

Entrepreneurial Legacy: Role of Family in Nurturing Entrepreneurial Ventures

Kamran Khan

Assistant Professor at KASB Institute of Technology

PhD Scholar at Iqra University

PO BOX 75500, F-43, Defence View, Phase 2, Karachi, Pakistan

Umer Farooq, Syed Karamatullah Hussainy, Eesar Khan, Habibullah Khan, Zehra Khan

Abstract

The entrepreneurship is a wide subject and it is spread to the family ventures, which holds the major share in the business sector. This study discusses about this area of entrepreneurial legacy where the family has a significant role of their determinants on the longevity and legacy of the business. The factors like legacy, support and care from the family, mentorship from the family elders and the succession portrays the outline of the family businesses' success ingredients. The literature supports the relationship between these factors that plays a vital role in the legacy of the entrepreneurial venture started by the idea of a family. Extensive study for this research paper will give the insights about the family's role in the entrepreneurial ventures making it a continuing legacy through the businesses of Pakistan in the categories of small-medium enterprises (SMEs) and large business enterprises. The research method used for this is through interviews of four different family business owners, due to convenience sampling, the interviewees openly shared the data and provide the accurate insights needed to achieve the significance level of the research. This empirical study and the literature provides the evidence that the elements of family in the family business ventures acts as the success factor for the business and contributing component to the economy.

Keywords: Family business, Longevity, Family Role, Entrepreneurial Ventures

1 INTRODUCTION

1.1 Overview and Background

The concept of entrepreneurship has evolved as the changing dimension for the traditional business practices. Then this gave birth to the study of family business and the legacy that continues in the businesses. First of all, entrepreneurial behaviors (or simply entrepreneurship) is defined as either creating new/ innovative products and services, filling the loopholes in the existing markets, or shifting the strategy of the business (Jaskiewicz, Combs, & Rau, 2014). Being specific to the family business, it is any business entity which is started with any business idea generated by the family member with an intention of serving from within the family members up to multiple generations (Collins, 2010). Collins (2010) suggested that due to ownership, social philosophies, approaches to leadership and relationships, the conventional system of business and the family business are two dissimilar things. The term relationship here is the bond between the members of the organization who take part in all type of major decisions taking place and the legacy continues to the next generation. This is the reason to understand the family's role in nurturing the entrepreneurial ventures has become essential and vital to get hold of the idea as to why the family firm are huge success.

Family businesses have a social and economic contributions for most of the economies but despite of the importance this concept is not researched much and it is relatively a new scholarly pursuit in the research field (Kwan, Lau, & Au, 2011). The widespread of the family owned businesses has boomed in the recent decades and is supported by the fact that more than 90 percent of the SMEs are family businesses (Lumpkin, Steier, & Wright, 2011). This is due to the obvious reason that one person starts a business and indulges his family into it. But this idea has a lot of hidden dimensions which are to be studied to understand the reason behind the emergence and continuity of family businesses for the generations. The intersection between the role of families and their nurturing towards the entrepreneurial ventures have been observed widely in the recent decades (Lumpkin et al., 2011). But the research gap lies in the working which is not done in detail. This loophole has made the stakeholders of the family businesses not identifying their importance of the business for the social and economic conditions of the economies (Lumpkin et al., 2011).

Family has a bonding and the integral support system that nurtures the individuals, members of the family and everything associated with it. When the business gets into this umbrella, the family do all the efforts for the survival and long term legacy so that the generations could take advantage of it (Bertrand & Schoar, 2006). The continuing legacy becomes the family tradition and to keep the thing going the family supports the business with all the elements. Some of the core elements seen where family supports the ventures is by giving funding and the emotional support (Lumpkin et al., 2011), it has been observed through the researches that the family have an influence at all the levels of the strategic analysis. The emotional support involved in the business domains creates a family like environment where the members give heart and soul to the business' success. The

employment of the family members and the succession in the management decisions and ownership has led to the dedication and continuing legacy of the businesses (Dyer & Handler, 1994). The cultures based on the strong family ties have greater chances of the long lasting, productive entrepreneurial ventures (Bertrand & Schoar, 2006). The family make the best combination of the strategic decisions, human capital, financial needs and the innovation which is different and more productive than any other non-family firms. The reason behind this is because the family supports the idea of succession within the family members.

