FIRST OWNERSHIP SUCCESSION IN FAMILY BUSINESSES FROM ENTREPRENEURSHIP VIEWPOINT

INTRODUCTION

The systematically made literature review of articles on family businesses confirms that succession is the dominant subject of research (Handler, 1994; Wortman, 1994; Chrisman, Chua & Sharma, 2003; Sharma, 2004). The ownership succession, however, is still under-researched (Thomas, 2002) as compared to managerial aspects of succession. There is still open space in family business and entrepreneurship research as they are quite young disciplines seeking their idiosyncratic paradigms. It is true for both family business (Wortman, 1994) and entrepreneurship (Aldrich & Baker, 1997) since "much of the work done in the mainstream entrepreneurship literature…remains relatively unsophisticated in its treatment of reliability and validity issues" (Chandler & Lyon, 2001: 110). The same one can tell about the entrepreneurship perspective in the family business research (Astrachan, 2003).

The strong accent laid recently on the family as a basic unit of analysis when researching entrepreneurship in family firms (Habbershon & Pistrui, 2002; Rogoff & Heck, 2003; Aldrich & Cliff, 2003; Dyer, 2003) as well as pointing to the family business and entrepreneurship as distinct but overlapping fields (Hoy & Verser, 1994) underlie model building while indicating the family should be in the central place when investigating the influence of ownership succession on entrepreneurship in family firms.

The succession (transition) is a "multistage process that exists over time, beginning before the heirs even enter the business" (Handler, 1994: 134) while the successor begins from no role, through helper, manager, to decision-maker (Handler, 1994). The independent decision making power is closely dependent on being the owner as ownership succession is "accomplished slowly or even avoided in order for the predecessor to maintain control" (Handler, 1990: 48). Founders are widely perceived as entrepreneurs because they set up firms as a reaction to spotted opportunities or as means to pursue created opportunities that was evaluated as possible to achieve and beneficial to family. It is especially true in the context of family firms where would-be founder's feeling of self-respect, esteem and self-actualization as superior values (Rokeach, 1968) can comprise the motives to set up a firm that will secure the family wealth (Ward, 1987). All decisions of an owner, also these ones impacting entrepreneurship of the firm, derive legitimacy from possessing the firm that manifests itself in achievement, self-actualization and opportunities for growth (cf. Davis, Schoorman & Donaldson, 1991). It means that for entrepreneurial owners the firm is means not an end suggesting their families play the role of investor (cf. Habbershon & Pistrui, 2002). Founders are widely known from unwilling attitude toward handing down the power in their firms (e.g. Sonnenfeld, 1988; Adizes, 1999), however, if it is already passed on to the successor, it may seem that they are powerless since "ownership represents a source of power that can be used either to support or oppose to management depending on how it is concentrated or used" (Salancik & Pfeffer, 1980: 112). Family firms are, however, specific business entities where the majority of shares may not be the sufficient condition to manage the family firm independently since in the practice one can often find the situation where the predecessor (founder) still plays a main role even if the succession has been completed (Kelly, Athanassiou & Crittenden, 2000; Carlock & Ward, 2001) and the firm is formally passed on to the children (Dyer, 1986; Handler, 1994; Schein, 1995; Kets de Vries, 1996). As the entrepreneurial actions of the successor can be taken only on the base of ownership of the firm, the question of highest importance is whether in the firms under the direction of new owners the level of entrepreneurship will be decreasing, keeping stable or increasing. Such approach to entrepreneurship stems from the conceptual works where the entrepreneurship is clearly depicted as a process (Stevenson & Jarillo, 1990; Bratnicki, 2003) and its dynamic character is highlighted (e.g. Schwartz & Teach, 2000; Davidsson, Delmar & Wiklund, 2002). Research done on family firms pointed to the tendency to diminishing the entrepreneurial orientation (autonomy, proactiveness, competitive aggressiveness, and risk taking) after they passed on to the next generation (Martin & Lumpkin, 2003). On the second hand, the founders have the strong tendency to shape successor in their image, so called homosocial reproduction (Handler, 1994). As entrepreneurial personalities they will be trying to instil the positive attitude toward valuing creativity, independence, willingness to take risk into their children because potential entrepreneurs must have entrepreneurial mindset that enables opportunity recognition and perceive entrepreneurial activities as both desirable and feasible (Hisrich & O'Brien, 1982). Singaporean research done recently infers that the successor's entrepreneurial attitude and abilities may be the key to success in family firm succession (Tan & Fock, 2001) suggesting that waiting for entrepreneurial actions after succession is done while not preparing the successor appropriately earlier before the succession has been completed is a misleading way of reasoning and just the shaping of attitude and developing the successor's abilities, in particular these entrepreneurial ones, is the best way of increasing entrepreneurship in family businesses.

In the light of foregoing facts, the call for investigating the early stages family business entrepreneurship (Astrachan, 2003; Aldrich & Cliff, 2003) should be extended to the succession process and reach beyond in order to examine if the firm in which the succession process has been completed and the new owner is wielding the power entrepreneurship, measured by the use of Stevenson's entrepreneurial management (Stevenson & Jarillo, 1990) operationalised by Brown, Davidsson and Wiklund (2001) as strategy orientation, resource control, management structure, reward philosophy, growth orientation and entrepreneurial culture, is still the driving force in the family firm. This paper aims to combine these two fields in order to build a research model of relationships between first ownership succession and entrepreneurship in Polish family businesses.

