Entrepreneurial Legacies and Transgenerational Entrepreneurship in Family-Owned Firms: Evidence, Theoretical Dimensions, and Future Research*

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Research Question

How do entrepreneurial legacies form and evolve and how do they relate to transgenerational entrepreneurship? What can we learn about these dynamic processes when there is a tragic interruption in the interaction across generations?

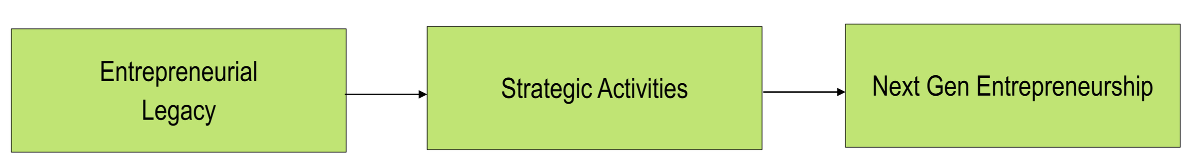
Key Concepts

Entrepreneurial Legacy (EL) – "rhetorically reconstructed narratives of the family's past entrepreneurial behavior or resilience that motivate and give meaning to entrepreneurship". (Jaskiewicz et al. 2015)

Transgenerational Entrepreneurship (TE) – the dynamic "processes through which a family uses and develops entrepreneurial mindsets and family influenced capabilities to create new streams of entrepreneurial, financial and social value across generations" (Nordqvist et al. 2008)

Previous Work

- Family business scholars suggest a crucial role for narrative in effectuating successful TE (Dalpiaz 2014; Jaskiewicz et al. 2015; Hamilton 2006).
- In particular, those narratives told across generations forming EL are seen as powerful.
- According to Jaskiewicz et al. 2015, TE is driven by EL moderated through strategic activities:



- But we are lacking a coherent understanding of the characteristics and the imprinting capacity of EL both within the family and within the organization.

Method & Data

Using 12 in-depth, semi-structured interviews with key family members and employees, along with field notes and other materials, we construct the Kiolbassa Provision Company (KPC) case. The case was then analyzed via the following stages …

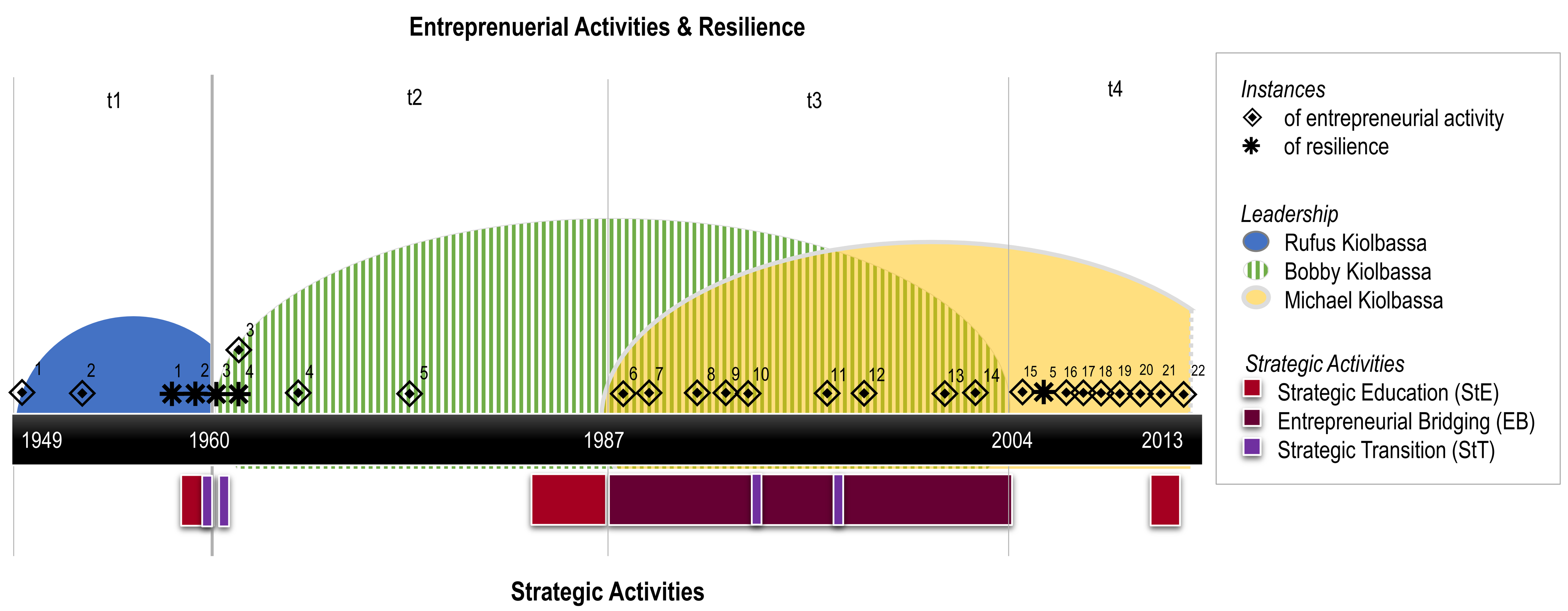
STAGE 1: Reconstruct KPC's history using key instances of entrepreneurial activity and/or resilience.