Entrepreneurial legacy or the succession of the family business to the next generations is happening from the past times. Most of the large organizations evolved from this basic concept of family business and then late they nurture the entrepreneurial venture to something big. The intentions, values and the involvement of the family are the basic thing which runs the family business legacy (Lumpkin, Martin, & Vaughn, 2008). The entrepreneurial venture that goes on for years becomes a success story because of these values and the involvement of families. The transgenerational element of the family business is crucial in the decision making and ownership which is also a reason that the business legacy continues or not continue. In presence of this, there are certain desires of ownership, self-fulfillment and independence that keeps the family firms going and makes it a successful entrepreneurial venture (Huovinen & Tihula, 2008). These desires nurture the entrepreneurial venture to go for a longer period of time and transferred to the generations. The role of family and its continuous support is the reason behind the increasing family businesses and the attention of the families towards the family owned businesses.

1.2 Statement of the Problem

Family members take pride if their family business continues from generation to generations. The research is to examine various determinants that can contribute in the success and longevity of entrepreneurial ventures.

1.3 Significance of the Research

The outcome of this research will allow having the relevant determinants that are presented by the family with a mix of care and trust that makes the entrepreneurial venture a legacy to continue for the generations. Now as the emphasis is being laid for the growing legacy of the businesses all over the world, therefore this research can generate great deal of interest for the family organizations, businessmen, entrepreneurs and the students to study about the factors that are included in the nurturing of the entrepreneurial ventures making it a long-term success.

1.4 Scope of the Research

In this research the emphasis will be laid on the role of families that helps the entrepreneurial ventures grow and bloom. The success lies when this venture is nurtured as a continuing legacy for the generations to come. The understanding of the important role of families will be discussed here to give a clearer picture about the family businesses' role in the uplift of the economy of the country.

1.5 Overview of Industry

A major part of Pakistan's economy is contributed by the family-owned business. This is the type of country where the social values, relationship building in business and emotions over the logic is applied very much. The family businesses in Pakistan are divided into two major categories i.e. small to medium enterprises (SMEs) and large scale enterprises both of these categories have distinct management practices and the determinants that they value more. By looking at the history of family businesses in Pakistan, the current picture portrays that here only 30% make a successful transition from the first generation to the next and the remaining 70% don't even move to the next place. The security and safety challenges are the big question mark on these figures that don't allow the family businesses to go on with their legacy. However, there is a special attention towards the employment within the family in Pakistan therefore the family business contributes more towards the economy of the nation.

1.6 Objectives

The core objective of this research is to examine the role of the families, their values and some of the determinants that make an entrepreneurial venture a big success. Other specified objectives of the research are as follows:

- To understand the legacy as a long term pride of the family business.
- To analyze the factors of family cohesion important for the business ventures.
- To grasp the idea about entrepreneurial bridging, mentorship and guidance in the business.
- Understanding the factors behind the longevity of the business.

1.7 Summary

Family businesses are categorized into both SMEs and the large scale enterprises and the major characteristic of these types of businesses is that it continues for the next generations forming a legacy. Some factors like the

continuing legacy, family cohesion, the mentorship and the longevity are the core highlights of the study which will help in arriving at the root cause of the family entrepreneurial ventures' success, those which are working in the genre of entrepreneurship.

2 LITERATURE REVIEW

2.1 *Connection between family involvement and firm*

If the family involvement in management increases it has an effect on the growth and right decision making of the businesses (Sciascia & Bettinelli, 2013). All the family members associated with the business management feel important and noticed when it comes to decision making. The collective decisions always make the best judgment and for the management specifically in family business this is a very important factor.

Entrepreneurs generally employ family members for the trust they have regarding their business activities (Dyer & Handler, 1994). The decisions taken for the business are very crucial one in order to sustain the legacy of the business being entrepreneurial venture. There are known advantages of family involvement to the firm and the prominent one is that the involvement makes the decision making corrective and productive (Jaskiewicz, Combs, & Rau, 2014).

2.2 *Pros of continuing legacy in the family business*

The SMEs specifically focus on long term legacy and survival of the family business rather than sales (Ha-Brookshire, 2009). The entrepreneurial venture that is started by a family member involves other members too which needs to be carried forward so that it benefits them all till the legacy continues. The longevity and the continuing legacy speak for the brand as for the high quality and affirmation (Tapies & Fernandez, 2010). Therefore if there is the element of continuing legacy then this is successful for the business growth.

