FAMILY FIRMS, SOCIO-EMOTIONAL WEALTH AND ENTREPRENEURIAL ORIENTATION: EVIDENCE FROM SAUDI ARABIA (SUMMARY)

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SUMMARY

FAMILY FIRMS, SOCIO-EMOTIONAL WEALTH AND ENTREPRENEURIAL ORIENTATION: EVIDENCE FROM SAUDI ARABIA

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Principal Topic

The research empirically investigates the relationship between socioemotional wealth (SEW) and entrepreneurial orientation (EO) in family firms. SEW pertains to the noneconomic aspects of family firms and suggests that family firms make decisions to protect their socio-emotional endowment i.e., the stock of affect-related value that a family derives from the firm (Gomez-Mejia et al., 2011, 2007). The literature regarding whether family firms are entrepreneurial or conservative is inconclusive. In family firms, entrepreneurship has a significant role in their survival, however, as the protection of socio-endowment is prioritised above financial performance, this is likely to impact on EO. Five dimensions of SEW are measured (Berrone et al., 2012): Family control and influence (F); Identification of family members with the firm (I); Binding social ties (B); Emotional attachment of family members (E); and Renewal of family bonds to the firm through dynastic succession (R). The extent of EO is assessed using the 9 item scale developed by Covin and Slevin (1989) measuring innovativeness, pro-activeness and risk taking.

Method

Data was collected from family firms in Saudi Arabia. The survey was sent to a stratified random sample of privately held family firms drawn from across six industries and gathered directly from respondents. A total of 266 usable responses were received and the data is analysed using hierarchical regression analysis, principal components analysis (PCA) and sensitivity analysis.

Results and Implications

Significant positive relationships were found between EO and family control and influence (F) and binding social ties (B). Also, as the number of generations involved in the family business increases, the level of EO decreases. This research makes four contributions to the entrepreneurship literature. Firstly, instead of comparing family to nonfamily firms, the research sheds light on family firm heterogeneity. Second, both sides of the debate concerning the entrepreneurial behaviour of family firms have garnered support and in our data the relationship is positive. Third, the inverse relationship between generational involvement and EO provides evidence that EO varies over time. Finally, the study is the first (to date) to empirically verify the conceptual FIBER dimensions developed by Berrone et al., (2012).

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