

## Integrating Family, Friendship and Business Networks in Family Firms

### Abstract

#### *Design*

Semi-structured interviews of thirteen family-owned and managed businesses are used to establish the patterns of networking. A detailed case study is then presented, allowing a deeper qualitative analysis of the interaction of different types of networks.

#### *Purpose*

This paper considers the multiple social networks of small family businesses and the dynamic interactions between them. It analyses family, friendship and business networks and the way additional ties within the networks become visible when they are considered together rather than separately.

#### *Findings*

The findings explore multiple rationalities employed in the networking of family businesses and how different aspects of their individual family, friendship and business networks contribute to business development.

#### *Research Implications*

The paper suggests that a multi-rational theoretical perspective of the family, rather than a solely business-related perspective, deepens our understanding of the dynamics of family businesses behavior and that different types of businesses may be influenced to varying degrees by different rationalities.

#### *Practical Implications*

*Business networking tends to be deliberately encouraged by business support agencies, often via the deliberate development of events. A deeper understanding of the manner in which small businesses use and develop networks would enhance the direction and effectiveness of such investment.*

### *Social Implications*

*Business networking tends to be deliberately encouraged by business support agencies, often via the deliberate development of events. A deeper understanding of the manner in which small businesses use and develop networks would enhance the direction and effectiveness of such investment.*

### *Originality*

The value of this research lies in the proposition that smaller businesses in rural areas are often surrounded by the inter-woven networks of family, business and community.

### *Keywords*

Family business, social networks, multiple rationalities, mono-rationalities, institutions

## **1. Introduction**

When explaining differences in behavior and decisions between family and non-family businesses (Yu *et al.*, 2012), family business research focuses disproportionately on analyzing the family in terms of relationships to the business side, neglecting the family related side (Soleimanof *et al.*, 2018) and on the joint interaction between business and family (Kantor, 1989). Important external influences on the families themselves, and through them on the family business, such as the social networks of family members, including community- or religious-based relationships are also relatively neglected (Fletcher, 2002; Seaman *et al.*, 2016; Yan and Sorenson, 2006).

Mono-rational approaches to analyzing family business – approaches that focus entirely on a single basis for rational decisions, such as ‘market rationality’ for economic decisions – are limited when considering networking

within a family business environment (Steier, 2003). More generally, mono-rationality usually focuses on market-level aggregation and outcomes explanations and may be inappropriate for process explanations and micro-predictions (Gavetti *et al.*, 2012, p. 3). There is therefore a need to analyze and integrate a variety of influences (related to family, business and external factors) that affect family business' decisions and evolution, and that are each underpinned by their own logic (rather than, say, by a market rationality). The primary aim of this paper is to explore the insights offered by a multi-rational theoretical perspective, where the plural rationalities of the family, their social networks (such as friends or colleagues) and the business are jointly used to analyze family business development. It focuses on how family, social and business networks and other elements interact and co-evolve (Kepner, 1983) and together influence fundamental issues such as business performance, rather considering them to be impediments to rational bureaucratic behavior and efficiency (Fletcher, 2006).

This paper posed two questions: is there indicative evidence to support the theory that family businesses employ multiple rationalities in their networking activity and, if so, does viewing family business networking from a multi-rational standpoint enhance our understanding of their networking behavior? The findings are based on in-depth interviews of various members a total of thirteen family owned and managed businesses.

The following section sets out the theoretical context through discussing the literature related to networks and to multiple rationalities in family business.

Section 3 describes the methodology used to explore networks. Section 4 discusses the findings of the interviews with the thirteen family businesses and section 5 provides further in-depth analysis of the different types of networks and their interactions in one case study. Finally, conclusions are presented.

## **2. Family Business Networks and Multiple Rationalities**

Family businesses are defined here as those 'owned or operated by a couple or family where the business owners themselves perceive it to be a family business' (Getz *et al.*, 2004, p. 5; Chua *et al.*, 1999). Various studies have considered the way family and business networks intertwine and have questioned the rationales that surround their strategic decision-making and development (Chrisman, 2010; Seaman *et al.*, 2014). The values and goals of the family may conflict with the pressures of change, both within the family and in the external environment, and can result in the adoption of differing decisions compared to other businesses (König *et al.*, 2013). Considering family business networks from a multi-rational perspective – where it is argued here that the family, social and business networks may overlap and that individuals may play different roles in different circumstances – draws on the two main areas of research of social networks and multi-rational approaches, which are now discussed.

Part of the effect of the family within a business will be mediated via their use of social networks. This use may differ in the manner in which family

businesses use networks; the degree to which the family is embedded within both the business and its networks; and the quality (for example in terms of trust and influence) of the relationships in the family networks, which may differ significantly from those in the other types of network; or the entrepreneurial phase of the business (Seaman, 2015). Hence it is unsurprising that inconsistencies in the network relationships of family businesses have been found, for instance with family businesses showing less activity in the build-up and maintenance of network relationships but others finding no significant differences (Donckels 1991; Graves and Thomas 2004; Siebels and Kinyphausen-Aufseb, 2012).

Networks, defined here as individuals (nodes) linked by ties, are an important source of business knowledge and expertise (Chaston and Mangles, 2000; Fuller-Love and Thomas, 2004), although often limited by the propensity of individuals to form links mainly with similar people (homophily) (Mouw, 2006). A major benefit of social networks, knowledge transfer, is also affected by family ties (Trevinyo-Rodríguez and Bontis, 2010), with older family firms using social networks more than younger firms and involving non-family employees in the generation and evaluation of new products and ideas (Laforet, 2013). As well as links (ties) between a family member and their contacts (nodes), the presence or lack of ties (called 'structural holes') between these contacts may also have an important role in competition (Burt *et al.*, 2000). It is useful when developing an objective network structural analysis, to analysis how family members change the network over time or as the business evolves (Greve and Salaff, 2003). For instance, friendship

relations of one family member may change and interact with and influence the business networks of other family members (Lee, 2009).

