Entrepreneurial Behaviour of Family Firms

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Entrepreneurial Behaviour of Family Firms: Perspectives on Emerging Economies

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Contents

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Chapter 1

Entrepreneurial Behaviour of Family Firms in Emerging Economies: An Introduction

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Abstract

Family firms play a crucial role in global entrepreneurship, especially in emerging economies, contributing significantly to job creation, income generation, innovation, and economic growth. As emerging markets expand rapidly, these business families and their enterprises are poised to drive superior entrepreneurial activity in the coming decades (Baltazar et al., 2023; Le Breton-Miller & Miller, 2018). Rooted in familial ties, traditions, and local contexts, these firms exhibit distinctive entrepreneurial behaviors. Understanding these dynamics is pivotal as research increasingly explores the diversity among family-owned businesses. Factors such as familial dynamics, succession planning, and institutional environments profoundly shape their strategies and decision-making processes. This study delves into these complexities, highlighting the unique challenges and opportunities faced by family firms in emerging economies. Insights gained can inform policies and practices aimed at nurturing entrepreneurial ventures in these dynamic contexts.

Keywords: Family firms; emerging economies; entrepreneurship; familial ties; institutional contexts

Entrepreneurial Behaviour of Family Firms:
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Introduction

Family firms are significant in global entrepreneurship, particularly in emerging economies, contributing to job creation, income, innovation, and economic growth. With rapidly growing emerging markets, considerable business families and their companies will be critical sources of superior entrepreneurial activity over the coming decades (Baltazar et al., 2023; Le Breton-Miller & Miller, 2018; Zaefarian et al., 2016). These firms contribute substantially to economic development and embody unique entrepreneurial behaviours shaped by familial ties, traditions, and institutional and cultural contexts. As research on family entrepreneurship broadens its scope and shifts towards exploring the diversity among family-owned firms, it becomes crucial to grasp the distinct features of the institutional environment within which these firms operate in emerging economies. Understanding the varied entrepreneurial behaviours, family dynamics, firm structures, succession, and business group dynamics further underscores the significance of contextual analysis in this field. These contextual dynamics in emerging economies often have unique socioeconomic and institutional contexts, such as less developed legal frameworks, higher market volatility, strong informal institutions, and cultural nuances. Also, the role of families in these societies is quite different from that of the Western world. These factors significantly influence entrepreneurial decision-making and strategies within family firms. Therefore, this chapter delves into the intricate dynamics of entrepreneurial behaviour within family firms, focussing on their role, challenges, and opportunities in emerging economies. By examining the distinct challenges and opportunities they encounter, this chapter provides valuable insights for academics, policymakers, and practitioners seeking to understand and foster entrepreneurial endeavours in these contexts.

Understanding Entrepreneurial Behaviour in Family Firms

The increased levels of entrepreneurial activity within family firms are often reflected through a higher degree of entrepreneurial orientation (EO) (Chakrabarti & Mondal, 2020). The EO has emerged as a concept to analyse firms' mindsets to pursue entrepreneurial opportunities and provides an essential framework to examine entrepreneurial activities (Lumpkin & Dess, 2015). EO is perceived as a strategic mindset characterised by a willingness to innovate, proactively seek opportunities, and embrace risk (Covin & Slevin, 1991). However, contemporary research on EO within family firms offers a divergent viewpoint. Some authors contend that family firms tend to be risk-averse, exhibiting reluctance to engage in entrepreneurial endeavours to ensure future generations' financial and social welfare (Naldi et al., 2007; Short et al., 2009). Conversely, another group of researchers argues that family firms adopt a long-term perspective, prioritising wealth creation and fostering innovation and entrepreneurship within their organisations (Chakrabarti & Mondal, 2020; Salvato, 2004; Zahra et al., 2004).

