How much and what kind of entrepreneurial orientation is needed for family business continuity?

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Introduction

One of the key concepts in entrepreneurship research is entrepreneurial orientation (EO), which describes the attitudes, values, and beliefs of entrepreneurial organizations that tend to engage in strategy making characterized by an active stance in pursuing opportunities, taking risks and innovation (Miller, 1983; Lumpkin & Dess, 1996; Dess, Lumpkin & Covin, 1997). EO comprises five salient dimensions (innovativeness, risk taking, autonomy, competitive aggressiveness, proactiveness; Lumpkin & Dess, 1996). These dimensions are separate but related constructs, meaning that firms can vary in the degree of each dimension, even though the constructs are positively correlated (Nordqvist, 2008). The five categories have received wide support in entrepreneurship research and have proven to be very prolific as antecedents to the success of small and mid-sized, often recently founded and fast growing businesses (Wiklund & Shepherd, 2003). EO is viewed as an important factor that is contributing to organizational success in general terms (Kellermanns & Eddleston, 2006).

Based on recent calls by researchers to apply concepts established in entrepreneurship theory in the family business context in order to advance both fields of research, the present paper examines to what degree the EO construct is prolific in explaining business activity of firms with a transgenerational outlook. In particular, we are challenging the fundamental claim by entrepreneurship scholars that the more entrepreneurial a firm is, hence the higher it scores in the five EO dimensions, the more successful it should be in the long-run. Indeed, a wide stream of corporate entrepreneurship literature proposes that entrepreneurial attitudes and behavior are crucial antecedents for a company's short and long-term success (e.g., Dess, Ireland, Zahra, Janney & Lane, 2003; Zahra & Covin, 1995).

A closer look at the development of entrepreneurial firms in practice, however, reveals that often the opposite is true. During the new economy era lasting from the 1990s to roughly 2002, many new firms applying internet technology appeared on the marketplace. Through the theoretical lens of corporate entrepreneurship and in particular EO, these companies could be considered as highly entrepreneurial: they were very innovative, for example in terms of application of new technology. In addition, even the design of the organizational structures was often intended to be original, for instance reflected by a stimulating living room-like work space design. Furthermore, their owners and employees strived for high levels of autonomy, for example through stock ownership plans even for lower echelon employees. What's more, they challenged big and established industry giants and were therefore considered as aggressive by their competitors. This type of firm could also be seen as truly proactive in occupying new markets and introducing new products. Last but not least, these organizations displayed a high risk propensity in terms of personal financial and non-financial resource commitment on the side of owners and managers. In sum, these firms ranked high on all EO dimensions. However, even though a few of these firms nowadays are seen as established large firms (e.g., Google), many of them were unable to survive over a long period of time and went bankrupt or lost independence in a phase of economic downturn after the new economy hype.

We may label this type of EO pattern as "score high and die". Examples of firms that were truly entrepreneurial at the beginning of their organizational lives but were unable to survive more than a few years are numerous throughout the world. In light of the entrepreneurial behavior of these firms we suggest that EO seems to be a satisfactory concept to describe their short-term rise. However, the explicative power of EO seems to suffer when it comes to predicting whether a firm will actually survive in the longer run. In the realm of long-term established firms, as multi-generation family firms, therefore, the question arises

whether EO is a suitable concept to determine the performance and transgenerational potential, hence organizational survival over several controlling family generations.

Along the lines of these considerations this paper will explore to what extent EO really is a *conditio sine qua non* for long-term organizational success, as implicitly suggested by many corporate entrepreneurship studies (e.g., Dess et al., 2003). We will explore whether EO can be excessive, and accordingly, whether organizational performance and transgenerational potential are feasible with moderate or even low levels of EO. Similarly we will question whether EO is able to capture the full range of entrepreneurial behavior experienced in multi-generation family firms or whether this type of organization shows other attitudes and beliefs regarding the ways of doing business.

The paper proceeds as follows: First, we provide a review on entrepreneurial orientation and family business literature. In particular, we will investigate the status of research on entrepreneurial orientation in family firms. Second, we present the underlying research model and the applied case study methodology. Third, we discuss the results generated through our case studies. Finally, we discuss our findings, tie back to our initial research questions and provide guidance for future research.

Literature review

Challenging common entrepreneurship wisdom that EO is key for a family firm's long-term success we are first opposing the two predominant and in certain aspects conflicting theoretical perspectives, the first one rooted in entrepreneurship theory and the second one ingrained in family business literature. Whereas entrepreneurship theory, by definition, stresses that entrepreneurial behavior (as captured within the EO construct) and growth are key for success, family business literature has traditionally emphasized succession and continuity as antecedents to long-term success. In many ways these two perspectives are

based upon differing in certain ways conflicting assumptions. Whereas entrepreneurship has its roots in the context of younger and smaller or mid-sized firms, family business scholars have looked at older and often larger firms. Below Table 1 provides a prototypical overview on the two perspectives and their implicit assumptions.

