

Entrepreneurial aspirations among family business owners

— Anuradha Basu

Despite the high prevalence of family businesses, the role of entrepreneurship in driving family firms has not been explored well. In a study, Anuradha Basu compared family businesses in terms of their owners' aspirations. The research aimed to improve our understanding of the intersection between entrepreneurship and family business by identifying strictly entrepreneurial and other less entrepreneurial or non-economic aspirations of family business owners.

The author studied the differences in the entrepreneurs' background that might explain differences in their aspirations and examined whether aspirational differences were related to differences in business behaviour and outcomes. The study was based on in-depth interviews with 60 founders of U. K. based family-owned businesses. The founders came from five different ethnic communities.

Entrepreneurs' aims and aspirations

The entrepreneurs were asked to cite the main aims and aspirations of their business by rating the importance of nine different aims listed below, on a 5-point scale:

- (1) to maintain the financial independence of the family firm;
- (2) to increase profitability;
- (3) to accumulate family wealth;
- (4) to pass the business on to the next generation;
- (5) to provide employment for family members;
- (6) to ensure the survival/growth of the business;
- (7) to ensure that employees have secure jobs in the business;
- (8) to maintain a comfortable lifestyle; and
- (9) to enhance the reputation of the business in the community.

Majority of the entrepreneurs said that increasing profitability was an important aim and so was the accumulation of family wealth and maintaining a comfortable lifestyle. The opinions on many others aims were divided.

Classification of Family Business Entrepreneurs

The author further analysed the data using factor analysis technique and classified family business entrepreneurs into four categories based on their aspirations and goal orientation. These categories were –

1. **Business-first entrepreneurs** - their aspirations are driven primarily by growth or survival goals, to maintain the financial independence of the firm, to ensure business survival and growth and to ensure job security for their employees. They were most likely to belong to a business family. They were found to be the most qualified group and a majority of them had undergone formal business training. Their motive to join family business was their prior experience of business and knowledge of the marketplace. They were found to be more willing to relinquish business ownership to non-family members as compared with other three categories. They had the highest probability of hiring professional managers from outside compared to others.
2. **Family-first entrepreneurs** - their aspirations are about involving and working with family members in the business and passing on the business to the next generation. They give priority to family-oriented goals within the business. This was the least qualified of the four groups of entrepreneurs. They displayed the highest propensity for family involvement in the business and considered their families as integral to solving business problems.
3. **Money-first entrepreneurs** – they aspire to achieve economic or financial goals of higher profitability and accumulation of family wealth. They strive towards profit maximisation. They would hire an external professional only if family members were not capable of filling the posts.
4. **Lifestyle-first entrepreneurs** – they strive to attain a comfortable lifestyle and social status in the community. They aim to have a satisfactory level of income that enables them to live respectably, rather than to maximise earnings or profits. They were also most likely to belong to a business family. They cited family tradition as the main motive of joining family business.

Entrepreneurial Aspirations and Business Performance - On average, “Business-first” entrepreneurs were found to own the fastest growing businesses in terms of sales and the largest size businesses in terms of total employment. “Family-first” entrepreneurs who, though ranked second in business growth, were the longest surviving businesses among all the four categories. This could be because of their realization of the critical role played by the business in their life. “Money-first” and “Lifestyle-first” entrepreneurs achieved sales growth rates that were slightly below the sample average.

Conclusion - On the basis of this analysis the author concluded that entrepreneurial aspirations are influenced by educational background and prior work experience. Aspirations are also influenced by the changes in entrepreneurs’ family circumstances. Entrepreneurial aspirations evolve overtime and are amenable to change, through appropriate skill building programmes. Differences in entrepreneurial aspirations were found to influence the nature of business, the way in which it is managed, the recruitment of professional managers and business performance of the family firm.