

Chapter 2

Conceptualisation

The last chapter provided an overview of the respective developments of family business and entrepreneurship research. Drawing on the developments and progress in the evolution of the family business and entrepreneurship literatures, the research question was established at the end of the last chapter. This chapter, in turn, will provide an in-depth examination of the two major constructs that the research question is built on, namely “familiness” and entrepreneurial processes, which sets the conceptual framework and contributes to the overall design of this research.

The main objective of this chapter is to clarify the meaning of the central concepts that underpin this research. On the one hand, the notion of “familiness” has provided a potential solution to the definition dilemma in family business research. The composition of this notion, however, is still largely ambiguous, which has significantly hindered the notion’s legitimacy and applicability. Empirical results tend to be fragmented and contradictory, primarily because a holistic understanding of the notion is missing, hence the absence of an operational “familiness” framework. On the other hand, although entrepreneurship has now been commonly referred to as processes of opportunity perception and exploitation, how to capture and measure these processes remains unclear in the literature. In other words, what criteria do we use to determine entrepreneurship and the nature of the processes? These questions will be addressed in this chapter.

To achieve the above-mentioned objective, this chapter is organised as follows. The first section will examine the prior work on the notion of “familiness.” Along with acknowledgement of its strengths is criticism of the prior frameworks’ lack of comprehensiveness and operability. The second section will provide a critical discussion on the opportunity-based approaches to entrepreneurship research, and particularly Shane and Venkataraman’s (2000) three-stage framework. In the third section, an operational framework of “familiness” will be developed on a multi-dimensional basis, and a set of measures for entrepreneurial processes will be proposed. The last section will summarise the chapter and visualise the overall conceptual framework for this research.

2.1 The Notion of “Familiness”

As mentioned in the last chapter, solid inroads have been made towards solving the long-standing family business definition dilemma. Development of the notion of “familiness” has broken through the restriction of conventional dichotomous thinking, which attempted to distinguish “family” and “non-family” businesses. Instead, by focusing on the family attributes of given businesses, the notion of “familiness” advocates a continuous approach to perceiving the family business. In a general sense, the emergence of the notion of “familiness” has advanced our understanding of family business, or the essence of this form of organisation (Chrisman et al. 2005a; Sharma et al. 2012). This development has contributed to the emerging consensus among family business researchers that family businesses are heterogeneous and the heterogeneity can hardly be captured by a dichotomous paradigm (Moore 2009; Pearson and Lumpkin 2011). Nonetheless, since the notion was initially proposed, perceptions on “familiness” have varied among researchers, and have become a subject of debate in the family business literature (Pearson et al. 2008).

Habbershon and Williams (1999), the first presenters of the notion of “familiness,” agree with Wortman (1994) on that there is no unifying paradigm for family business research. To start developing a unified theoretical basis for family business research, they adopt the resource-based view (RBV) of the firm, emphasising the firm’s internal attributes as a source of competitive advantage. This complements, and to some extent criticises, the work of Porter (1980, 1990), who argues that it is the firm’s relation to the external environment, rather than the firm’s internal attributes, that leads to strategic capabilities and advantages. Habbershon and Williams (1999) then propose the term of “familiness” to describe such internal attributes of the family businesses, and incorporate systems theory with the RBV by arguing that the family attributes and influences on business performance can be captured through a unique bundle of resources and capabilities generated from the interaction between the family unit, individual family members, and the business organisation. According to Habbershon et al. (2003, p. 451), “familiness” refers to “the idiosyncratic firm level bundle of resources and capabilities resulting from the system’s interactions,” a view echoed by Chrisman et al. (2003a, p. 468) who describe it as “resources and capabilities related to family involvement and interactions.”

Although the RBV notion of “familiness” has been acknowledged and applied by many researchers (e.g., Chrisman et al. 2003b; Craig et al. 2011; Hayton, 2006; Simon and Hint, 2003; Tokarczyk et al. 2007), its weaknesses and limitations are notable. Firstly, operationalisation of the RBV notion of “familiness” has proved rather difficult. Despite the seemingly tangible RBV definition of “familiness,” there is in fact no empirical literature that has operationalised this definition by identifying and measuring these idiosyncratic resources and capabilities. One possible reason for the absence of such empirical studies is that the RBV itself seriously lacks specificity (Hoopes et al. 2003). Priem and Butler (2001) argue that

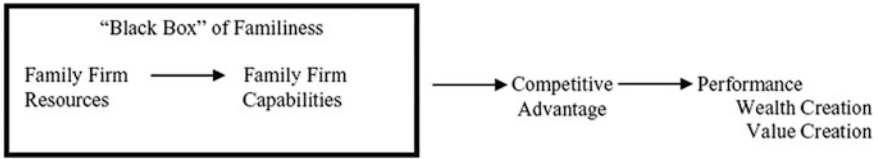


Fig. 2.1 Resource-based view model of “familianness” (Pearson et al. 2008)

the RBV tends to be tautological, and that in accordance with the RBV definition anything in the firm can be, and in fact has already been, labelled a “resource.” These comments are echoed by Armstrong and Shimizu (2007), who note that the RBV has an overly broad definition of resources, which has led to numerous ambiguities in research.