Insert Table 1 about here

Both of above perspectives can be held typical for their respective fields. And both represent a specific perspective on our object of investigation, hence entrepreneurship in the context of family firms. Just as much as each one of these perspectives brings light to a specific side of the object of investigation, both viewpoints seem to be blind on certain aspects, probably most on those aspects where the other viewpoint is able to see something. Our attempt being to investigate entrepreneurship in the context of multi-generation family firms, we will perform our analysis through the theoretical lens of entrepreneurship and more specifically the EO construct.

Several scholars have raised concerns that entrepreneurship in general has been under-researched in the family business context (e.g., Eddleston, Kellermanns & Zellweger, 2008). However, with the EO construct gaining increasing acceptance in entrepreneurship literature (and beyond), there is an inherent risk that this key construct of entrepreneurship theory is increasingly applied or misunderstood as a normative concept that is equally relevant in any corporate context, in small newly created firms as well as in older established firms. The inherent danger of applying EO research to the family firm context is that the five dimensions of the EO construct are seen as the "right" entrepreneurial behavior, regardless of the competitive context, the life stage, the industry, the size but in particular the family-related characteristics of these firms.

Recent studies provide controversial findings as to whether family firms constitute a context supporting or constraining EO. While some authors claim that family businesses are a hospitable environment for entrepreneurial activities (Aldrich & Cliff, 2003), others claim that some family firms are introverted and become resistant to change and conservative over time (Shepherd & Zahra, 2004). Nordqvist, Habbershon and Melin (2008) identify three so-called "dualities" that are related to EO dimensions in family firms: the historical/new path duality, the independence/dependence duality and the formality/informality duality. As a result of this interaction the authors conclude that family firms do not have to be entrepreneurial across all five dimensions of EO to reach the desired entrepreneurial outcome. On a more general level, Rauch, Wiklund, Freese and Lumpkin (2004) find that the relationship between EO and firm performance is positive.

Regarding the context, especially business culture plays an important role. For instance, a strong family-related business culture may impact the ability to create and maintain EO (Nordqvist, 2008). Explicit and open business cultures are assumed to facilitate entrepreneurial change (Hall, Melin & Nordqvist, 2001). Zahra, Hayton & Salvato (2004) claim that business culture can promote and sustain entrepreneurial activities. The view that culture is important for the entrepreneurial potential of family firms is supported by Habbershon & Pistrui (2002).

Furthermore Salvato (2004) finds that individual CEO characteristics, governance, organization-related factors as well as ownership structure have an impact on EO. Martin and Lumpkin (2003) state that also generational involvement matters, as family orientation can overtake EO as a company is handed over to the next generations. These considerations on contextual factors refer back to Lumpkin and Dess (1996), who first stressed that the context characterized by environmental factors (e.g. industry, dynamism, munificence) or organizational factors (e.g., top management team characteristics or strategy making process)

might impact EO. However, beyond the simple assertion that contextual factors might have an impact on EO it is unclear how the context of multi-generation family firms influences EO.

Other scholars have delved into specific subdimensions of the EO construct, as for example innovativeness. Innovativeness refers to “a firm’s tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes” (Lumpkin & Dess, 1996: 142). There is typically a continuum of innovativeness, both regarding the scope and pace of innovation in products, markets and technologies. The central relevance of innovativeness relates to Schumpeter (1934 & 1942) who emphasized the role of innovation in the entrepreneurial process in terms of "creative destruction", by which wealth was created when existing market structures were disrupted by the introduction of new goods or services that shifted resources away from existing firms and caused new firms to grow. The key to this cycle of activity was entrepreneurship: the competitive entry of innovative "new combinations" that propelled the dynamic evolution of the economy (Schumpeter, 1934). In the context of family firms, innovativeness is regarded as a highly important dimension of EO for long-term performance, together with autonomy and proactiveness (Nordqvist et al., 2008). In addition, family firms that are investing in innovation have been found to have greater potential for high performance (McCann, Leon-Guerrero & Haley, 2001; Eddleston, Kellermanns & Zellweger, 2008).

Competitive aggressiveness refers to a firm’s propensity to directly and intensively challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the market place (Lumpkin & Dess, 1996: 148). Competitive aggressiveness can be reactive as well. This means for instance that a new entry that is an imitation of an existing product or service would be considered entrepreneurial if the move implies an aggressive, “head-to-head” confrontation on the market. According to Lumpkin and Dess (1996) competitive aggressiveness also embraces non-traditional ways of competing in an industry,

such as new ways of distributing or marketing products. And Martin & Lumpkin (2003) find that as later generations are involved in a family business, competitive aggressiveness decreases. They claim that the so-called family orientation (FO) overtakes EO (EO) as the company is passed on through generations. According to them, the founding generations are more characterized by entrepreneurial concerns, while later generations are more and more characterized by family concerns, which leads to a decreasing EO in terms of competitive aggressiveness, risk taking and autonomy (Martin & Lumpkin, 2003). Similarly, Nordqvist et al. (2008) propose that competitive aggressiveness is less important in family firms, in case the three identified dualities are in place.