Entrepreneurial behaviour within family firms is characterised by a blend of familial relationships, firm objectives, personal aspirations, and familiness (see Bağiş et al., 2023, for an extensive review). Unlike non-family firm, these firms often operate within a framework influenced by family values, traditions, and hierarchies. This distinctive environment shapes the entrepreneurial behaviour exhibited by family members involved in the business, impacting decision-making processes, risk-taking tendencies, and innovation strategies. In emerging economies, where family firms are prevalent, entrepreneurial behaviour is further influenced by socioeconomic factors, regulatory and institutional environments (formal and informal), and cultural norms. Such contextual factors range from concentrated decision-making to family members and socioemotional objectives such as preserving intergenerational family control and involvement in the business (Gomez-Mejia et al., 2007).

These firms often serve as engines of economic growth, driving innovation, employment, and wealth creation within their respective regions. However, they also face unique challenges from institutional constraints, market volatility, and succession issues, significantly impacting their entrepreneurial endeavours.

Challenges and Opportunities in Emerging Economies

Family firms in emerging economies encounter a myriad of challenges that influence their entrepreneurial behaviour. Limited access to capital, inadequate infrastructure, and regulatory hurdles pose significant barriers to entrepreneurial behaviour, innovation, and growth. Moreover, navigating complex sociocultural dynamics, including nepotism perceptions and societal expectations, adds another layer of complexity to entrepreneurial endeavours within these firms. As such, there is a need to adapt new governance structures and professional management practices to better respond to the complexities of the institutional environment.

There is an agreement among the authors that the institutional environment can have a significant impact on shaping the entrepreneurial behaviour of firms in general (Hashi & Krasniqi, 2011; Krasniqi & Branch, 2020; Williams et al., 2023) and family firms in particular (Chakrabarti & Mondal, 2020; Dana & Ramadani, 2015; Ramadani et al., 2020; Soleimanof et al., 2018; Zachary et al., 2017). For example, Zachary et al. (2017) argue that entrepreneurial behaviour in family firms is dynamic and changes due to the external environment conditions – it increases during stable environments while decreases during external shocks like a financial crisis as the family tries to protect its socio-emotional wealth (SEW). Particularly in times of crisis, family firms can act and make decisions that are given a higher priority to ensure the firm survival and, thus, also the well-being of the family (Kleve, 2020; Le Breton-Miller & Miller, 2018). Calabrò et al. (2021) support the view by providing evidence that family firms during COVID-19 have adopted strategies not only to overcome the barriers but also to turn challenges into opportunities and manage to emerge from the crisis even stronger than before. Members of the family firms demonstrate a commitment to their companies, even at the expense of forgoing personal gains, to ensure their ventures persevered through the global crisis (Ramadani et al., 2022). The commitment of family members contributes to resilience during crises.

In addition, understanding the formal and informal institutions and their interactions is critical in understanding the behaviours of family firms in emerging economies, often associated with strong informal business practices (Krasniqi et al., 2023; Soleimanof et al., 2018). In some cases, they lack market-supporting institutions or are characterised by strong political control, and family firms tend to cultivate political connections to respond to the failure of legal systems (Dinh & Calabrò, 2019). Such institutional environments increase the political risk and, in turn, may affect the proactive behaviour of firms, often prioritising political connections over proactive behaviour and innovation.

In summary, family firms in emerging economies also leverage unique opportunities to foster entrepreneurial behaviour despite these challenges. Deep-rooted social networks and familial ties often serve as sources of support and resilience, enabling them to weather economic uncertainties and adapt to market dynamics effectively. Moreover, their inherent flexibility and agility allow them to seize emerging opportunities swiftly, driving innovation and market disruption in diverse sectors.

Strategies for Fostering Entrepreneurial Behaviour

To nurture entrepreneurial behaviour within family firms in emerging economies, it is imperative to adopt tailored strategies that address their unique challenges and leverage their inherent strengths. However, family firms' preferences for low-risk strategies could often hinder their adaptability in dynamic and uncertain environments (Stenholm et al., 2016).

