

What determines the entrepreneurial behavior of family firms?

Entrepreneurial initiatives from within the organization, otherwise called – “Corporate entrepreneurship” is an imperative for the long term survival of a business firm. It enables the firm to exploit its current competitive advantage, while developing the capabilities that are required to pursue the opportunities in future. Firms undertake corporate entrepreneurship for different reasons, such as: to generate new sources of revenue, increase profitability, enter new markets, adapt to industry changes, or reconfigure existing resources to develop competitive advantage. Since the primary goal of family firms is to perpetuate the business across the generations, corporate entrepreneurship seems indispensable for their survival. However, there is much debate on the firm-level entrepreneurial behavior of family firms. Some see family firms as being conservative, stagnant, and resistant to change, while others view them as a unique context that is conducive for entrepreneurial activities.

Eddleston and colleagues recently conducted an empirical study in an attempt to reconcile the opposing views. The authors theorized that family firms that are characterized by a stewardship culture are more likely to engage in entrepreneurial behavior. When stewardship is present in family firms, the values of the family and business are aligned, and family members tend to set aside their personal interests for the sake of the firm. The authors reasoned that family firms that adopt a stewardship perspective are more likely to engage in entrepreneurial behavior for the long term survival of the firm. The authors studied a sample of 179 firms. They found that factors indicative of stewardship culture – comprehensive strategic decision making, participative governance (family and board of directors participate in the development of corporate strategy), and long term orientation – predicted a family firm’s decision to undertake corporate entrepreneurship. Family firms that are patient (long-term oriented) and use comprehensive strategic planning are most entrepreneurial. Participative governance predicted entrepreneurial behavior of a family firm only when there was high degree of family-to-firm unity, a concept the authors coined to capture harmony within the family and family’s identification with the firm. Overall, the findings of the study show that a stewardship perspective is the key determinant of corporate entrepreneurship in family firms.

Source: Eddleston, K.A., Kellermanns, F.W., and Zellweger, T.M (September 2010) Exploring the Entrepreneurial Behavior of Family Firms: Does Stewardship Perspective Explain differences? *Entrepreneurship Theory and Practice*, Pg. nos.1 - 21