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TRANSGENERATIONAL ENTREPRENEURSHIP

INTRODUCTION: MODEL OVERVIEW

Recent family business literature has witnessed an upsurge of interest in developing a deeper understanding of the entrepreneurial function of the family in social and economic wealth creation (Habbershon & Pistrui, 2002). As a result of this increased interest, recent studies have acknowledged that families have a dominant impact on business world wide (Stafford, 2001; Morck & Yeung, 2003), that they control between 60 and 90 percent of businesses in nearly every nation (INFERA, 2003), and they contribute more than 70% of private jobs (Shanker & Astrachan, 1996), and most likely function as the largest single source of start-up capital (Steier, 2001). Despite these advances, there is still an absence of research and validation of the family's entrepreneurial contribution to sustainable wealth creation.

The overlap of family business studies and entrepreneurship has been traditionally described through a "common denominator" approach aimed at finding common subjects such as small business management, entrepreneurial couples, life-style start-ups, founders and founder's culture, transition and succession, and some corporate entrepreneurship themes (Dyer & Handler, 1994; Hoy & Vesper, 1994). We believe, however, that it is necessary to establish a true nexus between entrepreneurship theory and family business studies in order to fully understand the role and influence of the family in the entrepreneurial process and, therefore, the part they play in the entrepreneurial infrastructure of countries. To this end, the role of the family and of family-related influences on wealth creation have to be placed at center stage.

One of the drivers in this convergence of thinking around the role of the family have been recent works adopting the concept of "familiness" (Habbershon & Williams, 1999; Astrachan, Klein & Smyrnios 2002; Habbershon, Williams & MacMillan, 2003; Klein, Astrachan, Smyrnios, 2004). These studies have demonstrated that the way to avoid the dichotomizing and, thereby, minimizing approach to investigating the impact of family is to create research models which assess family influence as a systemic variable within the resources and capabilities of the family group. The "familiness" approach has also been acknowledged as an appropriate framework for exploring how families find advantage, and for exploring the relationship of that advantage to performance outcomes (Klein, 2004; Navarro, Martinez & Navarro, 2004; Habershon, Williams & MacMillan, 2003; Habbershon & Williams 1999). Moreover, "familiness" may also play the role of a relevant framing concept in assessing entrepreneurial activity (Zahra, Hayton & Salvato, 2004; Habbershon & Pistrui, 2002).

This conceptual paper is part of a wider project ("*The STEP Research Project*") aimed at investigating antecedents and outcomes of Successful Transgenerational Entrepreneurship Practices. In order to pursue research around the constructs of family and entrepreneurship, we introduce the conceptual framework of "transgenerational entrepreneurship". *Transgenerational Entrepreneurship* refers to a family's mindset and capabilities to continue their entrepreneurial legacy of social and economic wealth creation across many generations.

The aim of the STEP project is to identify successful practices which can empower the family as a critical engine for sustainable entrepreneurial activity. Within this perspective, “transgenerational entrepreneurship” refers to sustained family-based entrepreneurship that creates a continuing stream of family-influenced social and economic wealth across many generations.

The more limited aim of this paper is to provide conceptual grounding and guidance to the empirical dimension of the STEP project. In order to pursue this endeavor we define transgenerational outcomes, we identify the family as a distinct unit of analysis capable of collective and sustainable entrepreneurial behavior through time, and we search for the familiness antecedents, enablers and drivers for these transgenerational outcomes. Through this exploration we will identify the family’s entrepreneurial activity through the lens of entrepreneurship theory, research and practice, and conversely apply entrepreneurship theory, research and practice to the wealth creation activities of the family.

The paper is structured as follows. We first define entrepreneurial performance in the context of the corporate entrepreneurship literature, which provides the frame for measuring entrepreneurial outcomes in a variety of ways and from multiple standpoints. We then describe the connections of the entrepreneurship construct (more specifically, Entrepreneurial Orientation) with entrepreneurial performance and with systemic family influences. Next, we outline the connections between the resource-based view (RBV), entrepreneurial behavior, and performance outcomes, by focusing the concept of “familiness”. We will then outline the impact of some relevant systemic conditions (internal and external to the family and the family-influenced firm) on performance and on “familiness”. We conclude by illustrating a synthetic model of the concepts and relationships described through the paper, by suggesting research questions and avenues for empirical research stemming from the proposed conceptual frame.

ENTREPRENEURIAL PERFORMANCE

Within our research model we analyze how the familiness of the firm—the unique bundle of resources a firm has because of the systems interactions of the family and the business (Habbershon et al., 2003)—and the entrepreneurial orientation with its five salient dimensions (autonomy, innovativeness, risk taking, proactiveness and aggressiveness; Lumpkin and Dess, 1996) influence the entrepreneurial performance of a firm.

Multiple dimensions of performance

Habbershon et al. (2003) address the issue of family firm performance by asking how family involvement and interactions can generate unique resources and capabilities that contribute to the family firm’s ability to create economic rent. In line with Chrisman et al. (2003) we argue that economic rent in family firms is not limited to the creation of monetary wealth, as wealth creation is not necessarily the only or even the primary goal of family firms (Davis and Tagiuri, 1989; Sharma et al., 1997). Family firms are found to seek a variety of values (e.g. survival of the firm, independence) and will therefore allocate their resources and capabilities in line with these values. Hence, entrepreneurial performance in the context of family firms should consider value creation as the ultimate goal, including monetary, economic (e.g. profit) and non-monetary non-economic (e.g. job security) considerations.

However, in order to measure the performance of entrepreneurial activity in family firms it is not only relevant to distinguish between monetary and non-monetary values being created by a firm, but also to recognize the multi-dimensional nature of the performance construct (Cameron, 1978; Chakravarthy, 1986), even within monetary and non-monetary terms. That is, entrepreneurial activity may, at times, lead to favorable outcomes on one performance dimension and unfavorable outcomes on a different performance dimension. With regard to monetary values, for example, heavy investment in R&D and product innovation may enable a firm to successfully enter new product-market domains and consequently enhance sales growth in the long run. However, the requisite resource commitment may detract from short-run profitability (Lumpkin and Dess, 1996). Similarly, with regard to non-monetary values, increasing the leverage of the firm may assure its survival as it enables the business to tackle critical investments. Under the dimension of independence, however—which is, according to Ward (1997) one of the predominant goals of family firms—this can be considered as a loss.

