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Transgenerational Entrepreneurship

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Abstract

Family business scholars have mainly focused on understanding how traditions and preservation of family involvement affects business. Entrepreneurship scholars' main interest lies in discovering motivations and consequences of creating new ventures and ideas (Nordqvist et al., 2010). To understand the relationship between family businesses and entrepreneurship it is first important to understand how specific elements involved in family businesses research affect the ability of a business to act entrepreneurially. Family businesses are different than non-family businesses because of their tendency to be led by values of stewardship and socio-economic-wealth. The tight-knit relationships between members of family businesses and their efforts to preserve family ownership also have unique effects on performance and growth (Chua et al., 1999). Although the two fields have only recently come together, it is possible to examine the existing, varying scholarly opinions about entrepreneurial abilities of family firms through the lens of entrepreneurial orientation theory.

This paper will build on existing research about individual entrepreneurial orientation in multi-generational family businesses analyzing surveys taken by 10 individuals from 5 different businesses about the familial elements of their business as well as their personal capacity for self-efficacy, networking, innovation, proactivity, and risk-taking. Results of the survey show a general aversion to risk, a correlation between proactiveness in individuals an family business elements, changes in networking preferences between generations, and a notable relationship between business longevity, IEO, and family business elements. On the whole, IEO still needs to be researched under many different, isolated family business contexts. But there is evidence family business elements have a positive affect IEO.

Literature Review

Two Separate Fields

The fields of family business and entrepreneurship began independently but have recently moved close together (Lumpkin, 2010). To understand how the two areas of study affect each other, it is first necessary to define the scope of family business and entrepreneurship studies respectively.

The Families and Entrepreneurship section will highlight elements in family businesses that set them apart from non-family businesses. This will allow an examination of how elements of family business constrain or encourage entrepreneurship. The examination will conclude with examples of scholarly opinions about the entrepreneurial ability of family businesses. Then, Entrepreneurial Orientation (EO) will be introduced as a way to measure the capacity families have to act entrepreneurially.

Family Business Definition

There are two primary ways researchers identifies family businesses. Structural definitions identify family businesses as firms that are 51% or more owned by family members. Process definitions involve analysis of how the family involves themselves with the business, their influence on operations, and desire to pass down ownership. In process definitions, family businesses involve family members in day-to-day operations and strategy-making (Chua et al., 1999).

Today, over half of all public companies in the United States are family-owned. Internationally, family business is the most common form of business and, until 100 years ago, family business was the main way of life. Until industrialization, business was commonly conducted within the sphere of the family, and commercial activities were directly influenced by one or more families (Aldrich et al., 2003).

Most researchers identify family firms to participate in studies through family business centers and organizations (Hernández-Linares et al., 2018). Scholars and organizations usually identify parameters of ownership control, strategic influence of the family on management, concern about family relationships, and the family's desire to continue across generations to be common elements of family businesses. Still, some researchers disagree about how exactly family business should be defined (Chua et al., 1999). Self-perception is a less-common way to measure the influence of family values in a firm, but still important in some studies. Families operating businesses with strong roots in family values will often tout themselves as "family brands" and use the word "family" as a signifier of quality and dependability. Moreover, ownership is the most common identifier (Hernández-Linares et al., 2018).

The main topics of interest for family business researchers are succession and governance. Family Business scholars traditionally tend to look inward at the mindsets and dynamics of the family in family business, and the influence the family has on elements of business (Nordqvist et al., 2010).

Entrepreneurship Definition

While family business scholars traditionally focus on an inward view of business and the preservation of ideals, external opportunities, and creation of the new have been the center of entrepreneurship research (Nordqvist et al., 2010). The textbook definition of entrepreneurship from *Entrepreneurship: Successfully Launching New Ventures* is, "the process by which individuals pursue opportunities without regard to resources they currently control for the purpose of exploiting future goods and services)" (Barringer et al., 6).

The word "entrepreneurship" first appeared in literature written by Cantillion in 1734. Cantillion was a famous, wealthy economist who claimed entrepreneurship was the major cause of new ventures in his field (Thornton, 2020). Now, researchers are interested in how entrepreneurship acts in almost every field and industry. Entrepreneurship is the cause of most new business development, new jobs, technological advances, and wealth creation. Thus, entrepreneurship acts as one of the major mechanisms of economic growth in the US (Enterprise, 1993).

Businesses described as acting entrepreneurially are usually involved in one or more of the following: creating new products and services, entering new markets, adopting innovative production technologies, developing raw materials, and implementing new ways of organizing business activities (Schumpeter, 1934; Jazkiewicz et al., 2013). New entry into established markets is considered the central action in entrepreneurship (Lumpkin, 1996).

Entrepreneurship concepts are important for businesses to understand because they can help firms become more adaptive and competitive in (Jazkiewicz et al., 2015). Firms hoping to survive long-term must embody an entrepreneurial spirit to adapt to a changing environment while maintaining relevant competitive advantages (Cruz et al., 2010).

Families and Entrepreneurship

A common name for the new field of research that examines family business and entrepreneurships together under one lens is Family Entrepreneurship. In this field, scholars study how families, family members, and family owned-businesses act entrepreneurially (Bettinelli et al., 2014). Family businesses have a special orientation toward entrepreneurship because of their generational ownership ideals and familial attitudes. To gain a deeper understanding of the relationship between family businesses and entrepreneurship, it is important to understand elements of family business that make them different than non-family businesses.

Scope of Existing Research

Family entrepreneurship has only been a topic for a relatively short time (Lumpkin, 2010). That being said, many surfaces are currently unscratched by family business and entrepreneurship research. Nordqvist suggests researching entrepreneurship where it meets family business should point to unique features of the family that reveal new information about the role of family in entrepreneurship (Nordqvist, 2010). Family is a major social force that drives and constrains activity in every area of life. So, there are a countless number of elements in the business and personal lives of families to consider in family business and entrepreneurship research. The family unit is an important point of research and a basis of measurement in other fields like economics and sociology (Nordqvist, 2010). Thus, entrepreneurship scholars should also treat the family as a relevant influence. A few local and national organizations are responsible for collecting data on family businesses. One major contributor to the field is the STEP (Successful Transgenerational Entrepreneurship Practices Project); an ongoing project since 2005 at Babson College (Nordqvist, 2010). These groups are interested in examining the behaviors and success of family businesses in environments all over the world.