STAGE 2: Code interview passages pertaining to storytelling and retelling moments according to a grounded theory approach (Yin 2013, Gioia et al. 2013).

STAGE 3: Followed themes that were known elements of KPC's EL across generations using conventional content analysis (Mayring 2011).

An iterative process between our staged data analysis and consulting the extant literature led to a refined understanding of the connections between EL and TE.

Reconstructing the Family Business History



Content and Transmission of an Entrepreneurial Legacy

Time period (subject matter)	2nd gen	3rd gen	4th gen
T1: 1949-1960 (on quality)	Jim and Barbara remember Rufus saying: *"The quality will be there long after the price has been forgotten."*	Michael about Rufus' entrepreneurial activities: *"It was pretty easy to sell [sausages to the first grocery store chain] because of our reputation for quality."*	Brandon about the quality promise of KPC: *"Quality is a part of our name"*
T2: 1960-1987 (on the untimely death and sacrifice)	Sandra about the death of her father and Bobby stepping into: *"It was the tragedy of tragedies".*	Michael expresses empathy with his father: *"And in dad's situation, with the death of his father at an early age, his job was to keep it going. […] He did a remarkable job of that if you think about it."*	Rusty about the untimely death: *"One of my favorite stories is the one about my grandfather … when he had to drop out of college because his dad got cancer and died."*
T3: 1987-2004 (on "entrepreneurial bridging")	Linda about the working relationship between her husband and son: *"Michael wanted to go to this way and Bobby what just ... just holding back, which was the smartest thing he did."*	Michael about his working relationship with his father: *"That was our epic struggle. I'm constantly pushing forward, I am creating a lot of discomfort in his life."*	Rusty about Michael and Bobby working together: *"My grandfather wasn't really ready for him […] and my dad kind of gave him a choice: 'I really want to be a big part of the company or [I'll find another job]'."*
T4: 2004-2014 (on rebuilding the plant)	Bobby talks about borrowing money to rebuild the plant: *"Actually it was good for everybody because [Michael] was able to grow the business and […] I thank god everyday he did."*	Michael talks about renovating the plant: *"We grew to the point when we needed […] to completely renovate [the existing plant], we borrowed 2.5 million bucks, which is more money … that was just, we didn't do stuff like that."*	Brandon learns from a newspaper article that: *"Mike got a loan for some odd millions of dollars and took over from Bobby, and with that loan turned the company into a very successful company".*

Storytelling

Transmission mode by those that directly experienced a particular instance, i.e. a first-order account