Drawing on the RBV thinking (e.g., Barney 1991; Grant 1991; Hunt 1995), Habbershon et al. (2003) propose that resources and capabilities in family businesses must be unique, inseparable, and synergistic to be qualified as “familianness.” But once again, the authors have not provided a means to operationalise these criteria, and the qualified resources and capabilities constituting “familianness” remain unspecified, which leads to Chrisman et al.’s (2005b) call for further studies on the sources and types of “familianness.” As is noted by Pearson et al. (2008, p. 952), the RBV notion of “familianness” remains a “black box” (see Fig. 2.1).

Secondly, it is problematic to limit the concept of “familianness” to resources only. This limitation arises from positing the RBV as the theoretical basis for the notion of “familianness” (Pearson et al. 2008). Although Habbershon et al. (2003) incorporate systems theory into their notion of “familianness,” and draw on firm-level investigations into the degree and nature of the systemic family influences on business performance, they have exclusively assumed that the family attributes and influences on the business can be captured through idiosyncratic resources and capabilities generated from system interactions rather than anything else.

In line with the RBV thinking, Habbershon and Williams (1999, p. 11) classify firm resources into four categories: “physical capital resources (plant, raw materials, location, cash, access to capital, intellectual property), human capital resources (skills, knowledge, training, relationship), organizational capital resources (competencies, controls, policies, culture, information, technology), and process capital resources (knowledge, skills, disposition, and commitment to communication, leadership, and the team).” On the one hand, many of these resources are hardly idiosyncratic to family businesses. On the other hand, even within such a broad pool of resources from which the RBV notion of “familianness” is generated, some critical factors are still missed out, such as business objectives. This may reduce the validity and reliability of the concept and slow down the exploration of the essence of family attributes in the business (Chrisman et al. 2005a). Therefore, there is a need to both tighten and extend the dimensionality of the notion of “familianness,” for which resources are a necessary rather than a sufficient condition (Arregle et al. 2007; Pearson et al. 2008; Sharma 2008).

Thirdly, although Habbershon and Williams (1999, p. 13) categorise “familiness” resources and capabilities into “distinctive” and “constrictive” by using the outcome criterion of whether they provide the family business with potential advantages or not, the RBV notion of “familiness” places much more emphasis on the distinctive rather than the constrictive capabilities, and concludes that “familiness” produces competitive advantage and enhances business performance (e.g., Habbershon et al. 2003; Tokarczyk et al. 2007). This unilateral approach tends to be subjective and impressionistic; it does not, and cannot, present a coherent and comprehensive understanding of family attributes. There is a stream of researchers who look into family attributes and influences that have a negative impact on the firm’s management and performance in general (e.g., Gomez-Mejia et al. 2001; Miller et al. 2007; Schulze et al. 2003), and entrepreneurship in particular (Hall et al. 2001; Zahra et al. 2004). As is suggested by Heck et al. (2008), both sides of family influences should be examined in order to develop a holistic understanding of “familiness.”

The recent theoretical and empirical development of the F-PEC Scale provides a potential remedy to the shortcomings of the RBV notion of “familiness.” After a detailed review of prior literature, Astrachan et al. (2002, p. 47) are convinced that the real issue pertaining to family business definition “is not whether a firm is family or non-family, but the extent and manner of family involvement in and influence on the enterprise.” In line with this view, the authors propose a continuous rather than a dichotomous scale to reflect and measure the “familiness” of given businesses. In their conceptual works, Astrachan et al. (2002) and Klein et al. (2005) select three dimensions of family influence, comprising a scale, namely, power (family influences on ownership, governance and management of the firm), experience (information knowledge, judgment, and intuition that comes through successive generations), and culture (alignment of the family values with the business values). The framework was first presented by Astrachan et al. (2002) and then tested by Klein et al. (2005). Power was measured by the percentages of share ownership by family members and representation on the firm’s board. Experience was measured by the number of generations of the family owning, managing, and actively governing the firm, respectively. Culture was reflected by the family’s commitment, loyalty, and pride toward the firm. Their scale is named after these dimensions as F-PEC, as illustrated in Fig. 2.2.

The development of F-PEC Scale is a notable advance in studies examining “familiness.” For the first time in the family business literature, it offers an operational instrument to measure the degree of “familiness” by using a multi-dimensional and continuous scale. It has been reviewed and applied by a number of researchers (e.g., Björnberg and Nicholson 2007; Corbetta and Salvato 2004; Jaskiewicz et al. 2005; Rutherford et al. 2008), most of whom note that a continuum is more valid and reliable than a dichotomy, and that the conceptual development of F-PEC Scale is a positive step towards creating and operationalising the multi-dimensional construct of “familiness” (Cliff and Jennings 2005).