ASSUMPTIONS ON MODEL BUILDING

The processual character of both ownership succession and entrepreneurship, ownership succession- and entrepreneurship-related contradictions, as well as the strategic character of entrepreneurial actions are the premises to adopt the strategic view in family business (Sharma, Chrisman & Chua, 1997) as a framework of building the research model. Since the entrepreneurship derives from strategic management field (e.g. Dyer & Handler, 1994) and the organic perspective on strategy (Farjoun, 2002) was adopted in the entrepreneurship research in Polish companies (Bratnicki, 2003), the description of the relationships of ownership succession process with the entrepreneurship in family firms should follow this path taking into account the concepts of time (concepts and relationships are part of the continuous processes, models that highlight process), flow (interaction, feedback and multiple loops, reciprocal causation, and endogenous influences), and construct coupling (multilevel and relational views, holistic picture). In order to perform this complex and dispersed project comprehensively one needs to use the sequence of stages proposed by Lewis and Grimes (1999): 1) reviewing the literature to understand many paradigms, 2) projecting the research taking various paradigms into consideration, and finally 3) theory building that uses the mutual interactions between various trends. This paper will encompass the first of three stages partially overlapping with the second one.

The above assumptions suggest the model should be constructed in such a way so as it could encompass reality in the least simplified way. Entrepreneurship in family firm is the process that occurs earlier then succession and can last even if the succession is over although has been started later. Entrepreneurship expresses itself in behaviours, ownership succession in the transfer of rights to physical resources. The platform on which the succession is taking place is the firm but the process transcends the firm both in time and space. Hence, the succession and entrepreneurship have to be examined by taking into account multilevel analysis (individual and group-family and firm) and time passage. The process of ownership succession is taking place in the context of the influence of predecessor's entrepreneurial behaviour on successor's personality and within the context of and with the help of interactions between family, individuals and firm. The family dynamics is a large web of reciprocal causations spanned through the time (pre-succession, succession and post-succession) and space (various levels) that comprise continuous processes without determined beginning and end. Family is in incessant change as new members appear by birth and marriages while the other go away as a result of death and divorce. Children are becoming adults, expanding their social networks, developing skills and knowledge, engaging in the firm and taking it over. Hence, the family firm, family and environment (economic and social context, country institutional profile, national culture) are in continuous changes where the interactions are created, broken down and change their strengths and directions. Following Aldrich and Cliff's (2003) proposition that the interaction between transitions in family, set of values and resources results in opportunity recognition one have to realize the necessity of taking a more broaden perspective of family dynamics when researching entrepreneurship. These family transitions are simultaneously causes and effects of the whole bundle of family life cycle issues. Thus, the model should encompass the reciprocal causations between: predecessor and family transitions and family life cycle issues; transitions and family values, relationships and resources; family transitions, life cycle issues and business issues; family transitions, life cycle issues and successor; predecessor and successor; successor and outside situations; family and social network; founders type and family firm culture; family firm culture and family; family firm and individuals. Family firms consist also of endogenous influences, e.g. primary and secondary socialization influences children awareness of taking over the firm which along with the family relationships impact their career decision. Multiple loops stem from the reciprocal influences between family, individuals and family business culture. These constituencies still influence each other and have various directions and signs (positive or negative). In this context it is easy to observe that the family businesses are these organisations that are based on the broad web of bonds filled with trust. This feature can give them the possibility to achieve success (Di Maggio, 2001) as the turbulent environment is more favourable to organic structures (Pettigrew & Fenton, 2000) like they are.

The occurrence of multiple dependencies suggests giving up the causality in favour of co-dependence that requires concentration on building multilevel, time influenced model while rejecting deterministic relationships that oversimplify reality. Model built and broadened in such a way accept indeterminacy, nonlinearity and unpredictability that originate from the complexity which in order to be examined requires the use of integrated approach manifesting itself in linking various methods, approaches and paradigms. Various, often mutually exclusive approaches must result in creativity moving us beyond old, commonly accepted theories, that gives the chance of the discovery of new areas of knowledge not spotted so far.

In order to capture this complex, dynamically recreated, continuously changed, anew shaped through the time interplay between family, firm and individuals, a family business model that highlight the interactions between these three elements, has to be chosen. Therefore, family firm model was adopted from Habbershon, Williams and MacMillan (2003) as most appropriate in constructing the model of the relationships between ownership succession in family firms and the entrepreneurship as it contains the subsystem "individual" that enables the subsystems to be linked with interactions taking place on various levels and within subsystems making this model suitable for considering dynamic changes. This model indicates that no one element, e.g. firm, but at least two-family and firm, should be scrutinized. Acceptance as a unit of change multiple entities coupled with posited earlier co-dependence and constructive mode of changes while rejecting determinism leads to taking the dialectic approach (e.g. Calori, 2002). It allows for taking a broader perspective where family and family firm need not to follow the life cycle dependent paths of development (cf. Drozdow, 1998), e.g. the decrease in entrepreneurship as the generations pass, while accepting the increased variability both on the level of family and firm. Model constructed for the purpose of this work may take into account the elements of life cycle of family in business and juxtapose it with psychological factors of entrepreneurial personality shaped by family and firm, and behaviour that occurs in the firm, which two are framed by the culture being shaped by founder, family and individuals in the firm (Dyer, 1986). Adding the other factors, like social and environmental influences makes the model a complex one where the dependent variable, i.e. entrepreneurship is described through the plethora of reciprocal, multidirectional impacts and interactions between many units.

LITERATURE REVIEW

It will be done

RESEARCH MODEL

It will be done

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