Unique Entrepreneurial Opportunities in Family Business

Family Businesses have many unique characteristics, mindsets, and values that make them different from non-family businesses. Family values, mindsets, and teachings can influence both opportunity recognition and the ability of an entrepreneur to exploit an opportunity successfully (Nordqvist, 2010). Through research on existing family businesses and the circumstances affecting business activities, scholars are drawing links from entrepreneurial ability to specific features like culture, unique governance structures, family conflicts, agency problems, and intergenerational aspirations (Nordqvist, 2010). The following is an introduction to common themes present in family business research and an analysis of how the themes affect entrepreneurial activities like business expansion and process innovation.

Stewardship

Stewardship is a unique mindset in family businesses that explains the intrinsic motivation leaders of family businesses have to keep their business alive and profitable for future generations (Craig, n. d.). Stewards are individuals who feel their duty is to steer their community in a good direction so that stakeholders may benefit. Usually in family businesses, steward-leaders seek to preserve family traditions and create value for future generations. Stewards feel a personal obligation to lead. Leaders who act as stewards are known to create collectivist cultures where individuals are more likely to be motivated by intrinsic values rather than extrinsic factors like compensation. Individuals in cultures of stewardship are also likely to identify highly with their organization and create a personal rapport rather than positional power (Craig n. d.). Power distance is usually very low, and all employees and managers are dedicated to their positions.

Stewardship is important to the continuation and growth of family businesses because of the wide variation of commitment that can occur between generations (Craig, n.d.). Stewards install measures that give stability and strength to their business. Although stewards can be overly focused on maintaining traditions and fulfilling the wishes of past leaders, stewards maintain businesses and motivate employees (Craig n. d.).

Stewards want their businesses to thrive throughout time, so they often plan and promote growth. Stewards who have this growth mindset to sustain business success are often also especially talented at making entrepreneurial decisions. In this way, stewardship can act as a driver of business growth. Overall, family businesses exemplifying stewardship in their leadership are in good positions to act entrepreneurially.

Family Business Governance

Like non-family businesses, family businesses often appoint a Board of Directors (BOD) to guide the direction of the business. The BOD is usually comprised of company insiders such as employees, key customers, and suppliers. In larger companies, the Board must act in the best interest of the company to make guiding strategic and managerial decisions. In family businesses, a family council and/or assembly is often formed separately from the board of directors. Some members from the BOD may also sit on the family council. But, family businesses who choose to have separate leadership groups must also establish quality communication (*The Three Components*, 2001).

Family assemblies consist of a broad range of family members interested in the business even if they are not directly involved. Family assemblies usually meet at least once a year to learn about the business, changes to the industry or business, and to discuss the direction of the company (*The Three Components*, 2001). A smaller group of family members, called a family council, is sometimes designated to meet more often and be more involved with the business. Family councils set specific policies regarding family involvement such as who can attend family assemblies and recommends policy regarding both business and family to the BOD, like compensation of family council members (*The Three Components*, 2001).

Both the family council and assembly are in charge of generating another unique component of the family business: the family constitution. Family constitutions outline core family values, policies, and visions for generational control over the business. Constitutions represent the vision the family has for their role in their business. Educational and career development standards, compensation, retirement age, and dividend policy all for family employees and family non-employees are all things commonly addressed in a family constitution. Articulating the elements of a family constitution gives a family business strong structure and a strategic advantage (*The Three Components*, 2001). The family constitution may include or be in addition to a written succession plan that guides owners through transitions of power from one generation to another. Many business researchers, such as Rocio Arteaga who followed 530 family businesses from 2003-2013, find that implementing a Family Constitution improves firm performance. Family constitutions have an even stronger positive affect on firms controlled by multiple family members as well as those operating under generations of family ownership (Arteaga, 2017). Major banks and business consultants like those at JPMorgan and PWC cite structure and planning as the crucial focal points for family owned businesses.

Family business governance is unique because owners must consider succession planning. All business owners should think about and exit plan, but family businesses require a special plan if they expect to remain family-owned. The special government elements in family business create especially strong families AND businesses. There is evidence family businesses become stronger and more likely to survive over time than non-family business if they institute all possible governance mechanisms (Mukherjee et al., 2019).

E-Legacy One theory that may explain why family governance and organization leads to exceptional entrepreneurial performance is E-legacy. Prior to the mid-2010s, no theory existed explaining how families could nurture entrepreneurial mindsets throughout generations of ownership (Jaskiewicz, 2014). There were many theories of "ordinary" succession to explain how family business successfully transferred ownership and ideals to future generations (Handler, 1990). But, in 2014 Peter Janskiewicz introduced a theory of "entrepreneurial legacy". Janskiewicz's paper explored how German wineries in their 11th generation of ownership sustained motivation to act entrepreneurially and the research has implications for all research on family business and transgenerational ownership (Jaskiewicz, 2014). Researchers studying e-legacy used imprinting theory to explain the possibility for family businesses to imprint a deep value of entrepreneurship into the fabric of the business so that the mindset may exist beyond the first generation of ownership. E-legacy takes imprinting theory further by explain how, exactly, family business owners can ensure entrepreneurial ideals exist in all future generations of a business. According to Jaskiewicz, the best way to ensure a family business will thrive for centuries is to incorporate entrepreneurial mindsets with governance mechanisms as the permanent foundation for business.

Socioemotional Wealth

Socioemotional Wealth (SEW) is a defining element of family business (Chua et al., 1999). Many times, steward-leaders of family businesses have non-financial goals. SEW theory is often used to explain how business leaders derive value from investing emotionally in their family firm (Chua et al., 1999). Non-economic goals enhance the ability of a steward-leader to provide for their stakeholders, and SEW is what causes the leader to develop non-economic goals (Hsueh, 2016). SEW is another element in family businesses that influences entrepreneurial ability.

SEW defines the emotional load the family invests in their business. To families, business has emotional value as well as financial value (Hsueh, 2016). There are four distinct elements of SEW. Each element outlines aspects of nonfinancial values families derive from controlling companies. The four elements are: transgenerational control, benevolent social ties, status and reputation, and affect & emotions. The SEW elements can be measured respectively within individual family businesses, but they can also influence each other. By studying SEW, business researchers can understand reasons families have for preserving family involvement and ownership in a business. From an entrepreneurial perspective, SEW has been observed as a proponent of innovation and financial wealth in the long run (Fitz, 2017).