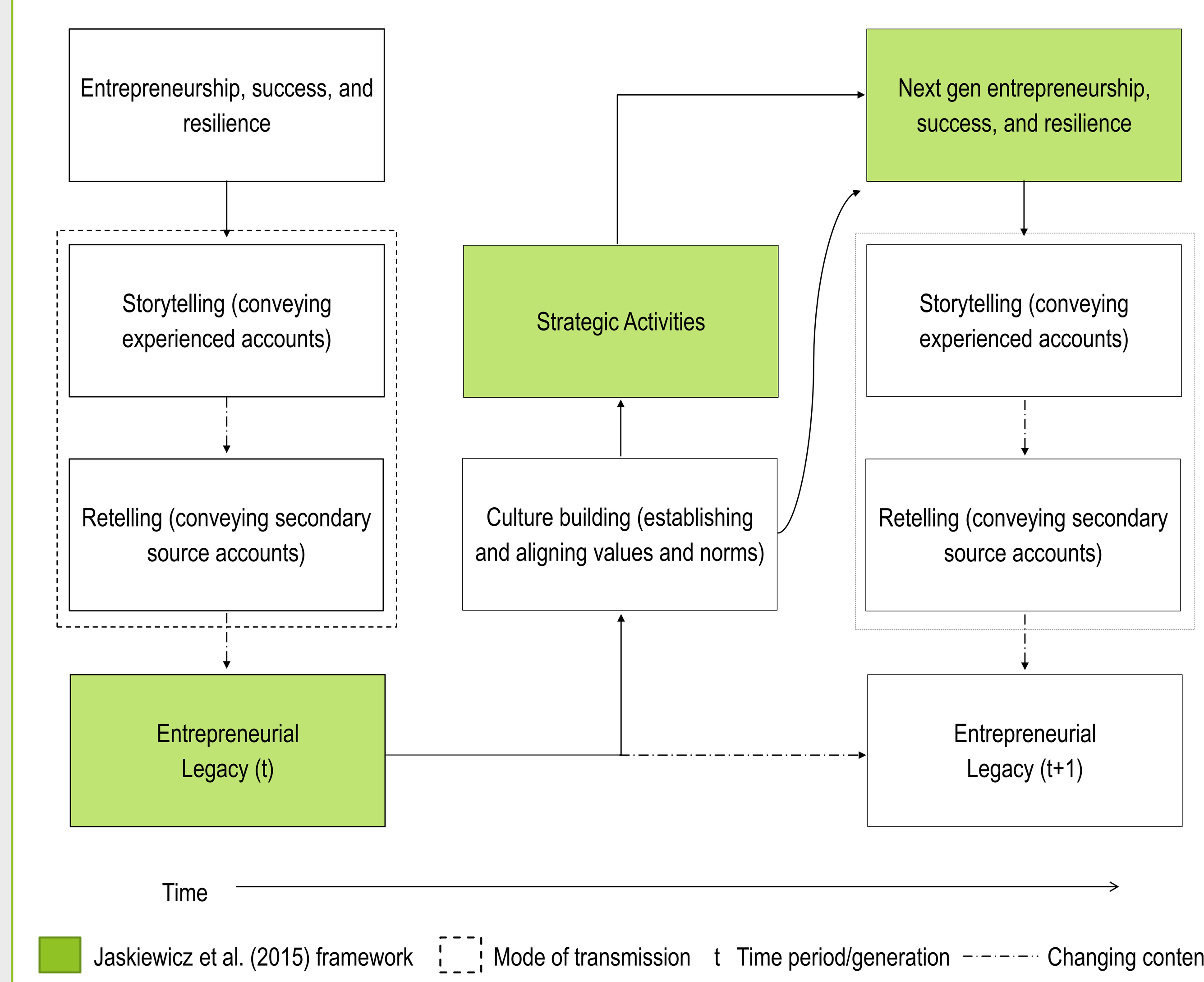
RUSTY: *"I'll talk about [the business] with [my father] if it's just me and him, like when we're going to our hunting place or driving somewhere when it's just me and him in the car, we'll talk a lot about business."*

Retelling

Transmission mode by those that know of a particular instance, but did not experience it themselves, i.e. a second order account

BRANDON: *"Up until that point I was kind of getting [information about the business] on the sidelines, just hearing about how well everything was going."*

