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# **Entrepreneurship and Rural Family Identity: Understanding Portfolio Development in a Family Farm Business**

By Sarah Fitz-Koch, Sarah Cooper and Allan Discua Cruz

## **1. Introduction**

Portfolio entrepreneurship introduces an alternative perspective to the formation of business groups and has recently received increasing attention in the family business context (Rosa et al. 2014). Portfolio entrepreneurship - the simultaneous ownership of several businesses - is a unique phenomenon that is not only justified due to its role in value creation but also due to its potential to advance considerably our understanding of the broader entrepreneurship (Cater and Ram 2003; Sieger et al. 2011) and strategy fields (Rosa et al. 2014). Existing research has found that habitual entrepreneurs may be distinguished from novice entrepreneurs with regard to their motivations or growth aspirations, which in turn affect their entrepreneurial strategies (e.g., Wiklund and Shepherd 2008). While usually studied at the individual level, portfolio entrepreneurship also occurs in collective contexts, such as within families (Rosa 1998; Discua Cruz et al. 2013; Rosa et al. 2014). In a family business context, this switches emphasis from a “family business” to a “business family” and permits the study of multiple venture creation events by enterprising families, rather than simply growth of a single business.

Studies in the agricultural context highlight the importance of multiple business ownership “as a strategy for entrepreneurial expansion within what is commonly seen as a stagnating or declining sector” (Carter 1999, p. 427). The agricultural industry has recently undergone massive alterations that have affected both farm businesses and the lives of farming families. Decreasing income from farming and the pressure to respond to a changing macro-environment, force farming families to engage in new and diversified business strategies to ensure new sources of earnings and transgenerational continuity of the

family firm (Suess-Reyes and Fuetsch 2016; Fitz-Koch et al. 2017). Scholars have, thus, consistently reported that many farm businesses combine agricultural production with other income-generating activities and that such a diversification strategy has an importance in creating new enterprises and new employment (cf., Cater 1998, 1999). In general, the exploitation of new business opportunities in agriculture is complex, because entrepreneurial diversification can be a necessity for some farms when traditional farming is no longer viable: however, for other farms diversification can be driven by opportunity and adventure (Rosa et al. 2013).

Scholars agree, moreover, that the farming identity seems strong despite this diversification. It is shown that the identity category “farmer” provides meanings which encompasses many additional activities, products and services (Brandth and Huagen 2011). Farmer families’ identity is traditionally related with stewardship, looking after and taking care of land, and kinship, keeping the family’s name on land, which is expressly reflected in the kind of opportunities farmers pursue (Fitz-Koch et al. 2017). Regardless of whether the “farmer” or the “entrepreneur” identity is dominant, farmers retain a strong commitment to the rural identity (Vesala and Vesala 2010). Thus, identity is an important contextual dimension of agriculture (cf., Fitz-Koch et al. 2017).

Despite the progress made within the general subject of family business groups, our understanding is far from complete. Current literature has overly stressed larger family firms, and the “design school of strategy”, with its relatively simplistic determinism between formal planning processes and outcomes and paid insufficient attention to the informal and emergent elements of strategy making (cf., Nordqvist and Melin 2010). However, the empirical phenomenon of business families engaging in portfolio development, does not imply that these firms are necessarily run by well-founded and formally-planned strategies. In the small family business context, portfolio entrepreneurship might be rather the result of unanticipated or traumatic events or evolving and diverging needs of family members. The impact of such events and family dynamics seems largely missing in current business family portfolio research (Rosa et al. 2014; Carter and Ram 2003) which would benefit from further in-depth studies of antecedents within the family context (e.g., Parker 2014; Akhter 2016).

To address this research gap and to better understand the dynamics and complexities of business families, particularly the development of business portfolios, we draw on social identity and identity

theory to answer the questions: how and why does identity influence family portfolio development? To answer these questions, the chapter builds on a relatively small but growing literature stream that takes into account that entrepreneurial activities are infused with meaning, because they are an expression of identity (e.g., Powell and Baker 2014, 2017).

## **2. A brief review of portfolio entrepreneurship and its role in the family business**

Portfolio entrepreneurship was largely ignored until the level of analysis shifted from the firm to the individual and group (Ucbasaran et al. 2008), and the realization that many entrepreneurs own more than one business (e.g., Birley and Westhead 1993; Iacobucci and Rosa 2010). The interest in portfolio entrepreneurship in family firms is based on the awareness that the business family that owns a business group is a suitable level of analysis, because of business families' strong engagement in long-term strategic entrepreneurship (e.g., Zellweger et al. 2012, Nordqvist et al. 2010). While the terminology of portfolio entrepreneurship used within different disciplines differs slightly, Carter and Ram (2003, p. 374) state that all describe "the core activity of portfolio entrepreneurship as an individual(s) simultaneously owning and engaging in a portfolio of entrepreneurial interests". Today, portfolio entrepreneurship is an ever-present characteristic of the economic landscape and entrepreneurship scholars agree on its economic and social importance.