A further aspect of EO is risk taking. Heavy debt and large resource commitments in relation to a new entry are examples of risky behavior. Stated formally, risk-taking refers to “the degree to which managers are willing to make large and risky resource commitments – i.e., those which have a reasonable chance of costly failures” (Miller & Friesen, 1978: 932). Risk taking firms show a tendency to “take bold actions such as venturing into unknown new markets” (Lumpkin & Dess, 2001: 431). Recent research in the family business arena draws a more nuanced picture of risk taking in family firms (Gomez-Mejia, Takacs Haynes, Nunez Nickel, Jacobson, & Moyano Fuentes, 2007; Zellweger, 2006). These authors find that family firms take decisions based on reference points. More specifically, Gomez-Mejia et al. (2007) state that for family firms, the primary reference point was the loss of socioemotional wealth, hence the nonfinancial aspects of the firm that meet the family's affective needs such as identity, the ability to exercise family influence and the perpetuation of the family dynasty. To protect this wealth family firms have been found to accept a significant risk to their performance and at the same time avoid risky decisions that aggravate that risk. In addition, Martin and Lumpkin (2003) found a decreasing level of risk taking as later generations are involved in the business. Similarly, Nordqvist et al. (2008) view risk taking as a less important dimension in family firms. Naldi et al. (2007) prove statistically that risk taking in

family firms, is smaller than in nonfamily firms. According to them, it is positively associated with proactiveness and innovation and, surprisingly, negatively related to financial performance. Rauch et al. (2004) state that risk taking has a positive but significantly smaller correlation with performance than other EO dimensions. Furthermore, Zahra (2005) suggests that family ownership and involvement promote entrepreneurship while long tenures of CEO founders do the opposite.

Proactiveness refers to a firm's efforts to seize new opportunities. Proactive organizations monitor trends, identify the future needs of existing customers, and anticipate changes in demand or emerging problems that can lead to new venture opportunities. Proactiveness involves not only recognizing changes but also being willing to act on those insights ahead of the competition (Dess & Lumpkin, 2005: 150). Together with autonomy and innovativeness, proactiveness is regarded as a more important dimension in family firms (Nordqvist et al., 2008).

Autonomy as captured in the EO construct refers to the independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion. In general, it means the ability and will to be self-directed in the pursuit of opportunities. In an organizational context, it refers to actions taken free of stifling organizational constraints. Thus, even though factors such as resource availability, actions by competitive rivals, or internal organizational considerations may change the course of new-venture initiatives, these are not sufficient to extinguish the autonomous entrepreneurial processes that lead to new entry: Throughout the process, the organizational player remains free to act independently, to make key decisions, and to proceed (Lumpkin & Dess, 1996). Martin and Lumpkin's (2003) considerations are also relevant in this context, as these authors found that the level of autonomy decreases when later generations are on board. Regarding long-term entrepreneurial performance, autonomy is regarded as an important dimension, as outlined by Nordqvist et al. (2008). In the same study the authors split up the autonomy

dimension into "internal" and "external" autonomy. While internal autonomy is related to empowering individuals and teams within an organization, external autonomy is related to external stakeholders such as banks, suppliers, customers and financial markets. The investigated family firms assigned great importance to external autonomy. Regarding internal autonomy, family firms are less likely to use formal monitoring and other control mechanisms than non-family firms, which are good preconditions for individual autonomy (Eddleston, Kellermanns & Zellweger, 2008).

These diverse findings throughout all dimensions of EO raise several questions on the applicability of the entrepreneurial orientation construct to the multi-generation family firm context. Hence, we believe that to advance entrepreneurship theory in the context of family firms we cannot simply apply the EO construct to this new setting. Rather, we should take a more fundamental attempt towards development of a theory of entrepreneurship in the context of family firms.

Research Design

In order to make a theoretical contribution in a context that lacks rock-solid theoretical foundations we decided to rely on case study methodology. In her seminal work, Eisenhardt (1989) states that when little is known about a phenomenon, for example in early stages of research on a topic, case study research is recommended since building theory from cases does not rely on previous literature or prior empirical evidence. Furthermore, case study methodology is advocated when current perspectives seem inadequate due to a lack of empirical substantiation, when they conflict with each other, or “when freshness in perspective to an already researched topic” is needed.

In our case, still little is known about entrepreneurship in the context of multi-generation family businesses. In addition, the existing research provides diverging findings

and the existing literature on EO and family business both rely on perspectives that are not fully applicable to our object of investigation. In this context we attempt to provide a fresh perspective. Thus, we believe that choosing a case study research approach is legitimate.