The networks form an important of a firm's social capital, helping it access social, financial and other resources (Arregle *et al.*, 2007). The interaction and co-evolution of family business networks can build on their two-directional relationship with social capital in the wider local economy (Kapasi and Galloway, 2016; Nel and McQuaid, 2002). The 'embeddedness' of businesses in a local area (Kalantaridis and Bika, 2006) is strengthened and consolidated by the intensity of on-going social and economic networks, to such a degree that they should be considered together (Atterton, 2007; Granovetter, 1985). Such relationships are influenced by the formal (laws, business support infrastructure etc.) and informal (norms, values and beliefs) institutions (North, 1990) embedded in the actors and locality (Webb *et al.*, 2015). On the other hand, family firms also facilitate interactions between family, business and other institutions (Stewart, 2003; Soleimanof *et al.*, 2018).

Underlying our multi-rational approach is that small family businesses are more likely to draw on networks that exist within the family and/or friendship spheres compared to other small businesses, and that this may lead to different decision processes and results. Similarly, the development of friendship ties with people initially linked through the business sphere would appear to become more likely within small family businesses, i.e. the form of relationships in their networks may evolve differently in family businesses compared to others. Theories of multiple rationalities (for example: Hall, 2002;

Pittaway *et al.*, 2004) suggest that the additional relationships formed between the family, friendship and business spheres offer links that have different rationales and which may result in different patterns of behavior. Hence, in this paper we refer to friendship relations or networks when considering those social networks based on the rationality of the friendship sphere.

Multi-rational approaches offer a framework for the co-existence of, and interactions between, rationales for decision-making based on family, friendship or business networks (Hall, 2002). For instance, the need to address both the emotional and financial aspects of business is highlighted in research on the psychological aspects of entrepreneurship (Kets de Vries *et al.*, 1996) and in professional business guidance (Institute for Family Business, 2008), both important in family businesses. Steier (2003) contrasts family and business rationalities and argues that family members' involvement in new venture funding combines conflicting "selfless altruistic" and "selfish market" rationalities, noting that rationality concepts are important for understanding such multiple motives (p. 601). While some business decisions may appear 'irrational' when considered from a single, or mono-, rational perspective the underlying logic can appear clear when its multi-rational nature is considered (Wang and Poutziouris, 2010).

A multi-rationalities approach can be a way to identify and understand such varying motives. This paper seeks to advance the debate by extending the network dimensions to include the interactions between (intra-)family

networks, social networks, and business networks, when considering the multiple rationalities of family businesses.

### **3. Methodology**

This paper is based on a qualitative sample of non-agriculture-based family SMEs close to a large Scottish city (De Massis and Kammerlander, 2020; Fletcher *et al.*, 2016). Thirteen family owned and managed businesses (labelled A to M below) were interviewed in-depth after being identified by one author from records provided by the local business support agency and contacted by telephone. They were chosen to represent a cross-sectoral sample of businesses known to have substantial family involvement. Initially fifteen businesses were identified, but two refused to participate, one due to time constraints and a second due to the on-going sale of the business (a 87% participation rate). The sample reasonably mirrored the SME profile of the region. The multi-sectoral nature of the sample is useful in the research as the focus is on the families in the networks, as opposed to the business sector of operation: in total, two businesses operated in each of the food and drink, construction, retail, financial services, hotel and the science-based sectors, with a further business in healthcare services.

Face-to-face, transcribed, anonymized, semi-structured interviews were carried out and recorded with the lead individual within each business (the Topic Guide is in the Appendix). This investigated the business' links with the family network, external business networks and community/social networks,



together with the perceived benefits of networking and the extent to which different forms of network intertwined. The non-case study interviews generally involved a single family member lasting between 30 and 90 minutes.

In seeking to explore the diverse and rich levels of network contacts that might reasonably be found within the social situation that is the family in business, and the broad complexity of social situations identified, an approach which draws upon social constructivism and interpretivism (Creswell and Creswell, 2017). Initial data analysis used thematic analysis to identify if multiple rationalities were in evidence when family businesses described their interaction with networks. An initial reading of the interviews allowed a summary of data to be developed with reference to key themes drawn from the literature. The raw, transcribed data were then read and areas of the interview which related directly to the business history were identified. Further analysis then highlighted the areas of transcribed interview text which related directly to the manner in which networks were accessed and developed. Finally, key quotes from the interview text were identified and the development of genograms and networks maps undertaken.

From this it became apparent that multiple rationalities were most evident in the micro-detail of the descriptions of networking in a family business context. Further, multiple rationalities were much more apparent amongst the business with the densest networks. This appeared to be partly a function of the stage to which the business had developed: it had more than one generation of the family involved and was a relatively mature business. This is consistent with

Greve and Salaff (2003) who found that the size of network and time spent networking systematically changed according to each of the motivation, planning and establishment phases.

Dana and Dana (2005) suggesting that case studies are useful in helping to analyse the environment within which entrepreneurs operate and to provide a more holistic perspective of the entrepreneurial process. The second phase of the current research sought to provide a more comprehensive exploration (Dana and Dumez, 2015) of the mechanisms of family business operation through further analysis of the interaction between different forms of networks over time, by presenting a case study (Leppäaho *et al.*, 2016; Yin, 2014) based upon family business E. The interviews involved multiple members of each family engaged in repeat interviews of between 30 and 90 minutes.

The in-depth analysis used a multi-rational framework, mapping the business, social and family networks within the case study independently and then combining them to identify the additional network links that had not been revealed by the mono-rationalist network analysis. Further details of the networks described within the interview data were identified by mapping the networks described within the family, friendship, and business dimensions as a series of nodes and ties. Once the initial mapping of individual dimensions was complete, the data were re-examined to identify evidence of additional links between family members and non-family or individuals (nodes) who existed in more than one of the dimensions. The existence of links across the different dimensions offers key evidence of multiple rationalities because it

indicates the presence of interaction between individuals (nodes) who exist in different parts of the network.