Traditional management theories describe business group formation as a rationally planned and chosen strategy for optimizing the performance of the overall business. Iacobucci and Rosa (2005), for instance, showed that growth through the formation of business groups is a strategic choice facilitating geographical extension, product diversification and market differentiation. In the family business context, the conventional explanation for the existence of business groups emphasizes the control motivations of founding families, the benefits of leveraging a family business's internal capital, or to help establishing its reputation (Masulis et al. 2011). From an entrepreneurial perspective, however, the business group can be conceptualized quite differently. It can be conceptualized as the end result of an emerging process of entrepreneurial venturing over time, a process which is not rigorously planned, but more in line with an effectuation approach driven by the entrepreneurial household (cf., Alsos et al.

2014). Or, the business group may be the result of an entrepreneurial family pursuing different business opportunities based on family interests rather than on planned business objectives (cf., Discua Cruz et al. 2013). “In the entrepreneurial case the business group thus emerges not as a rational process, but as the outcome of a series of linked adventures” (Rosa et al. 2014, p. 4).

Reasons for engaging in portfolio entrepreneurship may include growth aspirations or the only survival strategy available, wealth and risk diversification and value maximization (e.g., Rosa 1998). Much of the wider literature highlights that portfolio entrepreneurs are interested in creating a pool of income-generating opportunities that enhance their overall economic progress rather than focusing exclusively on growing a single venture (e.g., Wiklund and Shepherd 2008). However, portfolio entrepreneurs may be motivated to own multiple businesses for reasons that have little to do with growth and diversification. Findings indicate that passion for starting new businesses plays a critical role in portfolio entrepreneurship. Multiple venturing efforts increase autonomy and the probability of doing things completely by free will, which in turn facilitate harmonious passion and, eventually, well-being (Thorgren and Wincent 2015). Also, entrepreneurs’ diverse and past experiences, as well as resource sharing among businesses, are found to be important drivers in devolving a portfolio (e.g., Alsos and Kolvereid 1998; Alsos and Cater 2006; Westhead et al. 2005).

In the family business context, families have a special propensity toward portfolio behavior due to their desire to diversify risk, to develop career opportunities for offspring, to facilitate succession and to find alternative ways for revenue generation. The additional income may be used to grow further the core business, to keep the family legacy intact, or it may simply be used by the family to secure the family’s continued existence, even under negative market conditions (Carter and Ram 2003; Mulholland 1997). Portfolio entrepreneurship also offers more opportunities for family members to become part of the business by creating a source of income for them (Carter and Ram 2003; Ram and Holliday 1993; Discua Cruz et al. 2013). Family firms may even be able to manage the portfolio entrepreneurship process more efficiently than non-family firms due to the greater control they exercise over resources and decisions (Iacobucci and Rosa 2010). Moreover, family firms benefit from their close social ties when developing a portfolio. Here, the social capital entailed in the development of portfolio entrepreneurship may be promoted by household and kin connections (Alsos et al. 2014; Discua Cruz

et al. 2013; Sieger et al. 2011). In addition, the establishment and management of multiple businesses makes the succession of family firms relatively easy, as it is a suitable strategy to help solve succession crises (Carter and Ram 2003; Zellweger et al. 2012).

In conclusion, family dynamics may have a meaningful influence “on both the decision to engage in portfolio strategies and also the processes which are used in the portfolio approach” (Carter and Ram 2003, p. 372). Therefore, owning and managing a business group can be a promising strategy to achieve long-term success and remain entrepreneurial in the long run and across generations. This allows for the complex patterns of portfolio entrepreneurship to emerge (Sieger et al. 2011).

### **3. Identity and the family business**

Our understanding of identity is informed by identity theory and social identity theory, two prominent and notably similar perspectives (Hogg et al. 1995). Tajfel and Turner (1979) made the distinction early on between personal identity, concerned with person-specific characteristics, such as interests, and social identity, which grew from an awareness of the reality of the group and of its distinctive contribution to social cognition and behavior (Haslam and Ellemers 2005). Much of these theories builds on Mead’s (1934) classic features of the “I” and “me” to describe the ability of the human self to become aware of itself through social interaction, capturing the social nature of the self as constituted by society. Both theories focus on the self, which mediates the relationship between society and individual behavior, and both theories regard the self as divided into multiple identities (Hogg et al. 1995).

In identity theory, a person’s understanding of and identification with a role is shaped by interactions with others who express a set of behavioural norms and expectations that help to define the role (Stryker 1980; Burke and Stets 2009). Identity theory sees the multifaceted self, composed of multiple identities arranged hierarchically in an identity salience structure (Owens et al. 2010). Identity salience is defined “as the probability that an identity will be invoked across a variety of situations” (Stryker and Burke 2000, p. 5), which allows some agency or choice. Thus, the more salient an identity the higher the probability of its being invoked (Owens et al. 2010). The salience itself is based on a person’s

commitment to the one identity (Stryker and Burke 2000).