A Revised Framework



- How ELs are transmitted influences the degree of information about past entrepreneurial activities and resilience in the family business.
- TE can therefore be path dependent through a process of storytelling and retelling.
- We find that those instances which were (at the time) more poignant, extraordinary, occurred during sensitive periods in the environment, and reinforced by contemporaneous strategic activities and entrepreneurial practices persisted in KPCs EL, while other instances dissipated.
- Through the transmission process over time, the level of detail, emotional content, and meaning of these persistent instances noticeably changed, from individual, fact-based stories to collective, value-based norms.
- This reinforces the notion that organizational culture can be affected by the EL. In turn, we observe that strategic activities, and subsequent TE, are linked to the mode and content of the EL

Implications

- This study argues that an EL is not simply existent or non-existent, but rather ELs are fluid and can exist in multiple versions and to various extents.
- To understand how EL impacts TE, we move beyond the dyadic relationship between successor and incumbent and consider the content and modes of transmission of EL within a network of tellers and listeners.
- The retelling of entrepreneurial activity plays an important part in reinforcing and shaping organizational culture and family memory.
- We argue that even if strategic activities are interrupted (in particular working side by side) the culture building capacity of EL can function as a substitute for fostering next generation entrepreneurship.

*The Authors would like to acknowledge the generous support of the Family Owned Business Institute at Seidman College of Business, Grand Valley State University

Values-based Internationalization: Evidence from a Global Family Firm*

Francesco Barbera§, Erik Veldhuizen‡, Ilse Matser‡, Margré van Dalfsen‡ & Henry Shi§

Introduction

It is well-known that internationalization – *defined as the process of increasing a firm's involvement in foreign markets* – is a major element in the ongoing strategy of most organizations (Melin, 1992).

Networks, and more broadly speaking, relationships, play a key role in the internationalization process, especially in family firms (Graves & Thomas, 2008; Vahlne & Johanson, 2017).

At its core, a network is simply a series of social exchanges governed by certain modes of behavior. Yet, noticeably missing from the literature is how firm owners' values – *defined as the persistent preferences of a person or a group of persons over certain modes of behavior* – influence network relationships and ultimately internationalization outcomes.

How do values relate to the internationalization processes of family firms?

Theory

The strategic behaviors of family firms are particularly known to be values-oriented (Williams, Pieper, Kellermanns, & Astrachan, 2018).

Once formed, values remain relatively stable over time (Fitzpatrick, 2007; Simon, et al., 2012), framing an on-going paradigm that prioritizes behaviors that are perceived to be appropriate and restrict those that depart from the paradigm.

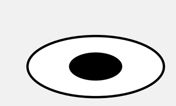
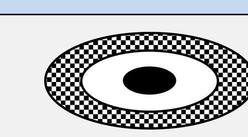
According to Social Exchange Theory (SET), an exchange process is guided by a set of "normative" rules or principles that define "the situation that forms among or is adopted by the participants in an exchange relation" (Emerson, 1976, p. 351).

An alignment of values between participants can therefore lower the costs, and increase the benefits of any given social exchange. In theory, this would also have an effect on international business networks.

Data & Method

To answer our research question, we utilize a longitudinal, illustrative case study approach. We selected a 2nd generation family business where explicit values (trust, honesty, respect, integrity, passion to create value, empowering others and openness) played a key role in the manner in which it expanded its international business activities. The firm, Diemen-Contour (DC), is a specialized car-mat producer. As of 2018, DC holds a leading position in the industry, and sells, produces, and stores its products globally.

- **Sales offices (servicing):** Paris (France / Italy / Spain), Fulda (Germany), London (UK), Zwolle (Belgium / The Netherlands / Luxembourg), Shanghai (China), Detroit (USA), Querétaro (Mexico / South America), Sydney (Australia), Kuala Lumpur (India / Malaysia / Thailand / Indonesia).
- **Manufacturing plants:** Poland, Mexico, China, Malaysia.
- **Warehousing:** Australia, UK, USA.