Transgenerational Control Families place high value their businesses because they create wealth and other advantages for their extended family. The ability to pass business control down from generation to generation adds to a family’s pride in their business. Having a tradition of familial control is a major cause for emotional attachment to the business in multi-generational firms. For families involved in business, the business itself becomes the family's legacy and the transfer of ownership creates a unique perception of value (Chua et al., 1999).

Benevolent Social Ties Families involved in business, especially throughout several generations, have a tendency to create and manage relationships based off mutual support, goodwill, and loyalty. Family business relationships often focus on long-term cooperation rather than short-term material returns. Benevolent social ties can exist between the family members involved in business as well as between family businesses and their employees, customers, or suppliers. Benevolent relationships also create social capital for family businesses. Access to networks through social ties often becomes the main competitive advantage for family firms (Nordqvist, 2010). In other words, the business valuates over time as relationships mature.

Identity and Reputation Over time, family businesses can become pillars of their community especially if they are involved in philanthropic activities. Thriving businesses elevate family-owner's status in their community. The reputation of the family and their business become intertwined and can motivate families to uphold ethical standards for themselves and for their businesses (Chua et al., 1999).

Emotions and Affect Family owners tend to feel more connected to their business than non-family owners. Family owners want to see their family and their stakeholders' families be taken care of. Thus, leaders gain a special sense of pride from leading, growing, and sustaining their family's business. To families, businesses are cherished possessions that deserve a high degree of commitment (Chua et al., 1999).

Other Mindsets in Family Business and Their Effect on Growth

Researchers and business writers propose the reason a plethora of mindsets exist in family business is because of the unique impact of family involvement (Chua et al., 1999). It is important for family businesses to be aware of how familial relationships and emotions may affect participation in business. Though no-two family businesses are exactly alike, everyone should study and work to overcome toxic familial relationships and mindsets.

Family business mindsets are unique because of elements like stewardship, SEW, and familial relationships. One thing family businesses have a different perspective compared with non-family businesses is finance. Families who run businesses tend to be more frugal and less likely to make risky investments because business's money is so closely tied to the family's money. Debt is usually seen as high risk in any environment, and business operators may want to save more than they spend. While free cash flow and stagnant accounts can be a bad thing, frugality turns into positive characteristic during tough economic times because the business can sustain itself by using the uninvested capital (Kacaner et al., 2012). Sometimes, family businesses managers are able to make more rational decisions around money than managers in non-family businesses because they want to ensure that the money supply is sustainable for their family; not just themselves (Kacaner et al., 2012).

Family businesses also have a unique stance on talent and employment. Frugality during good economic times leads to fewer layoffs during tough times. Talent is better retained in part because of sustained finances, but also because of the cultures characterizing family businesses. Employees not only develop loyalty to the business because of steward-leaders and family values; they also become loyal to the family itself and are more likely to stay with the company. Family businesses often invest more in the personal and professional development of employees in part because of SEW. Employee loyalty and family relatedness also decreases the agency cost in family businesses because they are more motivated to act in the best interest of the family business and are closer to management than employees in non-family businesses (Kacaner et al., 2012).

Another area of failure for family businesses is fast growth. Family businesses have a longer-term view and can have more rational behavior when it comes to decision making. Thus, they may be less willing to make a risky decision that would lead to growth. Many family members might be so emotionally invested in their business they don't want to see ownership diluted by outsiders or stockholders. Staying small is the more comfortable, safe option for many family businesses (Kacaner et al., 2012).

Succession is an issue in family business that has many psychological and relational ramifications. Senior owners must be willing to prepare the next generation for leadership. Succession is often associated with retirement or death, so leaders can be reluctant to give up control and prepare for succession. Leaders who have a tight hold on their position limit their business's ability to grow and be sustained over another generation (Kacaner et al., 2012). However, a well-articulated family constitution and organized family assembly helps family businesses work through most common problems (Arteaga, 2017).

Existing Perspectives on Entrepreneurial Ability in Family Business

There are two overarching conclusions about the capacity family businesses have for entrepreneurial activity. One conclusion is that family businesses harbor exceptional capacity for entrepreneurial activity because they are known for having structured, trust-based cultures and a long-term view. (Nordqvist, 2010). An aspect unique to family business is the goal of achieving multigenerational ownership and involvement in the business. This long-term orientation can provide the business more time to experiment, create, and think strategically about risk (Lumpkin et al., 2010). On the other hand, there is another conclusion that family businesses have less capacity to act entrepreneurially than non-family businesses because family environments like to focus more on tradition than change, be risk-adverse, and struggle with stressful family-power-dynamics (Nordqvist, 2010). Family businesses concerned with a traditional way of doing things are unlikely to invest in innovative processes. Owners concerned about sustaining wealth for their family will not readily spend savings on risky investments.

Empirical evidence suggests family business firms have a greater impact on the world's economy than non-family businesses (Ifera, 2003). But, they empirically engage in less entrepreneurship. Compared to non-family firms, family firms invest less in innovation, receive fewer patents, and their patents offer fewer radical contributions (Bertrand et al., 2006). On average, family firms enter fewer market, are slower to enter when they do and grow more slowly after new market entry (Gomez-Mejia et al., 2010).

Entrepreneurial Orientation

Why Study EO in Family Business?

While scholars have come to varying conclusions about the overall entrepreneurial ability possessed by family business, not all have employed the element of Entrepreneurial Orientation (EO). The next sections will explain what EO is, how its dimensions have been used to measure entrepreneurship, and examine the extent to which EO has been used in past family business research. Inside of the Family Business realm, EO has yet to be well explored (Cruz et al., 2010). The argument for specific research on the application of EO to family businesses can be made because of the familial interactions, intergenerational ownership, and specific capabilities of family businesses that may constrain or encourage families to act entrepreneurially (Nordqvist et al., 2010). EO has been studied in many other kinds of business; finding out more about how EO acts in family business will provide more information to business scholars and owners about the most prevalent form of organization in the world.

What is Entrepreneurial Orientation?