The next section considers the entire sample in terms of the rationalities that influence the family business and the importance of different networks in relation to decisions concerning the business. In section 5 a case study explores the interactions between and evolution of multiple networks more fully.

#### **4. Interview Results**

##### *Multiple rationalities in family businesses*

All thirteen businesses that took part in the study showed clear evidence of multiple rationalities in their approach to networks. Similarly, all indicated their belief that networks were important to the business and contributed to its development, but that different networks played various roles at different times. The importance of family, friends, staff and customers in networks was acknowledged by all, as was the role played by the element of chance in the development of networks and their development over time. Further, their experiences with external formal institutions, particularly the professional advisory networks had been of variable quality and did not necessarily inspire trust.

Perceptions of the role of family members within the business was influenced by multiple factors due to individual and family characteristics and changing family circumstances, including gender (Ramadani *et al.*, 2017). A particularly important family change is due to life stages of the participants (A,D,F,G,H,L,M). One example of this is a child being born, with this family change interacting with both social networks (such as creating new links to other new parents) and the business (limiting involvement for some family members, ‘ ..... *she’s part-time now* [since the birth of a child] ... *I don’t know if she’ll come back full time again* .....’ (L). Other perceptions of the role of the family within the business varied due to: differing individual preferences amongst the people involved (interviews with businesses A,G,M), as illustrated by M (interviewees included multiple family members) ‘ ..... *He’s the science, I’m the people side of things* .....’; or the experience and aptitudes of different individuals involved within the business (D,G,L): ‘..... *because the essence of the business is you* .....’ (G). Over time, as indicated by older businesses and those with more than one generation of the family, networks tended be much denser, which corresponds with Laforet’s (2013) findings about older firms making greater use of networks.

Another example of the existence of multiple rationalities in networking was where one business owner described how the family business influenced most areas of life but sat alongside the family at all times:

‘ ..... family business .....it’s a way of life really .....you don’t mean it to be, but it is’.

## **Interview G**

Elsewhere people were primarily employed in the business due to their family relationships, illustrating the interweaving of the two rationales:

‘ ..... I actually think she (family member) feels guilty for wanting nothing to do with the business, bearing in mind she gets £20,000 [US\$25,000] a year for working 11 hours a week ...’

## **Interview A**

Despite great variations, a key theme in the history of the families was that all but one had evolved and developed gradually with different permutations of the family involved in different businesses across a number of years, generations and sectors. In this sense, the family businesses conformed largely to the pattern established worldwide (Poutziouris *et al.*, 2004; Ramadani *et al.*, 2018) but reflected their sense of developing businesses that worked for their family, community and expertise (with some businesses linked to specialist sectors there or having the city as their major market). In the single exception, the family members involved had substantial track records of working for other employers before setting up in business on their own.

### *The importance of networks*

Within the family businesses studied, further evidence of balancing multiple rationalities was provided by the lack of a clear distinction between social and business networks; in some of the businesses the networks appeared to be completely intertwined or enmeshed (A, D, B, M) (see above), whilst in others social and business networks were more distinct but not clearly separate (C, G, H, E, L):

‘..... but again, I was on the ... committee (of the local Council) for four years and I learned a huge amount from that .....

### **Interview C**

Allowed to express their views on the networks with which they and their businesses were involved, the interviewees outlined both a wide variety of interactions in different networks and a range of views about the relative benefits gained from each. All interviewees had had some past involvement with the Economic Development section of the local Council, reflecting the sampling and recruitment methods used for the present study. All agreed that support networks were vital at both the start-up stage and during the on-going development of businesses, with the role of relatively formalized government and local Council networks, a form of bridging network linking the interviewee to institutional support, exhibited in very different ways from the previous interviewee:

‘..... we had quite a lot of support from the Council actually, because the neighbors used to complain [about noise

from home-working] and they [the Council] were very good and didn't charge us rates [business property tax] so that was good ....'

### **Interview G**

This interviewee continued that this node on their social network also acted as a bridge to get financial support (as suggested by McKetterick *et al.*, 2016):

'we both registered to go on courses ..... it was a week long and as long as you went on that course you got £40 [US\$50] per week [from the government's start-up Enterprise Allowance scheme] for a year ..... starting out as a business that was a lot'.

### **Interview G**

These demonstrate very different methods of interacting with formal institutional support networks and the use of multi-rational perspectives: interviewee G used the support networks offered by the local Council for purely business purposes. Interviewee C, by contrast, chose election to the local Council as part of a clearly identified strategy to build personal expertise in matters relating to planning law and regulation as part of the development of the property aspect of the family business. Their example that an individual volunteering for a role which benefits the local community, but which is also for the perceived direct benefit of the business and hence the family, offers an insight into some of the motivations behind multiple rationalities but also confirmation of their applicability.

Some businesses appeared to use formal networks, including local enterprise agencies and other business groups a great deal, but this varied widely. Not all aspects of using formal support were seen as positive, and even those who welcomed support from certain agencies (see above) did not feel positive about other agencies. This appeared sometimes to be linked to the self-individuals' perception of their status as 'business professionals' (C, G):

' .... [the enterprise agency] were totally unhelpful [in terms of the later growth of the business] ... they didn't like me doing the finances as I had no formal qualifications, they didn't think I could do it which used to really rankle and it caused a lot of problems getting money into the business ..... I was actually pushed out of that position and ended up as [alternative post] .... I actually left.'