A core argument of social identity theories is that individuals tend to classify themselves and others into various social categories or groups, “such as organizational membership, religious affiliation, gender, and age cohort” (Ashforth and Mael 1989, p. 20). Such categories or groups are not only external features of the world, they are also internalized so that they contribute to a person’s sense of self (Tajfel and Turner 2004). Hence, the self is socially defined where the definition originates from a person’s occupancy and membership of social categories, which are abstracted from the members (Hogg et al. 1995; Ashforth 2001). The process in which individuals identify with a social category or group is called “self-categorization” that neither requires nor excludes interaction with other persons in the group.

Applying Tajfel’s (1982) definition, research has conceptualized social identity into three components (cf., Schmidts and Shepherd 2013): a cognitive element - the knowledge of being a member of a category, an affective element - the emotions directed towards a group, as well as, the emotional importance associated with a group membership, and an evaluative element - the value associated with the membership of a social group. Several identity scholars stress also common fate as a component of social identity (the others being cognitive and affective), which is rooted in Sherif’s (1966) theory of intergroup relations (Jackson and Smith 1999). In the social identity theory of intergroup behavior, norms and values regulate the behavior of group members as they pursue common goals and react to in-group and out-group members. Hence, common fate means that a person’s own interest (self-interest) is based on group membership (Tajfel and Turner 2004).

In family business research, social identity has frequently been adopted by family business scholars, because it seems very relevant in this context. It is, for instance, vital to understand the classic depiction of the family business as a system of overlapping circles of family, business and ownership (Tagiuri and Davis 1982; Gersick et al. 1997). The actions of family members thus express both “business and family meaning” (Tagiuri and Davis 1996, p. 202). Hence, understanding the family business needs the recognition of the interplay and reciprocal influence of the two systems. An important feature of family business strategies is, therefore, that the business is influenced by family values, goals and traditions, and also that the business influences the family identity and its members (Hall et al. 2001). The three-circle model points also to the fact that roles are complex in family businesses and integrated roles of

family members are an inherent feature. Highly integrated roles may lead to “role blurring”, which refers to the difficulty in defining the precise content of each role and in separating roles from each other (Ashforth et al. 2000).

Accordingly, social identity theory further enhances our understanding of issues, such as conflicting identities in family firms. Holding the balance between the two dynamic entities of family and business seems to be a challenging task in family businesses. Overemphasizing any one of the three dimensions of family, management, and ownership may lead to higher levels of conflict (e.g., Gersick et al. 1997). However, a high level of integration between the family and business identity of an individual may also lead to strong commitment and fast decision-making (Sundaramurthy and Kreiner 2008). If a family is able to develop a “family-business meta-identity” (defining who one is as a family business), this may resolve identity conflict more effectively at the intersection of family and firm, expediting the entrepreneurial process (Shepherd and Haynie 2009).

That business families strongly identify with their firm has been stressed by numerous researchers in the field. The family’s long-term involvement and the common practice of including the family’s name in the business’ name enhance the identification of family members with the family firm as their social group (Zellweger et al. 2013; Deephouse and Jaskiewicz 2013). By identifying with the business, the family often comes to see the firm as an extension of the family itself (Berrone et al. 2010). A family firm plays an important role in the life of a family because the family members have usually participated, formally or informally, in the family business since childhood. Even if family members are not actively involved, their awareness of membership is strong, since they grow up with the firm. In this way, the family business becomes an integral part of their personal biography, history, and identity (e.g., Cannella et al. 2015; Zellweger et al. 2013). Importantly, family identification produces significant psychic income, and this noneconomic outcome may direct family members to prioritize transgenerational ownership over profit maximization (Gómez-Mejía et al. 2011). While the social identity literature usefully identifies reasons why family members draw their identity from the family firm it does not, however, assess why the family member’s identity actually influences the development of portfolio entrepreneurship.



#### **4. Portfolio development and family business - a case illustration of the Svensson farming family**

##### **Farming and the family business**

Family farm businesses are interesting to study because they illustrate enormous resilience and adaptability (Gasson and Errington 1993). Family farms are consistently transferred from generation to generation. Many family farms have survived beyond the third generation (or more), while operating in the same area for over a century and with multiple generations working together (Glover and Reay 2015). Previous work has found that the primary goal of farming families is to maintain independence and to pass the business onto the next generation (Gasson and Errington 1993). Thus, entering a farm business is not a choice open to everyone, family succession is almost always involved (Jervell 1999).

Family farm businesses are both very similar to and different from “other” family businesses. In the case of the family farm business, the degree of familiness can be derived along several dimensions, ranging from ownership, management, labor and inter-generational transfer to residence (Jervell 2011). Residence, more than any other issue, distinguishes the family farm business from most other family businesses. Farms are usually business premises and family homes at the same time. Moving the business is, therefore, hardly ever an option, because the value of the farm as a dwelling and its land is essential for farmer families’ identity (Burton 1998). In the agricultural context, living on the family farm business is the norm: it allows family members to manage typical farm work more easily and leaves more time for family life (Gasson and Errington 1993).

