



Understanding entrepreneurial cultures in family businesses: A study of family entrepreneurial teams in Honduras

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ABSTRACT

This study contributes to our understanding about entrepreneurial cultures in family businesses. Previous family business literature highlights that entrepreneurial cultures reside within a founding or incumbent generation. The identification and pursuit of opportunities leading to establishing or acquiring ventures revolves around a founder-centered culture. This view overlooks the way opportunity identification and pursuit become part of the culture in family firms. Interpretive methods were used to analyze six family business groups in Honduras. The unit of analysis is the family entrepreneurial team (FET), members of the family behind entrepreneurial processes. By focusing on the family entrepreneurial team this study shows that entrepreneurial cultures are transmitted via long intergenerational interaction and continued via involvement of junior generations in the identification and pursuit of opportunities. We argue that further attention to the family unit and alternative contexts extends our understanding of entrepreneurial cultures in family businesses.

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1. Introduction

To understand family businesses there is a need to develop more knowledge about underlying organizational cultures (Howorth, Rose, & Hamilton, 2006). Organizational culture refers to the shared beliefs, norms and values held collectively by people in an organization (e.g. a family or a business). These are seen to influence how members perceive and interact with one another, approach decisions or activities and solve problems (Alvesson, 1993; Schein, 1983). Recent work demonstrates growing interest in understanding the culture, or the way things are done, behind entrepreneurial activities in family businesses (Zahra, Hayton, & Salvato, 2004). Previous works highlight that we might often find a paternalistic and founder-centered organizational culture when entrepreneurial activities are engaged (Dyer, 1988). Such a view emphasizes the family business venture itself and overlooks those who develop the entrepreneurial culture. It is unsurprising that researchers have called for more knowledge and understanding about the actual families that build and sustain organizational cultures (Zachary Heck, 2004). This is also the case in terms of the importance of understanding the role and influence of those developing entrepreneurial cultures.

Previous research suggests that entrepreneurial cultures influence an existing firm's disposition to support and sustain entrepreneurship (Zahra et al., 2004). While concepts differ, a wide consensus prevails that entrepreneurship deals with individuals and teams engaging in identifying, evaluating and exploiting opportunities (Shane & Venkataraman, 2000). An entrepreneurial culture should then foster and support the continuous identification and pursuit of opportunities leading to ventures being created or acquired. Family businesses have been found to encourage entrepreneurial activities over time (Kellermanns & Eddleston, 2006; Webb, Ketchen, & Ireland, 2010). Yet the identification and pursuit of opportunities are mostly associated with business founders and in the context of the family business, it has been questioned if succeeding generations can realistically have the entrepreneurial drive that existed in the founding generation (Westhead, Howorth, & Cowling, 2001).

While studies highlight the relevance of founders in the build-up of entrepreneurial cultures (Chirico & Nordqvist, 2010; Hall, Melin, & Nordqvist, 2001) there is limited understanding of how entrepreneurial cultures are transmitted and sustained. The transmission of entrepreneurial values to potential successors is often neglected by founders or incumbents (Brockhaus, 2004). Moreover, while entrepreneurial cultures may be continued by one or more individuals, a collective approach by family members to opportunity identification and pursuit is often ignored (Chrisman, Chua, & Steier, 2002). Indeed, it would seem that previous work may have overlooked the reality that the continuity of entrepreneurial cultures is embodied in a collective engagement of family members in fundamental entrepreneurial processes.

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There is clearly a gap in the literature in understanding how an entrepreneurial culture can be continued so that more businesses might be created or acquired by members of a family. There have been calls to investigate how these cultures are transmitted (Schein, 1983). It has been suggested that research should go beyond dealing with the family business per se and instead concentrate on the family team behind entrepreneurial processes in family businesses (Chua, Chrisman, & Steier, 2003; Ucbasaran, Lockett, Wright, & Westhead, 2003). To enhance our understanding about entrepreneurial cultures researchers are also encouraged to examine alternative contexts outside the US (Chirico & Nordqvist, 2010; Hall et al., 2001; Zahra et al., 2004).