### **Interview G**

Current and past involvement with formal networks included employment in a local enterprise agency, within local Council structures, with a local Tourist Board, within local Healthcare organizations as well as a broad range of local businesses, local charities and faith-based networks. Notably, much of this involvement had co-existed with being in business and in each instance related to a single member of each family. Whilst this aspect was not explored further, in at least seven of the interviews (A, C, D, E, G, L, M) general references were made to the broader business family networks highlighting



both the complexities of networks and the complexities of rationalities where a family and one or more businesses combine:

‘where it started, I was from farming stock, we didn’t own a farm, I worked on a farm. My older brother started in the hotel business and he got me into the hotel business ..... I got good training there ....I opened up a restaurant in (local town), moved here 4 years ago ... I then bought another restaurant in (local town) and another in (local town) and put my daughters in ....’

**Interview C**

‘my partner said ‘ok, smarty pants, you show me what you can do (to improve the garden) so I did and I found I had a talent for it (gardening) and friends were coming in and saying ‘you could do mine’ .... Then I found I could register with Help the Aged [a charity] and took a lot of people on’.

**Interview B**

Self-assessment of networking skills was challenging for some interviewees and one comment indicates an apparent element of self-contradiction but may reflect some combination of modesty, speech mannerisms or debate about the distinction between formal networks and less formal approaches to networking:

‘I am not very good at networking, it’s not my strongpoint .....  
Charity wise, I am involved with (charity 1), also (charity 2) .....  
(charity 3) is another one I’m involved in ..... they [the local Council]

are heavily involved’.

## **Interview G**

This interviewee also offered useful examples of multiple rationalities at work in networking, appearing to perceive that she was involved with charities purely because of her bookkeeping expertise but was almost certainly effectively, if unintentionally, marketing her bookkeeping business within local community networks in the process.

All the businesses interviewed perceived that networks had a family, a social and a business component but that the balance of the interaction varied widely between networks, offering further support for the concept of multiple rationalities. Clear evidence existed to suggest that the importance of different individuals within the network depended on the predominant rationality in any given circumstances. This particularly came to the fore in cases of conflict, as is now discussed.

### *The influence of family relations within and between networks*

Network relationships evolve and can change considerably, but while a business or friendship relationship can be cut off, this is not usually the case for family relationships when family or business disputes arise. In the case of two family members who were in a serious dispute about the development of the family business:

‘She babysits for me two full days a week ..... she takes my son ..... we never even talked about the letter [referring to a legal letter requesting a change in structure of the business]’

## **Interview A**

Notably, this interviewee did not imply that the business was unimportant to the contact – rather, that they could share child-care despite a significant business dispute in which both parties’ lawyers were heavily involved. This further illustrates how the quality of dense relationships within a family can change over time, such as through divorce or other estrangement, although they may be mediated by relationships based on children (or grandchildren).

Where internal family business and external networks, such as funders, overlapped the potential for dissent was substantial. One family business owner had been involved with an earlier family business which sought investment from a private equity firm<sup>1</sup>. The subsequent clash of values, between formal, certified expertise and experienced-based expertise, preconceptions and modes of operation were still raw within the family:

‘They [venture capitalists] seem to think if you have a paper qualification they can manage, the fact that you have sort of grown into it – I had no management training, you sort of

---

<sup>1</sup> Private Equity Firms refer here to a type of investment firms who primarily develop pools of funds which are used to obtain controlling or substantial minority holdings within a company the value of which can then be maximised.

grow into it. That's what happens in family business.'

### **Interview G**

Within a family, however, there may be a combination of experience and certificate or more formal based expertise:

'we had £300 in the bank and wanted to borrow £3000, that was a lot of money back then ..... my wife did the books and I did the work ...'

### **Interview L**

The role of the venture capitalists<sup>2</sup> and the impact of a substantive change of governance arrangements within family firms form major research areas in their own right (Scholes *et al.*, 2010). The aim here, however, is to indicate that a clash of rationalities within the network appeared to be one contributing factor, further illustrated by the contrasts the attitudes and perspectives of family members working in the business with outsiders who joined it:

Interviewer: 'so there was this tension between the commercial reality as they [the venture capitalists] saw it and what you and your husband saw ..... and the culture and familiness of the business: was there conflict between those two dimensions?'

---

<sup>2</sup> Venture capital is a type of private equity; venture capitalists are usually part of private equity firms and commonly invest in enterprises considered too risky for standard capital markets or bank loans. Generally, venture capitalist funding appeals to companies too immature to secure major additional funding from the financial markets.

Respondent: Yes, and another strange conflict ..... in the family business ..... if there isn't money you don't take any and if there is you look at everything twice ..... but when the million pound investment came in there were all these salesmen on fat salaries ..... They just sign an expense receipt ... I resented that.'

## **Interview G**

Scholes *et al.* (2010) considered the impact on family firms of broad changes in governance in businesses, indicating both benefits and costs that may accrue to the business. The intent here is to highlight the evidence that differing rationalities, and the varying quality of relationships between these rationales that appeared to be responsible for some of the challenges identified, as a basis for developing a better understanding of those rationalities and their potential impact on business behavior. In the case above the interviewee indicated that she would go down the venture capital route again but would approach and manage the challenges very differently. Implicit within her comments was an understanding born of experience that the two parties had entered the arrangement with very different expectations based on different understandings and rationalities (and within the family firm itself there were varying rationalities) and that these could have been better addressed had they been recognized earlier in the process.

In summary, there is clear evidence of multiple rationalities being important in decision-making in all the businesses interviewed. Second there is evidence of the importance of family relationships interacting with the internal and

external networks associated with family businesses. In addition, however, it became clear that the evidence of multiple rationalities appeared most evident in longer-established family businesses. The next section explores a detailed case in order to more fully identify and analyze the networks and their interactions.

## **5. Case Study**

The case study represents a third-generation family business, with questions eliciting a story spanning several generations, geographic locations and industrial sectors. The business was founded by a couple who arrived in the UK as part of the wave of European immigration in the 1950s. They developed an ice-cream and café business, now primarily managed by two cousins from the third generation but owned by a wider group of cousins. The family had a track record in business start-up and growth and provide additional insights as they currently ran more than one business.