Performance for whom?

The case of entrepreneurial performance in family firms needs to be revisited not only by asking "what type of performance or values" we are measuring, but also in the light of the question: "performance for whom?". For instance, an increase in shareholder value might be considered as a favorable outcome in the eyes of a financially motivated non-family shareholder. However, this increase might not be considered as equally positive by the family shareholder who strives to bequeath his investment to members of the next family generation and will therefore not be able to capitalize on that increase in value.

Family business literature stresses the performance accruing to the family, measured for example as the family and shareholder wealth, return on investments and increase in profits (Habbershon and Williams, 1999; Habbershon et al., 2003). In contrast, entrepreneurship literature stresses the performance of entrepreneurial initiatives as new entry (Miles and Snow, 1978), and the entrepreneurial orientation literature describes and evaluates the process of how new entry is undertaken (Lumpkin and Dess, 1996). Consequently, the entrepreneurship literature measures new activity in the economic system assessed, for example, by the creation of new jobs in relation to entrepreneurial activity (Reynolds et al., 2003) but also growth of the resource base and technological improvement in contrast to already realized growth (Liao et al., 2001). The entrepreneurial orientation literature asks for performance measures that incorporate elements of broader shareholder satisfaction (Lumpkin and Dess, 1996).

Consequently, to combine the family business and entrepreneurship views on performance, and to capture the essence of entrepreneurial activity in family firms, it is important to consider: (a) who is evaluating the performance, and (b) differences between performance assessments by family and non-family stakeholders.

Towards an integrated model of performance

To capture the essence of entrepreneurial activity and the resulting performance in family firms we therefore need to respect two elements: first, the multiple dimensions of performance in family firms in terms of monetary and non-monetary performance, and second, the beneficiary of the performance represented by family and non-family stakeholders. We therefore propose a framework that allows for performance measures under these two dimensions (Figure 1).

Figure 1: Integrated Performance Matrix in Family Firms

		Stakeholders	
		Family	Non-family
Type of performance	Monetary	- Dividends - Perks - Equity	- Sales growth - Return on equity - Operating margin - Profit
	Non-monetary	- Independence - Survival of the firm - Social prestige - Succession success - Jobs for family members - Philanthropy	- Job creation - Attract and retain professional non-family managers - New market entry - Innovativeness - Stakeholder satisfaction

This integrated view on performance of entrepreneurial activity in family firms has four main advantages. First, it allows working out the multiple dimensions of performance outcomes, and to focus research on specific aspects of performance within family firms. In addition it helps elaborating how the different performance measures are interrelated, between the four quadrants of the performance matrix but also within each quadrant.

Second, it helps refining research as it allows specifying which type of firm one is specifically addressing. For example, it might be insightful to separate between lifestyle family firms that at first place create value for the family and family firms with a strong interest on monetary performance for family and non-family shareholders.

Third, even though the model differentiates between monetary and non-monetary performance just as performance for family and non-family stakeholders it allows taking an integrative view that is not limited to the management of negative tradeoffs for example between family and non-family values. In that sense it overcomes the dual systems approach that focuses on the management of negative tradeoffs with family emotional based, implicitly negative to performance, and business as task based, implicitly positive to performance (Whiteside and Brown, 1991). The performance matrix helps finding synergies between different types of performances.

Fourth, the model strives to combine the entrepreneurship and family business views on performance. Entrepreneurship does not consider relative performance advantage over competitors as a sufficient measure for entrepreneurial performance (Shane and Venkataraman, 2000; Venkataraman, 1997). Entrepreneurship rather considers performance as the degree to which valuable opportunities (e.g. new entry) are exploited. On the other hand, the family business point of view stresses the utility and value to the family as a function of the idiosyncratic goal set of the family (Ward, 1997; Vos and Forlong, 1996). Both views are integrated in the proposed performance matrix.

Entrepreneurial performance as considered in the STEP project

The integrated performance matrix we suggest allows predefining what type of performance our research is focusing on. Within the STEP project we are focusing on "successful" firms. By successful we mean profitable firms that generate monetary value both for family *and* non-family stakeholders.

This choice is rooted in two observations. First, we are trying to gain additional knowledge about family firms from “success stories” in the present status of the project. This limits the diversity of the cases we are analyzing and explicitly excludes extreme cases as for example life style family firms that do not create new economic activity and value for non-family claimants.

Second, even though in lifestyle family firms families correctly consider that they create value (namely for themselves), this does not correspond to the entrepreneurship understanding of value and performance. In order to combine the entrepreneurship *and* family business understanding of performance and value we have to exclude this special type of family firm. At a later stage it is not excluded that we will come back to gain additional knowledge on this special case of family firms.

The interplay between entrepreneurial performance and familiness in determining entrepreneurial orientation

The main aim of our research is to investigate how the familiness of the firm—the unique bundle of resources a firm has because of the systems interactions of the family and the business (Habbershon et al., 2003)—and the entrepreneurial orientation with its five salient dimensions influence the entrepreneurial performance of a firm.

Based on the findings by Habbershon and Williams (1999) and Grant (1991) we not only propose that family specific resources affect firm performance measured via the performance matrix outlined above. We propose that feedbacks from value creation in the firm allow for an evaluation of changes to resources over time as information on their value creation properties becomes better known or as a firm changes its goals (Chrisman et al., 2003). Thus, if family involvement and interaction do not contribute to either monetary or non-monetary value to the family, the family may decide to alter its familiness and hence its level of involvement, change its business strategy or dispose of the business altogether (Chrisman et al., 2003). Hence:

Proposition 1:
Evaluation of performance by the family will affect the firm’s familiness—the unique bundle of resources the firm has due to the systems interactions of the family and the business.

Similarly, it could be argued that performance of entrepreneurial activity in family firms as evaluated by the family will affect the entrepreneurial orientation of the family. We propose that autonomy, innovativeness, risk taking, proactiveness and aggressiveness (i.e., entrepreneurial orientation in the definition accepted in this study) are affected by the outcome of entrepreneurial activity of the family.

