ENTREPRENEURIAL ORIENTATION IN FAMILY FIRMS: EXPLORING FAMILY LEVEL ANTECEDENTS

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Abstract— This study utilizes data from Finnish family businesses to investigate the effect of family functionality, identification with and emotional attachment to the family on entrepreneurial orientation (EO) and, as a further consequence, the impact on objective firm performance. Structural equation modeling reveals that family functionality is positively linked to the identification with and the emotional attachment to the family. However, differences prevail regarding the effect of identification and emotional attachment on the single EO dimensions – innovativeness, proactiveness, and risk-taking. In addition, the results show that solely innovativeness is positively linked to firm performance. After analyzing and critically reflecting on the individual effects, this paper concludes with a discussion of its findings, along with its practical and theoretical implications.

Index Terms— entrepreneurial orientation, family firms.

I. INTRODUCTION

The recognition of business opportunities, technological progress and wealth creation is widely acknowledged as a key aspect of entrepreneurship (Lumpkin and Dess 1996). Issues, such as increasing competitive pressures, rapid changing environment, or the shortening of product and business model life cycles, constantly force firms to continuously identify new opportunities (Zellweger and Sieger 2012). Therefore, effective management of these pressures is becoming increasingly important, whereby strategic orientations such as an entrepreneurial orientation (EO) obtain a central role.

II. THEORETICAL BACKGROUND

In this study we focus on EO in family firms, which are perceived as the backbone and driving force for economic wealth worldwide (Poutziouris, Smyrnios, and Klein 2006). In fact, family firms pursuing EO significantly contribute to economic growth and wealth (Zellweger and Sieger 201). Likewise, "EO is recognized to be a determinant of family firm resilience and long-term survival" (Sciascia, Mazzola, and Chirico 2013, p. 70).

Scholars agree that contrary to non-family firms, family firms enjoy unique resources through the involvement of the family owning and/or running the firm (Sirmon and Hitt 2003). Managing those resources is essential for recognizing and exploiting opportunities, gaining a competitive advantage and finally ensuring the survival of the firm. Besides potential relationship conflicts, family involvement also provides "a resource with the potential to stimulate task-related constructive conflicts that foster entrepreneurial initiatives" (Sciascia et al. 201, p. 72).

In this context, the effect of socio-emotional aspects such as identification and emotional attachment on EO remains little understood. Moreover, scholars have not taken the inner familial functionality into consideration when investigating socio-emotional contents, even though a "unified" family group is likely to exist due to the common affiliation of family member to the family and the business (Ling and Kellermanns 2010). Our lack of knowledge partly derives from the fact that the growing body of research investigating EO in family firms rather focuses on moderators and mediators between EO and firm performance, than taking determinants or antecedents into consideration. Therefore, the present study aims to advance the understanding if and to what extend inner familial functionality as well as socio-emotional aspects hinders or promotes EO in family businesses.

III. MEASURES AND SAMPLE

All variables in our study, meaning family functionality (Smilkstein 1978), identification of family members with the firm (Berrone et al. 2012; Cennamo et al. 2012), emotional attachment of family members (Berrone et al. 2012; Cennamo et al. 2012), innovativeness (Eggers et al. 2013), proactiveness (Eggers et al. 2013), risk-taking (Eggers et al. 2013), and firm performance (Makkonen et al. 2014), use established scales. All scale items were scored using a 5-point Likert-type scale with response options from 1 ("do not agree") to 5 ("strongly agree"), with higher scores indicating higher levels of the construct in question.

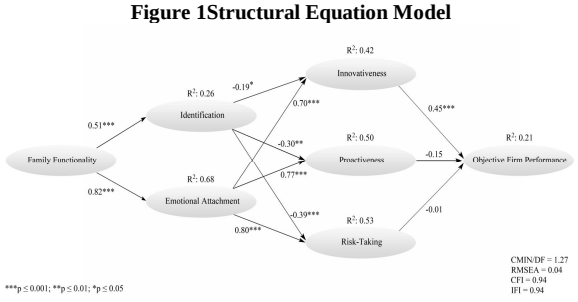
The final questionnaire was translated into an online survey (SurveyMonkey) and emailed to CEOs and Board Members of family businesses located in Finland. The sample was defined by the Finnish Family Firms Association (Perheyritysten liitto)

membership of each individual business, which guaranteed that solely family businesses were surveyed.

IV. RESULTS

The SEM (Figure 1) shows that family functionality has a highly significant effect on the identification with and the emotional attachment to the family. Furthermore, identification with the family negatively affects innovativeness, proactiveness and risk-taking while emotional attachment to the family positively affects innovativeness, proactiveness and risk-taking. In further consequence, solely innovativeness positively affects firm performance, while proactiveness and risk-taking have no significant effect. With regard to the firm level control variables firm age, firm size, and industry as well as the individual level control variables age and education, solely the age of the CEO/Board member shows a slightly significant but negative effect (-.15*) on firm performance, while firm age, firm size, industry and education do not influence firm performance.

Figure 1Structural Equation Model



V. IMPLICATIONS

The findings contribute to family business literature in important ways. First, it contributes to the growing literature on family firms by shedding light on the antecedents of EO. A better understanding of what drives and what hinders family firms' EO might help to resolve the seemingly conflicting results generated by existing literature focusing on EO and family versus non-family comparisons. Moreover, using structural equation modeling enables us to conduct a holistic exploration of family firm EO, including family level antecedents, as well as firm level performance implications. Second, it contributes to the literature on socio-emotional wealth (Berrone, Cruz, and Gómez-Mejía, 2012; Cennamo, Berrone, Cruz, and Gomez-Mejia, 2012; Gomez-Mejia, Cruz, Berrone, and Castro, 2011) by exploring the effect of certain SEW dimension individually on EO. Moreover, our study is, to the best of our knowledge, first to explore how SEW emerges (Berrone et al., 2012) by identifying and testing family functionality as important precursor of the owner-mangers' attention to certain SEW dimensions. By doing so, our study speaks to researchers cautioning that not all family business owners automatically pursue non-economic goals (Berrone et al., 2012). Finally, our results contribute to literature that has started exploring the interplay of the family and the corporate logic in the context of family firms (Greenwood, Díaz, Li, and Lorente, 2010; Miller, Breton-Miller, and Lester, 2011; Mitchell, Agle, Chrisman, and Spence, 2011).

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