Familiness Qualities, Entrepreneurial Orientation and Long-term Performance Advantage

A thesis submitted in partial fulfilment of the requirements for the degree of

Doctor of Philosophy

Presented By

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28 September, 2009
Statement of Originality

This thesis contains no material that has been accepted for the award of another degree at a university or other educational institution. To the best of my knowledge and belief it contains no material previously published or written by another persons or persons except where due reference has been made.

..................

Wayne Jeremy Irava, Faculty of Business, Bond University, Australia, September 2009
ACKNOWLEDGMENTS

Completing this degree was a journey I had travelled many times in my dreams. As I write this acknowledgement I begin to realise that the dream is fading and that the journey is becoming a reality. I did not embark on this journey alone, because the truth is I would not have travelled far. There are those who have guided me when I got lost, those that have picked me up when I was weary, those that have encouraged me when I had become complacent, and those that have watched from the sidelines and never stopped cheering me on. To all these people I am forever grateful; you have made the completion of this project possible and the journey memorable.

Firstly, Professor Ken Moores AM, who supervised and mentored me with invaluable guidance, encouragement, and unabated enthusiasm throughout my candidature. Your patience and confidence in me, even when my own faltered, made me believe that I could write and finish this dissertation. Dr Justin Craig for his continuous guidance and support in the academic world. Thank you both for providing me with opportunities to research and learn in the Australian Centre for Family Business (ACFB), my oasis of resources. To my many PhD colleagues, but especially Dr Pradeep Dharmadasa (Tiger), Kevin Tang (Boss), Abdullah Al-Hatmi (King), and Chiou-See Anderson, thank you for the intellectual and emotional support.

Secondly, The Fiji Government who provided the funds that enabled me to complete this project and BURCS who supported me during the final stages of the project. I would like to thank the families (herein referred to as: Daltons, Bocconis, Barnetts, and Boltons) who allowed me into their lives and their businesses to study the fascinating world of family business.

Thirdly, Pastor Violet Lagan, Pastor Kerrie, Pastor Ralph Shunker, the Gold Coast Fijian Community, and the Gold Coast Baptist Church for the spiritual and physical nourishment on numerous occasions. Dr Yanpu Zhang for helpful comments on the write-up of my final manuscript. All my flatmates and friends – too many to name but you know who you are. At some point along this journey, you have walked with me. The Campbells, thank you for all the phone calls, for accommodating me on my study breaks, and for keeping me sane. I thank my family and extended family in Fiji for their love and support.

Finally I dedicate this to my Mum; this is as much yours, as it is mine.

To God be the Glory

WAYNE
ABSTRACT

Familiness has become widely accepted as the appropriate construct representing the unique bundle of resources arising out of family involvement in business. However, as yet we do not fully understand the types of familiness or the conditions that give rise to them and as such familiness remains in need of further exploration. This research explores the familiness construct and its role in perpetuating entrepreneurial activity in the family business through the development and deployment of an entrepreneurial orientation (EO) over multiple generations. The Resource-Based View (RBV) is the adopted firm level framework used to identify the unique bundle of family resources that represent familiness. These resources are then explored for their contribution to nurturing and perpetuating an EO, thereby creating a source of competitive advantage. The research also explores the association of EO to the achievement of the firm’s non-financial objectives. Using exploratory in-depth qualitative case studies of four multigenerational Australian family firms, data was collected via semi-structured interviews, observations, and secondary documents. NVivo assisted with the coding and analysis of data to identify common patterns and themes from both within-case and across-case analyses.

Six resource dimensions were found to represent the familiness resource bundle: reputation, experience – insights and skills, learning, decision-making, relationships, and networks. These resource dimensions, identified by their prevalence across all four cases, are spread across the resource categories (human, organizational, and process) and thus confirm the widespread potential of the family’s influence in business. The resource dimensions displayed a paradoxical nature and the ability to manage these paradoxes enabled these firms to exploit their familiness advantages (f+) and simultaneously mitigate the disadvantages (f-). Managing the paradoxical nature was central to the multigenerational success of these firms. Three of the six dimensions (experience – insights and skills, decision-making, and networks) were instrumental in influencing the development of the firm’s EO while three other dimensions (reputation, learning, and relationships) were more closely aligned with a market, learning, and communication orientation. The findings also suggest that family firms are better able to address non-financial objectives when they have strong EOs that engaged them in entrepreneurial activities. All interpretations of the findings are integrated into a conceptual model for future empirical analysis.
The study contributes to research by identifying six dimensions (familiness resources model) that constitute the familiness resource bundle and through which family influence is most prevalent and best examined within the business. The study suggests that the paradoxical nature of these dimensions highlights conditions that give rise to familiness advantages (f+) or disadvantages (f-) and that managing these paradoxes gives rise to sustained competitive advantage. The study also proposes that the family is most influential in driving the firm’s EO: by being exposed to internal and external experiences that heighten their ability for opportunity recognition; by balancing the process (informal or formal), speed (fast or slow), and forum (concentrated or collaborative) of decisions; and by integrating and exploiting the firm’s strong and weak network ties. Finally the study confirms a close association between a firm’s EO and its non-financial objectives. The study thus encourages family firms to pursue entrepreneurial activity, not only because it sustains their livelihood over generations, but because it also assists in meeting the family’s non-financial objectives.

**Keywords:** family business, familiness, resource-based view, entrepreneurial orientation, non-financial performance advantage
# Abbreviations

## Table 1-1 Abbreviations used within this document

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
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<tbody>
<tr>
<td>ABS</td>
<td>Australian Bureau of Statistics</td>
</tr>
<tr>
<td>ACFB</td>
<td>Australian Centre for Family Business</td>
</tr>
<tr>
<td>ANZSIC</td>
<td>Australia and New Zealand Standard Industry Classification</td>
</tr>
<tr>
<td>BUREC</td>
<td>Bond University Research Ethics Committee</td>
</tr>
<tr>
<td>EO</td>
<td>Entrepreneurial Orientation</td>
</tr>
<tr>
<td>FO</td>
<td>Family Orientation</td>
</tr>
<tr>
<td>NFPO</td>
<td>Non Financial Performance Objectives</td>
</tr>
<tr>
<td>RBA</td>
<td>Reserve Bank of Australia</td>
</tr>
<tr>
<td>RBV</td>
<td>Resource-based View</td>
</tr>
<tr>
<td>RQ1, RQ2, RQ3</td>
<td>Research questions 1,2, and 3</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-Enterprises</td>
</tr>
<tr>
<td>STEP</td>
<td>Successful Transgenerational Entrepreneurial Practices</td>
</tr>
<tr>
<td>TE</td>
<td>Transgenerational Entrepreneurship</td>
</tr>
<tr>
<td>VRIN</td>
<td>Valuable, Rare, Inimitable, Non-substitutable</td>
</tr>
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Chapter 1. INTRODUCTION

1.1 RESEARCH BACKGROUND AND PROBLEM

Increased interest in family business research is partly influenced by the growing awareness that family firms\(^1\) dominate the economic landscape (Eddy 1996; Morck and Yeung 2004) and are found to financially outperform their non-family counterparts (Anderson and Reeb 2003; Dyer 2006; Villalonga and Amit 2006). Family firms range in size from small owner-managed firms to large multinational corporations and are spread out across a variety of industries; a testament to the successful possibilities that emerge when families engage in business. Fortunately, sustainability and long-term perspectives are embedded objectives within most family firms (Donnelley 1964; Miller and Le Breton-Miller 2005; Ward 1987). The desire and intention to sustain the longevity of the family business over generations is a distinctive characteristic and fundamental mission of many family businesses (Davis 1968; Gersick et al. 1997; Sirmon and Hitt 2003).

However, the ability to make these long-term objectives a reality is an inherent obstacle for many family firms. Schwass (2005) found that continuity over generations is the greatest threat to the survival of the family business. While the family business objective is to sustain survival beyond the current generation (Davis and Harveston 2001), many studies cite survival rates of only 30% into the 2nd generation and about 15% into the 3rd generation (e.g. Beckhard and Dyer Jr 1983; Marshall et al. 2006; Morris et al. 1997). The small percentage of family owned businesses led by third generation family members highlights the difficulty of sustaining interest and capability across generations (Hoy and Vesper 1994). Answering the question of how family firms can develop the capabilities to survive across generations is clearly topical at theoretical, practical, and policy levels. Keeping the family business alive allows the family to continue working together and therefore strengthens family cohesion and connectivity (Carsrud 2006). Encouraging the longevity of family firms is a means by which family relationships and diminishing social and family values are strengthened and improved. Moreover the prevalence of family firms’ in the economy makes understanding how to sustain their

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\(^1\) The terms ‘family business’ and ‘family firm’ are used interchangeably throughout this dissertation.
livelihood, pivotal. How then does one go about identifying the underlying drivers and levers necessary for sustaining longevity in family firms?

One approach to addressing that question is to study and learn from those family firms that have managed to successfully transition across generations. Although the statistics of the survival of multigenerational firms are disappointing, those that succeed have managed to do so successfully within the realm of the family and the business. Examples of some of these firms are explored by Miller and Le Breton-Miller (2005), Schwass (2005), and Collins and Porras (2002). These works highlight best practice that successful family firms have adopted, consequently contributing to their longevity and superiority within their industries. Certainly, much can be learnt from the study of these family firms. They provide a roadmap for which new and emerging family firms can follow, and in doing so help alleviate some of the pitfalls that hinder survival and longevity.

A recurring theme identified from the roadmap provided by the family firms in the Miller and Le-Breton Miller (2005) and Schwass (2005) studies, is the ability these firms have to nurture entrepreneurialism within the business and to perpetuate this across generations. Possession of this ability is vital, because a family firm’s survival over generations depends on the business’ ability to enter new markets and revitalise existing operations (Ward 1987), both of which are processes of entrepreneurial activity (Zahra 1993). Continuous innovation and improvement as norms, nurtures traditions of entrepreneurship which give family firms an advantage in transitioning through time (Habbershon and Pistrui 2002). Family firms often start off in an entrepreneurial mode (Mintzberg 1973), a consequence of the entrepreneurial drive of the founder. For many family firms this entrepreneurial drive slowly erodes over time. This is so often a result of the inability of the firm to translate the entrepreneur’s drive into an entrepreneurial organization. This drive is further eroded with the aging and retiring of the entrepreneur/founder. Successful multigenerational family firms2, like those in discussion here, are clearly an exception to that notion. What ability do these

---

2 Multigenerational family firms are those that exist beyond the founding generation. They are transgenerational firms where members from more than one generation maintain involvement either via ownership, management control or day-to-day operations of the firm. They are sometimes referred to as sibling partnerships or cousin consortia (Ward, 1987).
firms have to remain entrepreneurial, where does it come from, and how do they maximise its potential? This dissertation proposes that the answer possibly exists within the family and the resources generated and nurtured because of the family’s involvement in the business.

In family firms, the family’s involvement adds complexity when family dynamics mix with business dynamics. The family business is often represented as an intersecting set of complex subsystems (Gersick et al. 1997; Tagiuri and Davis 1996). Earlier literature suggested that family and business dynamics are different to the extent that they cannot possibly co-exist (e.g. Cohn and Lindberg (1974), Levinson (1971), as cited in Sharma et al. 1997). Literature now concur that family dynamics and business dynamics are highly interrelated (Aldrich and Cliff 2003) and balancing the synergies between the two dynamics presents a recipe for deriving advantages for the family business (Chua et al. 2003). The family dynamics, via family influence, is that which differentiates family businesses from other forms of business (Klein et al. 2005). These differences exist on a number of dimensions including ownership, management structures, strategies, performance, ethics, and succession planning.

The basis for these differences is largely a result of the idiosyncratic resources and capabilities that are generated when the family and the business interact and co-exist in unison. This idiosyncrasy has been referred to as ‘familiness’ and is that which gives family firms their distinction (Habbershon and Williams 1999). The familiness concept is drawn from the Resource-based view (hereafter RBV) theory of the firm which states that the performance of firms can best be analysed through the heterogeneous nature of its internal resources (Peteraf 1993).

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4 Familiness, conceptualised from the RBV literature, refers to the idiosyncratic firm level bundle of resources and capabilities a particular firm has because of the systemic interaction between the family, its individual members and the business (Habbershon & Williams 1999). Familiness has become a widely accepted notion amongst family business scholars. A detailed analysis of familiness follows later in chapter 2.

5 The Resource-based view theory of the firm is discussed in greater detail in Chapter 2.
The notion of familiness has become widely accepted within family business research and is now synonymous with family business. Research highlights familiness as a source of competitive advantage and improved firm performance (e.g. Chrisman et al. 2005b; Habbershon and Williams 1999; Moores and Craig 2005; Nordqvist 2005a). However, the conditions that give rise to familiness and the sources and types of familiness are yet to be understood (Chrisman et al. 2005b). Furthermore its role in nurturing and perpetuating entrepreneurial activity within the family firm is under-researched. Habbershon and Pistrui (2002) note that the field has not explicitly identified the entrepreneurial potential of the family ownership group. This is probably a result of the lack of attention given to family firms from an entrepreneurship perspective (Aldrich and Cliff 2003). The entrepreneurship and family business fields, although highly related, have lacked integration (Dyer and Handler 1994). Despite the fact that the majority of all start-ups are founded and nurtured within the social structure of the family (Aldrich and Cliff 2003) and that the family network system plays a dominant role in supporting entrepreneurship and enterprise development (Pistrui et al. 1997). The family’s entrepreneurial contribution, as yet, remains largely absent (Cruz et al. 2006), and an exploration is essential, given that the family business is a hospitable environment for entrepreneurial activity (Rogoff and Heck 2003).

This dissertation employs a qualitative case-based approach to examine the role of family resources (familiness) in perpetuating entrepreneurial activity in the family business via the development of an entrepreneurial orientation ⁶ (hereafter EO). Specifically it first examines what familiness is and explores how familiness contributes to the successful nurture and perpetuation of entrepreneurialism across generations of the family firm. The dissertation is thus based on the emerging perspective in the family business literature referred to as ‘transgenerational entrepreneurship’ (Cruz et al. 2006; Habbershon and Pistrui 2002; Habbershon et al. 2003). This perspective draws attention to the family business systems model (Gersick et al. 1997) as the unit of analysis for best understanding entrepreneurial

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⁶ An entrepreneurial orientation (EO) in the literature is largely a measure of a firm on three dimensions: innovativeness, proactiveness and risk-taking (Miller, 1983). This was later expanded to 5 dimensions by Lumpkin and Dess (1996) to include autonomy and competitive aggressiveness. A more detailed analysis of EO follows later in chapter 2.
activity and wealth creation across generations (Habbershon and Pistrui 2002). Such a perspective means investigating how an EO is channelled through the social interaction between actors within the system via the influence of family resources. It is the intention of this dissertation to create a greater understanding of familiness and family firms’ entrepreneurship on their own conditions rather than to compare them with non-family firms. In fact recent studies note that the dichotomous characterization of firms into family and non-family is overly simplistic (Klein et al. 2005). This research addresses the need within family business research for a greater linking between the family enterprise and entrepreneurship (Heck et al. 2008).

This dissertation presumes that the intangible “familiness” of a firm as explicated by RBV lends itself to actualization of an effective EO, and subsequently, successful continuity. This suggests that success behind family firms dwells within their familiness resources. Familiness resources have the potential to enhance the family firm’s entrepreneurial capability by their contribution to an EO, and subsequently to better performance and successful continuity. It has been suggested that familiness resources will vary from firm to firm (Habbershon and Pistrui 2002; Habbershon and Williams 1999) and those firms that can positively harness their familiness resources will have a greater propensity to sustain an EO and engage in entrepreneurial activity. These are the central arguments which this dissertation proposes and sets out to explore. The motivation is thus to clearly identify the entrepreneurial potential of the family in the family business as well as answer calls for greater integration between entrepreneurship and the family business fields.

1.2 RESEARCH ISSUES

The research issues in this dissertation are:

- To provide conceptual clarity of the familiness construct by indentifying its resource dimensions and to determine how and what conditions enable these resource dimensions to provide a positive advantage for the firm;
- To identify and explore the processes by which familiness resources are engaged in developing and sustaining the firms EO across generations;
- To explore the effect of EO on the firm’s non-financial performance objectives.
In addressing these areas, RBV from the strategic management literature and the EO construct from the entrepreneurship literature are employed to provide theoretical frames to embed and guide the study. RBV is used to explicate the familiness resources while the EO construct is used to denote entrepreneurial activity at the firm level given that the unit of analysis is the family business.

1.3 PURPOSE AND OBJECTIVES

The purpose of this dissertation is to examine familiness and its association to an EO in family firms. In particular how familiness resources possess the potential to foster entrepreneurial activity within the family business. The dissertation sets out to determine whether and how, and under what conditions, familiness resources influence an EO within family firms and therefore lead to a competitive advantage and sustained firm performance. The dissertation endeavours to develop an understanding of familiness and the relationship between familiness and the firm’s engagement in entrepreneurial activity.

The dissertation’s central objectives are to:

- Review and analyse relevant theoretical literature that focus on RBV, EO, and family business;
- Delineate the familiness construct by identifying its resource dimensions;
- Investigate the impact familiness resource dimensions have on nurturing entrepreneurialism across generations of the family business; and
- Explore the linkages between familiness resources, EO, and non-financial firm performance.

1.4 DEFINITIONS

The following terms are used frequently within the dissertation and are important foundational concepts for the study. Their definitions are briefly introduced here, together with a reference to the section within the dissertation where a more detailed discussion can be found.

1.4.1 FAMILY BUSINESS (OR FAMILY FIRM)

Several definitions of the term ‘family business’ currently exist in the literature (See Table 2.2). There is no one definition that dominates the field, nor is this desirable, because the family business is within itself a mix of various types of family firms (Sharma and Nordqvist 2008). The adopted definition here aligns with that of Chrisman et al., (2005a) who suggest that definitions in the field can largely be
categorised into two groups; a *components of involvement approach* and an *essence approach* (see Figure 2-1). The components of involvement approach highlight family involvement in ownership, governance, management and succession as necessary antecedents to defining a family business. The essence approach further adds that those antecedents are necessary, but are insufficient if they do not produce certain family distinctiveness e.g. familiness. In the essence approach it is the latter that qualifies a firm as a family business. A mix of the two approaches is the adopted definition (See section 2.2.2) for this research.

1.4.2 **RESOURCE-BASED VIEW (RBV)**

The core of RBV is the notion that the internal resources and capabilities of firms are heterogeneous in nature and this heterogeneity distinguishes firms and can lead to a competitive advantage (Barney 1991; Penrose 1959; Peteraf 1993; Wernerfelt 1984). RBV is used here as the theoretical underpinning which aids in explicating the heterogeneity of the resources in the family business that result specifically from the family’s involvement in the business. RBV is discussed in detail in Section 2.3.

1.4.3 **FAMILINESS**

Familiness refers to the resources and capabilities that emerge when the family and the business co-exist within the family business. The term was first coined by Habbershon and Williams (1999) and whose definition is adopted here.

> “…the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business” (1999, p.11)

Section 2.3.1 gives a detailed discussion on the notion of familiness.

1.4.4 **ENTREPRENEURIAL ORIENTATION (EO)**

EO is a concept used to reflect a firm’s commitment and capability to pursue entrepreneurial activity. As a firm level concept it is ideal for analysis of the EO of the family business. The measure of a firm’s EO is based on three elements; risk-taking, innovation, and proactiveness (Miller 1983). It is the most widely used firm level measure of EO in the literature (Wiklund and Shepherd 2005) and the adopted definition within this dissertation. EO is further discussed in Section 2.4.2 and the EO elements defined in Table 2-3.
1.5 RESEARCH METHOD OVERVIEW

The philosophical paradigm adopted for this dissertation is a post-positivist approach. This approach allows the use of multiple techniques which can enrich understanding of firm level entrepreneurship (Zahra et al. 1999). A deductive and inductive approach to theory is adopted where a priori constructs are deductively identified from extant literature, and are used to guide the inductive theory building process of the dissertation. The dissertation is largely exploratory and qualitative in nature. A qualitative approach is suitable for the generation or building of theory (Denzin and Lincoln 1994), and for the study of tacit and invisible issues in the family business context.

The qualitative case method (Eisenhardt 1989; Yin 1994) is the adopted research strategy. Qualitative approaches are vital for theory building in emerging fields (Denzin and Lincoln 1994) such as family business. Also family business research requires greater in-depth qualitative studies (Dyer and Marcelino 1998; Nordqvist et al. 2009; Sharma 2004). This research answers calls for the need to re-examine the family firm with intense qualitative research including case studies (Heck et al. 2008). The case method strategy aims at understanding a phenomenon and developing theory based on that phenomenon. It is also best suited for my research questions which are in the form of ‘how’ and ‘why’ questions (Yin 1994 p.1). The empirical analysis consisted of the in-depth study of multiple cases with the intention of literal replication (Yin 1994 p.47). Data analysis begins within case-analysis, which is then followed by between-case analysis and then compared to existing theoretical notions as suggested by Eisenhardt (1989).

The adoption of a triangulation (Denzin 1978) of data collection methods and sources within the research strengthens both the credibility and validity of the research. However, the main instrument of data collection is the in-depth, open-ended interviews conducted with multiple respondents within each case. These are recorded, transcribed, and analysed using NVivo7.

7 A Qualitative Data Analysis (QDA) software package designed to code and analyse qualitative data.
1.6 Research Scope
The following boundaries set the limitations within which this dissertation is conducted. The case firms within this study are located within Australia. This imposes the first constraint – results can only be cautiously and restrictively applied to a wider setting. The choice of Australia as the site from which the studied family firms are drawn is explained in Section 2.2.1. The firms selected are multigenerational family firms. This multigenerational criterion restricts the selection pool to family firms where two or more generations of the family are involved in the business. The definitional stance regarding family business within this dissertation adopts both an essence and component involvement approach. This is detailed in Section 2.2.2. The period of the dissertation covers approximately three years and the study is therefore time-bound. However a longitudinal type study is reproduced by capturing the past in the firm’s current values, culture, infrastructure, and company history. The Australian Centre for Family Business (ACFB) provided assistance in locating suitable cases that provided the context for best understanding the phenomenon of interest.

1.7 Contribution of the Research
This section briefly summarises the intended contribution of this research. More specific details regarding contribution will be dealt with in Chapter 6. This dissertation aims to contribute to theory, practice, and education.

1.7.1 Contribution to Theory
Firstly, I plan to advance understanding by clarifying the ‘familiness’ construct. Secondly, by investigating how familiness influences the EO in multigenerational family firms, the study endeavours to create a clearer picture of the linkages between dimensions of ‘familiness’ and how they give rise to entrepreneurial activity (EO) within the context of the family firm. Thirdly, to understand the relevance and association of EO to achieving the firm’s non-financial objectives. Furthermore, the family business field has not explicitly identified the entrepreneurial potential of the family (Habbershon and Pistrui 2002) and there is a lack of integration between family business research and entrepreneurship (Dyer and Handler 1994). This research endeavours to contribute to integrating RBV and EO and study their application and interaction within the family business context.
1.7.2 Contribution to Practice

Knowledge should not be limited to its theoretical implications but to the practical value of that theory (Handler 1989). To contribute to practice, the dissertation endeavours to develop a framework that helps family firms identify the nature of their familiness and the advantages that can be harnessed to spur entrepreneurial activity (EO) and sustain this across generations. With only a small number of family businesses surviving to the third generation (Miller et al. 2004), such contribution is of practical value to new and emerging family firms.

1.7.3 Contribution to Education

The popularity of family business in schools offering family business programs has increased (Sharma 2004). To support this popularity, the field needs to continue the development and enhancement of the curriculum it offers. Findings from research can provide this development. The findings of this dissertation anticipate a better understanding of the familiness advantage of family firms and its influence on entrepreneurial activity within the firm. It can also raise the awareness of academics and education institutions of family firms as a discipline and area of interest, which is currently limited in an Australian context. Furthermore, the study can provide for replication in other contexts to examine whether the ‘familiness’ advantage changes across national, cultural and geographical boundaries.
1.8 **STRUCTURE OF THE THESIS**

**Chapter One**
Introduction

Chapter 1 introduces the topic of the dissertation and sets the stage for the research problem, the research question, and the purpose of the study.

**Chapter Two**
Literature

Chapter 2 takes the reader through an in-depth discussion of the pertinent literature; mainly Resource-based View, Entrepreneurship, and the Family Business discipline. These assist in the construction of a theoretical framework that is presented at the end of this chapter. Specific research questions are also posited.

**Chapter Three**
Method

Chapter 3 outlines the adopted methodological approach. The discussion includes the research philosophy, research approach, research strategy, data collection methods, and data analysis. The chapter concludes with the criteria for evaluating the quality of the research method.

**Chapter Four**
Within-case

Chapter 4 presents the within-case analysis. It includes the case profiles which discusses the cases and introduces the actors and the context (stage) within which they act. Within-case analysis examines the thesis research questions at the individual case level using citations and extracts from observations and interviews to support rich, contextual empirical interpretations of the cases.

**Chapter Five**
Between-case

Chapter 5 presents the empirical findings and interpretations of the between-case analysis. The interpretations are obtained from the collated findings of the within-case analysis. These are summarized and integrated with the conceptual model and research questions earlier presented in Chapter 2. The chapter concludes with theoretical interpretations and testable propositions.

**Chapter Six**
Conclusion

Chapter 6 is the final chapter. Interpretations and conclusions are summarized and related to earlier literature, to the research questions, and the purpose of the research. Contribution of the study is also discussed. Final remarks include limitations of the study and suggestions for future research.
1.9 Chapter Summary

This chapter presented an introduction of the dissertation and a summary of the sections that follow. Included was a background of the research and the motivation for the dissertation. This was followed by the identification of the research issues and objectives. Definitions of important terms within the dissertation were briefly introduced followed by summaries of the adopted research method and the scope of the research. The contribution of the dissertation was discussed with regards to academia, practitioners, and education. An overview of the structure of the dissertation concluded the chapter.

In sum, the core purpose of this chapter was to identify the background and motivation for this research, the research issues, and research objectives. Other discussion within the chapter presented brief introductions of sections that are dealt with in greater detail later. This research sets out to provide clarity of the familiness construct by identifying its resource dimensions, exploring how these dimensions influence the firm’s EO, and together how familiness and EO assist the firm in achieving its non-financial objectives. The next chapter presents the literature pertinent to guiding the address of these research issues.
Chapter 2. LITERATURE REVIEW

This chapter reviews existing theories and past research in the fields of interest. Prior research is used to develop a theoretical framework to guide the exploration of the research issues. This research is conducted within the STEP\(^8\) umbrella and references to STEP are hereby acknowledged. The theoretical lenses adopted (RBV and EO) are drawn from the STEP theoretical framework. However, there are three major differences that differentiate this thesis framework from that of the STEP project. Firstly, while STEP looks at financial performance, non-financial performance\(^9\) is the studied variable here. Secondly, STEP uses the five dimensions of EO suggested by Lumpkin and Dess (1996), while this thesis adopts the three dimensions suggested by Miller (1983). Finally, STEP, using RBV suggests an a priori specification of 8 resources in its theoretical model. In this thesis, Barney’s (1991) resource categorization is used to develop the resources groups that arise from the case data. The details of the adopted research framework and prior literature are discussed herein this chapter.

2.1 INTRODUCTION

Resource-based theory (Barney 1991; Penrose 1959; Wernerfelt 1984) and the entrepreneurship field (Gartner 1990; Schumpeter 1934; Stevenson and Jarrillo-Mossi 1986) have gained considerable momentum in their development and have generated much interest over recent years in strategic management. While RBV and the entrepreneurship field have primarily evolved separately in the literature, nonetheless they are closely related. Alvarez and Busenitz (2001) suggest that the next generation of research on RBV and entrepreneurship should be more closely connected. They suggest that bridging the gap between the RBV theory and the entrepreneurship field requires an understanding of the lens through which they (RBV theory and the entrepreneurship field) view resources.

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\(^8\) STEP is the acronym for ‘Successful Transgenerational Entrepreneurial Practices’. STEP is a global project in which Bond University is a partner. For more information on STEP, refer to www.stepproject.org.

\(^9\) Discussion on the reasons for focusing on non-financial performance follows later in Section 2.5.3 of this chapter.
RBV has mainly focused on heterogeneity of resources while entrepreneurship has tended to focus on heterogeneity in beliefs about the value of resources (Alvarez and Busenitz 2001). In the latter, heterogeneity of beliefs can develop into a strong resource for which suggests greater synthesis between RBV and entrepreneurship. Entrepreneurship then, in that light, can be seen as an inherently subjective and firm-specific resource. This thesis attempts to bridge the gap between RBV theory and the entrepreneurship field, by studying them in the context of a unique set of firms: the family business.

The family firm is arguably the most enduring institution for entrepreneurial activity in emergent economies (Pistrui et al. 1997) and the ability to engage in entrepreneurial behaviour will depend, in part, on the firm’s resources and competencies (Covin and Slevin 1991). This thesis posits that in family firms it is the familiness resources (Habbershon and Williams 1999; Habbershon et al. 2003), which are both idiosyncratic and a source of competitive advantage that can serve as either a catalyst for, or a restraint on, the form of entrepreneurship (innovators, risk-takers, proactive stance) the family firm seeks to pursue. To investigate the role of ‘familiness’ resources in nurturing and perpetuating entrepreneurialism in family firms, this thesis draws upon RBV (Barney 1991; Wernerfelt 1984) and the EO concept (Lumpkin and Dess 1996; Miller 1983) from the entrepreneurship field as theoretical underpinnings, and examines their effect and interaction in the context of family firms.

Chapter 2 is organised as follows: Section 2.2 provides an overview of the family business field that includes a discussion of the definitional issues within family business research and a background of family business in Australia. Section 2.3 reviews the RBV literature together with its application and significance to family business research. Section 2.4 follows with the literature on entrepreneurship, introducing the EO concept, and discusses research to date that has examined EO in the context of family business. From the reviews of the previous two sections, a conceptual framework and research questions are presented in Section 2.5. The chapter concludes with a summary in Section 2.6.
2.2 **OVERVIEW OF THE FAMILY BUSINESS FIELD**

Today’s global economy is becoming more uncertain, turbulent and complex, and is changing very rapidly. Managing the success and longevity of the family business has never been more challenging in these conditions especially when added to the complexities of expanding family relations and diminishing social and family values. Nevertheless, in such an environment some family businesses have remained unparalleled in their dominance and success (see for example Miller and Le Breton-Miller 2005).

The phenomena of the family owned business arguably represents the world’s oldest form of organising economic activity (Colli 2002) although the earliest research activity within the family business field only dates back to the 1950s (Sharma et al. 2007). While examination of the family business as an organizational form has been largely neglected (Dyer 2003), activity within the field is gaining momentum. Recently fields such as management, entrepreneurship, and strategy have taken interest in the exploration of the family as a vital unit of analysis in the business arena, a task that has historically been consigned to the likes of anthropologists and sociologists. The result is increased interest and growth in the scholarship of family business witnessed over the last two decades (Chrisman et al. 2005a; Craig et al. 2009; Sharma et al. 2007). This is evident in the increasing emergence of family business articles in mainstream journals (Sharma 2004) and among academic scholars from more well established disciplines. Academia is finally awakening to the one variable that organizational research has largely ignored – the family (Dyer 2003), and by extension one of humankind’s most enduring economic entities – the family enterprise (Litz and Kleysen 2001).

Family businesses’ dominate the economic landscape of most countries today\(^\text{10}\) (Eddy 1996; Morck and Yeung 2004) and are found to both outperform and under-perform in relation to non-family businesses\(^\text{11}\) (Dyer 2006). And while their dominance is

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\(^\text{10}\) Morck and Yeung (2004) provide interesting statistics on the dominance of family firms in 27 countries.

\(^\text{11}\) Dyer (2006) presents a summary of the conflicting findings in literature regarding the performance of the family firm relative to their non-family counterpart. Dyer suggests that these differences of
challenged on the grounds of what defines a family business (Westhead and Cowling 1998), it is conclusive that the majority of all business start-ups (and entrepreneurs) are founded and nurtured within the social structure of the family (Aldrich and Cliff 2003). The family business field has therefore developed as a separate academic and practice arena focusing on assessing the role of family in business (Sharma et al. 2007). Progress of the field, although still in its infancy, is increasing in momentum and making significant progress. Despite their prominence in most world economies, family firms are still being ignored and underemphasised in research and teaching (Miller and Le Breton-Miller 2007). Substantial work is still needed in stronger theory development, in empirical testing of these theories, and in the application of these theories to give practical value. Such work would assist in strengthening the contribution of family business researchers in enhancing scholarship, generating wider acceptance of the family business field, and advancing the recognition of family business as an area worthy of investigation. Importantly such work must be of practical value by improving and sustaining the livelihood of family firms.

2.2.1 FAMILY BUSINESS IN AUSTRALIA

Despite their significant contribution to the Australian economy, Australian family-owned firms lack the extensive research necessary to increase the understanding of family firms (Moores and Mula 2000). This warrants greater research and analysis; one that is separate from the small business sector because family firms vary in size from small owner-manager firms to large multinational corporations (Moores and Barrett 2002). This is particularly evident in the Australian economy where family names like Murdoch, Packer, Smorgon, and Fox, all lead large corporations that are renowned in the Australian business community.

Outcomes in performance results from the variance that exists within family firms. Dyer proposes a family firm typology of four firm types: clan, mom and pop, self-interested, and professional.

12 Sharma et al. (2007) present a comprehensive evolution of the field. Their timeline follows progress in the field, beginning from Grant Calder’s family business dissertation in 1953 up until the 2007 special issue on family business in the Journal of Business Research in which their article was published.

13 Sharma (2004) finds an increase in the interest of family business where there has been a four-fold increase in the number of family business articles published per year as well as its emergence in mainstream journals such as Academy of Management Journal, Academy of Management Review, and Journal of Finance and Organisational Science. There is also an increase in the number of schools offering family business programs.
Using a narrow definition of family businesses, the Business Longitudinal Survey (BLS) carried out by the Australian Bureau of Statistics find that at least half of all business in Australia are family business (ABS 1997, quoted in Moores and Mula 2000). They are also estimated to have a combined wealth of $AU3.6 trillion, and employ 50% of the private sector workforce (Smyrnios and Walker 2003). In a more recent study the overall wealth of Australian family businesses is estimated to be approximately $AU4.3 trillion (Smyrnios and Dana 2006). While not all family firms are small, they constitute approximately 67% of the Small and Micro Enterprise (SME) sector in the Australian economy (Kotey 2005), and over half of Australia’s top 500 private companies are family owned (Matterson October 26-27 2002).

The significance of family firms in the Australian market is evident, and these statistics are not much different from those reported in other countries (Astrachan and Shanker 1996; Morck and Yeung 2003). However Australian family firms are relatively young when compared to family firms from old world economies such as Europe and Japan. The majority of Australian family firms currently still have the founding generation in some position of authority, monitoring, or control. The founders are those family members who are often accredited as the entrepreneurs. And while the founders are entrepreneurial at first, their entrepreneurial capacity seems to dwindle with both the age of the founder and that of the firm. For the family business to survive across generations, the firm needs to maintain an entrepreneurial mindset within every generation (Sirmon and Hitt 2003). Generational leaders need to be entrepreneurs for business growth (Schwass 2005). With the majority of Australian family firms on the verge of generational transition (Smyrnios and Dana 2006), the question then is whether the founder’s entrepreneurial drive can be retained and perpetuated over incoming generations. This question raises the issues of interest to this thesis: will these family firms remain entrepreneurial across generations? Otherwise stated, how can the family firm be entrepreneurial across generations and specifically what role (if any) do family resources play in this progression. Recognising the family resources and practices that perpetuate an entrepreneurial mindset across generations is paramount. This is because the inability to remain entrepreneurial not only contributes to the demise of family firms, but may also have catastrophic effects on most national economies; including Australia. Companies that
preserve entrepreneurship as they grow, preserve the ability to change and to flourish (Stevenson and Jarrillo-Mossi 1986).

Survival of the family firm over generations of the family is difficult to maintain. While a gallant number have mastered the art of transition (Miller and Le Breton-Miller 2005) the majority of family firms do not make it past the third generation (Hoy and Vesper 1994; Miller et al. 2004). Notwithstanding its recent commercial beginnings Australia too has a small percentage of its family firms that reach third generation and nearly 50% of which have been identified as less likely to become later generation firms (Smyrnios and Dana 2006). What makes some family firms prosper and others perish and how can research best assist the majority of Australian firms, facing generational transitions, build to last.

This thesis aims to further that understanding by investigating how the family resource steers entrepreneurial activity to sustain successful performance across generations of the family. It seeks to highlight family resources and practices that help implement changes and support entrepreneurial activity and growth across generations of the family, managers, and owners. This research will be beneficial to the majority of Australian family businesses who are currently in the height of generational transition. But what exactly is meant by the term ‘family businesses’. We turn to defining this concept next.

### 2.2.2 Defining Family Business

Sceptics of the family business discipline have long questioned “what about family businesses sets them apart from other forms of business?” This question is legitimate and important because justification for existence of the family business field and research thereof, rests with the answer to this question. Such questions warrant definitional clarity of the term *family business*.

Definitional issues abound in every discipline and field. In the family business field it is in defining the family business. While it is not possible (nor is it desirable) that one universal definition exists, having some common foundational characteristics that can identify and separate out family firms is necessary. This helps differentiate family firms from other forms of business thereby justifying the existence of the discipline.
and research within the field. One such foundational characteristic is the notion that family firms are a complex entity consisting of three overlapping subsystems; family, business, and ownership (Gersick et al. 1997; Hoy and Vesper 1994). This standard theoretical model for depicting the interaction of family and business as interlinking systems establishes the basic character of the family business and defines its uniqueness (Davis 1983). Moores (2009) suggests such intersecting circle represents the prevailing paradigm.

But how different are family firms in relation to non-family firms? Extant literature differentiates family firms from non-family firms on a number of dimensions. Chrisman, Chua, and Sharma (2003b) review some of these dimensions which include, but are not limited to, the basis of ownership, management, structures and strategies, performance, ethics, and succession planning. However the magnitude of the differences is subject to the ‘family business’ definition adopted; a definition which as yet exists in several forms and remains inconclusive. Too broad a definition encompasses firms that may not be family firms, while too narrow a definition can result in a possible loss of important subjects (Handler 1989).

A number of definitions have been suggested for family firms in the literature (see Table 2-1) and the lack of a common accepted definition is an inherent problem in the research of family businesses. While this may be construed as a consequence of weak theory development in the discipline, it also highlights the complexity that entails the ‘family business’ field. Litz’s (1995) definitional construction of this complexity is most useful. He argues that a family business can be defined using two complementary approaches: a structure-based approach and an intention-based approach. The structure-based approach defines the family firm by their ownership and management, while the intention-based approach is based on the values and preferences of the family firm’s members towards family-based relatedness. It was this distinction that formed the origins of what more recent scholars now refer to as components of involvement and an essence approach definition of family business (refer Figure 2-1).
<table>
<thead>
<tr>
<th>Reference</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maury (2006)</td>
<td>The largest controlling shareholder who holds at least 10% of the voting rights is a family, an individual, or an unlisted firm (unlisted firms are often closely held and therefore considered under family control).</td>
</tr>
<tr>
<td>Chrisman, Chua, and Sharma (2005, p. 557)</td>
<td>Family involvement is only a necessary condition; family involvement must be directed toward behaviors that produce certain distinctiveness before it can be considered a family firm.</td>
</tr>
<tr>
<td>Sharma, Chrisman, and Chua (1997, p.2)</td>
<td>Governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.</td>
</tr>
<tr>
<td>Westhead et al (1997)</td>
<td>Have undergone a inter-generational transition, speak of themselves as a family firm, more than 50% shareholding owned by family, 50% of daily management team are family members.</td>
</tr>
<tr>
<td>Litz (1995)</td>
<td>Ownership and management are concentrated in a family unit [and in which] individuals within the firm seek to perpetuate or increase the degree of family involvement</td>
</tr>
<tr>
<td>Carsud (1994 p.40)</td>
<td>A firm’s ownership and policy making are dominated by members of an 'emotional kinship group' whether members of that group recognize the fact or not.</td>
</tr>
<tr>
<td>Daily &amp; Dollinger (1992, p. 126: 1993, p. 83)</td>
<td>Two or more individuals with the same last name were listed as officers in the business and/or the top/key managers were related to the owner working in the business.</td>
</tr>
<tr>
<td>Stoy Hayward (1992 p.3)</td>
<td>The family body has a considerable impact on the ongoing and future operations of the business and can also be considered where any one of the three following criteria are true: a) more than 50% of the voting shares are owned by a single family: b) a single family group is effectively controlling the firm: and c) a significant proportion of the firm’s senior management is drawn from the same family.</td>
</tr>
<tr>
<td>Donckels &amp; Frohlich (1991 p.149)</td>
<td>Family members in one family own 60% or more of the equity in the business</td>
</tr>
<tr>
<td>Handler (1989, p. 262)</td>
<td>Major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board...indicates that current family involvement in the business, even though these family members may not necessarily be in line for succession, would qualify the organization as a family business.</td>
</tr>
<tr>
<td>Lansberg, Perrow, &amp; Rogolsky (1988 p.2)</td>
<td>Members of a family have legal control over ownership</td>
</tr>
<tr>
<td>Ward (1987, p. 252)</td>
<td>Will be passed on for the family’s next generation to manage and control</td>
</tr>
<tr>
<td>Dyer (1986, p. xiv)</td>
<td>Decisions regarding its ownership or management are influenced by a relationship to a family (or families)</td>
</tr>
<tr>
<td>Rosenblatt et al. (1985 p.4-5)</td>
<td>Majority ownership or control lies within a single family and in which two or more family members are or at some time were directly involved in the business</td>
</tr>
<tr>
<td>Davis (1983, p. 47)</td>
<td>It is the interaction between two sets of organization, family and business, which establishes the basic character of the family business and defines its uniqueness.</td>
</tr>
<tr>
<td>Barry (1975 p.42)</td>
<td>Is controlled by the members of a single family</td>
</tr>
<tr>
<td>Church (1969, p. 211) as quoted in Westhead (1998)</td>
<td>The whole capital is privately held, practically all the important and administrative posts are filled by members of the family</td>
</tr>
<tr>
<td>Donnelley (1964, p. 94)</td>
<td>Closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family.</td>
</tr>
</tbody>
</table>
Figure 2-1: Defining Family Business - Component and Essence Approach

The components of involvement approach highlight family involvement in ownership, governance, management and succession as necessary antecedents to defining a family business. The essence approach (Chrisman et al. 2005a) to defining family business is a valuable contribution to the field; specifically to the definitional issue. The essence approach distinguishes family firms as being unique and different from other types of firms. It states that family components (ownership, governance, management, and transgenerational succession) are necessary but not sufficient conditions. These components must be directed towards behaviours that produce a certain distinctiveness to qualify a firm as a family business.

The distinctiveness asserted in the essence approach can be accredited to the family presence and the existence of familiness resources (Habbershon and Williams 1999; Habbershon et al. 2003) within the family business. These familiness resources are explicated using RBV and gives the essence approach a theoretical foundation. However, its use from a practical perspective is difficult and challenging; a reason why majority of prior research has largely favoured a component involvement approach. Nevertheless an integration of the component and essence approach is emerging (Chrisman et al. 2005a). Such a trend would help unify the approaches and pave the way for greater definitional clarity in the field and possibly the quest for a common accepted definition.

In line with this trend, this thesis defines family businesses by integrating the component involvement and essence approaches. The components of majority
ownership, family involvement in management and operations, and the presence of multiple generations represent the first of these approaches. To incorporate definitional elements arising from integrating an essence approach, involves recognising familiness resources that derive from the family’s involvement. These resources highlight the firm’s distinctiveness. Familiness resources could either be advantageous or disadvantageous to the family business. This is a consequence of the firm’s capabilities and the strategies it employs to manage these resources. However the ability to manage resources, while arguably more important than the presence of the resource itself, does not determine whether the firm is, or is not, a family business. Hence, it is the presence of familiness resources per se that gives the firm its distinction and determines whether the firm qualifies as a family business. Familiness is best explained using the RBV framework from which it originated and to which discussion next focuses.

2.3 RESOURCE-BASED VIEW OF THE FIRM

RBV has emerged as an influential perspective that has heightened the importance and the use of resources in unique ways to create competitive advantage. It has created a clearer conception of the complexities in understanding firms from an internal resource perspective. RBV focuses on an analysis of the nature, characteristics and potential of a firm’s resource base. Rugman and Verbeke (2002) surmise four main characteristics as the building blocks on which RBV is founded. These are summarised in Table 2-2.

The key assumption of RBV is the notion that the internal resources and capabilities of firms are heterogeneous in nature, thereby distinguishing among firms and presenting a competitive advantage (Barney 1991). RBV further suggests that the returns obtained from such heterogeneity can be sustained (Peteraf 1993). The objective then of RBV is in understanding how firms can attain and sustain their competitive advantage via resource heterogeneity (Barney 1991; Penrose 1959; Wernerfelt 1984). This objective has been addressed by several scholars, who show that RBV is useful in examining strategic alliances between firms (Das and Teng

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14 The heterogeneity concept of resources can be contrasted with environmental models such as Porter’s Five Forces Model. These models saw firms as homogeneous in regard to the resources and strategies they possessed and if they were heterogeneous, this was only for a short period of time as resources were highly transferable.
2000), in understanding the growth of firms (Penrose 1959; Pettus 2001), in determining technological innovation in small firms (Athanasios 2000), in addressing issues in entrepreneurship (Alvarez and Busenitz 2001), and in understanding failures in firms (Thornhill and Amit 2003), to name a few.

**TABLE 2-2: FOUR CHARACTERISTICS OF RBV**

| 1. | The firm’s ultimate objective in a resource-based approach is to achieve sustained, above normal returns, as compared to rivals. |
| 2. | A set of resources, not equally available to all firms, and their combination into competences and capabilities, are a precondition for sustained superior returns. |
| 3. | Competences and capabilities lead to sustained superior returns, to the extent that they are firm specific (i.e., imperfectly mobile), valuable to customers, non-substitutable and difficult to imitate. |
| 4. | From a dynamic perspective, innovations, especially in terms of new resource combinations, can substantially contribute to sustainable superior returns. |

*Source: Rugman, A. M. and Alain Verbeke (2002)*

While the resurgence of RBV in the literature may be seen as a promising emerging field, it is not a new concept.

“The resource–based view has a long history. The rich vein can be traced from Marshall (1890), through Coase (1937) and Andrews (1949) to Penrose (1959)”

(McKiernan 1997, quoted in Connor 2002)

Penrose’s (1959) seminal paper in which the firm is considered as a set of entrepreneurial and managerial resources is one of the earliest contributions to RBV.

“In all of the discussion the emphasis is on the internal resources of a firm – on the productive services available to a firm from its own resources, particularly the productive services available from management with experience within the firm”

(Penrose 1959 p.5)

Penrose emphasised that the “services that resources render are inputs in the productive process” (1959 p.24) and that “different services from similar resources make firms both heterogeneous and unique” (1959 p.75). Since Penrose, other notable contributions have been made to the refinement and conceptual clarity of the RBV (Barney 1991; Mahoney and Pandian 1992; Miller and Shamsie 1996; Peteraf 1993; Priem and Butler 2001; Wernerfelt 1984). Connor (2002) suggest that the RBV literature raises more questions about the nature of competitiveness and strategic success than it helps answer. This is attributed to the areas that RBV has yet to demonstrate usefulness and richness (Das and Teng 2000). These areas have certainly
raised the interest of RBV amongst researchers in the strategic management field (Mahoney and Pandian 1992), to the extent that RBV has dominated the strategic management literature (Priem and Butler 2001).

An area of interest around RBV originates from the dilemma of defining what a resource is, what makes resources unique, and how resources contribute to the competitive advantage of firms. Several definitions are present in the literature. Wernerfelt (1984 p.172) defined resources as “anything which could be thought of as strength or weakness of a firm and at any given time can be defined as those assets (tangible and intangible) which are tied semi-permanently to the firm”. Miller and Shamsie (1996) extended that definition further by distinguishing intangible and tangible resources. They labeled intangible resources as those that were knowledge-based while the tangible resources were property-based. Intangible resources are more likely to result in sustained competitive advantage because they are often unknown and/or difficult to identify, and are firm-specific. While this makes their replication complicated and even impossible, their intangible nature makes them of greatest utility when there is greater uncertainty. Organizational knowledge is an example of an intangible knowledge-based resource that is a source of sustainable competitive advantage (Hitt et al. 1999).

Another definition is offered by Barney (1991 p.101) when he observed that resources are “all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness”. Barney suggested that resources can be classified into three main categories; physical, human, and organisational resources. He then articulated that the test for whether a resource has competitive advantage can be determined by four resource attributes: valuable, rare, imperfect imitable and non-substitutable (henceforth VRIN). These four attributes produced the VRIN framework for resource/capability analysis. While Barney does not specifically differentiate between resources and capabilities, Amit and Schoemaker (1993) stress that the encompassing construct previously called resources can be split into resources and capabilities. They define resources as “stocks of available factors that are owned or controlled by the firm” and capabilities as ‘the firm’s capacity to deploy these resources” (Ibid., p.35). A subsequent distinction is
made by Chandler and Hanks (1994 p.334) who define capabilities as the “capacity for a coordinated set of resources to perform some task or activity”.

This distinction between resources and capabilities stems from the early work of Penrose (1959) who separates resources from the services they render. This distinction is important because while resource heterogeneity is a necessary condition of RBV, it is not a sufficient condition for sustainable advantage (Alvarez and Busenitz 2001). These resources require capabilities to identify and maximise their value potential (Sirmon and Hitt 2003). A firm therefore achieves rents not because it has better resources, but because its distinct competence allows it to make better use of its resources (Mahoney and Pandian 1992). Because of this earlier distinction between resources and capabilities, the study of the firm’s capabilities (or what some term competence) has developed into what the literature refer to as the ‘dynamic capabilities approach’ (Eisenhardt and Martin 2000; Teece et al. 1997). This approach identifies the “dimensions of firms’ specific capabilities that can be sources of advantage and explains how combinations of competencies and resources can be developed, deployed and protected” (Ibid., p.510). It is the “firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Ibid., p.516). The dynamic capabilities approach is related to RBV, but with greater emphasis placed on how the firm deploys resources. Day (1994 p.38) defines firm capabilities as the “complex bundles of skills and accumulated knowledge, exercised through organizational processes that enable firms to coordinate activities and make use of their assets”. Although resources have dominated the literature due to their ease of measurement, capabilities and competences have been found to be far more significant in explaining competitive advantage and performance (Newbert 2007).

RBV is largely a perspective that has focused on the internal endowments of the firm and how these can best be utilized for the firm’s advantage. RBV has deepened our understanding regarding how firm resources are applied and combined, what makes competitive advantage sustainable, the nature of rents, and the origins of heterogeneity (Peteraf 1993). In particularly RBV has especially highlighted the intangible resources that influence a firm’s competitive advantage; like the uniqueness and complexities of the intangible resources (i.e. familiness) in our firms of interest.
(the family business). This makes the application of RBV in a family context most appropriate. The next section discusses literature that has explored this application.

2.3.1 **FAMILY BUSINESS, FAMILINESS, AND THE RESOURCE-BASED VIEW**

RBV, as a theoretical framework has been instrumental in developing a theory for family business (Chrisman et al. 2005a). RBV has been employed in family business research to identify the resources and capabilities that make family firms unique and allow them to develop family-based competitive advantages (Habbershon and Williams 1999; Habbershon et al. 2003); to examine the relationship between family business organizational culture and entrepreneurship (Zahra et al. 2004; Zahra and Salvato 2002); to discuss the family’s influence on the formulation of a firm’s strategy (Chrisman et al. 2003c) and how it may affect its resource management practices (Sirmon and Hitt 2003); to develop a framework to understand the role of social forces on divestment decisions in family firms (Sharma and Manikutty 2005); to design a longitudinal model of family firm resource management (Kellermanns 2005); and to study the synergies in top management teams in family firms (Ensley and Pearson 2005). These aforementioned studies highlight the important contribution RBV has made in furthering scholarship in family business.

In family business research, RBV has been useful in highlighting the complexities and uniqueness of the internal mechanisms that operate when the family and the business interact. This uniqueness is referred to as ‘familiness’, terminology that is currently analogous to family firms. ‘Familiness’ is conceptualised from the RBV literature and it refers to the idiosyncratic firm level bundle of resources and capabilities a particular firm acquires because of the systemic interaction between the family, its individual members and the business (Habbershon and Williams 1999). The popularity of the notion of familiness is evidenced by its growing attention in family business research (eg. Chrisman et al. 2005b; Habbershon 2006b; Moores and Craig 2005; Nordqvist 2005a; Pearson et al. 2008; Rutherford et al. 2008; Sharma 2008; Tokarczyk et al. 2007; Zellweger et al. 2008b), however as yet we do not understand the conditions that give rise to familiness nor yet fully understand the sources and types of familiness (Chrisman et al. 2005b). Familiness has become a widely quoted concept within the family business literature and research. It has been used extensively in the literature when family firms are the subject of study, sometimes haphazardly. While familiness
has evolved to be synonymous with family business, it is questionable whether all family firms do possess familiness resources. Familiness therefore as yet remains a somewhat ‘fuzzy’ concept and much exploration is crucial to understanding this idiosyncratic resource said to be persistent in family firms (Moores 2009).

A majority of prior studies surrounding familiness are conceptual, and some exploratory, suggesting that the concept of familiness is continually defining and developing itself as a construct within family business research. These studies however concur both directly and indirectly that familiness is a possible source of sustainable competitive advantage for family firms. The term possible suggests that familiness behaves as a ‘double edged sword’ depending on different conditions and triggers. Examples of these triggers include the organizational life cycle and family life cycle (Habbershon 2006a). The familiness factor can therefore change its orientation, owing to varying contextual factors within the family business. Furthermore, a contextual factor that encourages an advantage in one family firm may in contrast discourage the same advantage in another. Donnelley (1964), one of the earliest contributors to the family business field noted

“...what are strengths in one company may be weakness in another, the most that any outsider can contribute to people within a particular firm is to provide insights that will help them understand their situations so they can work out their own course of action”. (Donnelley 1964 p.93)

These weaknesses and strengths in family firms can be attributed to the familiness advantage and disadvantage factors respectively (Habbershon et al. 2003). In this clarification of familiness, Habbershon et al., (2003) propose that familiness resources (see Appendix A) can either be positive (f+) and therefore advantageous, or negative (f-) thereby constricting optimal firm performance. Wealth-creating performance for family-influenced firms is a function of the “distinctive familiness” (f+ factor) while “constrictive familiness” (f- factor) constrain the firm’s competitiveness. In other words, competitive advantage results when family firms generate f+ factors that are greater than the f- factors.

However the exact conditions that determine when and where the familiness resource is likely to adopt either an f+ or f- stance remain uncharted, an area where this
research hopes to shed some light and in particular with respect to familiness and how it influences the family firm’s EO. Family firms in pursuit of distinctive familiness (and therefore competitive advantage) need to understand and manage the conditions and contextual factors under which familiness resources maintain their f+ advantage for the firm. Maintaining an f+ advantage pertains to how well the firm is able to manage its familiness resources. Thus while the presence of these unique bundles of resources are necessary, they are not sufficient for competitive advantage. Family firms must possess the capabilities required to effectively manage and exploit these unique resources to their advantage (Sirmon and Hitt 2003). Using RBV, Sirmon and Hitt (2003) suggest three resource management strategies in family firms that can lead to a competitive advantage: resource inventory, resource bundling, and resource leveraging.

