WEALTH CREATION: LINKING FAMILY INFLUENCED RESOURCES, RESOURCE MANAGEMENT PRACTICES AND ENTREPRENEURIAL PERFORMANCE IN FAMILY FIRMS (INTERACTIVE PAPER)

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WEALTH CREATION: LINKING FAMILY INFLUENCED RESOURCES, RESOURCE MANAGEMENT PRACTICES AND ENTREPRENEURIAL PERFORMANCE IN FAMILY FIRMS

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Principal Topic

Family firms present a unique and favourable setting for entrepreneurship (Aldrich and Cliff, 2003, Kellermanns et al., 2008). However, the entrepreneurial potential of the family business group has not been explicitly identified nor have the strategic requirements for families pursuing wealth creation been sufficiently delineated (Habbershon & Pistrui 2002; Irava, 2009). We explore the process of strategic entrepreneurship by studying resource management practices in family firms. Specifically, we explore the relationship between family influenced resource stocks (human capital & patient financial capital), entrepreneurial performance and the moderating role of resource management practices (structuring, bundling, & leveraging).

While resource endowment is necessary, it is insufficient to attain sustainable competitive advantage (McKelvie & Davidsson, 2009; Brinckmann, Grichnik, & Singh, 2011). Resources need to be managed effectively by evaluating, manipulating, and deploying such endowments within the firms environmental context (Sirmon et al., 2007). By exploring resource management processes in family firms we address the largely untapped “capabilities” component of the familiness construct (Habbershon & Williams, 1999). The research questions investigated in this study are:

What effect do familiness resources have on entrepreneurial performance in the family business?
Do family firm’s resource management practices moderate the relationship between familiness resources and entrepreneurial performance? Moreover, do resource management abilities differ across generations of the family business?

Method

We use two data sources to study our research questions. Firstly, a stratified random sample of 293 of the 900 largest family businesses in the Republic of Ireland (2nd to 5th generation). Secondly, we collated ten years of performance data (financial & entrepreneurial) from the Companies Register of Ireland. To test for moderation, we employed hierarchical moderated regression analysis using zero-centered variables.

Results and Implications

The research makes two contributions. First, we explain entrepreneurial outcomes of family firms in terms of resource management processes. In doing so we expand the “nomological net” of familiness by showing that family and business dynamics are highly interrelated. Second, we introduce the contingency effect of resource management on entrepreneurial outcomes (Sirmon et al., 2007; Brinckmann et al., 2011) by highlighting the procedural nature of entrepreneurial behaviour in family firms.

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