Economically, small-scale family farms, with their inherent efficiencies, are at a disadvantage when trying to compete with large farms (Glover and Reay 2015). However, to overcome falling incomes, families diversify their activities, as a transition out of farming, in order to remain in agriculture with additional income from other sources (Burton 1998). Within the farming sector, where the household is often used as the social and economic unit of analysis, the development of diversified business groups is usually seen both as a survival strategy for the household to offset the financial precariousness of uncertain and declining farm incomes, and as an active growth strategy of farming families to pursue opportunities and to foster their entire collection of businesses (Carter 1998). A vital feature of farm

businesses is the availability of physical assets in the form of farmland and buildings as well as social support and capital of family members. These resources are crucial in extending strategic growth options (Alsos et al. 2014; Carter 1999). For instance, land ownership offers farmers the choice of establishing additional businesses on the farm premises when pursuing new business activities.

Research shows families' commitment to farming as a way of life, with profit-seeking being not the key driver in farming families. In this context, entrepreneurship can enhance farmers' quality of life through owning and operating a business closely aligned to personal values and interests. Thus, entrepreneurial choices of farming families are based on personal needs, aligned with the primary goal of having a "good life" and keeping the family business "healthy and in good shape". This commitment results in loyal devotion to the business as well as interest beyond simply financial rewards. Self-actualization and intrinsic motivation may drive farming families to build portfolios, for personal achievement and farm survival, which confirms who they are (Fitz-Koch et al. 2017).

### **The Svensson business family**

"We strive to bring the family's proud cultivation traditions forward, while we are curiously looking into the future." (Svensson family)

"Svensson Gård" is a family farm business situated in a small village in the south of Sweden that has specialized in the production of potatoes and other vegetables such as root vegetables, leek and onions. On the farm there are also some cattle and outdoor pigs during the summer months, but everything centers around potatoes, because they are the family's biggest passion. Family documents about the history of the family farm reveal that the business has been in existence since 1775, when a forebear decided to become a farmer. Today the family business is managed by the 8<sup>th</sup> generation and comprises, besides the 90-hectare farm which is the core business, also a crisp (potato chip) factory and a retail shop. The family has two more permanent employees, and also employs several seasonal workers during the harvest.

The siblings Marianne and Peter took over the farm business from their father, Rune, in the early 1990s and gave the family business the name that it has today. When Rune took over the farm business from his father in 1950, he understood quickly that there was a need to be unique and different in order to survive being a small farm owner (the farm had even fewer hectares than today). During Rune's time, the farm produced a larger variety of vegetable as a result of continuously introducing new vegetables to the Swedish market. For instance, Rune was the first farmer in Sweden to grow blue potatoes and iceberg lettuce. This entrepreneurial attitude is ever-present in the family which is always curious to identify new opportunities and ways to exploit them.

“We must actively use the soil and take advantage of opportunities. This is the prerequisite for a living rural area.” (Svensson family)

At Svensson Gård it is normal to share work. Everyone has to help, regardless of age, gender or where one comes from - a golden rule in farming. Having always worked on the family farm, the family members have developed a deep and close connection with the land and the business, as well as acquired profound knowledge about the industry and business. This level of engagement has provided family members with the opportunity to identify their talents and also learn which kinds of work are most fulfilling. In the long run, everyone in the family is encouraged to find a role that brings them joy and fulfillment. The family believes that working at something one does not like, or find stimulating, will jeopardize family harmony and development of the business.

“What is the best for you and what you think is most fun, you should do. Then it will be most enjoyable for everyone.” (Peter)

“Our parents have always been very careful not to make a difference between my brother Peter and me. It was very important that we both did the same things. We drove equivalent tractors, sorted equivalent potatoes and everyone had to cook dinner also.” (Marianne)

Both Marianne and Peter have passed on the same message to their children, most of whom are already deeply involved in the family business. Marianne's three children, Lasse, Hilda and Ida, have all chosen to stake their future in the 'green' industry. Peter's son, Pelle, is still young and has not yet chosen his career path, but everything points to the fact that he will follow in his father's footsteps, taking the family's traditions forward. The activities at Svensson Gård are life-affirming, the family tries to approach its responsibilities in an optimistic way. A positive attitude and collective commitment are crucial for the development of a quality business, agrees the family.

“If there are shortages or problems in our business, we always get good and constructive feedback and operational readiness from the whole family and we can quickly correct things therefore.” (Peter)

In their own farmyard factory, the family refines the farm-grown potatoes and root vegetables into crisps. With their knowledge and love to the family business and the soil, their ambition is to produce quality crisps in a sustainable way. To do so, the family uses only cold-pressed rapeseed oil from another farm in the region, which provides a unique market position in the production of their premium crisps with 100% local and Swedish raw materials. Today, “Svensson Crisps” is the only crisp company in Sweden that can follow the entire in-house production chain, from the cultivation of potatoes to manufacturing and packing of the crisps. The family grows a large variety of potatoes and constantly tries new and old varieties to find the ones that are best suited to grow on their land. Svensson Gård is also the only business in Sweden that cultivate wild potatoes.

