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Relationship between Entrepreneurship and Family Businesses

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ABSTRACT

The significant contribution of family businesses to the world economic forces has attracted many researchers such as Handler (1989), Daily and Dollinger (1993), Litz (1995), Degadt (2003) and Uhlaner (2006). Some multinational family firms such as Heineken have been started up with entrepreneurial ideas. The relationship between entrepreneurship and family businesses is a main theme of study for some researchers such as Litz and Kleysen (2002), Chrisman, Chua and Steier (2003), Salvato (2004), Wah (2004) and Naldi, Nordqvist, Sjoberg and Wiklund (2007).

This study aims to investigate and examine the relationship between entrepreneurship and family businesses. There are some relations between entrepreneurship and family businesses found regarding the discussion of family resources in entrepreneurial firms and entrepreneurial behaviours in family firms. These relations are around the family resource as a main resource for entrepreneurs to start up and run their business and there are some entrepreneurial behaviours such as innovation, risk-taking and proactiveness embed in family businesses. Due to these relations between entrepreneurship and family businesses, some family businesses can be considered entrepreneurial. Based on the discussion of the relationship between entrepreneurship and family businesses, I propose a model of a successful multi-generation family business. This model shows correlations among the family context, entrepreneurial behaviours, business management and succession in a successful multi-generation family business.

There are some directions recommended for further research on the relationship between entrepreneurship and family businesses. Further research should have a reliable study sample including family businesses from all sizes, types and business contexts. Further research with such a study sample will find out more about professionalism and its relationship to the financial involvement by non-family members in family businesses. Further study on the correlations among family context, entrepreneurial behaviours, business management and succession in family businesses might allow further research to produce an effective business strategy for successful multi-generation family firms.

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1. INTRODUCION

One of the significant economic forces in the world is family-owned businesses (Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson & Moyano-Fuentes, 2007). As the family business is a significant economic force in the world, it has attracted many researchers in this field. The relationship between family businesses and entrepreneurship is one of main themes studied by researchers such as Chrisman, Chua and Steier (2003), Salvato (2004), Heck, Danes, Fitzgerald, Haynes, Jasper, Schrack, Stafford and Winter (2006) and Naldi, Nordqvist, Sjoberg and Wiklund (2007).

The purpose of this study is to investigate and examine the body of research relating to the relationship between entrepreneurship and family businesses. The three themes selected for this research are: entrepreneurship, the family business and the relationship between entrepreneurship and the family business. This study examines how entrepreneurship and family businesses have been defined and conceptualized, including how they relate to, or affect each other.

In order to investigate the study topic above, this study will begin with a review of entrepreneurship. Some concepts of entrepreneurship conceptualized and defined by economists, physiologists and sociologists will be reviewed. A concept of entrepreneurship was introduced by one of the earliest economists, Cantillon in the late eighteenth century, identifying an entrepreneur as one who accepts uncertainty and takes risk in order to make profit in the business (cited by Muhanna, 2006, p. 63). After Cantillon's entrepreneurship conceptualization, innovation and opportunity identification and exploration were identified as themes related to entrepreneurship (Long, 1983; Cunningham & Lischeron, 1991). In terms of conceptualization of entrepreneurship by psychologists, need to achieve, risk-taking, innovativeness and internal locus of control are some of entrepreneurs' main characteristics (McClelland, 1961; Burns, 2007). While economists and psychologists identified entrepreneurs based on individual's characteristics and activities, sociologists such as Miller (1983), Cunningham and Lischeron (1991) and Long (1983) defined entrepreneurship mainly related to organization or society. There is no relationship between entrepreneurship and family businesses found in the review of concepts and definitions of entrepreneurship.

Secondly, the conceptualization and definitions of family businesses will be reviewed. Family involvement, size and succession are concepts reviewed in relation to defining family businesses. Some authors such as Daily and Dollinger (1993), Litz (1995), Barrett, Walker, Dunemann and Rajapake (2005) and Heck et al., (2006) have different opinions of size, level of family involvement and whether or not succession, contributes to definition of a family business. Family involvement is a main theme for defining a family business according to some researchers such as Handler (1989), Litz (1995) and Degadt (2003), who define a family business based on family involvement in the business ownership and operation. There is no relationship between entrepreneurship and family businesses found in the review of concepts and definitions of family businesses.

There are some advantages and disadvantages regarding family involvement in family businesses. Some researchers such as Kirchhoff and Kirchhoff (1987), Cameron and Massey (1999), Sirmon and Hitt (2003) and Heck et al. (2006) viewed some of the advantages that capital and financial resources provided by family members as main resources for starting up and maintaining a family business. However, there are also some disadvantages to family involvement in family businesses pointed out by researchers such as Ward (1997), Cameron and Massey (1999), Sirmon and Hitt (2003), Steier, Chrisman and Chua (2004), Barrett et al. (2005), Sander and Bordone (2006) and Burns (2007) that there are conflicts between family members while working or owning a business together, conflicts across generations, lack of business professionalism and lack of financial investments from outsiders (non-family members). Regarding the review of family involvement in family businesses, the one relationship between entrepreneurship and family businesses is the human and financial support by family aspects in entrepreneurial businesses. From the discussion of professionalism in family businesses, it appears that there is a positive relationship between professionalization and financial involvement by non-family members in family businesses.

Family business founders or owners' spouses play important roles in the business management. Spouses contribute their own human and financial resources to the family business and sometimes serve as copreneurs, budget controllers and next generation advisers (Rowe & Hong, 2000; Poza & Messer, 2001**)**. Spouse's financial and human resource contribution to entrepreneurs' business management is a relationship between entrepreneurship and family businesses.

There are some issues related to succession in family businesses such as operational problems, conflicting interests in choosing a successor, poor interactions and relations between generations, conflicts between offspring in terms of ownership, lack of significant formal education experience and interpersonal skills in the business operation, inappropriate management style of the new CEO for the existing conditions and patterns within the firm and external factors such as competitiveness, change and uncertainty in the industry or market (Degadt, 2003; Miller, Steier & Le Breton-Miller, 2003). There is an integrative model for successful family business succession which developed by Breton-Miller, Miller and Steier (2004) in order to facilitate the success of succession process in the family business regarding successor selection, development of successors, setting the ground rules, transfer of capital, family context, industry context, social context and family-owned business context and factors relating to developing a successful succession plan for family business.

Thirdly, the relationship between entrepreneurship and family businesses will be reviewed in order to further examine the relation between both of them. There are some correlated areas between entrepreneurship and family business in terms of entrepreneurial activities in the family business. Some researchers such as Chrisman, Chua and Steier (2003), Salvato (2004), Heck et al., (2006) and Naldi, Nordqvist, Sjoberg and Wiklund (2007) mention that financial and human resources provided by family members are main resources for entrepreneurs to start up a business and family are likely to stimulate entrepreneurial ideas in family businesses. They also mentioned how entrepreneurship and family businesses affect each other. Referring to these relations between entrepreneurship and family businesses, it is concluded that some family businesses can be considered as entrepreneurial.

