is possible to study and understand entrepreneurship in family firms in depth. The book also includes an chapter written by Ethel Brundin together with Mattias Nordqvist and Leif Melin. In this chapter, the authors coins the concept of owner centric culture in order to show how both the family culture and the organizational culture can influence the entrepreneurial capacity of a family firm both positively and negatively.

We have been active when it comes to share the results of our research to a broader audience of both researchers and practitioners. Some examples: Mattias Nordqvist, together with Leif Melin, organized an international workshop in 2007 at Jönköping International Business School on the theme Entrepreneurial Families and Family Firms with around 60 participants from all over the world. Results from the project have also been presented at a number of meetings organized by the Global STEP – Successful Transgenerational Entrepreneurship Practices – project during the year 2007-2010. These meetings have been held in places like Jönköping, Barcelona, Boston, Milano, Witten. Edinburgh and Bogota. In August 2008, Mattias Nordqvist organized a professional development workshop on the theme of this project at the Academy of Management Conference which is the world's biggest international conference for management research. Ethel Brundin has also presented the project's results at several research conferences. In addition to invited lectures and guest speeces in Italy and Spain, the project's results have also been shared at several lectures and seminars in Sweden, in particular Jönköping and Stockholm.

No publishing has been done according to open access.

Publikationer

- Zellweger, T., Nason, R., Nordqvist, M., & Brush, C. (2011), "Why Do Family Firms Strive For Nonfinancial Performance? An Organizational Identity Perspective", *Entrepreneurship Theory and Practice*, Forthcoming
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- Chirico, F. & Nordqvist, M. (2010), "Dynamic Capabilities and Transgenerational Value Creation in Family Firms", *International Small Business Journal*, 28 (4), 487-504.
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- Naldi, L., Nordqvist, M., Sjöberg, K. & Wiklund, J. (2007), "Entrepreneurial Orientation, Risk Taking and Performance in Family Firms", *Family Business Review*, 10 (1), 33-47
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Brundin, E., Melin, L. & Nordqvist, M. (2008), "Strategic Dialogues: An Important Practice in Family Businesses", Paper presented at the 4th Family Enterprise Research Conference (FERC), Milwaukee, WI, April.

Brundin, E., Melin, L. & Nordqvist, M. (2007) 'Keep the flow going: The strategic dialogue as a key to transgenerational entrepreneurial behavior'. Presented at the EIASM Workshop in Jönköping.

Brundin, E. & Schiede, C., (2008) 'Entrepreneurial orientation as a dynamic concept in the family business context: governance, psychological contracts, and transgenerational potential'. EIASM Workshop on Family Firms Management Research