In this realm, the present paper is based on three qualitative case studies conducted in Switzerland in 2006 and 2007 as part of the STEP project ¹. We selected our cases applying the following criteria: at least second generation family ownership in the family business group, ownership group of at least 2 family members and 1 family member in management, majority family ownership control in at least one of the controlled companies within the family business group, at least one of the businesses controlled by the family must be at medium to large size, hence with 50 or more employees, and finally the firms need to see themselves as family firms. Further details on the firms and the interview process are provided in below Table 2.

Insert Table 2 about here

Two interviewers interrogated between four and five representatives in each company using the STEP interview guideline (see Appendix). The length of the individual interviews was between 70 and 90 minutes. The interviewees were both family members and non-family members in top echelon positions (CEO, CFO, president of the supervisory board, head of marketing, head of production, and head of quality assurance). The interviews were audio-taped and additional notes were taken. Next, the interviews were transcribed. Based on the transcriptions, the additional notes and supplementary material from other sources (e.g., internet, company archives), the actual case studies were written, thereby specifically

¹ STEP: Successful Transgenerational Entrepreneurship Practices is a worldwide research project, investigating entrepreneurship in the context of multi-generation family firms. For more information refer to www.stepproject.org.

addressing family influence on EO, entrepreneurial performance and transgenerational potential.

Results

In the following we will provide the results of our case studies along the lines of the five EO dimensions.

Innovativeness

In the context of the family firms we examined, we find that these organizations did not - at least not at all times during their history - score high on the innovativeness sub-scale despite the presumably pivotal role of innovativeness to long-term success of firms (Schumpeter, 1934 & 1942; Lumpkin & Dess, 1996). When for example interrogated about the relevance of innovativeness, Frank Taste, the CEO of Taste SA, a Swiss third generation premium chocolate manufacturer, pointed out that innovativeness was *"truly important since the introduction of their top-selling product in the 1940s was a true innovation at the time. At the same time customers are slow in accepting new products and often show a high preference for a product they had known for years. Consequently, the introduction of new products and the entrance to new markets has been rather slow. Still, the company earns the largest part of its sales volume with the chocolate bar."* Hence, the slow acceptance of new products amongst customers, but also the high marketing costs and the risks associated with introducing new products, just as the ongoing long-term success of the existing products did not create much pressure for product innovation for a long time within this firm.

Similarly, Technics AG, a 175 year old producer of technical textiles that is still in the hands of the seven founding families with sales volume of about 200 Mio Euro scores rather low on the innovativeness scale applying new product development or new market

entry as a measure for innovativeness, despite some attempts to tackle new markets in the last few years. The company is active in an industry with proven manufacturing standards.

And Health AG, the third Swiss family firm we investigated, a 140 year old family owned firm in the pharmaceutical industry, managed to grow to roughly 60 Mio Euro in sales by covering a highly regulated niche market with little innovation in new products and barely any development of new markets.

Whereas most of our firms scored low on the traditional innovativeness measures (e.g. in terms of new products, new markets, new technological processes), we find, however, higher levels of innovation within these firms - in forms that are less visible from the outside. Thereby, innovativeness is not represented by “the new” that results in new products, services, or technological processes, but by developing improvements that are innovative and value generating through renewal from within. For instance, these firms have concentrated on implementing new management techniques (e.g. fostering internal improvement processes, financial management system, Health AG), putting a committed governance and management board into operation (Technics AG), or introducing an umbrella brand strategy (Taste SA).

Beyond the risks and costs associated with innovation, the slow acceptance of new products by customers, the use of proven technologies in a stable environment and the protection from a regulated market niche we consider that the rather low innovativeness levels were also related to the discretionary scope of action for the owner-managers of these firms. Due to high degrees of freedom internally and lower degrees of freedom in the industrial context dominated by large multinationals, internal changes were easier conceivable than changes that immediately affected the market place.

Finally, we also find that the family dominated life-cycle of management and ownership structure can also impact the innovativeness of these firms. Within Health AG and Taste SA we find high degrees of internal innovation during the first years after the transfer of control from one family generation to the next. Often, the preceding generations had their

own specific management style and team, which were highly idiosyncratic and dependent on the person in control of the firm. Therefore, any change in control first had to deal with questions surrounding the reorganization of the leadership team and style. Only after these challenges had been met, external product and market innovations could be tackled.

In sum, we find that the family firms under investigation scored rather low on the innovativeness scale when innovativeness is measured in terms of new products, markets or technological processes as defined by traditional EO literature. However, in contrast to these traditional measures of innovativeness we found that the family firms under investigation displayed higher innovativeness levels in terms of renewal from within the organization, not necessarily represented by technological processes, but through value generating renewal for example of management and governance structures. In addition, we also discovered that innovativeness was not low at all times but varied through time, often in line with the transition of organizational control and thereby with the life cycle of the family.