Lumpkin and Dess (1996) note that it would be oversimplified that only firms that exhibit high levels in all five salient factors display high entrepreneurial orientation. Certain scholars regard risk-taking propensity as one of the criteria of entrepreneurial success (e.g. Cooper and Dunkelberg, 1986). Other researchers (e.g. Brockhaus, 1980) find that certain entrepreneurial activities, for example imitation of competitors, can be considered as risk averse but are equally successful compared to the firms who choose the more risky path to innovate themselves.

In line with Lumpkin and Dess (1996) we argue that the specific combination of autonomy, innovativeness, risk taking, proactiveness and aggressiveness in a family is altered by the outcome of the entrepreneurial performance as evaluated by the family. For example, success with innovation will foster the innovativeness of the firm. Similarly, risk taking propensity is expected to be affected by the success of the firm. For example, with continuing success and performance the family might display a higher propensity to take risks. Thus:

Proposition 2:
The specific combination of autonomy, innovativeness, risk taking, proactiveness and aggressiveness (i.e., Entrepreneurial orientation) in a family will be altered by the outcome of the entrepreneurial performance as evaluated by the family.

ENTREPRENEURIAL ORIENTATION

Corporate Entrepreneurship

All firms and organizations must change and renew themselves in order to remain competitive over time. Many scholars seem to agree that entrepreneurship and especially the notion of corporate entrepreneurship are useful concepts to address how firms engage in change and renewal processes to maintain and improve their competitiveness.

Stopford and Baden-Fuller (1994) identify three types of corporate entrepreneurship; i) creation of new businesses within an existing organization, or corporate venturing (e.g. Burgelman, 1983), ii) the transformation and strategic renewal of existing organizations, and iii) when a firm changes the rules of competition for its industry as an act of creative destruction (Schumpeter, 1934). There are five attributes of corporate entrepreneurship common to all three levels; proactiveness, aspiration beyond current capability, team-orientation, capability to resolve dilemmas and learning capability (Stopford and Baden-Fuller, 1994).

Similar to the three levels of corporate entrepreneurship defined by Stopford and Baden-Fuller (1994), Covin and Miles (1999) identify four forms of corporate entrepreneurship, all having in common the focus on innovation. The four forms are: sustained generation, organizational rejuvenation, strategic renewal and domain redefinition. Moreover, Zahra (1993) underlines that entrepreneurship can occur at multiple levels of an organization or firm, where both external and internal forces impact a firm's level of entrepreneurial activities (Zahra, 1991).

Corporate entrepreneurship is clearly a multidimensional concept and is best seen as an umbrella term for different aspects, levels or stages of the processes through which established firms and organizations act entrepreneurially, as well as the outcomes of such processes. Dess, Lumpkin and Covin (1997) see a need for organizations to engage in entrepreneurial strategy making, meaning that they have to take an active stance in pursuing opportunities, taking risks and be innovative. Nurturing such an *entrepreneurial orientation* is related to change, dynamism and uncertainty, within as well as around the organization (Wiklund, 1998; Stopford & Baden-Fuller, 1994). The notion of entrepreneurial orientation represents an important and growing stream of literature on corporate entrepreneurship that focuses on decision-making styles and practices related to the entrepreneurial activities of firms. Next section will discuss this stream of literature more in detail.

Entrepreneurial orientation

Building on the conceptualization of entrepreneurship as a firm-level entrepreneurship proposed by Miller (1983), entrepreneurial orientation (EO) has been an accepted construct to address the processes, activities, attitudes and actions that make a firm or an organization entrepreneurial. Miller (1983: 771) views an entrepreneurial firm as *"one that engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch"*. This definition singles out three dimensions, risk-taking, innovativeness, and proactiveness as the core dimensions of entrepreneurial orientation. These three dimensions have been widely adopted in subsequent empirical and conceptual research on EO (e.g. Covin & Slevin, 1989; 1991; Wiklund, 1998).

As a concept, EO is similar to Stevenson and Jarrillo's (1990) notion of entrepreneurial management. Echoing Stevenson and Jarrillo (1990), Lumpkin and Dess (1996:139) argue that EO reflects *"the organizational processes, methods and styles that firms use to act entrepreneurially"*, indicating that EO essentially is about strategy-making processes and practices of firms that are engaged in entrepreneurial activities (Lumpkin and Dess, 2001).

Lumpkin and Dess (1996) provide a useful overview and integration of the EO literature. They define EO as *"the processes, practices, and decision-making activities that lead to new entry"* where new entry is *"the act of launching a new venture"* (Lumpkin and Dess, 1996:136). They also present five dimensions of EO compared to the three dimensions originated in Miller (1983) and taken further by e.g. Covin and Slevin (1989; 1991). The five dimensions determining if a firm has an EO is the extent to which it is characterized by: proactiveness, risk-taking, innovativeness, autonomy and competitive aggressiveness. These dimensions are now discussed in turn:

- *Proactiveness* refers to how a firm takes strategic initiatives by anticipating and pursuing new opportunities. It is defined as "acting in anticipation of future problems, needs of changes". This means a forward-looking perspective and search for new opportunities that are "accompanied by innovative or new venture activity". There is an important difference between proactiveness and competitive aggressiveness. The former refers to how a firm relates to market opportunities in the process of new entry, whereas the latter refers to how firms "relate to competitors, that is, how firms respond to trends and demand that already exist in the marketplace" (Lumpkin and Dess, 1996: 147).
- Firms with an EO are often said to take risks, where heavy debt and large resource commitments in relation to a new entry are examples of risky behavior. Stated formally *risk-taking* refers to "the degree to which managers are willing to make large and risky resource commitments – i.e., those which have a reasonable change of costly failures" (Miller and Friesen, 1978: 932) and risk taking firms show a tendency to "take bold actions such as venturing into unknown new markets" (Lumpkin and Dess, 2001: 431).
- Innovation is a key aspect in most definitions of corporate entrepreneurship. In the EO literature, *innovativeness* refers to "a firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes" (Lumpkin and Dess, 1996: 142). There is typically a continuum of innovativeness, both regarding the scope and pace of innovation in products, markets and technologies.