“We decided to start our own crisp factory because it allows us to be unique, having the whole chain at our yard.” (Hilda)

When Marianne's husband, Olle, decided to join the family farm, a retail shop was established. In Svensson's farm and online shop, the family sells their own potatoes, vegetables and crisps, as well as, a large selection of products from other Swedish farmers. Occasionally they sell also fresh meat from

their own cattle. Most crisps, however, are sold to delicatessen stores and most potatoes to the quality catering sector servicing hotels and high-end restaurants.

The family aims to bring the family's traditions forward and to develop a sustainable business portfolio (Table 4.3.1). Svensson's vision is to be a "living" agricultural family business today and tomorrow, which takes great care of itself and its surroundings. Knowledge, honesty and tradition permeate the entire portfolio. Their faith in pure, healthy and sustainable agriculture is strong. Everyone works hard to fulfill this mission and to sustain the family's values.

--- Please insert Table 4.3.1 here ---

**Table 4.3.1:** The family's business portfolio

### **Understanding portfolio development in the family business**

As discussed earlier, identity theory has become a key concept in describing and explaining human behavior and actions. It concerns also the passion, values, and attitudes that underpin motivations and goals with engaging in entrepreneurship. In this section, we will use identity and social identity theory to provide an understanding of the development of the Svensson family business portfolio. Taking an identity perspective, also highlights the meaning that the family and its members associate with the newly created businesses.

--- Please insert Figure 4.3.1 here ---

**Figure 4.3.1:** Portfolio development in the Svensson business family.

### **Family involvement and identity structures**

The timeline above (Figure 4.3.1) illustrates the development of the family's portfolio and highlights the entry of different family members into the legacy. It also reflects the fact that the development of the family's business group has not been formally planned, but has rather evolved organically, depending on the family's and family members' identity and commitment as well as an unexpected incident.

When Marianne and Peter took over the family farm in the 1990s, only the two of them and their father, Rune, were running the business. At that time, the 8<sup>th</sup> generation were not yet born and both Marianne and Peter still had their old jobs on the side, because the family business made insufficient profit to sustain the whole family. Marianne and Peter never had any doubts about taking over the family legacy when the time was right; however, for both, it was very important to gain some external experience first. Peter worked as a farm manager at another farm business and Marianne was an accountant at another company.

“To carry on our family business has been our goal since we were kids.” (Marianne)

To make a living from the farm and to be able to give up their old jobs entirely, the siblings decided to make major changes within the core business after a couple of years. Peter and Marianne, both of whom identified with the broader social identity of a business person, as a result of their past experience, decided to focus on potatoes and to increase the size of the farm, because this seemed more efficient as well as feasible with a larger number of family members involved. Having internalized the social identity of being entrepreneurs because of their family history, Peter saw an opportunity to introduce a unique selection of potatoes, including wild potatoes, and also to offer unique seed potatoes as another pillar. Enacting their identities allowed Peter and Marianne to build their new roles within the family business, which shaped its nature (Powell and Baker 2014) and laid the foundation for development of the portfolio.

“Peter's burning interest in potatoes means that we have many exciting old and new kinds of potatoes to offer in our farm and online store.” (Svensson family)

Considering how best to professionalize their little “shop” on the farm, in order to promote more effectively their potatoes and products such as the crisps that were produced off-site, Olle (Marianne’s husband) saw an opportunity to join officially and expand the business, creating a new role within the family business context, demonstrating individual pursuit of identity. Under the leadership of Olle, the family decided to register and establish the retail store as another company, “Svensson Butik”. Because of his passion in sales, the family runs a store that offers much more than only their own products, as well as an online shop. Today their crisps are offered for sale in diverse delicatessen and selected stores in Sweden, Finland, Norway and Germany.

“I really enjoy selling. ... This store gave me also the opportunity to own my own company and be “officially” part of the family business.” (Olle)

A key event in the development of the business group was the unexpected closure of the nearby crisp factory that produced the crisps for the family from their own potatoes. This left the family with the choice of finding another manufacturer or becoming a manufacturer themselves – ceasing production was not an option, the crisps were selling well. Because the family was unable to find another suitable partner, they decided to invest in building their own factory. Peter had always been interested in production of the crisps, hence, it was not difficult for him to identify with being a manufacturer. With the help of the former crisp factory owner, whom the family employed as a consultant in the first year, Peter was able to pursue his interest, building his role as a crisp manufacturer in the new business. Today he passionately leads the newest business of the group, Svensson Crisps, to produce pure and excellent crisps.