Competitive aggressiveness

Indeed, and in line with the literature on the subject (e.g. Martin & Lumpkin, 2003), in our cases we find that the family firms we investigated scored rather low on the competitive aggressiveness scale. Instead, we find the strong wish within these firms to dominate a market niche, thereby avoiding competition and striving to be what has been labeled a "hidden champion" (Simon, 1996a; 1996b). Thereby, hidden should not be understood in terms invisibility due to smaller size but rather in terms of the competitive posture that avoids direct confrontation. In this regard, Norbert Kaller, the family CFO of Health AG points out: *"Being aggressive would not fit our company at all. I prefer a differentiation of our company that is based on our basic values and on our tradition as a Swiss family business. We have to be cautious with our outside appearance; we have to avoid*

aggressiveness and pomposity. We prefer being small but nice – a pearl in the market. The aim is sustainable success and not short-term profit maximization". Furthermore, it is important to note that Taste SA and Health AG are competing against industry giants like i.e. Nestlé and Kraft Foods in the case of Taste SA or Novartis and Pfizer in the case of Health AG. Given that these mid-sized family companies are facing industry leaders, pursuing an aggressive marketing strategy would probably not be the wisest course of action given for instance the differences in availability of financial capital.

In addition, whereas aggressive firms direct their organizational energy towards challenging competitors, hence towards the outside of the firm, we find that our family firms directed a large part of their energy towards the inside of the organization. This "let them live" and "let them do their things" posture freed energy to focus on the own issues and on rooms for improvements and internal efficiency. For example, Jean Taste, Marketing Director of Taste SA, mentions that one of their big competitors has just failed with a nation-wide marketing campaign that implied repackaging of existing chocolate products in a new and presumably fashionable manner, which was, however, not accepted by customers.

Furthermore, whereas young firms are aggressive towards their competitors for their "liability of newness" (Stinchcombe, 1965), more established organizations, as the ones we investigated, do not face this challenge anymore. Rather, established organizations might need to challenge their competitors to assure their own survival, for what could be called a "liability of oldness". In this context, aggressiveness might not be seen as an active posture, but rather as a reactive move to avoid the decline of the product portfolio or the company.

Finally, we found that family managers often displayed a negative attitude towards any aggressive behavior. Due to the negative connotation of the word aggressiveness, most of the entrepreneurs were hesitant to identify themselves with it. This concern could not only be related to the research design, that is, confronting the entrepreneurs with open questions on aggressiveness during personal interviews, which might induce a negative social desirability

bias. Beyond this effect, family managers might be particularly hesitant to be seen as aggressive, since a negative corporate reputation induced by aggressive behavior of the firm might immediately negatively affect the reputation of the family and the manager, due to identity overlaps between firm, family and individual, reinforced by a missing possibility to leave the family or easily switch the organization (Dyer & Whetten, 2006).

Thus, our case-based findings partly support the arguments by Martin and Lumpkin (2003) that is, as later generations are involved in a family business, competitive aggressiveness decreases. However, we do not find an increasing family orientation, as postulated by Martin & Lumpkin (2003), as the main reason for the observed low levels of competitive aggressiveness.

Risk taking

First of all, we find that our family firms did take what Frank Taste, CEO of Taste SA labeled "*calculated business risks*". By calculated business risks we mean that the firms balanced the risks associated with management decisions against the existing solution so that a complete failure of a project would never be able to endanger the firm as a whole. This is exactly the approach of Technics AG, as the president of the supervisory board states: "*We will only engage in projects that do not endanger the company as a whole*". By business risks we thereby understand risk associated with decisions relating to the ongoing management of the firm, as captured in the EO understanding of risk taking.

Secondly, we found that most of the family members had the utmost part of their wealth invested in the firm. Accordingly, the ownership risk, hence the risk of holding only one or a few assets without or only limited diversification, was high amongst all owners we interviewed in our case studies.

Thirdly, we found that most of our firms displayed very high levels of equity from total assets. This is likely to be true also in the future. The CFO of Health AG for example

will keep the strategy of financing investments with Cash Flow and be “*cautious with debt capital*”. These low leverage levels could be interpreted in the light of a low control risk, hence a low risk for the owners of losing control over the company.

Accordingly, instead of generally speaking about low or high levels of risk aversion in family firms we need to differentiate between the type of risk under investigation keeping in mind that socioemotional aspects of ownership and family control are valued by family owners. More specifically, in the family business context, any assessment of a firm's business risks (as captured by the EO construct) will only yield a fragmentary picture. Family firm owners were willing to make risky resource commitments in terms of undiversified allocation of their wealth tied to their shareholdings. However, the risk of failure of this investment was intended to be mitigated by taking management decisions that were unable to endanger the firm's survival or the family's control over the firm.