Fostering a culture of innovation and risk-taking is essential, encouraging family members to explore new ideas and embrace calculated risks. The literature suggests that proactive behaviour and innovation positively impact the growth of family firms (Casillas et al., 2010; Stebhol et al., 2016). Often, young family members in family firms do not have the same ambitions as the owner-mangers of family firms. The young family members' interests in running the same type of business may be different, and owners/managers can encourage younger and incoming members of business families to launch new companies that are more in line with their priorities and skills (Le Breton-Miller et al., 2004). Many families in business possess flexible resources – financial, human, and relational – that can be leveraged across multiple firms and generations. These resources and strategies may foster entrepreneurial behaviour further and help family firms expand.

Promoting professionalisation and governance mechanisms within family firms is crucial for sustainable growth and succession planning (Clauß et al., 2022; Rovelli et al., 2022). Implementing transparent decision-making processes, establishing clear roles and responsibilities, and investing in leadership development programmes can mitigate conflicts and ensure the continuity of entrepreneurial endeavours across generations. Firms in emerging economies should increase managerial capacities and align new organisational forms to grasp opportunities in the local and international markets.

Furthermore, fostering external partnerships and alliances can enhance the entrepreneurial capabilities of family firms in emerging economies. Such social networks and partnerships help family firms recognise domestic and international opportunities (Kontinen & Ojala, 2012; Kryeziu et al., 2022; Zaefrian et al., 2016). The networking and personal ties of family members provided a range of significant resources, both professional and practical, for access to financial, human informational, and other resources needed to support development and growth (Anderson et al., 2016). Some types of support include but are not limited to borrowing from family and friends, informal finance, and unpaid labour during downturns and financial crises (Krasniqi, 2011). Evidence suggests that the social capital of family firms contributes the most to firms' ability to absorb shocks, reallocate existing resources, and internalise practices that allow firms to cope with future disturbances (Mzid et al., 2019).

In particular, in the weakly installed environment where informal institutions exist (as in many emerging economies), personal entrepreneurial networks can be used to overcome formal institutional barriers or complement them. Business ties among family firms at all stages of the value chain and relationships with banks and regulatory authorities make it easier for established business families to branch out into new lines of firm (Bjornberg et al., 2015). In addition, collaborating with academia, industry associations, and government agencies can provide access to resources, expertise, and market insights, fostering innovation and market expansion opportunities.

Book Structure

This book comprises nine chapters, with the introductory chapter setting the stage. Each subsequent chapter focusses on specific family firm topics within a distinct emerging country.

Chapter 2 – *Perspectives and Challenges of Family Firms in Emerging Economies* is written by Marsela Thanasi-Boçe, Indri Dyrmishi and Selma Kurtishi-Kastrati. This chapter critically assesses the distinctive challenges and opportunities confronted by family firms in emerging economies – a subject that has received scant attention in existing literature. Acknowledging the elevated failure rates prevalent among startups, particularly those within family firms, this research endeavours to unravel the determinants influencing their outcomes. Through a qualitative analysis, the chapter delves into diverse economic, legal, and cultural dimensions shaping these enterprises. It adopts a comparative standpoint, extracting insights from multiple emerging economies to discern trends and variations in the trajectories of family-owned startups. The chapter seeks to bridge the knowledge void by presenting a holistic perspective on the dynamics of success and failure in family-owned startups, emphasising strategic, managerial, and operational facets.

Chapter 3 – *Family Start-up in Oman: Entrepreneurship Ecosystem Perspective* is co-authored by Hafiz Wasim Akram, Léo-Paul Dana, Haidar Abbas and Md Daoud Ciddikie. The focus of this book chapter is on evaluating the potential and challenges encountered by family startups in Oman's evolving entrepreneurial landscape. The chapter delves into the hurdles confronting entrepreneurs, while also shedding light on growth prospects and avenues for innovation within this dynamic market, thereby revealing the unique dynamics of the Omani startup scene. The authors posit that family startups assume a crucial role in bolstering a country's global competitiveness. This is achieved through their ability to attract capital, foster entrepreneurship, and contribute to the diversification of the economy beyond its foundational industries. Moreover, these firms serve as catalysts for social change, addressing societal issues and offering solutions that contribute to community well-being. Consequently, nurturing a robust startup ecosystem becomes imperative for a nation's sustained development and prosperity.