- *Autonomy* is about the freedom granting individuals inside an organization to be creative, to push for ideas and to change current ways of doing things. Lumpkin and Dess (1996: 140) define autonomy as "the independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion". Inherent in this definition is the role of flexible organizational structures and open communication for an EO.
- *Competitive aggressiveness* refers to "a firm's propensity to directly and intensively challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the market place" (Lumpkin and Dess, 1996: 148). Competitive aggressiveness can be reactive. This means for instance that a new entry that is an imitation of an existing product or service would be considered entrepreneurial if the move implies an aggressive, "head-to-head" confrontation on the market. Competitive aggressiveness also embraces non-traditional ways of competing in an industry, such as new ways of distributing or marketing products.

Some scholars view EO as a rather consistent set of related activities or processes (e.g. Wiklund & Shepherd, 2003), even if these processes and activities encompassing many different dimension of a firm or organization. Lumpkin and Dess (1996) argue that the five dimensions are separate but related constructs. This means that firms can vary in terms of how proactive, risk-taking, innovative, autonomous and competitively aggressive they are. For instance, a particular firm may be very competitively aggressive, but not very risk-taking, but still be viewed as having an EO. That is, firms can vary in the degree of each dimension so that they are not equally entrepreneurial across all five dimensions. The five dimensions are, however, suggested to be positively correlated (Lumpkin & Dess, 1996), which also has been validated empirically (Rauch et al., 2004).

Entrepreneurial orientation in different contexts

The five dimensions of EO and the possible positive outcomes of having and EO at the firm-level, such as growth and profitability are also often said to vary with context (Lumpkin and Dess, 1996).

For instance, Covin et al. (1990) found that industry technological sophistication impacts EO in growth-oriented firms. While firms in low-tech industries more often adapted a low price strategy and conservative strategic posture (i.e. risk-averse, non-innovative, and reactive) their high-tech counterparts were relatively more often involved in entrepreneurial strategic postures (i.e. risk-taking, innovative, and proactive; Covin et. al., 1990: 396).

Lumpkin and Dess (1996) argue that the strength of the five different dimensions of entrepreneurial orientation may differ depending on the characteristics of the firm or types of firm. Besides industry, they suggest size, ownership and age as other possible contextual factors that may impact EO in a particular firm. But they also underline that little empirical research has so far been done to untangle these relationships.

A recent meta-analysis explored the extent to which the different dimensions of EO are positively or negatively related to performance (Rauch et al., 2004). One finding was that the risk-taking dimension is positively related to performance, even if significantly smaller than other aspects of EO (Rauch et al., 2004). Scholars have also looked into whether EO is positively associated with firm growth (Wiklund, 1998; Zahra, Jennings, & Kuratko, 1999). Broadly speaking, however, literature tends to be consistent in suggesting that firms with higher EO levels are more likely to do well in traditional performance measures, such as growth and profitability.

Hence, literature tends to be consistent in suggesting that the five dimensions of EO are likely to be independent, even if related. It can therefore be expected that the strength of each dimension differs between firms and types of firms. One firm or firm-type can thus be more entrepreneurial in one or some of these dimensions and less in others depending on the context.

Seeing family firms as a context, it is likely that EO has specific features in family firms, too. However, very little research has been conducted so far on corporate entrepreneurship in general and entrepreneurial orientation in particular in family firms, although exceptions exist (e.g., Poza, 1988; Hall et al., 2001; Salvato, 2002; Habbershon and Pistrui, 2002; Zahra et al. 2004; Zahra, 2005; Naldi et al., 2005). Our intention in this research is to investigate the specific contextual characteristics which make family firms a particular setting for investigating the processes and outcomes of entrepreneurial orientation. Therefore we suggest that:

Proposition 3:
3a. Specific contextual and systemic (i.e., familiness) characteristics of family firms will discriminate between configurations of EO in family vs. non-family firms.
3b. Moreover, different configurations of such contextual and systemic characteristics will discriminate between configurations of EO in different types of family firms.

Finally, time is also important in studying EO both in family and in non-family firms. As the EO concept refers to organizational processes and activities unfolding over time, studies on EO should be longitudinal in order to yield the best value for increased understanding.

RESOURCE BASED VIEW AND FAMILINESS

RBV and Entrepreneurship

The resource profile of an organization is a key determinant in the success or failure of their entrepreneurial actions (Green & Brown, 1997). Aldrich and Martinez (2001) described the entrepreneur’s resources as “capital” and identified three categories of capital that are required for success: human capital, financial capital and social capital. At the heart of the entrepreneurial process is how entrepreneurs and entrepreneurial organizations create, identify, use, combine or exploit their “capital” to establish heterogeneity in relation to their competitors and thereby extract greater profits. Alvarez (2001) extends the boundaries of how one should think about the resource profile by suggesting that the processes associated with seeking and recognizing opportunity, as well as organizing resources to capture opportunity are themselves “resources” that are critical to establishing heterogeneity.

The ability to establish heterogeneity in relation to competitors is foundational to having a competitive advantage. Having a sustainable competitive advantage requires heterogeneity to be preserved. The degree to which heterogeneity is durable is the degree to which it will add sustainable value (Alvarez, 2001). The Resource Based View of the firm (RBV) is a theoretical frame that focuses on firm-level heterogeneity of resources while entrepreneurship theory focuses on heterogeneity of beliefs about the value of resources. Heterogeneity is thus a common denominator to both the RBV and entrepreneurship (Alvarez, 2001). Taking a resources-based perspective of the firm and of the entrepreneurial process may, therefore, help address the question why some firms successfully renew themselves over time, while others eventually become obsolete.

In the RBV, competitive advantage is said to be derived from distinctive competences that are idiosyncratic to the organization (Wernerfelt, 1984; Barney, 1991). These competencies are focused combinations of resources and capabilities that are combined to create "capital" that can be utilized to establish heterogeneity in the "services" they provide (Penrose, 1959). It is often assumed that resources are tradable between organizations while capabilities are less so because they are deeply embedded in the organization. These combinations of resources and capabilities develop and are maintained through organizational routines (Nelson & Winter, 1982). Routinization is associated with the persistence of firm behaviour, while the tacitness of the routines is what generates distinctive competencies that lead to heterogeneity. The resource based view, thus focuses on the conditions which leads a firm to be idiosyncratic and enduringly different.