The ability to configure and leverage resources to appropriate rents is both creative and entrepreneurial (Barney and Arikan 2001) and leveraging resources and capabilities requires the integration of entrepreneurial and strategic management perspectives (Amit and Zott 2001). Therefore the ability to exploit and leverage the familiness resources to the firm’s advantage depends on the entrepreneurial disposition of the firm. Lyon, Lumpkin and Dess (2000) find that an entrepreneurial disposition is a necessary antecedent to entrepreneurial actions essential for survival and growth. Cognitive science literature finds that actions result from one’s mental modes, and correspondingly entrepreneurial actions are outcomes of an entrepreneurial mindset (McGrath and MacMillan 2000). To promote continuity and success, family firms need to develop an entrepreneurial mindset that allows them to identify and exploit opportunities in their environments (Sirmon and Hitt 2003).

Furthermore, the leveraging strategy family firms choose to effectively manage their resources is related to the aspirations and values of the family (Chrisman et al. 2003c). Family values represent an idiosyncratic familiness resource that can act as a motive for intrapreneurship in family firms (Poza 1988). Family values form part of the

\[15\] Intrapreneurship is a term that is used quite loosely in the literature. It can refer to entrepreneurship within existing organisations (Antoncic & Hisrich 2001); to describe how individuals in organisations pursue opportunities (Stevenson & Jarillo 1990); a synonym for corporate entrepreneurship (Kuratoko 1993); and the birth of new business within an existing corporation (Sharma & Chrisman 1999).
family systems (i.e. transitions, resources, norms, attitudes, and values) that can influence the processes involved in value creation (i.e. opportunity recognition, the launch decision, resource mobilization, and the implementation of founding strategies, processes and structures) (Aldrich and Cliff 2003). Family values are vital as input and output variables of the value creation process (Klein 2005).

From discussion thus far, familiness resources have been linked to the value creation process. Familiness resources while idiosyncratic in nature, must be strategically managed (Sirmon and Hitt 2003), notwithstanding the important characteristics of non-imitability and non-substitutability (Barney 1991), to achieve competitive advantage. How these resources are managed is linked to the family’s values and inspirations (Chrisman et al. 2003c) which in turn influence their value creation ability and processes (Klein 2005). In addition, value creation processes results from entrepreneurial strategies and activities, which are best addressed under the entrepreneurship stream of literature which is discussed next.

2.4 DEFINING ENTREPRENEURSHIP

The business environment is ruled by forces of uncertainty and entrepreneurship is considered the essential lever to cope with the new competitive landscape (Hitt and Reed 2000). Entrepreneurship is concerned with the process of creative destruction (Schumpeter 1934) via the discovery and exploitation of opportunities (Shane and Venkataraman 2000). It is the process by which people or organisations discover and exploit new business opportunities which exist within a market, revitalise existing businesses, or introduce new products or processes (Schumpeter 1934; Shane and Venkataraman 2000; Stevenson et al. 1989). These entrepreneurial activities represent one of the major engines of economic growth and account for the majority of new business development and job creation (Lumpkin and Dess 1996).

An entrepreneurial firm is one that “engages in product market innovation, undertakes somewhat risky ventures, and is the first to come up with proactive innovations, beating competitors to the punch” (Miller 1983 p.771). According to Miller, a non-entrepreneurial firm is one that innovates very little, is highly risk averse, and imitates the move of competitors instead of leading the way. Entrepreneurial firms are distinguished by their ability to innovate, initiate change, and rapidly react to change
flexibly and skilfully (Naman and Slevin 1993). Entrepreneurial firms are known to seek ways to accentuate and perpetuate the strengths of innovation, flexibility, and responsiveness while providing more sophisticated and efficient management (Guth and Ginsberg 1990).

Entrepreneurship via entrepreneurial activity occurs at different levels – the single entrepreneur, organization, or society (Lee et al. 2001). It is the process by which individuals – either on their own or inside organizations – pursue opportunities without regard to the resources they currently control (Stevenson et al. 1989). Previously, literature on entrepreneurship primarily focused on the traits, character and actions of the individual (entrepreneur). The current trend however is to focus on analysing entrepreneurship from a firm level perspective.

Taking a cue from this trend, the firm level perspective on entrepreneurship suggested by Miller (1983) is adopted. From this perspective Miller defines entrepreneurship as a multidimensional concept encompassing the firm’s actions relating to product-market and technological innovation, risk-taking and pro-activeness. This definitional stance is befitting because emphasis is on the entrepreneurial processes of the family firm and the recognition of entrepreneurship as an organizational (Covin and Slevin 1991) and multigenerational (Handler 1990) phenomenon.

This firm level perspective argues that eventually entrepreneurship will be dominated by firms capable of devoting more resources to innovation (Schumpeter 1934). While the terminology for the entrepreneurship phenomenon at the firm level is inconsistent (Sharma and Chrisman 1999) and has being described in several ways\(^\text{16}\), the literature tends to agree (regardless the terminology) that firm level entrepreneurialism is related to greater firm performance (Covin and Slevin 1989; Lumpkin and Dess 2001; Wiklund and Shepherd 2005).

Performance in the context of family firms is well researched, with findings showing that family firms outperform their non-family counterparts (Anderson and Reeb 2003; Miller and Le Breton-Miller 2005). However with regards to entrepreneurship in the

\(^{16}\) Appendix B summarises some of the ways in which firm level entrepreneurship has been described.
family business context, the findings have been equivocal. The next three sections present and discuss these findings by first looking at the integration (or the lack of it) between the entrepreneurship field and family business research (Section 2.4.1). This is followed by review of the EO literature (Section 2.4.2), and EO in the context of family firms (Section 2.4.3). The use of EO is appropriate as a firm level entrepreneurship phenomenon because it enables the study of entrepreneurship within the context of the organization in which it is embedded. Here, the organization is the family business.

### 2.4.1 FAMILY BUSINESS AND ENTREPRENEURSHIP

The family business field has not explicitly identified the entrepreneurial potential of the family ownership group nor adequately delineated the strategic requirements for families in wealth creation (Habbershon and Pistrui 2002). While empirical evidence suggests that families play an important role in the venture creation process (Timmons 2004), little attention is given to the family perspective in the entrepreneurship literature (Aldrich and Cliff 2003). The family’s entrepreneurial contribution and its justification to the family firm remain largely absent although the family is a distinct unit of analysis capable of sustainable entrepreneurial behaviour over time (Cruz et al. 2006). Entrepreneurship in general has been under-researched in the family business context (Eddleston et al. 2008).

Family business and entrepreneurship are two parallel streams of theory and practice that have lacked integration (Dyer and Handler 1994) and Hoy and Vesper (1994) suggest that whilst the two may be independent, they are overlapping fields. Aldrich and Cliff (2003) find little concern given to the family and a social embeddedness perspective in entrepreneurship literature. The family embeddedness perspective on entrepreneurship implies that researchers need to include family dimensions in their conceptualising and modelling, their sampling and analysing, and their interpretations and implications. This is appropriate since family businesses are made up of families who are the most compelling social institution (Gersick et al. 1997) and a more accurate picture of entrepreneurship emerges when it is viewed as a social rather than an individual activity (Byers et al. 1997).
Selznick (1957 p.91) stresses that the purpose of an enterprise is birthed from the underlying social structure of the firm. Entrepreneurship draws from the social context which shapes and forms entrepreneurial outcomes (Jack and Anderson 2002). In family firms this social context is the family and therefore family owned businesses are appropriate units of entrepreneurial analysis. The birthplace of entrepreneurial ventures is often in the home and the family is the most enduring institution for entrepreneurial activity in emergent economies (Pistrui et al. 1997). Exposure to family transitions heightens an individual’s orientation towards entrepreneurial activities (Kellermanns and Eddleston 2006) and changes in family transitions and compositions have implications for the venture creation decision, emergence of new business opportunities, opportunity recognition, and resource mobilization (Aldrich and Cliff 2003). Family businesses are a hospitable environment for entrepreneurial activities (Aldrich and Cliff 2003; Rogoff and Heck 2003) and entrepreneurial activity is a common characteristic of many family firms (Zahra 2005; Zahra et al. 2004).

Social networks facilitate the activities of entrepreneurs and are essential to providing resources for new ventures (Aldrich and Zimmer 1986). Kinship ties unique to family firms show a positive effect upon entrepreneurial opportunity recognition (Barney et al. 2003b), and family involvement has a consistent impact on the perceptions and performance of new ventures (Chrisman et al. 2002). Several studies (Aldrich and Cliff 2003; Heck et al. 2006; Zahra et al. 2004) have found the family to play an influential role in facilitating and nurturing entrepreneurship in family firms. Achieving and sustaining entrepreneurial behaviour across long periods of time is often a family’s primary concern (Habbershon and Pistrui 2002). Salvato and Melin (2005) accentuate that the social interactions (trust, norms, obligations and expectations) among members of the controlling family is what makes a family firm more (or less) capable of long-term entrepreneurial adaptation. In family firms, firm culture is heavily influenced and shaped by family values, beliefs, attitudes, and expectations of the owning family (Beckhard and Dyer Jr 1983; Hall et al. 2001; Peredo 2003). The family’s cultural pattern also influences entrepreneurial change amongst family firms. Hall, Melin, and Nordqvist (2001) found that explicit and open cultures in family firms encourage and foster entrepreneurial change. Zahra, Hayton, and Salvato (2004) found that cultural orientations play a more prominent role in entrepreneurial activities in family firm’s vis-à-vis non-family firms. The culture in
family firms can foster an entrepreneurial mindset that will help them to identify and exploit opportunities in their environments thus promoting continuity and success (Sirmon and Hitt 2003). Entrepreneurialism is therefore fundamental in family firms for achieving sustained competitive advantage and generational success.

These findings suggest that families contribute significantly to entrepreneurial activity and thus deserve greater attention in the entrepreneurship literature. Family involvement is certainly a good predictor of entrepreneurial perceptions and firm performance. While there has been a notable increase in research designed at integrating the two fields, still greater research is warranted to explore the linkages between the fields of family business and entrepreneurship. It is to this warrant that this research intends to contribute.

### 2.4.2 Entrepreneurial Orientation (EO)

EO is regarded as the *sine qua non* of firms that seek to succeed in today’s volatile and extremely dynamic business environment (Wiklund and Shepherd 2003). It is a reflection of the firm’s commitment, capability and aspiration to pursue entrepreneurial activity. The EO construct is derived from the early work of Miller and Friesen (1978), who initially identified eleven strategy making process dimensions. In a later study, Miller (1983) provided the first operationalization of the EO construct, which was measured by three dimensions: innovation, risk-taking, and proactiveness. This work proved to be a seminal contribution and was to become the most widely used pedestal for more recent studies in understanding firm level entrepreneurship (e.g. Wiklund and Shepherd 2005; Zahra and Covin 1995).

Initially the EO construct was seen as a uni-dimensional concept (Covin and Slevin 1989) where the dimensions of EO were positively correlated. This meant that if a firm scored high on one dimension (e.g. risk-taking) then it was also expected to score high on the other dimensions (e.g. proactiveness and innovativeness). This view however has been challenged. Lumpkin and Dess (2001) assert that the EO dimensions need not covary but could exist to characterise EO as a multi-dimensional construct. Depending on certain conditions (e.g. hostile or benign environments, or type of entrepreneurial opportunity pursued) a firm could place greater emphasis on a certain EO dimension and therefore be stronger on that dimension while lower on
others. This multi-dimensional concept that EO dimensions tend to vary independently rather than covary, is proving to be promising (Kreiser et al. 2001).

Lumpkin and Dess (1996) added two more dimensions to the EO construct: autonomy and competitive aggressiveness. However these latter two dimensions are less widely used than the original three dimensions (innovation, risk-taking and proactiveness) proposed by Miller (1983). An entrepreneurial strategic orientation or posture (Covin and Slevin 1989, 1991) is another term that can be used interchangeably with EO since they are both firm level phenomenon. The initial operationalization of the EO scale by Miller was further refined and developed by Covin and Slevin (1986, 1989) and is currently considered the most rigorous EO instrument by researchers (Rauch et al. 2004). These dimensions of EO and their definition in various studies are summarised in Table 2-3.

EO as a firm level phenomenon is a useful framework for research into entrepreneurial processes of the firm. Entrepreneurial performing firms engage in firm activities that are either risk taking, innovative, or proactive (Covin and Slevin 1991) and entrepreneurial activity is a common characteristic of many family firms (Zahra 2007). Zahra (2003) suggests that research in entrepreneurship can be enriched if the contextual situations of investigations are given greater consideration in terms of understanding their nature, dynamics, uniqueness and limitations. The next section attempts to do this by looking at EO within the family business context.

2.4.1 FAMILY BUSINESS AND ENTREPRENEURIAL ORIENTATION
While the EO construct has been studied in the entrepreneurship literature for over two decades, it is only recently that it has been explored in the context of the family business. Since then EO has quickly gained popularity in research within the family business field. While this popularity has progressed the scholarship and discipline in research between entrepreneurship (via EO) and the family business field, there is need for greater exploration and empirical testing to further strengthen, substantiate, and enrich theories and their propositions. The following discussion highlights the equivocality in the research concerning EO and family business which is also summarised in Table 2-4.
**Table 2-3: Defining the EO dimensions**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Reference</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>Schumpeter (1934 p.87)</td>
<td>New combinations (technical, marketing, and organizational aspects)..., he also defined innovation as the setting up of a new production function</td>
</tr>
<tr>
<td></td>
<td>Lumpkin &amp; Dess (1996, p.142)</td>
<td>Tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes</td>
</tr>
<tr>
<td></td>
<td>Zahra &amp; Covin (1995, p.45)</td>
<td>Product innovation refers to the ability of a company to create new products or modify existing ones to meet the demands of current or future markets</td>
</tr>
<tr>
<td></td>
<td>Knight (1997 p.214)</td>
<td>Pursuit of creative or novel solutions to challenges confronting the firm, including the development or enhancement of products and services, as well as new administrative techniques and technologies for performing organizational functions</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>Lee and Peterson (2000 p.406)</td>
<td>Willingness to assume risk. Individuals who are willing to accept the uncertainty and riskiness associated with being self employed as opposed to settling for the refuge of jobs within organizations</td>
</tr>
<tr>
<td></td>
<td>Zahra and Garvis (2000 p.471)</td>
<td>Disposition to support innovative projects (e.g., international ventures), even when the payoff from these activities is uncertain</td>
</tr>
<tr>
<td>Proactiveness</td>
<td>Antoncic and Hisrich (2001, p.499)</td>
<td>The extent to which organizations attempt to lead rather than follow competitors in such key business areas as the introduction of new products or services, operating technologies, and administrative techniques (quoting Covin and Slevin, 1986, p.631)</td>
</tr>
<tr>
<td></td>
<td>Lumpkin &amp; Dess (1996, p.146)</td>
<td>Taking initiative by anticipating and pursuing new opportunities and by participating in emerging markets</td>
</tr>
<tr>
<td></td>
<td>Zahra (1995, p.45)</td>
<td>Capacity to beat competitors in introducing new products, services, or technologies to the market</td>
</tr>
<tr>
<td>Autonomy</td>
<td>Lumpkin &amp; Dess (1996, p.140)</td>
<td>The independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion. In general, it means the ability and will to be self-directed in the pursuit of opportunities. In an organizational context, it refers to action taken free of stifling organizational constraints</td>
</tr>
<tr>
<td></td>
<td>Lee and Peterson (2000, p.406)</td>
<td>The independent spirit and freedom necessary to create new ventures</td>
</tr>
<tr>
<td>Aggressiveness</td>
<td>Lumpkin &amp; Dess (1996, p.139)</td>
<td>Type of intensity and head-to-head posturing that new entrants often need to compete with existing rivals</td>
</tr>
</tbody>
</table>

Family business researchers continue to ponder the question of whether family firms have a greater propensity towards an EO than other forms of businesses. This question has been addressed mostly with risk-taking, the most popular of the EO dimensions researched within the family business field. Some researchers have found risk-taking
to be characteristic of family firms: Aronoff and Ward (2001) find risk-taking as one of the values of successful family businesses; Zahra, Hayton, and Salvato (2004) find family firms because of their long-term nature have a propensity towards dedicating resources to innovation and risk-taking; and Gomez-Mejia and colleagues (2007) find that family firms have a greater propensity to take risks in order to retain family control and family wealth. In contrast other researchers have found family firms to lack a risk-taking propensity: Naldi et al. (2007) found that family firms take less risks compared to non-family firms and that risk taking in family firms is negatively related to performance; Carney (2005) finds family firms as risk averse and this keeps them from engaging in significant acquisitions; and McConaughy et al. (2001) find family-controlled firms use capital structures that have less risk. Some other studies (e.g. Lumpkin and Sloat 2001) find no significant differences between family firms and non-family firms concerning risk-taking. The above studies highlight the equivocality that exists but also suggests that this equivocality may be driven by the composition of family firms, with two possibilities being risk-takers and risk-averse firms. The equivocality may also be driven by the ‘dualities’ such as historical/new path duality, independence/dependence duality, and the formality/informality duality that are related to the EO dimensions in family firms (Nordqvist et al. 2008). Although these authors suggest that risk-taking is less important in family firms where the dualities are present and kept taut.

Salvato (2004) was the first to investigate the EO across the composition of family firms by examining the predictors of EO across three types of family firms: founder centred, cousin consortium, and open family firms. Salvato found the main predictors to be individual CEO characteristics, aspects of the relationship between family and firm, governance and organizational characteristics, and ownership structure. These predictors differed across the three family firm types and seem to suggest that generational involvement of the family can influence entrepreneurial activities in family firms. Salvato concluded that different levers are needed to foster entrepreneurship, depending on the type of family firm under study. A more recent study by Kellermanns et al. (2008) supported Salvato’s findings that generational involvement has a positive effect on entrepreneurial behavior.
TABLE 2-4: SOME EQUIVOCAL FINDINGS REGARDING FAMILY BUSINESS AND EO

<table>
<thead>
<tr>
<th>Issue studied</th>
<th>Supported</th>
<th>Not-supported</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk-taking</strong></td>
<td>Higher family ownership and involvement is positively associated with risk taking (Zahra 2005)</td>
<td>Family firms take less risk than non-family firms and risk-taking is negatively related to firm performance (Naldi et al. 2007).</td>
</tr>
<tr>
<td></td>
<td>Owners of firms take greater risks and tolerate a higher level of risk than non-business owners (Xiao et al. 2001).</td>
<td>Family firms are unwilling and unable to take risk associated with entrepreneurship (Mustakallio and Autio 2002)</td>
</tr>
<tr>
<td></td>
<td>Family firms are more likely to engage in risky behaviours (Gomez-Mejia et al. 2007)</td>
<td>Founding family-controlled firms use capital structures that have less risk (McConaughy et al. 2001)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Risk aversion keeps family firms from engaging in significant acquisitions (Carney, 2005)</td>
</tr>
<tr>
<td><strong>Proactiveness</strong></td>
<td>Did not find support for the case that as successive generations assume control of family firms, they will be less proactive (Martin and Lumpkin 2003)</td>
<td></td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>The higher the number of generations from the same owner family that are active in the company, the higher the firms focus on innovation (Zahra 2005).</td>
<td>No significant correlation between family involvement and innovativeness (Athanasios 2000)</td>
</tr>
<tr>
<td></td>
<td>Family business have a culture that supports innovation (Upton et al. 2001).</td>
<td>Low business innovativeness and family dominance go hand in hand (Morck &amp; Yeung, 2003)</td>
</tr>
<tr>
<td><strong>EO</strong></td>
<td>Entrepreneurship differed among three types of family firms: founder firms, cousin consortium, and open family firms (Salvato 2004).</td>
<td>Generational involvement did not have any significant impact on corporate entrepreneurship (Kellermanns and Eddleston 2006).</td>
</tr>
<tr>
<td></td>
<td>Presence of 2nd or 3rd generation members plays a positive role in fostering EO (Corbetta et al. 2002).</td>
<td>Minor differences in EO between family and non-family firms (Lumpkin and Sloat 2001)</td>
</tr>
<tr>
<td></td>
<td>The greater the number of family members in management, the greater will be the EO in the family firm; Greater EO is positively associated with greater growth (Mustakallio and Autio 2002).</td>
<td>The family firm’s concerns for wealth preservation may limit the firm’s investment in corporate entrepreneurship (Carney 2005).</td>
</tr>
<tr>
<td></td>
<td>Family firms exhibit language consistent with an entrepreneurial orientation for all five EO dimensions (Short et al. 2009).</td>
<td>Later generations demonstrate a decreasing EO and an increasing FO (Martin and Lumpkin 2003)</td>
</tr>
</tbody>
</table>

Contrary to Salvato (2004), Kellermans and Eddleston (2006) found that generational involvement did not directly affect corporate entrepreneurship (measured by EO).
Instead their study found that willingness to change and perceived technological opportunities had a significant impact on corporate entrepreneurship. Generational involvement did show a significant effect but only when it was moderated by strategic planning. Their study suggests that unless family firms display some degree of strategic planning, resources alone (in their case multiple family generations) are insufficient for corporate entrepreneurship. This echoes Penrose (1959) who noted that productive opportunity resulted not just from resources, but also from the dynamics of entrepreneurial judgement at the level of the managerial team. Management of resources was necessary for driving entrepreneurial activity.

Martin and Lumpkin (2003) found in their study of 927 family firms that over the generations there is a tendency to favour a Family Orientation (FO) over an EO. A FO was dominant when concerns of the family business centred on issues of control, risk aversion, strategic conservatism, and protection of the family. They proposed that an FO that exists in opposition to an EO negatively affects firm performance. In their study, three dimensions of EO (autonomy, risk-taking, and competitive aggressiveness) decreased in successive generations as the levels of FO increased. These findings suggest that an FO can negatively influence the firm’s EO. However Leenders and Waarts (2001) suggest that an FO does not always create barriers to a firm’s EO stance and it is possible for generational family firms to possess a FO that supports an EO. More recently Nordqvist et al. (2008) in their in-depth qualitative study of two family firms found that across generations characteristics that support a sustained EO can emerge alongside a FO.

Zahra (2005) studied the conditions under which family firms encouraged entrepreneurial activity and found that the higher the number of generations from the same owner family that are active in the company, the higher the focus on innovation. Contrary to Kellermans and Eddleston (2006), Zahra finds generational family involvement to have a positive effect on entrepreneurial activity within the firm; specifically innovation, one of the three dimensions of the EO concept. In contrast Athanasios (2000) finds that greater family involvement results in lower firm innovativeness in small firms. Again these studies further highlight the equivocality in findings regarding EO and family business.
2.5 CONCEPTUAL AND THEORETICAL FRAMEWORK

Previous sections have defined family business, presented a summary of the literature on RBV and the entrepreneurship field, as well as shown how each theoretical frame has contributed to research in the family business context. The primary objective of this section is the construction of a framework using the concepts of familiness resources and EO. Although the current study is exploratory and qualitative in nature, the a priori specification of constructs are necessary to help shape the design of the research, permit more accurate measurement, and provide a firmer empirical grounding for the emergent theory (Eisenhardt 1989). It also helps prevent the researcher from getting lost in a myriad of data. Miles and Huberman (1984) note that the a priori specification of constructs helps decide:

“…which dimensions are more important, which relationships are likely to be most meaningful, and as a consequence what information should be collected and analysed…the conceptual framework allows multiple researchers to be sure they are studying the same phenomenon in ways that will permit an eventual cross-site analysis” (p.18).

This section concludes with a diagrammatic representation of the association between relevant concepts together with the specific research questions this thesis explores. Their function is to guide and focus the research agenda to follow; mainly the data collection and data analyses phases.

2.5.1 NATURE OF FAMILINESS RESOURCES

Firms are heterogeneous and it is the idiosyncratic, immobile, imitable, and intangible bundle of resources residing in them that generate competitive advantage and superior performance (Barney 1991). Firm performance is therefore better explicated by differences in firm resources (Miller and Shamsie 1996; Wiklund and Shepherd 2005). The unique and idiosyncratic bundle of resources in family firms, that arise out of the family’s involvement in the business, are referred to as ‘familiness’ (Habbershon et al. 2003). Familiness resources are said to differentiate family firms from non-family firms. Extant literature suggests that familiness resources enhance performance in family firms (Chrisman et al. 2005b; Lester and Cannella 2006; Nordqvist 2005a; Tokarczyk et al. 2007; Zellweger et al. 2008b). Conversely, familiness resources can be detrimental to the performance of the family firm (Dyer 1986; Leenders and Waarts 2003; Stewart 2003). Therefore familiness resources can drive performance in
both positive (distinctive) and negative (constrictive) ways. Examples of resources that arise out of family influence and involvement and thereby connotative of familiness are provided in Appendix A.

The advantage and/or disadvantage of familiness resources on the firms performance, result from their distinctive and constrictive nature (Habbershon et al. 2003). If the resource has a positive influence (f+) on the firm’s performance, then that resource is labelled ‘distinctive’. Alternatively should those same resources negatively influence (f-) the firm, they are ‘constrictive’ in nature. The conditions that influence the nature that a firm’s familiness resource takes remain sketchy (Chrisman et al. 2005b). There have been attempts in the literature to address some of these conditions. For example, familiness may be a function of the structure or culture of the family unit (Kellermanns 2005; Sharma and Manikutty 2005). In mutigenerational family firms, such cultures have persisted over time giving these firms greater uniqueness. Also how the essential features of a family business (ownership, management, and transgenerational sustainability) interact, influences the familiness resources (Chrisman et al. 2005b) which in turn affects firm performance. The objective for family firms is to identify its familiness resources. Moreover because familiness can be both positive and negative, the challenge is to recognize the conditions that give rise to their constrictive and distinctive nature. This can allow the family firm to capitalise on the advantages of the distinctive nature and simultaneously manage the adverse effects of the constrictive nature.

The ability to manage the distinctive and constrictive nature of familiness resources exists within the capabilities of the firm. While the resource profile is important to firm performance, it must be integrated and deployed effectively to achieve competitive advantage (Hitt et al. 2001). Penrose’s (1959) theory of the growth of the firm states that the ability of any firm to create and maintain a competitive advantage depends on how well that firm’s resources are managed; specifically with reference to management capabilities. These capabilities, as Teece et al. (1997) articulates, are fundamentally dynamic as they enable the firm to respond effectively to changes in the internal and external environments in the effort of generating and maintaining its competitive advantage. Whether an organization gains a competitive advantage and thereby achieves above normal returns will be a function of the strategy used to
leverage those resources (Sirmon and Hitt 2003). However the strategies used on the resources is determined by the aspirations and values of the family (Chrisman et al. 2003c).

**RQ1:** *What resources (human, organizational, and process) and conditions enhance familiness and its nature (distinctive or constrictive) in multigenerational family firms?*

### 2.5.2 Familiness Resources and EO

“Researchers are now beginning to identify one of the sources of oxygen that truly feeds the flame of entrepreneurship – the family. Families create, indeed breed, entrepreneurs by first giving them education, values and experience. Later families contribute financial and human resources to the entrepreneur’s ventures – ultimately linking forever both the venture’s and the family’s viability”.

(Rogoff and Heck 2003 p.564)

Understanding the influence of familiness resources on the EO in family firms is a focal point of this thesis and forms the discussion for this section. How do familiness resources influence the EO in multigenerational family firms? The “familiness” approach which has its roots in the RBV of the firm (Habbershon et al. 2003) can be used to examine the nature of the family’s influence on the EO of the family business. Less emphasis is placed on what resources might be important in family firms, instead the focus is on familiness resources and how it is beneficial for EO and long-term advantage.

EO is a resource consuming strategy by serving to integrate and focus resources, potentially resulting in (or enhancing) a competitive advantage. Hence the pursuit of entrepreneurial strategies requires resources (Wiklund and Shepherd 2005) and resources play an essential role in the firm’s ability to be entrepreneurial (Galunic and Eisenhardt 1994). Resources and competencies provide the basis for all forms of organizational action and as a result entrepreneurial activity is limited by a firm’s resource base and affected by the type of resources possessed by the firm (Covin and Slevin 1991).

In family firms the relationship between entrepreneurship and resources are both positive and linear (Zahra and Salvato 2002). The family’s capability for long-term entrepreneurial adaptation lies in the social resources (specifically interactions)
among members of the controlling family (Salvato and Melin 2005). Concentrated ownership in family firms can enhance the speed of communication and decision making which is vital in dynamic environments for first mover advantages (Carney 2005). Zahra et al., (2004 p.363) find that the long term nature of ownership in family firms allow them to “dedicate resources to innovation and risk taking, thereby fostering entrepreneurship”. Schwass (2005) found the winning characteristics of family firms are an entrepreneurial drive, innovation, strong family leadership, and family values. Miller and Le Breton-Miller (2004) found two distinctive characteristics that were common to their sample of long lasting family firms. Firstly, these firms successfully sustain survival and viability across generations of the family. Secondly, each generation of owners added value to the business during their tenure.

The thesis thus advocates that in family firms, familiness resources influence the firms EO. This influence is heightened in multigenerational family firms, having had years of experience in managing the family’s influence in the business. These firms permit a better understanding of the phenomenon of how family resources sustain and contribute to entrepreneurial practices within the family business, over generations. The majority of family firms that dominate the economic landscape (Eddy 1996; Morck and Yeung 2004) and outperform their non-family counterparts (Anderson and Reeb 2003; Dyer 2006; Miller and Le Breton-Miller 2005) are multigenerational. This is a testament to their performance and entrepreneurial capability. Longevity and successful performance in these firms could conceivably be attributed to their EO.

The EO that the firm pursues will influence the familiness resources the firm requires, employs and reinforces. For instance, firms in turbulent environments will find it desirable to innovate and grow (Naman and Slevin 1993), while firms in environments of low munificence heighten the importance of managing resources (Sirmon et al. 2007). In these different environments, a different EO strategy is necessary and consequently different sets of resources will be required and reinforced. In addition because familiness resources can change orientation (i.e. $f^+$ or $f^-$) due to changes in organizational or firm life cycles (Habbershon 2006a), the family firm needs to continually assess its familiness influence to ensure it remains distinctive for the firm and its engagement in entrepreneurial activity. Multigenerational family firms having passed through various environmental changes and at least more than
one organizational and/or family life cycle would have mastered the process of continuously assessing its familiness influence.

Familiness resources are thus a vital part of the entrepreneurial process. A key role of the family firm is to determine, access, and deploy the necessary and appropriate resources. While it was earlier proposed that resources affect entrepreneurial activity (and they certainly do), more importantly it is the capabilities of the firm that enables engagement in entrepreneurial behaviour, and in so doing influence the specific form of entrepreneurship in which the firm engages (Covin and Slevin 1991). Gaining access to a variety of resources and knowing how to leverage them creatively are two core entrepreneurial functions (Sexton 1991, quoted in Ireland et al. 2001). Hence the effective management and utilisation of resources is as vital, as the resource itself (Sirmon and Hitt 2003), to the entrepreneurial process of the family firm. A firm may achieve rents not because it has better resources, but rather the firm’s distinctive competence involves making better use of its resources (Mahoney and Pandian 1992; Penrose 1959).

Familiness resources, when distinctive, can positively influence the propensity of the firm to engage in entrepreneurial activity thereby strengthening the firm’s EO. While a family firm may be high in familiness resources and have a strong EO, it will not achieve maximal performance unless the firm possesses the capabilities to effectively utilise and manage those familiness resources to achieve its entrepreneurial outcomes. Competitive advantages are grounded in the resources and capabilities the firm uses to perform value-adding transactional activities (Porter 1985) and it is the interaction and balance of resources and capabilities that will lead to competitive advantage.

The notion of firm capabilities is better understood using the ‘dynamic capabilities approach’ (Eisenhardt and Martin 2000; Teece et al. 1997). This approach originated from RBV and identifies the “dimensions of firm-specific capabilities that can be sources of advantage, and explains how combinations of competencies and resources can be developed, deployed and protected” (Teece et al. 1997 p.10). It places emphasis on the internal processes that a firm utilises, as well as how they are deployed and how they will evolve. In the context of family firms, the approach is appropriate because it emphasizes the development of management capabilities, and
difficult-to-imitate combinations of organizational skills. The ‘difficult-to-imitate’ capabilities can be termed ‘unique capabilities’, which arise from family involvement, and may be separated from the notion of ‘familiness resources’. This distinction is important because it is possible for firms to be endowed with resources, but lacking the capability to effectively maximise the full potential of those resources (Sirmon and Hitt 2003). On the other hand, possessing the necessary capabilities but without access to VRIN resources, is inadequate for sustained competitive advantage. Further, these capabilities must be distinctive to achieve superior levels of success in competitive markets (Day 1994). Capabilities per se do not enhance the firms EO, but together with resources, they are essential for determining the successful outcomes achieved from the EO adopted. The thesis postulates that multigenerational family firms possess both the familiness resources and familiness capabilities that have allowed them to successfully remain entrepreneurial across generations.

RQ2: How do familiness resources (human, organizational, and process) influence EO characteristics in multigenerational family firms?

2.5.3 EO AND NON-FINANCIAL PERFORMANCE

Earlier I presented literature highlighting a positive association between EO and firm performance (Covin and Miles 1999; Lumpkin and Dess 1996; Wiklund and Shepherd 2005; Zahra 1991). A synthesis of results of prior research exploring this relationship show a positive correlation (Rauch et al. 2004) suggesting that better firm performance is attainable via the adoption of a strategic EO. In addition the EO-Firm performance relationship is found to be sustainable over time (Wiklund 1999) and is suggested as one that possibly ‘cuts both-ways’ (Lumpkin and Dess 1996; Rauch et al. 2004).

This suggests that EO and performance have the capacity to effectively influence each other. When the firm adopts an EO that results in better performance (positive association), the improved performance will present the firm with greater incentive to further strengthen its commitment to that adopted EO. When this EO strategy ceases to have a positive effect on firm performance (performance has levelled off or is declining) the firm can choose to either strengthen its current EO or to change it altogether. However such changes are both costly and time consuming and therefore
the association between the firms EO and its performance must be clearly established (Wiklund 1999) prior to a decision to change. Choosing to strengthen the current EO often resides in the firm’s belief that better performance can yet be attained with such a stance. The choice to change its EO means the firm will need to redirect the engagement of resources towards finding and implementing an alternative EO strategy. A firm becomes entrepreneurial when it engages in an EO that becomes effective for the benefit of the firm (Lumpkin and Dess 1996). The challenge then for firms is having the ability to discern when it is appropriate to strengthen and when to change its EO to improve the firm’s performance, amidst internal and external considerations.

A firm’s EO-Firm performance relationship can be influenced by internal (e.g. firm performance) and external (e.g. environment) factors. Previous studies examining this relationship find that certain variables exist as moderators and/or controls of this EO-Firm performance relationship. Common control variables include firm size, firm age, industry type, and past performance (e.g. Zahra 1991; Zahra and Covin 1995). Covin and Slevin (1989) found that the nature of the environment determined a firm’s EO. Firms in hostile environments tend to display a more strategic entrepreneurial posture (i.e. EO) while firms in benign environments are characterised by a conservative strategic posture. Similarly organizational factors (Antoncic and Hisrich 2001), grand strategy or strategic planning (Zahra 1996), governance and ownership (Lumpkin and Dess 1996), and resource scarcity (Wernerfelt 1984) have also been found to influence the EO-performance relationship.

If we turn to our organisation of interest, family firms, research on the EO-firm performance relationship is scarce and remains equivocal. While family firms dominate the economic landscape (e.g. Morck and Yeung, 2004; Shanker and Astrachan, 1996) and out-perform their non-family counterpart (e.g. Anderson and Reeb, 2003), there is still uncertainty as to whether family firms have a greater propensity to display EO characteristics (in comparison to non-family firms) and how this is influenced by family involvement. Certainly the presence of this equivocality highlights the need for greater research of the EO-Firm performance relationship in the family business context, especially concerning non-financial performance (Heck et al. 2008). Rather than take sides on the existing equivocality, greater importance is
the need to better understand the underlying reasons that drive this equivocality; an intention of this research.

The equivocality of the EO-Firm performance relationship can be attributed to a range of potential explanations. These include the variety of methodological approaches used (Handler 1989), and the environments within which the sample of firms were extracted (Covin and Slevin 1989). The vast array of family business definitions adopted in prior research is also a contributing factor. The family business context constitutes a complex diversity of businesses\textsuperscript{17} (Sharma and Nordqvist 2008) with varied characteristics in the pursuit of diverse goals. Most studies have treated family firms as a homogenous class of organizations rather than accounting for the diversity that exists within the family business context (Sharma et al. 1997).

Another possible explanation for the equivocality is that the EO dimensions can vary independently depending on the organizational context (Lumpkin and Dess 1996). The strength of the EO-Firm performance relationship depends on internal organizational characteristics (Wiklund and Shepherd 2005). In researching EO as a strategic element, the organizational and environmental context is of great importance (Zahra 1993). Entrepreneurship is a context-dependent social process (Ireland et al. 2001) and attention must be given to the organizational context in which entrepreneurship (or EO) is studied. Family firms present one such organizational context.

While the family business is the context of my research, the focus is specifically on multigenerational family firms (refer footnote 2) rather than new start-up firms. Multigenerational firms present ideal candidates for researching how familiness nurtures an EO across family generations and subsequently influences firm performance. While selection bias may avoid the diversity that can contribute to the equivocal findings, it however limits on the generalizability of the findings.

\textsuperscript{17} There is yet a consensus on how exactly this diversity should be categorised although some typologies have been suggested (see for example Dyer (2006) and Gersick (1997)). Typologies can prove useful in articulating the differences in organizational forms and can help make sense of the reasons for the equivocal findings (Dyer, 2006).
Nevertheless, priority rests foremost in creating a deeper understanding of the phenomenon of interest.

Performance in the EO-performance association in majority of prior studies is largely derived from financial perspectives (both objective and subjective). The most widely used financial measures include growth performance indicators such as sales and employment growth, and financial indicators in the form of ratios (Wiklund 1999). We now know that performance cannot be assessed purely on financial terms; holistically, it requires inclusion of non-financial performance indicators. Lumpkin and Dess (1996) recommend that factors such as overall satisfaction and non-financial goals of the owners need greater consideration when evaluating performance, especially among privately held firms. There are also calls for entrepreneurship to be explored on non-financial performance and growth criteria (Zahra 1991). However unlike financial performance, non-financial indicators are more challenging to ascertain and vary widely across firms.

In the family business context, financial and non-financial performance indicators are equally essential. Despite this, non-economic goals remain an under researched topic in the family business literature (Debicki et al. 2009). Family firms are likely to have important non-financial goals, such as maintaining family harmony (Astrachan and Shanker 1996), family pride (Donnelley 1964), and job creation for family members (Morris et al. 1997). Such goals can develop into constraints that incur costs which adversely affect firm performance. Often the family is unable to avoid these costs but are reluctant to pay (Chua et al. 2006). While non-financial indicators are not exclusive to family businesses, their distinctiveness resides in their objectives; addressing the needs of the family (e.g. family control, involvement, reputation, and satisfaction).

Naman and Slevin (1993) suggest that in family firms there needs to be a balance in addressing business and family objectives. This means the business must create value for the family and likewise the family must add value to the business. When an orientation towards business dominates to the extent that family needs and their involvement are largely ignored, the essence of what it means to be a family business ceases. However if greater emphasis is on the pursuit of non-financial goals, this can
alter economic performance if the development and deployment of resources are compromised (Chrisman et al. 2003c). This can lead to businesses where family issues dominate the agenda and dictate business objectives and strategies. There is a loss of professionalism and the firm suffers economically, often at the expense of the family. For performance to be sustainable there must be a synergistic and symbiotic relationship between the family and the business (Chua et al. 2003).

The challenge then is in sustaining a beneficial symbiotic relationship. Longevity and success depends on being able to balance ‘business like’ and ‘family like’ thinking (Leenders and Waarts 2003). This challenge is heightened when financial and non-financial goals in family firms become inter-related via overlap of the family and business. Disengaging one from the other is difficult since often successfully achieving the most important family goal is often positively related to performing more business management activities (Lee et al. 2006). For example greater profitability (financial indicators) often transcends into enhancing the family reputation (non-financial indicators) and in meeting important family goals (non-financial indicator). Positive changes in the financial position of the business are manifest in positive changes in the financial position of the family (Haynes et al. 2007). Schwass (2005) finds that successful family firms respect both the egalitarian culture of the family on one side and the meritocratic culture of the business on the other. Thus any assessment of the performance of the family business must include an assessment of the condition of the family. Generating that symbiotic relationship by alignment of interest between the firm and the family encourages the exploration of innovative ideas that stimulate growth and improves performance (Zahra 2005).

In this study I have opted to focus on non-financial objectives which are particularly significant in the context of family firms (Gomez-Mejia et al. 2007; Zellweger and Nason 2008). As the previous discussion has alluded to, the choice is driven by four reasons.

i) Family firms because of the idiosyncratic interplay and overlap between the family, the business, and ownership have greater non-financial family objectives that the business must address. A qualitative study like this one is better suited to ascertaining non-financial outcomes, which are difficult to establish because of their variety and intangible nature;
ii) Prior research suggests a strong correlation between actual performance and self-reported (e.g. interviews) subjective performance data (Dess and Robinson 1984);

iii) There is a need to explore entrepreneurship on non-financial performance criteria (Rauch et al. 2004; Zahra 1991); and

iv) The difficulty of obtaining financial data from privately held family firms; data that is not available publicly, highly sensitive, and often restricted.

Thus research question three (RQ3) is stated as

\[ \text{RQ3: How is performance (non-financial) influenced by EO characteristics in multigenerational family firms?} \]

2.5.4 CONCEPTUAL MODEL AND RESEARCH QUESTIONS

The literature discussed previously and the specific research questions generated from that discussion are illustrated in Figure 2-2.

**TABLE 2-5: PRIMARY RESEARCH QUESTIONS**

<table>
<thead>
<tr>
<th>Question</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>RQ1 (Resources and Familiness)</td>
<td>What resources (human, organizational, and process) and conditions enhance familiness and its nature (distinctive or constrictive) in multigenerational family firms?</td>
</tr>
<tr>
<td>RQ2 (Familiness and EO)</td>
<td>How do familiness resources (human, organizational, and process) influence EO characteristics in multigenerational family firms?</td>
</tr>
<tr>
<td>RQ3 (Performance and EO)</td>
<td>How is performance (non-financial) influenced by EO characteristics in multigenerational family firms?</td>
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</tbody>
</table>
2.6 CHAPTER SUMMARY

Survival over generations depends on the business’ ability to enter new markets and revitalise existing operations. Entrepreneurial activities are fundamental factors in the creation of new enterprises and in sustaining competitive advantages. It is also vital for family business continuity and longevity and is instrumental in effective strategic execution, innovation and growth. Family businesses must create, support, and reinforce entrepreneurial behaviour within the firm to sustain successful longevity. This helps lay the foundation for the family business and foster cooperative dynamics between and across generations.

Chapter 2 presented the literature review pertinent to the issue of interest; how do successful family firms remain entrepreneurial over generations of the family. The chapter began by introducing scholarship in the family business field and how it has developed into a separate field. While the field has made progress over the last decade, the definitional issue concerning family business remains challenging. Several definitions were presented in Table 2-2 and the adopted definition for this thesis stated (section 2.2.2). This definition incorporated both component and essence definitional elements. Section 2.2 presented an overview of the family business field and family firms in Australia, the context from which the sample cases is drawn. Like most world economies, Australia has witnessed its share of dominance of family firms; however their research has been minimal.

The literature review proper then followed with discussions on RBV theory (Section 2.3) and the Entrepreneurship field (Section 2.4). RBV was ideal for analysing the idiosyncratic resource ‘familiness’ understood to be present in family firms. This resource is posited as a key driver in the success of the business among generations of the family. The EO construct (Section 2.4.2), from the entrepreneurship literature, was discussed and adopted in this thesis as the firm level measure of entrepreneurialism in family firms. Both the EO construct and the familiness resource were discussed in the context of family firms eventuating in a conceptual framework and the distillation of research questions (Section 2.5.4). The chapter concluded with this summary. The next chapter discuss the research method framework adopted for this thesis.
Chapter 3. RESEARCH METHOD

3.1 INTRODUCTION

The purpose of this chapter is twofold: to identify the appropriate methodological framework for the study, and to justify its adoption based on the epistemological and ontological assumptions, given the nature and context of the research problem.

Discussion within the chapter is structured as follows. Section 3.2 revisits the purpose of inquiry. Section 3.3 briefly states the adopted philosophical stance of the thesis. Section 3.4 outlines the research approach. In Section 3.5 the research strategy and the rationale for its choice are discussed. Research design is addressed in Section 3.6. Section 3.7 highlights criteria for evaluating qualitative research. The chapter concludes with limitations of the adopted methodology in Section 3.8 and a chapter summary in Section 3.9. A flow diagram for the methodology of this research is illustrated in Figure 3-1. It also helps illustrate the flow of discussion within the chapter, where each circle represents a component of the methodology that is identified and justified.

3.2 PURPOSE OF ENQUIRY

The purpose of an enquiry, in terms of its goals and research questions, dictates the adopted methodology (Bowen 2005). The purposes of enquiry highlight why certain methods are more appropriate for the research than others. Decisions about design, measurement, analysis, and reporting are all heavily influenced by the purpose of enquiry (Patton 2002). The purpose of this enquiry as stated previously in Chapter 1 (refer section 1.3) is to further understanding of family resources, explore their association to sustaining EO, and the contribution of EO to the firm’s non-financial performance objectives. Specifically what resources are created and exist because of the family’s involvement and influence in the family business; how they are leveraged to create benefits for nurturing an EO; and how familiness resources contribute to successful continuity and transgenerational success in family firms.
Patton (2002 p.215) proposed a research purpose typology as a continuum from *basic research* (theory building and testing) to *action research* (solving specific problems within a program, organization, or community). In positioning my research within this typology, an understanding of the context in which the research is undertaken is important. Research in the family business arena has doubled over the last decade, yet the field remains in its infancy (Craig et al. 2009; Sharma 2004) and substantial work is still needed to strengthen theory development (Chrisman et al. 2005a; Moores 2009). The tenet of *basic research* is a contribution to knowledge and theory, and with calls within the family business field for greater theory building, this dissertation responds to that call.

Basic research is classified as either *exploratory, descriptive* or *exploratory* (Robson 2002). Given the stage of research in family business generally and particularly that which seeks to explore how familiness resources successfully perpetuate entrepreneurship across generations, my study is essentially *exploratory* in nature. Exploratory research is favoured when greater understanding and research is required, pertaining to the phenomenon of interest (Sekaran 2003; Yin 1994). Exploratory
research is timely because of their need in family businesses research (Goffee 1996; Heck et al. 2008).

Furthermore, an exploratory study is ideal here because causal relations between previously identified concepts (familiness and EO) are far from clear. In an exploratory study, social phenomena are investigated with minimal a priori expectations in order to develop explanations of these phenomena. The tentative research questions identified earlier are left open to exploratory investigation. Thus from the current research status of the field and my issues of interest, using Patton’s (2002) proposed typology, this dissertation is appropriately classified as basic research.

In summary, the purpose of enquiry is basic research, involving theory building, and is largely exploratory in nature. With this in mind, the appropriate research paradigm for guiding this enquiry is next identified and the justification for its choice presented.

3.3 Research Paradigms

The underlying philosophical assumptions of research paradigms are the fundamental starting points to guide research inquiry (Guba and Lincoln 1994). Recognising and understanding one’s personal paradigm determines the course of one’s research project. The adoption of a paradigm permeates every act associated with research inquiry, even without our consciousness of their influence in the process (Lincoln 1990). A paradigm is defined as

“the basic belief system or worldview that guides the investigator, not only in choices of method but in ontologically and epistemologically fundamental ways”

(Guba and Lincoln 1994 p.105)

Paradigms are ways of thinking about and making sense of the complexities of the real world. They tell us what is important, legitimate, and reasonable (Patton 2002). Guba (1990) suggests that one’s research paradigm can be unearthed by answering three questions relating to the researchers ontological (what is the nature of reality?), epistemological (what is the relationship between knower and known?), and methodological (how should we study the world?) stances.
The ontological issue concerns whether reality is objective, fixed, real and knowable (positivist viewpoint), or whether it is subjective and exists as multiple realities of human construction (constructivist viewpoint) (Guba and Lincoln 1994). Epistemology debates the possibility and desirability of objectivity, subjectivity, causality, validity and generalizability (Patton 2002). Objective knowledge (positivist stance) and subjective knowledge (constructivist stance) are positioned at opposing ends of the epistemological continuum, while post-positivism and critical theories occupy the space between (Guba 1990). The methodological stance focuses on the methods by which data needs to be collected and analysed, and includes issues such as voice, ethics, values, and rigor of research (Guba and Lincoln 1994). The adopted methodological stance “examines the principles and procedures by which we formulate inquiry problems, develop answers to those problems, and evaluate the correctness and profundity of those answers” (Schwandt 1990).

3.3.1 SELECTED PARADIGM

The researcher takes the philosophical stance of a post-positivist. Researchers working within this paradigm believe that reality exists but is multiple, subjective, and is mentally constructed by individuals (Guba and Lincoln 1994). Reality can never be perfectly apprehended, only approximated. The results of research are not valid-forever truths, but rather bits of understanding and pieces of knowledge, provided as input in the ongoing search for understanding reality. The post-positivist perspective incorporates a greater awareness of the importance of subjective meanings and symbolic action in the processes through which humans construct and reconstruct their reality (Morgan 1983). Post-positivism allows a 'cross-over' between positivism and constructivism. The core ideology of the post-positivist paradigm is summarized in Table 3-1.

### Table 3-1: THE POST-POSITIVIST PARADIGM

<table>
<thead>
<tr>
<th>Paradigm</th>
<th>Ontology</th>
<th>Epistemology</th>
<th>Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-positivism</td>
<td><strong>Critical realism</strong></td>
<td><strong>Modified dualist/objectivist</strong></td>
<td><strong>Interventionist, modified experimental/manipulative critical</strong></td>
</tr>
<tr>
<td></td>
<td>reality exists but can never be fully apprehended</td>
<td>objectivity can only be approximated; findings probably true</td>
<td>emphasize multiplicity critical</td>
</tr>
</tbody>
</table>

Source: Guba (1990) and Denzin and Lincoln (1994)
Post-positivism is a useful paradigm for researchers who maintain an interest in qualitative concerns around subjectivity and meaning, and who are interested in the pragmatic combination of qualitative and quantitative methods (Seale 1999). However distinctions between qualitative and quantitative data and qualitative and quantitative analysis need to be made clear when mapping out a methodology (Parry 2003).

3.3.2 JUSTIFICATION FOR SELECTED PARADIGM

Business and management research is often a mixture between positivism and interpretation, and therefore reflect a position of realism (Saunders et al. 2003) which is akin to a post-positivist stance. Patton (2002) finds that post-positivism also informs much contemporary social science research. The adoption of a post-positivist research paradigm for this dissertation stems from several reasons. Firstly, the paradigm concurs with the researcher’s epistemological and ontological stance. Secondly, the post-positivist stance permits triangulation. Triangulation is defined by Denzin (1978 p.291) as “the combination of methodologies in the study of the same phenomenon”. This allows for frameworks that span both the inductive and deductive paradigms and agrees with theorists (Langley 1999; Weick 1999) who suggest research move beyond the paradigm wars by dismantling paradigmatic boundaries and utilising multiple perspectives and viewpoints.

3.4 RESEARCH APPROACH

A qualitative approach suggests itself as most suited for exploratory research encompassing theory building. Qualitative research is defined as

“...an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyses words, reports detailed views of informants, and conducts the study in a natural setting”

(Creswell 1998 p.15)

The qualitative research approach was particularly relevant here for understanding meanings (transgenerational entrepreneurship), contexts (family businesses), and processes in their natural settings (Denzin and Lincoln 1994). They were particularly useful for understanding ‘why’ or ‘why not’ emergent relationships hold, as well as providing a good understanding of the dynamics underlying the relationships. Qualitative research is generally the recommendation when the phenomenon under
study is related to a complex social context (Yin 2003), as is the case with the family business.

Family business research is dominated by quantitative methods drawing on large samples while qualitative, inductive research, which are theoretically grounded, are rare (Dyer and Marcelino 1998; Sharma 2004). The context for this research is family businesses and their nature calls for a qualitative approach because it addresses the complexity, dynamics, integration, and invisible issues surrounding the family business (Goffee 1996). My research focuses on creating a greater understanding of transgenerational entrepreneurship via the perceptions of family members and employees within family firms. A qualitative approach is appropriate for understanding multiple realities as well as addressing the tacit and micro-level aspects within the family firm. The qualitative, subjective approach required the researcher to be an active agent in the inquiry, conducting interviews and communicating directly with the participants.

Furthermore, this study employed both deductive and inductive approaches. Scientific and social inquiry in practice typically involves an “alternation between deduction and induction” in the process of ongoing theory advancement (Babbie 2007 p.51). This research adopted this stance by accommodating the continuous interplay between induction and deduction. The a priori specification of concepts presented in Chapter 2 from extant literature (deductive) is used as a guide for the inductive theory building process. The a priori theoretical foundation is helpful when analyzing empirical findings even though the approach is inductive (Saunders et al. 2003). A priori specification of constructs helps define the priorities to be explored. This helped focus the research process and prevented the researcher becoming lost in the volume of data. It helped shape the initial research design and provided a firmer empirical grounding for the emergent theory (Eisenhardt 1989). In summary my research approach is primarily qualitative in nature. The focus is building theory using an induction – deduction approach. The next section discusses the research strategy that best suits my phenomenon of interest and adopted research approach.

18 A deductive method is based upon an existing theory and seeks to test this to fortify, invalidate, adapt, or develop it. The inductive method has its starting point in the empirical findings and aims to build up new knowledge that will contribute to new theories (Sekaran 2003).
3.5 **RESEARCH STRATEGY: CASE STUDY METHOD**

Research strategies help implement and anchor paradigms in specific empirical sites, or in specific methodological practices. Of the available qualitative research strategies\(^{19}\), the *case study method* was most appropriate as the research strategy for this thesis.

There are several reasons why the case method is a suitable strategy for this research:
- the notion of ‘familiness’ as a theory is at an early formative stage;
- the experiences and interaction of the actors (family members and non-family members) are important;
- the context (family business) of action (entrepreneurial activity) is critical;
- the study of issues, events and situations in natural settings;
- there is no involvement of experimental control or manipulations of variables since the research adopts an exploratory study relying on a qualitative approach; and
- there is less prior knowledge of what the variables of interest are and how they will be measured.

The case method emphasizes deeper understanding of rich data. It allows for the context to be implicitly studied, leading to greater knowledge and understanding of the research phenomenon at hand (Eisenhardt, 1989; Stake, 1995; Yin, 1994). Case study research includes both single and multiple case studies, multi-sited or within site, case focused or issues focused, and allows for the inclusion of quantitative evidence (Stake 1995; Yin 1994). This study adopts a multiple case design because it permits the researcher to strive towards understanding the phenomenon of interest by using several independent instrumental case studies to get an insight in the studied area. Yin (1994 p.46) advocates using multiple case studies because, “…the evidence from multiple cases is often considered more compelling and the overall study is therefore regarded as being more robust”. Case selection and criteria are discussed in Section 3.5.1.

---

\(^{19}\) Qualitative research strategies include case study method, politics and ethics, participatory inquiry, interviewing, participant observation, visual methods, and interpretive analysis.
The issues pertinent to this research were earlier projected in how and why questions. Why do some family firms successfully survive across generations and others do not? How do they do this, and in particular what role do familiness resources play in perpetuating entrepreneurship in family firms? Yin (1994) suggests that how and why questions are better suited to use case studies as a research strategy.