The business, friendship and family networks identified are presented within different sectors of Figure 1, together with the individuals (nodes) within each network and links identified by the main interviewee (the family business leader) during the interview process. Each node indicates a person with whom they had a significant link, as identified by the interviewee. In contrast to the separate networks discussed previously, Figure 1 shows a multiple rationalities perspective. Here the differing networks, identified through the interviews, are set along three axes (business, friendship, and family).

### **Insert Figure 1 about here**

This shows micro-level networks consisting of the links connecting the interviewee (ego) to individuals with whom they have business, family, and friendship relationships. Most links are dyadic level (linking two individuals, e.g. the interviewee and accountant) or triadic (links to a third individual, e.g. to lawyer 1). The strength of the link is not explicitly calculated although all the links are to some degree significant to the interviewee. Certain individuals appear in more than one sector, indicating the multiplexity of relationships (e.g. where the interviewee has a relationship with someone both in a work and a social environment), suggesting a stronger and more reciprocal relationship (Kilduff and Tsai, 2003). For example, the interviewee has a link to cousin 2 in all three networks (business, social, and family). In addition, relationships between individuals across the networks are clear (for instance between the sister (family network) and a friend in a local ice cream manufacturer (social network)).

One observation from the individual network maps is their relative sparseness, which contrasts sharply with the richness identified within the quotations taken from the interviews themselves. As illustration, one quotation highlights the potential for cross-over between different sectors:

‘ ..... He’s [a non-executive Director]..... he comes along to every [Board]  
meeting ..... he happens to

be my sister's father-in-law .....

In parallel, it was observed from the interview data that a number of individuals within the network appeared in various contexts with different roles so reflecting different rationales. Whilst the data here are drawn from one individual's descriptions of the networks and are intended to be illustrative, a key point is that mapping the networks separately loses the linkages between different rationalities that were identified.

Key to the networks examined in the case study is the primary inward, family focus. The embedding of the family in the business network (or *vice versa*) offers a situation where multiple rationalities – the intertwining of the family, social and business networks – coupled with a fairly complex ownership structure – resulted in an on-going and longstanding clash between owners. Family dissent is not un-documented in the family business literature (for example: Kapasi and Galloway, 2016), but the observations here are two-fold: that multiple rationalities may lie at the heart of many of the debates and that more effective understanding and use of different networks may provide one way by which the effects are mediated. The conflict between multiple rationalities in this case is an example which allows their impact within networks to be observed.

The business leader in the case study appeared aware of the interactions between the rationalities and they perceived their role as seeking to manage the process and interactions. Other businesses in the sample of thirteen



highlighted the potential for conflicting rationalities to disrupt the business process. For instance, interview D indicated an awareness of the potential conflict between family, friendship and business rationales acknowledged by the business leader and the clear indication that they continuously worked to ameliorate these effects. Further, there was one identified clear leader within the business in whom much of the awareness of both rationalities and networks appeared to be held, in direct contrast to the more diffuse collaboration of more distant relations, cousins, in the case study. This suggests that awareness of, and action on, multiple rationalities may be influenced by the level of engagement with the business (the owners in the case study being less engaged than founders in interview D) and the density and quality of networks (with the owners in the case study have fewer overlapping networks with each other).

The implications of this are two-fold: the awareness and management of the potentially conflicting rationalities by a family business leader may in itself be one factor that contributes to the business survival and success. Further, accepting the implicit dilemma of multiple rationalities may be a key factor in the succession process and would merit further research, considering the way the balance of multiple rationalities is transferred to the new business leader.

In summary, the use of such a multi-rationalities network framework importantly makes additional links apparent and adds depth and clarity to our understanding of the networks that surround family businesses. These links add to our understanding of how relationships in networks may evolve and be

influenced to differing degrees by a variety of rationalities over time, compared to considering purely 'market' rationalities as in mono-rational models of decision-making or omitting the changing roles of intra-family relationships.

## **6. Conclusions**

This paper concludes that a multi-rational theoretical perspective of family businesses that considers family, social and business networks together, rather than solely business-related or family and business perspectives, helps provide a more complete understanding of the dynamics of family businesses behavior.

The conclusions support Granovetter's (1985) argument that social and economic networks need to be considered together and extends this thinking in the case of family businesses to include the need to further incorporate family relationships, in their own right as well as in relation to the business, due to the intertwining of all three networks. This paper posed two questions: is there indicative evidence to support the theory that family businesses employ multiple rationalities in their networking activity and, if so, does viewing family business networking from a multi-rational standpoint (especially compared to a business only standpoint) enhance our understanding of their networking behavior? The findings confirm both of these and we conclude that a more systematic multiple rationalities perspective adds value to our understanding of the manner in which family businesses network.

The case study analysis further examined the potential to approach the study of individual family business networks from a multiple rationalities standpoint and illustrated that an explicit consideration of multiple rationalities, and the interactions and links between them, enhances our understanding of the behavior of family businesses. Data were initially analyzed using mono-rational (business orientated only) approaches and contrasted with a multiple rational analysis. Links are clearer both between the interviewee and other individuals in different business, social, or family networks, but also between individuals in each of these networks, suggesting stronger relationships and more influential relationships compared to those apparent from a mono-rational analysis.

The advantage of a multiple rationalities approach lies in the detection of additional links and interactions between individual nodes, the clarification of differing qualities of relationships in the networks; and in the acceptance that some individuals may be influenced by different rationales based on very different organizational and social roles and evolution through different personal (or business) life-stages or time periods. Each of these may have different effects on decision-making. Whilst further research would be useful to explore this area, the evidence suggests that additional linkages can be observed where multiple rationality approaches are used. The overlapping and merging of family, friends and business networks change over time, but personal contacts that cross over all three rationalities seem to offer opportunities for better understanding decision-making in family firms.