More recently, Rutherford et al. (2008) have conducted an empirical examination of the link between “familiness” and business performance by employing the

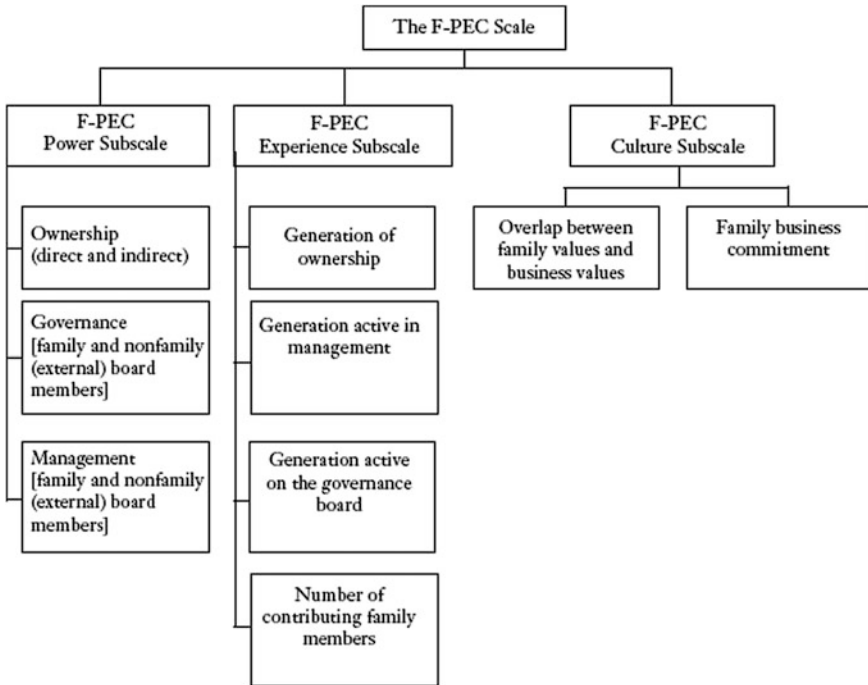


Fig. 2.2 The F-PEC Scale (Astrachan et al. 2002)

F-PEC Scale. The results indicate that the effect of “familianness” on business performance depends on the “familianness” components and outcome measures. The authors further observe that although the F-PEC Scale can adequately capture the “familianness” in a given business, it does not capture the extent to which the business is operated as a vehicle to help achieve the vision of a better future for the family (Chrisman et al. 2005a; Chua et al. 1999). Thus, it is likely that “the F-PEC Scale measures only the potential family influence and not whether that influence has been exploited to create the essence of a family business” (Rutherford et al. 2008, p. 1105). In a similar vein, Cliff and Jennings (2005) suspect that it may not be the level of family influence that matters most in the business performance, but rather the way that each family exerts its influence on the business. They suggest further in-depth exploration of different combinations of dimensions to emphasise the nature of family influence. In their conclusion, Rutherford et al. (2008) encourage researchers to measure actual family influences and find out what family firms are in fact doing with the “familianness” present in their organisations.

To sum up, the conceptualisation of “familianness” moves family business research forward by submitting that a possible solution to the family business definition dilemma is the type and extent of family attributes and their influences on the business, which create “more” or “less” of a family business, rather than a dichotomous categorisation of “family” and “non-family” businesses. Efforts

have been directed to understanding the components and essence or consequence of “familiness” (Sharma 2008) and the role that “familiness” plays in the firm’s entrepreneurial processes (Heck et al. 2008).

This research is critical of the RBV notion of “familiness,” which is restrictive to a bundle of usually unspecified resources and capabilities, and has a unilateral focus on the distinctive side of “familiness,” with the constrictive side typically neglected. Also, the F-PEC Scale tends to be inapplicable to this research, mainly due to the ambiguities in its dimensions. For example, it is not clear what differs between the power dimension and the experience dimension, and how these dimensions reflect the way in which the business actually performs. Therefore, as Rutherford et al. (2008) note, the F-PEC Scale may hardly capture the actual influences that the family has on the business. For the purpose of this research, “familiness” is perceived on three relevant dimensions, namely, business objectives, resources, and decision-making, with each dimension consisting of five sub-dimensions. These will be explained in more detail in the third section.

2.2 Entrepreneurial Processes

Turning now to the progress in entrepreneurship studies, although many researchers have agreed that entrepreneurship research should have a focus on opportunities, there have been disagreements on the notion of entrepreneurial opportunity itself, which presents a significant theoretical dilemma for the development of entrepreneurship research (McMullen et al. 2007). Initially embraced by researchers, Shane and Venkataraman (2000) opportunity discovery, evaluation, and exploitation (DEE) framework has recently received critiques, which suggests that the opportunity-based approach needs critical improvement or refinement.