One of those conditions is the inimitability of the resource pool. Inimitability is most often rooted in the tacit dimensions, path dependencies, and social complexities of an organization. These include intangibles aspects of the resource pool such as organizational culture, human resources, knowledge generation and learning, strategy making, and reputation. In the entrepreneurship domain, many of these intangibles are associated with the founder and the firms they create (Alvarez, 2001). How entrepreneurial organizations recognize and exploit opportunities, collect and combine resources that match the opportunity, or bootstrap in their execution are rooted in the intangibles of the resource pool, and are highly idiosyncratic. Similarly, many of the factors that create the ex post limits to competition and lead to habitual entrepreneurship are deeply embedded in the intangible aspects of the organization (Alvarez, 2001).

Familiness Framework

Based on these conceptual premises, Habbershon and Williams (1999) have demonstrated that family-influenced organizations are particularly idiosyncratic and that the RBV is a useful framework for explaining how they can create an enduring advantage. Theory and practice indicate that there are a complex array of systemic factors that result from the interaction of the family group, business entities, and individual family members, and that these unique systemic influences can be captured through the resources and capabilities of the organization (Habbershon, Williams & MacMillan, 2003).

These resources and capabilities can be said to have deeply embedded defining characteristics that we refer to as the "*family factor*", and that can be connoted as $\textit{resources}_f$ and $\textit{capabilities}_f$. The combined "*f factor*" influences are called the "*familiness*" of the firm (Habbershon & Williams, 1999). Familiness is thus the sum of all the "f factor" influences in the bundle of resources_f and capabilities_f and can be presented as "*f+*" for influences that lead to an advantage, "*f-*" for influences that constrain competitiveness, and "*f0*" for family influences that appear to be neutral in relation to intended performance outcomes (Habbershon, Williams and Macmillan, 2003). The "familiness" model thus identifies the source of what is idiosyncratic in the resource profile of family-influenced organizations and provides a path for exploring how they create heterogeneous outcomes.

Using the RBV "familiness" frame we propose to explore the family form of business organization with its complex systemic influences as a distinct context for understanding the entrepreneurial process. By identifying how family influences impact the resource profile as it relates to entrepreneurial actions and outcomes we can better understand the antecedent conditions to family business continuity and growth.

More specifically, we intend to examine what family-influenced resources enable them to establish enduring heterogeneity in relation to their competitors and/or what forces enable them to create ex post limits to competition that preserve their heterogeneous position in the market place. We will also attempt to explain any ex-ante limits to competition as they relate to the firm's advantageous position, and to link the family contextual factors to the larger environmental context, including industry, country economic comparisons, and international competitiveness conditions.

There are a number of resources and capabilities in the resource profile that have been both related to the entrepreneurial process and postulated to be part of the family-influenced firm's idiosyncratic advantage in relation to entrepreneurship. Our research will specifically explore these potentially relevant and overlapping resources and capabilities to determine the "f factor" for entrepreneurial actions and outcomes.

Alvarez's (2001) suggestion that opportunity recognition and the process of combining and organizing resources to capture opportunity is a "resource" has particular relevance in this research. First, families are said to have *kinship ties* and *network-based resources* that positively impact their opportunity recognition processes (Zahra et al., 2004). Second, their deeply embedded *tacit knowledge* and long-standing *industry involvement* may lead to increased opportunity recognition and exploitation. Third, Rosa and Scott (1999) suggest that entrepreneurship was greatest in business clusters rather than a single one-dimension business. Families are know for their business clusters and are often identified as business groups rather than single family businesses. Because this research is also examining the entrepreneurial orientation of the *family ownership group* and business leaders our intention is to trace the family EO to specific family influenced resources in relation to opportunism and entrepreneurial action.

Closely related to opportunity recognition and exploitation is the construct of "entrepreneurial alertness" (Kirzner, 1979). Alertness exists when one individual has an insight into the value of a given resource when others do not. These "flashes of insight" are not necessarily tied to technical knowledge but to process knowledge that recognizes the value of the insight. In family leaders this *insight* may be tied to intuitive *tacit knowledge* and *practical experience*. Penrose (1959) connects the process side of discovery to an intentional and proactive search versus a passive and reactive approach to change. Families who are internally oriented versus externally oriented may not cultivate the tacit process resources necessary for entrepreneurial alertness.

Entrepreneurial cognition and heuristic decision making has also been identified as a distinct resource in relation to entrepreneurial actions (Busenitz & Lau, 1996). Alvarez (2001) distinguishes this from managerial cognition. Family leaders are acknowledged to have *intuitive styles* that simplify strategic decisions, especially in complex situations where there is incomplete information and uncertainty. This heuristic style may be deeply embedded in the *family history* and *mentoring models* and closely related to the tacit knowledge of the family and leaders. We may find that heuristic decision making is a path-dependent resource that leads to a stream of entrepreneurial actions in windows of brief opportunity.

Related to the process knowledge that produces flashes of insight is the process knowledge that reforms and revolutionizes the pattern of production for producing a new commodity or producing an old one in a new way. Often this *internal process knowledge* can reorganize an industry. Because manufacturing industries are known to have high concentrations of family businesses, focusing on production-specific knowledge in relation to innovation and entrepreneurship is important to understanding family-based entrepreneurship. Production knowledge comprises information, technology, know-how and skills and can either be explicit or tacit and personal (Alvarez, 2001). A key area for exploration in family-influenced firms is where this knowledge resides and how it is transferred across generations.

Governance systems can also be an organizational resource and generate distinctive human and organizational resources that aid the entrepreneurial process. The entrepreneurship literature describes conditions under which alternative forms of governance may be more or less effective in stimulating entrepreneurial actions (Covin & Slevin, 1991). Alvarez (2001) suggests that the more socially complex, path dependent and tacit (Barney, 1995) a resource is, the more hierarchical the firm governance will be to realize this value. This assertion is particularly relevant to family firms given the often highly complex, tacit and path dependent nature of their resource profile.