The paper therefore contributes to the research literature in two main ways. First it extends the evidence around networking of small family firms by exploring the interactions of family, social and business networks together, rather than solely business-related or family and business perspectives. Second, it highlights the importance of multiple rationalities in the study of small family firms and proposes future research that extends the understanding of networks in the small communities. It

The paper has a number of limitations, particularly in the small sample of family firms, the range of issues analyzed, the limited consideration of the external environment, the potential effects of changes over time and the general reliance on a single family-member for responses. Also, only one country was examined, although Greve and Salaff (2003) found that networks were the same across all four of their study countries.

Implications for future research suggest that multiple rationality frameworks can provide a useful approach through which the interaction between the family, social and business networks surrounding a business family can be viewed, supporting Moores' (2009) argument for using business families as a basis for analysis in relevant SME research and Soleimanof *et al.*'s (2018) call for more focus on the family. A potential route for the extension of current research lies in the development of more in-depth network analysis that accommodates a multiple rationalities perspective, utilizing social network methodology such as measures of centrality, analysis of the social structures of competition and cooperation and multi-level analysis. Further useful

avenues of research would be to analyze the longitudinal development of networks from a multi-rational perspective and involving interviewing all network members – research which might be of particular importance in relatively small communities where the dynamic interaction between networks and the expansion of social capital can be investigated effectively (Steglich *et al.*, 2010).

Finally, the relationship between the time a family business has been in existence, the inter-generational learning and their forms of social networks and rationalities merits further investigation. The use of multi-rational theoretical perspectives, rather than mono-rational perspectives that largely consider each type of network in isolation from each other, will deepen our understanding of the dynamics of family businesses and their decision-making.

## References:

Aldrich, H.E. and Cliff, J.E. (2003). The Pervasive Effects of Family on Entrepreneurship: Towards a Family Embeddedness Perspective, *Journal of Business Venturing*, 18, 572-596.

Arregle, J-L., Hitt, M. A., Sirmon, D.G., and Very, P. (2007). The development of organizational social capital: Attributes of family firms, *Journal of Management Studies*, 44, 1, 73-95.

Atterton, J. (2007). The Strength of Weak Ties: Social Networking by Business Owners in the Highlands and Islands of Scotland, *Sociologia Ruralis* 4, 3, 228–245.

Burt, R.S., Hogarth, R.M. and Michaud, C. (2000). The social capital of French and American managers, *Organization Science*, 11, 123–147.

Carney, M. (2005). Corporate Governance and Competitive Advantage in Family-Controlled Firms, *Entrepreneurship Theory and Practice*, 29, 249-265.

Chaston, I. and Mangles, T. (2000). Business Networks: Assisting Knowledge Management and Competence Acquisition Within UK Manufacturing Firms, *Journal of Small Business and Enterprise Development*, 7, 2, 160-170.

Chrisman, J.J., Kellermanns, F.W., Chan, K.C., and Liano, K. (2010). Intellectual foundations of current research in family business: An identification and review of 25 influential articles, *Family Business Review*, 23, 9-26.

Chua, J., Chrisman, J. and Sharma, P. (1999). Defining the Family Business by Behaviour, *Entrepreneurship Theory and Practice*, 23, 4, 19-37.

Creswell, J.W. and Creswell, J.D. (2017) *Research Design. Qualitative, Quantitative and Mixed Methods Approaches*. Sage, London.

De Massis, A. and Kammerlander, N. (Eds) (2020). *Handbook of Qualitative Research Methods for Family Business*, Edward Elgar, Cheltenham.

Dana, L.P. and Dana, T.E. (2005). Expanding the scope of methodologies used in entrepreneurship research, *International Journal of Entrepreneurship and Small Business*, 2, 1, 79–88.

Donckels, R. and Froelich, E.W. (1991). Are Family Businesses Really Different? European Experiences from STRATOS, *Family Business Review*, 4, 2, 149-160.

Dana, L.P. and Dumez, H. (2015). Qualitative research revisited: epistemology of a comprehensive approach, *International Journal of Entrepreneurship and Small Business*, 26, 2, 154-170.

Fletcher, D. (2002). A Network Perspective of Cultural Organising and Professional Management in the Small Family Business, *Journal of Small Business and Enterprise Development*, 9, 4, 400-415.

Fletcher, D. (2006). 'Family and Enterprise', in Carter, S. and Jones-Evans, D. (eds) (2006) *Enterprise and Small Business: principles, practice and policy*, Pearson, Harlow, Essex.

Fletcher, D., De Massis, A., and Nordqvist, M. (2016). Qualitative research practices and family business scholarship: A review and future research agenda, *Journal of Family Business Strategy*, 7, 1, 8-25.

Fuller-Love, N. and Thomas, E. (2004). Networks in Small Manufacturing Firms, *Journal of Small Business and Enterprise Development*, 11, 2, 244-253.

Gavetti, G, Greve, H.R., Levinthal, D.A. and Ocasio, W. (2012). The behavioral theory of the firm: Assessment and prospects, *The Academy of Management Annals*, 6, 1, 1-40.

Getz, D., Carlsen, J. and Morrison, A. (2004). *The Family Business in Hospitality and Tourism*, CABI Publishing, Cambridge MA.

Granovetter, M. (1985). Economic Action and Social Structure: The Problem of Embeddedness, *American Journal of Sociology*, 91, 481-510.

Graves, C. and Thomas, J. (2004). Internationalisation of the Family Business: A Longitudinal Perspective, *International Journal of Globalisation and Small Business*, 1, 1, 7-27.

Greve, A. and Salaff, J. (2003). Social Networks and Entrepreneurship, *Entrepreneurship Theory and Practice*, 28, 2, 1-23.