	Regional production: 1988-1999*	Global production: 2000-2018**
Network scope	 Sales offices and agents	 Strategic partnerships
Production	The Netherlands, UK, and Poland	Australia, Malaysia, Mexico and China
Size	11 employees; € 460,000 (1988)	1600 employees; € 140,000,000 (2018)
Key events by year	1989: Takeover Diemen Matten 1990: Takeover Contour Carpets England 1993: Establishment sales offices in Canada & Poland 1997: Start of production facility in Poland 1997: Establishment sales offices in Australia and France	2000: Production facility in Australia 2001: DC North America established 2004: New head office DC Netherlands 2004: Expansion of DC Poland 2009: Reorganizing DC group 2011: Establishment of DC Asia 2012: Establishment DC China, DC Mexico 2012: Partnerships with material suppliers 2014: Production facility in China and Mexico

** Archival data* ***Interviews conducted in 2013, 2016, and 2018*

Data collection occurred in 2013, 2016 and continued until November 2018. A total of 19 interviews were conducted with 14 individuals across this period. Archival data (such as financial statements, press releases, websites, etc.) were also collected. Both family and non-family members were interviewed*.

#	Role in the business	Family?	Date (length)
1	International manager	Yes	2013.03.28 (100 min)
2a	HRM manager	No	2013.04.12 (95 min.)
2b	Global HRM manager	No	2018.11.27 (63 min.)
3a	Sales manager France	No	2013.03.21 (79 min.)
3b	Sales manager France	No	2016.09.16 (154 min.)
4a	CEO/owner	Yes	2013.03.20 (106 min.)
4b	General CEO/owner	Yes	2016.06.28 (126 min.)
5a	COO	Yes	2013.03.14 (90 min.)
5b	CEO (former COO)	Yes	2016.06.27 (95 min.)
6	Production manager Poland	No	2016.08.31 (162 min.)

#	Role in the business	Family?	Date (length)
7	CFO	Yes	2016.06.27 (95 min.)
8	Director Business Development	No	2016.07.05 (96 min.)
9a	Business development manager	No	2016.07.05 (109 min.)
9b	Director Business Development	No	2018.11.27 (73 min.)
10	Sales manager Germany	No	2016.07.06 (76 min.)
11	R&D manager	Yes	2016.07.06 (85 min.)
12	Business development manager	No	2016.09.09 (67 min.)
13	Sales manager UK	No	2016.11.17 (120 min.)
14	Executive secretary	No	2018.11.27 (39 min.)

**interviews were conducted according to the Successful Transgenerational Entrepreneurship Practices (STEP) project protocol.*