Financial strategies and the risk profile of the entrepreneur or entrepreneurial organization are also a key part of the resource profile. Families have been both said to be more conservative in their risk profile and yet to have a longer term investment horizon that can lead to more risky investments (Zahra et al., 2004). The causal ambiguity of the link between firm resources and entrepreneurial activity may lead organizations to act more entrepreneurially since they are not fully counting the cost of the initiative. This pattern has been associated with the *intuitive leadership and financial systems in family firms*. It has also been suggested that the concept of sunk costs to more intuitive organizations becomes a significant barrier to entry. Intuitive organizations often assume their cost of doing business rather than allocate their cost to entrepreneurial activity.

Because a sustainable competitive advantage requires heterogeneity to be preserved, understanding the forces that might limit competition (*ex post limits to competition*) is critical to competitiveness and streams of entrepreneurial actions. *The more tacit, complex and path dependent, or causally ambiguous a resource is*, the more likely it is that it will form a limit to competition. Similarly, *the more this knowledge or capability is tied to a single entrepreneur* the more likelihood there is that others will find it difficult to create competitive parity in the marketplace. An individual's or organization's ability to bootstrap can also create a limit to competition, creating a hurdle to entry that other firms may not be willing to match. As noted earlier, habitual entrepreneurs who have created business clusters can also generate limits to competition. Family groups who adopt this strategy may not maximize on individual businesses, but might find their advantage in leveraging their resource profile to establish new businesses in a wide array of arenas. This implicit entrepreneurial strategy can create limits to the ability of other entrepreneurs to compete. How family groups create resource barriers to others entering the market through their business cluster should be a key area of exploration.

Hence, the RBV-based perspective of "familiness" we have briefly outlined suggests several fruitful avenues for investigating the link between family and family-firm specificities, on one side, and trans-generational entrepreneurship, on the other. Hence, we suggest that:

Proposition 4:
Certain configurations of "familiness" (systemic factors that result from the interaction of the family group, individual family members, and the business entity) will have a positive

impact on the family-influenced firm's transgenerational entrepreneurship potential. In particular:
4a. Network-based resources specific to the family, idiosyncratic family knowledge, and idiosyncratic governance systems will positively influence—under certain conditions—entrepreneurial performance.
4b. Family-specific tacitness, complexity, path-dependency, causal ambiguity and individuality of entrepreneurial knowledge will positively influence a family-influenced firm's ability to sustain its entrepreneurial advantage over time.

In the RBV organizational culture is a strategic resource that can be linked to sustained competitive advantage (Barney, 1986). It is also linked to entrepreneurial actions and outcomes through both the RBV literature and EO literature. In order to understand the relationship of culture to outcomes and to identify "levers" that can be used to impact culture we must explore the component parts of a culture. In family-influenced organizations identifying the systemic family influences that comprise their culture is critical to assessing the role culture plays in entrepreneurial actions and outcomes. Zahra et al. (2004) examine the relationship of a family firm's culture to entrepreneurship. Their study encourages further investigation and understanding of the relationship of the individual versus the group, the external orientation of the organization, the centralization of control and coordination, and the family's orientation toward time. Specifically, we need to better understand how these and similar systemic family influences affect the resource profile of the family influenced firm in terms of its members' willingness and ability to take entrepreneurial action.

SYSTEMIC FAMILY INFLUENCES

Introduction

The goal of the STEP Project is to understand the transgenerational nature of business families and groups by assessing how they create new economic activity across time. To do so, we need to understand how does family systemically influence the organizational ability to generate entrepreneurial performance within their constellation of business activities.

The problem with the existing literature is that even when both theory and practice indicates that in family influenced firms there are complex arrays of systemic factors that impact strategy process and firm performance outcomes (Davis & Stern, 1980; Astrachan & Kolenko, 1994; Tagiuri & Davis, 1996) most of the family business literature to date has tried to discount, ignore or isolate family factors from the business and resort to traditional strategy models for the business (Habbershon, Williams & McMillan, 2003). To a large extent, overlooking systemic family influences has prevented the development of an integrated theory of the family firm and the lack of an adequate performance model (Sharma, Chrisman & Chua 1997; Chrisman, Chua & Sharma, 2003). To overcome this, the research model followed by the STEP project adopts a systemic view of family influence (Habbershon et al., 2003).

Family Influence and the Systemic View of Family Firms

As mentioned in the previous section, the adoption of a "systemic" view of family-influenced firms implies that in order to assess the full range of entrepreneurial influences and outcomes, the family business must be seen as a “metasystem” comprised of three broad subsystem components: (1) the controlling family unit- representing the history, traditions and life cycle of the firm), (2) the business entity-representing the strategies and structures to generate wealth (3) the individual family members representing the interests, skills and life stage of the participants family owners/managers (Habbershon et al 2003: 455). Interactions between these three subsystems create systemic conditions of family influence. One of the main purpose of our research is precisely to capture this systemic conditions of family influence. This means showing how events in one part of the system (the family, the business or the individual) are both cause and effect related to other subsystem components.

This “systemic” view of the family business is a departure from traditional models for analysing family companies which have followed a “dualistic system approach” emphasizing the need to manage the boundaries between the two overlapping, distinct subsystem that conform the family firm: the family and the business (Gersick, Davis, Hampton & Lansberg, 1997). Moreover, the use of this approach helps to overcome the constraints of debating the definition of a family business or of establishing the boundary conditions that limit the investigation, a crucial point for the advancement of the field (Chrisman, Chua & Steier, 2003).

Using the system as a unit of analysis implies following an “embedded familiness model” in which rather than looking at independent variables through the lens of broad family based organizational conditions (family/non family definitions), focus is on studying how family influences are systemically embedded in organisational behaviours to generate idiosyncratic resources and capabilities for firm outcomes, specifically for entrepreneurial ones.

Since the STEP project is focused on the degree and nature of the systemic family influences with a clear line to the impact on outcomes, the next step in our research will be to answer two key questions: *Where does systemic family influence comes from?* and *How is it reflected on transgenerational outcomes?*

Antecedents of Systemic Family Influences

Trying to measure the extent to which a family is systematically influencing the organizational ability to generate entrepreneurial performance within their constellation of business activities is a difficult task since it implies: a) capturing the influence exercised on various business and on different situations, and b) capturing the interacting influences of the family, the firm and individual within the system as a whole.