Fourthly, a model of a successful multi-generation family business will be proposed (page 24). The model shows correlations among family context, entrepreneurial behaviours, business management and succession in successful multi-generation family businesses.

Fifthly, there will be discussions on results and findings of previous studies of Litz and Kleysen (2002), Wah (2004), Salvato (2004), Naldi, Nordqvist, Sjoberg and Wiklund (2007) and Casillas, Acedo and Moreno (2007) on the relationship between entrepreneurship and family businesses. The purpose of this discussion is to analyse the previous study process, methods and findings in order to find weaknesses or limitations (gaps) found among them. These limitations are lack of a variety of family business sizes and types in the study sample, the fact that the study was conducted in only a single location, culture or business context, and lack of case studies of small and local family businesses.

Lastly, conclusions and considerable directions for further research on this study area will be drawn. These directions for further research are to include all sizes, types and contexts of family businesses in the study sample. Such different themes of family businesses in the study sample will allow further research to draw more generalizable conclusions regarding family businesses as entrepreneurial. It will also allow further research to find out more about the professionalization and its relationship with financial involvement by non-family members in family businesses. The further study on the correlation among family context, entrepreneurial behaviours, business management and succession in family businesses might enable further research to produce an effective business strategy for successful multi-generation family firms.

2. LITERATURE REVIEW

2.1 Entrepreneurship

Historically, entrepreneurship as an economic concept was first introduced by Cantillon in 1775 (Muhanna, 2006). According to Cantillon's concept, the entrepreneur is identified as some one who makes profit in markets by taking risks and accepting uncertainty (Long, 1983; Muhanna, 2006). The word entrepreneur is said to have come from the word "entrepredre", which means ability to take charge (Etemad, 2004). There is no consensus on a definition of entrepreneurship or entrepreneur (Bruin and Dupuis, 2003). Since the early twentieth century, the concept on entrepreneurship has continuously been developed by economists, psychologists, sociologists and various schools of thought.

From the views put forward by economists, in 1911, Schumpeter pointed out entrepreneurs combine innovations to create market opportunities (cited by Etemad, 2004, p. 13). Uncertainty was identified by Knight in 1967 as a theme related to entrepreneurship (cited by Long, 1983, p. 51). Knight's study was followed by Kirzner (1973) who identified entrepreneurship related to competition and market opportunities. He tends to describe entrepreneurs as those who have an ability to identify market opportunities and exploit them in order to make the business more competitive and profitable. Long (1983) and Cunningham and Lischeron (1991) have viewed innovation, risk-taking, and opportunities discovery or creativity as themes which consistently relate to entrepreneurship. Recently, these ideas are 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.

Besides these economically derived concepts, as discussed by Chunningham and Lischeron (1991), the 'psychological characteristics school' of entrepreneurship and 'great person' school of entrepreneurship have identified entrepreneurs based on personal characteristics. Both schools claimed that entrepreneurs have different characteristics to others. Earlier McClelland (1961) argued the need to achieve is one of the key entrepreneurial characteristics. In 1966, Rotter pointed out that possession of an internal locus of control is typically associated with entrepreneurial characteristics (cited by Littunen, 2000, p. 296). Chunningham and Lischeron (1991) and Burns (2007) consider risk-taking to be a characteristic of entrepreneurs. Innovativeness, opportunistism, self-confidence, proactive-ness and decisiveness, self-motivation, vision and flair are also given as characteristics of entrepreneurs (Burns, 2007).

Different to economists and psychologists mentioned previously, who identified entrepreneurs related to individual characteristics or activities, sociologists such as Miller (1983) and Cunningham and Lischeron (1991) conceptualized entrepreneurship as mainly relating to organizations or society. 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”. Cunningham and Lischeron (1991) also claimed that innovation and entrepreneurial behaviours are engaged within autonomous units in an organization. This is similar to the view of Penrose (1995) that an entrepreneur is an innovator from the firm’s point of view.

In relation to entrepreneurial conceptualization, I agree with some economists (such as Cantillon; Schumpeter; Knight; Kirzner), psychologists such as Burns and sociologists (such as Miller; Cunningham & Lischeron; Penrose) who have suggested that risk-taking, innovation and opportunity discovery are three main entrepreneurial characteristics. Entrepreneurial ideas can be developed by either an individual as mentioned by economists and psychologists; or by a group of people as pointed by sociologists. In other words, an entrepreneur can be a person or a group of people such as a unit, organization, company or enterprise which takes risks while they use innovative ideas to explore opportunities to make the business more competitive and profitable.

From the review and discussion of concepts and definitions of entrepreneurship above, no relationship has been shown between entrepreneurship and family businesses. However, there are some main entrepreneurial behaviours such as innovation, risk-taking, proactivenss, need for achievement, and opportunities exploration that might embed in a business.

2.2. Family Businesses

Within the literature review, there appears to be a lack of consensus in defining a family business (Handler, 1989) as it is a difficult concept to define (Hoy & Verser, 1994). Different authors have different opinions on size, level of family involvement and whether or not succession contributes to the definition of family business. Researchers such as Handler (1989), Litz (1995) and Degadt (2003) define a family business as based on the family involvement in the business ownership and operation.

Handler (1989) has demonstrated and discussed twelve definitions from different authors. Below is the table of main themes used by the twelve authors to identify a family business:

Table1: Alternative Themes to Define a Family business

Authors	Themes		
	Family involvement in business management	Family involvement in business ownership	Business management Succession in a family
Donnelley (1964)	√		
Barry (1975)	√		
Barnes and Hershon (1976)		√	
Alcorn (1982)			
Beckhard and Dyer (1983b)	√		
Davis (1983)	√	√	
Rosenblatt, de Mik, Anderson and Johnson (1985)	√	√	
Stern (1986)	√	√	
Dyer (1986)	√	√	
Chirchill and Hatten (1987)			√
Ward (1987)			√
Lansberg, Perrow and Rogolsky (1988)		√	

(Source: Handler, 1989, p. 260)

According to Table 1, family involvement in business management, ownership and succession are the main themes used to identify a family business. Family involvement in business management is the most common theme identifying a family business according to these twelve authors. Family involvement in business ownership is the second most common theme to identify a family business. Only two authors have defined a family business as relating to the business management succession in a family. These themes have been combined by Handler (1989) to define a family business as “an organization whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board” (p. 262). This definition is similar to the one of Chua, Chrisman and Sharma (1999) in terms of family involvement in management and succession in the business. In another definition, the family firm is referred to as a firm where at least two members of the same family are involved in either the firm’s ownership and/or management (Uhlaner, 2006).

In terms of defining a family business, I agree with the family business researchers above, that family involvement in the business or/and succession across generations in a family are the main themes to define a family business. The family involvement in the business should be at a significant level (ownership or/and management) as mentioned by Handler (1989) and Uhlaner (2006). In other words, a family business can be considered as a business where the ownership, management or/and succession are influenced or involved by at least two family members. On the other hand, a business where there are some family members working as employees who are not involved in management or ownership is not a family business.