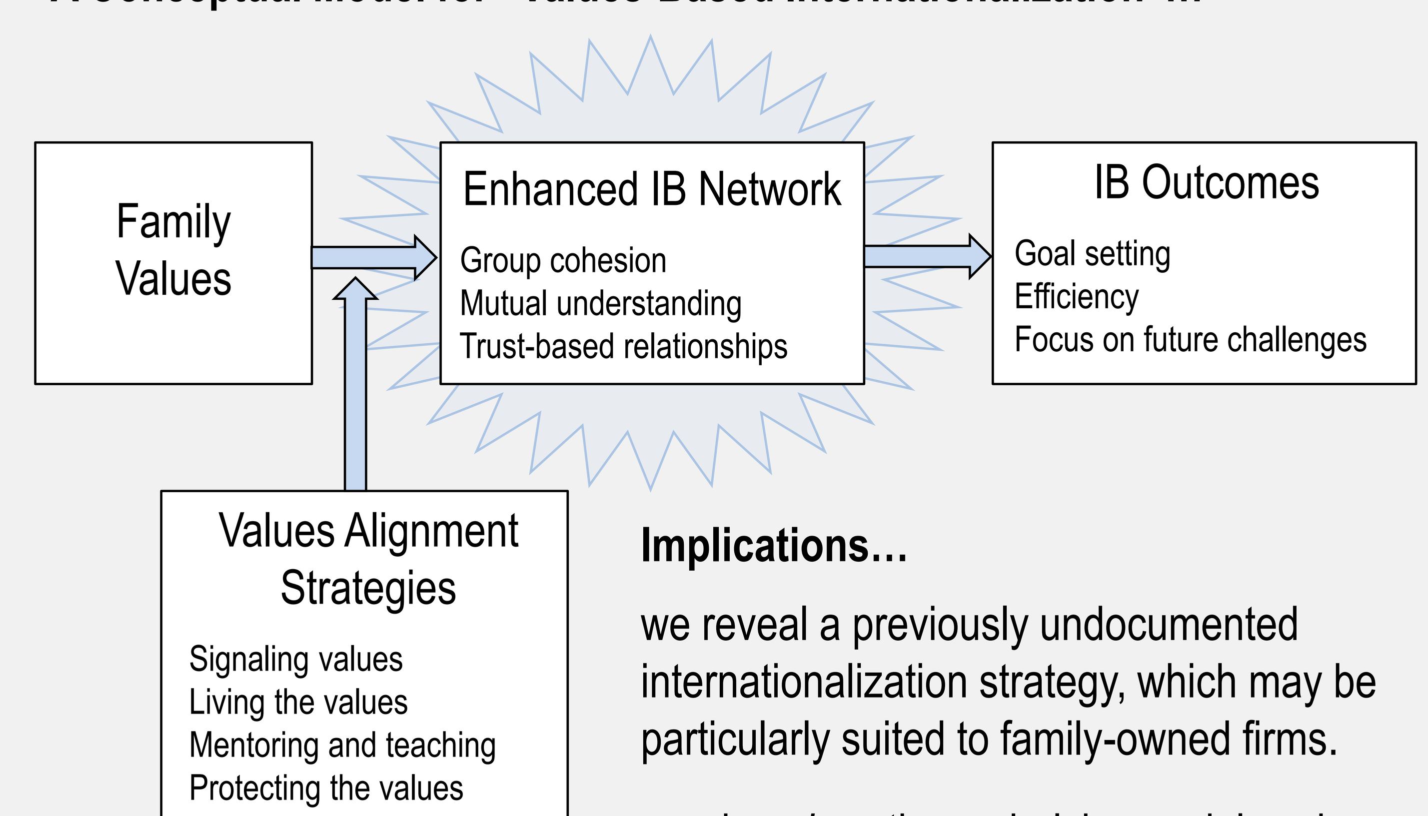
An integrative process – whereby our qualitative data were interpreted/structured and the extant literature consulted – revealed 1st and 2nd order themes that were then abstracted into a broader conceptual model.

Analysis & Findings

Values Alignment (selected quotes):	Themes:
"We are very open [about] telling how we are, the way we want to live …"	Signaling values
"It starts with yourself, I can preach it but you have to live it."	Living the values
"We start training suppliers with this philosophy"	Mentoring and teaching
"You have to go a level higher and be protector and promoter. Of the values."	Protecting the values
Enhanced International Business Network (selected quotes):	**Themes:**
"In the end we have to be one big family […] that can only be done by carrying out those values"	Group cohesion
"Without saying it to each other we know it from each other. […] you have to know the company […] where we want to hold ourselves to."	Mutual understanding
"[IB network members] see it's good for the group. It's good for themselves, it's good for everybody. And you only accept this philosophy if there is trust."	Trust-based relationships
International Business Outcomes (selected quotes):	**Themes:**
"So when you have the values which you identify, […] it gives motivation, to the people, and then you can also, set your business targets, and goals."	Goal setting
"We quickly found out we have a lot of common grounds […] So finally, we decided not to start a partnership, but start a 100 percent subsidiary."	Efficiency
"This problem we do not have in Poland. But have to manage in China."	Focus on future challenges

Framework & Discussion

A Conceptual Model for "Values-Based Internationalization"…



Implications…

we reveal a previously undocumented internationalization strategy, which may be particularly suited to family-owned firms.

we show *how* the underlying social exchange constructs (i.e., values alignment) linked to internationalization are interrelated across a longitudinal observation period.

Understanding the processes…

Explicit family values are proactively aligned with the values of those in the International Business (IB) network via specific strategies.

Consisting of those with shared values, the IB network is enhanced, facilitating various aspects of the internationalization process.

Impact of Family Involvement on Productivity

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Introduction

Motivated by a lack of consensus in the current literature, this study aims to shed light on whether family firms are more or less productive than non-family firms.

As a first step, we link existing family business research to the theoretical notion that family involvement has an influence on the factors of production from a productivity standpoint.

