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THE ROLE OF NETWORKING IN THE GROWTH PROCESSES OF FAMILY FIRMS: AN INTERNATIONAL STUDY (INTERACTIVE PAPER)

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INTERACTIVE PAPER

THE ROLE OF NETWORKING IN THE GROWTH PROCESSES OF FAMILY FIRMS:
AN INTERNATIONAL STUDY

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Principal Topic

The paper investigates the role of networks in the growth processes of family firms. The strategic advantages of the family business tend to focus on the benefits of stability over time: heightened commitment, longer term perspectives, patient capital; sustained values and vision; continuity; specialized knowledge. But these are maintained and developed in networked settings. Nonetheless, there are also some clear indications that family businesses may indeed be characterized, to some degree, by an ability for re-invention and growth. Some family firms have been found to have cultural preferences for entrepreneurship. The study draws together theoretical developments from the family firm realm and networking theory, to investigate the ways in which these structures and processes interact to facilitate and inhibit entrepreneurial growth.

Method

Three countries were selected for the fieldwork – Scotland, England, and Greece - and both rural and diverse contexts from each country were chosen. Family firms were chosen who were willing to share openly their experiences with the research team. Semi-structured interviews were carried out with 12 family firm entrepreneurs, with special attention paid to issues relating to networking and growth.

Results and Implications

Growth strategies for many of the family firms studied tended to be driven by resources available within the family-firm nexus. For some respondents, growth paths included related-diversification driven by the special skills, interests, and passions of new generation leadership. For others, under-utilized assets, such as property, stimulated diversification growth strategies. Investigating growth possibilities, making strategic decisions, and implementation of new strategies were largely enacted through on-going conversations within the immediate group of family-firm employees. Market and technology evaluations took place through quite formal, “professional” mechanisms in many cases. Family firms in several instances appear closer to formal, rational models of interaction with the market place than non-family entrepreneurs (who typically develop well-embedded strong customer, supplier, and other industry ties which act as the foundation for growth). The usage of weak-ties, which has come to be seen of diminished importance for non-family entrepreneurs, appeared more significant for family-firm growth.

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