Proactiveness

The more recent developments within the companies we studied must be characterized as evolutionary rather than radically proactive. Frank Taste, CEO of Taste SA, admits that his company has lived of its two top-selling products “*for a bit too long*”. However, along with the transition from the second to the third generation a new entrepreneurial spirit developed inside the company. The two Taste brothers and their team have successfully introduced new product lines, increased export orientation and rearranged the firm's products under an umbrella brand strategy.

All firms under investigation have been willing to invest proactively, i.e. moving from trade to building up their own production facilities and repeatedly increasing their capacities (Taste and Health AG) at certain points in time. Within the management teams of Taste SA, Health AG and Technics AG we find an entrepreneurial and proactive mindset. However, to date, it remains unclear to what extent their family shareholders would be willing

to support proactive investments into the current or related industries if they were associated with large and even risky resource commitments. Family shareholders struggling with inner conflicts (Health AG) and a risk-averse family shareholder group with a pension fund mentality (Technics AG) are likely to hinder bold proactive moves. This underlines the importance of including the family and ownership side in assessing the level of proactiveness in the family business context.

This being said it should be noted that even though a high degree of proactiveness is desirable according to the EO construct, firms might under certain circumstances (i.e. situations of high insecurity) also have good reasons for adopting "a wait and see" posture. For example, being a first mover is not necessarily the best strategy in rapidly changing technical environments in which the dominant design for production is unclear. Similarly, in certain industrial contexts (e.g. cyclical industries) the possibility to wait for the right moment to acquire, develop or shed critical resources (e.g. physical resources as real estate) can be a source of competitive advantage in contrast to more short-term oriented investors who have to act in the short-run. Hence, persisting on a course of action even though it might not pay off in the short run can be an important antecedent to long-term success.

In sum, recognition of changes and willingness to act rapidly on those insights ahead of competition can be a source of competitive advantage. However, the option to wait and see and to do nothing in the short-run while remaining vigilant on movements in the industrial context and being persistent on a defined strategy can be a source of advantage over competitors just as much as short-term proactiveness can be.

Autonomy

Our family and non-family interviewees agreed on the importance of internal autonomy as a driver of entrepreneurial activity. The in-depth interviews we conducted reveal that the younger generations of the Taste and Health families successfully managed to break

away from the more patriarchal and authoritarian leadership style of their parents (i.e. fathers). The non-family managers of Taste SA positively stress the open communication in the management team and the new style of management and leadership that has arrived with the third generation.

Still, our interviewees put even more emphasis on external autonomy as a necessary precondition for internal autonomy. Their first and foremost goal is to secure the independence and autonomy of the organization. According to Jean Taste, shareholder and marketing director of Taste SA, the company will only take decisions that will not endanger its independence and family control. External autonomy, in turn, provides owners and managers with the freedom to implement a unique strategy which does not have to satisfy short-term oriented shareholder demands. Indeed, Natalia Schulz, non-family marketing director of Health AG, points out that *"the wish for autonomy on the company level has always been a major driving force in the development of the company"*.

Our case studies reflect that internal autonomy at the workplace is a more recent management practice that has only been implemented with the 3rd and 5th generations of the Taste and Health families taking over. It can therefore, at least retrospectively, not serve as an explanation for performance or transgenerational potential. In contrast, the wish and need for external autonomy and independence has been present in all three organizations throughout the family generations. For example, Karl Steiner, CFO of Technics AG, points out that independence of the organization from external parties has always been very important. Indeed, a few years ago the 150 family shareholders denied opening up the shareholder structure to the public for autonomy reasons. At the same time the Technics managers are aware of the danger related to considering external autonomy of the organization as the ultimate goal of a firm. Rather, they consider external autonomy of the organization as a means to create internal autonomy of managers which is ultimately aimed at generating further entrepreneurial development.

In sum, the relevance of autonomy of the individual is a more recent management practice introduced by younger family generations. However, the autonomy of the organization from external stakeholders is a predominant theme within these firms across generations, and hence has more explicative power with regards to transgenerational potential than internal autonomy.

Conclusion and guidance for future research

Reaching beyond Lumpkin and Dess' (1996) argument that EO depends on environmental and organizational factors, we find distinct patterns of entrepreneurial behavior in the context of multi-generation family firms.

Firstly, we find that the family firms under investigation scored rather low on the five salient dimensions of the EO construct. Our theoretical considerations and the results of our case studies reveal that for this type of firm it might not always be the wisest course of action to strive for a maximum score on each of the five EO dimensions. For example, many new economy companies would have scored high on all EO dimensions: They were autonomous, aggressive, innovative, risk-taking and proactive, but were unable to survive more than a few years.

