SOLVING THE PARADOX: A MULTI FACETED APPROACH TO CORPORATE ENTREPRENEURSHIP IN FAMILY FIRMS (SUMMARY)

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SUMMARY

SOLVING THE PARADOX: A MULTI FACETED APPROACH TO CORPORATE ENTREPRENEURSHIP IN FAMILY FIRMS

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Principal Topic

Existing studies on entrepreneurship in family firms seem to agree on that the unique nature of these type of companies offers a distinct context for entrepreneurship. Specifically, while some depicts family firms as a context where entrepreneurship flourishes, others view them as too conservative and inflexible to take the risk associated with entrepreneurship.

We believe that part of this controversy is due to adopting a limited view of entrepreneurship when studying family firms. This is why this paper attempts to contribute to shed some light to this debate by adopting a multi-faceted phenomenon of entrepreneurship in family firms. This approach covers not only “real entrepreneurial activities” within organizations, but also entrepreneurial alertness, since existing research portrays the ability to recognize opportunities as key factors that support entrepreneurship. Moreover, it distinguishes among the creation of new businesses and product and/or technological innovation when examining real entrepreneurial activities. Our general thesis is that first of all, given family’s risk and return expectations which are not only financial but also socioemotional, family businesses are more likely to build portfolios of businesses. Moreover, family’s networks and multigenerational involvement gives them an advantage over non family firms to discover new business opportunities. However, the distinctive nature of family businesses also implies a lower degree of product and technological innovation in the new business activities undertaken.

Methods

Our study is based on a sample of 1259 family businesses, drawn from the GEM Spanish survey for year 2005 which includes some questions addressing the family involvement in a given company.

Results and Implications

Our results show that family businesses not only posses a higher “entrepreneurial mindset” that allows them to investigate new opportunities, but they also transform these opportunities into real businesses to a higher extent than non family firms. However, and contrary to our expectations, our findings indicate that family firms have apparently no lower levels of innovativeness than non family companies. This has important implications for scholars and family business owners. Given the lower survival rates of family firms compared to that of non family firms, it seems that future research should analyze how families can become a critical engine for sustainable entrepreneurial activity.

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