Rather than viewing the business as something the members own they view it as a legacy they are responsible for (Bertrand & Schoar, 2006). This states that continuing legacy is very important as it gives a sense of ownership as well as a responsibility for the coming generations to make the business a successful one.

2.3 *Success factors for the family business legacy*

The care and support enables the members of the firm to have higher performance (Ha-Brookshire, 2009). The trust factor is important for the business and it is found when the family members are involved having mutual objective of making the business a growing legacy (Kontinen & Ojala, 2010). However, the generations sometimes are unable to manage the wealth of the business which is why the ruling members feel reluctant to pass on the legacy (Bertrand & Schoar, 2006). This is though the risk but other than this the family business owners try to educate and motivate the members to cultivate the business as their own.

According to Bertrand & Schoar (2006), trust is a factor that is important for the family values and the business outcomes. The most rated value is trust factor which makes the success of the family business. Trust and communication among the family members in the business is very important factor for the growth and legacy (Lumpkin, Martin, & Vaughn, 2008). Even the commitment and dedication comes secondary to it because the trust factor is the parent determinant that makes the business grow further.

2.4 *Factors that make the generation motivated towards family business*

The generational involvement supports entrepreneurship (Sciascia & Bettinelli, 2013), as the new generation gets into the business they bring in new ideas and innovation. This keeps the business growing and going into a legacy. The generations that are coming next are motivated to have power and authority over the business (Casillas & Acedo, 2007). In such a way they make it possible for them to qualify by all means to get into the already successful business, which is sometimes favorable for the legacy.

The family entrepreneurs project the business to be the lender of last resort for the family and this is the reason why generations try to make it successful (Bertrand & Schoar, 2006). The strategic entrepreneurship is contributed by the fact that generational or multi-generational involvement in the business gives motivation to the next generations to come into the business and work for its betterment (Stough, Welter, Block, Wennberg, & Basco, 2015).

3 RESEARCH METHODS

For this research, interviews were conducted from the three family business owners who are operating their businesses in Pakistan from at least two generations. The questions concerning their key to longevity were to have an understanding about the determinants that contributes in this legacy (See Appendix). Since the research is based on interviews, therefore, thematic approach of qualitative research applied finalizes the finding. The questionnaire finalized after thorough discussions with the experts of academia, business owners who are running family owned businesses and the detailed review of literature. The family owners were selected as judgmental sampling just to have a general idea about the core variables that are common or much needed in the

family businesses' success. As this type of sampling doesn't yield a random sample, therefore explanatory study is done to achieve the insights about the relationship of the determinants.

4 DATA FINDINGS

4.1 Connection between family involvement and firm

The large scale enterprises had an idea that firm and family must not be involved or have connection in order to have a successful working. This is because if the family thinking is involved in the decision making then the decisions could be biased and may not be productive. According to a statement, "the family decision involves emotions and large businesses cannot be at stake due to emotions."

Whereas, the SMEs encouraged the involvement of family in the business as they think that this creates the mutual understanding and gives the idea that each member of family is valued. In these firms the employees are generally the family members or relatives therefore they do not require their decisions to be taken separating themselves from family emotions.

4.2 Pros of continuing legacy in the family business

Both the large scale enterprises and small-medium scale enterprises had an idea that the continuing legacy is very important for the business. If the business is started as an entrepreneurial venture then the families are involved, it needs to be integrated well in order to sustain the business and help in benefiting all bodies. Even the losses or the profits can be shared among the entrepreneurs' family who supported him.

"the continuing legacy is important because it minimizes lot of risks of which one is the risk of fraud," this was a stance of one of the owner of SME who believed that the continuing legacy is important because if families are involved till generations then this will reduce the chances of fraud coming from outside the families.

4.3 Success factors for the family business legacy

Elements like support, trust, respect and guidance from the elders were repeated ones that were coming from all the owners. All of them had the idea that support, respect and guidance from the elders is the key that make the legacy of the business growing. The support in all the terms is the essential requirement and it must be present in the business in order to have a sense of security for the working of the business.

"Trust is the main success factor that is important for the business legacy because having trust in the members of the family will make the business activity and the working productive", this statement has a back of a personal experience of an owner who said that having trust and the two way understanding is required to have long term success. The trust is then delivered in the generations to generations.