Secondly, utilising a Cobb-Douglas framework, we provide empirical evidence that family labour and capital indeed yield diverse output contributions relative to their non-family counterparts.

Interestingly, previously found differences in total factor productivity between family and non-family firms disappear once we allow for heterogeneous output contributions of family production inputs.

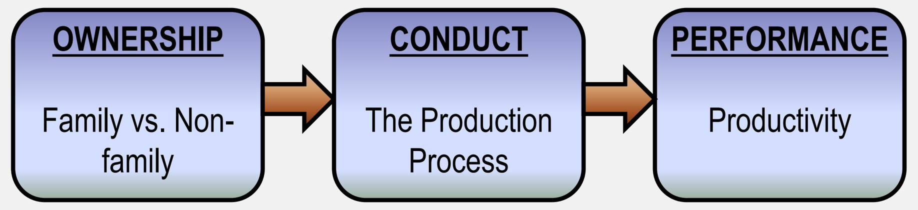
Purpose

1. To link the family business research to the theoretical notion that family involvement has an influence on the factors of production from a productivity standpoint.
2. To formally quantify any potential productivity differences between family and non-family firms in a traditional economic framework.

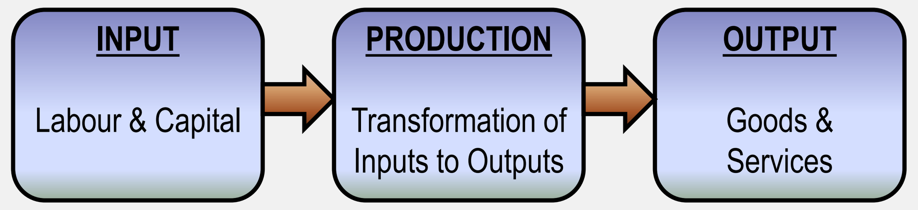
Shedding light on the above issues should lead us closer to answering the overarching research question as to whether family firms are more or less productive than non-family firms.

Theory

A firm's productivity is a direct result of the production process. This process is in turn impacted by the firm's ownership structure.



Simply defined, the production process is the transformation of inputs to outputs.



There are reasons to believe that the production process of family firms is unique based on differences in the labour and capital inputs they employ.

For example, family labour is said to…

- Be better managed and socialised (Ward 1988; Tagiuri and Davis 1996; Habbershon and Williams1999).
- Have agency cost advantages (Jensen and Meckling 1976; Daily and Dollinger 1992; Chrisman et al. 2004).
- Contribute unpaid hours (Benedict 1968; Rosenblatt 1985)
- Enjoy informal, adaptive and flexible work practices (Goffee and Scase 1985; Becker 1974; Aronoff and Ward 1995; Fiegener et al. 1996).

On the other hand, family capital is said to be…

- Significantly scaled down and even less technologically advanced (Agrawal and Nagarajan 1990; Zahra 2005; Gómez-Mejía et al. 2007).
- Extracted by family owners at the expense of firm profits (Becker 1974; Demsetz and Lehn 1985; Demsetz 1983).

Curiously, such potential differences have not been considered in previous investigations into family firm productivity.

Method

Considering the stylized facts found in the family business literature, we estimate the following Cobb Douglas production function

$$\ln(Y_j) = \ln(A_j) + \alpha_j \ln(L_j) + \beta_j \ln(K_j) + \gamma X + e \quad (\alpha_j, \beta_j) > 0;\ j=1,2.$$

Where…

I. Y is a measure of total output. L and K are measures of labour and capital inputs.
II. A, otherwise known as total factor productivity, is a parameter of all qualitative forces which contribute to output yet are not represented in the quantitative measures of labour and capital.
III. α and β represent the computed proportionate share of labour and capital in the total product respectively.
IV. j indicates type of firm management, family business or otherwise.
V. X is a vector for control variables such as firm age and industry.

Since previous studies have assumed that $\alpha_1=\alpha_2$ and $\beta_1=\beta_2$, our estimations will reveal whether family labour and capital contribute to output differently than their non-family counterparts. After considering such differences, we then can observe whether there are any differences in productivity, namely A_j, between family and non-family firms.