“Our desire is that each potato and root vegetable’s natural flavor and unique character are delivered and that the craftsmanship behind the growing and processing will be felt in every crisp’s taste.” (Svensson family)

Overall, social identities are the family members' source of inspiration for new role identities, which lead them to transform the core business and to establish new satellites in a manner that created these desired roles (cf. Powell and Baker 2014). For instance, Peter's previously suppressed identity remained in the background, only to emerge in a powerful way when he saw the opportunity that provides a context to build his new role as a manufacturer, or Olle's role as a sales manager. Through the enactment of roles, individuals learn about themselves, and create their identities, in the sense that an understanding of who the self is becomes mediated through the roles. Continuously learning who they are, individuals seek opportunities to enact the roles they identify with and value most, and then integrate new ones with their other roles (Ashforth 2001; Turner 1978). Integrating effectively the new roles, because they are meaningful to them, each family member has a set of identities that are salient in their everyday work and shape together the business portfolio. This salience is based on the equal commitment to their different identities (Stryker and Burke 2000).

“We are not that big and I have therefore multiple roles in the company. It would be difficult to find a person that can do all the things.” (Hilda)

Members of the 8<sup>th</sup> generation, Lasse, Hilda and Ida, are by now fully integrated into the different businesses, but none of them are business owners yet. Lasse and Ida are both responsible for the cattle breeding and Ida is currently studying agriculture at university. Hilda studied business economics and horticulture and is now mainly responsible for branding and other marketing activities. She identifies as a farmer; however, she mainly works in the office, but helps out on the farm and in the store when needed. Hilda is planning to run the café/restaurant that the family will establish on the farm in the near future. She feels this is what she is best at and what she enjoys most. Establishing the café/restaurant will extend the business group to encompass another company.

“They wanted to be a farmer [Lasse and Ida] since they could talk. The animals are their [Lasse and Ida] interest, because it's not my mother's, my uncle's or my personal interest. ... They want to extend



that area. ... [A] business economist would be me my role.” ... [And] I think everyone is entrepreneurial, but then we complement each other very well.” (Hilda)

In general, the family members’ identities play an essential role in the provision of human and physical resources and also in the mobilization of financial capital required for the development of the family’s portfolio. Thereby, their identities are an important source for the creation of patient capital which fosters entrepreneurial development in the family’s business legacy. Being farmers and entrepreneurs at heart, the family members willingly integrate their new roles, because this allows them to justify how they are and who they want to become. In this way, the different personal identities that are needed for the development also complement each other perfectly (Table 4.3.2).

--- Please insert Table 4.3.2 here ---

**Table 4.3.2:** Identity structure of family members, the set of identities that is chronically salient to each family member in her/his day-to-day work.

### **The cognitive element of identity**

The cognitive component consists primarily of the awareness of being a member of a group (self-categorization) (Tajfel 1982). Although family businesses vary across a range of characteristics, there are two ways in which family members usually categorize themselves (e.g., Shepherd and Haynie 2009). Because family businesses consist of both the family and the business entities, members tend to categorize themselves by means of being family members and business members. All Svensson family members relate their identification with the core business to their upbringing, their involvement and the close relationship between family members. In our case, every one of the family is actively involved in the core business and most members are also in the new businesses: the business group, therefore, represents a central aspect in their self-categorization. The strong identification might also be attributed to the use of the family name as the business brand (for all three businesses) and particularly to the fact

that the family farm is the business premises and family home at the same time. For eight generations every family member has worked and lived in the same place.

In our case, the family identity and business identity are inseparable, which is an important driver for development of the portfolio. When the different identities are highly integrated, and “familiness” is a strong component of identity, it provides a solid foundation for organizational decision-making. It reduces substantially conflicts in families, enhancing the ability to take advantage of entrepreneurial opportunities (Reay 2009; Shepherd and Haynie 2009; Sundaramurthy and Kreiner 2008). In the Svensson case, the identities seem almost identical: the values and what defines the family, defines the business group. As a result of such a high level of integration, there is no identity conflict in the family businesses; the behavioral demands of the family role do not make it difficult to satisfy the expectations of the other role, that of being a business member. Thus, the roles of family and business are mutually reinforcing in the Svensson case. New business opportunities do not trigger identity conflicts because they are perceived to be consistent with the family, business and personal identity. Thus, the business exists for the Svensson family to maintain their reason for existence and to carry forward their tradition and values that have been handed-down from generation to generation. That all three different businesses are also part of their selves is visible through the fact that all family members talk about “the company”, referring to all three firms. Despite the fact that the businesses are registered separately, they are perceived as one company by all family members.