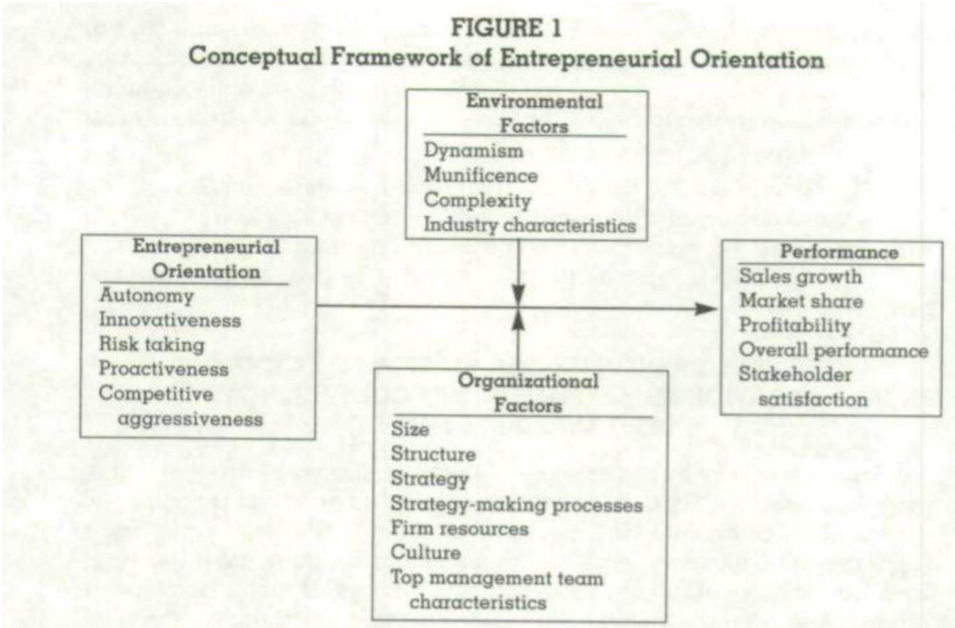
If entrepreneurship is the process by which businesses act on opportunities to build future value EO wants to explain the attitudes businesses have toward entrepreneurial actions (Barringer et al., 2005; Nordqvist et al., 2010). EO considers not only the processes a business uses to innovate, but also the mindsets and decision-making activities a business employs (or doesn't employ) to create new wealth (Nordqvist et al., 2010). EO is a concept the emerged from strategic management literature and research on new ventures (Lumpkin et al., 1996). In past business research, entrepreneurial orientation theories provided insight into how companies face the challenges of a constantly changing external environment. Now, it often appears in corporate entrepreneurship studies (Covin et al., 2006).

The dimensions of entrepreneurial orientation are appropriate metrics to use when measuring entrepreneurial ability in a business because they are focused on determining the extent to which a firm's strategies are proactive, risky, and innovative. Researchers can determine how entrepreneurial a firm is by using EO to explain the how and why of opportunities pursued, or not pursued, by the business (Miller 1983; Covin et al., 1989).

All businesses need to understand the importance of EO in order to put themselves in a position to build value and develop good strategies (Nordqvist et al., 2010). EO is a good measure of entrepreneurial ability in family businesses because, like all businesses, families must run their business with entrepreneurial values and mindsets to keep their business alive throughout generations of ownership (Cruz et al., 2010).

Limitations of EO

The presence of dimensions and mindsets of EO is often contingent on the environment in which a firm is operating, and not just the firm itself. The relationship between EO and performance depends on many firm and environmental factors (Lumpkin et al., 1996). The extent to which businesses act entrepreneurially according to EO is different for firms of different sizes, ages, ownership types, and industry involvements (Cruz et al., 2010). With this, ability of an entrepreneurial firm to create growth and profitability also varies (Cruz et al., 2010). Thus; EO may not be a consistent measure of entrepreneurship and having a high EO may not always lead to positive outcomes. The five dimensions of EO are all important in the process of measuring EO, but they often vary respectively in different contexts (Lumpkin et al., 1996).



The above chart illustrates how EO is influenced by environmental and organizational factors. In turn, EO influences performance factors in firms (Miller, 1983).

How to Measure Entrepreneurial Orientation

Measures of EO dominating business research are based off two approaches (Hernández-Linares et al., 2018). The Miller approached was the origin of three dimensions of EO. Years later, two more dimensions were added by Lumpkin and Des. Current studies use a combination of both models to understand the implications of certain environments and corporate strategies on the EO of businesses (Miller, 2011). Moderating and controlling variables are increasingly used in studies to pinpoint the environmental and strategic contexts under which EO dimensions produce greatest results. When rating a business against the dimensions of EO, strong entrepreneurial orientation can have negative or positive implications depending on many factors (Miller, 2011).

The many variables involved in EO has made it tricky to apply to family business firms. When the elements of EO were examined within family business during many studies, the results were varied (Hernández-Linares et al., 2018). To understand the results, one must first understand the exact approaches scholars usually employ to research EO in business.

Two Approaches

Three variables of entrepreneurship originated from Miller's research in 1976 on the strategy-making process (Miller, 2011). Miller's main conclusion about entrepreneurial firms was they all displayed autonomous, risk-taking, and innovative characteristics while operating in their environments. If a firm lacked all these elements, Miller would certainly not consider it entrepreneurial. However, he agrees with modern scholars that EO and the effect of the three dimensions changes according to the type of firm analyzed (Miller, 2010). Years after Miller conceptualized the three dimensions of EO, Lumpkin and Des added two more elements: proactiveness and competitive aggressiveness (Lumpkin et al., 1996).

Individual Entrepreneurial Orientation (IEO)

Measuring Entrepreneurial Orientation in Individuals

The five dimensions of EO have also been adapted to allow scholars to study the entrepreneurial mindsets in individuals. IEO was created and validated by Langkamp, Bolton and Michelle Lane in 2012. The researchers lead a study of 1100 university students and determined 3 of the 5 dimensions were valid and reliable measures. Innovativeness, risk-taking, and proactiveness showed a reliable statistical correlation with entrepreneurial intention in students during the study. Langkamp and Lane proposed their scale should also be used to assess the strength individuals' orientations toward entrepreneurship, and the results of IEO surveys should be used for education and business training (Langkamp et al., 2012).

Some additional measures are often included into IEO research to get a better understanding of the entrepreneurial characteristics of an individual. Self-efficacy and networking are considered to be crucial indicators for entrepreneurial personalities according to researchers such as Vesa Taatila and Samuel Down (Taatila et al.,2012). Other studies use IEO to gain insight into the intentions individuals have to act entrepreneurially. Wei-Loon Koe conducted one such study to show the effectiveness of entrepreneurial education for students at his university (Koe, 2016). Overall, scholars have found many applications for IEO. But, just as many applications are left to be discovered for the new lens of IEO.