Hall, A. (2002). Towards an Understanding of Strategy Processes in Small Family Businesses: A Multi-Rational Perspective In: *Understanding the Small Family Business* pp 32-45 Ed by D.E. Fletcher, Routledge, London and New York.

Hayes, G., Walker, R., Rowe, B. and Hong, G. (1999). The Intermingling of Business and Family Finances in Family-Owned Businesses, *Family Business Review*, 21, 3, 225-239.

Hoffman, J., Hoelscher, M. and Sorenson, R. (2006). Achieving Sustained Competitive Advantage: A Family Capital Theory, *Family Business Review*, 19, 135-145.

Institute for Family Business (2008). *Emotional Ownership: The Critical Pathway Between the Next Generation and the Family Firm* Ed. A. Bjornberg and N. Nicholson, London Business School, London.

Kalantaridis, C. and Bika, Z. (2006). Local Embeddedness and rural entrepreneurship: case-study evidence from Cumbria, England, *Environment and Planning A*, 38, 1561–1579.

Kanter, R.M. (1989). Work and Family in the United States: A Critical Review and Agenda for Research and Policy, *Family Business Review*, 2, 1, 77-114.

Kepner, E. (1983). The Family and the Firm: A Co-Evolutionary Perspective', *Organisational Dynamics*, 12, 1, 57-70.

Kapasi, I. and Galloway, L. (2016). Motivations and Mitigating Business Limitations in Scottish Rural Home-Based Businesses, *Local Economy*, 31, 3, 377-392.

Kets de Vries, M., Carlock, R.S. and Florent-Treacy, E. (2007). *Family Business on the Couch: A Psychological Perspective*, Wiley, New York.

Kilduff, M., Tsai, W. (2003). *Social networks and organisations*, Sage, London.

König, A., Kammerlander, N. and Enders, E. (2013). The Family Innovator's Dilemma: How Family Influence Affects the Adoption of Discontinuous Technologies by Incumbent Firms, *Academy Management Review*, 38, 3, 418-441.

Laforet, S. (2013). Innovation characteristics of young and old family-owned businesses, *Journal of Small Business and Enterprise Development*, 20, 1, 204-224.

Lee, R. (2009). Social capital and business and management: Setting a research agenda, *International Journal of Management Reviews*, 11, 3, 247–273.

Leppäaho, T., Plakoyiannaki, E., and Dimitratos, P. (2016). The case study in family business: An analysis of current research practices and recommendations, *Family Business Review*, 29, 2, 159-173.

Litz, R.A., Pearson, A.W. and Litchfield, S. (2012). Charting the Future of Family Business Research: Perspectives from the Field, *Family Business Review*, 25, 1, 16–32.

Milestad, R., Bartel-Kratochvil, R., Leitner, H. and P. Axmann (2010). Being close: The quality of social relationships in a local organic cereal and bread network in Lower Austria, *Journal of Rural Studies*, 26, 3, 228-240.

Miller, D., Le Breton Miller, I. and Scholnick, B. (2008). Stewardship Vs Stagnation: An Empirical Comparison of Small Family and Non-Family Businesses, *Journal of Management Studies*, 45, 51-78

Moores, K. (2009). Paradigms and theory building in the domain of business families, *Family Business Review*, 22, 167-180.



Mouw, T. (2006). Estimating the Causal Effect of Social Capital: A Review of Recent Research, *Annual Review of Sociology*, 32, 79-102.

Nel, E.L. and R.W. McQuaid (2002). The Evolution of Economic Development in South Africa – The Case of Stutterheim and Social Capital, *Economic Development Quarterly*, 16, 1, 60-74.

North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge: Cambridge University Press.

Pittaway, L., Robertson, M., Denyer, D., Munir, K. and Neely, A. (2004). Networking and innovation: a systematic review of the evidence, *International Journal of Management Reviews*, 5, 3-4, 137–168.

Poutziouris, P., Steier, L. and Smyrniotis, K.X. (2004). Guest Editorial: A Commentary on Family Business Entrepreneurial Developments, *International Journal of Entrepreneurial Behaviour and Research*, 10, 1/2, 7-11.

Ramadani, V., Ilioska, A., Rexhepi, G. and Abazi-Alili, H. (2018). Family Business Management Challenges: Understanding Generational Differences, in Ratten, V. Ramadani, V. Dana, L.P. Hisrich, R.D. and Ferreira, J. (eds) *Gender and Family Entrepreneurship*, Routledge, London.

Ramadani, V., Hisrich, R.D., Anggadwita, G., and Alamanda, D.T. (2017). Gender and succession planning: opportunities for females to lead Indonesian family businesses, *International Journal of Gender and Entrepreneurship*, 9, 3, 229-251.

Reay, T. and Whetten, D.A. (2011). What Constitutes a Theoretical Contribution in Family Business? *Family Business Review*, 24, 2, 105-110.

Scholes, L., Wright, M., Westhead, P., Bruining, H., Kloeckner, O. (2010). Strategic Changes in Family Firms Post-Management Buyout: Ownership and Governance Issues, *International Small Business Journal*, 28, 5, 505-521.

Seaman, C. (2015). Creating space for the business family: Networks, social capital & family businesses in rural development, *Journal of Family Business Management*, 5, 2, 182-191.

Seaman, C., Bent, R. and Unis, A. (2016). The Role of Context. South Asian Family Firms in Scotland and the Succession Paradox, *International Journal of Management Practice* 9, 4, 333-343.

Seaman, C., McQuaid, R. and Pearson, M. (2014). Networks in Family Business: A Multi-Rational Approach, *International Entrepreneurship and Management Journal*, 10, 3, 523-537.

Siebels, J-F. and Kinyphausen-Aufseb, D-z. (2012). A Review of Theory in Family Business Research: The Implications for Corporate Governance, *International Journal of Management Reviews*, 14, 280-304.