4.4 Factors that make the generation motivated towards family business

In the SMEs when the family members are satisfied with their pay and the long term benefits and they have the idea that they are getting adequate benefits like other firms, they tend to serve in their family business only. This is beneficial for the family business success as they treat their members the way any satisfied employee is treated. In case of the large scale enterprises, the family businesses makes the generation motivated towards them is the factor of the success story. The success story speaks for them and the generations stick towards themselves. The elders have faith and they provide education and experience to their younger ones in order to make them loyal towards their businesses.

5 RESULTS

5.1 Conclusion

The family has a great big role in nurturing the entrepreneurial ventures. The literature and the interviews gave the idea that family values and some of the key determinants acts as stimuli for the generations to stick to the family business and create legacy. The connection between firm and the family can be good if it is for the sake of valuing the members of the family but if it is on a larger scale then this creates biasness. The continuing legacy of the family business is also necessary where the element of fraud was identified through the interviews which gave an idea that if the legacy is not taken seriously then it may cause fraudulent activities from the outside. Then the new thing that was identified from all the interviews was how trust is the basic key factor that is necessary for the success of the business. The generations are motivated towards the family business due to the satisfying treatment that is done with them as any other employee in terms of pay.

5.2 Recommendation

The research is done in the Pakistani family business context, but the values and the determinants identified can be applied to any Asian family business or entrepreneurial venture. There needs to be close connection between firm and family members so that the generations develop trust and have firm faith over their development and growth within their business. The family businesses must also provide education and experience in their own

business genre so that it enables the growth of the business. With the success factors identified in the data it can be recommended that the continuing legacy of the family businesses can be ensured with the help of elements like trust, the guidance and the motivation from the elders.

References

- Bertrand, M., & Schoar, A. (2006). The Role of Family in Family Firms. *The Journal of Economic Perspectives*, 73-96.
- Casillas, J., & Acedo, F. (2007). Evolution of the Intellectual Structure of Family Business Literature: A Bibliometric Study of FBR. *Family Business Review*.
- Collins, L. (2010). The Evolving Field of Family Business. *Journal of Family Business Management*, 5-13.
- Dyer, W. G., & Handler, W. (1994). Entrepreneurship and Family Business: Exploring the Connections. *Entrepreneurship: Theory and Practice*, 71-83.
- Ha-Brookshire, J. E. (2009). Does the firm size matter on firm entrepreneurship and performance? U.S. Apparel Import Intermediary Case. *Journal of Small Business and Enterprise Development*, 131-145.
- Huovinen, J., & Tihula, S. (2008). Family Business and Habitual Entrepreneurship: Differences and Similarities. *Electronic Journal of Family Business Studies*, 58-74.
- Jaskiewicz, P., Combs, J. G., & Rau, S. B. (2014). Entrepreneurial legacy: Toward a theory of how some family firms nurture transgenerational entrepreneurship. *Journal of Business Venturing*, 1-21.
- Kontinen, T., & Ojala, A. (2010). The internationalization of Family Businesses: A review of extant research. *Journal of Family Business Strategy*, 97-107.
- Kwan, H. K., Lau, V. P., & Au, K. (2011). Effects of Family-to-Work Conflict of Business Owners: The Role of Family Business. *Family Business Review*, 1-13.
- Lumpkin, G. T., Martin, W., & Vaughn, M. (2008). Family Orientation: Individual-Level Influences on Family Firm Outcomes. *Family Business Review*, 127-138.
- Lumpkin, G. T., Steier, L., & Wright, M. (2011). Strategic Entrepreneurship in Family Business. *Strategic Entrepreneurship Journal*, 285-306.
- Sciascia, S., & Bettinelli, C. (2013). Corporate Entrepreneurship in Family businesses: Past, Present & Future researches. 422-432.
- Stough, R., Welter, F., Block, J. H., Wennberg, K. J., & Basco, R. (2015). Family business and regional science: "Bridging the gap". *Journal of Family Business Strategy*, 208-218.
- Tapies, J., & Fernandez, M. (2010). Values and Longevity in Family Business: Evidence from a Cross-Cultural Analysis.

Appendix

Interview Questions

1. How strong is the connection between your family involvement and the firm?
2. How important is the continuing legacy for the family/ business?
3. Does the elements like support care and relationships affect the working of the business?
4. What other elements do you think are needed for the success of family business?
4. What makes the generations motivated towards staying in the family business only?
5. What are the other features that make the family business grow for the generations?