Given this complexity, we propose to investigate the influence exerted by families by means of several dimensions , drawing on previous attempts from the literature to outline measures of power/influence (Pfeffer, 1981; Filkestein, 1992; Brass & Burkhardt, 1993) and on previous attempts from the family business literature (Klien, 2000a, 2000b; Astrachan, Klein & Smyrnios, 2002; Klein, Astrachan & Smyrnios, 2005).

We expect to find variability within family firms, depending on the degree of influence exerted by the family on each case and the way by mean of which this influence is exerted. Drawing on previous attempts made in the literature, we are going to establish systemic family influence among the following factors: ownership structure; management and governance; leadership and culture.

Ownership Sources of Influence: The Ownership Structure. A family can influence a business via the extent of its ownership. The equivalence between ownership and shareholders influence has been widely used in the literature since many studies have relied on a discrete measure of stock concentration to infer who is the most influential shareholder within the firm (Tosi & Gomez-Mejia, 1989). When applied to the study of family firms, the traditional operationalization of power as ownership concentration, coupled with the fact that most of the studies on family firms have rely on archival data, explain why researchers have used a discrete measure of stock concentration in family hands to infer the influence that families exert on firms (Donckels & Frölich, 1991, Cromie y Stephenson, 1995).

However, adopting a "systemic" view implies that in order to asses the implication of family influence through on outcomes, it is necessary to take into account not only the percentage of shares owned by the family but also other related factors such as the "nature" of these shareholders. This nature will take into account for instance the life cycle of the family, since previous research has showed that family influence thorough ownership is going to be different depending on whether the firm is in the controlling phase, the *sibling partnerships phase* or the *cousin consortium* phase (Gersick et al, 1997). As the number of generations increases, the distribution of power shifts and different strategies emerge (Gallo & Sveen, 1991; Kets de Vries, 1993).

Moreover, in the case of non fully family owned family firms, the presence of institutional investors or venture capitalists in the ownership of the family company is likely to change the way family influence affect outcomes, compared with the effect of others minority or individual shareholders (Poutzioris, 1998; Gómez-Mejía et al 2002).

Structural Sources of Influence: The Management and Government Structure. According to the power literature, the structural dimension of influence can be understood as that reflected more on the properties of a social system rather than on the particular attributes or behaviour of any particular individual (Brass & Burkhardt, 1993). Following this, families can also exercise influence through leading and/or controlling the business by means of management and/or governance participation by the family (Astrachan et al 2002). In this sense, we are interested in knowing the percentage of family representatives that are members of the governance or management Boards.

For instance, Ensely & Pearson (2005) suggest that the behavioural processes of top management teams affect the strategic decisions and performance of family firms and that this behavioural process depends in turn upon the composition of the team in terms of family/non family members. Moreover, the composition of the board of directors have to be further analysed in order to determine, not only the proportion of family members but also other aspects that the corporate governance literature has showed to have an impact on firm outcomes: i.e. the ratio insiders to outsiders, how many of the non family directors have been appointed by the family whether or not the CEO and the Chairman are the same person and whether or not he/she is a family member (Ward y Handy 1988, Anderson & Reebs 2004, Corbetta & Salvatto, 2004).

Leadership and Culture Sources of influence. However, once again the adoption of the system as the unit of analysis implies that these ownership and structural sources of family influence are not going to be enough to capture the systemic family influence within the firm: at least numerous anecdotal evidence suggests that the influence of the family could be great even though the family does not hold the majority of the voting shares or its presence in the government and/or management boards is not high[2]. This is because the particular attributes or behaviour of any particular individual that occupy this management and/or government positions *(the leadership dimension)* and others not so readily obtained factors such as family reputation or the identification with the family norms and values *(the family culture dimension)* must be taking into account in order to explain the power that families exert on the firms in which they have invested their wealth. The power literature refers to this influence that occurs when certain aspects of the organizations becomes defined as part of the organization's culture and are accepted by participants in the organization as a natural part of their membership in the firm, the institutionalization of power (Pfeffer, 1981).

The family business literature offers several examples that show that some family members generally influence decisions more than what their number of shares or their structural position within the company suggest (Kellermanns, 2005). For instance, the family firm founder may continue to influence firm development even when he is retired and the top management of the company team consists mostly of nonfamily members (Kelly, Athanassiou, & Crittenden, 2000).

On the other hand, the literature also suggest that values and aspirations of the family may also influence family business outcomes (Chrisman, Chua & Zahra, 2003) and these values rooted in the organizations formed the family culture (Klein, 1991).

In the particular context of the STEP project, we want to measure to what extent family culture is embedded in the organization's life, this is to say which are the family's values or beliefs and which is the identification of employees with these values and beliefs. According to Carlock and Ward (2001) this family embeddenes is more likely to occur the higher the family commitment to the business, defining this commitment along three dimensions: a personal belief and support of an organization's goals and vision, a willingness to contribute to the organization and a desire for a relationship with the organization.

Impact on Familiness

The systemic interaction of the family unit, business entity and individual family members gives family influences firms a unique bundle or usually complex, dynamic and rich intangible assets and capabilities that are known as "familiness" (Habbershon & Williams, 1999). In fact, a family firm's resources and capabilities can be regarded as the outcome of systematic influences of an enterprising family system (Habbershon et al., 2003: 460).

However, for an specific type of influence to be part of familiness it must help create the systemic synergies or diseconomies that contribute to the competitive advantages or disadvantages of family business. The problem is that we still don't fully understand how ownership, management and values interact to create characteristics unique to family organizations. This is precisely one of the main goals of the STEP project.

