

## Entrepreneurship - A Radical Change in the Family Business

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In the present times of rapid change, the need to encourage entrepreneurship in business has become quite stronger. Family businesses are no exception to this. Family firms are often characterized as traditional, conservative, inflexible, and resistant to change. Several scholars have also observed that generations that take charge after the initial entrepreneur, run the business more as managers than as entrepreneurs. In this article, the authors explore the entrepreneurial change in family firms through two in-depth case studies and examine the relationship between organizational culture and the entrepreneurial process in family businesses. They also present characteristics of family firms that can be defined as entrepreneurial.

### Entrepreneurship in Family Business Context

The authors opine that entrepreneurship is important for family firms to keep up with the pace of environmental change and the developments in the technology driven new economy. Being low on entrepreneurial capacity may cost family businesses very dearly and choke their growth. The authors opine that corporate entrepreneurship helps businesses to strategize to keep up with the change. Therefore, in family business context they define entrepreneurship as radical, strategic change in family firms. The authors posit that in smaller, privately held, founder-led firms, entrepreneurship is driven by one visionary individual whereas in large family firms, entrepreneurship is about collective action and creating a culture across organisation that encourages entrepreneurship at various levels.

### Organizational Culture and Entrepreneurship in Family Firms

The authors opine that the organisation culture of a family firm is a result of beliefs, values, and goals rooted in the family, its history, and present social relationships. These beliefs, values and goals transmitted over many generations lead to a relatively stable culture that takes roots both in the family and in the business. Thoughtful study of these cultural patterns is essential for understanding entrepreneurial processes in family firms. To this end, the authors studied the cultural patterns and their influence on entrepreneurial change processes at two family run businesses. Based on their analysis of empirical observations and the theoretical framework in use, the authors identified a set of dimensions that explain the impact of cultural patterns in family firms on entrepreneurship as radical change.

The authors theorize that there are three distinct dimensions of a family firm's culture.

- **Number of family members shaping the firm's culture** – On this dimension, family firms can be categorised as –

1. **One Family Member** - The organisation culture of family businesses in this category is dominated by one family member. This family firm's core values, beliefs, norms and meanings are strongly connected to this one person, generally founders and strong family CEOs. They become a symbol of the business.
  2. **Several Family Members** - In this case, the family firm's values, beliefs, norms and meanings are connected to several persons within the owner family. The family as a group personifies the business. This happens when multiple family members are active in top positions in the firm.
- **Degree of formalization** – Family businesses are categorised on this dimension as –
    1. **Explicit** - The family firms in this category have constituents of culture like values, norms and assumptions that are clear, documented and communicated.
    2. **Implicit** – In these family firms dominant values, beliefs, norms, and meanings are not directly expressed but are found under the surface.
  - **Degree of Openness** – On this dimension the family firms are categorised as –
    1. **Open** – In these family firms with open culture, individuals can express their criticisms, question decisions, and state ideas and proposals on various aspects of the organization.
    2. **Closed** – In family firms with closed culture, individuals feel discouraged to make suggestions or to criticize or challenge existing norms. This generally happens when a dominant management leadership leads management.

## Conclusion

The authors conclude that to encourage and foster a process of entrepreneurial change, family firms need to adopt explicit and open cultures, where values and ideas are clearly expressed and experienced by individuals. These would serve as common starting points for entrepreneurial activities in the family firm. The authors also suggest that prominent family members must be aware of their symbolic importance and must use their position to promote an atmosphere that encourages employees to express their ideas and criticism. According to the authors, family firms with these characteristics will be better prepared to deal with uncertainty of a dynamic environment and be open to entrepreneurial changes.

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