“Case studies are the preferred strategy when "how" or "why" questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context”. (Yin 1994 p.5)

The intention to undertake an intensive and detailed examination of a contemporary issue (transgenerational entrepreneurship), within a real life setting (the context of the family business), and using multiple sources of data to elicit greater understanding makes the selection of the case method appropriate. Case method is suitable because of the numerous context-related variables involved within the family business. Yin (1994) suggests that a case study is able to cope with a distinctive situation that has numerous variables of interest, relies on multiple sources of evidence, and is guided by prior development of theoretical constructs in its data collection and analysis strategies. Lyon et al. (2000) suggest that researchers should employ more fine-grained research methods such as in-depth case analysis, which would better capture the inherent "richness" of entrepreneurial processes and behaviors. Multiple cases provide the contexts and comparisons necessary to study organizational processes and patterns in the unique setting of next generation entrepreneurial firms (Steier 2005). Furthermore the case method has also proved successful in researching a variety of issues within the family business context (see examples in Table 3-2). The case method is therefore appropriate as the research strategy for this thesis.

3.5.1 CASE SELECTION

“The researcher examines various interests in the phenomenon, selecting cases of some typicality, but leaning towards those cases that seem to offer the opportunity to learn. My choice would be to take that case from which we feel we can learn the most...Potential for learning is a different and sometimes superior criterion to representativeness” (Stake 1994 p.243)

The sample for this study followed a ‘theoretical sampling’ (also known as purposeful sampling) approach as opposed to the traditional ‘statistical sampling’ prevalent in most hypothesis-testing research.
### Table 3-2: Examples of Family Business Research Using Case Study Method

<table>
<thead>
<tr>
<th>Authors</th>
<th>Journal/Book</th>
<th>Case description</th>
<th>Research issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Craig &amp; Lindsay (2002)</td>
<td>Small Business and Economic Development</td>
<td>1 Australian firm</td>
<td>Governance structure and opportunity recognition</td>
</tr>
<tr>
<td>Nordqvist (2005b)</td>
<td>Dissertation</td>
<td>3 cases</td>
<td>Role of ownership in strategy</td>
</tr>
<tr>
<td>Moores &amp; Craig (2006)</td>
<td>Handbook of Research on Family Business</td>
<td>1 Australian firm</td>
<td>Integrative balanced scorecard</td>
</tr>
<tr>
<td>Karra et al., (2006)</td>
<td>Entrepreneurship Theory &amp; Practice</td>
<td>1 European firm</td>
<td>Agency and Altruism</td>
</tr>
</tbody>
</table>

“The logic and power of purposeful sampling lies in selecting information-rich cases for in-depth study. Information-rich cases are those from which one can learn a great deal about issues of central importance to the purpose of the research, thus the term purposeful sampling” (Patton 2002 p.230)

Theoretical sampling is adopted because for this research theoretical reasons take precedence over statistical reasons (Glaser and Strauss 1967). This means that the cases used in this research are chosen which explicitly display the issues of interest
and are likely to provide the relevant rich data for replicating or extending emergent theory. Cases were chosen that seemed to exemplify the phenomenon of interest and therefore provide for the greatest learning opportunity about that phenomenon (Yin 1994; Eisenhardt 1989; Stake 1994). This sampling technique is ideal for exploratory, qualitative, case-based research. The selected information-rich cases illuminate the questions under study and hence assist in addressing the key research problem. There are two suggestions for the way one undertakes a theoretical sample of cases.

Eisenhardt (1989) suggests selecting cases which are deviant, extreme or polar types as this will help provide many contrasts that lead to better grounding for the research. Yin (1994 p.46) states that cases should be selected to either “(a) predict similar results (a literal replication) or (b) produce contrasting results but for predictable reasons (a theoretical replication)”. Given the nature of this research (exploring familiness resources and EO in successful multigenerational family firms), both streams of thought were incorporated in selection of the 4 cases.

The ideal number of cases one should use remains unresolved. Eisenhardt (1989) advocates adding cases until theoretical saturation is reached but also suggests 4-10 firms for a case-based study. With less than 4 cases it becomes difficult to generate much theory and its empirical grounding is less likely to be convincing (unless the case has mini-cases within it). With more than 10 cases, it becomes difficult to cope with the complexity and volume of the data. For this research 4 cases are planned, after realistically taking into consideration barriers such as resource constraints (time and finances) and the accessibility and availability of the family firms.

Miles and Huberman (1994) suggest setting boundaries/filters to define the cases that will be studied given the limits of time and means. The boundaries (geographical and operational) must also connect to the research question. In terms of geographical boundaries, the sample cases consists of Australian family firms’ identified in consultation with the Australian Centre for Family Business (ACFB). The reasons for choosing Australia were earlier discussed in Section 2.2.1. Moreover restricting the selection of firms to one host country reduces the complexity of the research. The
operational boundaries were set by selecting firms that are multigenerational (two or more generations) family firms, regardless of their size\textsuperscript{20}.

These firms should display some growth from when it was originally founded and are financially operating above average market returns. These restricted samples of firms provide the ideal context for addressing the phenomenon of interest. While multigenerational firms represent a minority within the population of Australian family firms, their exploration is pivotal to the majority that are still in the founding generation’s rule. A summary of the criterion for the selection of cases is shown in Table 3-3 and the sampled cases are briefly introduced in Table 3-4.

**Table 3-3: Characteristics of selected cases**

1. Australian based family firms in 2 or more generations

2. Family members are actively involved in the family business both in day-to-day operations as well as at a controlling/monitoring level (e.g. as directors)

3. Show improving performance across generations in terms of starting new ventures, diversification strategies, growth indicators such as turnover

4. Intention of the family for the business to remain a family business

### 3.5.2 Unit of Analysis

The unit of analysis is important because it identifies where the case starts and where it ends (Miles and Huberman 1994). In case method research, clearly identifying the unit of analysis is pivotal to avoid deviating from the focus of the research, which can lead to the collection of unnecessary data. The unit of analysis can be an individual(s), event, entity, decisions, programs, implementation process, or organisational change (Yin 1994). The main unit of analysis of this study is the *family business system*. Within the *family business system* are subunits; mainly the *family*, the *business* and the *individual*. The unit of analysis is therefore one of an embedded nature and

\textsuperscript{20} The literature remains equivocal on the influence of size on a firm’s ability to be entrepreneurial. Large and small firms can equally engage in entrepreneurial activities and therefore render the firm entrepreneurial. Family firms exist along the small to large continuum. However using the Australian Business Statistics classification of firms based on employee numbers, 1 case is classified as a large firm (+200 employees), 2 of the cases are medium-sized firms (20-199 employees), and the 4\textsuperscript{th} case is a small firm (5-19 employees).
caution is heeded that the focus of the case study remains on the main unit of analysis rather than the sub-units (Yin 1994 p.44).

**TABLE 3-4: SELECTED CASES IN BRIEF**

<table>
<thead>
<tr>
<th>Case One</th>
<th>Case Two</th>
<th>Case Three</th>
<th>Case Four</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company Name</strong>*</td>
<td>Active Builders Corporation</td>
<td>Seasons Management Group</td>
<td>Builders Development Corporation</td>
</tr>
<tr>
<td><strong>Family Name</strong></td>
<td>Dalton</td>
<td>Barnett</td>
<td>Bocconi</td>
</tr>
<tr>
<td><strong>Industry(s)</strong></td>
<td>Property Development, Real Estate, Communications</td>
<td>Management Rights, Accommodation, Real Estate, Tourism</td>
<td>Property Development, Retail, IT</td>
</tr>
<tr>
<td><strong>Core Business</strong></td>
<td>Property Development</td>
<td>Management Rights</td>
<td>Property Development</td>
</tr>
<tr>
<td><strong>Founding Era</strong></td>
<td>1930s</td>
<td>1980s</td>
<td>1960s</td>
</tr>
<tr>
<td><strong>Generation of family</strong></td>
<td>5th</td>
<td>2nd</td>
<td>2nd</td>
</tr>
<tr>
<td><strong>Shares owned by family</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>No. of family involved in business</strong></td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><strong>Positions held by family</strong></td>
<td>CEO, Managing Director, Director Sales, Director</td>
<td>Managing Director, Director x 3</td>
<td>Managing Director x 3, Director</td>
</tr>
<tr>
<td><strong>Size of family (approx)</strong></td>
<td>10</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td><strong>No. of Employees (approx)</strong></td>
<td>120-150</td>
<td>80-100</td>
<td>15-25</td>
</tr>
</tbody>
</table>

* Company names used here are fictitious to protect the identity of the companies

### 3.6 RESEARCH DESIGN

Previous sections in this chapter have discussed the philosophy, approach, and strategy of this research. This section focuses on the adopted procedures by which data was collected and analysed.
3.6.1 **DATA COLLECTION PROCEDURE**

Eisenhardt (1989) and Yin (1994) recommend combining multiple data collection methods when using case studies. A multi-method approach in gathering empirical material adds rigor, breadth, depth and enhances understanding to a case study (Denzin and Lincoln 1994) thus creating a fuller picture of the phenomena under study. Case study is a triangulated research strategy because it allows for various methods and/or multiple sources in the collection of empirical material (Tellis 1997). These methods include interviews, direct and/or participant observations, analysis of artifacts, documents, and archival records.

The use of multiple methods is known as triangulation (Denzin 1978). Triangulation arises from the ethical need to confirm the validity of the research processes (Miles and Huberman 1994), which can be done by using multiple sources of data (Yin 1994). The post-positivist stance on triangulation enables the accommodation of constructivist (qualitative) elements via in-depth qualitative interviews by multiple respondents within the family business. The family is not a homogenous unit but a group of individuals coexisting in complex and fluid relationships with each other. The comparison of accounts of family members and non-family members in pivotal roles within the family business provides an opportunity for validating accounts as a form of triangulation (Warin et al. 2007). The benefit of this approach is that relevant and related constructs that develop into the emergent theory is grounded on triangulated measures.

Open ended, semi-structured, in-depth interviews\(^{21}\) were the primary mode of data collection in this research. Open ended questions proved valuable because of their flexibility and the ability to adapt from person to person, while still having a firm grip on issues being studied (Yin 1994 p.59). The open-ended interview questions were conducted in a semi-structured manner to minimize researcher bias and allow respondents to reflect, elaborate and extend those experiences most meaningful to him/her. This approach helped generate, elaborate, and extend conversations that allowed a deeper probing of the interested phenomena. The primary goal of the in-

\(^{21}\) The interview guide/protocol used here is an adapted version of the STEP interview protocol used in the STEP project. A summary of the adapted guide can be found in the Appendix C.
depth interviews was to elicit the respondents’ views and experiences in his/her own terms. “A good listener hears the exact words used by the interviewee, captures the mood and effective components, and understands the context from which the interviewee is perceiving the word” (Yin 1994 p.60). The conceptual framework was used to focus the interview and ensure the issues of interest were being discussed, however not in a way that biased responses by providing too much information.

The length of interviews ranged from 1.5 to 3 hours. The interviews were recorded and transcribed. The number of interviews was not pre-set, but determined in part by pragmatic considerations, such as time and financial constraints, and also by the attainment of theoretical saturation\(^{22}\). The selection of interviewee profiles was driven by the conceptual questions and these include:

- Owner/founder of the family business;
- CEO; regardless whether family or non-family;
- Chairman of the board; regardless whether family or non-family;
- Family members actively involved in the business and ideally from different generational levels; and
- A non-family member playing a significant role within the family business.

The interviews were also guided by a case study protocol (an essential for multiple case study which was created prior to data collection) to enable consistency and reliability of data across cases in the context (Yin 1994). The case study protocol contained the interview instruments, and the procedures and general rules that were followed in using the instruments. The case study protocol is summarized in Table 3-5.

Furthermore the in-depth interviews were supported with secondary empirical material. These included observations, archival data, and other documentation (e.g. annual reports, press articles, websites). Documents and texts were valuable sources

\(^{22}\) Theoretical saturation is reached when themes and sub-themes related to data analysis begin to repeat themselves i.e. the researchers observe that no new themes are emerging from the data (Strauss and Corbin, 1998). While 16 interviews could be suggested as a low number to achieve saturation, it should be noted that the interviews lasted in total 30.6 hours and were complemented by the review of data from other sources such as websites, newspaper articles, company documents, and email correspondence. Saturation was attained here when adding cases (and interviews) had little effect on the number of nodes that were added in the NVivo analysis. Thus the addition of new nodes gradually decreased as data analysis moved from case 1 interviews to case 4 interviews.
of qualitative data (Miles and Huberman, 1994) and observations helped produce detailed descriptive accounts of what was happening. Gathering of data from multiple sources helped to demonstrate the extent of congruity and consistency between key informants’ evaluations and to triangulate over given facts (Patton, 1999).

**TABLE 3-5: CASE STUDY PROTOCOL**

<table>
<thead>
<tr>
<th>Overview of case study project</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Objective</strong> – Use empirical observations to refine, develop, and improve our understanding of the phenomenon under study and thereby result in generation and/or extension of theory</td>
</tr>
<tr>
<td>2. <strong>Issue</strong> - How do family firms remain entrepreneurial across generations?</td>
</tr>
<tr>
<td>3. <strong>Research questions</strong> (see Section 2.5.4)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Field procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Credentials and access to sites: letter to organisation seeking permission to use as case, letter introducing the researcher and the purpose of study, consent form signed by participants.</td>
</tr>
<tr>
<td>2. Sources of information: documents, website information, brochures, annual reports, press articles, field notes, interviews, mission statements, strategic plans, correspondence via emails and letters, etc.</td>
</tr>
<tr>
<td>3. Data collection plan: interview schedule.</td>
</tr>
<tr>
<td>4. Preparation prior to interviews: ethics clearance form, forms requiring signatures, digital recorder, interview guide</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interview guide (refer Appendix C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Family business history</td>
</tr>
<tr>
<td>2. Familiness resources</td>
</tr>
<tr>
<td>3. Entrepreneurial orientation</td>
</tr>
<tr>
<td>4. Performance (non-financial)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case study report outline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Case Profiles</strong></td>
</tr>
<tr>
<td>a. Introduction/General</td>
</tr>
<tr>
<td>b. Firm &amp; family profile – life cycle stage, culture, family involvement, family life cycle</td>
</tr>
<tr>
<td>c. Industry Analysis</td>
</tr>
<tr>
<td>d. Case summary characteristics</td>
</tr>
<tr>
<td>2. Familiness resources</td>
</tr>
<tr>
<td>a. Human</td>
</tr>
<tr>
<td>b. Process</td>
</tr>
<tr>
<td>c. Social</td>
</tr>
<tr>
<td>3. Entrepreneurial Orientation</td>
</tr>
<tr>
<td>a. Innovativeness</td>
</tr>
<tr>
<td>b. Risk-taking</td>
</tr>
<tr>
<td>c. Proactiveness</td>
</tr>
<tr>
<td>4. Performance</td>
</tr>
<tr>
<td>a. Non-financial</td>
</tr>
<tr>
<td>5. Analysis, comments, and conclusions</td>
</tr>
</tbody>
</table>
3.6.2 **INSTRUMENTATION**

The main instrument in this research is the interview protocol guide. This instrument is adapted from the STEP project. The instrument has been validated in pilot tests in North America and Europe. The protocol guide was not taken in its entirety and incorporates modifications to address issues pertinent to this research and to make it appropriate within an Australian context.

The adaptations to the protocol are as follows:

- Removal of questions that address issues which although vital to the STEP project are not critical to this research.
- Sections within the protocol were shortened to the main questions addressing a particular issue. This enabled the interviews to be conducted within the 1.5 to 3 hours time frame allocated by the participants.
- Rewording some questions to accommodate the Australian context. One example is in the original STEP protocol the title ‘President of the board’ is replaced with ‘Chairman of the board’. Likewise ‘grade school’ now appears as ‘primary school’.
- Because the interviewees also comprised non-family members, their questions were reworded slightly to suit. For example rather than asking ‘Tell me about the history of your family business’, I chose instead to ask ‘tell me the history of how you ended up working for this family business’.

The interview protocol functioned merely as a guide to steer the conversation around the issues pertinent to my investigation. It was more important to allow the conversations to flow freely thus allowing the participants to tell their stories. The interview protocol is divided into four parts. Part 1 consists of questions relating to the historical development of the business. Part 2 poses questions that relate to family resources and the family business. Part 3 questions are centred on the EO constructs. The final section of the protocol is intended to ascertain the performance of the family business. A summary of the instrument can be found in Appendix C.

3.6.3 **ETHICAL CONSIDERATIONS**

This section of the dissertation outlines the ethical implications of the research undertaken and the precautions that were taken to protect the rights and well-being of the research subjects. Informed consent is an important feature of ethical consideration in any research involving human subjects and in this research this included:
- a brief description of the study and its procedures;
- a full identification of the researcher’s identity;
- an assurance that participation is voluntary and that the respondent has the right to withdraw at any time without penalty;
- an assurance of confidentiality;
- the benefits and risks associated with participation in the study;
- the contact details of the Bond University Ethics Officer should participants wish to contact if they had any complaints regarding the study or the manner it was conducted.

Permission for ethical clearance was sought from the Bond University Research Ethics Committee (BUREC) prior to the commencement of data collection. Gatekeeper letters were obtained from each case giving approval for the company’s participation in this research. The gatekeeper letters together with the BUREC ethics approval letter are included in Appendix D. The BUREC letter was sighted by respondents prior to their participation in the interview. A consent letter to respondents (also included in Appendix D) seeking their participation in the research contained specific details about the research, how the subjects’ identities and data confidentiality were being protected, and how other pertinent ethical questions (e.g., researcher loyalties, impact of funding sources, and use of results) was addressed. Each participant was required to sign a consent form prior the interview.

### 3.6.4 Data Analysis

“The challenge is not so much making data but rather making useful, valuable data, relevant to the question being asked”. (Lyn 2005 p.33)

In case studies analyzing data is the heart of theory building, and the most difficult and least codified part of the process (Eisenhardt 1989). For this research in-depth interviews are the main method by which qualitative data is obtained and collected. Yin (1994 p.10) states that case studies are generalizable only to propositions rather than to populations therefore the researcher’s goal is to expand and generalize theories (analytical generalization) and not enumerate frequencies (statistical generalization). In other words, the goal is to generalise the emerging results and interpretations to existing theory rather than to the whole population of cases. The analysis of the data in this research draws mainly from the work of Yin (1994), Eisenhardt (1989), and Miles and Huberman (1994).
Prior to case analysis an analytical strategy must be identified. Four of the strategies identified by Yin (1994) are pertinent to this research. They are 1) relying on theoretical propositions, 2) developing a case description, 3) pattern matching, and 4) between-case synthesis. The tentative theoretical framework identified earlier (see Figure 2-2) and research questions (see Table 2-5) helped focus attention on data relevant to the research. A written case protocol developed a descriptive framework for organizing the cases (see Table 3-5). Pattern matching allowed comparison of an empirically based pattern with a predicted one (conceptual framework, Section 2.5). Cross-case (or between-case) synthesis is employed for synthesizing data across the four cases. Yin (1994) notes that analysis is of the highest quality if all evidence is attended to, all major rival interpretations are addressed, and the most significant aspect of the research is addressed in analysis.

The initial stages of the data analysis phase required the recording of field notes especially when visiting case sites for interviews and meetings. This allowed one to be continuously aware of what is happening in the research. These field notes were reviewed frequently and recorded in NVivo. Respondents were re-contacted to clear up any missing questions or to provide additional information. A key feature of theory-building via case research is the freedom to move back and forth between the data collection and data analysis phases (Eisenhardt 1989). A document summary form was created for each document collected and then filed in NVivo. Eisenhardt’s (1989) suggestion of what a database should contain was closely followed in this research.

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23 A document summary form puts the document in context, explains its significance, and gives a content summary.

24 Eisenhardt (1989) suggests that a database should contain the following: 1) raw material (interview transcripts, field notes, documents collected during data collection, survey material; 2) coded data; 3) coding scheme; 4) memos and other analytic material; 5) data displays and matrices; 6) document summary forms; and 7) general chronological log of data collection.
When there are multiple cases, a detailed description of each case and the themes within must be provided (within-case-analysis, refer chapter 4), followed by a thematic analysis across the cases (between case analysis, refer chapter 5), as well as an interpretation of the meaning of the case (refer chapter 6) (Yin 1994). In the within-case analysis analytic techniques suggested by Miles and Huberman (1994) such as constructing information arrays, matrix of categories, creating flowcharts, and data displays were used to examine relationships and facilitate analysis. Also Yin’s (1994) suggested strategies provided a framework for organizing each case study. These strategies resulted in pattern matching, a situation where several pieces of information from the cases are related to some theoretical proposition (Campbell 1975). An essential feature of theory building is comparison of emergent concepts, theory, or propositions with extant literature...tying the emergent theoretical propositions to existing literature enhances internal validity and generalizability of theory building from case study research (Eisenhardt 1989 p545).

To identify patterns, the transcribed interviews required coding. Coding in qualitative research involved segmenting the data into units and rearranging them into categories that facilitated insight, comparison, and the development of theory (Strauss and Corbin 1998). Codes served as retrieval and organizing devices that allowed the rapid retrieval and clustering of all the segments related to a particular question, concept or theme. The selection of more than two coders helped develop more accurate and robust codes. Inter-rater reliability using Cohen’s Kappa coefficient measure of inter-rater was used to indicate the strength of agreement in coding among the raters (Fleiss 1971). Refer Appendix E for the calculation of the Kappa coefficient.

In this research, data modeling, coding, and analysis was assisted by the qualitative data analysis package NVivo. While debate continues regarding whether computer assisted tools enhance the creativity and quality of analysis in qualitative research, they have certainly made the task more efficient, faster and easier (Marshall 2002). Thus taped interviews, written field notes, and collated documents were transcribed, coded, and analyzed with NVivo. Thematic codes were identified according to

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25 These strategies included 1) relying on theoretical propositions of study, and then analyse the evidence based on those propositions; and 2) develop case descriptions.
analytical categories derived from the theoretical model. Using NVivo, patterns across cases were explored and investigated as to whether they could be attributed to the literature and tentative framework presented earlier. Contradictions between theory and data were analyzed for refinement or extension of theory. A systematic comparison of the emerging theory with the evidence from each case helped to assess how well or poorly theory fit with the data and when two or more cases were shown to support the same theory, replication was claimed (Yin, 1994). Cases which confirmed emergent relationships enhanced confidence in the validity of the relationships, while cases which disconfirmed the relationships provided opportunities to refine and/or extend theory (Eisenhardt 1989). Recurring patterns found across cases attributed to predicted associations (propositions) that were posited in a theoretical framework.

3.7 CRITERIA FOR EVALUATING RESEARCH

There is disagreement as to how qualitative research can best be evaluated. While some (e.g. Yin 1994) find that the criteria used to evaluate quantitative research are equally applicable to evaluating qualitative research, others (e.g. Denzin and Lincoln 1994) suggest using a different set of criteria. For the latter, terms such as credibility, transferability, dependability and conformability replace the usual criteria of internal and external validity, reliability and objectivity (Denzin and Lincoln 1994). While the terms may have changed, the issues they address are not entirely different. Internal and external validity, reliability and objectivity are more aligned with a positivist stance. Credibility, transferability, dependability and conformability are mainly associated with qualitative research, and these terms collectively evaluate the ‘trustworthiness’ of the research (Guba and Lincoln 1985). These are discussed next as the adopted criteria for evaluating this research.

3.7.1 CREDIBILITY (INTERNAL VALIDITY)

Credibility refers to the confidence one can have in the truth of the findings. It refers to the factual accuracy of the documentation of the research as well as the degree to which a theoretical explanation developed from research findings fits the data (Maxwell 1992). It is the parallel to ‘internal validity’ and focuses on demonstrating that the subject of enquiry was accurately identified and described (Robson 2002). Although Yin (1994) suggests that internal validity is applicable only to explanatory
cases (where causal relationships are intended) he further adds that internal validity may be extended to the broader problem of making inferences. Hence the questions raised include (Yin 1994 p.35): Is the inference correct? Have rival explanations and possibilities being considered? Is the evidence convergent? Does it appear to be airtight?

For this research to ensure the credibility of findings (strengthening internal validity) the following processes suggested by Yin (1994) and Guba and Lincoln (1985) have been adopted

- Triangulation of data collection and sources; interviews, non-participant observation, document reviews.
- Pattern matching involves the process of comparing an empirical based pattern with a predicted one. Patterns exhibited within and across cases will be matched and compared with existing literature. Internal validity is enhanced when an empirical pattern compares with a predicted one.
- Member checks where the researcher solicits informant’s views of the credibility of the findings and interpretations (Miles and Huberman 1994). These member checks can be both formal and informal. It is also most “critical for establishing credibility” (Guba and Lincoln 1985 p. 314).
- Negative case analysis (re-examination of case after initial analysis to see whether properties or emergent themes were applicable to all cases). This is similar to what Yin (1994) calls ‘addressing rival explanations’. It involves revising one’s interpretations until all outliers have been explained (Guba and Lincoln, 1985).

### 3.7.2 TRANSFERABILITY (EXTERNAL VALIDITY)

Transferability is the counterpart to the notion of external validity (or generalizability) used in quantitative studies. There is one major difference. In qualitative research transferability determines whether or not the case(s) described can be transferred to other settings (and not the whole population as in the notion of external validity in quantitative research). Transferability enables other researchers to apply the findings of the study to their own. Generalization has been a major barrier for case studies. Stake (1995) identifies two types of generalisation: 1) Petite generalization is concerned with the observations of repeated patterns within a particular case and which leads to ‘case dependent generalisation’; 2) Grand generalization which refers to increasing or decreasing authoritativeness in the confidence of the generalisations inherent in existing conceptual and theoretical frameworks. The latter is similar to what is often referred to as ‘analytical’ or ‘theoretical’ generalisation which Yin
(1994) clarifies as more applicable to case studies rather than ‘statistical’
generalisations. Yin (1994) also suggests that a multiple case design based on
‘replication logic’ is a means of increasing the generalizability of case study. Guba
and Lincoln (1985) suggest providing rich, detailed descriptions of cases, participants,
and study setting helps inform the reader about transferability. The above mentioned
suggestions were adopted to improve the overall transferability of this research.
However as stressed earlier, the emphasis is on a better understanding of the
phenomenon under study.

3.7.3 CONFORMABILITY AND DEPENDABILITY (RELIABILITY)
Conformability and dependability corresponds to the reliability of the research.
Conformability refers to the internal coherence of the data in relation to the findings,
interpretations, and recommendations, while dependability refers to the stability of the
findings over time. Reliability is about ensuring that the process of the research is
consistent, reasonably stable over time and across researchers and methods (Miles and
Huberman 1994). Its goal is to reduce errors and biases in a study. In case studies
reliability is about doing the same case over again, not on replicating the results of
one case by doing another case study (Yin 1994 p.37). An audit trail can be used to
accomplish dependability and conformability simultaneously (Guba and Lincoln
1985). An audit trail, as adopted here, involves maintaining an extensive
documentation of records and data stemming from the case study. Yin (1994) also
suggests the use of a case study protocol and the development of a case study
database as the means of addressing the reliability problem. These were considered in
this research and were previously discussed.

3.8 LIMITATIONS OF METHODOLOGICAL APPROACH
Every methodological approach suffers from some form of weakness which places
boundaries within which the approach best works. The objective is to understand what
these weaknesses are and how they can best be addressed within the research process.
The first weakness (or accusation of weakness) in the adopted methodological
approach is that qualitative research is ‘soft science’ and only exploratory, or
subjective (Denzin and Lincoln, 1994).
Secondly, the time consuming nature of undertaking qualitative research and the associated costs involved are often greater than that which its quantitative counterpart incurs. Mainly because the latter often employs archival data and quantitative data is relatively easier to collect, analyse, and interpret. In addition, the nature of qualitative data increases the difficulty in achieving validity and reliability.

Thirdly, there is greater potential for bias because of reliance on the human instrument; that defines the problem, does the sampling, designs the instruments, collects the data, analyses it, interprets it, and then writes it up. Furthermore during collection of data via interviews, respondents may say what they think researchers want to hear and are inclined to paint positive scenarios of ‘not so positive’ situations. This introduces respondents’ biases.

The following strategies aid in minimising the limitations of my adopted methodological approach:

- The use of triangulation by using multiple and different sources, methods, and theories to provide corroborating evidence (Patton 2002).
- A peer review or debriefing provides an external check of the research process by keeping the researcher honest, asks hard questions about methods, meanings and interpretations (Guba and Lincoln 1985).
- Negative case analysis where working propositions are refined as inquiry advances in light of negative or disconfirming evidence...until all cases fit (Miles and Huberman 1994).
- Clarifying the researcher bias from the outset of the study so that the reader understands the researchers position and any biases or assumptions that may impact inquiry (Creswell 1998). This was done earlier where the ontological and epistemological stance of the researcher was stated.
- Other adopted processes that were discussed in section 3.7.1

3.9 Chapter Summary

This chapter discussed the methodological approach adopted to guide this research. It considered the importance of research paradigms. The nature of the research question together with the author’s philosophical stance (i.e. realism) resulted in the adoption of a post positivist paradigm. The exploratory nature of the research, the how and why questions, and the rich data embedded in the family business context saw the case method selected as the appropriate research strategy. Yin (1994) and Eisenhardt’s
(1989) approach to the study of the case method was adopted for this research. Following this, the case research procedures were outlined. These included a discussion of sampling, data collection via triangulation of data sources, case protocols, analysis with NVivo, and the importance of ethics in the research. The chapter considered the evaluation of the research in terms of internal and external validity. Finally, drawbacks of the adopted methodology were discussed. The next chapter (Chapter 4) presents the within-case analysis of the cases.
Chapter 4. WITHIN-CASE ANALYSIS

4.1 INTRODUCTION

Chapter 3 discussed the case method as the chosen approach to exploring the research questions and suggested multiple case analyses: within-case analyses followed by a between (or cross) case analysis. This chapter is concerned with the first part of multiple case analyses: the within-case data analysis which typically begins with detailed case study write-ups for each case (Miles and Huberman 1994). This develops familiarity with each case as a stand-alone entity and enables the identification and analysis of unique patterns within each case (Eisenhardt 1989). Within-case analysis was guided by the case study protocol (refer Table 3-5) although variations exist which are driven by the availability of data and the idiosyncratic conditions unique to each case. A case study protocol is essential in a multiple case study approach and it eases later comparisons between cases (Yin 1994). This chapter consists of the following sections: section 4.2 states the steps followed in the within-case analysis, section 4.3 provides a summary of the four case profiles. Each case is then discussed separately (Sections 4.4 to 4.7) with the objective of addressing research questions RQ1 and RQ2. Section 4.8 concludes with a summary.

4.2 WITHIN-CASE ANALYSIS STEPS

Using the case study protocol as a guide (refer Table 3-5), within-case analysis is organised and presented in three steps:

Step 1. Construction of case profiles

Individual in-depth case profiles were written up for each case and these are provided in Appendix F. Summary of the profiles are presented in section 4.3.

Step 2. Addressing RQ1

This involved coding for familiness resources via the creation of nodes (see example of nodes in Appendix E) in NVivo. The familiness resource nodes were classified into the resource categories: human, organisational, and process. Step 2 also involved identifying conditions (or triggers) that are found to influence the distinctive (f+) and constrictive (f-) nature of familiness resources.
Familiness resources\textsuperscript{26} and conditions discussed are those extracted from an interpretation of the case data using NVivo.

Step 3. Addressing RQ2
Query tools in NVivo are used to unearth those familiness resources that have some influence on the case’s EO. The resource dimensions identified are those pertinent to the EO as interpreted from the case data. Matrix queries helped in extracting data that were suggestive of an association between the firm’s familiness resources and the firm’s EO.

Steps 2 and 3 are undertaken on individual case-by-case bases in sections 4.4 to 4.7.

4.3 SUMMARY OF CASE PROFILES
Discussion of the background and context of the cases is central to developing an understanding of the evolution and development of the families and their businesses. Case profiles draw attention to the context within which the research questions are pondered, and the source from which qualitative data is analysed. The diversity of the cases in industry, size, and generation assists understanding of the phenomenon of interest from different perspectives and contexts and provides better grounding for the research (Eisenhardt 1989). Table 4-1 summarises some key features of the four cases.

4.3.1 AGE, SIZE, AND INDUSTRY
The case firms are all relatively young. The oldest firm was established in the 1940s and the youngest in the 1980s. All firms have been in operation for no less than 20 years. The Australian Bureau of Statistics (ABS) categorizes firm size based on the number of employees. Adopting this categorization, the four cases are distributed as follows: one small firm (5-19 employees), one medium firm (20-199 employees), and two large firms (over 200 employees). All firm-size categories, except micro firms (<5 employees), are represented. In terms of their core operations, four industries are

\textsuperscript{26}The identification of familiness resource dimensions for each individual case was driven by the data for each case in terms of their association with familiness. For example, if culture is not discussed in a particular case it is not because there is no organisational culture in that business but rather that their culture is not central to their familiness. Therefore the dimensions differed from case to case and their discussion is dependent on their salience in that case as elicited from the data.
represented: construction, automobile retail, property development, and management rights.

4.3.2 OWNERSHIP AND GENERATIONAL INVOLVEMENT
All four cases are privately owned family firms, with the owning families retaining 100% ownership rights. In two of the cases, the founder(s) retains majority ownership. The same two cases have the founder(s) still involved in the business, one at the strategic level and the other at both strategic and operational levels. Case 1 (ABC) is jointly managed by the 4th and 5th generation, Case 2 (SMG) by the 1st and 2nd generation, Case 3 (BDC) by the 2nd generation, and Case 4 (PMC) is managed by the 2nd and 3rd generation.

4.3.3 DATA SOURCE
The case profiles were constructed from interviews and secondary data sources that included published material, websites, press articles and correspondence with respondents. Interview quotes, due to their richness and description, were used to highlight case features.

4.4 CASE 1: ACTIVE BUILDERS CORPORATION (ABC)
In this section step 2 and step 3 are followed (refer section 4.2) to address RQ1 (familiness) and RQ2 (familiness and EO) using the resource categories human, organisational, and process. The four individual within-case analyses will follow this same approach, although the results within each case will vary.

4.4.1 FAMILINESS RESOURCES (ADDRESSING RQ1)
Identifying ‘familiness’ in ABC is easier due to the depth and duration of the family’s involvement with the business. ABC (5th generation) has had more experience in identifying, nurturing, and exercising familiness. Recall that familiness can provide an advantage (f+) and/or disadvantage (f-) to the firm. Familiness is valuable when the firm exploits their f+ (advantages) and manages their f- (disadvantages). The identified familiness resource dimensions for ABC are shown in Figure 4-1.
### Table 4-1: Summary of Cases

<table>
<thead>
<tr>
<th>Cases27</th>
<th>Core Industry</th>
<th>Other industries</th>
<th>No. of employees</th>
<th>Family (generation)</th>
<th>% family owned</th>
<th>Generation involved during time of interview</th>
<th>Family members involved in business</th>
<th>Interviews</th>
<th>Interview duration (hrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1: Active Builders Corporation (ABC)</td>
<td>Construction</td>
<td>Real Estate, Services, Communication</td>
<td>120-150</td>
<td>Dalton (5th)</td>
<td>100</td>
<td>4th and 5th</td>
<td>4</td>
<td>6</td>
<td>10.8</td>
</tr>
<tr>
<td>Case 2: Seasons Management Group (SMG)</td>
<td>Management Rights</td>
<td>Tourism Accommodation, Real Estate</td>
<td>80-100</td>
<td>Barnett (2nd)</td>
<td>100</td>
<td>1st and 2nd</td>
<td>4</td>
<td>5</td>
<td>9.2</td>
</tr>
<tr>
<td>Case 3: Builders Development Corporation (BDC)</td>
<td>Property Development, Retail, IT</td>
<td></td>
<td>15-25</td>
<td>Bocconi (2nd)</td>
<td>100</td>
<td>1st and 2nd</td>
<td>4</td>
<td>3</td>
<td>7.6</td>
</tr>
<tr>
<td>Case 4: Parts and Motors Corporation (PMC)</td>
<td>Automobile retail</td>
<td></td>
<td>600-800</td>
<td>Bolton (3rd)</td>
<td>100</td>
<td>2nd and 3rd</td>
<td>3</td>
<td>2</td>
<td>3.0</td>
</tr>
</tbody>
</table>

27 As noted previously the original names of cases and families have been changed to protect identities.
Reputation, experience – insights and skills, and commitment are the three human resource dimensions that best exemplify familiness within ABC. Their advantages (f+) include: the family name as a source of reputational capital for ABC; the firm’s strong experience, which is built over five generations of family involvement; and a strong commitment that emphasise stewardship behaviour. Their disadvantages (f-) include: family behaviour that negatively affected firm reputation; experiences that overtime become resistant to change; and over commitment leading to an inability to let-go thus stifling next-generation leadership and development.

Culture, decision making, and learning are the three organisational resource dimensions that best exemplify familiness within ABC. Their advantages (f+) include: the family culture of a strong work ethic that is embedded within ABC’s culture; control that gives the family autonomy and flexibility in decision-making thus enabling quick response to opportunities; and ABC nurtures a learning environment via formal and informal practices. Their disadvantages (f-) include: employees that neither understood nor were comfortable with the nature and culture of ABC; control and autonomy of decisions by the family can lead to premature and hurried decisions;
and learning that which has been passed down through generations but which are of little value to ABC.

Relationships and networks are two process resource dimensions that best exemplify familiness within ABC. Their advantages (f+) include: cohesive and close family relationships that help strengthen family bonds; and the influence of the family name and reputation in helping ABC forge connections with external stakeholders. Their disadvantages (f-) include: weakening relationships with non-family employees; and networks that harbour an ‘emotional attachment’. The aforementioned resource dimensions are discussed in detail next.

4.4.1.1 HUMAN RESOURCES

A. Reputation

The Dalton family name is synonymous with construction having been involved with the industry over five generations, and has a significant influence on ABC’s reputation. The family’s reputation is leveraged to provide the firm with a sustainable competitive advantage. The Dalton family name raises the firm’s social status, establishes business networks, and initiates business deals.

Certainly utilising the Dalton name and the company name has opened doors and this has being most positive. Within the business community and within the State, ABC is well respected. (Tom, non-family, Operations Manager)

Having being built and developed over five generations, the family reputation is rare and difficult to imitate. Maintaining family reputation through generations is made possible because each generation understood the importance of protecting and adding value to the family’s reputation. Building reputation rather than banking on an inherited one is a value echoed by the family.

We are now in our 30s and it is very important that we build our reputation. Our reputation is crucial. We cannot just stand by what our fathers and the company have done. (Adam, 5th generation, Director)

However, ‘reputation’, if not renewed and protected can lose the positive advantage (f+) it provides ABC. An established reputation, like the Dalton’s, is prone to public scrutiny and greater onus is required of family members to behave fittingly. Family behaviour has a large influence on the firm’s reputation. Identification of the Dalton
family reputation with ABC’s reputation meant that negative publicity concerning the family, poses a disadvantage (f-) to ABC’s reputation (and vice-versa).

I have done a few silly things that I have been sorry for. I have demolished a house without permission about eight years ago. I got very bad publicity over that. Very sorry I did that and many people around town will never forget that.
(Darrel, 4th generation, CEO)

Some people have not forgotten Darrel’s actions and importantly nor has Darrel. He uses that incident as a constant reminder of the importance of family behaviour on the reputation of ABC. This understanding, passed down through the generations via shared experiences such as that of Darrel, reminds the family to protect and nurture the reputation of both the family and the business and thus preserve and sustain their competitive advantage. In this way the Dalton name, rather than any one individual or generation, is associated with ABC’s reputation.

B. Experience – Insights and Skills

Experiences attained within the family business are central to the development of insights and skills. Insight is the ability to see opportunities in a complex business situation while skills are the abilities required to pursue those opportunities and act on them. The entrepreneurial insights and skills of family business founders (and leaders) present a vital and valuable resource.

Dad would walk into an apartment and he does not look at it as normal people do. He is looking at the space…He just sees where it has missed out, where you could have put something, how it is designed. His mind is switched on to space design.
(Adam, 5th generation, Director)

Darrel’s creative insights into buildings and spatial design positioned ABC amongst the pioneers in strata titling. These insights are difficult to imitate because they are specific to Darrel. Insights led to the firm’s entrepreneurial initiatives and diversifications and provided ABC with a unique advantage in the marketplace. Insights were easily actioned because ABC had the skills, the resources, and the freedom of the owners to implement them.

Skills are honed via experiences within (or outside) the firm. Within the firm experiences are often involuntarily for family members raised in a family business environment. Early involvement in ABC gave Darrel’s three sons the opportunity to
learn the family business, build their confidence, test and refine their abilities and skills, and nurture and prepare them for future leadership roles.

From an early age, we would be on construction sites. This was drilled into us from an early age. When I was 16, we would spend a part of our summer holidays on a large golf course development we were doing. We were labouring on different construction sites, sort of learning the trade a bit.

(Josh, 5th generation, Sales Director)

Just as experience can be a source of advantage (f+), it can also become constritive and a disadvantage (f-) when that experience becomes resistant to change. Mainly because these practices have proved successful in the past, the firm has always done it this way, or firm actors have the ability and confidence doing it a particular way.

It was frustrating. I was banging my head against the wall. Just did not know what to do with it. Therefore, I was reverting to work on their level and with the existing. And because I have less experience than them in the business, I did not have the power or the credentials to say no let’s do it like this.

(Adam, 5th generation, Director)

Change in experiences can be difficult at ABC since neither Darrel nor his sons have any experience working outside the family business. Thus, the recruitment of non-family professionals brings individuals with differing experiences. This introduces new insights and skills that help bring about change and renewal to practices (built on past family experiences) that no longer benefit the firm.

Furthermore, not all insights necessarily result in successful ventures; most vanish as quickly as they emerge. Darrel’s hard work rejuvenated the business in the late 1980s, but it was also an over ambitious drive that saw ABC’s near demise. Poor access to capital (and the lack of it) was also contributory to ABC’s near demise in 1989. ABC’s ability to pursue new ventures (via Darrel’s insights and skills) was dependent on the resources available to the firm. Scarcity of resources (in this case capital) forced the firm to cease the pursuit of those insights.

C. Commitment

A strong commitment to the business presents a competitive advantage for ABC. Commitment is evidenced by the Daltons’ practices within ABC, which is driven not only by work, but more so by a passion for buildings and construction, and the joy of seeing family working successfully together in the business.
Since W H. Dalton (1st generation) arrived from England in 1867 and began establishing his reputation as a leading builder in Australia, further generations of the family have continued in business as master builders. Darrel Dalton (4th generation) maintained the tradition. Darrel’s sons (5th generation) are now assisting their father to take the business forward - building on 150 years of passion and commitment to property development and construction. (Source: ABC website)

He just loves putting buildings up doing the deals. He is not there trying to make certain amount of money to live. I think he loves seeing us kids in the business and enjoying it succeeding. He is very driven.

(Warren, 5th generation, Managing Director)

The family’s commitment is also shown by their strong work ethic and the desire to manage and operate the business. For the Daltons, reaping the benefits of the business is preceded by a commitment to hard work within the business.

We have more of a work ethic. It is not in my brothers to sit back, take the money and not work for it. If you work, you are rewarded. It is good that there is the work ethic for the company. (Adam, 5th generation, Director)

Just as commitment can be a source of advantage (f+), it can also become constrictive and a disadvantage (f-) when over-commitment leads to an inability to let go. Darrel’s inability to step away from the business is one such example that can be a disadvantage to ABC.

He is not going to retire. He gets bored on Sundays because he cannot work and he cannot make calls. He drives around to the different sites and just looks at property and stuff like that. There is no chance that he can retire. He has no sort of hobbies. His hobbies are the business. (Adam, 5th generation, Director)

Darrel’s commitment keeps him working within ABC despite acknowledging that he needs to retire to allow development of the next generation of leadership. For Darrel, the issue of retiring is not about the inability to relinquish power or about uncertainty on life after ABC. Rather, Darrel’s passion and interest for buildings and construction keeps his strong commitment to ABC.

4.4.1.2 ORGANISATIONAL RESOURCES

A. Culture

The firm culture at ABC is unique because it is significantly influenced by the culture of the Dalton family. Five generations of family values have been nurtured and cultured within ABC. These cultural values define the norms of what is acceptable or
acceptable, important or unimportant, within ABC. One such value is having a strong work ethic in the business.

The culture that has been passed on to us is we do not want to be just owners and not get involved. Many family businesses are just happy to take their monthly cheque and not work. We do not. We have more of a work ethic. It is not in us that we just sit back, take the money, and not work for it. (Adam, 5th generation, Director)

A strong work ethic translates to active involvement of owners in ABC. The Dalton’s abhor the concept of being passive shareholders; dividends necessitate hard work. Family members understand and value this hard work ethic, an accepted approach because of the close-knit structure of the family. This culture of a hard work ethic manifests exemplary behaviour that permeates to all employees within ABC.

I suppose we have always been pretty much the hardworking type. You got Warren and Dad running to the construction sites early and we try to drum that into the business. I think we have that running throughout the company. I think the tight knit family that we are; we want to keep that throughout the company as well. (Josh, 5th generation, Sales Director)

Active family involvement in firm operations sees ABC employees constantly interacting with the owners. Some employees find this arrangement an advantage (f+) while some other employees find this constant interaction with owners difficult to deal with and constrictive (f−). Especially concerning the family’s control in situations where older employees report to younger (but senior in terms of company position) family members. Josh Dalton mentions an example where an employee left ABC because of their inability to work within the firm culture.

We had a corporate person come in who had worked for big companies. He had to report to my brother who was 25 at that time. He had to get approval from him and that sort of thing. He left because he could not run it the way he wanted to and this kid was his boss. However, that was the culture of the family business. (Josh, 5th generation, Sales Director)

B. Decision Making

High involvement of family members within the business (both operationally and at a strategic level), together with the family’s 100% ownership stake in ABC, means major decisions are controlled by the Dalton family. Being a close-knit family, concentrated ownership has helped stimulate quick decision-making. Agility in
decision-making is an advantage that has helped launch many of the firm’s entrepreneurial initiatives.

We will sit at lunch, we can make a decision quickly on something, and often the decision will be between Warren, dad, and I.  (Josh, 5th generation, Sales Director)

Decision making at ABC is more informal than formal. Most times the board will officially confirm and sign off on a decision that is already decided by the family over lunch or coffee. Some decisions are made prior to the board’s approval. The autonomy and freedom to make decisions swiftly and to react quickly in pressing situations has given the company an edge over bureaucratised organisations.

Flexibility, the ability to buy something at complete will when the opportunity is there. He likes that because other companies will not have the ability to make that quick decision because they have to have the proper feasibility studies and get board approval and by that time, the opportunity is gone.

(Adam, 5th generation, Director)

Just as quick decisions can be a source of advantage (f+), it can also become constrictive and a disadvantage (f-) at ABC, decisions can change just as fast as the speed with which they are made.

Sometimes we make decisions too quickly; we do not think it all the way through. In terms of showing leadership, it is very important to get those decisions made but you have to be sure that they are the right decisions, the right time, and the right framework.  (Mark Turner, non-family, Operations Manager)

Mark Turner further elaborates the need for reflection before a decision is made. While the family have mentally reflected the pros and cons of a decision, ABC as a group needs to go through that same process. This he stresses would give ABC greater understanding and even ownership of the decision, which would then lead to an ease in its delivery and execution within ABC.

C. Learning

Family members positioned at the junction where the family and business integrate, have the greatest opportunity for learning. The informal methods of learning in ABC provide a vital organisational resource, which are continuously reinforced via the routines and patterns of practice at ABC. Informal learning practices are a channel via which knowledge and skills are transferred across generations.
He has dragged us to meetings and I have sat there not understanding. I would ask him what that person said, why did you respond that way or what did this mean. All I did was just watch. I would just follow along, not saying anything. That was the learning process for us. Always has been.                (Adam, 5th generation, Director)

Informal learning practices have unique evolutionary paths that make them difficult to imitate. They are tacit processes that represent a VRIN organizational resource for ABC. At ABC, one such practice is how the incumbent generation teaches the successor generation about the business. Learning from Darrel involved working closely with him, and following and observing how he performed his duties. Learning by observation (followed by practice) was Darrel’s approach to educating his sons about the family business, the same approach via which he had previously learnt from his father. Close bonds between Darrel and his sons makes this learning process easier to implement.

He went straight from school, to working side-by-side with my father and has not left him. He has followed him to every meeting, every building site. The 12-13 years has rubbed off and Warren has started thinking, talking and acting like dad. Although not being vocal, he has been next to him for the last 12 years. By default, it is that process of osmosis.                                        (Josh, 5th generation, Director)

Informal learning processes require extensive personal contact and trust if they are to function effectively. It is via this constant contact and interaction that knowledge and skills are transferred from father to son; process of osmosis as Josh calls it. This osmosis process is made possible by the close-knit family structure and strong relationship bonds. This form of social learning strengthens family cohesion and interaction within the business, and is a less expensive exercise of educating family members (and other employees) about ABC.

Just as learning can be a source of advantage (f+), it can also provide a disadvantage (f-) because if Warren can successfully learn his Dad’s skills and business knowledge via osmosis, he might also acquire Darrel’s less desirable habits. The teachings and example portrayed by the incumbent to the incoming generation, can condition whether informal learning results in a distinctive (f+) or constrictive (f-) resource for ABC. Furthermore, informal methods of learning by their nature are not documented and more prone to erosion if they are not continuously emphasised. Furthermore, the informality and spontaneity of these learning processes can become haphazard processes without clarity in the way they are executed or certainty in their outcomes. The introduction of some formal learning is helping complement the informal
learning practices at ABC and is currently an adopted strategy of the company, where senior management and family members are pursuing higher education studies.

4.4.1.3 PROCESS RESOURCES

A. Relationships

Working with parents or siblings can be challenging, however strong harmonious relationships among the Daltons make this challenge seem effortless. The ability of these relationships to function in unison is an essential resource to the livelihood and continuity of ABC.

Relationships are crucial because in the one office we are all working together. Dad does try to create one-on-one relationship with each of us. Family relationships have been most important to my father. (Josh, 5th generation, Sales Director)

Closeness of relationships presents a positive image to employees within ABC. All four Daltons working in the business share one room for an office. This conjures an image of closeness and oneness and allows relationship transfers amongst the family.

Whenever I bring someone in for a meeting and everyone is there, I will introduce them. That is part of saying, we are here as a family all working together. The founder and the three of us are here. This is important from perception point of view. People come in and see us as a family. Father and all three sons are working together; carrying on the next generation. (Adam, 5th generation, Director)

Relationships as a resource are further strengthened with the inclusion of non-family professional managers. The fit between the non-family professionals and the family enhances the strength of relationships within ABC. The closeness amongst the family creates an accommodating environment for non-family employees to work.

Inclusion of non-family professional managers introduces the necessity for some formality and this is advantageous where strong closeness in family relationships can lead to too much informality in firm processes. However, the future foresees the complexity of a cousin’s consortium, which was averted in previous generations because…

With the 4th generation, it was only my grandfather and father. So there was only one obvious successor; everything was given to him. In the 5th generation, there are three and if each three have their wives, and families, and influences, there are a lot more constraints. There needs to be more active relationship building. (Adam, 5th generation, Director)
Effective communication has been pivotal in cultivating strong relationships. Open communication amongst the Dalton family brings transparency to issues affecting both the family and the business. This open communication when transferred to ABC becomes an effective process resource.

We talk about things all the time. We try to have good candour. I want everyone to be candid. To come to the table and tell me their problems they think they might have, and we address those. I think we communicate things pretty well.
(Darrel, 4th generation, CEO)

While open and healthy dialogue amongst the family strengthens family relationships, Mark Turner (Operations Manager) cautions that communication with staff is being neglected. At one stage, Darrel knew everyone in the business by name and effort was made to communicate and build relationships with staff on a personal level. However, an increase in employee numbers and Darrel’s reduced involvement saw a decline in this practice. Mark says effort could be made to increase communication with staff and establish stronger personal relationships with employees’ thereby boosting staff morale.

Adam (non-family employee) had his wedding engagement on the weekend. I got Warren to give Adam a call. You should have seen Adam after that. Throughout the whole of our telecommunications group everyone was talking about the fact that Warren made the effort to call Adam and that Warren knew he was engaged.
(Mark Turner, non-family, Operations Manager)

B. Networks

The development of networks at ABC is largely based on the name and reputation of the Daltons.

Using our name to build networks is extremely important. Certainly, having the name out there helps. What we have done in the last 10 years and having a perception that we are the leaders of this commercial strata market. You do get many people coming down trying to have a chat, know what we are doing. They look at us as being in the forefront. It is a big help.
(Josh, 5th generation, Director Sales)

The majority of these external networks, both formal and informal, are long established relationships that have been passed down through generations. The sharing of one office amongst Darrel and his sons is one of the ways the family has used to transfer networks across generations. As clients enter the room they are introduced to Darrel’s three sons and in this way networks which Darrel (4th generation) has access to are slowly been communicated to his sons (5th generation).
Over time, these networks have developed into strong relationships that present distinctive advantages for ABC. ABC understands the value and importance of establishing and using external networks as a resource for the business.

We are big enough now where we do not have to get our hands dirty and do all the work ourselves. There are dozens of very capable decorators in this town and architects. In the old days we could not afford it, we had to draw the plans ourselves. Now we use skilled architects, we give them our ideas and they are even learning from us.  

(Darrel, 4th generation, CEO)

Just as networks can be a source of advantage (f+), they can also become constrictive and a disadvantage (f-) when they cease to provide an advantage for ABC but an emotional attachment keeps them around.

I am dealing with these old lawyers and bankers that my grandfather used to deal with, old painters and others. How do I get in there as a twenty-year-old little smart-alec and have a good yell at the folks who have been working with us forever.  

(Warren, 5th generation, Managing Director)

4.4.2  FAMILINESS AND EO (ADDRESSING RQ2)

Previously (Section 4.4.1) I identified familiness resources that were most evident at ABC together with conditions that determined their positive (f+) or negative (f-) nature. I now turn to identifying which familiness resources were most influential on the EO (innovation, risk-taking, proactiveness) of ABC. The resource dimensions influencing ABC’s EO as extracted from the ABC case data include experience - insights and skills, commitment, decision making, culture, and networks. This influence is discussed next.

4.4.2.1  EXPERIENCE – INSIGHTS AND SKILLS

The experiences of the Daltons are closely associated with ABC’s risk taking initiatives. Darrel’s experiences are particularly influential. Darrel’s risk taking pursuits saw the firm’s near demise in 1989. That experience has made him exercise greater caution when engaging the firm in high-risk ventures.

Everything you do is a risk. You just have to minimise your risk. I am now cautious about that. I have come unstuck once; I do not want it to happen again. I do not want my sons to get into the mess I got into in 1989.  