The following is an explanation of dimensions commonly used in IEO studies. A explanation for measuring the dimensions in firms may accompany the explanation for measurement in individuals to provide context and clarity. The same dimensions will then be studied in individuals from multi-generation family businesses in the next section.

Dimension 1. Innovativeness Innovativeness has been a cornerstone of the entrepreneurial process since 1934 when Schumpeter first characterized innovation as an entrepreneurial activity. Today, firms that become engaged in experimentation and processes that support development of new products or services are still considered highly innovative and entrepreneurial. All in all, innovative entities are more willing to turn away from existing processes and mindsets in favor of new, unrefined ideas (Kimberly, 1981).

Methods of Measurement: Innovativeness Innovativeness can be measured in several ways. In the broadest scope, highly innovative firms show commitment to keeping up with current trends and technologies. Firms that are not innovative are identified by unwillingness to try new things such as starting a new product line or launching a new advertisement to reach new customers (Lumpkin et al., 1996). Covin and Slevin’s original questions were successfully altered to study innovative capabilities of individual students by narrowing the question to ask about novel changes the individual implements in their own life (Taatila et al., 2012)

Dimension 2. Risk-taking Closely related to the first EO element of autonomy is personal risk. One assumes more personal risk the more independent they become. When Cantillion first introduced the word “entrepreneurship” in 1734, he claimed it was the uncertainty and risk of self-employment that separated entrepreneurs from ordinary, hired employees (Thornton, 2020). For centuries, entrepreneurs have been characterized as risk-takers. Therefore, risk-taking is the third dimension of entrepreneurial orientation. In Bolton & Lane’s IEO study, risk-taking was able to be validated as a metric for entrepreneurial capacity of individuals (Bolton et al., 2012)

Humans must consider risk in a variety of different contexts. In business, context is needed to understand the type and level of risk that may be taken by a firm. Two types of risk that are commonly considered by businesses are strategic risks and financial risks. Businesses face strategic risks when they are venturing into a new market and investing large amounts of assets into new projects (Baird et al., 1985). By gauging a firm’s willingness to make large capital commitments to investments that have a reasonable chance of failure, one can measure financial riskiness (Miller et al., 1978). Similar to the other dimensions, the question of risk must be framed correctly to get a clear response (Kahneman et al., 1979). Researcher often also want to know about past experiences with risk taking (Thaler et al., 1990), and about the entity’s capacity to perform under pressure (Slovic et al., 1980).

Methods of Measurement: Risk-taking Researchers studying riskiness in firms often choose metrics that involve individuals instead of looking at documents and evidence that represents the firm as a whole (ie accounting statements). Thus, good researchers take into consideration how risks not taken at an individual level may be taken at the firm level. Natural aversions to risk-taking can be overcome by careful investigation and discussion of a risky decision. The questions used to measure risk must make the individual consider their decision-making process as a whole (Lumpkin et al., 1996). This being said, the original survey question proposed by Covin and Slevin to measure riskiness of a firm does not have to be altered much to study individual riskiness (Bolton et al., 2012). Bolton and Lane were able to study risk-taking capabilities in individuals by asking respondents to think about whether they take calculated or risky steps toward personal goals.

Dimension 3. Proactiveness Proactiveness is the extent to which entrepreneurs recognize and pursue new opportunities in emerging markets. It became the fourth element of EO because business scholars have recognized the superior advantage gained by early movers. Proactiveness is a driver of entrepreneurship because first- and early-movers can capture the highest profits and become the most established brand. The fourth element is also associated with entrepreneurship because both suggest forward-thinking ideas and new-venturing activity (Lumpkin et al., 1996).

Proactiveness can also be defined more broadly to include actions that are novel and forward-thinking in nature, even if they are not employed by first-movers. A study done in 1985 found second-entrants to be just as well positioned to achieve success via proactiveness as the first-mover (Miller et al., 1985).

The opposite of proactiveness is passiveness which refers to an indifferent attitude and lack of ability to recognize opportunities. Reactiveness, on the other hand, refers more to the competitive aggressiveness element. The dimensions of proactiveness and competitive aggressiveness are often used interchangeably, but there are important distinctions. Proactiveness scales measure how quickly firms act upon opportunities to influence markets and create demand during new entry. The final element of EO; competitive aggressiveness, is used to measure a firm's relationship toward competitors reactions to trends and demands already in existence (Lumpkin et al., 1996).

Methods of Measurement: Proactiveness Miller and Friesen rated firms on their propensity to act proactively by examining whether the firms act to shape their environment by creating demand and new technologies/techniques, or if the firms are engaged more reactively to new technologies/techniques (Miller et al., 1978).

In individuals, proactiveness may be measured by examining their capacity for planning and action. Common questions used ask individuals to rate their propensity to act on their own as opposed to waiting for someone else to act, and the extent to which they prefer to plan for the future (Taatila, et al., 2012).

Dimension 4. Networking & Self-Efficacy

Taatila argued networking belongs as an element of IEO because the act of creating a system of knowledgeable individuals is crucial to the success of a venture or individual (Taatila et al., 2012) . Self-efficacy encompasses ideas about personal power and determination (Zhao et al., 2005). Self-efficacy theory has been used to evaluate EO of ventures in the past (Kropp et al., 2008). It has also been identified as an indicator for new venture intentions and personal success (Krueger et al., 2000).

In individuals, competitive aggressiveness and autonomy are the two elements of EO not validated in studies. However, networking increases competitive ability, so competitiveness is still a factor in many IEO studies (Gertler et al., 2002)

Methods of Measurement: Networking & Self Efficacy

An appropriate way to gauge the networking capability of an individual is to ask whether they prefer to work alone or with the help of others. This question can reveal the respondent's capacity to utilize the help of others without asking them their opinion on the strength of their network (Taatilia et al., 2012). Self-efficacy is related to an individual's willingness to see certain tasks through completion (Zhao et al., 2005). Therefore, self-efficacy has a task-specific nature which allows it to be studied through questions about tasks related to the subject. In IEO studies, researchers like to ask about the subject's willingness to start a new venture on their own (Mutlutürk et al., 2018).