Secondly, we find that certain scales are inappropriate in the family firm context since they are not sufficiently defined and applicable for this specific type of organization. For example, our considerations on differing aspects of risk (business risk, financial risk, control risk) call for a more fine-grained understanding of risk aversion. Investigating these different facets of risk-taking might bring forward a more nuanced understanding of risk-taking in family firms. Similarly, the family firms we investigated show a distinct pattern of autonomy that calls for a differentiation between internal autonomy, hence autonomy for the individual to undertake independent actions, and external autonomy from firm external stakeholders (e.g. banks). Whereas we do not find a common pattern with regards to internal autonomy for this

type of firms, the utmost part of the family firms under investigation strived for high levels of external autonomy of the organization.

Thirdly, we find that key aspects as for example the persistence or perseverance in implementing and pursuing a defined strategy is missing on the EO scales. Many "hidden champions" (Simon, 1996) have grown in the shadow of big established companies, by focusing on niches not specifically targeted by these big competitors. The reason why the notion of persistence is not captured within the EO construct might be related to the fact that the EO construct is an inherently static construct, developed and used to measure entrepreneurial behavior at a certain point in time. Studying entrepreneurship in a multigenerational family business context (as opposed to the context of young firms) is a unique opportunity to track entrepreneurial behavior and its success across time, hence in longitudinal manner, as suggested by Dess et al. (2003). Studying EO in family businesses might assist us in developing measurement tools that are able to capture the dynamic dimension of entrepreneurial behavior which is more appropriate to explain transgenerational potential.

Fourthly, the EO construct implicitly assumes that the higher a firm scores on all dimensions, the larger should be the organization's success. Hence, the inherent danger related to the construct not only is the proposition that it needs to be seen as the "right" behavior, regardless of the context. In addition, it seems to propose that "the more the better". Our case studies show that the level and the composition of EO is clearly dependent on the family background of these organizations. Not surprisingly our family firms were unable to answer which one of the dimensions within EO is the most important one for their firms' success.

To conclude we must note an important limitation to our study. In our attempt to investigate entrepreneurship in the context of family firms and business families, we are following what has been labeled a common denominator approach. We are aware of the fact that the common denominator approach is limited in terms of its explicative power. If the goal

is to study family businesses through the lens of entrepreneurship, the common denominator entrepreneurship will define what actually can and will be studied in the family firm context. However, the specific family related aspects, which are not covered by the individual and organizational aspects represented within entrepreneurship and EO cannot be studied with this approach. One way of overcoming this difficulty is describing EO as a set of options. A company, in response to its capacity and external challenges, has to find the optimal position on a set of continua. As we follow the evolution of our case companies through time, we notice that they continuously adapted their entrepreneurial posture. For example, periods of high business risk-taking were followed by periods of consolidation. Periods of low levels of innovation in terms of new products were followed by periods of renewal and radical changes and product innovations. In this context, entrepreneurship could be seen on the following continua on which two extremes need to be balanced: autonomy and swimming with the stream, internal and external autonomy, aggressiveness and patience / persistence, innovativeness and imitation, product market innovation and internal innovation, risk-taking and consolidation, proactiveness and opportunism (see the following graph). Here valuable research could be done in the future, maybe by also keeping in mind the duality findings of Nordqvist et al. (2008).

In sum we would like to come back to the case of the new economy firms we mentioned at the beginning. Referring to the EO construct and its subdimensions, we find that the family firms under investigation did not "score high and die". Rather, it seems they found a way of being entrepreneurial in their own way. Based on our theoretical considerations and findings we might label this attitude "score clever and stay forever".

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Table 1: The conflicting views of entrepreneurship and family business literature

Entrepreneurship literature	Family Business literature
<i>Type of firm</i> Young, newly created, often fast growing small and mid-sized firms	Established, traditional, often multigenerational and larger firms
<i>Type of industry</i> Growing and dynamic industries and markets	Mature industries and saturated markets
<i>Type of ownership</i> Owner-managed / 1 st generation partnerships	(Multigenerational) family ownership
<i>Main focus of research</i> Entrepreneurial behavior (family relationships are widely neglected)	Family relationships in a business context (entrepreneurial behavior is widely neglected)
<i>Resource challenge</i> Adding resources to establish an organization in the competitive environment	Reconfiguring and shedding resources to continue and readjust an organization in the in the competitive environment
<i>Planning horizon</i> Short	Long
<i>Measures of success and performance:</i> Growth and financial performance Taking advantage of opportunities in the market	Survival and family succession Meeting a mixed goal set of financial and non-financial performance dimension

Table 2: Overview of selected cases

Names changed for anonymity purposes

<i>Company name</i>	Health AG	Taste SA	Technics AG
<i>Industry</i>	Pharmaceuticals	Consumer goods	Printing & Filtration technology
<i>Employees in 2007 (ca.)</i>	340	175	2000
<i>Company Age (ca.)</i>	140 years	80 years	175 years
<i>Annual Sales 2007 (ca.)</i>	60 million Euros	30 Million Euros	200 million Euros
<i>Number of Interviews</i>	5	4	4
<i>Number of Family Feneration</i>	5th	3rd	7th

Appendix - STEP Interview guidelines – items regarding EO

1. Would you describe the *owner-family* as entrepreneurial? Why or why not?

The answer should cover, if relevant, the following issues:

- a. The main attributes that you think makes the family entrepreneurial?
- b. The main attributes that you think are lacking for it to be entrepreneurial?
- c. How the family ownership is a resource for entrepreneurship?
- d. How it has changed over time?
- e. Is continuity in and of itself transgenerational/entrepreneurial (i.e. existing for a long period of time)?