Chapter 4 – *Entrepreneurial Orientation and Firm Growth in Tunisian Family Firms: The Moderating Role of Generational Involvement* is authored by Rim Gafsi. This chapter seeks to explore the impact of generational involvement on the relationship between EO and growth in Tunisian family firms. Conducting a quantitative investigation involving 150 family firms, the research utilises a questionnaire-based approach and employs structural equation modelling through SPSS 22 and AMOS software. The results indicate that not all dimensions of EO contribute equally to growth. Specifically, proactiveness, competitive aggressiveness, and autonomy directly influence growth, particularly in the context of generational involvement acting as moderators. The efficacy of these dimensions in driving growth is contingent upon the active and collaborative participation of various family generations in the entrepreneurial activities of the family firm. This study underscores the significance for family firms to ensure sustained EO when multiple generations are engaged, reinforcing the importance of these concepts for maintaining long-term entrepreneurial focus within family enterprises.

Chapter 5 – *Corporate Social Responsibility and (Organizational) Conservatism in Moroccan Family Firms: Insights from a Qualitative Approach* is written by Hamza Nidaazzi and Hind Hourmat Allah. This chapter delves into the intricate dynamics between organisational conservatism (OC) and corporate social responsibility (CSR) practices within family firms, specifically focussing on the context of Morocco. The study, emphasising the familial aspects of CSR, seeks to unveil how OC influences CSR strategies, outcomes, and broader implications. Employing an exploratory qualitative design encompassing multiple case studies, the research scrutinises three family firms in Morocco. The findings illuminate that OC plays a pivotal role in fostering stable, values-driven, and sustainable CSR initiatives. This is realised through the alignment of shared values, judicious change management, careful financial strategies, a steadfast commitment to legacy, and seamless integration with family values. In essence, this study contributes to a nuanced comprehension of the intricate relationship between conservatism, CSR practices, and familial dimensions. By doing so, it enhances the ongoing discourse on responsible business practices, providing valuable insights into the unique interplay within family-owned businesses, particularly in the Moroccan context.

Chapter 6 – *Corporate Entrepreneurship of Family Firms in the VUCA World* is co-authored by Tuncay Odabaş and Esra Gökçen Kaygisiz. This study sought to establish a connection between the role of family firms in the volatile, uncertain, complex, and ambiguous world and their engagement in corporate entrepreneurship. The examination of corporate entrepreneurship within family firms was conducted in alignment with their corporate logic. To achieve this objective, the study employed a content analysis method, analysing the news available on the corporate websites of seven family companies operating in Türkiye and listed in the 2023 Family Business Index. Thematic coding was applied to the data, leading to the identification of key findings. According to the results, the predominant corporate logic observed in family firms is market logic and efficiency and savings logic. Consequently, the corporate logic of family firms exhibits a hybrid nature, incorporating a blend of market logic, efficiency, and savings logic.

Chapter 7 – *Gender Bias and Family Firms Leadership in Africa: Evidence from Nigeria* is co-authored by Joy E. Akahome & Ida Skubis. This research delves into the motivations and obstacles faced by women in leadership positions within male-dominated family firms in Nigeria. It addresses a critical gap in the literature regarding gender dynamics in these businesses, particularly in the Nigerian context where such enterprises wield economic significance but often exhibit gender biases rooted in cultural and societal norms. The findings reveal three primary motivations driving these women: the pursuit of necessary skills and capabilities, career development aspirations, and a desire to enhance their quality of life. The study also underscores three major challenges encountered by these women: the existence of a glass ceiling effect, adherence to traditional gender roles, and the influence of primogeniture. These challenges contribute to the perpetuation of stereotypes, societal pressures, and the frequent relegation of women to subordinate roles, posing significant hurdles to their leadership aspirations.