It is against this background that this study is set. More specifically the aim of this study is to understand the way opportunity identification and pursuit part of the culture in family firms. To address this aim, we deal with the research question *how are entrepreneurial cultures transmitted and continued in family businesses?* In terms of transmitted, our interest lies in how an entrepreneurial culture is passed on. In terms of continued, we are concerned about how they remain in existence. In answering this question we join conversations about the long term enterprising behavior of families in business over time (Discua Cruz, Howorth, & Hamilton, in press; Roscoe, Discua Cruz, & Howorth, in press; Zellweger, Nason, & Nordqvist, 2012). To address this research question we concentrate on six case studies developed from interviews with multiple respondents. The unit of analysis in this study is the family entrepreneurial team (FET). A FET is defined as two or more family members, related by kinship or marriage, who engage in the identification and pursuit of business opportunities to establish or purchase a firm, have an equity stake in the firm and a direct influence on the strategic choice of the firm at the time of founding (Discua Cruz et al., in press). To generate understanding, we examine family business groups in Honduras, a collection of businesses owned and managed by members of a family, where family entrepreneurial teams appear as a vehicle for the establishment and acquisition of several ventures (Discua Cruz, Hamilton, & Howorth, 2010). In Honduras, family business groups are commonplace and entrepreneurial activities often reflect collectivistic efforts by family members (Discua Cruz & Howorth, 2008; Discua Cruz, 2010; Roscoe et al., in press).

This article makes two contributions to the literature. First, it provides further understanding about how entrepreneurial cultures that exist within family businesses are transmitted. Second, it extends knowledge of how these entrepreneurial cultures are continued by family entrepreneurial teams through the identification and pursuit of opportunities. In addition to these contributions, this study also highlights the importance of family entrepreneurial teams as the unit of analysis and the relevance of alternative contexts when studying entrepreneurial cultures.

The paper proceeds as follows: first, we present our theoretical platform by drawing on the literatures of organizational culture, culture in family businesses and entrepreneurial cultures. Then, we detail our research method and present our findings based on six case studies. Finally, analysis and conclusions are presented with suggestions for future research.

2. Literature review

2.1. Organizational culture

Organizational culture is a concept that has received increasing attention (Denison, 1996; Hatch, 1993). It has been defined as a pattern of shared basic assumptions, beliefs and values that allow a group to solve its problems that are considered valid and can be taught to new members as being the appropriate way to perceive, think and feel in relation to those problems within a particular

organization (Schein, 2004). Organizational cultures are not static by nature but rather represent “an evolved context...rooted in history, collectively held, and sufficiently complex to resist many attempts at direct manipulation” (Denison, 1996: 644). Moreover, organizational cultures embody “...a shared and learned world of experiences, meanings, values and understandings which inform people and which are expressed, reproduced and communicated in a partly symbolic form” (Alvesson, 1993: 2). What these definitions do is demonstrate that we can conceptualize organizational culture as patterns of values, norms and beliefs strongly influenced by a history of shared experiences, which reflects the interaction of the group for a prolonged period of time and which influences the way its members think and behave.

The traditional view of organizational culture emphasizes founders (e.g. of a business or organization) and the continuity of their values and beliefs over time (Hatch, 1993; Schein, 1983). Schein (1990) suggests that when founders create a business they bring with them a set of beliefs, values and assumptions about how things should be done. Individuals within an organization over time share this culture as they interact with their environment and test its effectiveness in dealing with tasks or activities. With continuous reinforcements the organization becomes less conscious of this culture and treats its beliefs and values as non-negotiable or taken-for-granted (Schein, 2004). As a result, business founders shape the organization's culture as their view of doing things becomes shared or commonly held among members of the organization. Alvesson (1993) argues that this process also includes tensions and conflicts reflecting the interactions of organizational members about how things should be done over time. Such commonly held values and beliefs allow a sense of identity to emerge, helps direct members to important issues, guides decisions and facilitates commitment to the organization rather than the self (Duh, Belak, & Milferner, 2010).

Hence to understand organizational culture it is paramount to look at founders and the outcomes of processes within organizations. One way to achieve this is to consider established firms, such as family businesses, where organizational culture strongly reflects the values of founders and a strong intention to pass them on to other members.

2.2. Organizational culture in family businesses

While it is widely accepted that family businesses are hard to define, one of their characterizing features is that family values and beliefs influence the way things are done more so than in non-family businesses (Astrachan, Klein, & Smyrniotis, 2002). Organizational culture in family businesses relates to enduring values that shape the character of the family firm and how it adapts to the external business environment (Zahra et al., 2004). In comparison to non-family firms, family firms are different in their set of goals because of the controlling family's influence, interests and values which provides firms with a stronger culture (Duh et al., 2010). Ownership of the firm allows family members to control the values and beliefs that become widespread within the family business (Zahra, 2012). Family businesses will tend to show greater emphasis on commitment, loyalty, working harmony and cohesion between members promoting continuity and stability of the workforce (Haugh & McKee, 2003). This emphasis helps in the management and continuity of the firm (Steier, Chrisman, & Chua, 2004).

Family business founders play a significant role in the creation and development of an organizational culture (Aronoff, 2004). Founders often stay in the firm for a substantial part of their life and so have a greater chance of shaping the way things are done and transmitting values to upcoming generations (García-Álvarez & López-Sintas, 2006). It has been found that the continuity of

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