There is a confronting issue in characterizing a family business in terms of size as some researchers saw family businesses are likely to be small businesses, while others argued they are all sizes. Daily and Dollinger (1993) assume family businesses are smaller enterprises. However, Litz (1995) uses examples of the seven largest American family-controlled firms to suggest that all family firms should not be thought of as smaller enterprises. There are examples of seven multinational family companies which have survived across a few generations (Casillas et al., 2007). Barrett et al. (2005) also mention family firms come in many sizes, including huge multinational family-controlled firms. It is accepted by Heck et al. (2006) that family firms exist in a variety of sizes from small to very large operations.

In terms of considering the size of family businesses, I agree with Barrett et al. (2005) and Heck et al. (2006) that family businesses vary in all sizes (small, medium and large). For instance, Daily and Dollinger (1993) suggest that family firms are small enterprises; they made such assumption based on the fact that family business is family-managed, not professionally managed. With the family-managed system, family businesses have a small chance to grow as the most powerful individual, particularly the founder, is not willing to allow the business management process to go beyond his/her managerial abilities. Furthermore, lack of management professionalism leads family businesses into a situation where they can lack opportunities for development and expansion due to limited innovative concepts contributed by professional people or outsiders. This statement represents the view that family businesses are small due to lack of professional management.

Some family businesses are large with professional management. For instance, Robins (1991) shows an example of a British international family firm, which is a successful manufacturer and marketer of paint brushes, painters' tools and household products in Europe. This company has been successfully owned and managed by two generations and the next generation management was a professional management system with non-family professional managers working in the company, allowing the firm adequate ability to grow internationally. Another example is the empirical study of Tsui-Auch (2004) showing that Chinese founders tend to professionalize their management to be more competitive by sending offspring to attend academic courses and hiring non-family managers and some chairmen to work in firms, such as Yeo Hiap Seng Co. and the OCBC bank. Therefore, I argue that family businesses exist in all sizes from small to large, national or international enterprises.

Regarding the review and discussion of concepts and definitions of family businesses above, there does not appear to be a relationship between entrepreneurship and family businesses. However, it has shown that family involvement in the business management and succession are two main components of family businesses. Therefore, family involvement and succession in family businesses will be reviewed and discussed in order to further investigate the relationship between entrepreneurship and family businesses.

2.2.1. Family Involvement in Family Businesses

Integration of family and business results in five unique characteristics such as human capital, survivability capital, patient capital and governance structure according to Sirmon and Hitt (2003). They also mention that these five characteristics have positive and negative impacts on family firms. It is also mentioned by James (1999) that the overlap of family and business can have both advantages and disadvantages.

- Positive Impacts of Family Involvement on Family Businesses

Capital and human resources supported by family members are the main resources for family businesses through all stages (starting-up, poor economic time and redevelopment). For instance, family members work for the firm without pay in order to help the firm survive when it is first founded, then they become paid employees with high productivity when the firm is stronger and more profitable (Kirchhoff & Kirchhoff, 1987). It is also pointed out by Heck et al. (2006) that new family firms often benefit from support and commitment provided by family members in the formative years. Furthermore, human and capital resources provided by family members are necessary support for family businesses during poor economic times or periods of redevelopment (Sirmon & Hitt, 2003). Similarly, Sanders and Nee (1996) mention that family is often the significant social organization supporting small business establishment and operation and family often provide the main start-up capital which is the essential step toward self-employment. This seems to be supported by the findings of empirical study of Bruderl and Preisendorfer (2004) on a random sample of 1,849 business founders in Munich and Upper Bavaria (Germany). They found that entrepreneurs who receive a lot of support from the family might be more successful than others who do not have family support, due to unpaid labour and emotional support from family members, especially during the start-up phase, which can compensate for financial restrictions.

In addition, trust, loyalty and family ties, as engendered in the relationship between family members, contribute to enhancing the business in terms of being motivating factors for family workers (James, 1999). Cameron and Massey (1999) and Heck et al. (2006) also identify some unique advantages of family firms such as family members' willingness to make financial sacrifices and flexible human capital support which contribute to the common good and long term results of family firms. The involvement of the personal and professional lives of family members in the business and family brings to family firms extraordinary commitment and potential for deep specific tactical knowledge (Sirmon & Hitt, 2003).

In relation to the positive impacts of family involvement in a family business, I hold that human and financial capital supported by family members are unique resources allowing the family firm to safely start up and have more chance of survival due to there is a unique relationship (such as trust, loyalty and family ties) amongst family members that encourages them to sacrifice their own human and financial resources to help a family member start up a business or help the business to survive during poor economic times, as mentioned by James (1999) and Heck et al. (2006).

The family financial and human support in entrepreneurial businesses (see Bruderl & Preisendorfer, 2004 for example) is a relation between entrepreneurship and family businesses. Those entrepreneurial businesses can be considered as family businesses as they have family financial and human involvement in the business.

- Negative Impacts of Family Involvement on Family Businesses

Problems concerning family businesses are said to be related to conflicting goals and complexity of the interrelationship between members, family and the business (Cameron & Massey, 1999). Family members can bring their past arguments or conflicts to bear against each other in the business (Cameron & Massey, 1999; Burns, 2007). For instance, negative emotions such as anger, resentment, and jealousy of family members become serious impediments to working together (Sander & Bordone, 2006). Another problem relating to division of assets of a family business is where some members have less capital to buy or bid for the business when the firm has to break up (Sander & Bordone, 2006).

Furthermore, problems are caused by disparate family goals, values and needs when the firm becomes larger and more family members become involved or where owners keep their traditional management style rather than focus on other growth possibilities (Ward, 1997). Also mentioned by Cameron and Massey (1999) are values and relationship conflicts with operational business decisions in family businesses and the need to find a balance between family and business demands- and these are issues for every family firm. The conflict of non-economic and economic goals in the family leads greater complexity in a family business (Steier et al., 2004). Imbalance between firm and family is a main problem between spouses because spouses spend a lot of time away from home working (Firkin, Dupuis & Bruin, 2003).

In addition, there are conflicts between family members and across generations, especially between father and son in a family business (Davis, 1983). For example, the old generation tends to keep power in their hands and limit responsibilities, jobs, and individual goals and plans of other members (Davis, 1983). This also leads to weak leadership in succeeding generation (Ward, 1997). Succession in the family is often problematic which lead to conflicts (Burns, 2007) such as sibling successor conflict (Ward, 1997).

There are some operational disadvantages of family businesses such as a lack of professionalism, lack of formal channels of communication, promotion based on relationships rather than performance (Barrett et al., 2005). Furthermore, it is difficult to recruit and retain highly qualified non-family employees, especially managers, to work in the family firm because they have less chance for career development (Covin, 1994; Sirmon & Hitt, 2003).

Sirmon and Hitt (2003) mentioned that family firms limit external financial resources or investment into the firm, because they avoid financial involvement from non-family members. In addition, family members sometimes need cash from their share to use for their individual purposes and family businesses often face the challenge of providing capital to pay the owners' death taxes (Ward, 1997).

Regarding the negative impacts of family involvement in the family business, I agree with Cameron and Massey (1999) and Burns (2007) that family members may have personal conflicting matters, which cause problems while they work together. This might result in operational problems, involving family businesses in more complex operational management.