“... It’s not just a company and if we should go bankrupt or something like that it would feel horrible because we would lose not only the company but we would lose our family farm and our homes and also big a part of our identity because it has been part of our lives.” (Hilda)

“It [the company] feels like a family member.” (Peter)

Thus, the new satellite businesses fulfil the need for identity confirmation. People prefer and seek situations that are consistent with how they define themselves based on group membership (Tajfel and Turner 1979) and roles (Ashforth 2001). Hence, people are most concerned about supporting identities

that are core to their definitions of themselves and that are contextually salient (Markus and Kunda 1986). In this way they create and live within environments that are aligned to their identities, seeking to support these (Goffman 1959). The Svensson family love to operate in the agricultural sector, being farmers is core to their definition of their selves. Portfolio development creates the context that confirms who they are and have been over generations, as well as providing scope for new members to develop new activities which reflect their sense of self. The new satellites are critical to maintain their core business, the farm, and with it the family definition of being farmers, because the farm is too small to be profitable on its own and in a position to employ all family members. However, the farm not only depends on the new satellites, the success of the new satellites is also strongly dependent upon the core business. Hence, they create synergies, mutually supporting each other. This reciprocal relationship is critical to the family's identity, creating an inextricable link between the family and the business group.

“... We usually say that the company is built on four pillars and it's the farm shop, the seed potatoes, the crisp factory and then it's the farm itself and the one that we feel, yeah, that is the closest to our hearts, ... of course, but we are too small to be profitable just from farming, so we have to do the other bits as well.” (Hilda)

“All parts of our farm (business group) are important to each other.” (Svensson family)

### **The affective element of identity**

The emotional involvement of family members also seems to encourage portfolio development. An emotional connection arises due to the type of industry in which the family operates, and the passion and enthusiasm that the family has for it as well as their activities within it. An emotional connection also arises from the length of time for which the business has been in operation. Most family members suggested their higher level of emotional attachment and positive evaluation of the business is due to the fact that it had been in existence for a number of generations. Therefore, the business had become an integral part of not only their own lives, but of the history of the family – leading to the business

taking a more central role in their self-categorization. All family members are highly aware of the achievements of previous generations, which appears to have strengthened the importance of the business dimension. Such long-term identification with the business self-reinforces family values, leading to an enhanced self-concept and self-esteem from that dimension (Gómez-Mejía et al. 2007).

“I am very proud when I talk about Svensson Gård because it’s a big part of me and if Svensson Gård is doing well, I feel great. ... I feel pride of maintaining it in a good way and developing it into the future.” (Hilda)

In our case, there is tremendous trust, dependability, emotional ownership, commitment and caring between family members. Their shared identity and very strong identification enables an integrated context based on kinship, familiarity, interests and history (cf., Tagiuri and Davis 1996). The Svensson family ties and their shared experiences, such as feeling deeply rooted in the rural space, build emotional bonds that enable the family members to feel and think like each other, which allows them to identify with common goals, norms and values. When individuals take on a collective identity, experience the same reality, and observe one another’s emotions and behaviors, a sense of common destiny and empathic connection arises (McKinnon and Heise 2010). The shared purpose or common fate and pride, thus, fosters the development of the portfolio because the shared group membership is extremely high (Turner 1978).

## **5. Discussion and Conclusion**

Studies about identity in family businesses deal with a basic question: “who are we?”. For farmer families that develop a group of businesses over time, identity deals with how they come to see and understand themselves as agricultural entrepreneurs and hence concerns the values and attitudes that underpin motivation, intentions and goals for engaging in portfolio development. In answering the questions, how and why does identity influence family portfolio development, this study reveals the important role of identity for entrepreneurial business growth in the family context. Understanding

portfolio development in family firms means acknowledging family business dynamics. An identity perspective allows consideration of such dynamics and provides new insights by detailing when and how identity potentially catalyzes portfolio entrepreneurship, shaping the business portfolio. The identity perspective also helps to elucidate how a family business group unfolds and the meaning family members assign to it.

We show that the formation of family business groups can be the outcome of an emerging strategy that is aligned to family members' values and interests as well as the context in which they love to operate. Identity is a profound driver to engage in portfolio entrepreneurship, because it allows the family and its members to justify who they are and to become who they want to be. Specifically, the identity enactment process of the diverse identities in the family form the entrepreneurial growth strategy. Here, the firms basically serve as vehicles to retain their roots and also to create new roles that have not been present before. Thus, the new satellites are dependent on the core business (in our case the family farm) but extend beyond the agricultural sector into new industries - mirroring the set of identities that is salient to family members in their day-to-day work (cf., Powell and Baker 2014). Importantly, the high level of identification with the core business and shared family identity is a key advantage in entrepreneurial development and for integrating different identities. Thereby, development of the portfolio allows business growth and retention simultaneously over time, ensuring transgenerational continuity of the family farm. We reveal, moreover, that frequently portfolio development is not formally planned, but evolutionary and resulting from unanticipated events and the involvement of new family members.