Primarily, the DEE framework has assumed that opportunities are objective phenomena that exist independent of the entrepreneur’s cognition, perceptions, and actions (Shane and Venkataraman 2000), therefore, as Alvarez and Barney (2007, p. 11) comment, “the task of ambitious entrepreneurs is to discover these opportunities—using whatever data collection techniques exist—and then exploit them—using whatever strategies are required—all as quickly as possible, before another entrepreneur discovers and exploits the opportunity.” However, many others (e.g., Sarasvathy 2001, 2008; Zahra 2008) have challenged this view and argued that opportunities can also be created through the entrepreneur’s actions. In contrast to the discovery perspective, the creation perspective posits that opportunities do not necessarily exist in previously established industries or markets; rather, it is the entrepreneur’s actions, reactions, and enactment exploring new means-ends relationships that create the opportunities (Baker and Nelson 2005; Sarasvathy 2001, 2008). In addition to searching for opportunities in existing industries or markets, entrepreneurs can also “engage in an iterative learning process” (Alvarez and Barney 2007, p. 11–12) that leads to the creation of an opportunity. Unlike discovered opportunities, the links of created opportunities

with existing industries and markets are unknown before the opportunities are created. Alvarez and Barney (2007), among others (e.g., Zahra 2008), have therefore proposed that opportunity creation, besides discovery, should be examined, which this research echoes.

From the creation perspective, the three-stage DEE framework appears overly simplified and idealised. It implies that entrepreneurial processes are a temporal sequence in which the entrepreneur first discovers the opportunity by searching in existing markets, then evaluates the opportunity by predicting its profitability as well as the availability and accessibility of necessary resources, and eventually exploits the opportunity by acquiring, organising, and deploying resources. In line with this view, the entrepreneur is able to develop a clear and complete business plan when the opportunity is discovered and evaluated, and then implements the plan in a later stage (Alvarez and Barney 2007). However, it has been noted that very few entrepreneurs actually start out with a clear business plan (Bhide 2000). Instead, most entrepreneurs are in effect pursuing “ambiguous, changing and constructed goals” with a set of means over which they have some control (Sarasvathy 2001, p. 244), and the opportunity may only be a potential one until it finds a market (Baker et al. 2005; Sarasvathy et al. 2003).

In most cases, entrepreneurial processes are not aligned. Rather, they are reversible, indeterminate, and dependent on the circumstances (Sarasvathy 2001, 2008; Whittaker et al. 2009), which lead to market outcomes. Thus, opportunity perception and exploitation should be treated as non-linear and contingent rather than linear and predictable processes, and a market validity criterion should be added because entrepreneurship is eventually determined by outcomes rather than processes (Sarasvathy et al. 2003; Shane and Eckhardt 2003; Zahra and Dess 2001). In other words, rather than an aligning step-by-step sequence, opportunity creation, evaluation, and exploitation are iterative and interactive processes, making the supply and demand meet, and resulting in either improvement of existing markets or creation of new markets (Singh 2000, 2001). As Whittaker et al. (2009) note, the means that the entrepreneur deploys in the processes have significant influence on the ends, though the ends can also influence the means.

Despite the long-standing and considerable debates on what entrepreneurship is and how it can be approached, it is generally agreed that entrepreneurship is a cognitive and behavioural phenomenon, which can take place in virtually all organisations regardless of their sizes or types (Roupas 2008), resulting in market outcomes (Davidsson 2004; Gartner 1988; Schumpeter 1939). Entrepreneurial processes, in turn, have been conceptualised as the activities associated with the pursuit of market outcomes. Mirroring the cognitive and behavioural attributes of entrepreneurship, Morris and Lewis (1995) and Woods (2006) note that entrepreneurial processes have attitudinal and behavioural components; the attitudinal component refers to the willingness of the entrepreneur, or the entrepreneurial team, to embrace a potential opportunity and tolerate the risk and uncertainty aroused by it, and the behavioural component refers to a set of activities taken to evaluate the potential opportunity as well as to acquire and deploy resources to create and exploit it.

In essence, it is noted that entrepreneurship is opportunity-focused, value-creating, resource-efficient, and performed by a lead entrepreneur or entrepreneurial team (Fry 1993; Timmons 1999). In this sense, Low and MacMillan's (1988) concern over the past studies for their failure to synthesise the insights generated to create a common ground for entrepreneurship research has been addressed generally, if not fully, because the process orientation (Davidsson 2004) has received extensive acknowledgement. In accordance with the purpose of this research, entrepreneurial processes are treated as activities performed by the entrepreneur or entrepreneurial team through organisational means, in which potential opportunities are discovered or recognised, followed by the gradual and reversible processes of opportunity creation and exploitation, resulting in market outcomes (cf., Whittaker et al. 2009). In the context of an existing business—a second-generation family business for example—typical entrepreneurial outcomes include, but not limited to, the creation of new business streams, development of new capabilities, innovation of existing products or processes, and so on. The entrepreneur in this research, in turn, refers to the person who plays a central role in these processes by making key decisions (Casson 1982) with regard to the opportunity creation and exploitation.

2.3 Conceptual Operationalisation

Following the critical views in the last sections on the conceptualisation of the notion of “familiness” and entrepreneurial processes, respectively, I will now continue the discussion by proposing an operationalised framework for both constructs, on which empirical work in this research is based.