As already discussed, regarding the size of family businesses above, Barrett et al. (2005) raise that there is a lack of professionalism and a formal communication system in family businesses. However, some family businesses are successfully run with a professional management system (see Robins, 1991; Tsui-Auch, 2004 for examples). Based on these views, I assume that there is a lack of professionalism in some family businesses due to the absenteeism or lack of professional non-family employees or employers in the business. The lack of such professional people might be because there is less chance for them to be promoted and their numbers in the business will be limited by the owners. On the other hand, there are also some family firms professionally operated in order to be competitive in their chosen industry.

The study of Tsui-Auch (2004) has been conducted on only large or international family firms; however, their study sample does not include small and medium-sized family firms. Therefore, their findings- that there is a professional management in family firms- might only be applicable to large or international family firms. In other words, a professional management system might not exist in small family firms. There should be some studies on the professionalism in family businesses and a sample should be selected from all sizes of family businesses (small, medium and large), in order to show what types of family firms are professionally operated and what are not.

Sirmon and Hitt (2003) state that the tendency to avoid financial involvement from non-family members might lead to limited capital in family firms. However, this tendency is not common to family firms because some sell shares to raise capital while keeping more than fifty percent of total shares in the family to keep ownership and control in the family's hands. For example, Yeo Hiap Seng Co., a Chinese international family soy sauce producer in Singapore, listed the company on the Singaporean stock exchange in order to raise finances to expand the business (Tsui-Auch, 2004). Hence, some family firms tend to avoid financial involvement from non-family members or outsiders, while others raise financial resources from outsiders to develop their business.

Interestingly, the empirical findings of Tsui-Auch (2004) seem to show a positive relationship between professionalization and financial involvement from non-family members or outsiders in family businesses. For instance, his empirical findings show some family businesses tend to professionalize their business management as well as encourage financial investment by outsiders (share holders) at a significant level in order to expand the business. It is a view which may not be generalized as Tsui-Auch's study has been conducted on only a sample of professionally managed family businesses. To understand more about the relationship between professionalization and financial involvement from non-family members or outsiders in family businesses, there should be some more research conducted to test the financial involvement from non-family members or outsiders with a study sample of a combination of professionally-managed and unprofessionally-managed family businesses.

2.2.2. Spouses' Involvement in Family Businesses

Spousal relationship is the primary source of familial social capital and roles, and resources between spouses are available to the business at any particular time (Ferkin et al., 2003). Furthermore, the income of wives working in both the family business and other employment, together represents thirty percent of the annual household income and this income is a financial contribution to the family business (Rowe & Hong, 2000). It is also mentioned by Poza and Messer (2001) that spouses are sometimes copreneurs with the CEO (here taken to mean husbands) and contribute financial resources and professional, technical and administrative skills to the business.

In addition to having a role in and responsibility for the business, CEO spouses play an important part at all stages of the family firm's life (Poza & Messer, 2001). For instance, the findings of the study of Bruderl and Preisendorfer (2004) show that emotional support from the business founders' spouses might be very helpful to sustaining emotional stability at the start up phase of the business. Poza and Messer (2001) also mention spouses play leadership and management roles toward preserving and strengthening family unity and enhancing the feasibility of family business continuity. They can act as advisors and stimulate the next generation to become more involved, particularly in matters such as succession legacies (being supportive of the CEO and working towards succession by the next generation) (Poza & Messer, 2001). Wives are likely to be more involved when the husbands have health problems and also when the number of employees increases (Rowe & Hong, 2000).

Furthermore, wives can be trusted catalysts and always remind family members of the need to balance family and work commitments (Poza & Messer, 2001). They play important roles in controlling the budget and are willing to accept any life conditions when businesses are just starting (Rowe & Hong, 2000).

Regarding Spouses' involvement in family businesses**,** I agree with Rowe and Hong, (2000), Poza and Messer (2001) and Firkin et al. (2003) that spouses of family business founders or owners are willing to sacrifice their own human and financial resources for the business at all stages and at any time required.

As Poza and Messer (2001) mention spouses are sometimes copreneurs with the founders and contribute financial and human resources to the business, those businesses can be considered entrepreneurial family businesses as they are founded by entrepreneurs and supported by their spouses.

2.2.3. Succession in the Family Business

Succession is a major issue for family businesses (Hoy & Verser, 1994; Morris, Williams, Allen & Avila, 1997) and a main topic of family business research (Degadt, 2003). Succession can be referred to as the transfer of leadership, ownership, or managerial control from one family member to another and usually to the next generation (Firnkin et al., 2003; Griffeth, Allen & Barrett, 2006). Mazzola, Marchiso and Astrachan (2006) suggest that it can be a transfer from one generation to the next and it is not a single event, but an on going process extending over a period of time (Degadt, 2003).

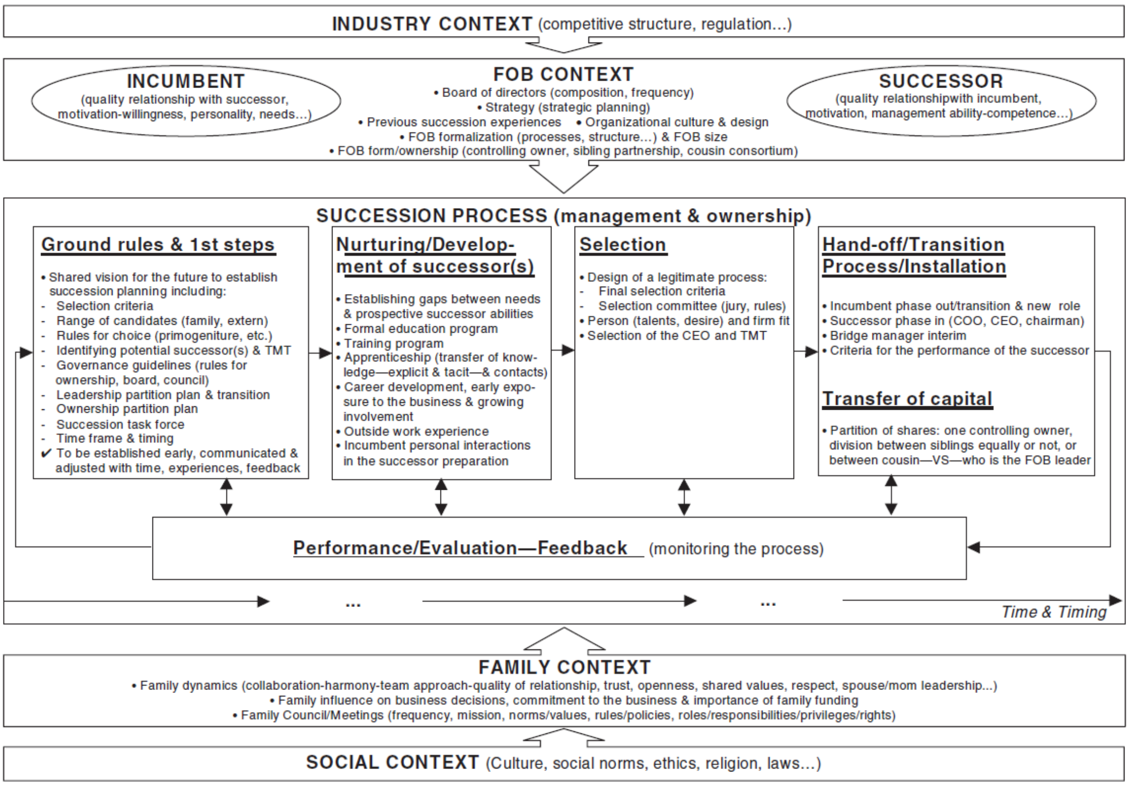
A successful management succession is defined as "a continuous process where leadership and power is transferred from one family member to next (usually from one generation to next), while maintaining positive family relationships, and enabling the business to continue to expand and prosper financially" (Griffeth et al., 2006, p. 4). Well prepared successors, a positive relationship and thorough succession planning are characteristics of successful succession (Morris et al., 1997). A successful succession results in the family-owned business being able to provide the founder with a comfortable retirement and continual financial security for the firm (Griffeth et al., 2006)