Interviewing CEOs and Managers

Researchers consider the point of view of managers as key determinants of EO in a firm (Zahra, 1991). Managers' perspectives on their external environment impact the opportunities available to a firm (Romanelli, 1987). In some studies of EO, CEOs were asked about their perceptions on their environmental factors; stability of the market (Keats et al., 1988), technological opportunities, and industry demand growth (Zahra, 1991). Researchers found evidence that the perspectives of managers on these dimensions directly influence the EO of family firms. For example, (Blake et al., 1995) found that family businesses who perceived their environment to be unstable yet full of opportunities became more engaged in innovative than families who thought their environments were stable and offered fewer opportunities. (Kellermanns et al.,2006) similarly found firms perceiving higher levels of technological opportunities were displaying higher levels of entrepreneurship.

While the manager's perspective of the competitive environment is important for EO, so are the internal characteristics of the firm (Lumpkin et al., 1996). Many of these characteristics are influenced and determined by leaders in a firm. Leaders with many financial and managerial resources can better support their firm in growth and other entrepreneurial efforts renewal (Stevenson et al., 1990). Leaders can also provide access to financials resources making their business more sustainable and able to overcome other constraints such as lack of raw materials or human resources overcome (Wiklund et al., 2005). Thus, the entrepreneurial capacity of an individual may be tied to the entrepreneurial capacity of a firm.

EO in Family Business Research

There is already an existing body of research works that explore EO within the context of family firms. These works mainly focus on researching how family involvement and mindsets directly influence EO (Huang et al., 2014). In 2018, Hernández-Linares and López-Fernández reviewed all the articles examining the confluence of EO in family business, 78 at the time. The papers studied by Hernández-Linares and López-Fernández concluded that EO is overall less intense in family firms (Garcés-Galdeano et al., 2016). After examining each dimension of EO inside of family businesses, many researchers found evidence of lower levels of risk taking, innovativeness, and competitive aggressiveness. On the other hand, results were well mixed for levels of proactiveness and autonomy (Hernández-Linares et al., 2018). Conclusions about the consequences of EO in family firms are also mixed. Scholars have opposing views on whether EO is more influential in family firms or in non-family firms, and whether EO can even be measured by the same dimensions in family firms (Hernández-Linares et al., 2018).

Many existing studies do not provide conclusive data on levels of EO in family businesses because they place constraints (or "moderators") on the extant to which the unique elements of family business, such as family involvement and mindsets (Hernández-Linares et al., 20108).

Transgenerational Effect on EO

EO is an interesting concept to research in family businesses because of the different effects internal and external environments have on each generation of a family firm (Hernández-Linares et al., 2018).

Studies on EO in Family Business also found important generational differences in family business culture that affected a business's ability to act entrepreneurially (Nordqvist et al., 2010). Some studies found early owners of family businesses had higher EO while later generations were more focused on family issues and had lower EO (Martin et al., 2003). Other studies noticed more variation in entrepreneurial attitudes from generation to generation depending on the family. One reason for the variation is families that are not very entrepreneurial have a chance to renew their strategies if young generations are involved in changing the whole culture of the business (Nordqvist et al., 2010). EO is directly influenced when family businesses strive to create cultures that stress sustaining and growing the business over several generations (Nordqvist et al., 2010). Families who realize the importance of entrepreneurship can imbed innovative cultures into their businesses and create opportunities for strong transgenerational entrepreneurship (Nordqvist et al., 2010).

The effects of family ownership on a business over several generations is positive when knowledge (of products, customers, and competitors) is transferred and renewed from generation to generation. This wealth of idiosyncratic knowledge creates a unique competitive advantage

(Nordqvist et al., 2010) and effects the dimensions of EO. In these ways, family business are in a better position to sustain entrepreneurial mindsets throughout time than non-family firms.

Business and entrepreneurship scholars alike agree that businesses owned and operated by families have unique mindsets and traditions affect entrepreneurial activity. Family businesses have been observed going through different phases ("stages") of strategic behavior and innovation as control of the business is passed down from generation to generation (Bammens et al. 2008; Gersick et al. 1997). However, one shortcoming of entrepreneurial research in the family business field is the exclusion of the transgenerational effect on entrepreneurial performance (Salvato, 2004; Kellermanns et al., 2006).

Current Research

Research Questions

1. How do levels of EO and identification as a family business change in individuals (IEO) throughout different generations of a family business.

2. How do family business elements relate to the IEO of family members involved in family business?

Rationale for Research

Family Business and Entrepreneurial Orientation have been researched together in at least 78 scholarly papers (Hernández-Linares et al., 2018). But, the unique nature of the family business environment gives way for more antecedents and variables to control during research (Hernández-Linares et al., 2018). More research is still needed to understand how all the elements in family business effect EO. To further stress the progress still needed in EO and FB research, I should also point out how individual elements in FB that drive/constrain EO also need to be examined under the lens of transgenerational ownership (Hoy, 2006). Change happens when new owners take over, and family businesses don't see an exception to this business rule. My research will enhance the existing research on EO by examining the generational effect of ownership on EO in individuals in family businesses.

The original questionnaire from Covin and Slevin (1989) must be altered to study IEO. Bolton and Lane proved set of questions appropriate to use on university students and individuals who want to assess the strength of their EO. To expand the body of research on the fairly new concept of IEO, I will use pre-tested survey questions about IEO as well as questions gauging the influence of the family on the business to analyze how the transgenerational family business environment influences IEO.

Methodology

In order to measure the level of entrepreneurial ability possessed by individuals in family businesses from a generational perspective, I surveyed individuals from 5 different family businesses using questions based off theories and metrics from Individual Entrepreneurial Orientation (IEO) research. The questions and scales have been used and validated in past studies and research papers on entrepreneurship and IEO. To expand this research and enhance understanding of how EO acts in family businesses, I will be using the exact same scales in my research.

To further control the results of my data and to be able to draw conclusions between levels of entrepreneurial ability in individuals and the success of the family businesses, I asked participants to explain how strong the "family" elements of their family business were. In my research, I uncovered specific characteristics and tendencies that occur in family business. By isolating businesses that exemplify the most ties to the family aspect of their business I can potentially see how IEO acts in “true” family business conditions.

With the assistance of advisor; Petru Sandu, I connected with family businesses involving at least two generations of family members in ownership and/or operation to study IEO in the different generations. Two individuals from different generations of five family businesses completed and returned surveys.