(Darrel, 4th generation, CEO)
<table>
<thead>
<tr>
<th>Human</th>
<th>Condition</th>
<th>Outcome</th>
<th>Example quote</th>
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<tbody>
<tr>
<td>A. Reputation</td>
<td>Family behaviour</td>
<td>f+</td>
<td>Certainly utilising the Dalton name and the company name has opened doors and this has being most positive. Within the business community and within the State, ABC is well respected (Tom, Operations Manager)</td>
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<tr>
<td></td>
<td>f-</td>
<td>I have done a few silly things that I have been sorry. I have demolished a house without permission about eight years ago. I got very bad publicity over that. Very sorry I did that and many people around town will never forget that. (Darrel, 4th generation, CEO)</td>
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<tr>
<td>B. Experience – insights &amp; skills</td>
<td>Change</td>
<td>f+</td>
<td>From an early age, we would be on construction sites. This was drilled into us from an early age. When I was 16, we would spend a part of our summer holidays on a large golf course development we were doing. We were labouring on different construction sites, sort of learning the trade a bit (Josh, 5th generation, Sales Director)</td>
</tr>
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<td></td>
<td>f-</td>
<td>It was frustrating. I was banging my head against the wall. Just did not know what to do with it. Therefore, I was reverting to work on their level and with the existing. And because I have less experience than them in the business, I did not have the power nor the credentials to say no let’s do it like this. (Adam, 5th generation, Director)</td>
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<tr>
<td>C. Commitment</td>
<td>Passion and Interest</td>
<td>f+</td>
<td>He just loves putting buildings up doing the deals. He is not there trying to make certain amount of money to live. I think he loves seeing us kids in the business and enjoying it succeeding. He is very driven. (Warren, 5th generation, Managing Director)</td>
</tr>
<tr>
<td></td>
<td>f-</td>
<td>He is not going to retire. He gets bored on Sundays because he cannot work and he cannot make calls. He drives around to the different sites and just looks at property and stuff like that. There is no chance that he can retire. He has no sort of hobbies. His hobbies are the business (Adam, 5th generation, Director)</td>
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<tr>
<td>Organisational</td>
<td>Condition</td>
<td>Outcome</td>
<td>Example quote</td>
</tr>
<tr>
<td>A. Culture (and values)</td>
<td>Openness</td>
<td>f+</td>
<td>The culture that has been passed on to us is we do not want to be just owners and not get involved. Many family businesses are just happy to take their monthly cheque and not work. We do not. We have more of a work ethic. It is not in us that we just sit back, take the money, and not work for it. (Adam, 5th generation)</td>
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<td></td>
<td>f-</td>
<td>We had a corporate person come in who had worked for big companies. He had to report to my brother who was 25 at that time. He had to get approval from him and that sort of thing. He left because he could not run it the way he wanted to and this kid was his boss. However, that was the culture of the family business. (Josh, 5th generation, Sales Director)</td>
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<tr>
<td>B. Decision making</td>
<td>Flexibility, Agility, Agreement</td>
<td>f+</td>
<td>We will sit at lunch, we can make a decision quickly on something, and often the decision will be between Warren, dad, and I. (Josh, 5th generation, Sales Director)</td>
</tr>
<tr>
<td></td>
<td>f-</td>
<td>Sometimes we make decisions too quickly; we do not think it all the way through. And I think that would be in terms of showing leadership it’s very important to get those decisions made but you have to be sure that they are the right decisions the right time and the</td>
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right framework. (Mark Turner, Operations Manager)

<table>
<thead>
<tr>
<th>Process</th>
<th>Condition</th>
<th>Outcome</th>
<th>Example quote</th>
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<tbody>
<tr>
<td>C. Learning</td>
<td>Leadership</td>
<td>f+</td>
<td>He has dragged us to meetings and I have sat there not understanding. I would ask him what that person said, why did you respond that way or what did this mean. All I did was just watch. I would just follow along, not saying anything. That was the learning process for us. Always has been. (Adam, 5th generation family, Director)</td>
</tr>
<tr>
<td>C. Learning</td>
<td>Leadership</td>
<td>f-</td>
<td>There was very much the old school sort of street smart versus me coming with the academia, which did not hold much value to them. We are now encouraging our top three people to do executive education. I hope in the next 2-3 years we get to that level of strategic thinking and know how. Get that knowledge base up, rather than just go straight off street intuition and gut feel. (Adam, 5th generation family, Director)</td>
</tr>
<tr>
<td>A. Relationships</td>
<td>Trust</td>
<td>f+</td>
<td>Relationships are crucial because in the one office we are all working together. Dad does try to create one-on-one relationship with each of us. Family relationships have been most important to my father. (Josh, 5th generation, Sales Director)</td>
</tr>
<tr>
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</tr>
<tr>
<td>C. Networks</td>
<td>Honesty</td>
<td>f+</td>
<td>Using our name to build networks is extremely important. Certainly, having the name out there helps. What we have done in the last 10 years and having a perception that we are the leaders of this commercial strata market. You do get many people often coming down trying to have a chat, know what you are doing. They look at us as being in the forefront. It is a big help. (Josh, 5th generation, Director Sales)</td>
</tr>
<tr>
<td>C. Networks</td>
<td>Honesty</td>
<td>f-</td>
<td>I am dealing with these old lawyers and bankers that my grandfather used to deal with, old painters and others. How do I get in there as a twenty-year-old little smart-aleck and have a good yell at these folks who have been working with us forever (Warren, 5th generation, Managing Director)</td>
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Previously ABC would take on projects with high gearing; today the firm prefers to fund its own projects. The near demise experience has introduced a cautious approach to risk-taking and strengthened Darrel’s resolve when facing situations of high uncertainty.

These young guns do not have what I got because they have never been through a downturn. They have never been through a credit squeeze. That is where it comes from. That is where the fire is. You go harder. You get up an hour earlier. You rise above it…That is what hardship does to the entrepreneurial spirit.

(Darrel, 4th generation, CEO)

ABC’s foray into boutique hotels is a high-risk venture considering it is an industry in which the firm has had no previous experience. Despite the high-risk venture, ABC has incorporated measures to mitigate the ongoing operational risk by (i) recruiting a senior manager specialising in hospitality and tourism and (ii) having the option of selling the hotels outright or via management rights. ABC’s versatility with the direction its projects can be steered instils greater confidence within the company when engaging in high-risk ventures. Employing experienced non-family managers also help monitor risk and complement the family’s entrepreneurial pursuits.

‘Insights and skills’ were critical in driving innovation. ABC is an innovative organisation as exemplified by the firm’s entrepreneurial initiatives (refer case profile in Appendix F). Insights and skills allow for continuous improvement that nurtures and maintains an innovative culture within ABC. The insights and skills are particularly associated with Darrel’s ability to recognise opportunity. Darrel’s innovative insight into space saving in residential buildings launched the recognition of ABC as a pioneer in strata titling. The concept was so successful that it was adapted to the development of commercial offices.

The biggest change was to go from residential flats and into commercial buildings. That is when the business just stepped up to a completely new level. The expertise that dad and his dad developed of space saving really came to fruition. That secret formula worked for the next fifteen years. Strata title offices.

(Adam, 5th generation, Director)
4.4.2.2  COMMITMENT

The commitment resource dimension assists ABC to the extent it attempts to lead, rather than follow, competitors. The influence of commitment on ABC’s is an organisation that is one of the industry’s most active and leading developers. Strong commitment of the family to ensure the continuity of the family business keeps ABC at the forefront of the industry and constantly engaging in the search for opportunities.

I think it is more about Darrel in particular, identifying, and looking at opportunities. We would have contracted organisations in the past to do that for us but I guess that is part of the entrepreneurial think. Why should I pay someone to do it when we can do it ourselves? (Mike Slater, non-family, CFO)

It became second nature for ABC to relentlessly search for opportunities in the market. Darrel rarely missed reading the daily papers section on the construction industry. On a weekly basis, he drove around the city looking at places and construction sites, often accompanied by his sons. Family holidays were turned into opportunity-seeking exercises. ABC kept abreast with industry knowledge on what was selling, who was buying, who was building, and who was leaving the industry. The relentless pursuit of opportunity was driven by a passion, commitment, and a hard-work ethic.

4.4.2.3  DECISION MAKING

Important decisions are made within the Dalton family. The family’s small size and close-knit relationships enables quick decision making that allows ABC to respond quickly to innovative initiatives. The high level of family presence and involvement in the business allows immediate decisions during the firm’s daily operations. The decision-making processes at ABC give the firm an edge over other firms with more bureaucratised procedures when it comes to seizing opportunities and embarking on new entrepreneurial ventures. When Darrel and Warren saw opportunities in building art hotels, there was discussion within the family and then the project started.

The great thing about family businesses that are entrepreneurial is that there are no restrictions…It happens quickly, it happens straight away. When dad started talking about the art hotels, we wanted to do it and so straight away, we rolled it out. We do have that advantage because there are not that many companies that have the flexibility to do that. (Adam, 5th generation, Director)
Non-family professional managers understand and respect ABC’s culture where major decisions are ultimately the prerogative of the owners thus. This understanding together with the closeness and like-mindedness of the Daltons enables quick decisions. In addition, the accessibility to the decision makers (owners) by employees helps ABC act speedily when responding to the implementation of innovative initiatives.

With respect to risk-taking, the decision-making processes within ABC give the owners greater autonomy in deciding the firm’s risk profile. The ability to make decisions quickly is in itself a measure of one’s propensity to risk-taking.

The decision making process for us is very much based on intuition and quick decisions. It is made by either my father or in consultation with his sons.

(Adam, 5th generation, Director)

Darrel can make on-the-spot decisions when deciding to buy property. Such decisions attest the firm’s propensity for risk-taking, to act or to wait. Little time is devoted to proper feasibility studies or in-depth research into the risks associated with such decisions.

Then he’ll quickly do a, won’t even do a proper feasibility, he’ll just do it on a piece of paper know what the margin is what profit he needs to make and he’ll make a decision quickly. It is very much that entrepreneurial type of scattergun.

(Adam, 5th generation, Director)

4.4.2.4 CULTURE

A ‘can-do’ innovative culture drives the company’s ability to exploit entrepreneurial opportunities. The firm’s engagement in entrepreneurial initiatives, together with its aggressive competitive stance in the industry nurtures an environment that encourages innovative behaviours. Employees are encouraged to think outside the box and are rewarded for innovative initiatives, thus creating a culture that nurtures firm innovativeness.

It is a culture. It’s not just dad, you know who is protecting the family unit. It is the culture of these unit managers to take on the same entrepreneurial philosophy. Staff are attracted by that because they are encouraged to do it. They are rewarded when they come up with new innovative ideas.

(Adam, 5th generation, Director)
Employees within ABC are constantly engaged in the process of seeking out opportunities with the intention and desire to create something new.

The managers are now thinking. Even the operators are thinking can we get another 20 bays in if we do it this way. Even in telecommunications, we are looking at how we should increase our line rental by 20%. That philosophy is carried on in the other managers in other departments. That we are always looking to either create new products or increase revenue. (Josh, 5th generation, Sales Director)

Darrel’s ability to recognise opportunity, mentally anticipate their potential, and quickly roll them out has in most cases worked as an advantage for ABC. Darrel believes his insights and skills are a talent that was recognized via early entrance into the family business and has been nurtured and strengthened through continuous involvement with ABC. Darrel’s exercise of insights and skills provide example entrepreneurial behaviours that employees can learn from. Some managers joined ABC on hearing of Darrel’s entrepreneurial accomplishments and they sought the opportunity to work and learn from him.

ABC’s insights and skills give the firm an edge in recognising opportunities and of being proactive relative to the market.

We have now gone from strata offices to art boutique hotels, which no one else is doing. We are always looking for the next thing. We are more of a first mover rather than a follower in terms of what we do. It is less of a response to investors but rather a focus on doing what we intuitively feel. (Adam, 5th generation, Director)

Proactive for ABC means continuously scanning the environment for opportunities, and driven by intuition (mainly of Darrel) they seek to address those opportunities and gaps in the market, thereby displaying behaviour typical of a leader rather than a follower in the market.

4.4.2.5 Networks
The networks influence ABC’s risk-taking stance. Networks that have existed for years have been built on trust and reliability. These networks give ABC greater confidence when engaging in risk-taking initiatives. For instance, the networks that ABC has developed over the years with financing institutions allow easier access to capital for high-risk development projects. Easy access to capital boosts ABC’s propensity to launch ventures that require capital funding.
We have a big project now where we have borrowed $AU55 million to build it. I mean we have a good network with all the banks. We are reasonably confident.

(Warren, 5th generation, Managing Director)

While banks and other financial institutions assess the viability of projects before lending capital, they also consider the company’s record of accomplishment. In the case of most family businesses like ABC, the record of accomplishment is related to the reputation of the family or influential individuals within the family. The ability thus of the family to develop strong networks with banks is beneficial for the company’s approach to risk-taking.

**4.4.3 Case 1 Summary**
The within-case analysis of ABC identified eight resource dimensions as constituting ABC’s familiness resource bundle (see figure 4-1). Of this eight, five were identified as having some influence on the firm’s EO, namely experience – insights and skills, commitment, decision-making, culture, and networks. This influence, as previously discussed, was strongly driven by the owning family. The firm’s experiences have led to the adoption of a more cautious approach to risk-taking. Insights and skills (especially of Darrel) helped ABC recognise opportunities and the family’s control of decisions allows quick response to these opportunities. Commitment to continuity keeps ABC proactive in the industry. Strong network ties with financial institutions gives ABC confidence in acquiring capital for large-scale projects. An innovative culture sustains the firm’s engagement in entrepreneurial activities.

**4.5 Case 2: Seasons Management Group (SMG)**
Within-case analysis in this case follows the same approach adopted with Case 1 however, the findings have variation as interpreted from the SMG case data.

**4.5.1 Familiness Resources (Addressing RQ1)**
Recall that familiness can provide an advantage (f+) and/or disadvantage (f-) to the firm. Familiness is valuable when the firm exploits their f+ (advantages) and manages their f- (disadvantages). The identified familiness resource dimensions for SMG are shown in Figure 4-2.
Commitment, experience – insights and skills, and reputation are the three human resource dimensions that best exemplify familiness within SMG. Their advantages (f+) include: a commitment which is strongly driven by the 1st generation’s passion and excitement about the business; strong experience because SMG was one of the first movers into the industry; and a strong reputation since the Barnetts are considered pioneers in management rights. Their disadvantages (f-) include: over commitment that resulted in an inability to let go; strong experience of the founders that intimidated decision making of managers; and a strong founder reputation on which the firm becomes too heavily reliant.

**Figure 4-2: SMG Familiness Resources**

Decision making and learning are the two organisational resource dimensions that best exemplify familiness within SMG. Their advantages (f+) include: the concentration of decisions within the family; and learning that incorporates both informal (within the firm) and formal (outside the firm) learning. Their disadvantages (f-) include: the lack of autonomy given to managers, and internal informal learning that remains exclusive to the family.
Relationships and networks are the two process resource dimensions that best exemplify familiness within SMG. Their advantages (f+) include: close and cohesive family relationships that are built on trust and respect; and networks that are long established and built on the reputation of the founder. Their disadvantages (f-) include: relationships that become exclusive to the family and thereby a source of constriction for growth and development; and the erosion of family networks. The aforementioned resource dimensions are discussed in detail next.

4.5.1.1  **Human Resources**

**A. Commitment**

The strong commitment of the Barnetts has been critical in keeping SMG successful through time. While this commitment may be misinterpreted as workaholic behaviour or excessive obligation, Joan clarifies that commitment stems from having a passion and satisfaction in doing what one does.

> You have to be happy in what you doing. You have to be excited about it, the want to do it. You want to come to work in the morning; it should never be about the money. Money is handy, but you have to have a passion in running your own business. To put the hours in, the commitment, take the shifts you have to take, you have to be committed. That has worked for us. (Joan, 1st generation)

Joan’s stance exemplifies the affective commitment of the first generation, which echoes a stewardship-type orientation. For the second generation, commitment is more normative where the strong desire and efforts of the first generation conjure a perceived sense of obligation to the family and the business. Family commitment at SMG is an important resource for the business. However, it is driven by different conditions: passion in the founding generation and responsibility in the second.

Just as commitment can be a source of advantage (f+), it can also disadvantage (f-) the firm. A constrictive (f-) side to the commitment resource is the difficulty faced in relinquishing involvement or control of SMG (especially evident in the first generation) because of commitment. Donald says his parents are past retirement, yet they remain committed and actively involved in SMG’s daily operations. The temporary absence of the 2nd generation has further fuelled a stronger commitment by the first generation. Furthermore, external professional managers find it difficult to manage SMG with constant owner interference and control.
B. Experience – insights and skills

SMG is considered one of the pioneers of the management rights industry. The firm’s early establishment within an industry in its infancy saw the experiences of James and Joan grow and evolve simultaneously with that of the industry. This experience spans years of involvement in more than ten different properties. The Barnett’s wealth of experience is a source of competitive advantage for SMG.

It is just their understanding of all aspects of the business that enable them to make a proper decision. For several years, he worked within the body corporate, the main section of management rights, and the strata type industry. He was chairperson of the industry organisation for few years. He has a hands-on approach, understands, and knows the business back to front. (Michael, 2nd generation)

James and Joan’s combined wealth of experience makes them the most knowledgeable in SMG. This enables quick discernment or prediction of problematic situations in the workplace.

If someone like Joan tells you something is wrong, it is probably wrong. She has managed it so closely for so long. Then you have someone new, that is in it but does not see it and cannot understand it. I need to be able to go through the process to identify what is wrong. She may well be right. However, I cannot give a response to that until I have gone through the process. (Nick Miller, non-family, General Manager)

Just as the founders experiences are a source of advantage (f+), they can also disadvantage (f-) the firm. In SMG, the experience of the founders was constricting when it caused intimidation among managers. Managers were faced with the dilemma of whether to agree with the experiences of the owners or do what they thought was best when it came to addressing problems. Sometimes these managers were not aware of the problem; other times they had an alternate approach to addressing it. The owners require understanding and patience with those that are not as experienced as they are. Sometimes these managers require the autonomy and opportunity to live the experience themselves.

C. Reputation

The reputation of the Barnetts remains a resource for SMG. James Barnett is a notable figure within the management rights industry having chaired the industry body when it formulated legislation to govern the industry.
The President of the association for a number of years, James also chaired the body as State President from 1986 to 1989, representing the industry on numerous government policy-making committees on behalf of the accommodation sector, where he also developed extensive knowledge into body corporate laws. (SMG website)

James’ involvement in formulation of policies and legislation for the industry equipped him with an in-depth understanding of the property market. This raised his reputation, and subsequently that of SMG, within the industry. James’ reputation allowed SMG to make million-dollar deals based on a handshake. Some senior managers at SMG opted to work for the firm because of the opportunity to learn from James.

While James’ reputation has been and remains an advantage (f+) and asset for SMG the constriction (f-) as his son Donald echoes is that whatever he accomplishes is always seen as either instigated or influenced by his dad’s credentials.

The senior staff had the attitude that Michael and I were the boss's pups and we were not given much respect. We had to prove we were worthy of respect, but it was difficult with dad around. (Donald, 2nd generation, State Business News - Volume 3.08 Sep 2006)

The second generation has had to build reputation and rapport within the organisation. James has used his reputation to help his sons establish themselves by allowing them to communicate directly with his contacts and networks when brokering business deals on behalf of SMG. However, Donald mentions that it is difficult for a 25 year old to network with peers who are of his father’s age (stated in State Business News - Volume 3.08 Sep 2006). The challenge for SMG is to shift its reputation to one that is based on the merits of the organisation and not to be overly dependent on a sole individual.

4.5.1.2 ORGANISATIONAL RESOURCES

A. Decision-making

The final say on major decisions remains with the founding generation. The 2nd generation and the non-family CEO are included in the discussions leading up to the decision being made. Joan says decision making at SMG is thorough but time consuming.
We do a lot of talking before we make decisions. We never make instant decisions. Someone hears about a new building. We think we could be interested. We go and have a look and do 3 to 4 months of investigation. (Joan, 1st generation)

The decision to embark on entrepreneurial ventures involves research and feasibility studies and concludes with a family discussion. The decision is concentrated within 2-4 people and agreement and consensus is easily attained. Decision making involves both formal (feasibility studies) and informal (forum and venue where decision is made) elements and this approach has worked to SMG’s advantage.

The recent establishment of a board of directors to oversee strategic directions for SMG requires proper functioning. James and Joan are inclined out of habit to make decisions as a two-person team; the way they have always done. Nick Miller (GM of SMG) says decisions made by the owners in his jurisdiction, impede his decisions and can become a source of frustration and constriction (f-) on the autonomy he requires to execute his duties.

That has been cause for some pain and niggles over the last 6 months. You know they come in and tell junior staff that they want it done one way. I am very quick to advise them that they need to go and speak to the CEO.

(Nick Miller, non-family, General Manager)

SMG is currently in a transition from owner-managed to management by non-family professionals. The founders are finding it difficult to adapt to an environment of increased representation of non-family managers in senior roles, and a decrease in autonomy to making decisions at the operational level.

B. Learning

The 2nd generation learnt about SMG informally, mostly at home and over the dinner table. Growing up in the Barnett’s household automatically located one within an environment that offered the opportunity to learn about SMG.

People who have grown up in a family business tend to have a greater understanding of business because the issues are discussed at every single dinner table and on a regular and systematic basis. People who don’t have that exposure are often going through the same learning curve that people like me went through when I was 13-14 except that they are 26-27. I would say we have a greater understanding of business.

(Donald, 2nd generation)

For the first generation, learning was mainly by experience. Their involvement in serial entrepreneurial ventures provided learning that led to the launch of SMG. On
the other hand, the second generation began learning from the first generation by observation. This progressed to performing tasks within SMG. College education would later supplement and reinforce what was learnt in the business. The learning path for the second generation was learning by observation, practice within the firm, tertiary education (theory), and then practice outside the firm.

Non-family professionals in senior managerial roles have increased SMG’s knowledge base and hence expanded the opportunity for knowledge sharing and learning within the firm. Nick (General Manager) mentions that while these professionals are knowledgeable about their roles in the business, they know little about the family business. Thus while the family may understand the values and culture of SMG (f+), non-family employees know little about it (f-). He suggests…

…that there be some orientation into learning about the family business. It is something that we have been reviewing, certainly in the last six months. It is in its infancy. We have now at least started an induction program so we know who these people are and what they do. However, there is no formal training about the company. (Nick Miller, non-family, General Manager)

Nick believes that educating staff on the values, origins, and culture of SMG will help ensure these core elements do not remain exclusive to the family, but be shared amongst all employees giving them a better understanding and appreciation of the origins and essence of a family business.

4.5.1.3 PROCESS RESOURCES

A. Relationships

An important process resource in SMG is the internal relationships within the Barnett family. Trust and respect in these relationships have kept the family close together and maintained harmony in the business. This does not mean that the family is immune from unhealthy conflicts, but rather their openness and honesty in the way they address these conflicts strengthens family cohesiveness. When conflicts occur, the family meet to converse and resolve the situation amicably by reminding each other of their family values and the reason they are in business.

Relationships are extremely important. With anything it is your relationship within the family, you have to get on; you have to trust each other to know that you are looking after the business future direction. I guess one of the values is its all family. (Donald, 2nd generation)
While family relationships remain strong (f+), the founders are quite adamant that their son’s wives should never be involved in the business (f-).

I have told the boys do not let your wives be involved in the company at all. I even told Tom (CEO) that, concerning his wife. Do not let any of your in-laws in your businesses. I have actually told their girlfriends that to their face. You will never be working for the company. (James, 1st generation)

This is despite the founders’ success as a husband-and-wife partnership in the business for over two decades. While the second generation, for now, accepts the unwritten rule of keeping in-laws out of the business, both sons believe that this may change in the future.

The Barnett family also understand the salient role non-family professional managers play in protecting and preserving the family wealth. Maintaining good relationships with these managers is essential. The second generation portray a closer working connection with senior management while the first generation are more connected to front line staff. The first generation are viewed as the owners and bosses; the second generation are likened to peers. In this way, the 2nd generation bridges the divide between the family and senior management.

B. Networks

SMG’s networks have made significant contribution to the firm’s success within the industry. The reputation of the first generation was salient in the formation of majority of these networks. SMG has concentrated the firm’s core operations within ‘management rights’ for over two decades. This length of time has allowed the firm to establish strong and trusted networks within this industry.

The business that exists today is built on the networks established by the Barnett through suppliers. These networks give access to booking channels that have allowed the property to be successful. (Nick Miller, non-family, General Manager)

SMG has used its networks to be proactive in the industry. Working with developers in the pre-design phase of buildings allows SMG to have input in construction and design, and this gives them the first opportunity to acquire the management rights. A form of first mover advantage, SMG also enjoys strong networks with Body Corporates of the properties it manages. Body corporates give SMG permission to use body corporate property to conduct services that generate revenue for SMG. These
services are geared towards increasing the marketability and value of the buildings owned by body corporate. The network arrangement is clearly symbiotic, where benefits are mutually enjoyed by both parties. This network relationship is both distinctive and innovative because such an arrangement is generally unheard of within the management rights industry.

Unfortunately, time is taking its toll on some of those established networks, which are slowly disappearing with the passage of time. Increased competitiveness within the market has intensified rivalry and added strain on existing networks.

There is a lot of repeat business from the drive and networks that the Barnetts have built with the agents. However, even that dynamic is changing. Some of their suppliers are now owned by a competitor. Obviously, the competitor will be forcing them into their own properties. (Nick Miller, non-family, General Manager)

The demise of these networks results from firms going out of business or being purchased by bigger and wealthier players in the market. Counterparts in these networks have retired or are retiring. Old networks require rejuvenation and strengthening while new ones need to be built to ensure networks remain valuable for SMG. Recruiting non-family professionals with experience in the industry is one strategy SMG has adopted to forge new alliances and strengthen its social capital.

**4.5.1 Familiness and EO (addressing RQ2)**

Previously (Section 4.5.1) I identified familiness resources that were most evident at SMG together with conditions that determined their positive (f+) or negative (f-) nature. I now turn to identifying which familiness resources were most influential on the EO (innovation, risk-taking, proactiveness) of SMG. The resource dimensions influencing SMG’s EO as extracted from the SMG case data include experience - insights and skills, decision making, and networks. This influence is discussed next.
### Table 4-3 SMGs Familiness Resources

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Condition</th>
<th>Outcome</th>
<th>Example quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Commitment</td>
<td>Passion, Responsibility, Letting go</td>
<td>f+</td>
<td>You have to be happy in what you doing. You have to be excited about it, the want to do it. You want to come to work in the morning; it should never be about the money. Money is handy, but you have to have a passion in running your own business. To put the hours in, the commitment, take the shifts you have to take, you have to be committed. That has worked for us (Joan – 1st generation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f-</td>
<td>My father is close to 70 and my mother is over 60. They have worked ridiculous hours for their entire life, and they are still working. (Donald – 2nd generation)</td>
</tr>
<tr>
<td>B. Experience – insights &amp; skills</td>
<td>Patience and understanding</td>
<td>f+</td>
<td>It is just their understanding of all aspects of the business that enable them to make a proper decision. For several years, he worked within the body corporate, the main section of management rights, and the strata type industry. He was chairperson of the industry organisation for few years. He has a hands-on approach, understands, and knows the business back to front (Michael – 2nd generation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f-</td>
<td>If someone like Joan tells you something is wrong, it is probably wrong. She has managed it so closely for so long. Then you have someone new, that is in it but does not see it and cannot understand it. I need to be able to go through the process to identify what is wrong. She may well be right. However, I cannot give a response to that until I have gone through the process (Nick Miller – GM)</td>
</tr>
<tr>
<td>C. Reputation</td>
<td>Credibility</td>
<td>f+</td>
<td>Dad pioneered strata title management. Through his work, he was part of high court decisions that really shaped legislation and lobbied ministers to develop the industry. That is a huge advantage. When you get the opportunity to learn off someone like James Barnett then why not grab the opportunity with two hands. (Donald – 2nd generation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f-</td>
<td>The senior staff had the attitude that Michael and I were the boss's pups and we were not given much respect. We had to prove we were worthy of respect, but it was difficult with dad around. (Donald, 2nd generation, State Business News - Volume 3.08 Sep 2006)</td>
</tr>
<tr>
<td>A. Decision Making</td>
<td>Agreement</td>
<td>f+</td>
<td>We do a lot of talking before we make decisions. We never make instant decisions. Someone hears about a new building. We think we could be interested. We go and have a look and do 3 to 4 months of investigation. Put a little bit of time, check the costs, have a look at the agreements, go to the developers. Have a look at all the plans and usually it evolves or turns out that it is not what we wanted to do. (Joan– 1st generation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f-</td>
<td>I will send what I have to my CEO and my expectations are that he then negotiates with the Barnetts. If they need a directive, it needs to come through him to my desk. That has been cause for some pain and niggles over the last 6 months. You know they...</td>
</tr>
</tbody>
</table>
come in and tell junior staff that they want it done one way. I am very quick to advise them that they need to go and speak to the CEO (Nick Miller – GM)

| B. Learning | Exclusivity | f+ | People who have grown up in a family business tend to have a greater understanding of business because the issues are discussed at every single dinner table and they are discussed on a regular and systematic basis. People that haven’t been exposed to that are often going through the same learning curve that people like me went through when I was 13-14 except that they are 26-27. I would say we have a greater understanding of business. (Donald – 2nd generation) |
| A. Relationships | Exclusivity | f- | I would suggest that there be some orientation into learning about the family business. It is something that we have been reviewing, certainly in the last six months. It is in its infancy. We have now at least started an induction program so we know who these people are and what they do. However, there is no formal training about the company (Nick Miller – GM) |
| B. Networks | Reinforcing and building | f+ | The business that exists today is built on the networks established by the Barnetts through suppliers. These networks give access to booking channels that have allowed the property to be successful (Nick Miller – GM) |
| | | f- | There is a lot of repeat business from the drive and networks that the Barnetts have built with the agents. However, even that dynamic is changing. Some of their suppliers are now owned by a competitor. Obviously, the competitor will be forcing them into their own properties. (Nick Miller – GM) |
4.5.1.1 **Experience – Insights and Skills**

According to Donald Barnett (2nd generation), what drives the EO of SMG is ultimately dependent on the owners. SMG’s EO is strongly influenced by the Barnett family.

As a family, we are very comfortable and very confident in what we do and that foundation has enabled us to take a number of entrepreneurial risks.

(Donald, 2nd generation)

SMG’s twenty-seven years operation within the industry has given the firm an advantage over its competitors via their knowledge and experience concerning management rights. This has given the firm confidence resulting in the aggressive trade of management rights properties; ten properties in a time span of twenty-years. The vast experience with the trade of management rights gave the firm credibility that allowed the firm to convince unit owners to market their residential units as holiday complexes. SMG was both competitive and proactive.

The insights and skills of the first generation transformed strata-titled residential apartments into resort-type accommodation, a practice that was then alien to the management rights industry. This cemented the firm’s status as one of the pioneers of this practice within the industry.

Dad saw a 300-unit residential complex with reasonably nice facilities. He looked at it and said that is going to be one hell of a holiday resort. He was quite persistent that despite it being on the western side of the highway (i.e. not a beachfront) and primarily residential in nature, it had the potential to be a popular tourist attraction. He convinced the people to go ahead and market it as a holiday unit. He gave them the full support…Look at it today, 3-4 years later, an amazing property.

(Donald, 2nd generation)

The innovative capabilities of the second generation were crucial to SMG’s expansion by related diversification. This was timely given that the industry was beginning to mature. The second generation initiated the creation of SMG’s two subsidiaries: ‘the travellers’ and ‘the house people’.

I started up a subsidiary company called ‘the house people’ that handled accommodation for students. While at university, I saw the opportunity. Mum was supportive and she provided good guidance. Dad was a little bit sceptical because the numbers were a little bit smaller than what SMG was used to. He provided support where it was necessary.

(Donald, 2nd generation)
Donald saw these related diversifications as further strengthening SMGs stake in the market because they support and complement SMG’s core business in management rights. For the second generation, family support nurtured a willingness to help grow the business and gave them the confidence to pursue opportunities. Innovation is driven mainly by the owning family in the founding generation, but in subsequent generations, non-family professional managers (e.g. CEO) have contributed to the innovative capabilities of the firm.

The risk propensity of the first generation differs from that of the second. This is partly attributed to the varying experiences each generation has encountered. The founders, with a greater wealth of experience, were more confident in seizing opportunities once recognised. The second generation prefer a more in-depth analysis before making a commitment. While the stance adopted by the founders may be seen as high risk, James says that often the risk of the uncertainty has already been calculated by him mentally and informally. Other times, gut-instincts have determined the course of action taken. Donald observes that his dad’s instincts, especially after years of experience within the industry, are close to accurate.

People of my parent’s era are not one to wait for complete and utter documentation of the result, preferring rather to invest on gut instincts. You know that has not necessarily led to bad results because after 40 years of experience you tend to have a good gut instinct. It is more my generation (or at least myself) that prefers to have models, predictions, and expected ROIs laid out before investing. (Donald, 2nd generation)

The difference in approach to risk-taking between the two generations creates a balance in SMG’s approach to risk such that the firm is neither too risky nor overly cautious (risk averse). Subsequently this creates a balance between the over-commitment and non-commitment of firm resources.

4.5.1.2 DECISION MAKING

The Barnett’s control on decision making within SMG, both at operational and strategic levels gives the family autonomy in directing the firm to achieving their desired objectives. The proclivity of SMG to engage in entrepreneurial activities is therefore significantly influenced by the entrepreneurial decisions adopted by the family. Under the leadership of the founding generation, SMG was both proactive and competitive in the market. This was both an influence of the founders and a necessity
given the firm’s lifecycle stage. Involvement of the second generation and increase in non-family professionals in senior managerial roles has seen a more professional approach to the decision making process where decisions once based on gut-feel are now driven by feasibility studies. This change in the decision-making approach has influenced the firm’s EO in both positive and negative ways. While it has introduced some formality and structure to the decision making process, decisions are not as quick and the firm’s reaction to capitalising opportunities has decreased. The firm takes fewer risks, and when they do, the risks are calculated by a feasibility study.

4.5.1.3 NETWORKS

Networks have assisted SMG in being proactive relative to competitors in the market place. Previously SMG would monitor the market for trades in management rights properties and express an interest if the company envisaged a potential opportunity. Today SMG takes a more proactive approach by working with developers and construction companies at the planning and development stage of management rights properties. This gives SMG an edge over its competitors into securing the management rights of properties while they are in the developmental stage.

Now we are involved in the creation of architectural plans. We are invited and asked ‘is this site actually good’. Our expertise has been drawn on for what they should be building. We are involved right from concept. We are bringing 27 years worth of experience in how to run a resort as well as the management rights concept. Developers see us as a resource. We get the property cheaper because we are able to help with a lot of concept and with a proven model. (Donald, 2nd generation)

Over the years, SMG has engaged in some high risk ventures based on a handshake: James hand. The strength of these networks gives James the confidence to take risks on behalf of SMG. A clear example is the use of SMG’s funds to upgrade facilities on property belonging to body corporate. Although the funds used to upgrade the facilities come from the Barnett’s personal wealth, the upgraded facilities remain the ownership of body corporates. According to SMG’s CEO, such an agreement is unimaginable in the management’s rights industry and never happens in a public company. The trusting relationship between SMG and body corporates has allowed such an arrangement to exist. Thus at SGM the risk to use one’s funds is supported by the strength and trust in the networks developed.
They work extremely well with the property’s body corporate. Body corporates support the management company and likewise SMG supports the body corporates. In doing that they have been able to maintain the original integrity of the property and continue to add facilities and provide the services. This outlet is a typical example of something that I have never seen been done in another strata title property. How a body corporate will allow you to make use of their space so that we can generate revenue out of it. (Tom Turner, non-family, CEO)

4.5.2 CASE 2 SUMMARY

The within-case analysis of SMG identified seven resource dimensions as constituting SMG’s familiness resource bundle (see figure 4-2). Of this seven, three were identified as having some influence on the firm’s EO, namely experience – insights and skills, decision-making, and networks. This influence, as the discussion showed, was strongly driven by the owning family. The founder’s experience and industry knowledge equips SMG with the insights and skills to be both competitive and proactive with industry developments. Decision making control within the family together with collaboration from senior non-family employees provides a formal-informal process of decision-making that allows SMG to respond both quickly and cautiously to opportunities and risks. SMG having enjoyed first mover advantages have access to industry networks that assist the firm in finding opportunities in the industry.

4.6 CASE 3: BUILDERS DEVELOPMENT CORPORATION (BDC)

Within-case analysis in this case follows the same approach adopted with Case 1 however, the findings have variation as interpreted from the BDC case data.

4.6.1 FAMILINESS RESOURCES (ADDRESSING RQ1)

Recall that familiness can provide an advantage (f+) and/or disadvantage (f-) to the firm. Familiness is valuable when the firm exploits their f+ (advantages) and manages their f- (disadvantages). The identified familiness resource dimensions for BDC are shown in Figure 4-3.

Experience – insights and skills and reputation are the two human resource dimensions that best exemplify familiness within BDC. Their advantages (f+) include: the founders experience in construction central to his decision to start BDC, while the 2nd generation’s early introduction into the business because of the founder’s sudden exit was vital experience that prepared them for the leadership roles; and the
founder’s reputation was an asset in developing industry networks especially with capital lending institutions. Their disadvantages (f-) include: experiences with failed partnerships in the past constricts future partnerships opportunities for BDC; and the strong reputation of the founder places immense pressure on subsequent generations.

**Figure 4-3: BDC familiness resources**

Culture, learning, and decision-making are the three organisational resource dimensions that best exemplify familiness within BDC. Their advantages (f+) include: a culture that espoused family respect and integrity; informal learning as an channel via which the 2nd generation learnt the business from the 1st generation; and concentration of decisions within the Bocconi family that gave them the autonomy to steer BDC in the direction they wanted to. Their disadvantages (f-) include: the lack of formalisation of culture; difficulty in learning from founders with high expectations; and family disagreements that slows the decision-making process.

Relationships and networks are the two process resource dimensions that best exemplify familiness within BDC. Their advantages (f+) include: strong relationships
that are driven by a culture that emphasises blood-ties and the presence of a strong chief emotional officer; networks established on the founder’s reputation continues to provide access to resources and information. Their disadvantages (f-) include: the increasing complexity of family relationships; and the changing drivers (from trust and comradesship to purely economic reasons) of family influenced networks. The aforementioned resource dimensions are discussed in detail next.

4.6.1.1 HUMAN RESOURCES

A. Experience – insights and skills

Founders often acquire their experience in the process of starting the business, however in the case of Silvio experience was attained while working for construction companies. This experience equipped Silvio with the skills and the confidence to start BDC. The second generation inherited the opportunity to live the experience by growing up in a family business. Starting young in the business is common and often expected in family firms; sometimes it is demanded. This was the case for the 2nd generation Bocconis’ when Silvio suffered a tragic accident. Venetia, Silvio’s wife recalls…

Silvio fell sick and I did not know anyone to help me. I took my son Benito with me everywhere. He was 13-14yrs, but he was my right hand at that time. We used to go to meetings. The children worked hard in the business, although they were only 13-14. They did everything. Mila had to learn to be a receptionist until I found new staff. They learnt the business at a very young age.

(Venetia, 1st generation, company director)

Benito mentions that his dad’s sudden exit causing his hasty entrance into the business was an experience that taught him a great deal about the family business. Experiences such as these helped develop a thorough understanding of the family business and the industry within which BDC operated.

A constriction of experiences is that it can hinder progress or opportunities. Prior experience can lock mindsets into rigid frameworks of reasoning and operating, such as that expressed by Venetia

This is my philosophy: in a family business, it is very important that blood be together but not the wives and the husbands, because I experienced very bad things in the past.

(Venetia, 1st generation, company director)
Venetia has seen the heartache and tragedy that befell the business when Silvio had to dissolve the partnership with his brothers. The division was instigated through bickering and jealousy amongst the in-laws. From that experience, Venetia concluded that the inclusion of in-laws in the family business is a recipe for failure. Venetia says that the family business can only prosper if it remains within the family bloodline. However, she also understands that someday this rule will change, just not under her watch.

**B. Reputation**

The founder is (in most cases) the heart and stronghold of the family business, certainly during the start-up phase, where the business and the founder are synonymous. Such was the case with BDC.

Dad’s reputation was big. When Benito and I first started every time there was an important meeting, we always asked my father to attend. His presence and experience was enough. He did not need to say too much, but when he talked, everyone listened. That gave us credibility and a good opportunity to use that to our advantage. (Marco, 2nd generation, joint managing director)

Silvio continues to have a powerful influence on the firm’s reputation despite his minimal involvement and absence. Silvio’s feats in the early years of the construction industry and especially his involvement with migrant communities have garnered well for the firm’s reputation. BDC continues to use Silvio’s reputation as a resource for the firm especially when building industry networks and dealing with clients. Silvio’s sons used this reputation when they first entered the industry.

While Silvio, as a source of reputational capital continues to be an advantage to BDC, the second generation continue to live in fear of the founder. Silvio’s sons feel that whatever they achieve cannot live up to their dad’s expectations.

There was a lot of stress because I wanted to prove primarily to my father that I could do what he was doing. Maybe even go one-step further with property development. No one can set a higher or harder benchmark than my father. (Benito, 2nd generation, joint managing director)

While Silvio’s repute within the firm and the industry can inspire the 2nd generation to accomplish even greater things, it also adds a great deal of stress and causes a lack of confidence especially when pursued opportunities fail. Silvio’s reduced
involvement in BDC presented an opportunity for his two sons to lead and prove themselves both to the family and the industry.

Over the last 5-7 years, my father stepped down and did his own thing. Benito and I became the leaders. We had to do a lot of marketing to provide some substance to what we do. To prove that our projects were us, and not Dad.

(Marco, 2nd generation, joint managing director)

4.6.1.2 ORGANIZATIONAL RESOURCES

A. Culture

Of the values upheld by the Bocconis’ within BDC, integrity in the business and respect for the family appear paramount. These values are driven mainly by an endeavour to protect and maintain the reputation of the family.

Dad was tough on us. He taught us the importance of honour and respect in the family. He always said fight. He would say, let them break you, but do not let them bend your integrity or values. (Benito, 2nd generation, joint managing director)

Integrity allowed the family to be honest and open with employees and clients within BDC. Respect for family allowed individuals within the family to voice their opinions and feel included. It gave family members the freedom to pursue their interests within or without BDC. Respect for family also creates a more accommodating environment for family harmonization. These values have been central to BDC’s success and continuity as a family business.

The constrictive side concerning these values at BDC is that their lack of formalisation harbours confusion about what the firm’s (and the family’s) values are. Furthermore, these values are less understood by non-family employees.

Many of the family members forget what the values are. Therefore, it is a very good point. It is very important to ask the question: what really are our values? I do not know if all family members share the same values.

(Marco, 2nd generation, joint managing director)

B. Learning

Informal learning practices such as accompanying dad to construction sites, exposure to an environment of constant business conversations, starting young in the business, and watching the passion and commitment with which one’s parents run a business are some of the processes experienced by the 2nd generation. Learning was mostly
informal and the incumbent generation played a major role in teaching the incoming generation about the family business.

If I did not learn and be under my father’s wing and be the assistant for him and learn the basics, I would not be where I am today. Listening to him and asking his advice is very important. I was very fortunate to have that. The international experience that Benito and I had is also very important. I think we are very blessed to live all over the world and having that individual entrepreneurship within us gave us the confidence to say I am going to do this. I say it was family and individual development as well. (Marco, 2nd generation, joint managing director)

Learning for the second generation differed from the first generation in two ways. Benito and Marco are college graduates while Silvio and Venetia have never had formal education. Benito and Marco have no working experience other than that attained in BDC, while Silvio has worked in a variety of roles and in other construction companies prior to founding BDC. The informal processes have been most successful in nurturing learning between these two generations at BDC. However because Silvio is hard working and very driven, his sons find that learning from him can be difficult. Reaching Silvio’s expectations is also challenging.

He always said ‘fight’. He would say ‘let them break you, but don't let them bend you. Do not let them bend your integrity or values’. No one can set a higher or harder benchmark than my father. (Benito, The State Bulletin, 2005)

For us siblings it was difficult because we always had so much to live up to. We were never up to his standard. Learning can be difficult. (Benito, 2nd generation, joint managing director)

C. Decision-making

Making decisions at BDC remains with the Bocconi family.

Daily decisions through me. My father will ultimately make the final yes on major decisions. Ultimately, with large decisions we have to get consensus from all of us. (Marco, 2nd generation, joint managing director)

At a strategic level the first generation have a strong influence on the decisions made. At the operational level, most of the decisions are made by the second generation. The concentration of decisions allowed the family to pursue opportunities when they arise, such as the first development project of the second-generation.

Dad, I think we can do a backpackers resort here, the area is ready. There were negotiations with the family. The family approved and Benito and I formed up a project and we built the backpackers resort. (Marco, 2nd generation, joint managing director)
Decisions are not rushed but are often based on feasibility studies and agreement among the family. The freedom is also given to an individual to pursue a project independently after the family has decided on behalf of BDC, not to.

It’s based on numbers, based on the research, based on whether the family wants to take it on or an individual person wants to take it on. So we have that opportunity now where it is based on how feasible it is and how realistic it is. If it works then the family always has the first option to invest in it. We have the flexibility to be independent as well. (Benito, 2nd generation, joint managing director)

While decisions are concentrated within the family, the efficiency of the decision-making process is dependent on the unity and harmony amongst the family. Divergent objectives and disagreements can hamper the agility of decisions.

4.6.1.3 PROCESS RESOURCES

A. Relationships

A strong emphasis on blood-ties and the value of having respect for the family members has been a resource that has held the family (and the business) together, especially during difficult times. While BDC was identified with Silvio for the first decade of the firm’s lifecycle, these days the firm is identified more with the Bocconi family. This resulted from Silvio’s absence from operational involvement and the entrance into leadership of the second generation.

Most times BDC was identified with Silvio. I think there were times when BDC identified with Benito and there were times when it identified with me. I believe now it is a Bocconi family business and I am the point of contact. It is always about the family and nothing but the family and every individual makes that family. (Marco, 2nd generation, joint managing director)

Venetia has been instrumental in playing the role of chief emotional officer for the family. She has been the stronghold behind Silvio, the tie that bonds the 1st and 2nd generation, and the peacemaker between Benito and Marco.

She is the backbone of the family. She holds people together; she nurtures you, even if her husband was a hard man. We looked up to our father, but ran to our mum. (Benito, 2nd generation, joint managing director)

While the family remains close and cohesive, that dynamic is changing with the presence of in-laws. The difficulty being that the first generation feel very strongly against including the in-laws in the business. Inability to manage expansion in family relationships could prove constrictive for BDC.
Unfortunately, his brothers got married and their wives destroyed the relationship. I have to be clear from the beginning of this conversation that, and this is my philosophy, in a family business it is very important that blood be together, but not the wives or the husbands. (Venetia, 1st generation, company director)

B. Networks

Silvio was instrumental in the development and establishment of BDC’s networks.

What he built through that was a brand. That brand was Silvio Bocconi. He had the networks and the contacts and this gave him the ability to form and leave partnerships because of his name. (Venetia, 1st generation, company director)

Despite his semi-retirement status, these networks continue to be resourceful for BDC. The company still banks with the financial institutions that Silvio first banked with 30 years ago, the company continues to work closely with project partners from previous developments, and the second generation continue to enjoy access to these networks. The ability of the family to share networks between generations is central to BDC’s survival and continuity. The second generation has also had to develop new strategic networks for BDC’s new subsidiaries in retailing and information technology.

However, the dynamics of some old networks are changing with time. Silvio and his peers are being replaced by a new and younger generation of workers who unlike their predecessors are less loyal and have values that are driven more by performance rather than trust and comradeship. The Bocconis require that they be given the same respect and trust they give their network partners.

Silvio was out of town and we were looking after the account. Mum had to fly in to Sydney to have a meeting with the bank guys. When we got there, the senior banker we were going to meet said he could not make it because he had to go with someone else for lunch. Therefore, we went to another bank. We moved half of our portfolio. It took them 2-3yrs to build that trust back.

(Benito, 2nd generation, joint managing director)
**Table 4-4 BDCs Familiness Resources**

<table>
<thead>
<tr>
<th>Human</th>
<th>Condition</th>
<th>Outcome</th>
<th>Example quote</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Experience – insights &amp; skills</strong></td>
<td>Change and adaptation</td>
<td>f+</td>
<td>Silvio fell sick and I did not know anyone to help me. I took my son Benito with me everywhere. He was 13-14 years, but he was my right hand at that time. We used to go to meetings. The children worked hard in the business, although they were only 13-14. They did everything. Mila had to learn to be a receptionist until I found new staff. They learnt the business at a very young age (Venetia – 1st generation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f-</td>
<td>This is my philosophy: in a family business, it is very important that blood be together but not the wives and the husbands, because I experienced very bad things in the past (Venetia – 1st generation)</td>
</tr>
<tr>
<td><strong>B. Reputation</strong></td>
<td>Motivate/ de-motivate</td>
<td>f+</td>
<td>Dad’s reputation was big. When Benito and I first started every time there was an important meeting, we always asked my father to attend. His presence and experience was enough. He did not need to say too much, but when he talked, everyone listened. That gave us credibility and a good opportunity to use that to our advantage (Marco – 2nd generation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f-</td>
<td>Over the last 5-7 years, my father stepped down and did his own thing. Benito and I became the leaders. We had to do a lot of marketing to provide some substance to what we do. To prove that our projects were us, and not Dad (Marco – 2nd generation)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organizational</th>
<th>Condition</th>
<th>Outcome</th>
<th>Example quote</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Culture</strong></td>
<td>Consensus/ Commitment</td>
<td>f+</td>
<td>Dad was tough on us. He taught us the importance of honour and respect in the family. He always said fight. He would say, let them break you, but do not let them bend your integrity or values (Benito – 2nd generation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f-</td>
<td>Many of the family members forget what the values are. Therefore, it is a very good point. It is very important to ask the question: what really are our values? I do not know if all family members share the same values (Marco – 2nd generation)</td>
</tr>
<tr>
<td><strong>B. Learning</strong></td>
<td>Family circumstances</td>
<td>f+</td>
<td>If I did not learn and be under my father’s wing and be the assistant for him and learn the basics, I would not be where I am today. Listening to him and asking his advice is very important. I was very fortunate to have that. The international experience that Benito and I had is also very important. I think we are very blessed to live all over the world and having that individual entrepreneurship within us gave us the confidence to say I am going to do this. I say it was family and individual development as well (Marco – 2nd generation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f-</td>
<td>For us siblings it was difficult because we always had so much to live up to. We were never that up to his standard. Learning can be difficult (Benito – 2nd generation)</td>
</tr>
</tbody>
</table>
C. Decision making

<table>
<thead>
<tr>
<th>Agreement, trust</th>
<th>f+</th>
<th>Dad, I think we can do a backpackers resort here, the area is ready. There were negotiations with the family. The family approved and Benito and I formed up a project and we built the backpackers resort (Marco – 2nd generation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>f-</td>
<td></td>
<td>Sometimes our decisions are slow because of all these emotional issues, trust, or not enough information (Marco – 2nd generation)</td>
</tr>
</tbody>
</table>
4.6.1 Familiness and EO (addressing RQ2)

Previously (Section 4.5.1) I identified familiness resources that were most evident at BDC together with conditions that determined their positive (f+) or negative (f-) nature. I now turn to identifying which familiness resources were most influential on the EO (innovation, risk-taking, proactiveness) of BDC. The resource dimensions influencing BDC’s EO as extracted from the BDC case data include experience-insights and skills, decision-making, networks, and culture. This influence is discussed next.

4.6.1.1 Experience - insights and skills

The Bocconi family have the benefit of the incumbent generation’s experience of construction industry cycles. Right up until the tragic accident that saw his sudden and forced exit, Silvio was constantly looking for opportunities in the market, buying land, and erecting buildings. Based on experience, BDC has banked land during lean times and has not tempted to make forays when market indicators are not strongly in the favour of the developer. It is during this time that they explore opportunities in industries related and not related to their core business. This strategy has proven successful for BDC and it demonstrates how previous experience moulds the firm’s proactiveness. Experience was also influential in the firm’s risk-taking stance, in driving innovation within the firm, and in launching diversified subsidiaries.

Survival in a mature industry ultimately requires a significant focus on creativity and innovation. BDC is considered an innovative organization and this innovation is driven mainly by the Bocconi family.

He was fearless, he knew what he wanted and he did it. No hesitation is one of his biggest strengths. He can see something before other people can see it. He recognises the opportunity. “Oh that’s a new shop, I’d go in there”. He was the first one there; as soon as he is in there, ten people are behind him. He is a pioneer. He has his own business acumen and his instincts, which he always had to trust, and he was never afraid to use it. (Benito, 2nd generation, joint managing director)

As a migrant in a new country Silvio’s entrepreneurial pursuits were driven mostly out of the necessity and need for survival. Silvio’s ability to recognise opportunity and the fearlessness to act on that opportunity are insights and skills that helped create and grow BDC. Silvio had to trust his innovative instincts and acumen in growing the business together with the support and constant affirmation of his wife, Venetia.
Under Silvio’s leadership, the business completed several high-scale construction projects.

The second generation having spent most of their childhood interlaced with the family business were knowledgeable about BDC’s operations.

After spending most of their weekends as boys driving around looking at property with their father, a property developer in his own right, the Bocconi brothers made their first venture into the industry. (The State bulletin, 1998)

Their first innovative endeavour was transforming the business from what was originally purely construction into a property development company. Their first property development project was a success story for the company and Silvio’s reputation was crucial in this entrepreneurial pursuit. The innovation of the 2nd generation was driven mostly by the need to prove themselves to the family (especially to Silvio) and family responsibility.

I think the key for families to be entrepreneurial is because of the family itself. What the family created. The kids look and say hey Papa you did that building? That gives them the incentive to say hey let us do a bigger one. It is the fundamentals that they created, the pictures and the stories are the ones that make someone an entrepreneur. When someone says my family member did that…wow! The self-belief within family is raised. It is because my ancestors led us to be strong enough to believe. I think that’s given Benito and I the incentive and the ambition and responsibility to protect that. (Marco, 2nd generation, joint managing director)

After the successful completion of several property development projects, the second generation created new subsidiaries by diversifying into individual pursued interests. Marco opted for supply of construction materials (related diversification) while Benito delved into IT, fashion, and finance (unrelated diversification). The second generation accredits the family and their individual experiences to driving innovation within BDC.

I would say the organisation is innovative. I think we are innovative with the product. Our difference now is finishes. We can provide much better finishes at a cost much more efficient than what we used to do before. The family have a huge influence in driving this innovation. I think at one stage it does, but the second stage is the international experience. I travel often and I always wanted to see what is out there. (Marco, 2nd generation, joint managing director)
4.6.1.2 DECISION-MAKING

Major decisions at BDC is 100% controlled by the family. The family thus have the control to steer the business in the direction that best achieves their goals and objectives. It was not so much the speed in decision-making, but rather the autonomy and the concentration within the family that allowed decision making to positively influence the family’s (and therefore the firm’s) EO. When Silvio saw opportunity in a property, he could make the decision on the spot to buy it without a need for approval. When Benito and Marco decided to diversify the business by pursuing separate interests, they only needed the family approval. The informality in decision-making at BDC allowed the family to pursue opportunities and take risks.

On all our projects, we did it our way and we did it based on what we believed was good for the community and for the local government council. We made those decisions. We always tried new products. I guess all our developments are different. We are never out there to the point that you are a pioneer, I guess, but we are up there with respect to quality and location. I would say that the family is proactive in that sense. Very proactive in the main fundamentals of property development, which is location, build ability, marketing, finishes.

(Benito, 2nd generation, joint managing director)

BDC is proactive because the firm is an intentional and deliberate opportunity scanner that pounces only when the conditions in the industry are most favourable. This strategy in their core business is determined by the family who enjoy autonomy in decision-making, allowing the owners to pursue their interests and stick to what they do best.

4.6.1.3 NETWORKS

There were several networks to which BDC has access to via the family’s influence that helped assist the firm in both pursuing opportunities and acquiring the resources to pursue those opportunities. The firm’s strong ties with the bank provided capital resources when required for new development projects.

They always talk about how we are their oldest customer. And how my father stayed with the bank even during hard times. BDC was the first player and our family still the longest client, all our banking are still with them. They always talk about that in their conference about the team building and the loyalty that customers have with them.

(Benito, 2nd generation, joint managing director)

Silvio believes in long-term relationships thus BDC has remained with one bank over Silvio’s two-decade involvement in the construction and property development industry. This has led to strong trusting networks that the firm has been able to
exploit. Also the Bocconi’s involvement with migrant communities has allowed the firm to develop strong networks within that community. This has allowed the firm to provide employment for new migrants as well as have access to a pool of human resource for its construction projects. The network relationship is thus of mutual benefit.