In 2005, it was found that only 40 percent of family-owned businesses in the United States survive to the second generation, 12 percent to the third and 3 percent to the fourth generation (Romero, 2005). Miller et al. (2003) suggest that the failure of succession is because of poor interactions and relations between generations, conflicts between offspring in terms of ownership, lack of significant formal education experience and interpersonal skills in the business operation, inappropriate management style of the new CEO for the existing conditions and patterns within the firm, and external factors such as competitiveness, change and uncertainty in the industry or market. This is similar to Degadt (2003) who suggests the problems of succession in family business result from conflicts of interest in terms of choosing the successor, balancing powers between family members and between the previous owner and the next generation due to the previous owner wanting to retain involvement in the business.

To be successful in the succession process, a family business should have a reliable succession plan (Griffeth et al., 2006). Four main factors that affect succession planning are individuals, group or family, organization and resources according to Davis and Harveston (1998). For instance, some factors which positively influence the effectiveness of the succession process are a professional succession plan, the awareness and acceptance by family members of the succession plan, the willingness of the successor to take over the business management and relevant skills, and experience and skills preparation of the successor. However, unprepared or incompetent successors negatively impact the effectiveness of the succession process in family businesses (Pyromalis, Vozikis, Kalkanteras, Rogdaki & Singala, 2006).

These appear similar to the findings of Breton-Miller et al. (2004) based on the results of examining more than forty systematically empirical and theoretical studies into family-owned business succession. They suggest that setting the ground rules, development of successors, successor selection, transfer of capital, feedback, family-owned business context, family context, industry context and social context are the factors that should be included to develop a successful family-owned business succession model. Based on their examination, they have developed an integrative model for successful family-owned business succession which may solve the problems of family business succession raised by Miller et al. (2003) and Degadt (2003). Below is the original integrative model for successful family-owned business succession:

Integrative Model for Successful FOB Successions



Source: Breton-Miller, Miller and Steier (2004, p. 318)

This model appears to be an effective succession planning model. The model includes detailed points related to family, organization, selection process, particularly the successor's preparation and the ownership division. In addition, the model also includes the industrial context which allows the family business founder/owners/managers to consider and achieve the success of the business management succession as well as the success of business in the next generation. In other words, the model may allow family business owners or managers to choose the right successor for the business management continuation and expansion.

Regarding succession in family businesses, I agree with Davis and Harveston (1998) and Pyromalis et al. (2006) that individual, family, organization and resources are four main factors affecting the succession process. In other words, these four factors may lead the family business management succession failure or success. In order to have a successful succession process, family business founders or current manager/owners should effectively manage these four factors by developing a reliable succession plan as mentioned by Griffeth et al. (2006).

From overall of the review and discussion of concepts and issues related to entrepreneurship and family businesses above, there is only one point contributing to relationship between entrepreneurship and family businesses. That point is the financial and human support by family members, particularly spouses in entrepreneurial businesses.

In order to further examine the relationship between entrepreneurship and family businesses, the family resources in entrepreneurial firms and entrepreneurial behaviours in family businesses will be discussed and examined.

2.3 The Relationship between Entrepreneurship and the Family Business

Whether family businesses can be considered entrepreneurial is one of main issues of familial entrepreneurship (Firkin et al., 2003). There is no researcher that explicitly identifies the family business as entrepreneurial. However, some mention the relationships between the family business and entrepreneurship. From the discussion of the relationship between entrepreneurship and family businesses, they seem to have a correlation among the family context, entrepreneurial behaviours, business management and succession in family businesses. There is a proposed model of a successful multi-generation family firm.

2.3.1. Family Resources in Entrepreneurial Firms

The family is a critical element in the mix of resources that the entrepreneur needs at all stages of the venture (Rogoff & Heck, 2003). It is also shown in the sustainable family business model (Heck et al., 2006) that entrepreneurship in the business is located within the family's social context and this social context is embedded in the initiate, growth and transition stages of family business. Chrisman et al. (2003) suggest that the influence of family resources and involvement on the business venture performance and pursuance is a link between entrepreneurship and family business. In addition, entrepreneurs' spouses are willing to sacrifice their human and financial capital for the business operation at any time and in any situation in family businesses (Poza & Messer, 2001; Ferkin et al., 2003).

2.3.2 Entrepreneurial Behaviours in Family Businesses

Innovation, risk-taking, proactiveness and need for achievement are entrepreneurial behaviours embedded in family businesses. For instance, the study of Salvato (2004) clearly shows the correlations between entrepreneurship and the three types of family firms (founder-centered family firms, sibling/cousin consortium firms and open family firms). He mentions innovation, risk-taking and proactiveness (three main features of entrepreneurship) as being embedded in these family firms, including the enhancement of entrepreneurial ideas, opportunity spotting and entrepreneurship. In addition, the empirical findings of Wah (2004) show that the need to achieve and risk-taking are two behavioural attributes of Chinese transformational family businesses leaders. These are supported by the theoretical and empirical studies of Naldi et al. (2007) that risk-taking is a main feature of entrepreneurial behaviour, which is correlated with proactive and innovative behaviours in family firms. They also found that risks taken by family firms are fewer than by non-family firms due to family firms have lower agency costs and lack of a deep risk calculation due to a lack of formal information control and analysis.

- The Influence of Family on Entrepreneurial Behaviours in Family Businesses

Family resources are main resources contributing to stimulating entrepreneurial ideas in family businesses. The unique ability of families to combine financial resources is likely to stimulate entrepreneurship, and entrepreneurial ideas in family firms are influenced and enhanced by family members (Salvato, 2004). Entrepreneurial initiatives or ideas are stimulated in family businesses where there are strong individual orientation and decentralization of control and coordination (Zahra, Hayton & Salvato, 2004). Furthermore, Kellermanns and Eddleston (2006) found that family businesses seem to invest in and enhance corporate entrepreneurship (including risk-taking, proactiveness and production development) when they have the ability to identify opportunities, as well as when rich technological opportunities are available in the business environment. They also found that there is the highest level of corporate entrepreneurship in family businesses when technological opportunities are identified and strategically planned for exploration. These have shown that corporate entrepreneurship (risk-taking, innovation and proactiveness) embeds in, and is enhanced in family businesses.