2. Would you describe the *business unit and practices* you are involved in as entrepreneurial? Why or why not?

The answer should cover, if relevant, the following issues:

- a. The main attributes that you think makes the firm entrepreneurial?
- b. The main attributes that you think are lacking for it to be entrepreneurial
- c. The entrepreneurial capabilities of top leaders/managers in the firm?
- d. How the family influence or involvement is a resource for entrepreneurship?
- e. How has it changed over time?

3. Describe your family business or group's *capabilities to take new actions/initiatives* (i.e. to introduce new product, new service, new processes, renewal actions, or opening new markets and launch new ventures).

The answer should cover, if relevant, the following issues:

- a. Commitment and support for new ideas, novelty, experimentation, and creative processes that may result in new initiatives?
- b. If there is a specific process for identifying new opportunities and converting them into new ventures?
- c. If the firm dedicate some budget or internal corporate venturing capital for financing new ventures from the first phases (market research, business plans)?
- d. If enough products/services have been launched over the last five years?

4. Do you generally take new initiatives/strategic actions *ahead of your competitors* proactively or do you prefer to “wait and see” and or adopt “the new” later (e.g. introduce new product, new service, new processes, renewal actions, or opening new markets and launch new ventures)?

The answer should cover, if relevant, the following issues:

- a. If this (the answer) facilitates or hinders further growth and or the accomplishment of vision and goals?
- b. How and why the family influence and or involvement impact this posture?
- c. Are there resources and capabilities that you have or lack that makes this posture/approach your chosen strategy?

5. Do you generally take new initiatives/strategic actions and invest where the *outcome is highly uncertain*, or do you prefer to invest where less resource is at stake and you *know fairly well the result* (e.g. introduce new product, new service, new processes, renewal actions, or opening new markets and launch new ventures)?

The answer should cover, if relevant, the following issues:

- a. If this (the answer) facilitates or hinders further growth and or the accomplishment of vision and goals?

- b. How and why the family influence and or involvement impact this posture?
 - c. Are there resources and capabilities that you have or lack that makes this posture/approach your chosen strategy?
- 6. **To what extent would you describe the organization as innovative and generating new ideas, experimentation and creative processes that may or may not result in new initiatives/strategic actions (e.g. introduce new product, new service, new processes, renewal actions, or opening new markets and launch new ventures)?**
The answer should cover, if relevant, the following issues:
 - a. If this (the answer) facilitates or hinders further growth and or the accomplishment of vision and goals?
 - b. How and why the family influence and or involvement impacts this
 - c. Are there resources and capabilities that you have or lack that makes this posture/approach your chosen strategy?
- 7. **To what extent are individuals and teams in your firm given freedom to be creative, to push for new ideas and to change current ways of doing things in order to come up with new initiatives/strategic actions (e.g. introduce new product, new service, new processes, renewal actions, or opening new markets and launch new ventures)?**
The answer should cover, if relevant, the following issues:
 - a. If this (the answer) facilitates or hinders further growth and or the accomplishment of vision and goals?
 - b. How and why the family influence and or involvement impact this posture?
 - c. Are there resources and capabilities that you have or lack that makes this posture/approach your chosen strategy?
- 8. **Do you generally take new initiative/strategic actions that directly and intensively challenge the existing positions held by your competitors (e.g. introduce new product, new service, new processes, renewal actions, or opening new markets and launch new ventures)?**
The answer should cover, if relevant, the following issues:
 - a. If this (the answer) facilitates or hinders further growth and or the accomplishment of vision and goals?
 - b. How and why the family influence and or involvement impacts this
 - c. Are there resources and capabilities that you have or lack that makes this posture/approach your chosen strategy?
- 9. **How is it possible to maintain an entrepreneurial spirit as the business or business group passes through generations within the owner-family?**
The answer should cover, if relevant, the following issues:
 - a. The most important steps/initiatives taken to keep the entrepreneurial spirit across generations, or that should be taken
 - b. Biggest threats to keep the entrepreneurial spirit across generations
 - c. Description of the entrepreneurial commitments and capabilities of the next generation
 - d. Formal and informal methods in use to develop next generation's entrepreneurial capacity
 - e. How you would judge the entrepreneurial commitments and capabilities of the next generation at the current time