Impact on EO

In family firms, the family unit, the business unit, and individual family members influence the resource pool which is available to the organization (Habbershon & Williams, 1999;

[2] Regarding the potential merger of Compaq with Hewlett-Packard, Rob Enderle, analysts from Siga Group Information declared " without the approval of the Hewlett family members the merger will be frustrated because many workers identify themselves with the family"(The Economist 2001). The Hewlett family owned only 5,2% of the total stock of the company

Habbershon, Williams, & MacMillan, 2003). Several works have supported this relationship. Sirmon and Hitt (2003), for example, have developed several propositions on the relationship between family business behaviours, resource management and company performance. In particular, they show how family aspirations and values influence a firm's effectiveness and efficiency in resource management through the creation of unique resources—patient financial capital, social capital and human capital.

Following Andrew's (1980) model of the factors that influence strategy formulation, Chrisman, Chua and Zhara (2003) suggest that these family aspirations and values not only affect resource management, but also their strategic choices, both in terms of resources and in terms of pursued opportunities. In a similar vein, Chrisman, Chua and Litz (2003) suggest that the politics of value determination in a family firm will influence its vision and goals and have a major influence on whether its familiness is distinctive and constrictive.

The Role of External Influences: Direct and Moderating Effect on Environmental Factors

Both, the systemic view and the STEP project´s international nature, implies the need to take into account the impact of external factors (legal, political, economic and cultural consideration associated with the country in which the company operates) when assessing both, the systemic family influence itself (direct effect of environmental factors) and the impact of systemic family influence on familiness and EO.

Regarding direct influences for instance tax and legal structures across national boundaries encourages different form of ownership and governance structures and these differences must be taken into account when making international comparisons o assess family influences. One clarifying example: in the case of board structures and compositions, countries like Germany or Switzerland have a two level system in which a board member of one board (management or governance) cannot , by law, be member of the other. On the contrary, most of the western countries has a one-level board system. Similarly, the tax system may also imply that in some countries it is an advantage to own a company through other entities such as trust, companies or holding companies, (Astrachan, Klein & Smyrnios, 2002) so family influence through ownership must be carefully assessed.

Regarding moderating effects of the environmental factors for instance, Sharma & Manikutty (2005) suggest that the culture of the society in which the family firm is embedded is going to affect strategic decision making: families embedded in more individualistic cultures will take less time to make divestment decisions as compared to family firms in more collectivistic ones.

As a result of this discussion, it should be clear that measuring family influence from a systemic point of view implies using a multi-level approach to assess the family influence on the firm, including ownership, structural and family leadership and family culture sources of influence. More in detail:

Proposition 5:
5a. Distinctive or constrictive "familiness" will be a function of systemic family influences.
5b. Entrepreneurial Orientation will be a function of systemic family influences.

Proposition 6:
6a. The external environment (i.e., the legal, political and economic conditions of the country in which the firm operates) will have a direct effect on determining systemic family influences
6b. The external environment will have a mediating or moderating effect on the way systemic family influence affects familiness and entrepreneurial orientation.

DISCUSSION AND CONCLUSIONS

Recent empirical studies have reported mounting evidence that families have a dominant positive impact on business world wide. Our aim in this paper was to contribute to this stream of research by advancing knowledge on the family's entrepreneurial contribution to sustainable wealth creation. In order to pursue research and theory development around the constructs of family and entrepreneurship, we introduced the conceptual framework of "transgenerational entrepreneurship" and of its antecedents (Figure 1).

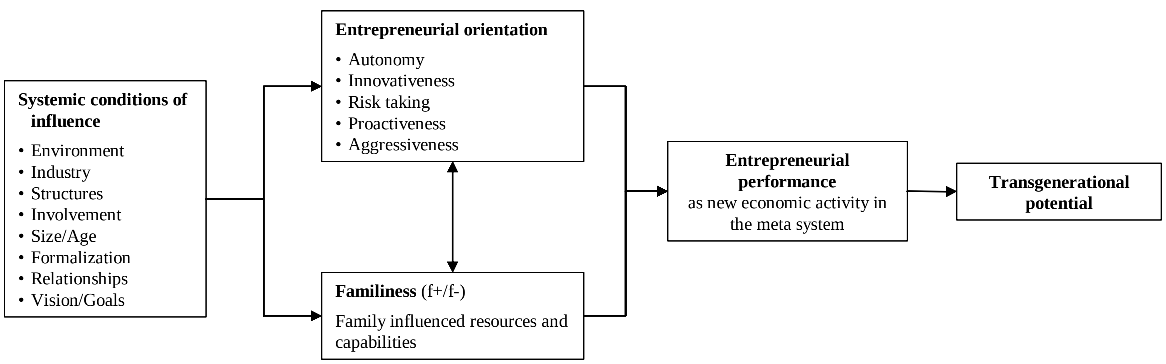

Figure 1. Transgenerational entrepreneurship: The STEP Research model.

Our framework is also meant at suggesting avenues for empirical research aimed at advancing knowledge about how families contribute to wealth creation. Two broad research questions emerge from our conceptual framework:

- How do family groups generate and sustain entrepreneurial performance across generations?
- How does the family systemically influence the organizational ability to generate entrepreneurial performance within their constellation of business activities?

Within the framework determined by these questions, we have suggested some focused propositions which will direct attentions to specific mechanisms of family long-term influence on entrepreneurial and wealth-creation outcomes. Such propositions have in common a focus on the concept of familiness, and on how elements of familiness can have a differential impact upon entrepreneurial performance and wealth-creation outcomes over generations of the influencing family.

This focus on familiness has also implications on suitable research methodologies. While the idiosyncratic nature of a family-influenced firm's resource profile presents a rich opportunity for continued research, it is precisely this idiosyncratic aspect of a family firm’s resources and capabilities that makes research difficult and has so far limited entrepreneurship research. This is particularly true in family firms where systemic family influences create a higher level of complexity and difficulty in assigning influences to specific resources and outcomes.

For these reasons, we suggest that research on family firms must move beyond variance studies to include a combination of qualitative and quantitative methods that can identify both the true nature of the resource profile and the source of their uniqueness. We believe that the RBV “familiness” model provides an opportunity to take a step toward a better understanding of how family firms create continuity and growth across generations. We refer to this as the transgenerational potential of the family-influenced organization.

We believe that the importance of transgenerational entrepreneurship and wealth creation to the economic and social conditions in our communities and countries world wide would make empirical efforts in this direction worthwhile.

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