Chapter 8 – *Entrepreneurial Behaviour of Family Firms in the United Arab Emirates (UAE): Navigating Cultural Dynamics and Emerging Market Realities* is written by Anushka Lydia Issac. This chapter extensively examines the convergence of family entrepreneurship, cultural dynamics, and emerging markets, with a specific emphasis on the United Arab Emirates (UAE). By scrutinising the entrepreneurial behaviour of family firms, it explores how these entities navigate cultural complexities, exploit opportunities in emerging markets, and impact both local and global entrepreneurship ecosystems. The chapter analyses the dynamic interplay between family dynamics and entrepreneurial pursuits, unravelling their effects on resource allocation, succession planning, risk-taking, and innovation within family firms in the UAE. The inclusion of case studies offers valuable insights into the strategies adopted by family firms in the UAE, contributing to a nuanced understanding of the evolving landscape of family entrepreneurship. This chapter serves as a valuable resource for researchers, policymakers, and practitioners seeking profound insights into the intricate interplay of family entrepreneurship, cultural dynamics, and emerging markets.

Chapter 9 – *A Conceptual Model for Exploring Innovation in Family Firms: Integration of Socio-emotional Wealth and Resource-based Theory Perspectives* is co-authored by Shweta Dewangan, Sanjeev Kumar, Pyali Chatterjee and Ankit Dhiraj. The authors explore the dynamics of innovation within family firms through the lenses of the SEW framework and the resource-based theory (RBT), providing valuable perspectives. When employing the SEW framework, family firms might prioritise the preservation of their traditions and core values, possibly resisting the adoption of new technologies and contemporary business methods. Conversely, according to RBT, family firms can gain a competitive advantage by leveraging and nurturing their distinctive resources and capabilities – such as collective experiences, market reputation, and established networks – to foster innovation and secure a robust market position. By integrating these two viewpoints, family firms can attain sustainable competitive advantages, effectively managing the tensions between tradition and innovation. This holistic approach enables them to innovate while safeguarding their socio-emotional wealth, ensuring enduring success in the continually evolving business landscape.

Conclusion

Entrepreneurial behaviour within family firms in emerging economies is a multifaceted phenomenon shaped by familial dynamics, sociocultural influences, and institutional contexts. While these firms face unique challenges, they also possess inherent strengths that enable them to thrive amidst adversity. Family firms adopt various strategies to navigate the weakly installed institutional environment. Understanding the distinct features of the business environment and family business in emerging economies is critical. Also, by understanding the different features of entrepreneurial behaviour within family firms and implementing tailored strategies, family business owners can unlock their full growth potential as economic development and innovation drivers in emerging economies. To this end, policymakers can design policies to support family firms and provide greater impetus to employment, innovation, and economic growth.

The editors and contributors of this book envision that the compiled chapters will make a meaningful and substantive contribution to the field of entrepreneurial behaviour of family firms. This contribution is especially significant in the context of specific contexts, such as emerging countries. Despite a growing body of research on general business and entrepreneurship in these countries, studies focussed on the entrepreneurial behaviour of family firms remain relatively limited. The existing literature lacks a robust emphasis on these countries concerning family entrepreneurship, and this book strives to bridge this gap.

In light of the scarcity of studies investigating the entrepreneurial behaviour of family firms in emerging countries, this book is positioned to be exceptionally valuable to researchers globally and to those with a keen interest in gaining deeper insights into family entrepreneurship within these regions. It aims to rectify a notable research gap, aspiring to be a comprehensive resource for individuals intrigued by the intricacies of family firms in the unique context of emerging countries.

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