Having a sense of social identity of being part of a family in business shapes the behaviors and beliefs the family has about entrepreneurial growth, which can nourish the development of a business group. In terms of growth, the approach to entrepreneurial business diversification in this study suggests that shared family identity and values of being entrepreneurs influence the cycle of business diversification by incoming generations. Junior family members may internalize the values and norms of the senior generation in the family business, through shared experiences and a common language in business (Discua Cruz et al. 2013), which gradually shapes a family identity to consider more than one business opportunity over time. In doing so, the shaping of an identity around being a business family develops.

Growth may be fostered by an identification with a group of individuals that have experienced the process of diversification to develop the family assets with which they have been entrusted, such as the farm and its land. Hence, entrepreneurial diversification is not only an external feature of the business but it is also internalized so that it contributes to the family members' sense of self (Turner 1984). The experience of inheriting a business over generations may have also a powerful influence in growing the value of the family assets over time.

The identity of the business family is also shaped by the engagement in a rural lifestyle (Fitz-Koch et al. 2017), which creates a strong bond between the place, the farm and the family, as well as the way in which entrepreneurial diversification is pursued. In terms of wealth retention, the length of time the farm has been in existence creates a desire to continue the "legacy", to take care of the land and to keep the farm in the family. As the core business is considered an essential part of the family and its history, the loss of the farm and its land is not an option, since this would mean a loss of identity too. A desire to preserve continuity of the self-concept is an important motivator of action (Breakwell 1986). Thus, choosing to remain in one place, entrepreneurially safeguarding and developing family assets into new ventures that are connected to and depended of the core business, allows wealth retention and provides a sense of continuity to the family identity.

Because of this link, the new ventures reinforce the family's identity and roots which leads to enhanced self-esteem for the family. However, the core business also depends on the new ventures. This creates synergies and a reciprocal relationship that foster development of the business group. In general, this reflects the articulation of an identity linked to belonging to a business family in agriculture that has developed an understanding of how the farm and its land can provide resources for family welfare and also diverse business opportunities extending the familiar context without losing one's roots. As a family expands over time, new generations introduce in new interests and develop new ideas, but which relate to the core business.

Our study contributes to understanding of family business groups by highlighting key aspects of family identity that help to explain entrepreneurial growth in the agricultural context. While studies on family portfolio entrepreneurship have mainly focused on general antecedents for engaging in portfolio entrepreneurship (Akhter et al. 2016) or applied a resource-based view to the development (e.g., Sieger

et al. 2011; Alsos et al. 2014), our study provides a novel approach by applying identity theory to understand how and why a family business group develops over time. For instance, Carter (1998) suggests that farm-centered diversification offers family business owners a relatively inexpensive and lower-risk mechanism for converting existing resources into new businesses. In contrast, this in-depth study reveals that an identity of a business family develops through the experiences and opportunities that family members have, the affective and cognitive dimensions of being a (farming) business family as well as unexpected events. Growth may be achieved in non-agricultural market opportunities, thus allowing a family to keep and shape their identity over time as a business group is developed. The evidence presented highlights that family firms are inextricably intertwined with family identity and, thus, complex patterns of growth may emerge driven by family dynamics.

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**Table 4.3.1:** The family’s business portfolio

	Type and description	Foundation	Ownership	Main involvement
<b>Business 1 (Core business)</b>	Svensson Gård (Cultivation of potato and vegetables, seedlings, cattle breeding)	1991	Rune (10%), Peter (45%), Marianne (45%)	Marianne, Peter, Ida, Lasse
<b>Business 2</b>	Svensson Butik (Retail store and online shop, sales of own products and other farmers’ products)	2010	Olle, Peter, Marianne, (in equal shares)	Olle, Hilda (plus one external employee)
<b>Business 3</b>	Svensson Crisps (Crisp factory)	2012	Peter, Marianne, Olle (in equal shares)	Peter (plus one external employee)

**Table 4.3.2:** Identity structure of family members, the set of identities that is chronically salient to each family member in her/his day-to-day work.

<b>Identities</b>	<b>Business Owner</b>	<b>Entrepreneur</b>	<b>Farmer</b>	<b>Manager</b>	<b>Accountant</b>	<b>Marketer</b>	<b>Sales-Person</b>	<b>Manufacturer</b>
<b>Family Members</b>								
<b>Rune</b>	Social & Role identity	Social & Role identity	Social & Role identity	Social & Role identity	-	-	-	-
<b>Peter</b>	Social & Role identity	Social & Role identity	Social & Role identity	Social & Role identity	-	-	-	Social & Role identity
<b>Marianne</b>	Social & Role identity	Social & Role identity	Social & Role identity	Social & Role identity	Social & Role identity	Social & Role identity	-	-
<b>Olle</b>	Social & Role identity	Social & Role identity	Social identity	Social & Role identity	-	-	Social & Role identity	-
<b>Hilda</b>	Social identity	Social identity	Social identity	Social identity	-	Social & Role identity	Social & Role identity	-
<b>Ida</b>	Social identity	Social identity	Social & Role identity	-	-	-	-	-
<b>Lasse</b>	Social identity	Social identity	Social & Role identity	Social identity	-	-	-	-