Title: Can Family Businesses in New Zealand Considered Entrepreneurial in Nature?

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Can Family Businesses in New Zealand Considered Entrepreneurial in Nature?

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Abstract

The main objective of this research is to determine that whether family businesses in New Zealand can be considered entrepreneurial in nature. In order to reach this research objective, one of the main entrepreneurial features which is innovation and its characteristics will be observed at family businesses in New Zealand. Observation will be used to collect qualitative data. This research will study on family businesses in only hospitality industry, particularly restaurants. Ten family-owned restaurants in Auckland, New Zealand will be randomly selected to be the sample of the research. The data of this research will be the primary and secondary data observed on the innovative activities at the ten sampled family-owned restaurants. Three questions will be developed based on three main features of innovation to measure innovative activities in the sampled family-owned restaurants. A conclusion that whether family businesses in New Zealand can be considered entrepreneurial in nature will be drawn based on how innovative activities are embedded in the sampled family-owned restaurants.

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1. Introduction

One of the significant economic forces in the United States and worldwide is family-owned businesses (Gomez-Mejia et. al, 2007). Family-owned firms represent more than eighty percent of all businesses in New Zealand which is similar to Australia (Cameron & Massey, 1999). Many researchers have been interested in doing research on Entrepreneurship and family businesses. Most of them have done their studies on either only entrepreneurship or family businesses. However, there are only few researchers such as Slavato (2004) & Naldi, Nordqvist, Sjoberg and Wiklund (2007) who have done researches on the connections between entrepreneurship and family businesses. Moreover, these studies on the connections between entrepreneurship and family businesses have not been done on family businesses in New Zealand.

This study aims to find out whether family businesses in New Zealand can be considered entrepreneurial in nature by looking for one specific entrepreneurial feature which is innovation and its characteristics in family businesses in New Zealand.

The results of this research will help family business owners understand different innovative activities that are embedded in different family businesses. Family business owners can consider these different innovative activities as ideas to innovate their businesses to become more competitive in the industries. The results of this research will also provide some evidences of the connection between entrepreneurship and family businesses in terms of showing how innovation (a main entrepreneurial feature) has been used in family businesses.

2. Literature Review

There are four main themes in this literature review which are entrepreneurship, family businesses, the connections between entrepreneurship and family businesses, and innovation. Some concepts from economists, physiologists and sociologists on defining entrepreneurship are reviewed. There are some connections between entrepreneurship and family business in terms of entrepreneurial activities in the family business. Some different concepts on defining a family business are also reviewed. Some definitions of innovation are reviewed in order to see the main features of innovation.

2.1. Entrepreneurship

Historically, entrepreneurship was firstly introduced by Cantillon in 1775 (Muhanna, 2006). According to Cantillon's concept, entrepreneur is identified as some one who makes profit in markets by taking risks and accepting uncertainty (Long, 1983; Muhanna, 2006). A consensus on a definition of entrepreneurship or entrepreneur has not been found (Bruin & Dupuis, 2003). Since the early twentieth century, the concept on entrepreneurship has continuously been developed by economists, psychologists, sociologists.

One of early economists' concepts on entrepreneurship was the concept of Schumpeter, which identified an entrepreneur as who combines innovations to create market opportunities (Schumpeter 1911 as cited in Etemad, 2004, p. 13). Kirzner (1973 as cited in Etemad, 2004, p. 15) described entrepreneurs as those who have an ability to identify opportunities and exploit them. Most recently, these ideas were combined by (Burns, 2007) to define the entrepreneur as someone who uses innovation, takes risks and accepts uncertainty to create opportunities for the purpose of making profit. This definition seems to be supported by other researchers such as Cunningham and Lischeron (1991) and Long (1983) who identified risk taking, innovation, and opportunities discovery or creativity as features that are consistently related to entrepreneurship.

Besides the economists' concepts, entrepreneurs were identified based on personal characteristics by psychologists. Entrepreneurs have different characteristics from others (Chunningham & Lischeron, 1991). The entrepreneurial characteristics have been considered differently from a economist to another such as, need to achieve (McClelland 1961, as cited in Littunen, 2000, p. 296), innovativeness, opportunistism, self-confidence, proactive-ness and decisiveness, self-motivation, vision, flair (Burns, 2007), and possession of an internal locus of control (Rotter, 1966, as cited in Littunen, 2000, p. 296). Beside these different entrepreneurial characteristics identified by different researchers, Chunningham and Lischeron (1991) and Burns (2007) have identified risk-taking is one of the entrepreneur's characteristics.

As different from economists and psychologists who identified entrepreneurs based on individuals, socialists such as Cunningham and Lischeron (1991), Miller (1983), and Penrose as cited in Long (1983, p. 52) conceptualized entrepreneurship mainly related to organization or society. Cunningham and Lischeron (1991) claimed that innovation and entrepreneurial behaviour are engaged within autonomous units in an organization. This is similar to Penrose as cited in Long (1983, p. 52) who pointed out that entrepreneur is an innovator from the firm's point of view. Miller (1983, p. 771) has treated entrepreneurship as "a multidimensional concept encompassing the firm's action relating to product-market and technology innovation, risk taking, and proactiveness".