After collecting the surveys, number answers to the scale-type questions were put into Excel and compared. I was able to come to conclusions about the ability of the individuals to perform entrepreneurially across two generations. I considered an element of IEO to have a notable change across generations if the number-answer spread between generations is at least 3, and if the spread is present in at least 2 of the businesses.

Then, I considered the number of family business governance mechanisms in place compared to the entrepreneurial capacity of the individuals involved in the family and the business. This allowed me to connect family business success to entrepreneurial capacity of individuals.

Respondent Pool

Family Business	A	B	C	D	E
# of employees	141	250	30	80	30
industry	Software	Electric	Lumber	Landscaping and Grading	Food + Beverage Marketing
oldest generation involved	2nd	4th	4th	4th	2nd
generations surveyed	1st & 2nd	3rd & 4th	2nd & 3rd	3rd & 4th	1st & 2nd
family-owned	X	X	X	X	X
employee-owned	X	X	X		

Respondents were involved or are currently involved with their business. Various roles held by respondents included CEO, Board Chairman, Employee Culture Director, and Account Executive, and Marketing Representative.

Data Analysis/Conclusions

The complete list of responses to questions 7-13 may be found in Appendix 3. The most relevant data was selected for the following conclusions. Allusions to responses given to the open-ended survey questions are made in the conclusions when relevant.

Conclusion 1: Individuals from family businesses are risk-adverse throughout generations

None of the individuals rated above a 5 for risk-taking, a result that echoes the findings of other scholars who came to the same conclusion about EO in family firms (Nordqvist, 2010; Kacaner et al., 2012). Along with being risk adverse, individuals from four of the businesses cited outsiders as a source of success for their family-owned business in the written-answer portion of the survey. One business had a non-family CEO, and the others appointed outsiders to their BODs and other leadership positions. Families who involved outsiders in key business roles said it was important for their business to broaden knowledge and perspective. Broadening horizons is an entrepreneurial activity because it can lead to growth and opportunity development. Broadening horizons is also a risk-diversion tactic. All firms employing outside help were in at least their 3rd generation of ownership. Diversified businesses and business who build a deep understanding of their environment are able to anticipate and prepare for more adversity. The risk-adverse individuals surveyed agreed their family's choice to value outside opinions was beneficial to either the future or the culture of the business. Three of the businesses brought in outsiders recently while the other valued employee and community ownership from the beginning. The former group exemplifies the theory that multi-generational businesses benefit from a long-term view of risk because they may think differently about the time they have to experiment.

Conclusion 2: Higher proactiveness in individuals correlates to family business elements

Family Business	A	B	C	D	E
Governance Committee/other	X	X			
Board of Directors (BOD)	X	X	X	X	
Family Council		X	X		
Family Assembly		X	X		
Consitution/Succession Plan		X*	X		
Question 13: Planning**	5.5	5	5	5.5	4
* = in progress					
**= avg. of family's answers					

Most individuals surveyed were highly proactive; only one out of ten individuals self-reported as less than four on any of the of the four survey questions on proactiveness. Question 13 asked respondents to rate their planning technique from 1 to 7, with 1 being a strong preference for reacting to current problems, and 7 being a strong preference for anticipating future problems. On this question, there was a correlation between the amount of governance in the business and the capacity of the individuals in the firm to act proactively. Individuals from Family Business E both reported a 4 on Question 13. Family Business E was the only business who did not report having governance mechanisms in place. Family Business E was also the youngest business surveyed alongside Family Business A. But, individuals from Family Business A reported a 5 and 6, respectively, for Question 13. Although Family Business A was younger, the entrepreneurial capacity of individuals within the business have started giving the firm a strong foundation.

Conclusion 3: Notable networking preference change between generations in a family business

Family Business	A		B		C		D		E	
Governance Committee/other	X		X							
Board of Directors (BOD)	X		X		X		X			
Family Council			X		X					
Family Assembly			X		X					
Consitution/Succession Plan			X*		X					
	Gen 1	Gen2	Gen 1	Gen2	Gen 1	Gen2	Gen 1	Gen2	Gen 1	Gen2
Question 8: Self Efficacy	7	5	2	3	4	6	3	3	7	3
Question 9: Networking	4	4	1	6	4	6	5	2	1	6

When it came to the self-efficacy/networking measures, responses were mostly mixed. All but two individuals from one business reported similar or same willingness to start a new venture. In family businesses B and E, the older generation reported a one on Question 9 which means they strongly prefer to work alone. The younger generation in the same businesses reported sixes on the same question. Family business B is a fourth generation-owned business whose new owners recently installed a governance committee and a plan to draft a family constitution. This family business is benefitting from releasing control to a younger generation who is clearly different from their predecessors in terms of the IEO networking element. In family business B, an increased networking preference indicates a stronger EO in the individual from the younger generation. By installing a succession plan and family committees to make the business more and proactive, the fourth-generation owners improved the overall EO of their family business.

Conclusion 4: Family elements correlate with business longevity, IEO

One or both individuals from family businesses A, C, and D placed especially strong value in being employee and /or family-owned in their open-ended responses. The other two did not report their firm or themselves as having values or policies directly influenced by family.

Family businesses C and D had the strongest emphasis on family values, as well as strong articulation of the importance of the families' continued ownership in their answers to the open-ended questions. Individuals from family business C were the most enthusiastic about the structure and communication in their company. On Question 7, both generations believed family values made a crucial impression on their business.

Family business C was also the only one out of the five businesses to have stewardship as an official company value. As discussed in the literature review, stewards install measures that give stability and strength to their business because they want the business to survive and benefit future generations (Craig n. d.). Family business C not only had enthusiastic family-member-employees and strong family values. They also utilized the most, best articulated family business governance mechanisms. Both individuals scored high on most of the IEO measures. Family business C was owned by the third generation; the next-oldest business to family business D which was owned by the fourth generation of the family. I would like to note that family business D produced the only other individuals who mentioned stewardship in their open-ended response. Although not an official value of the company, individuals from family business D both mentioned the desire to be stewards of their company. Family business D, however did not have as many governance mechanisms. The individual surveyed from generation 3 of family business D expressed irritation with the fact generations 2 and 3 inherited the family business as opposed to buying out the predecessors. However, generation 3 was able to change things and install measures obligating future generations to buy ownership of the business. This is another unique example of how risk is controlled over time in multi-generational businesses. On the whole, the important family business value of stewardship had a visible link to business longevity, family happiness, and governance structure in my study.