In relation to innovation in family businesses, the exploration, extinction or constraint of innovative ideas or initiatives are influenced by next generations. For instance, innovative initiatives/ideas can be utilized as a competitive advantage for family firms through commitment and support from the next generations. For example, Litz and Kleysen (2002) mention that IBM has become one of leading companies in the computer industry as a result of the complementary contributions by two generations of the Watson family. The product mix innovated by Tom Watson Sr. (first generation) has been developed and explored by his son (Tom Jr.) to make the company a leader in the industry. This also happens at some other multinational family firms such as Heineken, Michelin and Samsung; where the products or product formulas innovated by first generation are further developed by next generation(s) to expand the business internationally (Casillas et al., 2007).

On the other hand, innovative ideas or initiatives can be non-existent or constrained due to the following generation's lack of support or willingness to explore. For example, the innovative idea of David Sarnoff (the president of the Radio Corporation of America in 1930) that colour TV would be a commercial success was just a dream as his son (David's successor) was not willing to develop this innovative idea (Litz & Kleysen, 2002).

- The Influence of Entrepreneurial Behaviours on the Business in Family Businesses

While entrepreneurial behaviours are stimulated and enhanced by family resources in family businesses, entrepreneurship also contributes to the business' competitive advantages and development. For instance, entrepreneurship allows family firms to achieve competitive advantages by contributing to operation cost reduction, according to the empirical findings of Zahra et al. (2004).

In addition, some entrepreneurial behaviours such as innovation, proactiveness and risk-taking allow family businesses to gain competitive advantages as well as encouraging the exploration of national and international market opportunities. Casillas et al. (2007) show examples of seven multinational family firms where some entrepreneurial characteristics such as innovation, proactiveness and ability to take risk play an important role in the businesses at the start up phase and in the internationalisation process. For example, Heineken (one of the seven multinational family firms) was founded in 1864 with the innovative ideas of Gerard Adrian Heineken to acquire a brewery in Amsterdam and produce a new type of beer. The company with its innovated beer has expanded internationally across generations. The company has proactively changed its management process by merging with other foreign local partners in order to become a leading firm in the industry in some countries (Casillas et al., 2007).

Regarding the relationship between entrepreneurship and family businesses, I agree with Chrisman et al. (2003) and Rogoff and Heck (2003) that family resources and involvement in the entrepreneurial business venture and performance is a relationship between entrepreneurship and the family business. Family financial and human resources are the main resources for entrepreneurial companies at all stages, particularly, as mentioned by Poza and Messer (2001) that entrepreneurs' spouses are willing to contribute their own financial and human resources into the business at any time.

Another main relationship between entrepreneurship and family businesses is the entrepreneurial behaviours embedded in family businesses. As pointed out by Salvato (2004), Wah (2004) and Naldi et al. (2007), innovation, risk-taking and proactiveness are three entrepreneurial behaviours in family businesses. In addition, these entrepreneurial behaviours, particularly innovation and proactiveness play important roles in family business start-up and expansion. Family businesses can successfully start up with innovative ideas or innovated products then the business can be expanded by proactively and flexibly responding to the market situations (see examples of seven multinational family firms in Casillas et al., 2007).

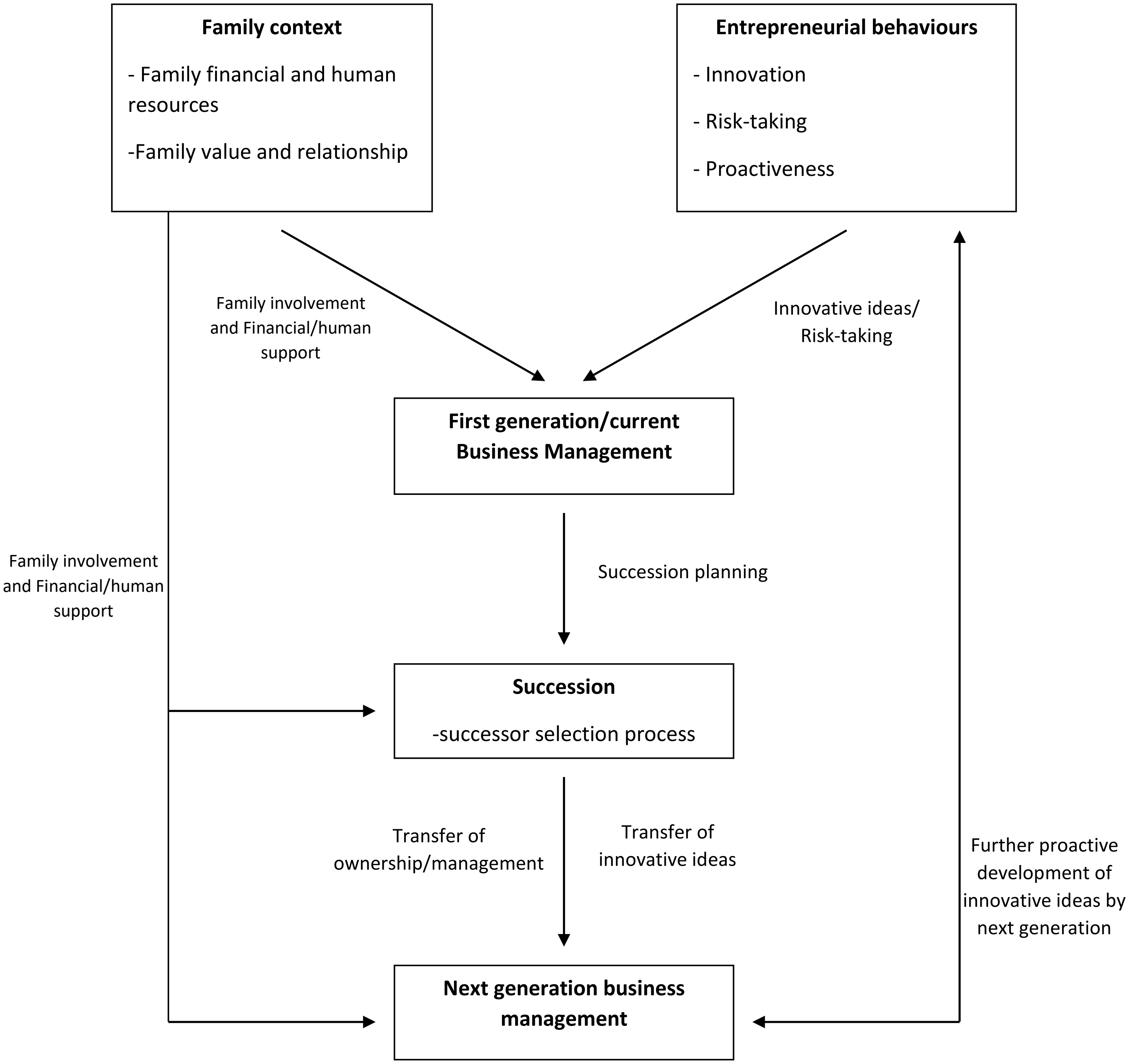
Innovative ideas in family businesses are mainly influenced by family (successors or next generations). New business ideas innovated by family business founders/owners can be further developed and stimulated by successors or next generations in order to make the business more competitive or to expand the business (see examples in Casillaset al., 2007). However, they also ease to function because successors do not enhance or explore them (see example in Litz & Kleysen, 2002). So, in order to keep innovative ideas thriving across generations, family business ownership or/and management should be transferred to a successor who is willing to stimulate/enhance these innovative ideas.