2.3.1 *The Three-Dimensional Notion of “Familiness”*

Although family influences on entrepreneurship have recently attracted much more attention from researchers whose investigations are conducted from a range of perspectives, including family role in networking (Anderson et al. 2005), risk-taking (Naldi et al. 2007; Zahra 2005), organisational culture (Hall et al. 2001; Zahra et al. 2004), social capital management (Steier 2001), business performance (Kim and Gao 2013), and longevity of the business (Zellweger et al. 2012), the literature appears to be diffused and disjointed, and the findings do not corroborate each other. A review of relevant literature indicates that the under-development of research on entrepreneurship in family businesses might be a result of the lack of understanding of the family business per se. If the “what is a family business?”

question¹ is not answered, the “how is entrepreneurship influenced?” question is not likely to be answered within the “family business” context. To investigate entrepreneurship in family businesses, an operationalised view of family businesses is needed, as well as a view of what is being influenced (cf., Zellweger et al. 2012), or entrepreneurial processes as specified in this research.

Drawing on the continuous thinking, and being critical of the RBV conceptualisation, the notion of “familiness” in this research will be examined on three relevant dimensions, namely, business objectives, resources, and decision-making, which are essential to the entrepreneurial processes. Business objectives are the fundamental elements from which the business operations are initiated. As per McMullen et al. (2007) comments, entrepreneurs are often engaged in objective-oriented behaviours, and the business objectives can influence virtually all business activities in an organisation, including those associated with its entrepreneurial processes. For example, a potential entrepreneurial opportunity can be perceived and evaluated against the business objectives, and thus the entrepreneur’s motivation or willingness to further create and exploit the opportunity by venturing into entrepreneurship is influenced.

To include the dimension of business objectives in the “familiness” construct makes it possible not only to determine the degree of a business being “family,” but also to shed light on why the business chooses to, or not to, undertake entrepreneurship. In line with the literature (Aldrich and Cliff 2003; Astrachan et al. 2002; Chrisman et al. 2003a; Habbershon et al. 2003; Handler 1989; Ward 1987), five specific business objectives, which are largely distinctive to small to medium-sized family businesses, are chosen for the examination on this dimension, namely the pursuit for family wealth, family values, family employment, family reputation and social status, and continuation through succession. Investigating these criteria helps capture and measure the degree of “familiness” and the means by which entrepreneurial activities are performed in the organisation, such as the way that an opportunity is evaluated.

The next dimension is resources; they are the basis on which Habbershon and Williams (1999) conceptualise the notion of “familiness.” Although this research rejects the idea that “familiness” is solely comprised of resources, it acknowledges the significance of resources as an indispensable component of “familiness” and a crucial element for entrepreneurship. Indeed, resources play a critical role in entrepreneurial processes, and a key task that the entrepreneur takes is to determine, access, and deploy the necessary and appropriate resources for a desirable outcome (Morris 1998). This view is echoed by Bergmann-Lichtenstein and Brush (2001) and Stevenson et al. (1994), who argue that entrepreneurship is in essence a process of identification, acquisition, and accumulation of resources to take advantage of perceived opportunities. Similarly, Chrisman et al. (1998) affirm that

¹ As discussed in the previous section, the corrective of this question should be “how family is a business?” (Rutherford et al. 2008).

entrepreneurial processes involve a match between the opportunity and resources. After reviewing the relationship between family business and entrepreneurship research, Chrisman et al. (2003b) conclude that entrepreneurial processes in small to medium-sized family businesses are typically influenced by the way in which crucial family resources are acquired and deployed. This research examines five types of resources from the family system that constitute the “familiness” resources: finance, trust, *guanxi* networks, knowledge and expertise, and organisational culture.

The third “familiness” dimension concerns the way in which the business is managed and operated. In essence, decision-making is crucial for any business management practice and exists in every aspect of business operations. Being the processes of identifying problems and opportunities and then resolving them (Howard 1988), decision-making is closely relevant to entrepreneurship studies. As Shane and Venkataraman (2000) note, entrepreneurship requires a decision to act on a perceived potential entrepreneurial opportunity, and an entrepreneur is typically a specialist decision-maker (Casson and Wadeson 2007). To some extent, it is the decision-making activities that make the entrepreneurial processes possible to emerge and continue. In addition to the person who makes key decisions in the business, or the entrepreneur as this research specifies, the way in which decisions are made can both reflect the family attributes of the business and have important influences on the firm’s entrepreneurial activities. To examine the decision-making processes in family businesses, this research selects five sub-dimensions as criteria for investigation, namely the “second person,” the participation in decision-making, the consultation, the implementation, and the decision review.