2.2. Family Businesses

One of the significant economic forces in the United States and worldwide is family-owned businesses (Gomez-Mejia et. al, 2007). Family-owned firms represent more than eighty percent of all businesses in New Zealand which is similar to Australia (Cameron & Massey, 1999).

There is a lack of consensus in defining the family business (Handler, 1989) and it is not easy to define what a family business is (Hoy and Verser, 1994). The family involvement in the business ownership and operation is the main theme used by many family business researchers such as Handler (1989), Chau, Chrisman and Sharma (1999), and Uhlaner (2006) to identify a family business.

Some researchers have different ideas from others in terms of defining family firms based on family involvement in the business. For example, twelve definitions from different researchers have been demonstrated by Handler (1989). Some of these identified a family business slightly different from others such as some define a family business based on the degree of involvement of the family in the business, some referred to the ownership or control by a single family, and some focus on succession. These dimensions have been combined by Handler (1989, p. 262) to define a family business as “an organization whose major operating decision and plan for leadership succession are influenced by family members serving management or on the board”. This definition is similar to the one of Chua, Chrisman and Sharma (1999) who identified a family business based on the family involvement in management and succession in the business. Uhlaner (2006) identified a family business as a firm where at least two members of the same family are involved in either the firm’s ownership and/or management.

2.3. The Connections between Entrepreneurship and The Family Business

Whether a family business can be considered entrepreneurial is one of main issues of the literature on familial entrepreneurship (Firkin, Dupuis & Bruin, 2003). Some researchers have shown the connections between entrepreneurship and family businesses.

Some researchers such as Chrisman, Chua and Steier (2003), Slavato (2004) and Heck et al. (2006) share a view that family is a source of financial and human resources of entrepreneurs’ business venture.

In addition, the study of Slavato (2004) has shown that entrepreneurial features such as innovation, risk-taking and proactivenenss are embedded in family businesses, including entrepreneurship enhancement in the companies. Slavato’s findings are supported by the theoretical and empirical study of Naldi, Nordqvist, Sjoberg and Wiklund (2007) which found that risk-taking is a feature of entrepreneurial behaviour in family-owned firms.

2.4. Innovation

Many researchers identify innovation as the creativity of new ideas. Goswami and Mathew (2005) have reviewed many definitions from some different researchers and found that the creation of something new is the main focus for identifying innovation. Zara and Covin

(1993) mention that innovativeness is the tendency to create new processes and promote new ideas in order to create new products, services, or technology development. Their view seems to be supported by Blake and Hanson (2004) findings of their empirical study on entrepreneurship which show that innovative businesses are businesses where entrepreneurs use new ideas to create changes in the place for achieving positive results.

Blake and Hanson (2004) point out two ways of innovation which are incremental innovation and radical innovation. They mention that the incremental innovation is a process of small changes or development, while the radical innovation concerns the creativity of completely new products or services by using new input. Blake and Hanson also mention an example of an innovation as a launch of a cafe restaurant in Worcester for the first time by a Mexican immigrant. This new restaurant with new cooking ways satisfies Mexican immigrants in Worcester, who have never been satisfied with existing Mexican restaurants in Worcester. Besides defining innovation as using new ideas to create something new, the findings of the empirical study of Goswami and Mathew (2005) show other features to define innovation such as the improvement of products or services, the performance of a task in a new way, the combination of old concepts to create new ideas, and the spread of new ideas.

The existing studies reveal some connections between entrepreneurship and family businesses. However, through this literature review, family businesses have not been considered as entrepreneurial by any researcher even though there are some researchers mention about some entrepreneurial features innovation, risk-taking and proactivenenss in family businesses. Moreover, those studies on entrepreneurial features in family businesses have not conducted on family businesses in New Zealand. Therefore, this paper will find out whether family businesses in New Zealand can be considered entrepreneurial in nature by specifically looking for indications of innovation (one of the main entrepreneurial features) in family businesses in New Zealand.

3. Objectives

The main purpose of this study is to find out whether family businesses in New Zealand can be considered entrepreneurial in nature by observing one specific entrepreneurial feature which is innovation and its indications in family businesses in New Zealand. The following objectives and questions are developed in order to reach the main purpose of the study.

Question 1:

As Blake and Hanson (2004) point out that the creativity of completely new products or services by using new input is a radical innovation, the question 1 is:

Q1. Are there any completely new products or services created by using new input in family businesses?

Question 2 and 3:

As Goswami and Mathew (2005) suggest that the improvement of products or services and the combination old concepts to create new ideas are features of innovation, the questions 2 and 3 are:

Q2. Is there any improvement of products or services in family businesses?

Q3. Are there any new products or services created by the combination of old concepts and input in family businesses?

These three questions aim to seek if there are completely new products created by new input, new improved products or services, and new products or service created by the combination of old concepts or input in family businesses, in order to identify which family businesses are innovative businesses and which are not.

4. Research Methodology

A qualitative research methodology will be used in this research and findings of this qualitative research may provide some evidences of entrepreneurial features, particularly innovative activities in family businesses, which would be considerable subjects for further research.