As there are some relationships between entrepreneurship and family businesses as discussed above, some family businesses can be considered as entrepreneurial. This assumption is made based on a view that family is a main resource for entrepreneurial businesses at all stages and some entrepreneurial behaviours such as innovation, risk-taking and proactiveness are deeply embedded in some family businesses.

2.3.3. The Proposed Model of a Successful Multi-Generation Family Business

According to the review and discussion of the relationship between entrepreneurship and family businesses above, there appears to have a correlation among family context, entrepreneurial behaviours, business management and succession in family businesses. In addition, these four factors play important roles in a multi-generational family business. In other words, these four factors have to be positively related to and effectively coordinated with each other in order to allow a family business to safely survive and expand successfully into the next generation. Below is my proposed model of the correlation among family context, entrepreneurial behaviours, business management and succession for a successful multi-generation family business. It will be followed by the explanation.

The Model of the Correlation among Family context, Entrepreneurial Behaviours, Business Management and Succession for a Successful multi-generational Family Business



- **The correlation among family context, entrepreneurial behaviours and business management in the first generation:**

As mentioned by Rogoff and Heck (2003), family resources are the main resources entrepreneurs need at all venture stages. This means that entrepreneurial or innovative ideas and activities are supported by family resources to start up and run an entrepreneurial family business. Therefore, family resources and entrepreneurial ideas are correlated and complementary to each other in the process of starting up and managing a family business.

- **The correlation among family context, entrepreneurial behaviours and succession:**

As pointed out by Pyromalis et al. (2006), the effectiveness of a family business succession process is positively influenced by factors such as the support by family members on the succession plan, the willingness of the successor to take over the business management and relevant skills. This means the successor (a family member) and the support and acceptance of other family members play an important role in a successful family business succession process. Furthermore, the entrepreneurial or innovative idea is also transferred while transferring the business management or ownership from first generation to the next generation, for example the case of IBM in Litz and Kleysen (2002). These cases have shown that successors in family businesses receive entrepreneurial ideas from the previous generation with support from family members in the succession process. Therefore, family support and involvement and entrepreneurial ideas are related to each other in the succession process of family businesses.

- **The correlation among family context, entrepreneurial behaviours and business management in the next generation:**

Entrepreneurial ideas innovated by a first generation are proactively enhanced and explored by next generation in order to successfully expand the business operation (see cases of IBM in Litz & Kleysen, 2002 and Heineken, Michelin and Samsung in Casillas et al., 2007 for examples). In addition, family business founders' spouses play an important role in supporting and stimulating next generation to become more involved in the business management (Poza & Messer, 2001). Therefore, entrepreneurial ideas from the first generation are further developed by the next generation with support from family members, particularly the founder's spouse in order to successfully develop the business.

These have shown that family context (family financial and human support) and entrepreneurial behaviours are related to each other in the business management in the first generation, succession process, and the business management in the next generation. In addition, they have to be positively coordinated and effectively managed in order to make a family business become a successful multi-generation family business.

2.4. Discussion of Previous Studies on the Relationship between Entrepreneurship and Family Businesses

According to the discussion above, the entrepreneurial behaviours in the business is a main relationship between entrepreneurship and family businesses. These entrepreneurial behaviours are innovation, risk-taking and proactiveness which have been empirically found by some researchers such as Salvato (2004), Wah (2004) and Naldi et al. (2007). These studies complementarily show that risk-taking is positively associated with innovation and proactiveness in all sizes of family firms. In other words, family business founders/owners/managers are willing to take risks as they use innovative ideas to proactively explore business opportunities in small, medium and large family firms.

For instance, the studies of Salvato (2004) and Naldi et al. (2007) have been conducted on a sample of small and medium-sized family firms in Sweden. They consistently found that risk-taking is positively associated with innovation and proactiveness in such businesses in Sweden. Complementarily, Wah (2004) has conducted his empirical study on a sample of eight medium and large-sized Chinese transformational family firms in Singapore. His quantitative findings show that all of eight Chinese transformational family firms accept that they essentially took risk and uncertainty on the change process of the business management to a professional one.

Furthermore, entrepreneurial orientation (innovation, risk-taking and proactiveness) is likely related to individual leader or CEO’s characteristics in all sizes (small, medium and large) of family businesses, whether the CEO or leader is family member or non-family member (according to the complementary findings of Salvato, 2004; Wah, 2004).

In relation to the empirical findings of Salvato (2004) and Wah (2004), they are complementary to each other just in terms of entrepreneurial behaviours in different sizes of family firms. However, their studies have been conducted in different locations and cultures. So, their findings might be applicable to only their own locations or business environments.

For instance, the empirical findings of Salvato that entrepreneurial behaviours are embedded in family firms might be applicable to small and medium-sized family firms in Sweden. However, the findings might not be applicable to large family firms in Sweden or family firms in other countries, as his study sample was only small and medium-sized family firms in Sweden.

From the study of Wah (2004), his findings that entrepreneurial behaviours such as risk taking and innovation or change are essentially related to family business leaders might be applicable to only medium and large transformational family firms in Singapore or in Chinese business context. However, they might not be applicable to other types of family businesses such as unprofessional family firms (different sizes) in Singapore or in other business contexts such as Western countries, due to their study sample only being medium and large Chinese transformational family businesses in Singapore.

Regarding the influence of family on entrepreneurial behaviours in family businesses discussed above, next generation(s) (successors) has a significant influence on the enhancement and extinction of the entrepreneurial initiatives or innovative ideas in family firms. This statement is made based on the discussion of cases of some multinational family firms stated by Litz and Kleysen (2002) and Casillas et al. (2007). Innovative ideas are developed and explored by next generation(s) in order to expand the business in some multinational family firms such as Heineken, Michelin and

Samsung (Casillas et al., 2007). On the other hand, an innovative idea of the former generation was neglected due to ignorance and unwillingness to enhanced and explore it by next generation at the Radio Corporation of America (Litz & Kleysen, 2002). These views were drawn from discussion of some multinational family firm cases, so, they might not be applicable to small and medium family firms.

For the influence of entrepreneurial behaviours on family businesses, entrepreneurial behaviours such as innovation, risk taking and proactiveness allow family firms gain more competitive advantages to be pioneers with innovated products in the industry and proactively respond to the business environment (Casillas et al., 2007). This evidence is drawn from some cases of larger family firms such as Heineken. Therefore, this view might be applicable to large family firms, however, it might not be applicable to small and medium-sized family firms, particularly, young start-up ones.