Figure 2.3 depicts the three-dimensional notion of “familiness,” with the fifteen sub-dimensions, or criteria, which will be used in the investigation of the “family aspect” of the businesses in the following chapters. It is argued that actual, rather than potential, family attributes of, and family influences on, the business can be reasonably captured through the three dimensions of business objectives, resources, and decision-making (cf., Rutherford et al. 2008). Unlike the RBV notion of “familiness,” which exclusively emphasises the importance of family resources in the management of family businesses, this framework has a broader view by including the business objectives, which is potentially indicative of the attitudinal orientations of the business, and decision-making, which is largely useful for understanding the notion from a behavioural perspective. Also, in contrast to the F-PEC Scale, these three dimensions not only measure the extent to which the family involves itself in a given business, but also look into the way in which the family exerts its influence on the business. In addition, the F-PEC Scale attempts to quantify and measure family influence, a relatively subjective rather than objective phenomenon, by using quantitative methods, which is not fully realistic. By proposing the three dimensions to the notion of “familiness,” it is possible for more in-depth and descriptive qualitative data, rather than purely

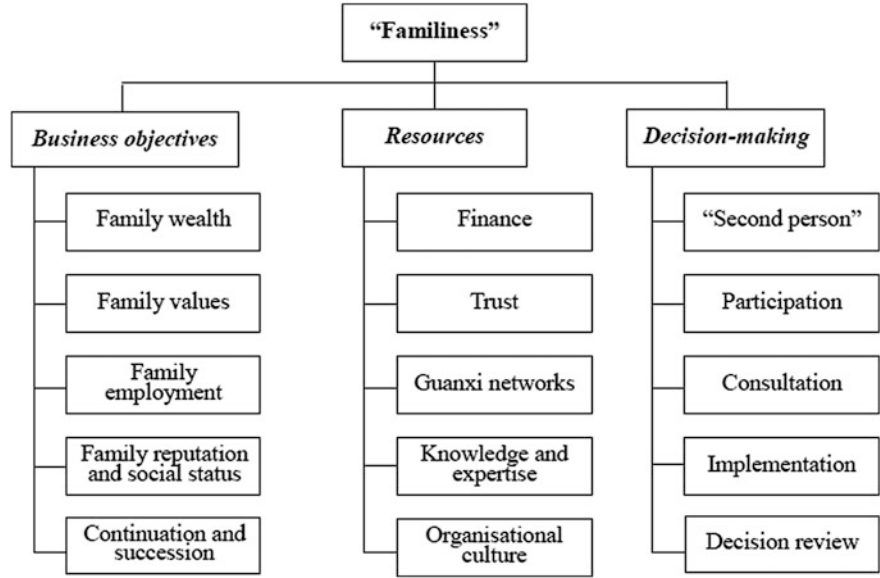


Fig. 2.3 An operational view of “familiness”

statistical and numerical data, to be generated from a variety of sources both within and external to the family and the business. Thus, a better understanding of “familiness” is achievable.

2.3.2 Family Orientation Versus Market Orientation

In order to reflect and visualise the extent of “familiness” in a given business, this research proposes two ideal types of business, namely, family-oriented and market-oriented, an approach adapted from Whittaker (1990) and Dore and Whittaker (2001), who propose two ideal types of industrial relations systems—organisation-oriented and market-oriented. “Familiness” of given businesses will be assessed on the three dimensions as proposed previously, each with five sub-dimensions as five criteria. By using both statistical and interpretive methods in the “familiness” evaluation, strategic orientations of the family businesses can be captured and located on a continuum between the FO (family orientation) and MO (market orientation) poles.

The proposal of an FO-MO continuum builds on the work of Parsons (1951, 1977) who, among others, formulates a theoretical approach to interpret the typology of values and norms in different societies by arguing that there are two types of values that individuals orient themselves in social interactions, namely,

expressive and instrumental. Both value orientations can be approached by using five pattern variables which present polar alternatives, including (1) ascription and achievement; (2) diffuseness and specificity; (3) affectivity and affectivity neutrality; (4) particularism and universalism; and (5) collective orientation and self orientation (Parsons 1977). According to the author, the left side of these dichotomies represents traditional values, while the right side represents modern values.²

Parsons' (1951, 1977) pattern variables are potentially useful for measuring the value orientations of family businesses. The “more family” businesses are oriented more by family values and interests in the business, which can be interpreted as being expressive, and the “less family” businesses, on the other hand, tend to be more instrumental and oriented by achievement, specificity, affectivity neutrality, universalism, and a self orientation, in other words, by “contract” rather than “status” (Maine 1861). Instead of concentrating more on the family side, family businesses with relatively low “familiness” typically place more emphasis on the market or contractual side, and therefore focus more on the market relations (Tokarczyk et al. 2007). In this regard, the application of an FO-MO continuum helps to measure and present the “familiness” of businesses, in addition to their strategic orientations (cf., Gudmundson et al. 1999; Leenders and Waarts 2003).

2.3.3 *Entrepreneurial Processes: Opportunity and Innovation*

Similar to the notion of “familiness,” the conceptualisation of entrepreneurial processes remains largely a theoretical discussion, rather than empirical application. For the purpose of this research, entrepreneurial processes will be assessed through the attitudes and behaviours of the decision-making entrepreneur as well as business processes in the opportunity creation and exploitation activities, coupled with an examination of the type of opportunity and the nature of outcome. In the meantime, a valid outcome is emphasised in this research as the screening criterion for entrepreneurial processes, in line with the argument that entrepreneurship is eventually determined by outcomes of the processes, rather than the intention and undertaking of the processes (e.g., Sarasvathy et al. 2003; Shane and Eckhardt 2003; Zahra and Dess 2001).