Silvio established his business by developing a network of friends with expertise. Benito used these same contacts when trying to establish himself within the business arena. When Benito took some time off, these networks maintained their business relationship with Marco. The ability of the family to share the networks is imperative.

**4.6.1.4 CULTURE**

A strong family culture is evident within BDC. Part of this culture is the autonomy given to family members to explore opportunities, and the encouragement and patience they receive when the opportunity is unsuccessful. The first generation has always emphasised boldness in taking risks and seeing failure as opportunities for learning.

In terms of taking risks, Silvio always told his sons to never fear failure but to learn from it. (Venetia, 1st generation, company director)

Risk taking has been openly encouraged within BDC and in the Bocconi family. Silvio continually reminded his family (especially his sons) that failure was an experience to learn from and grow. This culture was instrumental in driving the risk-taking pursuits of the 2nd generation. Silvio’s example of hard work and fearlessness became the cornerstones of inspiration for his sons and the drive behind the entrepreneurial risks they would embrace. BDC’s culture of tolerance for failure is a hallmark of this family’s propensity to risk taking. The family set aside a considerable amount of capital to fund the entrepreneurial exploits of the 2nd generation. Some of this capital has since been lost and put down to valuable learning. In engaging in risk-taking initiatives, BDC has mostly ventured alone. This is mainly because prior partnership arrangements have not ended favourably. Entering into joint venture arrangements to mitigate risk has not been used by the family to date but as the stakes in construction opportunities become higher, it is something BDC will explore.
**4.6.2 CASE 3 SUMMARY**

The within-case analysis of BDC identified seven resource dimensions as constituting BDC’s familiness resource bundle (see figure 4-3). Of this seven, four were identified as having some influence on the firms EO, namely experience – insights and skills, decision-making, networks, and culture. This influence, as the discussion showed, was strongly driven by the owning family. Tough experiences within the Bocconi family nurtured a committed and determined fighting spirit when it came to business. Autonomy and concentration of control within the family enabled the family to make quick decisions, although at times delayed due to family disagreements. The family culture of learning from failure allowed the 2nd generation confidence to pursue opportunities. Networks based on the family reputation allowed BDC to access information and opportunities.

**4.7 CASE 4: PARTS AND MOTORS CORPORATION (PMC)**

Within-case analysis in this case follows the same approach adopted with case 1 however, the findings have variation as interpreted from the PMC case data.

**4.7.1 FAMILINESS RESOURCES (ADDRESSING RQ1)**

Recall that familiness can provide an advantage (f+) and/or disadvantage (f-) to the firm. Familiness is valuable when the firm exploits their f+ (advantages) and manages their f- (disadvantages). The identified familiness resource dimensions for PMC are shown in Figure 4-4.

Reputation and experience – insights and skills are two human resource dimensions that best exemplify familiness within PMC. Their advantages (f+) include: the reputation of the founder was of immense value to PMC and was central to the firm’s access to and involvement in a variety of business ventures; outside experience attained by the third generation brought new knowledge that led to PMC’s regrowth. Their disadvantages (f-) include: too a strong a reputation that it clouded the founder in seeing the need for succession planning; and lack of inside (2nd and 3rd generation) and outside (2nd generation) experience.
Learning and decision-making are the two organisational resource dimensions that best exemplify familiness within PMC. Their advantages (f+) include: external learning which brought new knowledge and strengthened the family’s contribution to PMC; and the formal and informal approach to decision making which gave the family control while at the same time professionalising some of the firm’s decision-making procedures. Their disadvantages (f-) include: the lack of internal nurturing within the family concerning PMC; and the over reliance on the founder for the welfare of the firm, resulting in an escalation of problems on the founder’s exit from the business.

Relationships and networks are two process resource dimensions that best exemplify familiness within PMC. Their advantages (f+) include: strong family relationships that were kept intact by the leadership presence and control of the founder; and networks established on the founder’s reputation continued to provide access to resources and information. Their disadvantages (f-) include: family conflict, which put strain on relationships; and networks that were established based on the reputation of the founder rather than the accomplishments of PMC. The aforementioned resource dimensions are discussed in detail next.
4.7.1.1 HUMAN RESOURCES

A. Reputation

Jake Bolton (I), the founder, was unknown when he started his accountancy business in a rural town. From those humble beginnings, he built a reputation that made him a prominent public figure in Australia. That reputation grew in value when he was knighted for his contribution to banking and industry development in rural localities. Sir Jake’s reputation has been instrumental in the success and growth of PMC by providing the firm with a strong competitive advantage. Sir Jake’s participation in several prominent boards gave PMC access to information and opportunities. One such opportunity was obtaining the sole distribution rights for Australia’s first car manufacturing company.

In 1948, Australia's own car was launched and PMC was appointed sole distributor for the new car. Today, PMC is regarded as one of the longest established and most highly respected motor vehicle retailers in Australia. The legend Peter Brock even worked with PMC back in 1962. (PMC website)

Sir Jake’s reputation and legacy outlived him and remains a resource for PMC and subsequent generations. For instance in the third generation, Jake III the founder’s grandson, who had never worked in the business, established rapport with employees when they learnt of his heritage. This made it easier for Jake III to implement changes within the company on his joining. The founder’s reputation also enabled PMC and Jake III to access old networks and to build new relationships within the industry and with stakeholders.

Sir Jake; everyone knew that name. That has been a big advantage for me. When I first arrived, I went to all the big manufacturers, all the banks and I just go straight to the top, straight to the CEO to talk. I walk into a room and they say where’s your dad where’s your mum? I was only 25 at that time. I say you are talking to me; I am here. Who are you? As soon as I say I am Sir Jake’s grandson, instantly that barrier is gone and they say ok let us talk. That was a massive advantage for me and it has helped through the business. (Jake III, 3rd generation, company director)

While Sir Jake’s reputation provided an advantage (f+) for PMC, on the constrictive (f-) side, it made Sir Jake a very proud man. Sir Jake deemed himself invincible. To the point that he did not allow the second generation (his two daughters) to neither work nor learn the business because he considered he would always be around to provide for his family.
Dad was very proud of what he was doing. He was driven by wanting to provide that he was so proud that he could give us everything that we had. He had this idea that since he came from nothing and now he had everything, my sister and I should not work. I left school, and then dad thought I should go and be a lady of leisure.

(Gwen, 2nd generation, company director)

During his reign, Sir Jake controlled everything that happened within the business. While an astute businessperson and entrepreneur, Sir Jake’s weakness was his failure to consider succession issues within the family and the business, believing instead that he would always be around to fend for both. Sir Jake failed to consider the future of PMC and when he passed away, the firm was left devoid of both leadership and direction.

B. Experience – insights and skills

The birth of PMC and its entrepreneurial ventures was driven mostly by Sir Jake who had the insights and skills that allowed the firm to recognise and pursue opportunities. Sir Jake had been educated in college and his experience was only internal within PMC. It was his experience in auditing car dealerships (via his accounting firm), which led to the creation of PMC. The 2nd generation had little experience within PMC and had no external experience.

Outside experience (via the 3rd generation) was pivotal to introducing changes that ultimately resulted in the company’s turnaround and regrowth. Jake III had worked with several external car dealerships before he joined PMC where neither the first nor the second generation had had any outside experience. Jake’s experience allowed him to see the business from an external viewpoint. This perspective, together with his status quo as a family member allowed him to question procedures and practices that were not value adding. These questions were the initial prompts that led to reorganization and rejuvenation of the company.

After I finished from school, I got involved with a BMW dealer. That was where I got a taste for the car business. Then I started asking questions. Do you people do this? Do you do that? Mum and I had many arguments about the business because I did not think it was being run properly. Coming from outside and yet being part of the family put me in the perfect position to improve things.

(Jake III, 3rd generation, company director)

While Jake’s III outside experience was of benefit to the firm, his lack of internal experience with the firm and his weak connections to the extended shareholding
family made his task of implementing changes within PMC challenging. Jake’s mum Gwen provided that connection. Despite little involvement in PMC, Gwen was known amongst the employees at PMC and was more socially connected with the family.

### 4.7.1.2 ORGANIZATIONAL RESOURCES

#### A. Learning

Formal external learning via tertiary and industry qualifications played a more salient role than informal learning in the case of PMC. Despite the lack of involvement in PMC whilst growing up, Gwen eventually joined PMC as a company director in her late 50s. A lack of knowledge and experience saw her pursue a variety of studies including the completion of a Directors and Automobile Dealer Management course. These strengthened the value of her input to PMC.

Jake III was doing the company directors course as part of his MBA and he suggested I do it. So I did the company directors course at Uni. I started reading a lot and we started working together. I could now understand where Jake was coming from and we did not argue as much. We were in harmony. We both had the same dream; we both wanted this. (Gwen, 2nd generation, company director)

Jake’s III university training was where he learnt the most about business and where his keen interest in the business affairs of PMC developed. His university degrees equipped him with the financial knowledge needed to read and understand company financial statements. Jake’s III work experiences outside PMC taught him the practical side to business, reinforced his academic knowledge, and made him a valuable resource for both the family and PMC.

#### B. Decision-making

During the leadership of the first-generation, almost 90% of all decisions for PMC were done by the founder. Sir Jake possessed strong leadership abilities, was a smart entrepreneur with strong business acumen, and was loved by everyone who knew him. Because of his skills and abilities, Sir Jake had 100% support from PMC and the family concerning the decisions he made.

However, decision-making became very difficult especially amongst the owners, when Sir Jake passed away. Sir Jake’s failure to address succession issues saw PMC without strong leadership and the business lacked direction and vision and slowly began to lose its competitive advantage. Over time, family conflicts spiralled out of
control and began to strain once harmonious relationships. Fortunately, strong leadership re-emerged in the third generation with Jake III who was responsible for re-structuring and professionalising the firm. This led to more formalised decision-making processes, which was an immense advantage for PMC and helped manage family ownership disputes.

Today’s current decision-making processes are both formal and informal. An informal group make majority of the strategic decisions for PMC but which ultimately require the board of directors’ approval to formalise the decision. The family forms the majority on the board.

Big decisions are all done prior to board meetings, and when they get to the point where they need to be signed on the dotted line, it is then done on the board level. Everything is really done by my mother, Chris, the CEO, and me. Then if it is a decision we think we should pursue its then taken to a board level. So it is almost like we are a defacto management/directors and then it goes to the board level and the decisions made. (Jake III, 3rd generation, company director)

Operational decisions are left with the firm’s management team, unless those decisions have a large impact on PMC’s business, in which case the decision is left to the board level.

Despite the family’s control on the decisions, there is always collaboration prior to a decision being made between the family, senior non-family employees, and external advisors.

Basically we talk about it. John (CEO) will ring me or Jack III will ring me and say this might be on we are looking at this mum. Then we all think about it. Everyone does their homework. I also have an advisor; I call him my personal CFO. Chris (advisor) this guy that came in the team when we took over, he is absolutely brilliant finance wise. He also talks to our CFO and our CEO. We all sit down and we all talk together about things. That is how we make the decisions. (Gwen, 2nd generation, company director)

4.7.1.3 PROCESS RESOURCES

A. Relationships

Sir Jake’s influence and the ability to keep the family together nurtured harmonious relationships between family members and amongst the shareholders. His strong leadership helped grow the business and kept the family close together. During Sir Jake’s tenure in the business, both the family and the business flourished and co-existed harmoniously.
Dad moved us all to the city where he built all our houses next to one another. He lived next door to us. He built me a house next to my sister and my uncle and his family lived in one house. We had a community tennis court, a swimming pool, and all that kind of stuff. We played together and we were always together. It was like living in a mafia commune. (Gwen, 2nd generation, company director)

Family closeness encouraged constant interaction and little family conflict, resulting in strengthened relationships amongst family members. This was important because it allowed ease in shareholder decisions, which positively influenced PMC. Under Sir Jake’s leadership, PMC was very stable and the business thrived. Everyone accepted whatever role he or she played within the family and/or the business. However, on Sir Jake’s passing, PMC and the family were devoid of a leader strong enough to play the roles Sir Jake had left vacant. Family relationships soon disintegrated and became a constraint to the business. Jake’s III entry (approximately 15 years after the death of Sir Jake) into the business has helped rebuild some of these relationships despite the fact that Jake III belongs to one-half of the family. Jake III has managed to do this because of the benefits the restructuring was having on PMC, which the family began to see.

The strong relationship between Gwen and Jake III (mother and son) was essential to the successful reorganisation of PMC to a more profitable state. Jake III had no experience within PMC prior to him joining the firm and his separate upbringing meant he was also distant from his cousins. Gwen became the link that allowed continuous communication and information flow between Jake III and the family. Jake brought objectivity to the business via his ability to see things from an external perspective having worked outside the business. Gwen’s belief in her son and the decisions he was making to rejuvenate PMC had her support because of her trusting relationship with him. Gwen understood that Jake’s III motives were like hers, driven by wanting what was best for the business and the family. On the other hand, Jake III could not have made the changes if he did not have Gwen’s support.

B. Networks
The network resources of PMC were mostly established by Sir Jake. These were built on the foundations of reputation, friendship, and trust. These networks continue to function as a legacy for the family and valuable resource for PMC. Because of the
man Sir Jake was, network partners remained loyalty to PMC and this allowed the network ties to survive over time and remain accessible to the third generation. Such was the strength of the reputation of the founder concerning the firm’s networks.

Apart from using his family heritage to access old networks, Jake III also added new networks to PMC. These were formed while at school and during his outside work experience. These new networks brought professional and objective advice to PMC. The simultaneous use of old and new networks was pivotal in assisting Jake during the restructuring of PMC.

I got in touch with a good mate of mine. He actually came to Uni as well with his wife. They both did an MBA together at Uni. We used to sit for hours talking about the business. They were 10 years older than I was and had a lot more experience. We spent a lot of time bouncing ideas off each other. He was really mentoring me through out that process. He then became an investor in securities, which was a little investment bank that did consulting work. They were the group we used to come in and actually make the change. (Jake III, 3rd generation, company director)

4.7.2 Familiness and EO (addressing RQ2)

Previously (section 4.6.1) I identified familiness resources that were most evident at PMC together with conditions that determined their positive (f+) or negative (f-) nature. I now turn to identifying which familiness resources were most influential on the EO (innovation, risk-taking, proactiveness) of PMC. The resource dimensions influencing PMC’s EO as extracted from the PMC case data include insights and skills, experience, decision making, and networks. This influence is discussed next.

The founder, Sir Jake, was the classic entrepreneur. He was very proactive, innovative, and a risk-taker. He was frequently scanning the marketplace for opportunities and acquiring new dealerships. Under his leadership, PMC controlled 83 dealerships and had a diversity of interests in motels, clubs, and vineyards. PMC was both a market leader and trendsetter, growing the business from nothing into eventually becoming a market monopoly. During this time, the EO of PMC reflected that of the founder: proactive, innovative, and frequently taking risks.

One of the biggest things with him was that he saw opportunities. He looked for opportunities where he could make improvements. He was a risk-taker as well. I am very risk-averse. He was a lot more risky in what he was doing by making such big acquisitions all the time. However, it worked for him and the business. (Jake III, 3rd generation, company director)
### Table 4-5: PMCs Familiness Resources

<table>
<thead>
<tr>
<th>Human</th>
<th>Condition</th>
<th>Outcome</th>
<th>Example quote</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reputation</strong></td>
<td>Pride</td>
<td>f+</td>
<td>Sir Jake - everyone knew that name. That has been a big advantage for me. When I first arrived, I went to all the big manufacturers, all the banks and I just go straight to the top, straight to the CEO to talk. I walk into a room and they say where’s your dad where’s your mum? I was only 25 at that time. I say you are talking to me; I am here. Who are you? As soon as I say I am Sir Jake’s grandson, instantly that barrier is gone and they say ok lets talk. That was a massive advantage for me and it has helped through the business (Jake III – 3rd generation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f-</td>
<td>Dad was very proud of what he was doing. He was driven by wanting to provide that he was so proud that he could give us everything that we had. He had this idea that since he came from nothing and now he had everything, my sister and I should not work. So then I left school, and then dad thought after that I should go and be a lady of leisure (Gwen – 2nd generation)</td>
</tr>
<tr>
<td><strong>Experience – insights and skills</strong></td>
<td>Value of experience</td>
<td>f-</td>
<td>After I finished from school, I got involved with a BMW dealer up here. That was where I got a taste for the car business. Then I started asking questions. Do you people do this? Do you do that? Mum and I had many arguments about the business because I did not think it was being run properly. Coming from outside and yet being part of the family put me in the perfect position to improve things (Jake III – 3rd generation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f-</td>
<td>He is now 86 I think and he has a son Jake (II) who is Chairman and director of the company now. He had very limited experience as well. He was always there. Always at all of the board meetings but none of them, none of my family except my grandfather went to university. None of them did any additional study; none of them had any outside experience. They just moved into the family business and that was it. Just took over. So the business just went down (Jake III – 3rd generation)</td>
</tr>
<tr>
<td><strong>Organizational</strong></td>
<td>Evolutionary</td>
<td>f+</td>
<td>Jake III was doing the company directors course as part of his MBA and he suggested I do it. So I did the company directors course at Uni. I started reading a lot and we started working together. I could now understand where Jake was coming from and we did not argue as much. We were in harmony. We both had the same dream; we both wanted this. (Gwen – 2nd generation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f-</td>
<td>Now mum does not think that I am some young cocky Uni student that knows how to save the world. Which is probably how it came across when I did it that time. Because prior to that, I had no experience at all working within the family business (Jake III – 3rd generation)</td>
</tr>
</tbody>
</table>
### Decision making

| Agreement f+ | I am very quick with making decisions and that’s why I think also the staff ring me all the time and if I say yes you can do it, they got the authority and they can do it quick. I can make those decisions very quickly and that’s where the whole change has been very easy because I had the authority to make those changes wherever I saw fit. Obviously the really big ones that was going to cost us money, they would obviously have to go through a process. (Jake III – 3rd generation) |
| f- | We make decisions on everything. Everything to do with the day-to-day running of the business. But when it affects the shareholders, which are the family, then there is a political issue. It becomes very difficult. (Jake III – 3rd generation). |

<table>
<thead>
<tr>
<th>Process</th>
<th>Condition</th>
<th>Outcome</th>
<th>Example quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationships</td>
<td>Objectivity</td>
<td>f+</td>
<td>Dad moved us all to the city where he built all our houses next to one another. He lived next door to us. He built me a house next to my sister and my uncle and his family lived in one house. We had a community tennis court, a swimming pool, and all that kind of stuff. We played together and we were always together. It was like living in a mafia commune. (Gwen – 2nd generation)</td>
</tr>
<tr>
<td>f-</td>
<td>They all lived next door to each other nearly 20 years. They were very close. I did not have that closeness. Even though I saw them at parties and functions, I was a lot more objective. Mum was like no they are doing the right thing, our interests are at heart and so she had a lot more trust. But overtime she has realised that they were literally filling their own nests and ignoring the business and the other shareholders and that has taken her 5 to 6 years to get to that point (Jake III – 3rd generation)</td>
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<tr>
<td>Networks</td>
<td>Transferability</td>
<td>f+</td>
<td>I got in touch with a good mate of mine. He actually came to Uni as well with his wife. They both did an MBA together at Uni. We used to sit for hours talking about the business. They were 10 years older than I was and had a lot more experience. We spent a lot of time bouncing ideas off each other. He was really mentoring me through out that process. He then became an investor in securities, which was a little investment bank that did consulting work. They were the group we used to come in and actually make the change. (Jake III – 3rd generation)</td>
</tr>
<tr>
<td>f-</td>
<td>You must remember that I was kept out of the business. I did not have any networks with anybody. When we took over I rang the manufacturers, went, and saw them. I introduced myself and told them who I was, they nearly freaked out. I rang the banks and Jake III and I really did the networking together. Because one I am a female and all of that so, we actually did it together. We have kind of moved in and done it together. The banks, the manufacturers and all of that we got that network about 4-5 years ago when we took over. We just had to go and see them and tell them what we were doing. (Gwen – 2nd generation)</td>
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</table>
On the Sir Jake’s exit from the business, his brother Robert assumed leadership since he was at that time the most suitable family candidate. However, Robert lacked the confidence and ability to run the business devoid of his brother’s presence. He lacked the entrepreneurial drive and energy displayed by his brother and eventually resorted to a more passive role, leaving PMC to be run by external managers. With the lack of leadership, entrepreneurial drive, and increasing saturation of the market, PMC began to struggle. PMC’s EO was no longer reflective of an innovative and proactive organisation. An attempted diversification into property development to help improve things created more strain on the company’s dwindling financial position. By this time, the company had begun selling off non-core assets to help save the business.

Enter the third generation, Jake III, who had never worked in PMC but was well educated and had experience working outside the family business. With the company in its current state, Jake III was determined to rejuvenate the failing business. Some of these risks induced radical changes on both the family and the business, which made Jake III unpopular. This included replacing the company’s CEO, a cease on usage of PMC’s credit cards by family members, and PMC adopting a more conservative EO. The changes began to show signs of improvement in PMC.

The current conservative EO taken over the last few years has worked well for PMC with signs of rejuvenation and regrowth. PMC’s current state is the healthiest the company has been in the last five years and new acquisitions are planned. Jake III understands that PMC’s conservative stance will have to change, if it is not already changing.

I think our conservative approach has been great for what we have done now. But I think moving forward we have to slowly change that profile a little bit if we want to keep growing and take on these big guys we need to take a few more risks but I think nothing too risky.  

(Jake III, 3rd generation, company director)

4.7.2.1 EXPERIENCE - INSIGHTS AND SKILLS

Most notable here are the experiences of the third generation that instigated the restructuring of PMC. Jake’s III outside experience equipped him with the skills and confidence to instigate and champion changes within PMC. These changes required the shareholders to take huge risks concerning the sale of assets and shedding of resources and practices that had ceased to add value. It included selling buildings,
reorganising top management and replacing the firm’s CEO. With the increasingly competitive environment, this restructuring was critical for PMC. The proactive decision on the part of the firm to streamline and focus its efforts on the firm’s core business was the turning point in the rejuvenation of the business.

During the founding era, the company was highly innovative and aggressive and this was instigated mainly by the insights and skills of the founder. It was the insights and skills of Sir Jake that created the accounting firm, then launched the diversification into car dealerships. The founder’s strong business acumen also saw investments in supermarkets and hotels.

I think one of his strengths was that he saw opportunities…He saw the opportunities where he could make improvements…He was making such big acquisitions all the time, but it worked for him, worked for the business.

(Gwen, 2nd generation, company director)

PMC was very proactive within the industry during its founding years. This was driven mostly by Sir Jake in his endless search for opportunities within the market. Under the leadership of the first generation, PMC grew to become a virtual monopoly within the market. This was a period of high growth and success for PMC.

At one time, we had our own system that we used to sell to other dealerships. We used to be very innovative. We used to do a hell of a lot, but now we are not. We have really gone through a whole change to fix it. We have now fixed it and are back on rebuilding and growth.

(Jake III, 3rd generation, company director)

For the last five years, PMC has opted for a more conservative approach, understandable given the challenges PMC was facing. The current conservative stance means the company is less focused on opportunity seeking but more on consolidation of assets, and restructuring and streamlining its business processes. This also involved shedding those resources and investments that had ceased to add value to PMC, while simultaneously improving the product offerings and services associated with its core business. This restructuring of the business was driven by the insights and skills of the third generation.

4.7.2.2 DECISION MAKING

In terms of decision making both Gwen (2nd generation) and Jake III (3rd generation), find that unlike the founder they are generally conservative when it comes to taking risks. As directors in PMC, their decisions have a strong influence on
the EO adopted by the company. This together with PMC’s current conservative disposition sees calculated risks taken only when necessary.

No, I am very conservative. I am sure dad took risks by borrowing money to start himself off. I am not really into real risk-taking. Since we took over, we have sold some assets to pay off our debts. All that money we have ploughed back into the business and we are actually financing our own floor plan now. I am not really into huge risk taking. (Gwen, 2nd generation, company director)

I am not scared to take risks when I have 99% of the facts, else I will not make a move. I am very cautious if you like in that respect. My grandfather was a bit of a risk-taker. I am very risk-averse because of what happened to the company and now I am very careful. (Jake III, 3rd generation, company director)

The board of directors has three family members serving on it so decision-making remains within the control of the family shareholders. Thus, the family controls the strategies PMC engages in when it responds to opportunities, risks, and changes in the market. Though conservative in nature, Jake (III) says the decisions are quick within PMC because of the family influence and control.

I am very quick with making decisions and that’s why I think the staff ring me all the time. If I say yes you can do it, they get the authority and they can do it quick. It’s not a process of advisors and it goes through and around in circles and paperwork. They ring me and say Jake get in the car look at this, come down, boom it’s done. I can make those decisions very quickly and that’s where the whole change has been very easy because I had the authority to make those changes wherever I saw fit. (Jake III, 3rd generation, company director)

4.7.2.3 NETWORKS

Networks play a central role in influencing PMC’s EO and engagement in entrepreneurial activity. Sir Jake initially started an accounting firm where majority of the clients were car dealership owners. It was via these clients that Sir Jake saw the opportunity in the dealership market and subsequently launched his own car dealership company. PMC experienced quick growth with Sir Jake having already established networks with his clientele of dealerships and his expertise in accounting gave PMC a good understanding of the business of car dealerships.

Jake (III) restructured PMC with the help of professionals he had encountered at university and while working outside PMC. These networks of associates provided the support Jake (III) needed to convince the family that the risks he was proposing were in the best interests of the firm. Because Jake (III) had never worked in PMC prior to its restructuring, he had to build respect and rapport with the owning family,
employees of PMC, and the PMC’s existing networks. The success of the restructuring, and his relationship to the founder helped achieve this.

4.7.3 CASE 4 SUMMARY
The within-case analysis of PMC identified seven resource dimensions as constituting PMC’s familiness resource bundle (see figure 4-4). Of this seven, three were identified as having some influence on the firm’s EO. This influence, as the discussion showed, was strongly associated and driven by the owning family. It was the internal experiences of the founder and the external experiences of the third generation that cemented the family’s experience as vital to the survival and continuity of PMC. Collaboration of decision making between the family, senior managers, and external advisors was instrumental in ensuring PMC made the right decisions when it came to the pursuit of entrepreneurial opportunities.

4.8 CHAPTER SUMMARY
Within-case analysis was the focus of this chapter. The findings of the individual case analyses were presented in two parts, which addressed RQ1 and RQ2 respectively. These findings are summarised in Table 4-6 and Table 4-7. Concerning RQ1 (refer Table 4-6), eight resource dimensions presented themselves as most pertinent in representing the notion of ‘familiness’. The eight resource dimensions comprised three human resources (reputation, experience – insights and skills, and commitment), three organisational resources (learning, decision-making, and culture), and two process resources (relationships and networks). Of the eight dimensions only two (commitment and culture) were not recurrent across the four cases. The six recurrent dimensions were equally distributed with two dimensions to each resource category: human (reputation and experience – insights and skills), organisational (learning and decision-making), and process (relationships and networks).

Concerning RQ2 (refer Table 4-7), five resource dimensions presented themselves as highly associated with the EO of the case firms. Three out of the five dimensions appeared across all four cases, namely experience – insights and skills, decision-making, and networks. The next chapter focuses on between-case analysis and looks at these findings in detail by explicating the patterns the dimensions present between the cases.
<table>
<thead>
<tr>
<th>Resource categories</th>
<th>ABC</th>
<th>SMG</th>
<th>BDC</th>
<th>PMC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reputation</td>
<td>4th generation, family name</td>
<td>founder, SMG</td>
<td>Founder established, 2nd generation</td>
<td>founder had strong influence</td>
</tr>
<tr>
<td>Experience – insights &amp; skills</td>
<td>early involvement in the business, opportunity recognition, five generations of experience</td>
<td>first-mover into a new industry, opportunity recognition</td>
<td>determination to survive as a migrant immigrant, outside the firm experience, opportunity recognition, early involvement</td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>family as stewards</td>
<td>1st generation passion</td>
<td></td>
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<tr>
<td><strong>Organisational</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Learning</td>
<td>informal practices within business/family</td>
<td>Informal/formal education</td>
<td>more informal</td>
<td>formal education</td>
</tr>
<tr>
<td>Decision Making</td>
<td>centralised, quick, informal</td>
<td>centralised and controlled, slow</td>
<td>centralised and controlled, slow</td>
<td>quick, formal and informal</td>
</tr>
<tr>
<td>Culture</td>
<td>family values of hard work and passion</td>
<td></td>
<td>maintaining the family reputation and togetherness</td>
<td></td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationships</td>
<td>cohesive, closeness</td>
<td>cohesive, closeness</td>
<td>mother is the chief emotional officer</td>
<td>closeness between mother and son</td>
</tr>
<tr>
<td>Networks</td>
<td>established over time, built on firm longevity and reputation</td>
<td>established over time, founder influenced</td>
<td>built on founder’s reputation and past experience working together</td>
<td>built on founder’s reputation and during formal learning</td>
</tr>
<tr>
<td>Resource categories</td>
<td>ABC</td>
<td>SMG</td>
<td>BDC</td>
<td>PMC</td>
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<tr>
<td><strong>Human</strong></td>
<td>Experience – insights and skills increase innovation and proactiveness, opportunity recognition, more cautious approach to risk-taking</td>
<td>Experience – insights and skills increase innovation and proactiveness, opportunity recognition</td>
<td>Experience – insights and skills increase innovation and risk-taking, opportunity recognition</td>
<td>Experience – insights and skills increase proactiveness and risk-taking, opportunity recognition</td>
</tr>
<tr>
<td></td>
<td>Commitment opportunity seeking, proactive</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Organisational</strong></td>
<td>Decision making fast to act on recognised opportunities</td>
<td>Decision making respond both quickly and cautiously to opportunities and risks</td>
<td>Decision making Concentration and autonomy Culture innovative culture that encourages failure as learning opportunities</td>
<td>Decision making speed, concentration, informality</td>
</tr>
<tr>
<td></td>
<td>Culture innovative culture that is always looking for new processes, projects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td>Networks finding opportunities, acquiring resources</td>
<td>Networks finding opportunities, acquiring resources</td>
<td>Networks finding opportunities, acquiring resources</td>
<td>Networks finding opportunities, acquiring resources</td>
</tr>
</tbody>
</table>
Chapter 5. BETWEEN CASE ANALYSIS

5.1 INTRODUCTION

Chapter 4 distilled the familiness resource dimensions (RQ1) and their association with EO (RQ2) by means of within-case analyses. This chapter extends that analyses to a between-case analysis; the suggested next-step in multiple case analyses (refer chapter 3, section 3.6.4). The validity of the relationships identified in the within-case analyses are enhanced by observing recurring patterns between the cases (Yin 1994). These patterns present opportunities to refine and/or extend theory (Eisenhardt 1989). This chapter is organised as follows: Section 5.2 compares the within-case findings. Sections 5.3, 5.4, and 5.5 address RQ1, RQ2, and RQ3 respectively. Propositions are presented for each research question. Section 5.6 concludes the chapter with a summary of emergent conceptual relationships.

5.2 COMPARISON OF WITHIN-CASE FINDINGS

Overview of the patterns shown by the four cases concerning RQ1 (the prevalence of resource dimensions that constitute familiness) and RQ2 (the relevance of the resource dimensions to a firm’s EO) is discussed. Table 5-1 revisits the within-case findings from chapter 4. These form the basis for comparative analysis and the discussion that follows the rest of the chapter.

Concerning RQ1, eight familiness resource dimensions were found as most prevalent (column B), with six out of these eight dimensions recurrent across all four cases (yellow and blue cells, column K). The six recurrent dimensions were equally spread across the three resource categories (column A), with each category having two recurring dimensions. This suggests that the family’s influence over a firm’s resources is neither limited nor bounded to one particular resource category. It provides support as to how families have excelled in a myriad of businesses having varying resource requirements. Section 5.3 examines the patterns within the six recurring dimensions in detail.
Table 5-1: Comparison of within-case findings

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
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<th>I</th>
<th>J</th>
<th>K</th>
<th>L</th>
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<tbody>
<tr>
<td>Resource categories</td>
<td>Resource dimensions</td>
<td>Case 1 ABC</td>
<td>Case 2 SMG</td>
<td>Case 3 BDC</td>
<td>Case 4 PMC</td>
<td>Across-case totals</td>
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<tr>
<td>Familiness</td>
<td></td>
<td>RQ1</td>
<td>RQ2</td>
<td>RQ1</td>
<td>RQ2</td>
<td>RQ1</td>
<td>RQ2</td>
<td>RQ1</td>
<td>RQ2</td>
<td>RQ1</td>
<td>RQ2</td>
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<td>Human</td>
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<tr>
<td>1. Experience – insights &amp; skills</td>
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<td>2. Reputation</td>
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<td>4. Learning</td>
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<td>5. Decision-making</td>
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<td>6. Culture</td>
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<td>7. Relationships</td>
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<td>8. Networks</td>
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RQ1 – Research question 1
RQ2 – Research question 2
Concerning RQ2, three resource dimensions were recurrent across all four cases (yellow cells, column L) suggesting a strong relevance to EO. Two dimensions showed relevance in some cases but not in others (green cells, column L) and suggests partial relevance to EO. Three other dimensions showed little or no relevance (blue cells, column L) to EO; they were previously identified as prominent concerning RQ1. In ascending order of relevance to EO, the dimensions are blue, green, and then yellow. The data thus show that concerning RQ2, the yellow shaded dimensions are most relevant. Section 5.4 will further examine these dimensions in detail. The research questions are now addressed separately, beginning with RQ1.

5.3 FAMILINESS RESOURCE DIMENSIONS (RQ1)

RQ1 asked what resources constitute familiness and its nature in family firms. Chrisman et al. (2005b) suggest that understanding familiness resides in a deeper examination of the resources within family firms that are family influenced. Six resource dimensions, common across all four cases, constitute the familiness resource bundle. These are experience – insights and skills, reputation, decision-making, learning, networks, and relationships. Through these dimensions, familiness is most prominent and best expressed between the cases. Together the dimensions provide a suggested model\(^{28}\) for the familiness resource bundle that to date has remained a somewhat ‘fuzzy’ concept (Moores 2009). The model offers a suggested clarification to the query ‘what is familiness’? (Chrisman et al. 2003b). The Familiness Resource Model shown in Figure 5-1 illustrates the six resource dimensions that form the genetic makeup of familiness across the four cases. The resource dimensions in the model are of equal importance, with all six dimensions common to the four cases and distinguished by the family’s influence. Certainly different proportions of the dimensions may arise between family firms, giving rise to different archetypes of the suggested ‘familiness’ resource bundle.

\(^{28}\) Culture and commitment are two identified dimensions that are excluded from the model because of their lack of recurrence across the four cases; showing prominence in some cases while missing in others (see Table 5-1). Despite the exclusion, these two dimensions may still be present via their more broad encompassing nature. For example, it could be argued that the summation of the six dimensions of the model in terms of their content and processes actually encapsulates the culture of the firm. Similarly, each of the six dimensions can also be explored in terms of the firm’s commitment to engage in these dimensions. These two dimensions are not discussed further.
The characteristic nature for each resource dimension (see Figure 5-1) was common across all four cases. The commonality of these characteristics underlie and structure the prominence and inclusion of these resources in the familiness model. However a paradoxical theme appears strongly across these characteristics. Furthermore, balancing/managing these paradoxes emerges as the most suitable approach for exploiting the firm’s familiness advantages (f+) and simultaneously mitigating its disadvantages (f-). The positive (f+) and negative (f-) effect of familiness can be seen as comprising its paradoxical nature.

The notion of paradoxes is not new and is widely discussed in organization and management scholarship (e.g. Lewis 2000; Poole and Van de Ven 1989; Sundaramurthy and Lewis 2003). Although there are several definitions of paradox (see Lado et al. 2006), it is generally understood as contrary or even contradictory propositions which we are driven by apparently sound arguments (van Heigenoort
(1972), as cited in Lado et al. 2006). The role and use of these logical contradictions (paradoxes) in academia has been to identify tensions and oppositions in order to develop more encompassing theories (Poole and Van de Ven 1989).

Likewise identifying the nature of family business resources using the notion of paradox increases the ‘generative potency’ (DiMaggio 1995) of familiness as a theoretical construct in the family business field. Moores and Barrett (2002) first highlighted this paradoxical nature when they studied the learning cycle in family firms. More recently Nordqvist et al. (2008) also allude to the paradoxes in family firms although in their research they labelled these as family firm ‘dualities’ that must be addressed if the firm is to attain long-term performance advantage.

A suggested response to dealing with paradoxes that cannot be resolved is to ‘accept the paradox and learn to live with it’ (Poole and Van de Ven 1989 p566). Alternatively, Handy (1994) suggests that paradoxes which cannot be resolved ought to be managed. The ability to manage the paradoxical nature of familiness resources arises from capabilities of the firm. It is these capabilities that determine how firm resources are managed, integrated, and deployed effectively to achieve competitive advantage (Hitt et al. 2001; Penrose 1959; Sirmon and Hitt 2003). Likewise, obtaining the positive (f+) outcome of familiness (as opposed to the f-) depends on how well the firm is able to manage the paradoxical nature of familiness. Thus family firms may succeed or fail based on differences in their capabilities to manage the familiness paradox.

Accordingly proposition P1 is thus stated:

**P1:** *Familiness is most advantageous (f+) to the family firm when its paradoxical nature is understood and managed according to prevailing conditions*

These conditions as shown by the patterns within each dimension are discussed next in the following order: human (*experience – insights and skills, reputation*), organisational (*decision-making, learning*), and process (*networks, relationships*) resources.
5.3.1 Reputa**tion**

The recurrent patterns between the cases that showed how *reputation* is leveraged to provide a competitive advantage are summarised in Table 5-2, followed by their discussion.

**TABLE 5-2: REPUTATION SEEN BETWEEN CASES**

<table>
<thead>
<tr>
<th>Pattern</th>
<th>Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family influenced (collective)</td>
<td>This is a result of the symbiotic relationship between the family and the firm. A positive/negative effect on the family’s reputation has a positive/negative effect on the firm’s reputation and vice-versa.</td>
</tr>
<tr>
<td>Founder influenced (individual)</td>
<td>The legacy of the founder often remains strong, even after the founder’s demise and remains a pivotal driver of reputation in subsequent generations.</td>
</tr>
<tr>
<td>Transgenerational potential</td>
<td>Reputation is transferable across generations. Its passage over time suggests it has withstood the turmoil of the market and is capable of providing a sustained competitive advantage.</td>
</tr>
<tr>
<td></td>
<td>Reputation is seen as a valuable inheritance thus subsequent generations’ invest and commit to protect (and add value to) the family reputation and legacy.</td>
</tr>
</tbody>
</table>

An important resource that an organisation has is its reputation. Reputation is widely considered to be valuable and intangible in nature (Hall 1992), difficult to duplicate (Mahoney and Pandian 1992), rare (Kotha et al. 2001), and imperfectly imitable because of its social construction (Rao 1994). The ability to harness the VRIN qualities of reputation and use it for the firm’s benefit generates a sustainable competitive advantage (Barney 1991). Significant family involvement within the business results in a firm reputation that is highly associated with the reputation of the family. This association distinguishes the uniqueness of reputation in family firms and confirms its familiness character (Habbershon and Williams 1999).

**Firm reputation and family reputation are strongly associated.** This association is a consequence of the symbiotic relationship between the family and the business (Gersick et al. 1997); a relationship that is significantly strengthened by the involvement of the family in both strategic and operational levels of the business. The

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29 A symbiotic relationship is used to describe close and long-term interaction between two entities. Used in this context, the two entities are the ‘family’ and the ‘business’. Their interaction stems from their overlap within the family business system.
reputation of the firm takes greater importance and prominence in family firms because it is invariably linked to the reputation of the owning family. In the studied case firms the symbiotic relationship more closely followed *mutualism* where both entities (firm and family) derive advantage (f+) from their association. Here the symbiotic relationship between the family and the firm creates a competitive advantage and leads to sustainability (Chua et al. 2003). However, the close association also means that a disadvantage (f-) encountered by the firm also disadvantages the family 30 (and vice versa). The strong association presents a paradox. Thus, the firm and the family must ensure they both provide and derive benefit to sustain the mutuality of the symbiotic relationship. Family members have an obligation to behave in a manner that does not bring disrepute to the reputation of the family and subsequently, the reputation of the firm.

**The founder has a strong influence on the reputation of both the firm and the family.** While this influence is common during the founder’s leadership of the family business (Dyer 1986; Kelly et al. 2000; Salvato 2004), understandably it tends to decline as the firm evolves into a multigenerational firm (Davis and Harveston 1998; Salvato 2004). However, in the studied multigenerational cases, the founders remained influential in driving the reputation of both the family and the firm even after their demise. The founder established a strong reputation 31 that subsequent generations and the firm could leverage, even when establishing their own identity and reputation. The persistence of the founder’s influence over subsequent generations, even after their demise, shows how strong the founder’s influence is embedded within the family business system (Aldrich and Cliff 2003).

Davis and Harveston (1998) find that the more closely related family members are to the founders, the greater their status and influence within the business. While the reputation of the founder is a source of inspiration and opportunity (f+), it can also

30 In one of the case firms, the founder’s demolishing of a heritage building resulted in a backlash from the community that disadvantaged the reputation of the business and the reputation of the owning family. In another case, an industrial dispute created bad publicity that negatively affected the reputation of both the firm and the family.

31 It was not the founder’s objective and focus to build his reputation. This reputation developed as a by-product of the founder’s commitment, hard work, and accomplishments in the business. The founders in all four cases were initially concerned about establishing the business and providing for the family. In later years, these concerns shifted to the continuity and protection of the family wealth.
place immense responsibility on subsequent generations who face difficulty (f-) building their reputation and that of the firm in the midst of a strong reputational presence and influence of the founder. The founder’s reputation is somewhat a paradox to the firm. These case firms acquired a competitive advantage by maintaining a balance between exploiting the founder’s reputational influence while simultaneously strengthening and displaying one’s ability to be independent (balancing the paradox). This helped ensure subsequent generations are not trapped in the shadows of the founder (Davis and Harveston 1999) and thus ensuring that inherited reputation (and in particular that of the founder) provides a source of sustainable competitive advantage.

**Reputation has transgenerational potential.** This is made possible by the commitment of each generation to protect inherited reputation and reinvent, build, and add value to that reputation within their generation. Reputation is usually the product of years of demonstrated superior competence. However, reputation remains fragile and easily destroyed and care must be taken to protect the family reputation. A key task of the family is ensuring there is commitment to being both a custodian and a promoter of the reputation of the organization/family. This ensures that family reputation delivers a positive influence (f+) that extends across generations. Protecting the family reputation across generations becomes a disadvantage (f-) if it restricts the firm from engaging in activities that will benefit the firm (Fombrun and Shanley 1990). Subsequent generations need to ensure that the family/firm reputation continues to value add and provide a competitive advantage.

From the between-case analysis, concerning reputation, proposition P1.1 which follows on from P1 is deduced to encompass the wider spectrum of firms classed as family firms, and as a basis for conducting future empirical research on the conditions under which familiness provides an advantage (f+).

**P1.1:** Reputation is most advantageous (f+) to the family firm when the family is able to manage it by balancing:

(i) the symbiotic relationship between the reputation of the firm and the reputation of the family,

(ii) the ability to positively leverage the founders reputation while ensuring subsequent generations do not live in the shadows of the founder, and
the desire to protect and build inherited reputational capital without foregoing developmental opportunities.

5.3.2 EXPERIENCE – INSIGHTS AND SKILLS

The recurring theme highlighted between the cases is that both ‘inside-the-firm’ (internal) and ‘outside-the-firm’ (external) experiences are needed for developing insights and skills that are necessary for transgenerational success in family firms. Table 5-3 summarises between case findings concerning experience – insights and skills, which is then followed by their discussion. Experience refers to the knowledge, skills, and abilities of the firm’s human resources. It focuses on the insights and skills, which are possessed by the family and provided for use within the family business. Most notably is the founder’s ability to recognise opportunity. Previous literature highlights the benefits of internal and external experience to the family and the firm (Lambrecht 2005; Moores and Barrett 2002; Salvato 2004). The experiences of a firm have an important effect on that firm’s performance and tend to be context specific (Dyke et al. 1992; Reuber 1997).

Table 5-3: Experience – Insights and Skills Seen Between Cases

<table>
<thead>
<tr>
<th>Pattern</th>
<th>Form</th>
</tr>
</thead>
</table>
| Internal Experience inside the firm Often informal | Growing up in a family business environment together with early introduction into the business  
Experiences are mainly centred around the firm’s core competencies - doing what they do best  
Pioneering feats within the industry (driven by the founder’s ability to recognise opportunity) strengthened the firm’s experiences |
| External Experience outside the firm Often formal | Help bring new knowledge, skills, practices into the firm  
An eye-opener that prompted insights  
Brought change to the firm  
Enhanced the credibility of family members as capable and legitimate in the roles they occupied within the business |

Internal experiences begin with early involvement in the business and this gives family members an early-start in terms of learning about business. Early exposure can render experiences that help nurture within individuals the culture and values of the family firm (Eleni 1998). Internal experiences offer the opportunity to learn about
what makes the family business unique and idiosyncratic. It is a period when the cultures and values of the firm are experienced on a personal level.

The family’s internal experiences within the business increase the firm’s survival chances (Bosma et al. 2004) because experiences gained within the firm are directed on the core competencies required to address the firm’s long-term vision. A long-term orientation (Donnelley 1964) allows family firms to focus on strengthening their experiences on what they do best (Miller and Le Breton-Miller 2006). Internal experiences, reinforced over generations to suit changing contexts, provide a sustainable competitive advantage (f+). Furthermore, the pioneering feats of the founders changed the landscape of their industries. These feats, driven mostly by the ability of the founders to recognise opportunity, strengthened and reinforced the internal experiences and expertise of their firms. This expertise creates the environment within which subsequent generations are nurtured via their early experiences. Internal experiences proven successful in the past do not necessarily guarantee future success. Some internal experiences can remain locked in the past and constrict (f-) the firm’s ability to expand and grow. To avoid this, experiences must evolve and continuously adapt to changes in the internal and external environment.

**External experiences** can help bring about those changes by complementing the firm’s internal experiences. External experiences assist in broadening the business knowledge, skills, and insights of the firm’s human resources (Lambrecht 2005). In the studied cases, external experiences helped acquire new knowledge and skills for the firm, broadened the firm’s views, prompted insights, initiated change, and heightened the credibility of the family (f+). Poza (2007 p.277) suggests that an external perspective helps bring about positive change (f+) within the family firm by challenging the status-quo. In addition, family members who have a proven record of accomplishment working outside the family business heighten the family’s credibility (f+) and strengthen the value of their contribution on their return to the business. However, care must be taken such that external experiences improve, add value, and

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32 Pioneering feat at ABC includes adapting the concept of strata titling to commercial buildings. At SMG, it was turning management rights into tourist type accommodation. PMC was the first dealership of Australia manufactured automobiles. BDC was one of the first companies in construction and property development, at an era before the state became a major tourist destination. In all four cases, these feats were driven mainly by the founder’s ability to recognise and seize opportunity.
complement the firm’s internal processes. The studied case families maintain balance by incorporating external experiences to their internal experiences and adapt them to future strategies for the firm.

External experiences (i.e. the knowledge, skills, and abilities) can also be integrated into the firm through the recruitment of non-family professionals. The four cases suggest that when the experience required cannot be sourced within the family, the firm was prepared to look elsewhere to individuals that possess the required experience and who were able to blend in with the culture and the values that the family firm espouse. This suggestion identifies with previous works (Craig and Lindsay 2002; Ward 1988) highlighting the inclusion of external professionals as a source of skills and knowledge that is beneficial to the family firm.

Furthermore, having multiple generations of the family working concurrently in the business strengthens the family’s contribution and influence via their combined internal and external experiences. In the cases, the lack of one form of experience (internal or external) by one generation was usually balanced by the presence of this experience (internal or external) in another generation. The presence of multiple generations in the business results in an environment with a greater probability of having both internal and external, and old and new experiences. Such an environment allows the firm to continue differently. The challenge is to integrate and balance the different experiences such that founding values and cultures are retained while new knowledge and skills are integrated to adapt to changing environments. This integration is essential for long term performance advantage.

From the between-case analysis, concerning experience - insights and skills, proposition P1.2 which follows on from P1 is deduced to encompass the wider

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33 When ABC decided to venture into boutique hotels, an unrelated diversification from its current business activities, the firm hired a human resource manager specialising in hotel management. When SMG took management rights across into hotel accommodation, they hired a new CEO who had previously worked in the tourism industry. When PMC began restructuring, an external professional consulting firm’s services were acquired to manage change, a firm to which they still seek advice from today. In BDC, with both brothers in the 2nd generation pursuing diversified interests, the family is considering recruiting a new CEO to manage the groups portfolio of businesses.

34 Strategies that enable the balancing of multiple generations working in the firm is a topic for future research and is likely to be influenced by such factors as organisational life cycle of the business and the particular generation of the family involved and the nature of their experiences.
spectrum of firms classed as family firms, and as a basis for conducting future empirical research on the conditions under which familiness provides an advantage (f+).

**P1.2: Experience – insights and skills is most advantageous (f+) to the family firm when the family is able to manage it by balancing:**

(i) ‘inside-the-firm’ and ‘outside-the-firm’ experiences of family members to be complementary and continuously adaptive to changes, and

(ii) multiple generations working concurrently within the business.

### 5.3.3 Learning

All four cases highlight learning as an important resource dimension that facilitates the sharing and creation of knowledge\(^{35}\). Making learning a part of an organization’s DNA establishes a learning culture that positively influences performance and development. The recurrent patterns between the cases that showed how learning is leveraged to provide a competitive advantage are summarised in Table 5-4, followed by their discussion.

Learning in organisations is a unique form of an intangible resource by which an organisation is stimulated to continually accumulate, utilise, and share knowledge (Nonaka 1994). **Learning as a resource dimension has been most valuable because it has built-in both formal and informal methods.** Both forms of learning add value and co-exist within the cases, with each form having a unique role within the family business. Informal learning is learning that is predominantly unstructured, experiential, and non-institutional (Marsick and Volpe 1999) while formal learning is intentional and undertaken within an organised and structured context.

\(^{35}\) Unlike experience – insights and skills discussed previously, learning here is an organizational concept. **Learning** refers to a firm’s acquisition of new knowledge and skills to change the way the firm operates. **Learning** also relates to the firm culture of transferring knowledge (new or old) both informally and formally across generations. It may be argued that experiences foster learning. However this is not the case here where experience – insights and skills specifically refers to previous experiences that one draws on to address current and future situations. **Experiences – insights and skills** are generally identified with individuals. It includes routine processes that the individual has learnt through years of experience and continues to draw on to positively influence the firm’s outcomes. Learning is nurtured when individuals are engaged in new experiences that allow them to change their established routines.
Table 5-4: Learning between cases

<table>
<thead>
<tr>
<th>Pattern</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Informal</strong></td>
<td>Learning by observation and then participation, thus leading to experience&lt;br&gt;Critical in the transfer and sharing of values, norms, family culture&lt;br&gt;Occurs internally within the firm and mainly between family members&lt;br&gt;Requires clear communication, trust, and constant contact/interaction</td>
</tr>
<tr>
<td><strong>Formal</strong></td>
<td>Main means of acquiring of new knowledge, skills, practices. Mostly obtained externally e.g. industry accreditations, tertiary education, seminars by professional bodies&lt;br&gt;Initiates change&lt;br&gt;Also acquired via the recruitment of non-family professionals</td>
</tr>
</tbody>
</table>

Informal learning begins prior to joining the family business. Learning is impromptu and situated within the family social context and through social relationships. Learning occurred through engaging and observing the constant interaction that transpires between the family and the business. Informal learning required constant communication, interaction, and trust in order to impart knowledge effectively; qualities that are common to family firms (Aronoff and Ward 2001; Sundaramurthy 2008). Informal learning is made easier by close-knit family structures and strong family relationships (Hoover 1999; Stewart 2003). Strong trusting relationships creates environments conducive to collective learning.

The foundational values\(^{36}\) and culture of the family and the business are better learnt informally as these cases suggest. The informal processes of learning are channels through which the culture and values of the family and the business are learnt and transferred across generations. These channels, having developed over time are embedded within the social structure of the family and have unique evolutionary paths that make them difficult to imitate. They are idiosyncratic and tacit processes (Marsick and Volpe 1999) that represent a VRIN resource. Informal learning also allows for fast learning, provides a ‘just in time’ response to business needs, and can be a less expensive means of employee development. On entering the business,

\(^{36}\) Examples of family values that were taught informally in the cases: in SMG, it was learning about the value of money; in BDC, it was learning that failure was not to be feared; in ABC, one learnt at a young age that rewards followed hard work; and at PMC, one learnt that you could achieve anything if you set your mind to it.
informal learning continued via the informal patterns of practice integrated within daily business operations. In all four cases, informal learning occurred both within the home and the business, was continuous, and transpired mainly between family members.

Notwithstanding its immense contribution, informal learning has pitfalls (f-) that are highlighted by the cases. Firstly, informal learning methods are often ‘invisible’ and not documented and are prone to erosion if they are not continuously reinforced and practiced. They require good and strong teachers to encourage and promote an environment where the strategies and practices of learning informally continue across generations. A continuous reflection and examination of these practices must be maintained to monitor their consequences and ensure they add value (f+) to the firms learning environment. Secondly, informal learning practices must represent corporate learning and not remain exclusive to family members. This enables non-family employees (who have not grown up within the family) to learn about the family, the values, and culture of the family business.

However, informal learning alone cannot sustain the learning capability of a firm. The complexity and unpredictability of today’s business environment requires a firm to continually strengthen and build its knowledge capability, and formal learning can best address this. **Formal learning is important for acquiring new knowledge that is utilised for development and growth of the organization.** The cases showed little formal training conducted within the firms themselves, with formal learning mostly undertaken outside the firm. The recruitment of non-family professionals also brought employees into the firm who possessed extensive formal education. Balancing and integrating the informal and formal methods of learning within the studied cases was central to creating a learning environment that built the firms knowledge and strengthened their learning capability.

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37 Documenting informal practices may prove useful as a means of reinforcing their identification and recollection, especially for those practices that are value adding and advantageous to the firm. However, this documenting could result in a shift in these practices from an informal to a more formal stance and may or may not retain their value adding properties. This is a paradox where formalising informal processes can result in both advantages (f+) and disadvantages (f-).
From the between-case analysis, concerning learning, proposition P1.3 which follows on from P1 is deduced to encompass the wider spectrum of firms classed as family firms, and as a basis for conducting future empirical research on the conditions under which familiness provides an advantage (f+).

**P1.3:** Learning is most advantageous (f+) to the family firm when the family is able to manage it by balancing:

(i) the formal and informal processes of learning.

### 5.3.4 Decision Making

The recurrent patterns between the cases that showed how decision-making is leveraged to provide a competitive advantage is summarised in Table 5-5, followed by their discussion.

Decision-making processes in family firms are unique and different (Beckhard and Dyer Jr 1983; Ward 1987). They are a defining characteristic of family firms (Chrisman et al. 2003c) that differentiates them from non-family firms (Morris et al. 1997). This uniqueness arises out of the family’s influence, an influence that can both advance (f+) and/or impede (f-) effective decision-making. Exploiting the positive aspect of the family’s influence gives rise to more effective and efficient decision-making and creates a sustainable competitive advantage.