Implications and Suggestions for Further Research

Family business and entrepreneurship are two concepts that can be studied within each other under a countless number of contexts Overall, my study found family businesses elements to have a positive impact on the EO of individuals in family businesses. For future studies, I suggest variables in family business and the variation in external environment be isolated as much as possible. To get a better view of how EO acts in different family businesses, researchers should segment by factors like average retirement age of owner and level of competition in the externa environment. Because Langkamp and Lane proposed their scale be used to help educate and improve business activities, it would also be appropriate to use the IEO scale to gauge effectiveness of business education. Thus, the survey could also be used to gauge the effectiveness and quality of governance mechanisms in a business if the business sees increasing entrepreneurial ability as a goal of the firm. It would also be useful to spend time surveying individuals from businesses over time or immediately following leadership changes to gauge family's entrepreneurial capacity during difficult times.

Appendices

Appendix 1: Covin and Slevin's Original EO Survey

Innovativeness Measures

a. In general, the top manager of my firm favor…

1. A strong emphasis on the marketing of tried-and-true products	1 2 3 4 5 6 7	A strong emphasis on R&D, technological leadership, and innovations

b. How many new lines of products or services has your firm marketed in the past five years?

2. No new lines of products or services	1 2 3 4 5 6 7	Very many new lines of products of services

3. Changes in product or service lines have been mostly of a minor nature	1 2 3 4 5 6 7	Changes in product or service lines have usually been quite dramatic

Proactiveness Measures

a. In dealing with its competitors, my firm…

4. Typically responds to actions which competitors initiate	1 2 3 4 5 6 7	Typically initiates actions to which competitors then respond
5. Is very seldom the first business to introduce new product/services, administrative techniques, operating technologies, etc.	1 2 3 4 5 6 7	Is very often the first business to introduce new product/services, administrative techniques, operating technologies, etc.
6. Typically seeks to avoid competitive clashes, preferring a "live and let live" posture	1 2 3 4 5 6 7	Typically adopts a very competitive, "undo the competitors" posture

Risk-Taking Measures

a. In general, top manager of my firm have…

7. A strong proclivity for low-risk projects (with normal and certain rates of return)	1 2 3 4 5 6 7	A strong proclivity for high-risk projects (with chances of very high returns)

b. In general, top managers at my firm believe that…

8. Owing to the nature of the environment, it is best to explore it gradually via cautious, incremental behavior	1 2 3 4 5 6 7	Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's objectives

c. When confronted with decision-making situations involving uncertainty, my firm…

9. Typically adopts a cautious, "wait and see" posture in order to minimize the probability of making costly decisions	1 2 3 4 5 6 7	Typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities

Proactiveness Measures

a. In general, the top managers of my firm have…

10. A strong tendency to "follow the leader" in introducing new products or ideas	1 2 3 4 5 6 7	A strong tendency to be ahead of other competitors in introducing novel ideas or products

Competitive Aggressiveness Measures

11. My firm is very aggressive and intense competitive	1 2 3 4 5 6 7	My firm makes no special effort to take business from the competition

Appendix 2: IEO Survey Given to Family Businesses

Background Questions

1. Please give a brief history of your family business including name, age, mission/values, and current generation of ownership.

2. How many family members are currently involved in the business? What generations do they come from, and what are their roles?

3. What is your role in the business?

4. How would you asses the family dynamics? Is there harmony? How does family and business overlap and/or stay separate?

5. What kind of governance guides the business?

6. Is there any family life governance? ie family assemblies, family meetings, and family constitutions.

Family Business Measures

Please describe the extent to which your business identifies as a family business...

7. Family values and beliefs…

Do not make an impression on the branding and culture of the business	1 2 3 4 567	Are crucial to the brand and culture of the business

Self Efficacy Measures/Networking

8. Starting a venture on my own would be terrifying.	1 2 3 4 567	I know how to successfully launch new ventures
9. I often choose to spend time and complete tasks by myself	1 2 3 4 567	I actively use my social networks to help me solve problems and seize opportunities

Innovativeness Measures

a. In general, I favor…

10. traditional and proven ways of doing things	1 2 3 4 5 6 7	New and unusual problem-solving approaches

Proactiveness Measures

a. In interactions with other people, I typically find that I…

11. respond to actions the other people initiate	1 2 3 4 5 6 7	Initiate actions to which other people respond
12. Am slower to adapt to new technologies and try new products	1 2 3 4 5 6 7	Am the first one to begin using new products, services, and technologies

b. When planning, I usually…

13. am formulating ways to react to current problems	1 2 3 4 5 6 7	Am formulating ways to act on and anticipate future problems, needs, or changes.
14. sit and wait for someone else to start first	1 2 3 4 5 6 7	“step up” and get things started asap.

Risk-Taking Measures

a. In general, I…

15. believe in taking calculated, safe steps to achieve goals	1 2 3 4 5 6 7	Have a strong proclivity for high-risk projects
16. need to take as few risks as possible because of the nature of my environment	1 2 3 4 5 6 7	Need to take bold risks to exploit opportunities in my environment.

Appendix 3: Raw Data from Survey-Questions 7-16

		A		B		C		D		E	
		Gen 1	Gen 2	Gen 3	Gen 4	Gen 1	Gen 2	Gen 1	Gen 2	Gen 1	Gen 2
Family Values and beliefe	do not make an impression	1	2							1	
Question 7											4
	make a crucial impression			6	7	6	7	7	6		
Self Efficacy	new venture= terryfying			2	3			3	3		3
Question 8						4					
	new venture= no problem	7	5				6			7	
	work by myself			1					2	1	
Question 9		4	4			4					
	work with others				6		6	5			6
Innovativeness	traditional rules								2	1	
Question 10		4	4	4	4		4				
	new techniques					6		5			6
Proactiveness	others initiate				2						
Question 11			4			4	4		4	4	
	I initiate	5		5				5			6
	late adapter						3	3		3	
Question 12		4							4		
	early adapter		6	5	5	5					7
	reactive										
Question 13										4	4
	proactive	6	5	5	5	5	5	6	5		
	sit and wait										
Question 14				4							
	step UP	6	6		5	6	6	6	6	6	6
Risk-taking	calculated, safe steps	3			2	3	3	2	2		
Question 15			4	4						4	
	high-risk projects										5
	envrionment doesn't allow risk			3	3	3		3	3		
Question 16		4	4				4				4
	bold risks exploit opportunities									5	

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