Having second-generation family businesses as the research focus, this research is particularly interested in how existing business is changed from the first generation. As Beck et al. (2011) point out, in trans-generational family businesses, the extent to which the business practices differ from the early generations is an important indication of the entrepreneurial profile of the business (cf., De Massis et al. 2012; Zellweger et al. 2012). Changes strengthening and promoting the

² Similar distinctions include Tönnies' (1887/1957) *Gemeinschaft* versus *Gesellschaft* (community versus society) and Maine's (1861) contract versus status.

market performance of the business are valid outcomes of the entrepreneurial processes (Woods 2006). This echoes the Schumpeterian tradition, which advocates that innovation be “a defining characteristic” of entrepreneurship (Whittaker et al. 2009, p. 79; see also Iwai 1984; Segerstrom 1991).

Therefore, this research views innovation as both a screening criterion and the outcome of entrepreneurial processes (cf., Dodgson 2011). As this research focuses on small to medium-sized Chinese family businesses whose ability to produce “novel innovations”³ is often restricted by their R&D input and access to market information (Zhou 2006), innovations are broadly defined in this research, referring to the continuum between an imitation extreme and an innovation extreme⁴ as a general guideline (Dobson and Safarian 2008; Iwai 1984; Whittaker et al. 2009). In line with the nature of small to medium-sized Chinese family businesses, it is non-novel innovations, rather than novel innovations, that this research will measure as outcomes of entrepreneurial processes. Thus, existing business and capabilities will be used as a reference to determine the extent to which the entrepreneurial and innovative activities have changed the second-generation family businesses. Five criteria will be employed to assess the entrepreneurial processes, including (1) the initial motivation/intention, (2) source of initial idea, (3) use of existing resources, (4) relevance of the created opportunity to existing business, and (5) relevance of the outcome to existing business.

The first criterion assesses the initial motivation for, or the trigger of, the entrepreneurial processes in the businesses. Motivations vary between businesses, and the triggers can be complex, usually involving a combination of factors at both firm level and individual level, in either economic or non-economic terms (Kahneman and Tversky 1979). However, it is generally possible to track whether the businesses start their opportunity creation activities intending to maintain and reinforce their existing capabilities or to change, or renew, existing business with new capabilities. For example, both Davis (1983) and Gudmundson et al. (1999) describe an inward orientation, which is typically evident among family businesses which start being entrepreneurial and innovative as they attempt to survive from one generation to the next (Ward 1987). This argument assumes that many entrepreneurial family businesses have a focus on their existing business, and therefore produce less radical innovations than those who are more outward-oriented and less reluctant to change the existing businesses. By assessing the initial motivation/intention for entrepreneurial activities, this research will not only test this assumption, but also shed light on the relevance of entrepreneurship to the “familiness” in family businesses.

³ In innovation studies, the newness of an innovation is usually measured against the business and the industry. Novel innovations are new to both the business and the industry, and non-novel innovations are new to the business but not to the industry (Whittaker et al. 2009).

⁴ The imitation extreme represents pure clone of existing products and services, while the innovation extreme represents innovations that are entirely new to the market and industry. Between the extremes are innovations that are new to the business or local market but not to the industry (Whittaker et al. 2009; Zhou 2006).

The second criterion examines the source of initial idea for entrepreneurial and innovative activities. According to Anderson et al. (2005), small to medium-sized family businesses are used to receiving valuable market or product information from the owner-manager's family networks. This is largely because small businesses usually have limited capacity to access such information by organisational means (Davidsson 1991; Whittaker 1999), and sources accessed through family networks are easily considered reliable and approachable (Rutherford et al. 2006), presumably because of the relatively high level of trust between family members on the basis of goodwill and kinship (cf., Kim and Gao 2013; Sako 1992). Investigating the source of initial entrepreneurial idea will help determine the owner-managers' attitudes and behaviours in the entrepreneurial processes.

The third criterion looks into the use of existing resources in the opportunity creation and exploitation activities, and evaluates the extent to which the businesses rely on existing resources for their entrepreneurial processes. In a general sense, if the business has a strong reliance on existing resources over which it has control, then the entrepreneurial activities may be inclined to strengthening its existing business (cf., Gudmundson et al. 1999), and the entrepreneur, or the entrepreneurial team, is mainly engaged with the deployment and redeployment of existing resources, without having to acquire new resources. In essence, this criterion is related to the nature of opportunity that is created and exploited, which is mainly assessed by the next criterion. If the opportunity is highly relevant to existing business, then presumably there is a less need for the acquisition of new resources. However, as observed by Verhees and Meulenbergh (2004) and Whittaker (1999), small businesses are often capable of creating opportunities of less relevance to existing business by re-organising their existing resources.