**Table 5-5: Decision Making between Cases**

<table>
<thead>
<tr>
<th>Pattern</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process</td>
<td>Decision-making is comprised of a mix of informal and formal processes. Each method type has been appropriate in different situations.</td>
</tr>
<tr>
<td>Forum</td>
<td>Decisions that have a significant influence on the business, both at an operations or strategic level, are ultimately the prerogative of the family after discussion and consultation with key persons within the firm. Employees have autonomy within their roles concerning everyday operational decisions.</td>
</tr>
<tr>
<td>Speed</td>
<td>Quick and agile at times, and other times cautious and slow.</td>
</tr>
</tbody>
</table>

**Decision-making processes are both formal and informal.** Formality in the decision-making process refer to those mechanisms and systems instituted within the firms that require certain decisions to be made within the confines of a specified
forum, at an agreed place and time. Formality in decision-making has incorporated clarity and professionalism into the firm’s decision-making processes. It has helped define the boundaries between strategic and operational decisions, and specified decision-making hierarchies. Informality here means that sometimes business decisions are made at various locations and in a variety of forums depending on the complexity and urgency of the decision. Although such informality in family firms is often viewed as careless and unprofessional (Dyer 1986), they can also make efficient decision-making channels (Daily and Dollinger 1992). Informality in decision-making has allowed these firms to react quickly to opportunities and the changing environment.

The informality/formality mix has both positive (f+) and negative (f-) effects (paradox). Too much informality lead to decisions being made arbitrarily (Goffee and Scase 1985), while too formal a system stifles entrepreneurialism in decision-making (Covin and Slevin 1991). Balancing the paradox of this informality/formality in the decision-making process is crucial for generating firm advantage. Across the cases, the informal/formal mix gave rise to competitive advantages because the firms made certain that instituted systems did not just add formality to the decision-making processes, but also leveraged the family informality to achieve strong integration and balance. In addition, the owners showed respect for the formal instituted decision-making processes and likewise non-family managers understood the intricacies of cultures in family firms where certain decisions are ultimately the prerogative of the owners.

**Decision-making is centralised within a dominant coalition but also involves collaboration from others.** Centralisation of decision-making is a typical characteristic of firms that are family controlled (Daily and Dollinger 1992; Goffee and Scase 1985; Poza et al. 1997). Control gives the family autonomy on the direction they choose to steer the firm (Cabrera-Suárez et al. 2001) and responsibility for the protection and perpetuation of the family wealth (Habbershon and Pistrui 2002). While the firm’s key decisions were concentrated within the family, input and suggestions from those external to the dominant coalition were common during decision-making. In this way, centralised decision-making did not function entirely in isolation, but involved the collaborative efforts of key persons and employees within
the firm. This allowed the family to remain flexible and responsive to the needs of the organisation when making key decisions. The centralisation of decision-making processes within the studied cases is successful when the collaborative input of employees is heeded, when there is a high level of involvement of the family in the business, and where there is frequent interaction of the family with employees of the firm.

**Decision-making is both quick and slow** (paradox). Quick decision-making, a typical feature of family firms (Kets de Vries 1993), is evidenced in these cases and this enables them to respond quickly to opportunities and changes in the environment. Quick decision-making is made possible by the high level of consensus and congruency present amongst the centralised decision-making group (in all four cases this group is the family), and the closeness and cohesiveness of family relationships. Participative decision-making and harmonization amongst the family has made it easier and quicker to make decisions (Davis 1983). Decisions in these four cases have not always been quick, with family disagreements, lack of information leading to uncertainty, and protection of the family wealth cause for delayed decisions. The presence of multiple generations within the business helps influence the speed of decision-making. The founders are quick to act on decisions based on intuition while subsequent generations prefer more formalised decision-making processes. Over time as the founding generation ages, their objectives regarding stability and protection of the family wealth is heightened (Martin and Lumpkin 2003). Simultaneously subsequent generations, now in positions of authority, are excited about growth and development and more accommodating towards taking risks and quick decisions. This changing orientation between generations influences the speed of decisions. Competitive advantage results in the ability to balance the stance taken by multiple generations within the firm and leverage their differences\(^{38}\). Multiple generations within the firm can behave as a check and balance mechanism that ensures decisions are neither too quick (premature) nor too slow to address needs, opportunities, and environment changes.

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\(^{38}\) In the four cases, this was mainly achieved through constant interaction and communication between generations that helped one generation to understand how and why the other generation acted in a certain way.
From the between-case analysis, concerning decision-making, proposition P1.4 which follows on from P1 is deduced to encompass the wider spectrum of firms classed as family firms, and as a basis for conducting future empirical research on the conditions under which familiness provides an advantage (f+).

**P1.4:** Decision making is most advantageous (f+) to the family firm when the family is able to manage it by balancing:

(i) the processes (formal vs. informal)
(ii) the forum (centralised vs. collaborative), and
(iii) the speed (fast vs. slow)

of decision making.

### 5.3.5 Relationships

Across the four cases, the recurrent patterns between cases that showed how relationships are leveraged to provide a competitive advantage is summarised in Table 5-6, followed by their discussion.

**Table 5-6: Relationships between cases**

<table>
<thead>
<tr>
<th>Patterns</th>
<th>Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong family-to-family bonds</td>
<td>Founded on trusting relationships, loyalty to the family, and altruistic behaviours that nurture stewardship amongst the family.</td>
</tr>
<tr>
<td>Capitalising on strain in</td>
<td>Strain in family relationships is seen as unavoidable. The family focuses on the positives that can emerge from the strain in family</td>
</tr>
<tr>
<td>relationships</td>
<td>relationships and capitalises on this. Positives such as change, development, or growth.</td>
</tr>
<tr>
<td>Strong Chief Emotional</td>
<td>The strong presence of the CEO is pivotal in managing the relationships within the business and especially among the family. The</td>
</tr>
<tr>
<td>Officer (CEO)</td>
<td>peacemaker who ensures harmony is maintained within the family.</td>
</tr>
<tr>
<td>Harmony with non-family</td>
<td>The presence of multiple generations of the family working within the business assists in ensuring good relationships between the</td>
</tr>
<tr>
<td>employees</td>
<td>family and the non-family employees within the business.</td>
</tr>
</tbody>
</table>

Perhaps the single most important element in the success or failure of a family business is the relationship among key members of the family (Hoover 1999). From a systems theory perspective, the family firm hold unique and complex relationships (Chrisman et al. 2003a; Habbershon et al. 2003) that arise out of the overlaps of the family, the business, and the owners (Tagiuri and Davis 1996). The ability to exploit
and leverage these complex network of relationships to the firm’s advantage enhances the firm’s performance (Eddleston and Kellermanns 2007).

**Multigenerational relationships that are embedded in trust, loyalty, and altruistic behaviour provide the firm with a long-term performance advantage.** The rarity and uniqueness regarding family firms arise out of the network of family relationships they comprise, some of which have spanned generations. Relationships embedded within the family firm and sustained over generations is of high importance, at times more so than profitability (Sharma et al. 2001). Harmonious relationships among the family provides the firm with an advantage that when capitalised, provides direct value to the long-term interests of the family and the firm (Donnelley 1964). Across the four cases, advantageous relationships were grounded in: trust (Sundaramurthy 2008) thus allowing the family to hold together in situations of uncertainty; loyalty (Haugh and McKee 2003) where family members would commit long hours and do what was required to keep the business alive; and altruistic behaviours (Karra et al. 2006) that emphasised a stewardship orientation over expected compensation. Relationships grounded in these themes strengthened family cohesion and harmony. These themes are consistent with Lumpkin et al. (2008) who suggested that loyalty and trust were dimensions that could represent a ‘family orientation’ construct.

**Strain in relationships are not always negative for the firm and can instigate change and growth within the firm.** Not all families in business have access to good relationships. Relationships can either limit (f-) or enhance (f+) the effectiveness of the family business (Dunn and Kaye 1999); a paradox. Strained family relationships have caused the demise of so many family empires (Beckhard and Dyer Jr 1983; Davis and Harveston 2001) because of their negative effect on business performance (Eddleston and Kellermanns 2007). Ward (1987) suggests that the family can work to make strain in relationships positive rather than negative in its effect on the business. In PMC, strain in relationships stimulated discussion on issues of governance and professionalising the business, and this led to the formulation of guidelines to govern the family and their privileges as shareholders. In BDC, strain in relationships led to the creation of two of the company’s subsidiaries, which helped generate cash flow for the firm when the firm’s core business was experiencing an industry downturn. In
these scenarios strain in relationships resulted in positive outcomes. These findings are consistent with those of Davis and Harveston (2001) who found that strain in family relationships both enhance and impede organizational processes and the attainment of organisational goals.

While there may be benefits (and seen here in hindsight), strain in relationships if not managed or controlled ultimately leads to catastrophic consequences (Eddleston and Kellermanns 2007). Two practices were highlighted across the cases that helped the family manage strain in relationships. Firstly, the role of the chief emotional officer is significant in the creation of harmonious relationships within the business. The ‘chief emotional officer’ (Aronoff 1998) played a significant role in maintaining peace within strained relationships. Across the four cases, women have dominated this informal and yet key role. Partly because of their listening and teamwork skills but also because the men have taken more active roles within the business, while the women have gradually gravitated to dealing with emotional and family issues (a key task of the chief emotional officer). However with the increasing involvement of women in family firms (Barrett and Moores 2009), their dominance in the role of ‘chief emotional officer’ may reduce, making the requirement for a ‘chief emotional officer’ even more demanding.

Secondly, multiple generations working concurrently in the business help manage relationship strains between the family and non-family employees. Relationships within the firm are not only compromised of family-to-family relationships. Maintaining good relationships with non-family staff are also important for nurturing a healthy and productive working environment. In the four cases, the presence of multiple generations working concurrently within the firm helped address strain in relationships between family and non-family employees. When the family, via one generation, faced difficulty in dealing with non-family employees, another generation would help strengthen that relationship by playing a mediating role. More than one generation in the firm gives rise to multiple perspectives and a blend of the new and the old.

39 In BDC, Venetia is accredited for keeping the family together amidst tensions in family relationships. At PMC, Gwen kept a communication flow between the two branches of the family intact during conflict. Similar roles were played by Joan in SMG and Kristene in ABC.
From the between-case analysis, concerning relationships, proposition P1.5 which follows on from P1 is deduced to encompass the wider spectrum of firms classed as family firms, and as a basis for conducting future empirical research on the conditions under which familiness provides an advantage (f+).

**P1.5:** Relationships is most advantageous (f+) to the family firm when the family is able to manage it by balancing:

(i) the themes of trust, loyalty and altruism embedded in family relationships,
(ii) the role of a strong chief emotional officer, and
(iii) multiple generations of the family working concurrently within the business so as to allow for easier management of relationships with non-family employees.

### 5.3.6 NETWORKS

Across the four cases, the recurrent patterns between cases that showed how networks are leveraged to provide a competitive advantage is summarised in Table 5-7. Networks play a central role in the emergence, growth, and development of firms (Penrose 1959). Firms establish networks to obtain access to resources. Specifically they forge business partners, access information, and reduce uncertainty (Miles and Snow 1978). The family’s influence on the firm’s network gives rise to a uniqueness that provides a source of competitive advantage.

The founder is central to the firm’s ability to access information and reduce uncertainty via the formation of the firm’s networks. The family’s influences, via ownership and control, have a direct effect on the formation of the firm’s networks (Aldrich and Zimmer 1986; Lester and Cannella 2006; Renzulli et al. 2000). Central to that influence is the founder, whose entrepreneurial characteristics and qualities (loyalty, trust, reputation) help in establishing network connections for the firm. These networks are often egocentric with the founder being the ‘ego’ (centre) around which the networks are formed. These networks are based on the elements of trust (Sundaramurthy 2008), reputation (Hall 1992), and strong family ties (Barney et al. 2003a); elements that are difficult to copy and are not easily substituted.
### TABLE 5-7: NETWORKS BETWEEN CASES

<table>
<thead>
<tr>
<th>Pattern</th>
<th>Form</th>
</tr>
</thead>
</table>
| Founder(s) influenced | The founder having established the firm also sets up the initial contacts and network of associations for the firm.  
These networks are ‘egocentric’ with the founder being the ‘ego’ (centre) around which the networks are formed.  
The founder’s reputation has enabled successive generations to forge new networks and rejuvenate old ones. |
| Informal and embedded in social structure of the family | The networks are mostly informal partnerships with close friends, acquaintances, and family.  
These are ‘strong’ network ties with a high level of trust and dependability because of the social ties in which the networks are embedded. They are not primarily economically motivated. |
| Transgenerational potential | Because networks are identified with the family, each successive generation has been able to access networks of their predecessors based on either the family name or their relationship to the predecessor.  
Multiple generations working concurrently within the firm have allowed transfer of networks from one generation to another.  
The commitment of each successive generation to nurture and protect old networks. |
| Continuous expansion | Building of new networks by every successive generation.  
Recruitment of non-family professional persons to senior managerial roles. These persons bring their association of networks into the firm.  
These ‘weak’ ties complement the ‘strong’ network ties of the family. |

**Networks and partnerships forged are embedded in informal and social relationships.** The cases highlighted networks as more identity-based where social identification with the network partner is as equally important as the economic benefit or resource the network tie provides. The networks are implicit and strongly embedded in informal and social relationships (Harvey 1999). The firm’s network ties are synonymous with the social networks of the family and these are likened to what Granovetter (1973a) refers to as ‘strong-ties’. Embedded within strong closeness and cohesiveness, these network ties are valuable and inimitable and a source of competitive advantage. Strong-ties as opposed to weak-ties (in Granovetter’s terms weak-ties may be of greater value than strong-ties) are more prevalent in the firms’ networks that are established by the family, because the social connectedness and structure of the family is embedded within these (Aldrich and Cliff 2003).
Networks have transgenerational potential because of the firm’s commitment to transferring, nurturing and developing these network ties over generations of the family. Transferability of networks determines the survival or the demise of the network across generations. The effective transfer of knowledge and networks across generations forms the basis of successful performance of the next generation (Cabrera-Suárez 2005). The successful transfer and sharing of networks from the founding generation to subsequent generations within the firm showcase the ability of these networks to survive across generations and beyond the founder’s demise (Davis and Harveston 1999). Furthermore, the long-term nature of these networks highlights the commitment to developing enduring relationships.

Two practices highlighted across the cases were central to transgenerational success. Firstly, the presence of multiple generations in the business provided the opportunity for the transfer of networks where the incumbent generation would engage the incoming generation in networking activities. Gersick et al. (1997) noted that having more than one generation in the business gave rise to an easier and richer transfer of knowledge across generations. Network transfers were most successful in those cases where the incumbent and incoming generations spent time working together in the business. This is because the transfer of networks involves a slow evolutionary process (Handler 1990). Secondly, transgenerational success of networks was assisted by the commitment of subsequent generations to continuously strengthen and develop existing networks. They were also committed to engaging in building new networks. Long-term success requires firms to move beyond their existing networks in the search for new and additional resources that will support continued growth (Hite and Hesterly 2001).

Furthermore the recruitment of professional non-family managers helps expand the firm’s access to networks. These managers assist in identifying new network opportunities (Arregle et al. 2007) and thus serve as a source of weak-ties (Granovetter 1973a). Weak ties are pivotal in reducing uncertainty (Granovetter 1973b; Miles and Snow 1978) via the expansion of more formalised networks. In this way ‘weak ties’ complement the ‘strong ties’ existent within the socially embedded family influenced networks. The presence of both strong and weak ties within family firms allow for bonding and bridging (Salvato and Melin 2008) of networks.
From the between-case analysis, concerning *networks*, proposition P1.6 which follows on from P1 is deduced to encompass the wider spectrum of firms classed as family firms, and as a basis for conducting future empirical research on the conditions under which familiness provides an advantage (f+).

**P1.6:** *Networks are most advantageous (f+) to the family firm when the family is able to manage it by balancing:*

(i) *the founder’s ability to influence networks in subsequent generations (even after their demise),*
(ii) *the forged partnerships built on strong ties that are embedded within the social structure of the family,*
(iii) *the commitment of subsequent generations to nurture old networks and build new ones,* and
(iv) *the recruitment of professional non-family managers to expand the firm’s access to networks via weak-ties.*

**5.3.7 SUMMARY RQ1**

The six resource dimensions that constitute the familiness model were discussed. These dimensions were recurrent and most prevalent across all four cases, and were strongly family influenced. Their importance established their inclusion in the familiness model (Figure 5-1). Further analysis of these dimensions between cases identified patterns suggestive of a paradoxical nature. Example of paradoxical relationships (discussed earlier) within the characteristic patterns of the familiness dimensions, are provided in Table 5-8.

Balancing (or managing) these paradoxes give rise to advantages (f+) for the firm while the inability to do this resulted in disadvantages (f-). Propositions suggested earlier are summarised in Table 5-9. The proposition, stated in the affirmative, now demand future empirical analysis. We next turn to addressing RQ2.
### Table 5-8 Paradox Examples in Familiness Dimensions

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Paradox (within the characteristic patterns)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reputation</td>
<td>The founder’s strong reputation presents a source of advantage for the firm and subsequent generations but it also places immense pressure and can hinder the ability of subsequent generations to establish their own reputation.</td>
</tr>
<tr>
<td>Experience – insights &amp; skills</td>
<td>Outside the firm experiences are important for generating new skills and knowledge into the family business yet at the same time they can be in conflict with the values and the culture of the firm that has been passed down over generations of the family.</td>
</tr>
<tr>
<td>Decision-making</td>
<td>Quick decision making have allowed agility and responsiveness to opportunities and threats. It has also led to expensive losses for the firms.</td>
</tr>
<tr>
<td>Learning</td>
<td>Informal learning has allowed the passage of the firm’s culture and values across generations. It has also been a channel for the passage of not so desirable habits.</td>
</tr>
<tr>
<td>Relationships</td>
<td>Strain in relationships that both enhance and impede organisational processes.</td>
</tr>
<tr>
<td>Networks</td>
<td>Weak ties expand a firm’s access to networks, information, and opportunities. However they are more distant, financially driven, less loyalty (in comparison to weak ties)</td>
</tr>
</tbody>
</table>

### 5.4 Familiness and EO (RQ2)

Up until now, discussion has centred on the six resource dimensions that constitute familiness. Maintaining that familiness advantage (f+) via these dimensions sustains the firm’s competitive advantage (Barney 1991; Habbershon and Williams 1999) and increases the chances of the firm’s survival in the marketplace. However, survival requires much more than simply having access to these resource dimensions (Sirmon and Hitt 2003). Lyon et al. (2000) assert that a resource advantage that supports an enterprising disposition is essential if the family firm is to grow and survive across generations. This section examines how the familiness resource dimensions influence entrepreneurial activity through the firm’s EO.
### Table 5-9 Summary of Propositional statements

<table>
<thead>
<tr>
<th>Human</th>
<th>Organisational</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P1:</strong> Familiness is most advantageous (f+) to the family firm when its paradoxical nature is understood and managed according to prevailing conditions.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>P1.1:</strong> Reputation is most advantageous (f+) to the family firm when the family is able to manage it by balancing:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iv) the symbiotic relationship between the reputation of the firm and the reputation of the family,</td>
<td><strong>P1.3:</strong> Learning is most advantageous (f+) to the family firm when the family is able to manage it by balancing:</td>
<td></td>
</tr>
<tr>
<td>(v) the ability to positively leverage the founders reputation while ensuring subsequent generations do not live in the shadows of the founder, and</td>
<td>(ii) the formal and. informal processes of learning.</td>
<td></td>
</tr>
<tr>
<td>(vi) the desire to protect and build inherited reputational capital without foregoing developmental opportunities.</td>
<td></td>
<td><strong>P1.5:</strong> Relationships is most advantageous (f+) to the family firm when the family is able to manage it by balancing:</td>
</tr>
<tr>
<td></td>
<td>(iv) the themes of trust, loyalty and altruism embedded in family relationships,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(v) the role of a strong chief emotional officer, and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(vi) multiple generations of the family working concurrently within the business so as to allow for easier management of relationships with non-family employees.</td>
<td></td>
</tr>
<tr>
<td><strong>P1.2:</strong> Experience – insights and skills is most advantageous (f+) to the family firm when the family is able to manage it by balancing:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) ‘inside-the-firm’ and ‘outside-the-firm’ experiences of family members to be complementary and continuously adaptive to changes, and</td>
<td><strong>P1.4:</strong> Decision making is most advantageous (f+) to the family firm when the family is able to manage it by balancing:</td>
<td></td>
</tr>
<tr>
<td>(iv) multiple generations working concurrently within the business.</td>
<td>(iv) the processes (formal vs. informal)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(v) the forum (centralised vs. collaborative), and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(vi) the speed (fast vs. slow)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>of decision making.</td>
<td><strong>P1.6:</strong> Networks is most advantageous (f+) to the family firm when the family is able to manage it by balancing:</td>
</tr>
<tr>
<td></td>
<td>(v) the founder’s ability to influence networks in subsequent generations (even after their demise),</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(vi) the forged partnerships built on strong ties that are embedded within the social structure of the family,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(vii) the commitment of subsequent generations to nurture old networks and build new ones, and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(viii) the recruitment of professional non-family managers to expand the firm’s access to networks via weak-ties.</td>
<td></td>
</tr>
</tbody>
</table>
5.4.1 Cases and their EO

The EO of the cases as concluded from the within-case analyses is briefly revisited, prior to looking at the familiness influence on EO between cases (RQ2). The EO of the four cases, relative to each other, is shown in Table 5-10 as determined from their responses in the interviews and their history of involvement in entrepreneurial initiatives. All four firms, founded by confident and determined entrepreneurial founder(s), started out as enterprising organisations. At the start-up stage all firms displayed high EOs and these were largely an influence of the founder’s entrepreneurial stance. Over time, the EO’s of these firms have evolved with the growth and development of the founder, the family, and the firm. Greater involvement of external managers, increased employee numbers, bigger families, greater formalisation, and aging founders have all contributed to the changing EO across the firms.

<table>
<thead>
<tr>
<th></th>
<th>ABC</th>
<th>SMG</th>
<th>BDC</th>
<th>PMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>S</td>
<td>M</td>
<td>W</td>
<td>W</td>
</tr>
<tr>
<td>Proactiveness</td>
<td>S</td>
<td>S</td>
<td>W</td>
<td>W</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>S</td>
<td>W</td>
<td>S</td>
<td>M</td>
</tr>
<tr>
<td>Overall</td>
<td>S</td>
<td>M</td>
<td>W</td>
<td>W</td>
</tr>
</tbody>
</table>

**Table 5-10: EO across cases**

S – Having a stronger propensity for the dimension  
W – Having a weaker propensity for the dimension  
M – Having a moderate propensity for the dimension  
(Note: the S, M, and W measures given to a case are measured relative to the other cases)

ABC, relative to the other firms, is seen as portrays the highest EO while BDC and PMC share the lowest. A low EO does not necessarily signify a struggling firm and likewise neither is a high EO always suggestive of high performance (Lumpkin and Dess 1996). The EO, being a firm level concept, is heavily influenced by a firm’s strategy (Miller 1983) as in BDC and PMC40. A firm’s environment also influences

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40 The relatively low EOs in these two firms results from an adoption of a stability strategy (BDC) and a focus on restructuring and streamlining operations (PMC).
its EO (Miller 1983, 1987) as in the case of ABC and SMG\textsuperscript{41}. A firm’s strategy and environment clearly influence its EO. Notwithstanding firm strategy and environmental conditions, it was proposed earlier that familiness plays a more potent role in influencing the firm’s EO. This is discussed next.

5.4.2 Familiness and EO between cases
The influence of resource dimensions on EO (innovation, proactiveness, risk-taking) varied between firms. Of the six dimensions identified in the familiness model, only three dimensions were recurrent across the cases concerning their influence on EO: experience - insights and skills, decision-making, and networks (see yellow shaded, column L, Table 5-1). The other three dimensions of the familiness model namely reputation, learning and relationships showed little (or no) association with EO. Habbershon (2005) suggests that the influence of the family can be viewed from six different orientations: entrepreneurial, learning, communication, market, organizational, and strategic. It could be contended that the resource dimensions of reputation, learning, and relationships may be more closely associated with a market, learning, and communication orientation respectively. Given our focus is only on EO, these three dimensions will not be discussed further. Discussion now focuses on how the between-case patterns (seen earlier in Section 5.3) within the three dimensions (experience - insights and skills, decision-making, and networks) influence EO.

5.4.2.1 Experience – insights and skills
The experiences encountered by these firms\textsuperscript{42} (within which the experiences of the family are central) led to engagement in entrepreneurial behaviours thus defining their EO. Table 5-11 provides data (from interview quotes) that highlight how experiences (internal and external) influence the firm’s ability and propensity to engage in entrepreneurial activities. Different experiences, both internal and external, produce

\textsuperscript{41}Booming property development and thriving industries has helped support entrepreneurial ventures.

\textsuperscript{42}ABCs experience of strata titling in residential buildings led to its innovative pioneering work with commercial buildings that sustained the company for over ten years. SMG’s vast experience within the management rights industry equipped the firm with skills and knowledge that saw the successful trading of more than ten management rights properties. BGD’s experience within the construction and property development allowed the company to see industry needs that were deficient and this led to the creation of its subsidiary company. External experience in car dealerships led to the restructuring and streamlining of PMC.
different effects on the EO dimensions. Importance resides in ensuring that the association between the experiences attained and the firm’s EO dimensions lead to entrepreneurial outcomes that provide the firm with a competitive advantage, since it is equally possible for experiences to conform to a status quo (Mintzberg 1973; Stevenson and Jarrillo-Mossi 1986) and constrict entrepreneurial behaviours.

Internal experiences were more closely associated with risk-taking initiatives, while external experiences featured more prominently when it came to innovation. Internal experiences usually focused on strengthening the firm’s internal skills and abilities and on what they do best (Miller and Le Breton-Miller 2006). These firms showed a greater propensity to take risks when the venture is related to the firm’s competitive strength. External experience on the other hand functioned more as a means of acquiring new knowledge and thus was more prominent when it came to innovation and new endeavours. External experiences via non-family professionals were valuable in situations where the required experience could not be sourced internally. In this way, non-family professionals strengthened the firms’ experiences and its proclivity for entrepreneurial activity.

Across the cases, the insights of the founders’ were highly associated with the firms’ entrepreneurial outcomes, especially the ability of the founders to recognise opportunity (refer Table 5-12). This resonates with the exploratory findings of Kellermans et al. (2008) that unique characteristics of individuals within the family may drive entrepreneurial behaviour at the firm level. Not surprising, since the founders are entrepreneurs and often the primary source of policies and strategies or heuristics that influence entrepreneurial decisions (Alvarez and Busenitz 2001).
**Table 5-11: Experience and EO**

<table>
<thead>
<tr>
<th>Case</th>
<th>Experience Type</th>
<th>How EO is Affected?</th>
<th>Supporting Interview Quote</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTERNAL EXPERIENCE</strong></td>
<td>Experience with strata titling in residential flats led to its successful adaptation in commercial property development (ABC)</td>
<td>Increase firm innovation, risk-taking, and proactiveness</td>
<td>The biggest change was to go from flats and residential development and into commercial buildings. That is when the business just stepped up to a completely new level in terms of financing by these big buildings. The expertise that dad and his dad developed of space saving and how to strata up small offices, that’s when it really came into fruition (Adam)</td>
</tr>
<tr>
<td></td>
<td>The ‘near demise’ experience of the business has led to a more cautious and alert approach to new projects and capital borrowing (ABC)</td>
<td>Less risk-taking</td>
<td>Everything you do is a risk you just have to minimise your risk. I have come unstuck once I do not want it to happen again. I do not want these guys to get into the mess I got into in 1989 and we do not over gear, we’ve got a lot of our own capital into our projects now. If you don’t over gear you can ride the storm out but there’s a storm happening at moment (Darrel)</td>
</tr>
<tr>
<td></td>
<td>Industry experience gained via first mover advantage equipped the firm with knowledge and confidence in trading of management rights properties (SMG)</td>
<td>More proactive and risk-taking</td>
<td>He had an understanding of all aspects of the business and was able to make a proper decision. For several years, he worked within the body corporate, which is a main section of management rights. He was leading one of the organisations, QRMA, for quite a while and just the hands on approach and understanding the business back to front (Donald)</td>
</tr>
<tr>
<td></td>
<td>Experience of 2nd gen. in successfully completing their first project led to the other development projects (BDC)</td>
<td>Increased confidence to risk-taking</td>
<td>I think building the backpackers resort was a very important project for the family. Benito and I did our first development project for BCD. I think that gave us the confidence to keep going and the experience helped us to take risks and grow. (Marco)</td>
</tr>
<tr>
<td></td>
<td>Experience with regards to the difficulty in sourcing building materials gave rise to diversified subsidiaries (BDC)</td>
<td>Increase risk-taking and innovation</td>
<td>For the last few years, I formed up a company called X. We supply building materials to major builders and developers in the area. We are planning to do a couple of more projects now. With the experience that I have learnt from different fields in development, BDC would be a step ahead than how we used to be. (Marco)</td>
</tr>
<tr>
<td></td>
<td>Experience in auditing dealerships led the founder to acquire his own dealership (PMC)</td>
<td>Increased proactiveness and risk-taking</td>
<td>One of his strengths was that he saw opportunities. That was from his accounting background. He saw the opportunities where he could make improvements. He was a bit of a risk-taker as well. I am very risk-averse because of what happened to the company years ago and now I am very careful. He was a lot more risky in what he was doing. In making such big acquisitions all the time, but it worked for him, worked for the business. (Gwen)</td>
</tr>
<tr>
<td><strong>EXTERNAL EXPERIENCE</strong></td>
<td><strong>More innovative and proactive</strong></td>
<td><strong>More innovative</strong></td>
<td><strong>Increased innovativeness</strong></td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------------------------</td>
<td>---------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Experiences in gained in travelling and a plateau in commercial and residential development led to investment in boutique hotels (ABC)</td>
<td>More innovative and proactive</td>
<td>Everything we do has come from somewhere. Come from travelling, from seeing that hotel in Italy or in Colorado. So it’s all the combination of the experiences and that’s probably why my father has such a creative mind because he just picks up ideas wherever he goes (Adam)</td>
<td></td>
</tr>
<tr>
<td>Experience with difficulty sourcing accommodation as a student led to the formation of a subsidiary (SMG)</td>
<td>More innovative</td>
<td>I started up a company called the accommodation people that handled all off-campus accommodation for a University (Donald)</td>
<td></td>
</tr>
<tr>
<td>International exposure gave new insights and ideas that were incorporated into the buildings and the finishes (materials) (BDC)</td>
<td>Increased innovativeness</td>
<td>I think the international experience we have. I travel every five weeks and I always wanted to see what’s out there, and I think that is important, the research and development and looking at new ideas, going to the new fares, and doing a lot more learning (Benito)</td>
<td></td>
</tr>
<tr>
<td>External advice from experienced professionals allowed Jake III to implement changes (PMC)</td>
<td>Proactive in terms of processes, performance</td>
<td>There is one person there, who still works for us today…He is the most experienced one. He has done a lot of change management. He has had his own businesses and very successful in his own right. So with this huge change program, before I did a thing I always seek his advice, what are your thoughts, how do I do it? (Jack III)</td>
<td></td>
</tr>
<tr>
<td>Experience working for other dealerships equipped Jake III with a greater understanding of PMCs business and an external perspective of operations (PMC)</td>
<td>More proactive, risk-taking</td>
<td>I was also working at BMW; belonged to a friend of mine. So while I was up there I kept saying do we do this at PMC, do we do this? So Mum flicked an email at the CEO and the CEO go do not do that. Mum was starting to ask real industry specific questions. Because he knew that if he answered them, he would be in trouble. That was how the change process started. (Jack III)</td>
<td></td>
</tr>
</tbody>
</table>
While the founders dominated the insights and skills in the firms’ early formative years, subsequent generations have maintained the entrepreneurial ability of the firms via their commitment to innovation, development, and growth. Under the leadership of the 4\textsuperscript{th} generation, ABC more than tripled in size since it was founded. The 3\textsuperscript{rd} generation at PMC restructured and reengineered business processes, increasing the firm’s profitability. The 2\textsuperscript{nd} generation at BDC championed two of the company’s subsidiary businesses, and SMG continue to revolutionise the management rights industry with the company making the 2008 best performing companies listed in the state within which it operates. At the core of these entrepreneurial feats, are the experiences of the firm and the family who have sustained an entrepreneurial mindset across generations. In summary, the presence of internal and external experiences within family firms is positively associated and beneficial to strengthening the firm’s EO.

**TABLE 5-12: OPPORTUNITY RECOGNITION AND EO**

<table>
<thead>
<tr>
<th>INSIGHT AND SKILLS</th>
<th>EO DIMENSION (OUTCOME)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dad (4\textsuperscript{th} gen, ABC) would walk into an apartment and he does not look at it as normal people do. He is looking at the space. He did not notice anything a normal person would notice. He just sees where it has missed out, where you could have put something, how it is designed. His mind is switched on to space design (Adam – 5\textsuperscript{th} gen)</td>
<td>Innovation</td>
</tr>
<tr>
<td>Clever use of space launched the concept of strata titling which was used in both residential and commercial buildings. The concept proved very successful and became the firm’s core business. ABC was considered a pioneer in strata titling.</td>
<td></td>
</tr>
<tr>
<td>Dad (founder SMG) saw a 300 unit residential complex with reasonably nice facilities. He was quite persistent that despite it being on the western side of the highway (i.e. not a beachfront) and primarily residential in nature, it had the potential to be a popular tourist attraction. He convinced the people to go ahead and market it as a holiday unit. He gave them the full support...Look at it today, 3-4 years later; an amazing property (Donald – 2\textsuperscript{nd} gen)</td>
<td>Proactive</td>
</tr>
<tr>
<td>Saw the future potential of the facility before anyone did and quickly acted on making it a reality</td>
<td></td>
</tr>
<tr>
<td>Innovation</td>
<td></td>
</tr>
<tr>
<td>Transformed residential management rights property into a tourist accommodation facility. Thereby the management rights sector.</td>
<td></td>
</tr>
<tr>
<td>Dad (founder BDC) was fearless, he knew what he wanted and he did it. No hesitation is one of his biggest strengths. He can see something before other people can see it. He recognises the opportunity. “Oh that’s a new shop, I’d go in there”. He was the first one there; as soon as he is in there, ten people are behind him. He is a pioneer. He has his own business acumen and his instincts, which he always had to trust, and he was never afraid to use it (Benito – 2\textsuperscript{nd} gen)</td>
<td>Risk-taking</td>
</tr>
<tr>
<td>Bought buildings and land when he saw their potential. These assets would become very valuable years after their purchase. Fearless in approaching high-risk venture projects.</td>
<td></td>
</tr>
<tr>
<td>Dad (founder PMC) used to do the books and auditing of car dealerships. When he was doing this, he realised that car dealerships was a good business. He went and began purchasing car dealerships. Then he started a small department store up in the country (Gwen – 2\textsuperscript{nd} gen)</td>
<td>Proactive</td>
</tr>
<tr>
<td>Saw the potential of the dealership market and launched the business.</td>
<td></td>
</tr>
</tbody>
</table>
5.4.2.2 DECISION-MAKING

The process of decision-making within family firms influences the firm’s proclivity for engaging in entrepreneurial activity as illustrated in Table 5-13 using data from the cases. Speed in decision-making (Heck et al. 2006; Kets de Vries 1993), informality in decision-making (Daily and Dollinger 1992) that co-exists with some degree of formality, and concentration of key decisions within the family (Goffee and Scase 1985; Poza et al. 1997) that incorporates employee collaboration are the patterns evident between the cases. These patterns suggest firms that exemplify a hybrid mode that mixes entrepreneurial and planning modes (Mintzberg 1973). The quick decisions, informality, and concentration of decision-making suggest an entrepreneurial mode, while the occasional delayed decisions, collaborative decision making, and some formality are typical of a planning organization. This hybrid mode characterises the decision-making processes evident between the cases.

Informality in family firms has been identified as a hallmark of the ability of family firms to move quickly, adapt quickly, and avoid the bureaucracies that entail more formalised structures and mechanisms. Agility in decision-making has been central in the response of these companies’ to, and pursuit of, entrepreneurial opportunities. Concentration of key decisions within the family owning unit gives them the autonomy to steer the firm in the direction that satisfies the goals and objectives of both the family and the firm.

However, too much informality, decisions made too quickly, and decisions made strictly within a dominant coalition can constrict firm performance (Daily and Dollinger 1993). Multiple generations in the dominant coalition with differing approaches to decision-making help counter decisions that are premature. Formal controls helped balance informality by creating a ‘formally informal’ or ‘informally formal’ (Moore and Barrett 2002 p.106) approach to decision making. The dominant coalition group’s collaborative approach of listening to ideas and suggestions from employees, keeps decisions relevant and in tune with the organisation. These checks and balances have proved crucial in generating entrepreneurial advantage and sustaining continuity in these firms. In summary, the speed of decision-making, its degree of informality/formality, and the exclusiveness of restriction to a dominant coalition (concentrated) influences the firm’s EO.
<table>
<thead>
<tr>
<th>CHARACTERISTIC OF DECISION</th>
<th>DECISION MAKING PROCESS</th>
<th>OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Speed</strong></td>
<td>Fast</td>
<td>The great thing about family businesses that are entrepreneurial is that there are no restrictions. There is no board to approve it; there is no long process. It happens quickly, it happens straight away (ABC)</td>
</tr>
<tr>
<td><strong>Slow</strong></td>
<td>Do not make decisions in hot-blood. Take it easy. You like this, all right, it is beautiful, but do not get over the moon and sign papers in 24 hrs. Wait and wait, keep doing your homework. When the blood gets cold, reassess the situation and make a decision. Never sign papers in hot-blood. (BDC)</td>
<td>Cautious approach to new business ventures</td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td>Formal</td>
<td>We have board meetings once a month. We make all those decisions. We talk about it. Then we all think about it. Everyone does some homework. We all sit down and we all talk together about things. That is how we make the decisions (PMC)</td>
</tr>
<tr>
<td></td>
<td>Informal</td>
<td>They have really turned this forest into a construction site; I told dad over dinner. We went down there for an inspection to visit one of my friends who was living in the complex. Dad became comfortable with it. We then reached out to the developer and said hello how is it going, let us have a cup of coffee. They work in a very similar fashion. Very informally, softly dad had a good feel for the property and then we proceeded from there. Most of the allocation of capital decisions historically have been done in that sort of format (SMG)</td>
</tr>
<tr>
<td><strong>Forum</strong></td>
<td>Centralised</td>
<td>Daily decisions are made through me. The family will agree in certain areas where each individual would like to be involved. We provide a plan and everyone has a say. Ultimately, with large decisions we have to get consensus from all of us (BDC)</td>
</tr>
<tr>
<td></td>
<td>Collaborative</td>
<td>We have created a little committee. We have been having these meetings...Talk about strategy and is that the direction we want to go and so we are sort of doing it as a joint committee. But I guess the ultimate decision comes down to dad and I (ABC)</td>
</tr>
</tbody>
</table>
5.4.2.3 NETWORKS

Network is the third of the three dimensions found to be associated with EO. In section 5.2.5 networks in the cases were identified as consisting of strong and weak ties (Granovetter 1973a). The strong ties are likened to informal networks (e.g., social capital) where the identity of the actors in the network is as important as the benefit received from the network. The weak ties are the formal networks (e.g., banks, auditors, lawyers) that are typically governed by contractual agreements and based on economic rationality. Across the cases, networks within the firms were pivotal in the engagement and pursuit of entrepreneurial activity (Greve and Salaff 2003) by detecting opportunities and acquiring resources to exploit those opportunities (Aldrich and Zimmer 1986; Low and MacMillan 1988). Table 5-14 provides illustrative examples of how networks in the cases influenced their EO.

All economic activity is embedded in social relations (Granovetter 1985). Informal networks were embedded in social ties that comprised mainly of strong ties within the family and between family and acquaintances. Informal networks were central in the provision of resources to support the firm’s efforts in entrepreneurial engagement. Greater trust and reciprocity in these ties led to a greater willingness in the network partners to engage resources, often in situations of uncertainty and risk. These resources included capital, social support, and human resources that were valuable to the firm’s engagement in entrepreneurial ventures.

Formal networks reinforced the informal networks already existent within the firms. They were valuable in the acquisition and provision of explicit knowledge, thereby reducing uncertainty and thus enabling the firm to better predict and detect available opportunities. Formal networks consisted largely of weak ties (e.g., banks, auditors, lawyers). Granovetter (1983) suggests that the greater the number of weak ties, the greater the availability of information. Information garnered through weak ties was an important source of new ideas (opportunities) and new knowledge, which strengthened the firm’s confidence and engagement in entrepreneurial activity. The recruitment of non-family professionals further expanded the firm’s scope of formal networks.
<table>
<thead>
<tr>
<th><strong>Network</strong></th>
<th><strong>Example Quotes</strong></th>
<th><strong>Outcomes</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Informal (Strong ties)</strong></td>
<td>I then got in touch with a good mate of mine...And we used to sit for hours talking about the business cause they were 10 years older than me they had a lot of experience. We spent a lot of time bouncing ideas off each other. He was really mentoring me through out that process. As it turns out, he became an investor in a securities firm...and they were the group we used to come in and actually make the change (PMC)</td>
<td><strong>New process innovation</strong> achieved in PMC via company restructuring which was championed by the 3rd generation and was mentored, advised, and assisted via a friendship-based network</td>
</tr>
<tr>
<td></td>
<td>And then from that he used his close relationships with the wholesalers in NZ and Australia to convince them that this unknown property on the western side of the highway with no beach views could be something special (SMG)</td>
<td><strong>New venture creation:</strong> the founder had developed close relationships with wholesalers over a period of 20 years in the industry. These relationship networks made possible the creation of SMG’s most profitable management rights building and its subsequent success</td>
</tr>
<tr>
<td></td>
<td>The first building project we did was a backpacker apartment which was really significant for me...because that was where Marco and I came together but we lost it because we realised this wasn’t working and so our cousin came in. That was good at that time. He was ten years older and he ran it. So we were just looking at everything and sort of redefining ourselves in it (BDC)</td>
<td><strong>New product innovation</strong> i.e. the backpackers building. Here the use of extended family to come in and assist in the business during times of hardships</td>
</tr>
<tr>
<td></td>
<td>Over the years, the firm has built many relationships with subcontractors and trusted suppliers - many of whom have become friends and have been working with the company for 30 years or more (ABC)</td>
<td>Friendships that have lasted decades are valuable networks and sources of resources for the business</td>
</tr>
<tr>
<td><strong>Formal (Weak ties)</strong></td>
<td>The CEO has come from the tourism sector so he has many contacts in his own right and Neil who is the manager of one of our properties has come from hotels. They have both got contacts from a different sector as opposed to what mum and dad have had which is specifically management rights and strata title (SMG)</td>
<td></td>
</tr>
<tr>
<td>------------------------</td>
<td>----------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Networks based on contractual agreements and conditions. Formed with partners and typically based on the cost and benefit of the network relationship.</td>
<td>Our networks are to do with other professionals. Like property valuers, or architects, or banks. We make a lot of effort to build connections with them. We invite them to functions, you know that sort of thing. We make strategic alliances with people who are going to help us with our business. Especially banks and things like that (ABC)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Our credit was always intact; we never stopped paying the banks. My husband loves to work with bank money, never with his money. That is why he said always pay your interest on time. That is very important and do not lose this principle. The kids have to always, even if you do not have any money to eat, but the interest to the bank the credibility that is very, very important. That is why we have strong network with the banks (BDC)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dad also used to do the books the auditing for the car dealerships. Then when he realised that car dealerships was actually a good business he went and bought car dealerships (PMC)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-family professionals are pivotal as sources of formal networks. They enable expansion of the firm’s networks and opportunities. External professionals also bring new knowledge to the firm.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Networks formed based on strategy and alignment to achieve the company’s ends.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The strong networking relationship with banks provides BDC with accessibility to capital that allows the firm to fund its property development projects. The availability of capital allows the firm to pursue entrepreneurial activities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dealership clients for the founder’s previous accounting firm provided knowledge about that industry and allowed the founder to see opportunity and subsequently launch PMC</td>
<td></td>
</tr>
</tbody>
</table>
Networks within the cases suggest that both formal and informal networks operate as complements rather than substitutes. The mobilisation of both informal and formal networks was necessary for igniting entrepreneurial activity within the firms via detecting opportunities and acquiring resources. The informal-formal environment within the cases allows formal networks to interface with the informal networks to create an entrepreneurial culture that influences entrepreneurial activity within these firms. In summary, the presence of formal networks gives the family firm better excess to explicit knowledge and information that helps reduce uncertainty and increases the firm’s ability to detect and respond to opportunities. Likewise, the presence of informal networks gives the family firm greater excess to resources that can be mobilised for engagement in entrepreneurial activity that involves high risk and uncertainty.

5.4.3 PROPOSITIONAL STATEMENT (RQ2)

Of the six resource dimensions identified in the familiness resource model (refer Figure 5-1), three dimensions presented themselves as most influential in their association with the firm’s EO. Following their discussion in Section 5.4.2, the following proposition is deduced as a basis for conducting future empirical research and is diagrammatically represented in Figure 5-2.

P2  Experience - insights and skills (internal and external), decision-making (speed, formality, forum), and networks (formal, informal) are strongly associated with a firm’s EO (innovation, proactiveness, risk-taking)

These three resource dimensions were most relevant (out of the six resource dimensions) to the firm’s EO. Previous experiences, both internal and external, gave the firm confidence in engaging in proactive, innovative, and risk-taking practices. The form of decision making that balanced formality, speed, and composition of forum allowed the firm to adequately respond and act on opportunities. Networks, consisting of both formal and informal ties, reduced uncertainty by giving the firm access to information and resources. The next section explores the association between EO and non-financial performance across the four cases.
5.5 **Non-financial performance and EO (RQ3)**

Financial\(^{43}\) and non-financial performance objectives (NFPO) are equally important in any business. The focus here is on NFPO (see Section 2.5.3). Between the four cases the NFPO that these firms deemed most important were *continuity, unity and harmony*, and *growth*. All three objectives are closely associated with the family. The family’s ownership, influence, and control, make these three objectives the most prominent NFPO evident between the firms. These are next defined according to how they are interpreted by the participants within the cases.

### A. Continuity

Continuity of the business within the family has long been recognised as a non-financial objective of family firms (Aronoff and Ward 2001; Beckhard and Dyer Jr 1983; Leenders and Waarts 2003). Within these cases, continuity is expressed as the desire to ensure the family business is successfully transferred from the incumbent

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\(^{43}\)Although the focus is on non-financial objectives, I briefly discuss here the financial positions of the cases as gleaned from the interviews. A criterion in the selection of a case (refer chapter 3, section 3.5.1) was a family business that was relatively successful in comparison to the industry average and showed signs of growth. All firms stated (in interviews) performances above the industry average in terms of cash flows, and healthy gross profit over the last three years. However between the cases, ABC and SMG are financially healthier due to aggressive and active involvement and engagement in various business ventures over the last two years. Also BDC and PMC have in the last year being more preoccupied with stability, consolidation, and restructuring of their businesses. However overall it is safe to say that the four cases, relative to the industry, are financially stable at the time of this research.
generation to the succeeding generation, and where ownership remains within the confines of the family. Continuity thus means successful succession and retention of family control. A successful succession suggests congruence between generations (incumbent and incoming) and control gives the family the responsibility of protecting and perpetuating the family wealth across generations. Continuity resonated more strongly within ABC and BDC, then with SMG and PMC. In ABC, after five generations of family ownership, continuity was not questioned, but rather expected as it was ingrained within the culture of the business. The business was their way of life and to cease the business would be equivalent to ceasing life. At the relatively younger BDC, continuity is inspired by ‘rags to riches’ stories of the firm’s migrant founders that became the drive for subsequent generations. In all the four cases continuity was more strongly emphasised by the founding generation than subsequent generations, as a result of the strong affective commitment (Sharma and Irving 2005) of the founders. In SMG, normative commitment (seeing involvement in the business as more obligatory) led to reduced emphasis on continuity in the 2nd generation. In PMC, continuity was constricted with succession problems and passive family involvement in the 2nd generation. Table 5-16 provides illustrative interview quotes concerning continuity between the cases.

B. Unity and harmony
The four cases stressed family unity and harmony as an important NFPO for their firms. Striving to create family harmony and seek unanimous agreement in family matters is a non-economic goal common to family firms (Astrachan and Shanker 1996; Chrisman et al. 2003c). These harmonious values and relationships within the family must be compatible and in harmony with the business and its economic activity if the firm is to survive (Davis 1968). The unity of purpose within the family has been a fundamental, though intangible, factor in the success of family firms (Donnelley 1964). Unity among the owners concerning the firm’s mission and vision makes it easier to preach and instil unity and harmony across the entire firm. Creating family harmony and seeking unanimous congruence in family matters is an important objective for the family business, as expressed by these cases. ABC and SMG displayed stronger unity and harmony amongst the family owners than BDC or PMC. In the later two firms, strain in relationships upset the unity and harmony of the family,
which negatively affected the firm’s ability to achieve its NFPO. Table 5-16 provides illustrative interview quotes concerning family unity and harmony between the cases.

C. Growth

Growth is one of the main traits of entrepreneurship (Poza 1988), so not surprisingly these entrepreneurial firms stress the importance of growth. Here growth as a NFPO for the business refers to the expansion and development of the family business, and to increasing the family wealth. The desire for wealth accumulation by the family are dominant objectives of family firms (Morris et al. 1997) and generating family wealth across time requires a firm with a vision to grow. Firms that have a growth vision will find it easier to implement changes that support entrepreneurial activity. A continuous commitment and desire for family business expansion and family wealth creation is what characterises these firms and supports their success across generations. Growth is positively related to entrepreneurship within firms (Zahra 1991) and is dependent on administrative efficiency (Penrose 1959) which include internal factors such as quick decision making, long term planning, and commitment. Between the firms, ABC and SMG are experiencing periods of high growth relative to BDC and PMC. ABC’s expansion into boutique hotels and SMG’s expansion into hotel accommodation are partially assisted by booming industries. Firm strategies of stability and restructuring in BDC and PMC saw a plateau in growth. Table 5-15 provides illustrative interview quotes concerning growth between the cases.

All four cases express a strong desire to achieve the three discussed NFPO, however their relative achievement of these objectives varied between firms (see Table 5-15). Of the three NFPO none was of equal measure across all four cases. The maximum equality in any one measure being two cases; for example ABC and BDC were relatively equal in terms of achieving continuity. ABC was relatively the strongest across all three NFPO. ABC (relative to the other cases) can be considered the best performing firm with regards to achieving the firm’s NFPO, while PMC can be said to be under-performing. Recall that in Table 5-10 ABC was shown as strong across all three EO dimensions, SMG had a moderate EO, while BDC and PMC had relatively weak EOs. The EO of the cases has been appended to Table 5-16 to contrast these with their NPFO.
<table>
<thead>
<tr>
<th>Continuity</th>
<th>Unity and harmony</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ABC</strong></td>
<td>I see my children working in the business, getting on well, that is my dream. No fighting that is exciting. For me to see their work ethic and then see them make a few mistakes and I guide them. I am desperate to see my children grow up happy and together rather than have a big bust up and never talk again. (Darrel, 4th gen, CEO)</td>
<td>At this particular point in time I would say it’s more about building assets more than dividends. Obviously that is important but fundamentally we are keen on growth at the moment (Mathew Toms – CFO)</td>
</tr>
<tr>
<td><strong>SMG</strong></td>
<td>I think more important than anything else is you have to do what you like. I do not think that in any family succession or family business that any member of the family should be involved in your business if that is not what they really want to do. We do not want you to be working where you are not going to be happy. That is one of the things in our business (Joan – 1st gen)</td>
<td>We had huge growth spin a couple of years ago. It probably grew too much too quickly and now we are just catching up with it. At the moment, we are saying nothing until next year. We have a new project on the drawing board that we will be working with and that will keep everybody happy. (Donald – 2nd gen)</td>
</tr>
<tr>
<td><strong>BDC</strong></td>
<td>I said to Venetia and Silvio; make sure that it does not go to us. That it goes to the grandchildren every generation. Whatever we have created is not willed to the next generation to take out, it is always willed to the grandchildren. If Silvio gives us everything, that is not responsible. I think we have to be responsible to carry on for the grandchildren. (Benito – 2nd gen)</td>
<td>BDC has being dormant pretty much for the last few years forming up other cash flow businesses to help the business. In dad’s time, we were very strong, way above industry standards. Dormant in the sense that we are more consolidating and forming up other cash flow businesses (Marco – 2nd gen)</td>
</tr>
<tr>
<td><strong>PMC</strong></td>
<td>I have no idea. I have tried to analyse that. I have really tried. I do not know. I have three nieces and you could not get three different people. So you can get people who are brought up in one family and they are all completely different. (Gwen – 2nd gen)</td>
<td>In the last few years and we are now acquiring and trying to buyback more dealerships and grow again (Jack III – 3rd gen)</td>
</tr>
</tbody>
</table>

**Table 5-15: Non Financial Performance Objectives**

- **Continuity**: Continuity is the focus on maintaining the core values and traditions of the family business. It includes ensuring that the business remains within the family, either through direct ownership or through succession planning.

- **Unity and harmony**: This objective emphasizes the importance of maintaining a cohesive and harmonious environment within the family, as well as within the business. It involves ensuring that all family members work together in harmony and support each other.

- **Growth**: Growth is the objective of expanding the business and increasing its size and profitability. It involves identifying opportunities for growth and implementing strategies to achieve this goal.

Each family member has expressed their views on these objectives, highlighting the importance of maintaining the business within the family and ensuring a harmonious environment. Some members also emphasize the need for growth, both in terms of financial performance and personal development within the family business.
Furthermore to better illustrate the position of the cases relative to each other in terms of their EO and NFPO, they are sketched on EO-NFPO axes in Figure 5-3.

**Table 5-16: NFPO between cases**

<table>
<thead>
<tr>
<th>NFPO</th>
<th>ABC</th>
<th>SMG</th>
<th>BDC</th>
<th>PMC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuity</strong></td>
<td>S</td>
<td>M</td>
<td>S</td>
<td>M</td>
</tr>
<tr>
<td><strong>Unity and Harmony</strong></td>
<td>S</td>
<td>M</td>
<td>M</td>
<td>W</td>
</tr>
<tr>
<td><strong>Growth</strong></td>
<td>S</td>
<td>S</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td><strong>EO</strong></td>
<td>S</td>
<td>M</td>
<td>W</td>
<td>W</td>
</tr>
</tbody>
</table>

S – Stronger achievement within the family/firm;  
M – Moderate achievement within the family/firm;  
W – Weaker achievement within family/firm  
(Note: the S, M, and W measures given to a case are measured relative to the other cases)

**Figure 5-3: Cases plotted on EO-NFPO axes**

*Quadrant 1*

Positioned at the higher ends of the axes is ABC who is relatively the strongest of the four cases in terms of both EO and achieving NFPO. Relative to the other cases, ABC is ideally performing better in terms of achieving the family’s NFPO while simultaneously engaging in innovative, proactive, and risk-taking activities. Firms in this quadrant exemplify family firms that have managed to harmonise the non-financial aspirations of the family with the firm’s entrepreneurial endeavours. Concerning RQ3, of whether non-financial performance is influenced by a firm’s EO, ABC’s would suggest affirmative where a strong EO and a strong achievement of NFPO are present within the firm. Firms in this quadrant are akin to what Habbershon
and Pistrui (2002) calls *enterprising families*. These are family firms having entrepreneurial strategies that are able to fulfil the non-financial family commitments such as creation of transgenerational family wealth. The ideal quadrant 1 firm (of which ABC is one example) has managed to harmonise addressing the family’s NFPO while simultaneously maintaining a strong EO across generations.