Soleimanof, S., Rutherford, M.W., and Webb, J.W. (2018). The Intersection of Family Firms and Institutional Contexts: A Review and Agenda for Future Research, *Family Business Review*, 31, 1, 32–53.

Steglich, C.E.G., Snijders, T.A.N. and Pearson, M. (2010). Dynamic Networks and Behaviour: Separating Selection from Influence, *Sociological Methodology*, 40, 1, 329-393.

Steier, L. (2003). Variants of agency contracts in family-financed ventures as a continuum of familial altruistic and market rationalities, *Journal of Business Venturing*, 18, 5, 597–618.

Stewart, A. (2003). Help one another, use one another: Toward an anthropology of family business, *Entrepreneurship Theory and Practice*, 27, 383-396.

Trevinyo-Rodríguez, R.N. and Bontis, N. (2010). Family ties and emotions: a missing piece in the knowledge transfer puzzle, *Journal of Small Business and Enterprise Development*, 17, 3, 418-436.

Wang, Y. and Poutziouris, P. (2010). Entrepreneurial risk taking: empirical evidence from UK family firms, *International Journal of Entrepreneurial Behaviour and Research*, 16, 5, 370-388.

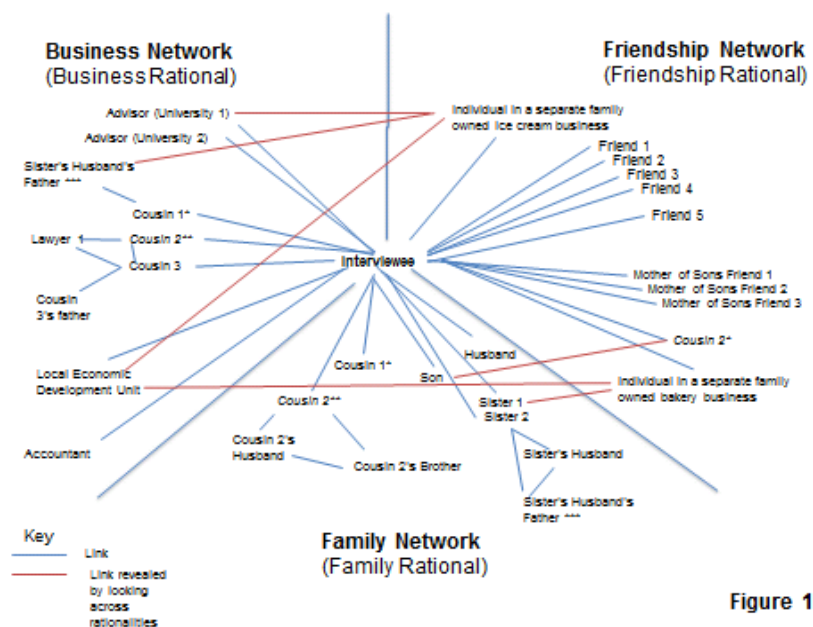
Webb, J. W., Pryor, C.G., and Kellermanns, F.W. (2015). Household enterprise in base-of-the-pyramid markets: The influence of institutions and family embeddedness, *Africa Journal of Management*, 1, 115-136.

Yan, J., and Sorenson, R. (2006). The effect of Confucian values on succession in family business, *Family Business Review*, 19, 3, 235-250.

Yin, R.K. (2014). *Case Study Research: Design and Methods* 5th Edition, Sage, London.

Yu, A., Lumpkin, G.T., Sorenson, R.L., Brigham, K.H. (2012). The landscape of family business outcomes: A summary and numerical taxonomy of dependent variables, *Family Business Review*, 25, 1, 33-57.

**Figure 1 Case 1: Multi-Rational Approaches to Networks \***



**Figure 1**

\* Individual nodes within the network are linked where this was made apparent in the interview. Links within the individual rationales are indicated using straight lines; links which become apparent when the data are viewed through a multi-rational perspective are shown using dashed lines. The three different rationales are separated using heavy print dashed lines.

## Appendix - Topic Guide

### Exploring Networks in local Family Businesses

1. The family - who are the family, how do they network together
2. The Business – business characteristics, who/what is the business, how does it operate, what are the key networks, do they involve family members – and if so, how does the network absorb the dual roles of family and business.
3. Characteristics of the network, links between the family and business networks, capacity for individuals to play more than one role

## Questions

- 1 Can you tell me about the business, how it started?

- A What made you want to start up in business?
  - B How did you come to be in East Lothian?
  - C Is East Lothian somewhere you plan to stay?
- 2 Can you tell me about the business, what it looks like now?**
- A How involved are the family in the business?
  - B How has the business changed over time?
  - C Do you plan to keep the business going?
- 3 Is this your main business?**
- A Do you have any other business interests?
  - B In East Lothian or elsewhere?
  - C Do your family have other businesses locally?
  - D Or elsewhere?
- 5 Have you ever thought of moving from [local area]??**
- A Is this something you would consider?
  - B If yes, is this something you are planning in the short-term?
  - C If no, why not?
- 6 Have you ever thought of starting another business?**
- A Is this something you plan to do in the short term?
  - B Or in the medium/long term?
- 7 Are other members of your family in business?**
- A Can you tell us more about who they are and their involvement?
  - B Has that involvement changed over the years?
- 8 Are you involved with the business community in [local area]??**
- A Are they member of i.e. Chamber of Commerce, Scottish Enterprise, Local Council, Banks?
  - B How do they find i.e. lawyers, accountants, advisors etc?
  - C What role do the suppliers play?
- 9 Can you tell us a bit about how you got involved with the business community?**
- A Was this an iterative process?
  - B Was the initial process deliberate?
- 10. Do you have much involvement with other family businesses or business families?**
- A What role/value do they place on less formal systems?
  - B How does this work?
  - C how did they get to know people initially?
  - D Would they choose to extend this network?
- 11. Can you tell me a bit more about your decision making – how do family and business needs balance out?**