Data from the Business Longitudinal Survey (compiled by the Australian Bureau of Statistics) was used. Our sample consisted of 3364 small to medium sized Australian firms covering a four year period from 1995 to1998.

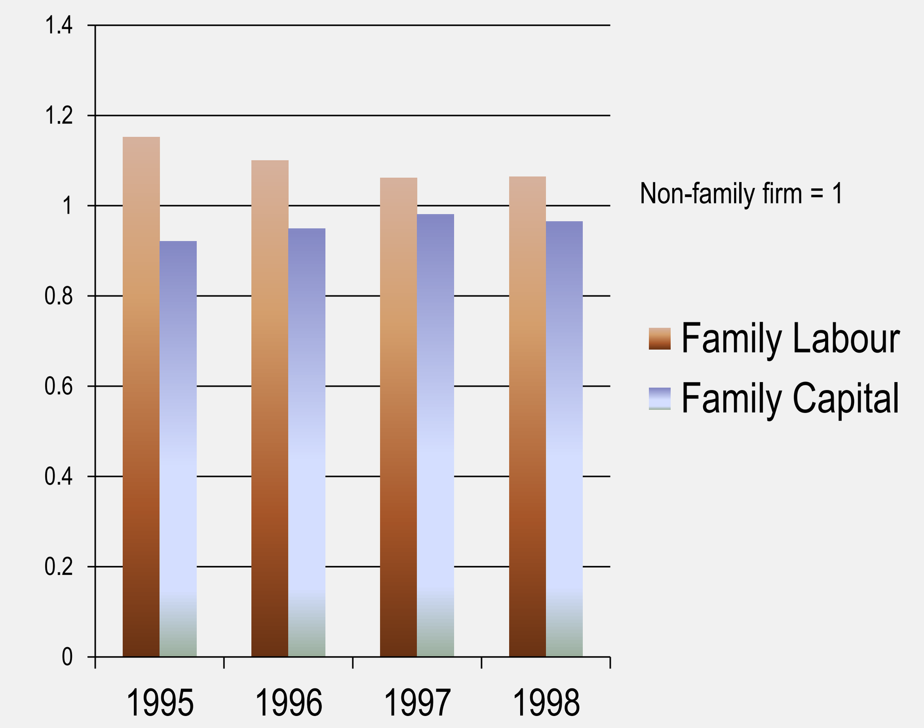
Results

Two-stage least squares estimates

	1995	*1996*	*1997*	*1998*
A	2.557***	2.362***	2.637***	2.614***
A_{family}	**0.019**	**-0.024**	**-0.128**	**-0.039**
L	0.753***	0.802***	0.843***	0.689***
K	0.309***	0.339***	0.274***	0.339***
L_{family}	**0.152*** **	**0.100*** **	**0.062** **	**0.064*** **
K_{family}	**-0.079*** **	**-0.051*** **	**-0.019* **	**-0.035** **
R^2 adj	0.865	0.884	0.878	0.883
N	3364	3364	3364	3364

*Significant at the 10% level; **significant at the 5% level; ***significant at the 1% level

Output contribution of family labour and capital:



Discussion

As a semi-log, the negative K_{family} coefficient indicates that family capital contributes less to output than non-family firm capital by the order of 2 to 8 percent, depending on time period.

- This estimate can be interpreted as for all capital utilised, family firm capital contributes less to total output than the benchmark non-family firm capital (denoted as K).

We also find that differences in the output contribution of family firm labour (denoted as L_{family}) are significant in that it is greater than the output contribution of non-family firm labour; this difference ranges from as little as 6 percent to as large as 15 percent.

- This estimate can be interpreted as for all labour employed, family firm labour contributes more to total output than the benchmark non-family firm labour (denoted as L).

Family firm labour and capital are found to yield significantly different output contributions and, once accounting for these differences, total factor productivity differences (denoted as A_{family}) become insignificant.

- In this sense, there are no unquantifiable productivity differences between family and non-family firms once heterogeneous inputs have been considered.

This leads us to believe that previous investigations suffer from omitted variable bias in that they do not consider the family differences in output elasticity of labour and capital.

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