The fourth criterion, as mentioned above, investigates the relevance of the created opportunity to existing business. Although entrepreneurial processes are difficult to predict or measure (Sarasvathy 2001, 2008), and a clear business plan is frequently missing (Bhide 2000), the entrepreneur's attitudes and behaviours in the processes still have an impact on the type and nature of the created opportunity. For example, a market-oriented entrepreneur would normally prefer creating an opportunity to address market demand, while a family-oriented entrepreneur might pay more attention to the supply side (Stevenson et al. 1994), and endeavour to create an opportunity that is relevant to existing business. Therefore, investigating the nature of opportunity can generate useful insights into the strategic orientation of the business.

The last criterion employed to investigate entrepreneurial processes is actually the outcome of the opportunity creation and exploitation. As mentioned above, entrepreneurial processes are valid only when there is an outcome (Sarasvathy et al. 2003; Shane and Eckhardt 2003; Zahra and Dess 2001). This criterion, therefore, focuses on the relevance of the outcome to existing business. In other words, for the purpose of this research, it is the innovation that will be assessed with reference to existing business and capabilities of the second-generation family businesses. Here, including the innovation outcome as a criterion for entrepreneurial processes not only helps validate the processes, but also develops a

link to the “familiness” conceptualisation. The literature argues that a positive relationship exists between the firm’s market orientation and radical innovation (Beck et al. 2011; Bennett and Cooper 1981; Dibrell et al. 2011), so does it between the firm’s family orientation and continuous or incremental innovation (Gallo 1995; Harris et al. 1994; Leenders and Waarts 2003; Zahra 2005). These arguments will be examined by this innovation outcome criterion with reference to the “familiness” findings.

Entrepreneurial processes are comprised of a range of cognitive and behavioural activities, which are not easily evaluated due to their changing nature (Woods 2006). However, drawing from the understanding of entrepreneurship as at the nexus of perceived and exploited opportunities and individual entrepreneurs (Shane 2003; Shane and Eckhardt 2003), this research is designed to assess the entrepreneurial processes through the five criteria as discussed above. By investigating the motivation for entrepreneurial activities, the recognition of potential opportunities, the use of resources, the nature of opportunities, the nature of outcomes, and the attitudes and behaviours of the owner-managers in the entrepreneurial processes will be examined, and related to the “familiness” data to yield insights on the family influences on entrepreneurship in second-generation Chinese family businesses.

2.4 Research Framework and Chapter Summary

In the last decade, substantial inroads have been achieved in the conceptualisation of both “familiness” and entrepreneurial processes. However, application of these concepts in empirical work is still very difficult, primarily as a result of their lack of operability. Therefore, it is necessary to operationalise the concepts by carefully selecting relevant components for the purpose of this research.

The notion of “familiness” needs a comprehensive view to be persuasive. Therefore, three dimensions are proposed, namely business objectives, resources, and decision-making, covering both cognitive and behavioural perspectives. Each dimension comprises five sub-dimensions as criteria for measuring the value orientation of the business in its management and operations. The design of the FO-MO continuum as a means to present the “familiness” findings will help visualise the qualitative data, and enable a comparison with the entrepreneurship findings.

On the other hand, entrepreneurial processes are interpreted as a series of cognitive and behavioural activities creating and exploiting opportunities, with favourable changes, or innovations, as outcomes. Therefore, the processes can be adequately captured through the entrepreneur’s attitudes and behaviours in the firm’s opportunity creation and exploitation processes, the nature of the opportunity, and the nature of the innovation outcomes. Five criteria have been proposed from this perspective, with consideration given to their relevance to the “familiness” conceptualisation.

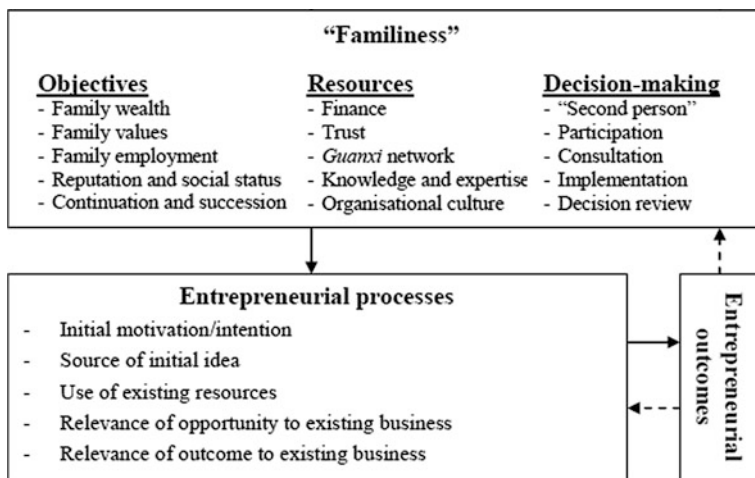


Fig. 2.4 Research framework

To sum up, Fig. 2.4 combines the "familiness" and entrepreneurial processes conceptualisation into the general research framework to guide this research. The arrows refer to the "familiness" influences on entrepreneurial processes, on which the research question focuses. The broken lines indicate the potential influences that entrepreneurial outcomes can have on the "familiness" of the business and its entrepreneurial processes. Although these influences are not a focus in this research, the existence of these feedback loops should be kept in mind, primarily for a future research agenda.

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