**Quadrant 3**
The polar opposite of ABC is PMC, who is relatively weaker on both achieving its NFPO and engaging in entrepreneurial activities (relative to the other cases). Family firms typical of this quadrant lacked being entrepreneurial as well as failed in achieving the firm’s NFPO. The strength of PMC’s EO and achievement of NFPO relative to the other three cases situates it in this quadrant, although it does not in the overall scheme of things represent firms in this quadrant. Family firms in this quadrant would find difficulty in growing and surviving in today’s environment.

**Quadrant 2 and 4**
BDC (quadrant 2) and SMG (quadrant 4) offer more interesting scenarios concerning EO and NFPO. The two cases are relatively similar on their achievement of NFPO, but with SMG being slightly stronger in terms of its EO. Like PMC, the two cases are not ideal examples of the quadrants within which they are situated, with both firms clustering towards the vertical EO axis. The typical quadrant 2 family firm would be one that is strongly family oriented (thus achieving the firm’s NFPO) but with a weak EO. While a typical quadrant 4 family firm would have a strong EO but little concern towards addressing the family’s NFPO. Firms in quadrants 3 and 4 stress the importance of one concern over another (NFPO for firms in quadrant 2 and EO for firms in quadrant 4), sometimes at the others expense. Quadrant 2 and quadrant 4 firms thus lie at opposite ends of both an EO and NFPO continuum. Firms in quadrant 2 may be akin to *family-first* firms, while firms in quadrant 4 are representative of *business-first* firms.

While it is clear that ABC relative to the other three cases is the ideal case, we must not forget that all four cases relative to their respective industries have performances that are above industry average. This is a consequence of theoretical sampling (refer chapter 3, section 3.5.1) where firms are chosen that best exemplify the phenomenon.
under study, thus requiring entrepreneurially successful multigenerational firms. On a larger sample of family firms all four cases may be expected to be situated around quadrant 1. However, relative to each other, the cases are projected as illustrated in Figure 5-3.

The finding concerning RQ3, within this sample, suggests that firms that are entrepreneurially strong are also equally able to achieve the family’s NFPO (continuity, unity and harmony, and growth). Such firms are more likely to achieve long-term performance advantage. Thus concerning RQ3, the following is postulated

**P3**  
*Family firms with strong EOs are better able to achieve their non-financial objectives (of continuity, unity and harmony, and growth) thus leading to long-term performance advantage.*

### 5.6 Chapter Summary

Chapter 5 addressed the three research questions RQ1, RQ2, and RQ3 from a between-case analysis approach. Concerning RQ1, the *familiness resource model* was developed which provide a means of understanding the familiness resource bundle within multigenerational family firms. This bundle consisted of six resource dimensions: *experience – insights and skills*, *reputation*, *learning*, *decision-making*, *relationships*, and *networks*. The dimensions were identified by their prominence and recurrence across all four cases. Furthermore each dimension was analysed between the four cases for patterns. These patterns highlighted and strengthened the dimensions as examples of familiness types i.e. idiosyncratic and intangible and of a competitive sustainable advantage. Furthermore the patterns showed a paradoxical nature where having the ability to balance and manage this paradox resulted in a familiness advantage (f+) while an inability led to a familiness disadvantage (f-). Propositions P1.1 to P1.6 were developed for future empirical research.

Concerning RQ2, the dimensions were then explored and analysed for their association with the firm’s entrepreneurial stance (EO). Of the six dimensions, three of these showed both prominence and recurrence across all four cases: *experience – insights and skills*, *decision-making*, and *networks*. These three dimensions were most instrumental in a firm’s ability to reduce uncertainty, pursue opportunity, and increase
the firms’ knowledge and access to opportunities. Proposition P2 was developed for future empirical research.

Concerning RQ3, the non-financial performance objectives (NFPO) of the firms were examined and related to their EO. Continuity, unity and harmony, and growth were most important as NFPO between the firms. While all firms stressed strong intentions to achieve these objectives, relative to each other, they varied in their achievement. It was found that entrepreneurially active firms (firms with stronger EO) were simultaneously better able to achieve their NFPO. Proposition P3 was developed for future empirical research.

A conceptual framework summarising the overall findings of the thesis together with their developed propositions is presented and discussed in the next chapter.
Chapter 6. CONCLUSION AND IMPLICATIONS

6.1 INTRODUCTION
Analyses within cases (Chapter 4) and between cases (Chapter 5) identified the resource dimensions of familiness along with those associated with EO thereby stimulating and nurturing entrepreneurial activity within family firms and across generations. Furthermore, association of the firm’s EO to the achievement of the firm’s non-financial performance objectives (NFPO) was also found in four successful multigenerational family firms. The main findings of these analyses culminated in proposed conceptual relationships which form the core discussion of this chapter. This chapter is organised as follows: Section 6.2 provides a brief recap of the pertinent literature leading to the research questions. The study’s key findings and contributions are presented in Section 6.3. Sections 6.4 and 6.5 highlight further contributions of the thesis. Limitations of the study and its implications for extension are presented in Section 6.6. Section 6.7 provides avenues for future research. Section 6.8 concludes the thesis.

6.2 LITERATURE REVIEW IN BRIEF
The presence of the family in the affairs of the business gives rise to a bundle of idiosyncratic resources termed familiness (Habbershon and Williams 1999) which is widely accepted and used within the field⁴⁴ (e.g. Lester and Cannella 2006; Pearson et al. 2008; Rutherford et al. 2008; Zellweger et al. 2008b) and helps differentiate family businesses from other forms of business. However as yet we do not fully understand the nature of familiness nor the conditions that give rise to it (Chrisman et al. 2005b), partly because of the broad scope of the construct. Moores (2009 p.174) highlights that at this stage of its development familiness is a summative unit that has limited utility in family business theory building. Accordingly clarifying the construct in terms of its dimensions will help to better understand this complex phenomenon such that it can feature in future theory building endeavours. This motivated the formulation of RQ1 which probes the familiness construct using Habbershon’s (1999) definition of familiness and Barney’s (1991) resource categories: human, organisational, and process.

⁴⁴ See chapter 2: section 2.3.1 for a discussion on the growing popularity of familiness in the literature.
Sustaining successful longevity is a distinctive characteristic of many family businesses (Davis 1968; Gersick et al. 1997) although it remains their biggest challenge (Hoy and Vesper 1994; Schwass 2005) with only 15% of family businesses predicted to reach the third generation (Marshall et al. 2006; Morris et al. 1997). Firms that survive multiple generations typically manifest strong entrepreneurial orientations (Collins and Porras 2002; Schwass 2005). Miller and Le Breton Miller (2005) find that the success behind transgenerational family firms is driven by the resources that enable these firms to maintain entrepreneurialism across generations. The family, as a resource, is found to positively influence and strengthen the firm’s EO (e.g. Corbetta et al. 2002; Salvato 2004; Zahra et al. 2004) through their control (ownership) and influence (strategic and operational involvement) in the business. However others disagree (e.g. Athanasios 2000; Carney 2005; Martin and Lumpkin 2003) finding instead that families take less risks, adopt more conservative strategies, and become less entrepreneurial over subsequent generations. This equivocality led to the formulation of RQ2, which enquired how familiness influences EO in multigenerational family firms thus enabling long-term performance advantages.

Successful longevity must satisfy the financial (e.g. profit) and non-financial (e.g. longevity across family generations) objectives of the family business (Chua et al. 2003; Leenders and Waarts 2003). Satisfying one objective at the expense of the other creates an imbalance that can have detrimental effects on the business. While research has found EO to positively influence a firm’s financial performance (Rauch et al. 2004), the EO association with non-financial objectives remains under researched in the context of family firms (Debicki et al. 2009). Clarifying that association is important since non-financial objectives are pertinent in family firms (Astrachan and Shanker 1996; Donnelley 1964; Morris et al. 1997). RQ3 was formulated to explore this association.

6.3 FINDINGS AND CONTRIBUTIONS
The overall findings of this research together with developed propositions are illustrated by the conceptual framework in Figure 6-1.
Figure 6-1 Emergent Conceptual Relationships

Resource Dimensions

- **Experience – insights and skills**
  - Internal informal
  - External formal

- **Decision-making**
  - Process (formal & informal)
  - Forum (centralised & collaborative)
  - Speed (fast & slow)

- **Networks**
  - Founder influenced
  - Strong ties
  - Weak ties

- **Reputation**
  - Family influenced
  - Founder influenced
  - Transgenerational potential

- **Learning**
  - Informal – within firm
  - Formal – outside firm

- **Relationships**
  - Family bonds
  - Chief emotional officer
  - Harmony with NFE

Entrepreneurial Orientation

- **Innovation**
  - New products, processes, ventures

- **Risk-taking**
  - Cautious, calculated, confidence

- **Proactiveness**
  - to market opportunities & changes

Non-financial performance

- Continuity
- Unity & Harmony
- Growth

Financial Performance

- Dimensions more akin to a learning, communication, and market orientation*

*These dimensions were not closely associated with entrepreneurial orientation and were not explored further in this thesis. They seem to be more closely aligned with market (reputation), learning (learning), and communication (relationships) orientations and as such present avenues for future research that may provide a comprehensive view of familiness.

**Financial performance was not the core focus nevertheless it was discussed briefly (See section 5.5).
Concerning RQ1, the study found six resource dimensions (reputation, experience – insights and skills, learning, decision-making, relationships, and networks) constitute familiness as a result of their prevalence and commonality across the cases. These dimensions, via their identified paradoxical nature, underlie the advantages (f+) or disadvantages (f-) familiness poses for a firm. A firm’s ability to manage these paradoxes to a familiness advantage leading to sustained competitive advantage and transgenerational potential. Concerning RQ2, three of these familiness resource dimensions were associated with driving the firm’s EO: experience – insights and skills, decision-making, and networks. A firm’s ability to deploy and maintain an EO across generations is grounded in the unique nature of these dimensions that emerge as a consequence of the family’s involvement in business. Concerning RQ3, the study found family firms with strong EOs were more capable of addressing the firm’s non-financial objectives of continuity, unity and harmony, and growth. The emergent conceptual relationships that emanate from the findings of the three research questions are illustrated in Figure 6-1. These are next discussed more fully in the order of the research questions: RQ1, RQ2, and RQ3.

### 6.3.1 Research Question One (RQ1)

*What resources (human, organizational, and process) and conditions enhance familiness and its nature (distinctive or constrictive) in multigenerational family firms?*

Figure 6-1 presents a theoretical model, interpreted from the data, which identifies how familiness is composed of a unique bundle of six resources: in a research sense these being the dimensions\(^{45}\) of the higher order construct familiness. This bundle comprises: reputation and experience – insights and skills (human resources), learning and decision-making (organisational resources), and relationships and networks (process resources). These six resource dimensions emerge based on their prevalence, strong family influence, and VRIN\(^{46}\) characteristics. The familiness resource model, presented earlier in chapter five (see figure 5-1), contributes to enriching our understanding of the unique resource bundle that symbolizes and in part

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\(^{45}\) What have to here been referred to as ‘dimensions’ (of the familiness construct) are now referred to as ‘resources’ comprising the unique bundle that is familiness.

\(^{46}\) VRIN = Valuable, Rare, Inimitable, and Non-substitutable.
defines familialness. The influence of the family through the six resource dimensions provides a clear theoretical frame for assessing the impact of familialness.

This finding contributes to the growing stream of research on familialness, an area of growing research interest (Pearson et al. 2008; Sharma 2008; Zellweger et al. 2008a), that requires greater exploration (Moores 2009; Phan and Butler 2008; Sharma et al. 2006). The study’s clear identification of critical resource dimensions that constitute familialness is an important contribution. The study shows how RBV provides a unified approach in the conceptualization of the idiosyncrasy of the familialness resource bundle. The presented familialness resource model is both simple and parsimonious.

The presence of the six familialness resources per se does not constitute a performance advantage, thus agreeing with previous research (Penrose 1959; Sirmon and Hitt 2003). Notably the findings highlight that each of the resources have the ability to impose either an advantage (f+) or disadvantage (f-) on the family firm. Here this is referred to as the paradoxical nature of familialness and family influenced resources. As such the thesis both supports and confirms the f+ and f- conceptualisation proposed by Habbershon (2006a) and Habbershon et al. (2003). This notion of the paradox in familialness resources makes a contribution by extending previous literature by linking f+ and f- to a new theoretical concept that can be used to understand the nature of familialness. This contribution shows how the use of paradox can increase the ‘generative potency’(DiMaggio 1995) of familialness. Furthermore this contribution highlights how paradoxical thinking can enhance theorizing and open up new views for knowing and understanding familialness.

However the effects (f+ or f-) of familialness are not so much predetermined by the nature of each resource in the familialness bundle but are instead achieved by the management of the paradoxical nature of each resource. It is then the capability to manage the paradoxical nature of these resources over time to achieve f+ effects greater than f- effects that complete the specification of the unique bundle of resources and capabilities that is familialness. Table 5-8 (refer chapter 5, section 5.3.3) presented examples highlighting the paradoxical nature of the six familialness resources. A family firm that is able to understand and manage these paradoxes will have exceptional ability. For example, consider the resource dimension decision-
making and the paradox of decision speed: fast and slow. There are conditions when the family as decision makers need to act quickly and there are times when decisions need careful consideration; both are important and have their use within the firm. The firm’s ability to make both rapid and gradual decisions at the right time and in the appropriate situation is central to managing this paradox. In doing so the paradox of decision speed (fast and slow) is not seen as contradictory, but rather becomes mutually compatible. Identifying familiness resources and their paradoxical nature helps us gain insight into how they are to be managed to provide the best advantage for the firm. It is in balancing the paradoxes that the greatest competitive advantage is generated for the firm with potential for long-term performance benefits.

The characteristics of the resources also helped clarify the conditions associated with familiness advantage. For reputation, it was being able to balance the reputation of the firm, the founder, and the family. It required commitment to building and protecting inherited reputation that benefited the firm rather than inhibit it. For experience – insights and skills, it was incorporating external experiences to complement the firm’s internal experiences and thereby allowing for continuous adaptation of the firm to changes in both the internal and external environment. For learning, it was harmonizing the formal and informal processes to ensure that formality did not stifle the informal processes by which the values and culture of the firm are channeled. Decision-making required knowing when to act quickly and when to stop (speed), when to make the decision within the dominant coalition and when to collaborate (forum), and when to formalize the informality of decision-making (process). For relationships, familiness advantage required the presence of trust, loyalty, altruism, and a strong chief emotional officer. Also multiple generations working concurrently within the business allowed strong relationship building within the family and with non-family employees. For networks, advantage came from maximizing the benefits of the firm’s strong and weak ties.

In summary, RQ1 answers the ‘what’ question in establishing the content of familiness. In answering RQ1 we not only identify the dimensions of the higher order summative unit familiness, but also specify the six resources that comprise the unique bundle that is familiness and which can serve as dimensions in future theory building exercises. These resources provide a means of clarifying our thinking and
understanding of the structural composition of *familiness*. Secondly, the findings suggest that *familiness* advantage (f+) or disadvantage (f-), concerning their influence on the firm, results from the capability of the firm to balance and manage the paradoxical nature of these resources. Understanding this nature and the conditions that give rise to it allows the firm to exploit the f+ and mitigate the f- for long-term performance benefits. That is, familiness advantage arises out of the presence of these resources together with the capability to manage their paradoxical nature. These findings are captured in propositions P1.1 to P1.6 (see Figure 6-1) which are generated to stimulate the development of testable hypotheses for future empirical testing. RQ2 now explores how some of the resources build and sustain an EO in multigenerational family firms. In particular it explores the paradoxical nature of these resources and how understanding this enables family firms to manage these paradoxes.

### 6.3.2 Research Question Two (RQ2)

*How do familiness resources (human, organizational, and process) influence EO characteristics in multigenerational family firms?*

Having identified the unique resources (dimensions) that constitute *familiness* and their paradoxical nature, the study then explored how these resources stimulate and create an environment conducive to entrepreneurial activity (via the firm’s EO) within the firms. The data showed how three resources, one human (*experience – insights and skills*), one organisational (*decision-making*), and one process (*networks*) resource were strongly associated with the firm’s EO. The manner, in which these three resources were deployed within the firm, is how families channel entrepreneurialism within the firm and across generations. Furthermore, the firms’ understanding of these resources and their paradoxical nature was itself a resource and central to how these firms strongly influenced their EO.

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47 The resources *reputation, learning, and relationships* were not shown to be strongly associated with the firm’s EO, according to the data. While some scholars may argue that *learning* and *relationships* are important to a firm’s EO, for the cases studied here these resources may be more closely linked to learning and communication orientations as suggested by Habbershon (2005). These present opportunities for future studies.

48 It is individuals within the firm that will need to manage these paradoxes and it is their capabilities to do this that is a key human resource that adds to their familiness.
The findings show that in terms of experience, both internal and external experiences are necessary to how the firm drives its entrepreneurial outcomes. Internal experiences strengthened core competencies and increased the firm’s propensity for risk-taking. Given strong internal experiences through early introduction into the family business, was how family members built confidence to engage the firm in risk-taking ventures related to the firm’s core business. External experiences were critical in acquiring new knowledge that heightened the generation of new ideas leading to increased innovation within the firm. External experiences also brought new perspectives on market opportunities and conditions and increased the firm’s proactive stance with regards to the firm’s externalities. Furthermore, it was the family’s propensity to embrace both internal and external experiences when deemed necessary given the firm’s current situation that assisted how EO was deployed and driven within the firm. Insights and skills, in particular that of the founder, was central to opportunity recognition and opportunity seeking behaviour.

In terms of decision-making, it was the speed (fast and slow), the level of formality (formal and informal), and the forum within which decisions were made (concentrated and collaborative) that determined and contributed most to how decision-making influenced the strength of the firm’s EO. The study’s findings emphasised possessing both characteristics (e.g. having both fast and slow decisions) as more valuable than having a preference for one (fast decisions) over another (slow decisions), and more importantly knowing when to deploy them. The literature has mostly highlighted quick-decisions as characteristic of family firms. This study finds that these family business cases are characterised by both fast and slow decisions. Their performance advantage was in their ability to know when it was appropriate to act fast and when to wait, when to collaborate and when to concentrate the decision within a dominant coalition, and when to formalise or exploit the informality of a decision-making process.

In terms of networks, both formal and informal networks operate as complements rather than substitutes. The mobilisation of networks was necessary for igniting entrepreneurial activity within the firms through acquiring new knowledge that helped reduced uncertainty (formal networks) and acquiring resources to support the firm’s efforts in engaging in entrepreneurial activity (informal networks). The high level of
trust and reciprocity in informal networks (strong ties embedded within the social structure of the family) led to a greater willingness in the network partners to engage resources in situations of high risk and uncertainty. The recruitment of non-family professionals helped expand the firm’s scope of formal networks (weak ties). Subsequent generations’ sustained a strong EO over generations through their continuous commitment to innovation, development, and growth.

In summary, the contribution of the findings concerning RQ2 is as follows: the study suggests three familiness resources (experience – insights and skills, decision-making, and networks) and their deployment within the firm is how the family strongly influence the firm’s EO. How this influence is nurtured and strengthened within the firm relies on understanding the firm’s experiences (internal and external), decision-making (speed - fast and slow; process - formal and informal; forum - concentrated and collaborative), and nature of network ties (strong ties or weak ties). These findings are captured in proposition P2 which was generated to stimulate the development of testable hypotheses for future empirical testing (see Figure 6-1).

6.3.3 RESEARCH QUESTION THREE (RQ3)

How is performance (non-financial) influenced by EO characteristics in multigenerational family firms?

Having identified familiness resources (RQ1) and established those that are associated with EO and how to manage their paradoxical nature (RQ2), the study further explored the association of the firm’s EO to the achievement of non-financial performance objectives (NFPO). Across the cases, the NFPOs deemed most important for the longevity of the family in the business were continuity, unity and harmony, and growth. Continuity addressed the desire and intention of the family to maintain ownership and have some control over the business. Unity and harmony was about keeping relationships within and amongst family members unified and harmonious. Growth related to development and expansion of the firm and the accumulation of family wealth.

Concerning these NFPOs, the study found that the firms that were more active in deploying an effective EO were better able to achieve these objectives. Such firms have managed to blend addressing the family’s NFPO while simultaneously
maintaining a strong EO across generations. The study suggests that being innovative, taking calculated risks, and being proactive, is not only associated with improving financial performance but also satisfies the achievement of the family's non-financial objectives. Proposition P3 was generated to stimulate the development of testable hypotheses for future empirical testing (see Figure 6-1).

6.4 FURTHER CONTRIBUTION

Beyond the contributions previously discussed in section 6.3, which addressed both the content (identification of resource dimensions) and the process (balancing the paradoxical nature of the resources) concerning familiness advantage, this study also makes contributions to the larger body of academic scholarship.

Firstly, by synthesising theoretical contributions from both the entrepreneurship and family business literatures and studying their interaction in the context of a unique set of firms: family firms, the research contributes to the fields of entrepreneurship, family business, and strategic management. The study helps bridge the gap between RBV theory and family business, and the entrepreneurship field and family business, by demonstrating how RBV (Barney 1991; Wernerfelt 1984) and the EO construct (Lumpkin and Dess 1996; Miller 1983) are useful theoretical lenses for enriching our understanding of familiness dimensions and paradoxes and how they lead to sustainable competitive advantage. The study demonstrates that combining different fields and different theoretical frames is an effective approach to examining and understanding family influence and involvement and their effect on entrepreneurship within the family business. In other words the study highlights the inter-disciplinary nature of family business phenomena.

Second, the study is consistent with the emerging ideas of social capital theory that have recently garnered support as a theoretical framework for the study of family firms (e.g. Niehm et al. 2008; Pearson et al. 2008; Salvato and Melin 2008; Sharma 2008) and is suggested as relevant to building a robust theory of business families (Moores 2009). The strong social ties and enduring exchanges within the studied family businesses demonstrate the applicability of social capital to the study of family firms. The findings of the study concerning networks identified strong ties, weak ties, and transgenerational potential as characteristic elements of family influenced
networks. This finding is consistent with the notion of bridging (external) and bonding (internal) in social capital. The present study thus contributes impetus to the research stream integrating social capital theory and family firms.

The relationship and learning resources, not found to be strongly influential on the firm’s EO, are suggested as being more closely aligned with a communication and a learning orientation respectively (see Habbershon 2005). The ability of these two resources to deliver familiness advantages to the firms is largely dependent on the interactions between the family and the employees within the firm. The findings showed that relationship was characterised by strong family bonds grounded in trust and loyalty whereas informal learning was driven by the social interactions and harmony between family generations. The study thus suggests that further development of familiness could use theoretical frameworks that emphasise interactions and relationships to understand better both communication and learning orientations as bases for achieving advantage.

Third, while research within the family business field broadly has doubled in the last decade, research within specific regions and cultures is minimal. This study thus provides a contextual contribution to research within a particular geographical region. It may be so that the familiness dimensions identified are specific to families and family firms within this geographical region and culture.

Another important contribution of the thesis is the impact of familiness and EO on non-financial performance in family firms. Despite the wide acceptance of non-financial goals as important objectives for family businesses, research on non-financial performance remains heavily under-researched within the context of the family business. The results here show that the advantages of familiness resources are not limited to financial gains for the business but also extend to strengthening the firm’s EO and achievement of its non-financial objectives. In other words familiness in driving an increased EO, positively affects the firm’s ability to achieve its non-financial objectives.
6.5 IMPLICATIONS FOR POLICY AND PRACTICE

The findings of this thesis have important implications for practitioners, although the focus has mainly been centered on theorizing (theory building/extension). The practical implications indicated in the study are now outlined.

If family firms intend to maintain ownership of their business and remain successful across generations, they need to recognize the bases of their familiness and understand how it influences their business. Firms can then capitalize on the advantages \((f^+)\) and simultaneously manage the disadvantages \((f^-)\) of six distinct resources (see Table 6-1), some of which are linked to their entrepreneurial orientation and achievement of objectives. Because each family business is unique, familiness may differ according to the nature of the business, the family, and the environment around which the two integrate and operate. The suggested familiness model provides a structure via which firms can identify their resources. The discussed characteristics of these resources, which have provided sustainable competitive advantages in the four cases studied, provide a benchmark to be tested and adapted within different family firm settings.

While the study has mostly focused on familiness resources (i.e. the resources that are family influenced) the contribution of non-family employees within the studied cases has also provided enormous benefits, especially concerning networks, relationships, and learning. The findings showed that in instances where the resource could not be found within the family, the firm has sought external professionals to provide that resource. And this did not threaten the control or the ownership of these firms. Family firm practitioners ought to take account of this. Conservative and constricted family firms will not last long. Evidence suggests (e.g. Olson et al. 2003) that longevity and sustainability comes from the ability to harness both the advantages of internal (family) and external (non-family) resources and harmonize them in a manner that satisfies the business, the family, and the non-family employees.

Recent family business research has strongly emphasized the importance in professionalizing the family firm. The study highlighted that quite often the informality in learning, decision-making, networking, and relationships have been central to the advantages these resources have provided to the business. Thus the move to professionalize as soon as possible may not be necessary. Practitioners in
family firms should ensure that in situations that require a professionalizing of processes and structures, that the inherent advantages that can be elicited from informality be maintained. For it is in this informality that the idiosyncrasy and uniqueness of the family firm are embedded (Moores and Barrett 2002). The challenge lies in balancing formality and informality.

6.6 LIMITATIONS (AND THEIR IMPLICATIONS FOR FUTURE RESEARCH)

The dissertation’s findings and conclusions should be interpreted with caution in view of the thesis’s limitations. These important limitations raise several interesting issues that provide fertile ground for future research.

First, the findings were based on data gathered from successful multigenerational firms. While the firms were selected for theoretical reasons (theoretical sampling) they limit the generalisation of these findings to these classes of firms. However case selection is driven by the phenomenon of interest and the nature of the research. In case-method research, analytical generalisation (as opposed to statistical generalization) is the objective (Yin, 1994 p36). Nevertheless, from the perspective of research design, a useful advance to strengthening robustness of theory and its generalisation would be to obtain information across a wider spectrum of family firms. This will enable cross validation of constructs and would permit modelling of differing perceptions of familiness and its influences in entrepreneurial activity across a wider variety of family firms. This would help extend the findings of the thesis beyond the boundaries set out within this thesis.

Second, the reliance on self-reported performance measures may be problematic where interviewees are prone to report their business as performing well, rather than reveal the real performance status of the firm. However previous research has found that managerial assessment of firm performance is highly associated with objective performance data (Dess and Robinson 1984). Nevertheless, future studies should consider alternative and more objective ways of collecting performance data from private enterprises especially when financial data is highly confidential and highly restricted in the context of privately and closely held family firms. This leads on the limitation of the inability of the researcher to access the financial data of the cases. Access to this data would have added valuable understanding of the phenomenon and
richness and extension to the developed theoretical relationships. While some subjective financial data was obtained via the interviews, objective data such as financial statements would have provided fruitful analyses and even extension of the thesis to include a quantitative component.

Third, it is argued that theories generated from case-study-based research are influenced by prior observations and subjectivity of the researcher who in collating, analysing, and interpreting the data may unknowingly present a source of bias. In this study, prior observations were guided by the literature (Chapter 2) and the fieldwork guided by the research methods and protocols (Chapter 3) which were designed to ensure validity of the research process. Another argument is that the limited number of cases questions the traditional quantity-based generalisation of the results. The objective of the study is to provide a deeper and richer description of the phenomenon and so reliability and construct validity were of greater prominence than external validity. The validity, meaningfulness, and insights generated from qualitative case study have more to do with the information-richness of the cases selected than with sample size. Each case is significant in its description and meaning of the familiness resources and their influence on entrepreneurial activity and can lead to improvements in theory and practice. Furthermore, it is no longer obvious that limited observations cannot be used to generalise, nor that studies on a large number of observations will result in meaningful generalisations (Guba and Lincoln 1994; Yin 1994). The thesis objective of understanding the phenomenon was the key reason an exploratory case study was selected for this study.

A fourth limitation of the study was the small number of interviews conducted, especially for the case firms BDC and PMC. More interviews with non-family employees and family members not actively involved in the business may have been more desirable and provided richer data. To help account for this limitation the interviews involved the main family participants in the business, were lengthy interviews averaging 2 hours per participant, and were supported with secondary sources such as websites, press material, and communication via emails.
6.7 AVENUES FOR FUTURE RESEARCH

Removing some of these limitations provides opportunities for extension of this research. Aside from those, the following suggestions provide other avenues worthy of exploration.

A primary next step for researchers would be to study whether patterns thematically akin to those presented here occur for successful multigenerational family firms in differing contexts and to determine how these patterns differ from those found here. Firms in a different cultural context may indeed give rise to different patterns, which are deemed of greater importance within their cultural context and environment. This could establish the overall performance implications of our familiness resource dimensions and their patterns.

The findings and conceptualised relationships presented from this qualitative exploratory case study are suggestive and they require significant follow-up work to establish their range, reliability, and validity. Positivist theory testing research based on surveys of large representative samples is needed to corroborate the findings, test the robustness of the theory and widen the generalisation of the findings. The suggested propositions presented in this study provide fruitful avenues where one can begin his or her research design.

It would also be worthwhile for subsequent researchers to expand the research to include a broader sample of family firm types and in different geographical settings. The research has revealed resource dimensions and characteristics that provided a way of looking at the structure of familiness and particularly its relation to the firm’s EO. The question of whether this pattern of resources is unique to our successful multigenerational family firms or is also applicable (wholly or partially) to other family firms and also other forms of business is worthy of future comparative research. Also note that in the case of ABC, identifying familiness was easier to accomplish than in comparison to the other three cases due to the depth and duration of family involvement. Further research could look at exploring this line of thought. Are there various grades of familiness and can familiness still have depth in young family firms?
In this study, the resources reputation, learning, and relationships were not found to be influential to the firms’ entrepreneurial orientation, although their influence and presence saw their inclusion in the familiness resource model. This suggests that not all familiness resources have a role in driving entrepreneurial activity and may indeed function in other capacities such as communication, learning, market, or strategic orientations (see Habbershon 2005). Are there indeed familiness resources that extend across the various orientations? This avenue would provide interesting exploration.

The present study has focused on non-financial performance criteria. Future research could look at financial performance data. Not so much concerning EO and financial performance (this has been overly researched and proven positive), but more so on the financial benefits that are a direct consequence of the familiness resource dimensions found here. For example, concerning the resource networks – what financial benefits are accrued from network ties built on strong-ties (i.e. embedded within the social structure of the family) as opposed to those established on weak-ties. Similar examples could be made of the other resources. This would further substantiate the familiness model and its contribution to the transgenerational success and long-term performance advantage of family firms.

6.8 CONCLUSION

Undoubtedly familiness is popular and widely accepted amongst family business researchers. However if familiness is to become one of the cornerstone theoretical constructs upon which the field is built, then it needs to be clearly understood. Through the theoretical lens of the resource-based view, this study contributed to a better understanding of familiness by delineating the construct into six resource dimensions. In this study, using four successful multigenerational cases, these six dimensions were deemed most important and prevalent according to the data. These resources were the areas the families in these cases were most influential and where they exerted substantial control. Accordingly this research suggests these are the resources that constitute the dimensions of the construct familiness.

All family firms, which have some degree of family involvement in the business, will generate familiness. That familiness can advantage or disadvantage the business, and therefore understanding how familiness is tweaked to present advantages is certainly
desirable. The study identified the paradoxical nature of familiness resources and how these gave rise to the dual nature of familiness: constrictive or distinctive. Thus it was not the presence of familiness per se but the ability of family firms to recognise the paradoxical nature of the component resources and furthermore manage them accordingly that resulted in familiness advantages. The paradoxical nature of each resource was neither inherently positive nor negative rather it was how these resources were managed that generated their positive or negative outcomes.

Because remaining entrepreneurially active across generations was identified as a characteristic of successful multigenerational family firms, this research explored what role (if any) familiness played in igniting transgenerational entrepreneurial activity. The study showed that familiness, through the resource dimensions experience – insights and skills, decision making, and networks, remains crucial as a core driver of the firm’s development and deployment of an EO. Is this important? Certainly because as this study showed, maintaining entrepreneurialism across generations is influenced by familiness which is generated by the family’s involvement in business. This finding confirms the family, via familiness, as an important source of entrepreneurialism in the family business.

Finally the influence of EO on the firm’s non-financial objectives was also examined. In family firms often financial incentives are secondary, with the non-financial objectives of family legacies, pride, and harmony (to name a few) having more prominence. Holistically, successful performance requires the ability to meet both financial and non-financial goals. The study found that families that encourage entrepreneurial activity across generations increase their ability to meet the family and the firm’s non-financial performance objectives.

Considering that family firms are the oldest (Colli 2002), most dominant (Eddy 1996; Morck and Yeung 2004) and more successful (Anderson et al. 2003) form of economic activity, and therefore represent an important and viable sector of the global economy, greater research is warranted to explore the linkages between the fields of family business and entrepreneurship and to strive for a deeper integration. This study has achieved that and I hope that this work will inspire further investigations into the construct familiness, and the fields of entrepreneurship and family business.
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## APPENDICES

### Appendix A  Family resources from the literature

<table>
<thead>
<tr>
<th>RBV Resource Categories</th>
<th>Identified Familiness Resources</th>
<th>Familiness factors</th>
<th>factor(+)</th>
<th>factor(-)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human</strong> - training, experience, judgement, intelligence, relationships, insights</td>
<td>Leadership Development/Empowerment (Fiegener et al., 1994; Handler, 1989, 1992)</td>
<td>Strengthens family ties; first hand experience and learning to successor; business coaching and nurturing of family members; coat effective training and development mechanism</td>
<td>Development can be strained because of closeness of relationships; can be obligatory rather than choice; successor not the best choice for leadership</td>
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<td></td>
<td>More trusting (Tagiuri &amp; Davis, 1996)</td>
<td>Less need for control and monitoring, stronger and healthier relationships for work and family</td>
<td>Can cloud judgement and decision making; opportunity for abuse when too much trust is taken for granted</td>
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<tr>
<td></td>
<td>Family members more productive than nonfamily (Rosenblatt, et al., 1985; Moskowitz &amp; Levering, 1993) and have greater commitment</td>
<td>Cost savings; inspires employees by example; family satisfaction</td>
<td>Expect the same of employees; burn-out of family members, family start to feel overworked and underpaid</td>
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<td></td>
<td>Flexible work practices (Goffee &amp; Scase, 1985; Tokarczyk et al. 2007) Family business owners work &amp; manage in a way that maximizes flexibility (Poza, Alfred, &amp; Maheshwari, 1997)</td>
<td>Allows greater autonomy and decision making of employees, easy to adapt to changes with increased flexibility</td>
<td>Too much flexibility can erode a sense of formality and structure</td>
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<tr>
<td></td>
<td>Family Involvement</td>
<td>Greater control over affairs of the business, less monitoring, high loyalty and commitment</td>
<td>Nepotism, Incompetence, Laxity by some family members e.g. that I am certified of a job</td>
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<tr>
<td><strong>Physical</strong> - technology, plant, equipment, geographic location, access to resources</td>
<td>Patient capital (de Visscher, Aronoff, &amp; Ward, 1995; Dreux, 1990; Sirmon and Hitt, 2003)</td>
<td>Generational outlook; not accountable to short economic results; effective management of capital; allows pursuit of innovative and creative strategies</td>
<td>Non-family investors excluded; limited to family's financial capital</td>
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<tr>
<td>Survivability capital (Sirmon and Hitt, 2003)</td>
<td>Sustains the business during poor economic times, safety net; can be easily accumulated when needed</td>
<td>May not be sufficient when needed; not definite (may not be available for some family firms)</td>
<td></td>
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<tr>
<td><strong>Organisational</strong> - reporting structures, formal &amp; informal planning, controlling, coordinating systems, procedures, Org. cultures, decision making, strategy</td>
<td>Family culture (Sharma et al., 1997, Zahra et al., 2004)</td>
<td>Externally focused cultures; favouring patient investments in long-term high risk activities; willingness to rapidly adapt to change</td>
<td>May choose conservative strategies; inward culture limits exploring innovative ideas</td>
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<tr>
<td>Family ownership</td>
<td>Lower agency costs</td>
<td>Greater agency costs if nepotism is entertained</td>
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<tr>
<td>Make quick decisions (Ward, 1997)</td>
<td>Enables quick action for work flow</td>
<td>Decision can be too hasty; lack consultation</td>
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<td></td>
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<tr>
<td>Preservation of family wealth (Carney, 2005)</td>
<td>Family satisfaction and pride; wealth for family generations to come</td>
<td>May limit a firms investment in entrepreneurship</td>
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<tr>
<td>Family interests and values (Sharma et al., 1997)</td>
<td>Close relations and frequent interactions; distinct and difficult to imitate;</td>
<td>Inward and conservative; narrow focused</td>
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<tr>
<td>Family governance – personalism and particularism (Carney, 2005)</td>
<td>Reduces the constraints to decision making imposed by other governance modes; greater discretion in changing vision, direction, and criteria governing their decisions; rapid resource allocation decisions</td>
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<tr>
<td><strong>Process</strong> - relationship to environment, firm and stakeholders, relations among mangers, treatment of employees &amp; customers, building alliances</td>
<td>Engaging stakeholder environment (Tokarczyk et al., 2007)</td>
<td>Customer identifies a family touch or family name with the business</td>
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<tr>
<td>Family networks/connections (Sirmon and Hitt, 2003)</td>
<td>Trust, familiarity, compatible in terms of values and ethics, accessibility, close knit</td>
<td>Constrained; limited resources or capability; may breed incompetence</td>
<td></td>
<td></td>
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</tbody>
</table>
# Appendix B Definitions of firm level entrepreneurship

<table>
<thead>
<tr>
<th>Term</th>
<th>Author(s)/Source</th>
<th>Definition(s)</th>
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</thead>
<tbody>
<tr>
<td><strong>CORPORATE ENTREPRENEURSHIP</strong></td>
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<tr>
<td></td>
<td>Burgelman (1983, p.1349)</td>
<td>Process whereby the firms engage in diversification through internal development</td>
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<td></td>
<td>Chung &amp; Gibbons (1997, p.14)</td>
<td>Organizational process for transforming individual ideas into collective actions</td>
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<td></td>
<td>Guth &amp; Ginsberg (1990, p.5);</td>
<td>Birth of new businesses within existing organizations</td>
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<td></td>
<td>Schendel (1990, p.2)</td>
<td></td>
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<tr>
<td></td>
<td>Jennings &amp; Lumpkin (1989, p.489)</td>
<td>The extent to which new products and/or new markets are developed</td>
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<tr>
<td></td>
<td>Spann, Adams, &amp; Wortman (1988, p.149)</td>
<td>Establishment of a separate corporate organization to introduce a new product, serve or create a new market or utilize a new technology</td>
</tr>
<tr>
<td></td>
<td>Vesper (1984, p.295)</td>
<td>Involves employee initiative from below in the organization to undertake something new</td>
</tr>
<tr>
<td><strong>CORPORATE VENTURING</strong></td>
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<tr>
<td></td>
<td>Biggadike (1979, p.104)</td>
<td>A business marketing a product or service that the parent company has not previously marketed and that requires the parent company to obtain new equipment or new people or new knowledge</td>
</tr>
<tr>
<td></td>
<td>Block &amp; MacMillan (1993, p.14)</td>
<td>A project is a Corporate venture when it (a) involves an activity new to the organization, (b) is initiated or conducted internally, (c) involves significantly higher risk of failure or large losses than the organization's base business, (d) is characterized by greater uncertainty than the base business, (e) will be managed separately at some time during its life, (f) is undertaken for the purpose of increasing sales, profit, productivity, or quality</td>
</tr>
<tr>
<td></td>
<td>Ellis &amp; Taylor (1987, p.528)</td>
<td>To pursue a strategy of un-relatedness to present activities, to adopt the structure of an independent unit and to involve a process of assembling and configuring novel resources</td>
</tr>
<tr>
<td></td>
<td>von Hippel (1977, p.163)</td>
<td>Activity which seeks to generate new businesses for the corporation in which it resides through the establishment of external or internal corporate ventures</td>
</tr>
<tr>
<td><strong>INTRAPRENEURSHIP</strong></td>
<td>Nielson, Peters, &amp; Hisrich (1985, p.181)</td>
<td>Development within a large organization of internal markets and relatively small and independent units designed to create, internally test-market, and expand improved and/or innovative staff services, technologies or methods within the organization.</td>
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<td>----------------------</td>
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<tr>
<td></td>
<td>Pinchot III (1985, p.ix)</td>
<td>Those who take hands-on responsibility for creating innovation of any kind within an organization. They may be the creators or inventors but are always the dreamers who figure out how to turn an idea into a profitable reality.</td>
</tr>
<tr>
<td><strong>STRATEGIC RENEWAL</strong></td>
<td>Guth &amp; Ginsburg (1990, p.6)</td>
<td>Creation of new wealth through new combinations of resources</td>
</tr>
<tr>
<td></td>
<td>Zahra (1995, p.227; 1996, p.1715)</td>
<td>Renewal means revitalizing a company's business through innovation and changing its competitive profile. It means revitalizing the company's operations by changing the scope of its business, its competitive approaches or both. It also means building or acquiring new capabilities and then creatively leveraging them to add value for shareholders.</td>
</tr>
<tr>
<td></td>
<td>Zahra (1993, p.321)</td>
<td>Renewal has many facets, including the redefinition of the business concept, reorganization and the introduction of system-wide changes for innovation. Renewal is achieved through the redefinition of a firm's mission through the creative redeployment of resources, leading to new combinations of products and technologies</td>
</tr>
<tr>
<td><strong>VENTURE, INTERNAL VENTURES, INTERNAL CORPORATE VENTURING, NEW BUSINESS VENTURING</strong></td>
<td>Hornsby, Naffziger, Kuratko, Montagno (1993, p.30)</td>
<td>Venture may be applied to development of new business endeavours within the corporate framework</td>
</tr>
<tr>
<td></td>
<td>Roberts &amp; Berry (1985, p.6)</td>
<td>A firm's attempts to enter different markets or develop substantially different products from those of its existing base business by setting up a separate entity within the existing corporate body</td>
</tr>
</tbody>
</table>
Appendix C Interview guide

<table>
<thead>
<tr>
<th>Area addressed</th>
<th>No. of Q’s</th>
<th>Which Q’s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Background</strong></td>
<td>2</td>
<td>1,2</td>
</tr>
<tr>
<td>e.g. describe the development and historical background of your business</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EO</strong></td>
<td>6</td>
<td>3-8</td>
</tr>
<tr>
<td><strong>Familiness</strong></td>
<td>9</td>
<td>9-17</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td>5</td>
<td>18-22</td>
</tr>
<tr>
<td><strong>Total Q’s</strong></td>
<td>22</td>
<td></td>
</tr>
</tbody>
</table>

The interview questions (adapted version of the STEP interview protocol) are as follows:

**Background**
1. Describe the historical development of your business or business group with a focus on the family members’ role and involvement.
   a. The answer should cover, if relevant, the following issues:
   b. The entrepreneurial process when the firm was founded – who, how?
   c. Information on the ownership/shareholder succession(s)?
   d. Information on the leadership succession(s)- Chair, CEO, President?
e. Information on the ownership involvement, i.e. number and constellation of shareholder family members and or branches and changes in this over time?

f. Information on the number of family members working in the business(es), in leadership/management?

g. Who were the family member and non-family actors who have been most influential and what roles they played and why it was significant

h. What resources and capabilities they brought to the organization

i. Were there any downsides to their leadership – positive leadership characteristics can also have a constraining downside on the organization?

2. Describe the external forces that influence the development of the family business in terms of Industry

   a. Competition in terms of pace of change, nature of change, technology requirements, capital requirements, consolidating?

   b. How aggressive are the competitors?

   c. The scope and opportunity of your markets – regional, global, growing, declining?

   d. The importance of innovation and change to stay competitive?

   e. Major innovations in the industry over the past 10-15 years?

   f. Demographic and social trends?

   g. The role of “the green” environment, opportunity or threat for your business?

   h. Character of the political and economic situation at regional and national level?

   i. Key environmental factors that made a difference in what you are today?

   j. Forces that have affected your family and in turn your businesses?

   k. The role of national and regional culture for the development of the business?

   l. The role of religion and faith for the development of the business?

   m. The role of ethnicity for the development of the business?

   n. The national view of connection to the global society?

   o. The infrastructure that supports or constrains business growth and or entrepreneurial development?

   p. Taxation and other governmental influences on business?

Entrepreneurial Orientation (EO)

3. Would you describe the owner-family as entrepreneurial? Why or why not? The answer should cover, if relevant, the following issues:

   a. The main attributes that you think makes the family entrepreneurial?

   b. The main attributes that you think are lacking for it to be entrepreneurial?

   c. How the family ownership is a resource for entrepreneurship?

   d. How it has changed over time?

   e. Is continuity in and of itself transgenerational/entrepreneurial (i.e. existing for a long period of time)?

4. Would you describe the business unit and practices you are involved in as entrepreneurial? Why or why not? The answer should cover, if relevant, the following issues:

   a. The main attributes that you think makes the firm entrepreneurial?

   b. The main attributes that you think are lacking for it to be entrepreneurial

   c. The entrepreneurial capabilities of top leaders/managers in the firm?

   d. How the family influence or involvement is a resource for entrepreneurship?

   e. How has it changed over time?

5. Do you generally take new initiatives/strategic actions ahead of your competitors proactively or do you prefer to “wait and see” and or adopt “the new” later (e.g. introduce new product, new service, new processes, renewal actions, or opening new markets and launch new ventures)? The answer should cover, if relevant, the following issues:

   a. If this (the answer) facilitates or hinders further growth and or the accomplishment of vision and goals?

   b. How and why the family influence and or involvement impact this posture?

   c. Are there resources and capabilities that you have or lack that makes this posture/approach your chosen strategy?

6. Do you generally take new initiatives/strategic actions and invest where the outcome is highly uncertain, or do you prefer to invest where less resource is at stake and you know fairly well the result (e.g. introduce new product, new service, new processes, renewal actions, or opening new markets and launch new ventures)? The answer should cover, if relevant, the following issues:
a. If this (the answer) facilitates or hinders further growth and or the accomplishment of vision and goals?

b. How and why the family influence and or involvement impact this posture?

c. Are there resources and capabilities that you have or lack that makes this posture/approach your chosen strategy?

7. To what extent would you describe the organization as innovative and generating new ideas, experimentation and creative processes that may or may not result in new initiatives/strategic actions (e.g. introduce new product, new service, new processes, renewal actions, or opening new markets and launch new ventures)? The answer should cover, if relevant, the following issues:

a. If this (the answer) facilitates or hinders further growth and or the accomplishment of vision and goals?

b. How and why the family influence and or involvement impacts this posture/approach?

c. Are there resources and capabilities that you have or lack that makes this posture/approach your chosen strategy?

8. How is it possible to maintain an entrepreneurial spirit as the business or business group passes through generations within the owner-family? The answer should cover, if relevant, the following issues:

a. The most important steps/initiatives taken to keep the entrepreneurial spirit across generations, or that should be taken

b. Biggest threats to keep the entrepreneurial spirit across generations

c. Description of the entrepreneurial commitments and capabilities of the next generation

d. Formal and informal methods in use to develop next generation’s entrepreneurial capacity

e. How you would judge the entrepreneurial commitments and capabilities of the next generation at the current time

Familiness

9. Describe how your family leadership (ownership and management) plays a role in creating an advantage or constraint for your family business or group. The answer should cover, if relevant, the following issues:

a. What do they consider to be the advantage or constraint from family involvement?

b. How is family leadership tied to the group’s entrepreneurial capabilities?

c. How does/will succession positively or negatively impact the family’s advantage and entrepreneurial capabilities?

d. How does family leadership enhance or constrain the hiring and effectiveness of non-family leaders – i.e. building a team with non-family management?

e. What leadership resources and capabilities are in the senior generation – in the successor generation – how are they transitioned from one generation to the next?

f. How has succession positively or negatively changed the leadership resources and capabilities over the generations – how has this impacted the companies entrepreneurial capabilities?

g. How does the family leadership enhance or constrain OTHER resources (i.e. capital, knowledge, other leaders)

10. What role does the family’s history, reputation and goodwill play in creating and using the networks and connections for development or generating entrepreneurial opportunity?

a. How do you find opportunity – is it through your family/community network?

b. Who holds these relationships, i.e. individuals, branches, senior, successors?

c. How connected are these networks to the family vs non-family leaders?

d. Are the networks transferable, i.e. if the company were sold would these networks disappear or could those who bought the business continue to use them?

e. Is there any intentional effort to nurture them…and or pass them on?

f. What examples do you have of people doing deals/business with you because of your family’s legacy and or reputation?

gh. How is your strategy based upon or developed around your family’s reputation and or brand?

h. How does your family maintain/nurture the reputation and goodwill to ensure it is enduring part of your strategy?

i. Is it tied to a particular family member…can it be passed on to the next generation?
11. Describe how your family ownership/control enhances or constrains the allocation of capital as it relates to growth and entrepreneurial opportunities. The answer should cover, if relevant, the following issues:
   a. Who makes these decisions and if there is any disagreement over how the decisions are made?
   b. What is the capital allocation process...is it formal or informal...is their a strategy and budget or more intuitive?
   c. Does the family’s control of the capital make the business more or less opportunistic, i.e. able to capture opportunities when they come up?

12. How would you describe the risk profile of your family ownership group? The answer should cover, if relevant, the following issues:
   a. Commitments to fund growth vs. dividends to shareholders?
   b. Risk-taking vs. risk averseness when seeking a return?
   c. Focus on cultivating current businesses or creating new streams of revenue?
   d. Views on financial strategies to grow (e.g. debt, private equity, strategic alliances etc.)?
   e. The return expectations of the owner-family?
   f. How they primarily judge performance and over what period of time?
   g. Commitment to entrepreneurial risk and return profile?
   h. Who sets the family risk profile and is there agreement?

13. How would you describe the decision making processes in your businesses or business group? The answer should cover, if relevant, the following issues:
   a. Short term or long term oriented?
   b. Quick or fast decision-processes?
   c. Centralized through top/family leaders or decentralized throughout?
   d. Informal personal interaction or formal meetings and processes?
   e. Acceptance of failure in the decision-making?
   f. Entrepreneurial or managerial?
   g. Intuitive and personal or strategic with planning?
   h. What type of family issues might constrain effective decision making...provide specific examples from history...describe the family dynamics around decisions?
   i. The future – do you anticipate any changes in the family that would make you more or less entrepreneurial?
   j. How is the family’s decision making a resource for entrepreneurial action?

14. Describe your family’s core values that are foundational for your family business or group and how they relate to growth and entrepreneurship. The answer should cover, if relevant, the following issues:
   a. When and how these values were identified?
   b. Where (whom) do they come from and what was the transmission process?
   c. How implicit/unstated vs explicit/stated they are?
   d. Are they shared by the family members?
   e. How they influence the work in the firm in practice?
   f. How they are a resource that could provide advantages and/or constraints?
   g. How are they linked to your history and legacy?
   h. What you are doing to institutionalize and perpetuate them?
   i. How the vision drives or influences the firm level practices? Does the vision drive entrepreneurship?
   j. How the vision is a resource that could provide an advantage?
   k. Describe the culture of the group or business (i.e. beliefs, formal/informal, relational, trust, and communication). How it is part of the competitive advantage in the company?
   l. Is the culture a positive or negative resource for entrepreneurship? How it has evolved/changed over the years in relation to entrepreneurship? Give examples of how it has/does support entrepreneurial strategy/action?

15. How would you describe the relationships between family members and the impact on the development of your business or business group? The answer should cover, if relevant, the following issues:
   a. Are they an important resource for the business, advantage, entrepreneurial development?
b. The effectiveness of the communication…does it enhance or constrain business practices?

c. Degree of conflict and harmony?

d. Feelings of safety and the allowance for people to fail?

e. Differences in the relationships between active and non-active family members, generations, and core families?

f. Is there a commitment from the next generation to unity and to take over the business?

g. How would you describe the relationships between family members and non-family employees that have an impact on the development of your business? Are they an effective team?

h. Do you need to bring in more non-family leaders?

i. Do the family relationships keep you from bringing in new leaders, or enhance the attraction of new leaders?

j. Loyalty of non-family leaders and relation to advantage?

16. Describe the governance of the business or business group—how you have organized the family’s ownership in relation to management. The answer should cover, if relevant, the following issues:

a. Governance structures that are in use now and before (e.g. shareholder meetings, boards, family councils, executive committees, policies and guidelines etc.)?

b. How governance structures have changed over time and the reasons for change?

c. Shareholder involvement – formal or informal?

d. The role of the board – decision making or pro forma?

- The role of the top management team – informal/familial or professional/formal?

- The family conversations/meetings; where and how they take place?

g. Determine if governance provides any resource advantages or constraints to their competitiveness?

h. What is the process of determining governance structures and business models?

i. Do they enhance entrepreneurship?

j. Are they designed for today…or do they take into account growing tomorrow?

k. Who drives the governance decisions and is it positive or negative?

17. What specific knowledge and competencies are crucial for competing in your industry? In your business, how are these specific knowledge and competencies related to the family’s ownership and or involvement? The answer should cover, if relevant, the following issues:

a. What are the tacit and deeply embedded knowledge resources crucial for competitiveness and entrepreneurial capacity and the extent to which these are linked to family members?

b. The extent to which these knowledge resources have been formed across generations?

c. The extent to which there is deliberate work for maintaining and transferring these knowledge resources to a wider set of people and across generations?

d. Does this deeply embedded knowledge lead to new insights and innovations?

e. If the business was sold and the family no longer involved would the business still have the knowledge, i.e. is it transferable?

Performance

18. What are the family’s goals for the future as you understand them? The answer should cover, if relevant, the following issues:

a. How the family defines and measures success as you understand it (in monetary and/or non monetary terms)?

b. The owner-family’s five year goals and how they are prioritized?

c. How the family understands/prioritizes their performance measures?

d. How the family’s goals are determined?

e. How the owner-family enhances or constrains the achieving of these goals?

f. The biggest threat to meeting these goals?

19. What are the most important entrepreneurial outcomes to the ownership and management of the business or group (i.e. traditional entrepreneurial activities: new products, new businesses, innovations, new business models, change activities)?

a. Describe the number of entrepreneurial initiatives over the last three years (i.e. specific innovations, new products, new markets, renewal initiatives, new businesses)?

b. How has the workforce (number of employees) evolved over the last three years (increase / decrease)?
c. How would you describe your market share/position in the market over the last three years in relation to your competitors (increase / decrease)?

d. What are the expenses for research and development as a percent of total sales and how have they evolved during the last 3 years?

20. What are the most important financial goals outcomes to the ownership and management of the business or group (i.e. traditional financial measures)?
   a. What is the gross profit of your firm (in % of total sales) and how has this evolved over the last three years?
   b. How have the sales evolved over the years?
   c. What was the return on equity of your firm in:
      - 2003:
      - 2004:
      - 2005:
   d. Has your company reached above- or below industry average cash flows?
   e. Have you paid dividends to non-family shareholders?
   f. Have you created or destroyed market value? Is market value relevant for you?

21. What are the most important social outcomes to the ownership and management of the business or group?
   a. Does the family consider itself a social entrepreneur – are their social impact goals strategic and intentional or an evolutionary bi-product?
   b. Employment for people in the local community (or just continuity for employing family members)?
   c. Support for surrounding society, clubs, associations etc.?
   d. Philanthropy – how local/regional is it – how personal is it, i.e. driven by family values and mission?
   e. Is family business continuity, survival and succession success, i.e. legacy is the social driver versus larger social goals?
   f. Is the family’s social prestige and influence the key social driver versus larger social goals?