4.1. Sample

Due to limited time, this research will not be able to select businesses from all types of businesses in New Zealand. Therefore, the sample of this research will be selected from businesses in only hospitality industry, particularly restaurants in Auckland.

Ten family-owned restaurants in Auckland will be randomly selected to be the sample for this research. It is relatively simple to observe and collect data at restaurants as products (foods), services and some other business activities are available in the place to be observed. According to Chua, Chrisman and Sharma (1999), Uhlaner (2006), and Handler (1989), a family business is defined as a business where there are family involvement in the business' ownership or/and operation. Therefore, the 10 sampled family-owned restaurants must be the restaurants where there are family members working in or owning the business together.

4.2. Data gathering

Observation is the single tool used to collect data in this research due to the course's requirements. Observation is a data collection tool which allows the researcher avoids the ethical issues in the data collection process as it is done without knowledge by people in the business who are observed (Veal, 2005).

The data of this research will be primary and secondary data which will be observed by the researcher on innovation features embedded at sampled family-owned restaurants. The data will be collected by the researcher using the three questions mentioned in the objectives section above as a checklist to observe what are innovative activities or products in the sampled restaurants. For the primary data, the researcher will conduct direct observation on activities at the restaurants without knowledge by people who will be observed. In this direct observation at the restaurants, the researcher will focus on new products (foods) or services in the restaurants and how they are created. The secondary data will be collected by observing on the restaurants' menus, bulletins, websites and restaurant's food advertisements that describe the specifications of new foods or services and how they have been created.

5. Data Analysis

Innovative features such as completely new products created by new input, new improved products or services, and new products or service created by the combination of old concepts or input are check lists to measure data in order to identify whether family businesses can be considered entrepreneurial.

The first step of data analysis is to write down answers from all 3 questions in a descriptive way to be data for the analysis. The answers will be grouped together in terms of the similarities and differences.

After having grouped descriptive answers, these groups of answers will be compared to the literature of innovation. If any of innovative features such as completely new products created by new input, new improved products or services, and new products or service created by the combination of old concepts or input are found at some or all sampled family-owned restaurants, the conclusion will be some family businesses in New Zealand can be considered entrepreneurial. This conclusion will be referred to the literature review of entrepreneurship above which mentioned that innovation is one of main feature of entrepreneurship. However, if there is none of these innovative features found at any sampled family-owned restaurants, the conclusion will be family businesses in New Zealand might not be considered entrepreneurial.

The conclusion that whether family businesses in New Zealand can be considered entrepreneurial in nature based on the results of this research might not be a generalized conclusion due to the small and limited sample size. Another reason that the results of this research might not be generalized is this research will use only innovation which is just one of the main entrepreneurial features to draw the conclusion.

In order to draw a more generalized conclusion that whether family businesses in New Zealand can be considered entrepreneurial in nature, the researcher should use some main entrepreneurial features such as innovation, risk taking and proactiveness together to be checklists for observing how these entrepreneurial features are embedded in family businesses in New Zealand. In addition, the researcher should randomly select family businesses from different business types or industries in New Zealand to be the sample of the research.

6. Project Management

This research is expected to be completely finished before 26th of May 2008 due to the course's requirements. The research process will be started on 27th of April 2008 and estimated to be completely finished by 22nd of May 2008. There are 7 steps for conducting this research, which are mentioned in the project time line below. Each step is expected to be done on time in order to avoid affecting the quality and time consumption of the whole research report. The process of conducting this research is a bit flexible in terms of seeking assistance from the lecturer or other supervisors whenever obstacles arisen. All continual work written in the reach process will be saved onto the laptop and also a USB memory stick to be a back up in case of loosing the soft copy.

6.1. Project Timeline

Time	Activities
27th April 2008- 28th April 2008	Reviewing the research proposal and preparing for the data collection
29th April 2008 – 5th May 2008	Collecting data
6th May 2008 – 9th May 2008	Writing findings down
10th May 2008 – 13th May 2008	Analysing data
14th May 2008 – 15th May 2008	Writing the research report draft
16th May 2008	Visiting the lecturer or student learning centre for checking the draft
17th May 2008 – 22nd May 2008	Writing final research report

6.2. Budgets

Descriptions	Amount (NZ$)
Printing	20.00
Travel and foods while collecting data at the ten sampled family-owned restaurants	200.00
Total	220.00

Conclusion

This research aims to make a conclusion that whether family businesses in New Zealand can be considered entrepreneurial in nature. Innovation which is one of the main entrepreneurial features has been selected to be an objective to observe at ten sampled family-owned restaurants in Auckland, New Zealand. Three questions have been developed based on three main characteristics of innovation in order to observe how different innovative indications are embedded in these sampled family-owned restaurants.

The results of this research will provide different innovative characteristics which family businesses in New Zealand might posses. Finally, a conclusion might be drawn that some family businesses in New Zealand can be considered entrepreneurial in nature if any of the three innovative indications found in the results that are embedded in some or all the sampled family-owned restaurants. However, it might be concluded that family businesses in New Zealand can not be considered entrepreneurial in nature if there is none of the three innovative characteristics found that is embedded in any of sampled family-owned restaurants.

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