3. CONCLUSIONS

This study has reviewed and discussed previous studies that related to entrepreneurship, family businesses and the relation between both of them. Some family businesses can be considered as entrepreneurial in nature due to there being some main entrepreneurial behaviours such as innovation, risk-taking and proactiveness essentially embed in family businesses. A model of the correlation among family context, entrepreneurial behaviours, business management and succession for a successful multi-generation family business has been proposed.

The concept of entrepreneurship was first economically introduced since eighteenth century and has been differently developed by economists, psychologists and sociologists, including some schools of thought. Most economists, psychologists and sociologists reviewed in this research mention that innovativeness, risk-taking, opportunism and proactiveness are main entrepreneurial characteristics. However, economists and psychologists identified these entrepreneurial characteristics as mainly relating to individual's behaviours and activities while sociologists identified them as related to firm's view or activities. Then, I held that these entrepreneurial characteristics can be identified as individual or a group of people's characteristics.

Most family business researchers reviewed in this study focus on the involvement of family in the firm as a means to identify a family business. Intergenerational succession in the firm is also used by some researchers to identify a family business. The broad consensus based on the survey of the literature for this study is that family firms come in all sizes.

Family is a significant component of the family business in terms of financial and human resource contribution to the firm. Family members both directly and indirectly contribute to the human and financial resources of the family business and spouses are a primary contributing source. These contributions lead to both advantages and disadvantages for the family firm.

Succession is an issue of prime importance confronting family businesses and there are some causes for its failure, in particular a lack of or insufficient succession planning. Also, an integrative successful succession planning model suggests there are a number of issues that should be paid attention to in order to avoid and prevent problems in the succession process.

There are some relationships between entrepreneurship and the family business such as entrepreneurial activities, risk taking, innovation and proactiveness in the business and the influence of family members on entrepreneurial activity, initiative and idea enhancement. In addition, next generations (successors) play an important role in pursuance and further development of entrepreneurial ideas in family firms. Entrepreneurial behaviours also contribute to competitive advantages and business expansion in family businesses.

The proposed model for a successful multi-generation family business shows the correlation among family context, entrepreneurial behaviours, business management and succession. These fours factors have to be effectively managed in order to allow a family business to successfully develop across generations.

The findings and views of previous studies regarding the relationship between family businesses discussed in this study might be applicable to only the business contexts, types or sizes or where the research has been conducted; however, these might not be generalizable. There are some reasons why those empirical findings might not be generalizable. I argue that the sample of the study did not include all sizes of family firms (see Wah, 2004; Salvato, 2004; Naldi et al., 2007 for examples). The research sample did not include all types of family firms (see Wah, 2004 for example). The research has been conducted in a single location, culture or business context (see Wah, 2004; Naldi et al., 2007). In addition, there are also some indications that some views from the previous study might not be generalizable. The cases of the family businesses are about large multinational companies, however, they did not examine the cases of small and local family firms (see Litz & Kleysen, 2002; Casillas et al., 2007 for examples).

4. **DIRECTIONS FOR FURTHER RESEARCH**

According to the discussion above, entrepreneurial behaviours such as innovation, risk-taking and proactiveness are associated with family businesses. Furthermore, these entrepreneurial behaviours are influenced by the family context while they also contribute to business competitiveness in family businesses. These lead to an assumption that family businesses can be considered as entrepreneurial in nature. In order to make this assumption more generalizable, further research should select a reliable study sample of family businesses in all sizes (small, medium and large). The sample should include different types of family businesses such as professionally and non-professionally-managed businesses. The sampled family businesses should be selected from different business contexts, cultures and locations such as Asian and Western countries.

Some large or international family businesses have professionalized their business management (Tsui-Auch, 2004) while Barrett et al. (2005) point out a lack of professionalism in family businesses. In order to examine the business professionalism in family businesses, there should be some research on the professionalism in different sizes and types of family businesses. The study sample should include small, medium and large family businesses in different industries and in different locations. These might lead to discovering the similarities and differences among the business management systems in small, medium and large family firms.

The empirical findings of Tsui-Auch (2004) are likely to show a positive relationship between professionalization and financial involvement from non-family members or outsiders in family businesses. Therefore, the relationship between professionalism and financial involvement from non-family members in family businesses is an interesting research topic. The study sample on this topic should include both professionally and non-professionally run family businesses. Further research on this topic might be able to find advantages and disadvantages of the involvement of non-family members in family businesses.

It is a view that the enhancement and extinction of entrepreneurial ideas in family firms are influenced by next generation(s) (see Litz & Kleysen, 2002; Casillas et al., 2007 for examples). Therefore, the influence on the enhancement or extinction of entrepreneurial or innovative ideas by the next generation(s) in family businesses is a considerable topic for further research. The study sample should include all sizes of family businesses in order to examine the differences among them regarding the study area.

From the review and discussion, they seem to show a correlation among the family context, entrepreneurial behaviours, business management and succession in family businesses. These four factors seem to play important roles in successful multi-generation family firms such as Heineken, Michelin and Samsung (see Casillas et al., 2007). The further research on the relationship among these four factors might lead to developing an effective business strategy for successful multi-generation family firms.

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APPENDIX

Reflections

The family business is a main contributing sector to the world economic forces. Some family businesses are started with entrepreneurial ideas as local businesses then internationally expanded to become multinational companies such as Heineken, Michelin and Samsung. Therefore, it was interesting for me to examine the relationship between entrepreneurship and family businesses, including their influence on each other.

Regarding the searching process of academic articles and other sources, I found that Massey database and library were very useful for me. However, I could not find some original sources. My supervisor, **Dr. Andrew Cardow** has showed me other options for finding them. It was hard for me to find the study on the relationship between entrepreneurship and family business, particularly empirical studies. It might be because this study area is new, that there have not been many studies done so far. I was struggling to find the empirical study related to this topic; however, I found a few studies which included empirical studies and cases of some successful family businesses with entrepreneurial ideas.

It was hard for me at the beginning of writing the report as it significantly requires critical thinking. However, with advices from my supervisor, I found the right track to work on it.

I have found writing a bibliography of the article is a significant contribution to the effectiveness of critical thinking. It was very useful for writing the report, particularly the discussion part. Bibliographies allowed me to find the main ideas of each previous study including the study process. As a result, I was able to draw main ideas from previous studies as well as comparing them among each other. It also allowed me to find gaps in the study as I was able to critically discuss the previous studies. The critical discussion has led me to find and create some new ideas that may open considerable avenues for further research.

I have learned some important skills and gained some experience from writing this report. Firstly, I have learnt to manage time more effectively. Secondly, I have gained the very important skill of critical thinking. Critical thinking is an important skill for business management as well as living life. It gives me the ability to make assumptions based on realizable reasons or evidences. In particular, it leads me to consider confounding factors related to issues. Thirdly, I feel that writing this report has helped improve my academic writing skills, which is a very significant skill for further study and my future career.