22. What is your view on the likelihood that your family business or group will achieve their goals over the long run?
   a. What do you need to ensure that you can meet these goals?
   b. What would keep you from meeting these goals?
   c. How will the family influence and or involvement hinder or constrain you in meeting these goals?
   d. Describe your role in ensuring your meet these futuristic goals?
   e. Do you consider these goals “entrepreneurial”?
   f. Do your goals lead your family to transgenerational wealth creation?
Appendix D Approval letters

Gatekeeper letter

"Company Name" is pleased to accept your request to be a research partner in the Familiness qualities, entrepreneurial orientation and long-term performance advantage/STEP (RO708) research project currently undertaken at Bond University's Australian Centre for Family Business.

We understand that the project will involve interviews with key family and non-family members holding pivotal roles in the family business. The interviews will be conducted at a location agreed to by mutual consent and take between 1-2 hours. A questionnaire will also be administered to the interviewees.

We understand that the following requests will be adhered to:

- The confidentiality and identity of the business/participants will be maintained at all times;
- The data collated will only be used for the above mentioned project;
- The organisation sights, reviews and verifies all transcripts of interviews before being used as research data;
- A written and/or verbal report on the current status of the preliminary findings is provided to the organisation including a final report.

At "Company Name" we value and uphold the pursuit and advancement of knowledge through research and education, especially research that result in providing practical value to practitioners in real life settings. We trust that as a Family Business, our participation will provide valuable insights into a greater understanding of the perpetuation of entrepreneurial practices across generations in Family Businesses'.

Authorised by:  __________________________________ 
(Please print name)  
Signature:  __________________________________ 
Company Position:  __________________________________ 
Date:  __________________________________ 


Bond University ethics approval letter

9 July 2008
Prof Ken Moores/Wayne Irava/A/P Justin Craig
Faculty of Business, Information Technology and Sustainable Development
Bond University

Dear Ken, Wayne and Justin
Protocol No: RO708
Project Title: Familiness Qualities, Entrepreneurial Orientation and Longterm Performance Advantage

Thank you for submitting the gatekeeper letters from Active Builders, Sands Group, Base Group Developments and Parts and Motors. I am pleased to confirm that you have met the final condition of the Committee and you have been given full approval to proceed with your research.

Please be aware that the approval is given subject to the protocol of the study being undertaken as described in your application and in accordance with the National Health and Medical Research Council’s National Statement on Ethical Conduct in Human Research.

Should you have any queries or experience any problems, please liaise directly with Caroline Carstens early in your research project: Telephone: (07) 559 54194, Facsimile: (07) 559 51120, Email: buhrec@bond.edu.au.

Yours sincerely

Dr Mark Bahr
Chair
**Participant consent letter**

I agree to take part in the above Bond University research project.

I understand that I will be asked to participate in an interview asking questions regarding my organisation (family business) which will be audio-taped. These questions are related to various aspects of the family business that specifically relate to entrepreneurship and family resources.

I understand that my privacy will be strictly maintained. I understand that any information I provide is confidential, and that no information that could lead to the identification of any individual will be disclosed in any reports on the project, or to any other party. The information will be safely stored at the researcher(s) office at Bond University. Software data files will be password protected, with only the researcher having knowledge of the password.

My participation should take between 1-3 hours. The risks of participating are limited to the possibility that I may feel uncomfortable with some of the questions asked during the interviews. Should I feel uncomfortable with anything asked of me at any time during the interview, I may end my participation with no penalty to me.

Following my participation, I will be given details of the interview for confirmation as well as detailed explanation of the findings of the research.

I am at least 18 years of age and I have freely volunteered to participate in this study, and have been informed in advance as to what my tasks would be, and what procedures would be followed, both for the study and to protect my privacy. I am aware that I have the right to withdraw consent and discontinue participation at any time, without prejudice.

Name: __________________________________________

Signature: _______________________________________

Date: ______________

Preferred contact email address: ___________________
Appendix E Inter-rater coding reliability

Cohen’s Kappa coefficient was used to determine the reliability of the coding structure (or more commonly known as nodes in NVivo). Four raters (me included) were asked to categorise 15 quotes into the most appropriate nodes. The four raters included a Professor, an Associate Professor and two Doctoral students in the family business field. The results are displayed in the table below.

<table>
<thead>
<tr>
<th>Nodes</th>
<th>A</th>
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Cohen’s Kappa coefficient was calculated using the formula

\[ \kappa = \frac{P - P_e}{1 - P_e} \]

\[ P = 10.17; \ P_e = 0.07 \]

The calculated value of Cohen’s Kappa coefficient is 0.70. A value greater than 0.6 shows substantial agreement between raters. Based on Cohen’s Kappa coefficient, the coding structure is considered reliable.
Example Coding from NVivo
Appendix F Case profiles

Case 1: Active Builders Corporation (ABC)

Introduction
Active Builders Corporation (ABC) is a family business in the construction industry that is owned and operated by members of the Dalton family. Although ABC was officially established in 1992, the company’s roots can be traced to the late 1800s when the Dalton family’s ancestors started building dwellings in a burgeoning metropolis of Australia. Since then, the Dalton family has weathered the vagaries of a cyclical industry in a developing country plagued by a plethora of challenges to be today a prominent player well positioned for strong growth across multiple industries. The size of the business today situates ABC between the small property developers and the large, publicly listed construction companies. ABC employs approximately 150 permanent staff, of which 100 are involved in the company’s core business. Today the 5th generation of the Dalton family continues the tradition of ‘Master Builders’ through a stated commitment to creativity and innovation. The business remains 100% family owned.

ABC family genogram

<table>
<thead>
<tr>
<th>Family who were/are involved in the family business</th>
<th>Family members interviewed</th>
<th>Represents deceased persons</th>
</tr>
</thead>
</table>

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235
Development of ABC and the Dalton family
Warren Dalton (I) began establishing his reputation as a leading builder soon after his arrival in Australia in 1867. Little is known about him except that he built houses and worked together with his son Claude, who continued building after his father passed away in the early 1900s. It is in the 3rd generation, via Claude’s son Warren Dalton (II), that the family business story becomes clearer.

Warren Dalton (II) maintained the building tradition by starting the first official family business. The business back then was known by a different name and its primary focus was on building houses and residential units. Warren’s approach was as a hands-on type of boss, with a strong work ethic. His philosophy in business was, ‘be tough but fair’. Warren was also known for his dedication. It was normal to find him on building sites at 5.30 in the mornings. Even when he was into his 70s, Warren would occasionally be found on construction sites despite having retired.

In the late 1950s Warren’s (II) son Darrel, who was in his early teens, left school to help his father in the family business. Darrel had little formal education and recalls how at fifteen he was in school one Friday and then the Saturday after he was digging trenches for a new construction. Thus began Darrel’s journey in the family business. The father and son team would sit in adjoining offices learning and working together, a practice that is still evident today in the offices of the 4th and 5th generations. The father and son team of Warren (II) and Darrel continued for the next 15 to 20 years. The business enjoyed rapid growth during this period, mainly a result of operating within a niche market and having first mover advantage via their unique approach in construction. Adam, a 4th generation Dalton, talks about this approach

> It was about maximising any opportunities if there was a large two bedroom and a laundry they would convert it into a three bedroom, and they would get that extra 20-30 grand, and that’s how they would make their profit. So they'd look for ways where they could get an extra room...that sort of thing...so they would always look for projects where there was a bit of slack room where they could try and squeeze in and that was their philosophy from the start...from there it developed.

(Adam – 5th generation)

In the late 1970s to early 1980s, the business made strategic changes by taking on its first major commercial development project; a high-rise building located in the major business precinct. This bold move was driven mainly by market trends where for a number of years the business focus of building residential flats, went out of fashion. The change proved to be highly successful for the company. The father-and-son team’s unique approach of space saving adopted in the construction of residential units was used to “strata up” small commercial offices. The project not only cemented the family’s name as being synonymous with ‘strata type offices’, but it also made them pioneers within the industry. It also marked the beginning of their shift of focus from residential apartments to commercial property development. The proactive stance and risk taken by the company proved successful and commercial property development today remains a speciality of the business.

49 Strata title is a form of ownership designed for multi-level apartments. It was first introduced in Australia in 1961 as a means of addressing legal issues in ownership of apartment blocks. ABC was a pioneer in transferring this concept across to commercial offices.
Darrel, like his father, was hard working and an expert builder. This resulted from having followed his father closely and being introduced to the practical skills required in the construction industry at a young age. However, unlike his father, Darrel also had the added advantage of a creative mind…

People that talk about my father don’t know him well inside to see him from a business point of view say he is this creative genius, and his ideas in marketing and that’s what great about him because if you look at the advertising, the flowers and everything, it’s really come from my father.                   (Josh – 5th generation)

…and a marketing talent

He just had all those tricks that he just always did. And he thought that was the hype of it and all the flags and everything every building had all the international flags at the front and everything was all palm trees and all the bells and whistles and that’s from everything I can remember from when I was a child. That was the differentiator.                          .                                            (Adam – 5th generation)

The father-and-son business, of Warren (II) and Darrel, blossomed in the 1980s and the increased demand saw the business going from one project to another. Father and son found themselves working six days a week. In 1989 government legislation allowed companies in the industry to increase their borrowings (negatively gear) and this led to the purchase of several buildings. However, a downturn in the market and the exit of several tenants suddenly left the company with empty buildings and a burgeoning interest debt. This was the most difficult time for the family business. It was a moment in history where Darrel recalls

I went belly-up in 1989. I started again from behind the eight ball. I had to pay $3 million bucks back to my bank and tax. I was way beyond the eight ball and I did not want my life to change dramatically so I just worked harder. I lost a lot of money in 1989. I did not like that. I did not like being poor. So I got out there and worked a little harder and got back again”.                       (Darrel – 4th generation)

The misfortune in 1989 saw a cease in all commercial developments and the business returned to its roots, building houses and blocks of flats. However, Darrel’s desire to succeed and relentless hard work were pivotal in overcoming these obstacles resulting in a quick turnaround by the mid 90s. Darrel’s innovative, creative, and marketing flair gave ABC the ability to diversify and differentiate its products thereby providing the company once again with an edge over its competitors. In 1992, Darrel officially re-registered the family business as ABC, the name by which it is known today.

The late 90s saw the re-growth of the Dalton family business and the emergence of a number of entrepreneurial initiatives, some of which exist today as subsidiaries of ABC. These included a real estate company, a communication company, a facilities management company, a body corporate company, a car park company, and partners in a cosmetics company. These initiatives were mainly driven by Darrel. Apart from
the cosmetics company, all the other subsidiaries resulted from related diversification (opportunities identified from ABC’s core construction business).

**ABC Vision and mission statement**

<table>
<thead>
<tr>
<th>Vision</th>
<th>To imagine, identify, acquire, develop, manage, own, market and sell innovative business and property solutions through our outstanding people, products and services that establish new industry benchmarks for our customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission</td>
<td>▪ To clearly identify our areas of successful operations and then focus on them; ▪ Consolidation and expansion as the driving force behind the growth of the ABC brand; ▪ To deliver an experience that impresses our customers, inspires our people and astounds our competitors. ▪ To create growth for our stakeholders, build the brand, and create a strong employment future for all proactive and progressive employees</td>
</tr>
</tbody>
</table>

By the early 2000s, the company had grown to a considerable size where Darrel found that it was impossible to handle everything on his own, something that he was previously accustomed to doing. The family business had reached a stage where Darrel realised that recruitment of external managers and professional skilled persons was necessary. It is something he admits has made his life much easier.

Today construction is easy for me because I have one person, whom we are paying a lot of money, but he is handling all the construction sites and we put very good supervisors on every one of our building sites. Before I was the supervisor, I was the construction manager, I was the area manager, and I was the bloke ordering the concrete...it is so much easier these days. (Darrel – 4th generation)

Darrel’s three sons (Warren III, Adam, & Josh) were all introduced to the family business at a young age. All three boys recall working on construction sites during school term holidays as a means or earning extra pocket money. Fortunately, for Darrel all three boys showed an interest in joining their father in the family business. Furthermore, all three boys showed different skills and attributes and this made Darrel’s task of managing his children’s entry into the family business as well as the paths they would take within ABC so much easier.

Warren III, the eldest son, was first to enter the business as an official employee. Halfway through his education Warren III decided that school was not working for him. Furthermore, his proclivity for pragmatism saw him quickly become an asset out in the field and at construction sites. Darrel at this stage was getting older and the years of hard work and commitment was beginning to take its toil.

Well I am 64, I am getting little sick of it. Like Monday’s I would get up at 6 o’clock and drive off in the dark to construction sites. It is not much fun anymore when you go walking around building sites. I do not need to do that anymore. This Monday morning I walked my dog at 8 o’clock came home had my breakfast read the papers got on the phone got to the office 10.30 or something, that’s what I want to do. (Darrel – 4th generation)
Of his three sons, Darrel saw a bit of himself in his eldest son Warren III who was also turning out to be a natural leader for the 5th generation of the family. Warren III began his journey within the business in the mid 1990s. For the next 12 years, he would learn by literally following his dad to every meeting and construction site. It was over this time that Warren III also moved into the role of Managing Director for the group. Darrel moved into more of a Director’s role, although officially he remains CEO for the group 50.

Josh the youngest of the three boys, also exited college prior to completing his qualification and started work officially in the business when he was 19. Unlike his older brother Warren III, Josh had a flair for sales and marketing and his role within the business slowly gravitated to this area of the business.

Josh is a born salesperson and he did not get that from me. I am not a good salesperson. I can sell but I cannot get people to sign. Josh can sell and sign. It is an art. A gift you are born with; Warren III and I could not do what Josh does.  
(Darrel – 4th generation)

Josh’s role within the business did not give him as much contact with his father as Warren III has. So unlike his brother, Josh largely learnt on the job via his experiences with little contact from Darrel who admitted he did not really fancy sales. Furthermore, Josh’s quick rise to a managerial level at a young age created some difficulty especially with the older and more experienced employees in the sales division. While Warren III always had his dad to bounce things off, Josh was more often left on his own for some big decisions. Josh is currently Managing Director of sales and marketing and manages approximately 60 staff.

Like his father and his brother, Josh does not have any experience working outside ABC. Darrel, Warren III, and Josh have industry specific trade qualifications. Darrel and Warren III are registered and licensed building practitioners, while Josh has his real estate licence. These licences are pivotal to the roles they play within ABC as well as in construction and the property development industry. There are also plans for Josh and Warren III to further their education in the near future.

Adam the middle son, unlike his two brothers, loved and excelled at school. As a result, while his two brothers were already working full-time in the business, Adam’s success allowed him to remain in school and complete his Bachelor of Commerce degree. In comparison to his brothers, Adam’s experience within the family business has been minimal. Currently Adam is pursuing his Masters degree. He hopes to join ABC on completion of his studies; however, he is also considering some outside experience prior to joining ABC. The dilemma that Adam faces is deciding when to enter the family business and in what capacity given the roles his siblings already play.

Darrel suggests that Adam would best be suited to a role in the financial sector of the business. Adam’s knowledge and qualifications put him in a better position than his
brothers to interpret and read financial data and this would prove useful in forecasting and assessing the feasibility of future projects. However, Darrel also adds that Adam must have the passion for whatever role he intends to take on within ABC and that he must prove himself.

**ABC Summary characteristics**

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<tr>
<td>Family Name</td>
<td>Dalton</td>
</tr>
<tr>
<td>Industry(s)</td>
<td>Property Development, Real Estate, Communications</td>
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<tr>
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<td>Property Development</td>
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<td>Approx size of family</td>
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<tr>
<td>No. of family involved in FB</td>
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<tr>
<td>Positions held by family</td>
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<tr>
<td>Approx No. of Employees</td>
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At present the interests of the company are in trusts and remain under Darrel’s control. This ownership structure is common in family owned businesses in Australia. The ownership structure is currently under review and is timely given that there are multiple beneficiaries in the 4th generation of the family.

Darrel also has a daughter Claire who has shown very little interest in joining the family business, although it is her father’s hope that she will be more involved. Darrel believes that Claire’s qualifications in communications and public relations would serve ABC well. Especially concerning interaction with the media since both Darrel and Warren III have had brushes with the media over the years. Darrel says such is expected when one is in the development industry however, they need to be managed or they could be damaging to the reputation of the family and by a domino effect the business. Darrel’s wife Doreen played the role of interior decorator and bookkeeper in the early stages of the business. However, these days she is not operationally involved but continues to play the role of chief emotional officer for the family.

The industry has also played a significant role in how ABC has grown and developed over the years. It was the booming industry in the late 1960s that contributed to the company’s early growth and success. It was also the industry’s decline in the 1980s that saw the near demise of everything Darrel owned. The next section briefly discusses the current state of the environment within which ABC operates.
Industry Analysis

The construction industry has been an important contributor to economic growth in Australia over recent years. The industry consists of those businesses that are engaged mainly in the construction of residential and non-residential buildings, engineering structures and related trade services. ABC blends development and construction to offer commercial, hotel and residential property. The core business of ABC therefore situates the business firmly within this industry, although recent diversification via the company’s subsidiaries is beginning to see ABC also move into the Communication and Services industries.

Construction industry output in Australia

Over the last 5 years the industry has grown by an average of almost 7% per annum at a national level (Source: ABS). The primary contributor to that growth is the non-residential construction sector in which the majority of ABC’s development projects are concentrated. The growth in the industry has also led to significant increases in the demand for labour as well as the cost of labour. The Australian Reserve Bank forecast that construction demand will remain relatively high within Australia over the next couple of years (Source: RBA). Figure 4-2 shows the output of construction in Australia as a percentage of GDP. The downturn of the market around the late 80s was the period in which Darrel almost lost everything.

51 The Australian and New Zealand Standard Industrial Classification (ANZSIC) were used to identify the core industry within which the case firms operated. The ANZSIC was released by the Australian Bureau of Statistics (ABS) as a framework for organising data about businesses by enabling grouping of business units carrying out similar productive activities. All statistics mentioned in the industry analyses that follow are obtained from the Australian Bureau of Statistics website, unless otherwise stated.
At the state level within which ABC is concentrated, construction is the 6th largest industry and contributes approximately 6% to the Gross State Product (Source: ABS). This contribution has been the industry’s highest level since the last five years, and is forecasted to further increase. This growth has been mainly driven by residential buildings. This augurs well for ABC which currently has five development projects underway.

**ABC Strategic Business Units**

The following table outlines the entrepreneurial initiatives undertaken by ABC over the last two decades.

**ABC Business entrepreneurial initiatives**

<table>
<thead>
<tr>
<th>Initiatives</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Centers</td>
<td>These provide fully furnished serviced offices to lease, virtual office packages with prestigious addresses, secretarial services including telephone answering and executive boardrooms, meeting rooms and conference facilities.</td>
</tr>
<tr>
<td>Sales and Leasing</td>
<td>Short &amp; long-term office space, selling boutique office space, provides property management service.</td>
</tr>
<tr>
<td>Hotels and resorts</td>
<td>Boutique style short &amp; long-term accommodation options throughout the city areas</td>
</tr>
<tr>
<td>Storage facilities</td>
<td>Residential and commercial storage</td>
</tr>
<tr>
<td>Student accommodation</td>
<td>Accommodation services especially to students</td>
</tr>
<tr>
<td>Financial Group</td>
<td>Services include: assessment of financial position, goal Analysis, calculation of your comfortable investment capacity, debt Reduction Strategies, computer simulations, loan &amp; finance restructuring, leveraging &amp; gearing and mortgage comparison &amp; sourcing</td>
</tr>
<tr>
<td>Car Parking</td>
<td>Permanent and temporary car parking services</td>
</tr>
<tr>
<td>Facilities Management</td>
<td>Services range from management range from management of essential services, planned maintenance, corrective maintenance, minor works, mechanical and electrical, test and inspection services, concierge and general building maintenance.</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>Provision of Telephone and IT services</td>
</tr>
<tr>
<td>Corporate furniture</td>
<td>&quot;One stop shop&quot; for all office furnishing requirements</td>
</tr>
<tr>
<td>Body Corporate Services</td>
<td>Body Corporate company includes facilities management, telecommunications, architectural design - provision of furniture and commercial &amp; residential fit outs</td>
</tr>
</tbody>
</table>
Case 2: Seasons Management Group (SMG)

Introduction
Seasons Management Group (SMG) is a second generation family business. The business’s core operations are in the management rights industry, although SMG’s growth over the years has seen its operations crossover into the resort and tourism, and real estate industries. The business was founded by the Barnett’s in the early 1980s at a time when management rights was in its infancy and surrounded by uncertainty. SMG which originally started as a “mum and dad” operation with four employees is today a successful mid-sized business. SMG owns the management rights to 707 apartments and employs more than seventy staff. SMG offers integrated management solutions specifically targeted to the needs of corporate and strata-title owners of resort leisure, long-stay and conferencing facilities. The company is 100% owned by the Barnett family and their intention to keep the business within the family remains strong.

Development of SMG and the Barnett family
SMG was established in 1982 when the founder, James Barnett, and his wife Joan immigrated to Australia. The Barnett’s decision to move to Australia from New Zealand was largely influenced by the advice of James’ doctor, who suggested that a warmer climate would help improve his health.

At the time migration was being considered, the Barnett’s were operating three businesses, established in the early 1970s. They included two coffee shops and an ice-cream parlour. Being the serial entrepreneur that James was, it was certain that upon relocating the family would continue to be self-employed and running their own business. It was decided that the current businesses would be sold and the capital acquired be used to assist in funding the family’s new business ventures abroad. The type of business and the industry they would go into was already decided prior migration, as Joan recalls

We had been here for a holiday previously and loved it and when we were here, we had found out about management rights because we stayed at one just accidentally and we had gone into the prospect of buying them. So, when James had that prognosis from the doctor, we decided to come over and buy management rights.  

(Joan – 1st generation)

Joan’s parents were hesitant and cautioned the family against selling their current businesses and starting anew. At this time Joan was pregnant with her second child. Both Joan and James’ parents saw the decision as a risky endeavour however the Barnett’s remained confident that management rights provided interesting opportunities to be explored. James had to convince Joan’s parents that the decision to migrate was planned and calculated, and he did just that

No actually I was very keen on that and I had no second thoughts. All our relatives and especially Joan’s parents they were adamant. They didn’t want us to go. So I actually paid for Joan’s father to come and showed him what I wanted to do. This is what we want. This is what we are going to be buying into. This is the location of it. And within 3 days he changed his mind. He shared that if he was 20 years younger he would be doing the same.  

(James – 1st generation)
Soon after arrival in Australia, the couple established SMG, a small operation employing only two staff. At about the same time they also purchased their first management rights; a holiday high rise apartment. The management rights industry, in Australia, was at that time in its early formative years and this provided the Barnetts with first mover advantages.

When we first came over here it was more of a “mum and dad” operation and not terribly professional. And really you just have to sit there. You register your high rise or whatever with all the different airlines and things and they just gave you the bookings and people walk in off the streets and it was fine. The units were individually furnished. It wasn’t very standard. The management rights industry was very down market

(Joan – 1st generation)

In those early years the newly established industry offered ample opportunities for growth with little competition. This was pivotal in assisting SMG’s early growth and development phase. What then followed over the next 20 years was a series of successful trades where SMG would buy and then sell the management rights to eight other high-rise buildings. The decisions to sell or buy were made between James and Joan. James would continually be watching activity in the market and the industry and when his instincts told him the moment was right, he would make the deal and the trade would happen.

In that short period, SMG’s high activity in the industry was bringing greater recognition to both the business and the Barnett family. In the 1980s, James was invited to Chair the industry body. This involvement allowed James to develop extensive knowledge about industry policies and body corporate laws. During his period as Chair, James was pivotal in developing innovative marketing concepts for the industry and tourism, which was later adopted by the State government. SMG, but more so James, was now seen as pioneers of the industry.
It was also during this period that the Barnett’s two sons Donald and Michael would begin their early introduction into learning about the industry and the business.

*People like me who have grown up in a family business tend to have a greater understanding of business because the issues are discussed at every single dinner table and are discussed on a regular and systematic basis. People that haven’t been exposed to that are often going through the same learning curve that people like me went through when I was 13-14 except that they are 26-27. So, I would say they have a greater understanding of business*  

*(Donald – 2nd generation)*

As the industry grew, so did the competition within it and this meant that advantages that were once taken for granted were slowly being eroded. SMG took a new direction by maximising the relationships they had built over the years with the developers within the industry. Working in conjunction with developers, SMG began setting up from scratch, leisure/resort type accommodation. This specialised area within management rights allowed SMG to differentiate their services but it also put their operations in direct competition with surrounding hotel accommodation. Previously in the management rights industry, the tourism industry was considered more as opportunities for management rights rather than direct competition. SMG has been very successful in this specialised field and has overseen the successful set up of ten large resort properties to date. Currently SMG holds the management rights to two leisure/resort type properties.

On the family side, both Donald and Michael have had some experience working within the family business. Michael once headed up the real estate division and Donald was previously CEO of SMG. Both boys were in their 20s and their young age often presented challenges in the roles they played within SMG.

*Many of the decision makers within the other companies that we deal with are much older. At first, it is difficult for a 25-year old to socialise and build strong business relationships with peers who are 30 years older.*  

*(Donald – 2nd generation)*

*The senior staff had the attitude that Michael and I were the boss's pups and we were not given much respect. We had to prove we were worthy of respect, but were able to do that in about 12 to 18 months.*  

*(Donald – 2nd generation)*

After working for a while in SMG, both Donald and Michael decided to further their education. Their temporary absence left a void in the company that resulted in SMG bringing in external managers to fill the positions both sons had previously occupied. On completion of his Masters degree, Donald wanted to return to SMG however, on James’ advice he has decided to go abroad and work for 2 years. Michael is currently finishing his degree and his father hopes that on completion he will follow his brother’s example. After their outside work experience, James would like both boys...

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52 To further, clarify this point. A thriving tourism industry resulted in more tourists coming to the area. If they enjoyed the visit, they would often consider either moving to the area permanently or purchasing a place where they could stay whenever they visited. Often it was to the management rights operators that these tourists would talk to, when considering the options of purchasing getaway homes, which they would occupy when they next visited, and at other times, rented under management rights.
working in SMG, a desire that both Donald and Michael have also expressed. Currently Donald is a director of SMG while Michael has no role within SMG.

**ABC Vision and mission statement**

<table>
<thead>
<tr>
<th>Vision</th>
<th>We create a work environment where our team is united, committed to our customers and their experience, where we strive to provide distinctive hospitality resulting in competitive investor returns</th>
</tr>
</thead>
</table>
| Mission                                                             | • we will be the customers’ service provider of choice  
• our workplace will be fun, energising and on where everyone can make a difference  
• we will build competitive advantage in all of our businesses through the creativity and innovation of our people  
• we will work together as a great team committed to the growth and vitality of our company |

Furthermore, SMG diversified its operations by forming two new entities: The Travellers, a travel wholesaler and The House People, a boutique real estate agency. Both entities were established to provide complementary services and operations to SMG and were championed by the second generation; Donald in particular. The House People was established while Daniel was in university. He saw the plight and difficulty faced by students finding appropriate accommodation and saw the opportunity to start a service that would help meet the students’ needs.

These industry-related extensions complemented and enhanced SMG’s management efficiencies resulting in economic savings and benefits for the group. In 2006, SMG was ranked 24th in the states 400 list of top-performing private companies. In the same year, its leisure/resort accommodation was placed 6th in the Top 10 Family Resorts listing for the state.

**SMG Summary characteristics**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Seasons Management Group (SMG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Name</td>
<td>Barnett</td>
</tr>
<tr>
<td>Industry(s)</td>
<td>Management Rights, Accommodation, Real Estate, Tourism</td>
</tr>
<tr>
<td>Core Business</td>
<td>Management Rights</td>
</tr>
<tr>
<td>Founding Era</td>
<td>1980s</td>
</tr>
<tr>
<td>Generation of family</td>
<td>2nd</td>
</tr>
<tr>
<td>Shares owned by family</td>
<td>100</td>
</tr>
<tr>
<td>Approx size of family</td>
<td>8</td>
</tr>
<tr>
<td>No. of family involved in FB</td>
<td>4</td>
</tr>
<tr>
<td>Positions held by family</td>
<td>Managing Director, Director x 3</td>
</tr>
<tr>
<td>Approx No. of Employees</td>
<td>80-100</td>
</tr>
</tbody>
</table>
Although both James and Joan have other children, none of them have worked within SMG, or plan to do so. Both James and Joan have also stressed that SMG will be equally shared between their two sons. Donald and Michael will inherit 50% shares, regardless of the positions they occupy within the business.

**Industry Analysis**

The industry, within which SMG’s core operations are positioned, is management rights. Management rights is a concept that originated in America and was made popular in Australia in the early 1970s. It first started in Australia in the state in which SMG operates which today has over 260,000 apartments operating under this system. Under such a system, a residential or holiday complex operates as part of a community management scheme. Owners of apartments in these complexes are often investors who wish to maintain an active involvement in the operation of their investment.

These investors, via a body corporate, then contract the management rights to a resident manager who then manages the complex. The responsibilities of the resident manager mainly involve caretaking activities but also have the authorization to operate a letting and leasing business of the units. Success in the industry is therefore heavily dependent on the resident manager developing good relations with the investors. Such a relationship is often difficult to administer and a reason why the average turnover within the industry is under two years. In the early days of the industry, the resident manager was often a ‘mum and dad’ operation; however these days the resident manager is a single investor that employs professionally trained staff to manage the buildings. One such single investor is SMG.

Popularity of management rights continued into the 1990s and the evolution of the concept and the industry prompted the refinement of state legislation to formalize and govern the industry. The industry also formed an industry body created to protect the status, operations and legal challenges to management rights owners. As previously noted James Barnett was chairman of this industry body and held that position for a couple of years. Over the years there has been a consolidation of the industry. Competition has continued to increase with more corporate players entering management rights. These corporate players are large multinational companies that will assert greater pressure on smaller ‘mom and dad’ operations. Already the number of management rights buyouts is increasing. Smaller players within the industry will have to create their own niche and introduce more diversified means of customer advertising and bookings; a costly exercise for any business.

Cost of management rights has continued to soar, with its value increasing in the last two decades. Management rights are usually calculated by multiplying an industry assigned figure (called multiplier) to the annual net income of the property. In the 1970s a location that had a multiplier valued at 1.5, now sits around the 5-6 margin. The volatility of the financial markets and increasing interest rates created barriers to enter the industry. A trend developing in the industry is that previously developers would construct buildings and then sell them off to interested parties. Today however, most developers are keeping ownership of the management rights to those buildings. Developing good working relationships with developers are pivotal to moving...
forward within the industry. This augurs well for notable firms such as SMG, who have been playing the field for the last 26 years and have built relationships and developed strong networks within the industry.

**SMG subsidiary companies important business events**

The following table outlines entrepreneurial initiatives undertaken by SMG over the last two decades. The timeline highlights the successful trading of the first generation and the birthing of company subsidiaries by the second generation.

**SMG business entrepreneurial initiatives**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>EVENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>James and Joan purchased first coffee shop in NZ</td>
</tr>
<tr>
<td>1978</td>
<td>Purchased 2nd coffee shop</td>
</tr>
<tr>
<td>1982</td>
<td>Sold coffee shops and moved to Australia</td>
</tr>
<tr>
<td>1982</td>
<td>SMG was born. Specialized area of management rights where accommodation can be both short term and long term stay. In such facilities units can be bought outright, can be rented, or are offered as tourist accommodation. This increases the complexity of their management as compared to hotels which are owned by companies and solely for tourist accommodation. Bought first management rights to 45 units</td>
</tr>
<tr>
<td>1984</td>
<td>Bought 2nd management rights (60 units)</td>
</tr>
<tr>
<td>1985</td>
<td>Bought management rights to 100 units and selling the previous two</td>
</tr>
<tr>
<td>1991</td>
<td>Bought management rights to 85 units</td>
</tr>
<tr>
<td>1993</td>
<td>Purchased management rights to 100 units and selling the previous 85</td>
</tr>
<tr>
<td>1997</td>
<td>Purchased management rights to 112 units</td>
</tr>
<tr>
<td>2001</td>
<td>Purchased management rights to 300 units (largest purchase to date)</td>
</tr>
<tr>
<td>2003</td>
<td>Subsidiary (The Travellers) formed by 2nd generation - The real estate arm of SMG which handles the real estate development, marketing, sales and management of properties and units.</td>
</tr>
<tr>
<td>2005</td>
<td>Purchased 3 more buildings (sold them in 2007)</td>
</tr>
<tr>
<td>2005</td>
<td>Subsidiary (The House people) formed by 2nd generation - A travel wholesaler that tailors accommodation needs. Donald was central to the development of this entity where Accommodation People targeted students studying at a nearby university</td>
</tr>
<tr>
<td>2007</td>
<td>Purchased management rights to 113 units</td>
</tr>
</tbody>
</table>
Case 3: Builders Development Corporation (BDC)

Introduction
Builders Development Corporation (BDC) is a medium-sized, second generation family business in the property development industry. The core focus of the business is in residential and commercial property development. BDC originally started as a subsidiary of a parent company called Silvio’s Constructions which over the years gradually ceased operations and evolved into BDC. To date BDC has built several residential developments and luxury mansions. In 2008, the firm employs approximately 15-25 people and also has business investments in Argentina. One of BDC’s diversified businesses has most recently set up operations in China. The owner family retains 100% ownership and dominates management of the firm. There is intention to keep the business within the control of the family. Two of the founder’s three children currently head operations and management in BDC. Ownership control remains with the founder and his wife, who are also board directors for BDC.

Development of BDC and the Bocconi family
Silvio’s Constructions was founded by Silvio Bocconi, an Italian immigrant who was only 17 when he arrived in Australia in 1954. He had no education and could not speak nor read and write in English. Silvio had a passion for buildings and construction and naturally, he gravitated to find work in this area. Unsuccessful with finding work he started walking up and down the streets with his tools, knocking on doors and asking people if there was anything they needed fixed. These humble beginnings slowly progressed to more specialised work, including cement rendering, formwork, and steel work. With that experience, he was then able to obtain a job with one of the largest construction firms in Australia at that time. It was there that Silvio began to learn and perfect his trade. After several years working for this company, Silvio observed the increasing demand and the opportunities in the building industry. Subsequently, Silvio started his own construction company, Silvio’s Constructions, in 1967.

Once the business was established, Silvio arranged for two of his brothers to join him in Australia. His brothers joined Silvio’s Constructions and a partnership in the business was formed. The partnership was successful up until the three brothers got married. Family bickering and jealousy (especially amongst the in-laws) led to the dissolution of the partnership. Silvio then got into another partnership with a construction company and a real estate company. This partnership did not last long either, after the company continued to make a loss. The partnership was dissolved and Silvio started his business again; a 2-man team partnership with his wife Venetia. It was then that things began to improve and the business started to grow significantly.

When I met my husband, he was already a self-made entrepreneur. All I did was join him and give him all the help he needed in business. His education was not great and his English was no good. Therefore, I help him in the office to look after all the paperwork, all the books and everything. We worked as a team.

(Venetia – 1st generation)

From rather humble beginnings and slow growth during the 1970s, Silvio’s Constructions experienced high growth in the 1980s, thanks to the boom in the
construction and development industry. By the early 1980s, Silvio’s Constructions had grown into a medium to large company and had started contracts with prominent developers. At one stage, Silvio had 200 men working for him, mostly immigrants like himself who had come to see Silvio as a leader among the burgeoning immigrant population. Silvio’s Constructions had now grown to a size that it was now capable of undertaking developments stretching interstate. According to Silvio, hard work drives the success behind his family business. He embraced the philosophy that service should never be considered an afterthought and that customer care was the foundation of the company’s developments.

In the 1960s and 70s, apart from their involvement in the family business, Silvio and Venetia were actively involved with migrant communities. They helped pioneer working conditions for migrants and up to this day are revered by many for their significant contribution. The public stand they took on improving working and pay conditions was pivotal to their early success and remains a significant influence on the second generation.

In the mid 1980s, three events unfolded that had significant impacts on both the family and the business. Firstly, in 1984, Silvio relocated both the family (which now included three children) and the business to another state that was fast emerging as a popular living and tourist destination, and where the construction industry was flourishing. Secondly, Silvio was not content with building other developers’ projects and was in the process of moving from what was a purely construction company to one of property development. To prepare for this shift, Silvio had begun investing in land that he was positioning for future development. To maintain cash flow, he also bought a small hotel, which the family lived in and managed. Then in 1988, Silvio was involved in a tragic car accident, which threatened both his life and the continuation of the family business.

That is something that you cannot predict. It can happen to anyone. But we went through some really tough times. My kids were very young still. But probably it was meant to happen for the family to be more united. It was a big trauma for them because it was very hard for them to see their father so close to death. But they worked hard in the business, although they were only 13-14. It was a terrible challenge. (Venetia – 1st generation)

It was a difficult period for both the business and the family. Silvio’s three children, Benito, Marco, and Mila, were still in school and not ready to lead the business in their dad’s absence. Venetia, who had assisted the business in administrative roles, had to now leave that and aide her husband’s recovery. While a cousin of the family was brought in to help keep the operations of the business running, without the entrepreneur and founder, the business entered a dormant period. After his recovery period, Silvio returned to the business, but as Marco recalls ‘after the accident, Dad pretty much retired’.

In 1996, after spending most of their weekends driving around looking at property with their father, Silvio’s twin sons Benito and Marco decided it was an opportune time to rejuvenate the family business. Both sons had recently completed their schooling. Following on from Silvio’s intentions for the business prior his accident, a property development company BDC was established as a subsidiary to Silvio’s
Construction. The boys fashioned BDC as the continuation of a legacy created by their father. As BDC grew and developed, the family business was being reborn via the second generation, while under the watchful eye of the first generation.

*After returning from education abroad and when I was here I saw a property and I said “Dad, I think we can do a backpackers resort here, Gold Coast is ready” and you know, back and forth and many negotiations amongst the family. They approved and Benito and I formed up a company called BDC, which is a second-generation business. We built the backpackers resort and that is where it all started.*  
(Marco – 2nd generation)

BDC family genogram

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BDC’s first development project was a success for the company and was managed by the twins. Although Benito clarifies, ‘we learnt our craft from our father; he guided us and he always had the last say’. The boys’ first project was a learning experience, because it taught them a great deal about the industry, about working with each other, and was the first step to establishing their reputation within the industry. By 2000, Silvio’s Construction had ceased its operations and had evolved into BDC. BDC was being led by the second generation, with Benito taking on the leadership role of managing director. Marco’s forte was turning out to be sales and marketing, and he was beginning to gravitate to this division of the business. Silvio had no operational involvement with BDC, but as majority shareholder, he was consulted on all aspects of the business and had the final word on major decisions. The twins, who were still in their 20s and with little experience, were comfortable with that arrangement.

After five years working together on several development projects, the twins realised that while they shared the same passion to grow the family business, they also had
separate interests they wanted to explore. The brothers decided to diversify into their
own independent interests. Benito’s interests included the share market, a modelling
agency and information technology. With increasing demands being required of him
for these interests, Marco now moved into the role of managing director of BDC, a
role Benito had played for the last five years. Marco’s wife Anna also stepped in to
help her husband by overseeing the management rights for BDC’s properties.

With a reduced role in BDC in terms of operations, Benito now had the time to
advance his interests. Benito was able to secure the licensing rights to a world famous
modelling agency, a move that was seen as a fashion coup in the modelling and
fashion industry. According to Benito, it was his sister Mila’s passion for design and
fashion that partly influenced his intentions to pursue the unrelated diversification into
the modelling industry. Mila had no interest in construction and development and
had very little involvement in BDC. She continues to pursue her interests in fashion
and design. Her husband Anthony however has being contracted to work for BDC on
several occasions. Furthermore, Benito saw opportunities in the IT industry and
decided to venture into this arena. He started a subsidiary company to BDC, which he
heads today.

Marco, who was now at the helm of BDC’s core operations, was beginning to see
increased competition within the property development market. Marco realised that
BDC’s development projects were heavily reliant on the suppliers of building
materials and dealing with them was turning into a costly exercise for BDC. Marco
started BDC’s own subsidiary supply company to reduce time lags, costs, and reliance
on suppliers. The subsidiary would supply building material to BDC as well as to
other property developers. The related diversification provided a cash flow business
for BDC, it strengthened BDC within the industry, and it allowed Marco to hone his
talent in sales and marketing. BDC could now control the costs and delivery times of
building materials to their building projects.

From an operations perspective, Silvio and Venetia have little involvement in BDC’s
subsidiaries however they remain a strong influence on BDC as a whole. Together
with their two sons, they form the four-member director board for the group. Recently
the group hired a new CEO, something that the family business has never had before.
With Silvio and Venetia getting older, and Benito and Marco heavily involved in their
diversified interests, an external CEO was necessary for BDC. With the new CEO in
place, the family business is now consolidating its interests, and putting in place
systems and processes to realise future goals.

53 The modelling licensing rights was recently sold
BDC Summary characteristics

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Builders Development Corporation (BDC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Name</td>
<td>Bocconi</td>
</tr>
<tr>
<td>Industry(s)</td>
<td>Construction, Property Development, Retail, IT</td>
</tr>
<tr>
<td>Core Business</td>
<td>Property Development</td>
</tr>
<tr>
<td>Founding Era</td>
<td>1960s</td>
</tr>
<tr>
<td>Generation of family</td>
<td>2nd</td>
</tr>
<tr>
<td>Shares owned by family</td>
<td>100</td>
</tr>
<tr>
<td>Approx size of family</td>
<td>10</td>
</tr>
<tr>
<td>No. of family involved in FB</td>
<td>4</td>
</tr>
<tr>
<td>Positions held by family</td>
<td>Managing Director x 3, Director</td>
</tr>
<tr>
<td>Approx No. of Employees</td>
<td>20-30</td>
</tr>
</tbody>
</table>

Industry analysis
The State within which BDC operates is set to solidify its position as one of Australia’s leading business hubs. The State’s economic growth strengthened to an eight-year high of 6.8% in 2006-07, well above the average growth of 2.5% for the rest of Australia. This economic growth is largely driven by the development industry, more so in the region BDC operates. Although development in this region has been relatively recent (since 1960), a record $6.57 billion of commercial development is currently underway or planned for the region, a figure that was only $1.574 billion two years ago\(^54\). This figure is forecasted to further double, in a decade from now. Certainly the future of the industry and the region looks promising for BDC.

The surge in development partly results from the influx of investment and people into the region, which is turning into a popular retirement community and tourist destination. Over the last year the region experienced a high growth rate in population (2.3%), a figure higher than the national average (1.6%). In February 2008, the Construction and Property Development Industry accounted for the second highest rate of employment (15.9%) in the Local Government Area within which BDC operates. However the increased population has not addressed the problems of skill shortage faced by the region.

While property and development projects within the industry have continued to increase, so have the number of developers, but this has had little effect on lowering costs. Increased competition within the industry is therefore based more on differentiation and niche rather than on cost strategies. Also a growing trend within the industry is the concern about sustainable development, which often requires an acceptable trade off between economic development and ecological sustainability. Being able to compete and remain profitable within such an industry requires innovative strategies.

BDC strategic business units
The following table outlines three major entrepreneurial initiatives undertaken by BDC over the last two decades.

\(^{54}\) According to Colliers International Research
<table>
<thead>
<tr>
<th>Initiatives</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Company</td>
<td>Managed by Benito. Supplier of computer software that manages portfolios,</td>
</tr>
<tr>
<td></td>
<td>trades stocks, stock and market research</td>
</tr>
<tr>
<td>Supply Retail company</td>
<td>Managed by Marco. Suppliers of building materials especially finishings</td>
</tr>
<tr>
<td></td>
<td>and trimmings for buildings.</td>
</tr>
<tr>
<td>Fashion designs</td>
<td>Managed by Mila. Involves fashion and design</td>
</tr>
</tbody>
</table>
Case 4: Parts and Motors Corporation (PMC)

Introduction
Parts and Motors Corporation (PMC) is a third generation family business operating within the automobile industry. Owned by the Bolton family, PMC’s core operations are in the retail and service of automobiles. The founder, a taxation specialist and known for his ability to strike deals, negotiated successful contracts both with government and with a national car manufacturer. This led to the establishment of the family business in the early 1940s and was pivotal to creating what today is a large private company. With over 600 employees, PMC is one of Australia's longest established, family owned, motor vehicle retailers. Today PMC has six car dealerships and 8 spares and service centers spread out across three Australian states. Ownership within PMC is held by a cousin consortium. There are two branches of the Bolton family with one-half holding 53% shares and the other 47%. The 53% is held by the founder’s children and their families while the 47% are held by the founder’s brother and his family. Three members of the family sit on the company’s Board of Directors, with one of the family directors actively involved in the operations of the company.

Development of PMC and the Bolton family
PMC founder Jake Bolton (I) was born in 1907 to middle class parents, in a rural town. His dad worked at the local butcher and his mum was a boot maker. At the age of six, Jake lost his right arm in a tragic accident. It was a loss that would become a driving force in Jake’s life. With restrictive involvement in many activities, and on his mum’s orders, Jake focused on school work and studying.

...and from that day forward his mother told him you are not going to be an athlete, you not going to be a labourer. You have to be smart; so she forced him to study. He went through university did the whole 3 year degree in less than 3 years. He was very bright.                              (Jake III – 3rd generation)

The investment paid off when Jake outperformed the other students in his class. In 1925, Jake graduated with accounting qualifications at the top of his class.

Finding work was difficult, because on most occasions Jake was rejected for the sole reason that he had one arm. After several rejections, Jake decided the only way he could find work was to create it for himself. In 1928, with the financial help and support of his parents, Jake started a small accountancy practice. The practice started with less than four staff and Jake managed the business by himself. Fours years later, Jake would wed Kathy, and she would sometimes assist him with administrative duties within the business.

Jake’s accountancy firm grew quickly. The firm’s clients were impressed with the capabilities and knowledge of the small team Jake had put together. The firm’s recognition began to stretch beyond the boundaries of the small rural town. After just a few years in operation, the firm had established both recognition and reputation within the accounting industry. During its time, the firm was renowned as having the finest experts on taxation matters in Australia. There are even stories of the accountancy firm over-ruling the Taxation Department of the time.
As business flourished and the firm grew, operations were extended to include auditing services. Several car dealerships in the region contracted Jake and his team to audit their accounts. It was while auditing those clients that Jake saw market potential in car dealerships. With this in mind, Jake began looking into acquiring car dealerships and subsequently PMC was born just prior to World War II.

PMC’s success and growth was heightened when in the 1940s PMC struck a deal with a prominent manufacturer to be the sole distributor of its new fleet of automobiles. Because he was not able to go to war, Jake devoted his efforts to growing and building PMC. This led to the relocation of the family (Jake now had two daughters) to a thriving urban centre and the sale of the accountancy firm. Jake had now made the switch from a prominent accountancy firm to PMC: an automotive dealership group.

When Jake’s brother Michael returned from the war, Jake offered him a partnership in the business. It was the first time that PMC would undergo some change in ownership since Jake had always controlled 100% of the business. By the early 1950s, PMC had approximately 20 dealerships all over the country and remained sole distributor for a leading car manufacturer. Furthermore, Jake had also diversified to managing apartments and hotels, and had a portfolio of investments in a variety of companies. The accumulation of Jake’s wealth by this stage had put him in the list of the top richest people in Australia.

Unlike most family businesses, Jake discouraged his daughters from joining the business. It was his philosophy that his daughters (Jake had no sons) shouldn’t work but rather enjoy the wealth he had created for them. As Gwen recalls

> In those days, women did not work or women were not allowed to go in businesses. Certainly, the dealership industry was a man’s world. In addition, dad had this attitude too that he came from nothing and now that we had everything that my sister and I should not work...that I just go and be a lady of leisure, but I didn’t want to do that

(Gwen – 2nd generation)

The effect of this philosophy resulted in both Gwen and her sister having little experience within the dealership business. However, Gwen’s persistence that she worked, allowed her some experience in her father’s hotels, a travel agency, and a rural bank. Both jobs Gwen believes were arranged by her Dad, who sat on the board of what was then the Australian Rural bank.

55 This accountancy firm still exists today and continues to carry the Bolton name, although the Bolton’s have no involvement or ownership of the firm.
By the early 1970s, PMC then operated approximately 80 dealerships. To further complement these dealerships, Jake started a subsidiary company to PMC that sold automobile spare parts and accessories. At this stage, the company had grown to a size that threatened the manufacturer. Firstly because of the monopoly PMC was enjoying in the market and secondly PMCs size meant that they could now dictate terms to the manufacturer. Government regulations were passed that limited the number of dealerships a firm could own and PMC was forced to downsize. PMC also sold off its hotels during this period.

Anyway after that the hotels did not do too well because then supermarkets came in. Therefore, they gave you 24 hours access with drive in bottle shops. So all the hotels we had were actually in pockets, so then you had the hotels and the supermarkets so then you lost a lot of money because your bottle shop wasn’t doing well because the supermarkets were giving discount alcohol and we couldn’t. I think we started selling our hotels then. (Gwen – 2nd generation)

By the late 1970s, Jake was now an illustrious figure in society. His reputation allowed him to sit on several prominent government and company boards. These engagements demanded much of his time and his involvement with PMC gradually declined. By 1980, PMC was being supervised by his brother Michael and managed by external professionals, although Jake remained as CEO of the company.

In 1982 at the age of 75, Jake suffered a stroke and officially retired. Three years later Jake passed away and willed the family business to his two daughters (53%) and his brother Michael (47%). The daughters were not involved in the business. Michael had a son, Jake Bolton (II), who was now employed by PMC.

During the 1990s, Michael and his son would manage the family business. The automobile industry had grown more competitive with the increase in the number of dealership companies, and the growing popularity for cheaper imported vehicles. PMC was beginning to struggle in an environment it had once dominated. The firm
began selling other brands of vehicles, rather than sticking with the one manufacturer. However, performance continued to decline. In 2001, Gwen decided that resurrecting PMC was top priority as her side of the family were majority shareholders. In discussion with her uncle Michael, Gwen was made a director of PMC. Subsequently due to declining health, Michael retired from the business and his son Jake (II) replaced him.

By this time, Gwen’s son Jake (III) had completed a Bachelor of Commerce degree, and was finishing his MBA. Often, mother and son would debate issues that were pivotal to PMC’s development and operations. Gwen’s lack of experience and knowledge in business and specifically dealerships hindered her in maximising the potential value of her role as a company director. On the advice of her son, Gwen completed both a dealership management diploma and a company director’s management course. This put Gwen in a better position when it came to making strategic decisions for PMC. Jake (III) was then able to test his theoretical knowledge with Gwen who would then check with the practical operations at PMC. This reciprocal relationship greatly contributed to expanding the knowledge base of both mother and son.

On the completion of his MBA degree, Jake (III) worked for an outside dealership, which offered him valuable insight into the practical mechanisms of operating a dealership business. In 2003, Jake (III) joined PMC as operations manager and together with his mother, began the process of professionalising the family business and developing strategies that would once again make PMC a force to be reckoned with in the industry.

**PMC Summary characteristics**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Parts Motors Corporation (PMC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Name</td>
<td>Bolton</td>
</tr>
<tr>
<td>Industry(s)</td>
<td>Retail Industry</td>
</tr>
<tr>
<td>Core Business</td>
<td>Automobile and spare parts retail</td>
</tr>
<tr>
<td>Founding Era</td>
<td>1940s</td>
</tr>
<tr>
<td>Generation of family</td>
<td>3rd</td>
</tr>
<tr>
<td>Shares owned by family</td>
<td>100</td>
</tr>
<tr>
<td>Approx size of family</td>
<td>20-25</td>
</tr>
<tr>
<td>No. of family involved in FB</td>
<td>3</td>
</tr>
<tr>
<td>Positions held by family</td>
<td>Managing Director, Director x 2</td>
</tr>
<tr>
<td>Approx No. of Employees</td>
<td>600-800</td>
</tr>
</tbody>
</table>

Unfortunately, part of that professionalising included the restructuring of PMC, which resulted in downsizing of the company’s human resources. This led to an industrial dispute and was one of the many challenges that Jake (III) would face on his joining PMC. Other challenges included replacing the CEO, selling unprofitable business units, and holding the owning family more accountable to their use of company
resources. These changes introduced an overhaul of the business, but they were instrumental in resurrecting PMC and accredited for the firm's existence today. Jake’s (III) determination and his mother’s support were pivotal to this success.

Industry Analysis
Nationally, the automobile vehicle industry involves over 100,000 retail motor trade businesses with a combined annual turnover of over $120 billion and employing over 316,000 people. This is a significant contribution to the national economy. Over the years, the sale of automobiles has continued to increase (see Figure 4-5). The key drivers of the increasing sales are a strong national economy, strong employment growth, and high consumer and business confidence.

However recently (2008), the industry began experiencing a drop in automobile sales and this trend is forecasted to continue into 2009. The change in trend is a result of the recent slump in most world economies and rising fuel costs. This is decreasing consumer confidence in the market. Consumers are now holding off purchasing new automobiles, prefer longer fleet ownership cycles, and looking for more affordable options. Furthermore, consumers are more knowledgeable about the market and the options available for financing.

Motor vehicle sales

![Motor vehicle sales chart]

Source: ABS

Competition within the industry has grown more intense, in comparison to that which existed in the 1990s. Where PMC once dominated the industry in terms of automobile brand sales, in 2007 only two of its brands made the national top 10 list in terms of sales volume. Sales of imported automobiles have also increased from 50% in the 90s to 80% in 2006, signifying strong consumer preference for imported automobiles.

However, the increasing sale trend has shown a high sales volatility in terms of brands and models and profitability remains poor amongst dealers. The high volatility makes it difficult for dealers such as PMC to plan and structure their businesses. Declining profitability is a result of the increase in the number of dealerships and car models in the industry. Furthermore, a dealership where a discounting culture to lure consumer prevails makes it difficult to achieve profitability. Car dealerships are finding it increasingly challenging to compete in the market and remain profitable.
Because profitability in new and used automobiles is declining, some dealerships are intending to make this profit back via after-sale activities. These activities include sale of parts and accessories, repairs and servicing, and financing and insurance. In 2006, the average income in all three activities increased across all dealerships in comparison to the previous year. While this section of the industry remains a lifeline for many dealerships, it remains highly competitive. There is a wider range of financing options now available in the market, more aggressive competition from non-dealership service and repair businesses, and increasing labour costs. In addition, the difficulty in maintaining customer retention and customer satisfaction has intensified.

Overall, the automobile industry is getting more competitive and expensive for all dealerships. Those dealerships that rise to the challenge of the emerging pressures will survive. Remaining entrepreneurial, innovative and disciplined are necessary tools for survival.

**PMC Strategic Business Units**
The following table outlines entrepreneurial initiatives undertaken by PMC over the last two decades.

**PMC Business entrepreneurial initiatives**

<table>
<thead>
<tr>
<th>Initiatives</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Spare parts and service</td>
<td>Wholly owned subsidiary that retails spare parts and car accessories. Servicing of automobiles. Other after sales activities.</td>
</tr>
<tr>
<td>2 Exceed program</td>
<td>PMC in-house program that ensures excellent service and high customer satisfaction</td>
</tr>
</tbody>
</table>

**Summary**
These profiles were presented via the firms’ development stories and their characteristics. The profiles helped us better understand the family and business dynamics and the contexts within which these firms compete and survive. The firms in the case profiles were spread across a variety of factors including industry, products and services, size, and developmental paths. Despite the diversity, they had but one objective: to remain profitable while keeping the business within the family. To achieve this, the firms must continue to remain entrepreneurial across generations of the family.

For firms to remain entrepreneurial they need to assess both internal and external factors. Understanding the firms’ external environment is pivotal to understanding why certain firms choose to behave in certain ways. Thus, the case profiles were each followed by a brief analysis of the industries within which they operated.